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28 October 2021

Ms Anna Collyer
Chairperson
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submitted electronically

Dear Ms Collyer,

Re: EMO0040 Review of the regulatory framework for metering services Directions paper

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to make this submission to the Australian Energy Market Commission (the Commission's) directions paper for the review of the regulatory framework for metering services (the directions paper).

Red and Lumo welcome the work undertaken to date by the Commission. Red and Lumo consider that the penetration of smart meters will dramatically increase overtime without the need for a target, provided that the Commission's recommendations make it easier for retailers and their customers to successfully install a meter.

Proposed targets and backstops

Red and Lumo support the increased uptake of smart meters by consumers. However, we strongly oppose any introduction of a "a 'backstop' date or target dates by which time all accumulation meters or manually read interval meters must be replaced."¹ This proposal does not align with the intent of the Power of Choice reforms which sought to empower consumers to take up the installation of smart meters with the ability to opt out of installation (for retailer-led installations) rather than force consumers to have meters installed as was the approach in Victoria.

Adopting a backstop or target date approach will likely lead to customer resentment and resistance to smart meters. While distribution network service providers (DNSPs) in Victoria were empowered to install a smart meter with or without consumer consent, as the customer had little choice other than to accept the meter (they could not change DNSP at the same premise). Requiring retailers to achieve a specific installation target, we expect will result in an inevitable increase in customer complaints to ombudsman schemes about meters (which will lead to an unavoidable increase in costs). And unlike the DNSPs, retailers will need to somehow maintain a positive customer relationship in a competitive market after forcing a meter installation against the customers wishes (unlike a DNSP).

¹ Australian Energy Market Commission, Review of the Regulatory Framework for Metering Services, Directions Paper, September 2021, pii

Instead of introducing mandatory timeframes into the rules, Red and Lumo would support the Commission seeking to reduce impediments to the installation of smart meters including onerous regulatory obligations and addressing site rectification obligations.

Alternatively, if the Commission elects to move ahead with a proposal for an end of meter life replacement obligation it will be critical that the distribution networks are required to provide detailed information to retailers on the metering installations and the expected schedule for retirement of the meters. Furthermore, the rules should separate out the retailer obligations related to a meter fault replacement for an aged meter and a meter fault for statistical replacement. Providing an aged fault replacement with a longer installation time frame along with detailed information on the meters in the area would allow retailers to potentially initiate a more efficient retailer-led roll out rather than just a single meter replacement in response to a Meter Fault Notification (MFN). This improvement in efficiency will help reduce some of the costs associated with the current ad hoc installation process.

We also consider that in light of the post-2025 market design and future market evolution, customers will require and therefore demand a smart meter in order to access services in the future. This, alongside the aged asset program that will take place concurrently, makes a mandated time frame and backstops unnecessary.

Proposed incentives to support installation

Red and Lumo support initiatives for the roll out of smart meters. We do have some questions around how successful some of the proposals from the Commission will be considering the three options put forward. As discussed in the reference groups, we support the principle that customers should not have to pay more than once for the data that is retrieved from their meter.

- *Additional Revenue* - there is only a limited amount of financial incentive in the sharing or provision of data and DNSPs have shown they remain disinclined to spend extra money on acquiring data from the metering data provider (MDP) or the retailer. Red and Lumo are concerned that while processes to support this may need to be established the potential revenue would be extremely limited and would not be enough to offset the major costs of the meter and its installation.
- *Spread costs* - we support the examination of this proposal in more detail as there are questions around how the costs will be allocated and regulated between all participants involved in the process and how these will be reconciled and allocated based on the assumed benefit the participant receives. On the surface it would appear that the DNSP will see the most benefit from the further penetration of smart meters, however, in the past they have demonstrated a reluctance to accept any costs associated with smart metering. One option would be for the network charges for customers with a smart meter to be reduced to clearly reflect the reduction in costs associated with that site (including meter reading and maintenance costs) as well as the benefits for management of the wider network. This amount could be regulated and would address the fact that the costs of smart metering are bundled into an ongoing charge for retailers rather than an upfront cost.
- *Multiple parties to operate* - In the directions paper, this option has been described as allowing parties such as DNSPs to provide Metering Provider (MP) services to install meters

on behalf of a Metering Coordinator (MC). We are unsure why this would require regulatory changes by the Commission, rather it would require a change to the ring fencing guideline. Through the reference groups, this option evolved to also envisage a scenario where multiple parties would have the ability to install a meter. Red and Lumo do not support this as the primary responsibilities to engage an MC and ensure the customer's safety and meter exchange experience rests with the retailer. It is inappropriate for any other party to direct a MC to replace a meter other than the financially responsible retailer.

Data sources

Proposals 1 and 4 as outlined in the directions paper appear to be extremely expensive to implement and the Commission has not demonstrated that the benefits will outweigh the associated costs of implementing these options.

Currently, the process for sharing data between participants already exists through the B2B e-hub without the requirement of building a central organisation to manage the data. As this proposal will be expensive to implement and extremely time consuming, Red and Lumo question how this would be effective in supporting the roll out of smart metering in the short or long term.

There does not appear to be any evidence that supports the need for a negotiate-arbitrage framework for data disputes. The sharing or trading of data is already occurring on an admittedly limited basis with no evidence of disputes between parties that would require or use such a framework which again risks further costs for little to no benefit. If data sharing in the future becomes more commonplace or in higher demand we would support the Commission revisiting a negotiate-arbitrage framework at that time. However, developing it at this early stage only risks creating a white elephant which does not support or encourage the roll out of smart meters.

Alternatively, although proposals 2 and 3 appear much more pragmatic and practical to implement, Red and Lumo question if these proposed changes require a rule change from the Commission. Although Red and Lumo would support a common approach across the industry we would not support a new approach being developed from scratch. To reach agreement on a common approach and format for the provision of meter data from the MDP to the DNSP or other parties could easily fall within the remit of the Information Exchange Committee and their B2B Working Group. Alternatively, parties can build bespoke data exchanges to avoid a common format being visible to other participants and subject to the Rules consultation procedures.

Installation rules

Improving customers experience

Retailers operate in the competitive environment and are continually looking for ways to improve their customer experience in order to attract and retain customers.

The Commission has recommended that it will "requiring retailers to provide information to consumers prior to a smart meter being installed"². In our experience, it is unclear how this

² Ibid, piv

information would improve the speed of the smart meter roll out or dramatically improve the experience of consumers. In fact, it may detract from the customer experience. Retailers remain best placed to develop what communication will be most effective to the needs of their specific customers rather than prescribing it in the Rules.

The vast majority of consumers have requested or are aware of the reasons for the smart meter installation, explaining the reasons for the installation would appear redundant and as this obligation would only increase the burden on retailers it would act as a disincentive for a proactive smart meter roll out. Furthermore, retailers already provide much of the information (such as dispute resolution processes or changes to contracts) to consumers as required under existing regulations as standard.

While Red and Lumo support consumers being able to request a smart meter at their own volition, the decision by a retailer to not offer this service would appear to be a commercial decision rather than a problem requiring a regulatory intervention as consumers who want a smart meter have an opportunity to change to another retailer that would carry out the installation as requested. As noted above, we consider that in light of the future market evolution, customers will require and therefore demand a smart meter in order to access services. Therefore, retailers will not need to sell the benefits of smart meters in a regulated letter. Further, retailers that provide their customers with a seamless meter deployment experience are more likely to attract and retain more customers.

Reducing delays in meter replacement

Red and Lumo strongly support the removal of all timeframes for deploying meters to customers, other than by agreement between the retailer and the customer. However, should the Commission continue to persist with prescribing timeframes in the Rules for meter deployment, a 60 business day time frame is more appropriate for the replacement of malfunctioning meters. This provides a practical time frame which does not unfairly burden retailers with an unrealistic expectation of installation and allows for potential grouping of work with other meter installations in the area.

To further reduce the delays and impediments to the smart meter roll out, Red and Lumo continue to call for the Commission to consider an obligation on networks to implement network rectification of pre-existing site issues (such as shared fusing). Currently, consumers face unexpected and often high costs to rectify a range of pre-existing site design issues (such as shared fusing or multi-occupancy) which are not of their making. While the recent decision on the MC Planned Interruptions supported the sharing of site information, it failed to adequately address the ongoing costs associated with this rectification work which provides an impediment to customers proactively choosing to take up smart meters. Where these issues were created by the DNSPs or their agents, they should rectify the issue. We strongly encourage the Commission to make this a clear accountability on the DNSP in their final recommendations. This will benefit all consumers, irrespective of which retailer will be required to replace the meter in the future.

More efficient deployment

Red and Lumo support the proposal to reduce the number of notices required for a retailer-led roll out noting that this would reduce the burden on the process and allow a speed up of the installation process.

The Commission has suggested that it would consider removing the opt out provision in the process of a smart meter roll out however should a consumer not wish to receive a smart meter they can have a type 4A meter installed instead of a communications enabled smart meter. Red and Lumo do not support a removal of the opt out clause that will force customers into obtaining a smart meter with remote communications against their wishes. This would invariably lead to increase in consumer complaints and customer resistance as consumers would increasingly feel that smart meters are being forced onto them. The opt out provision currently is an important step in the process and provides the opportunity for retailers and consumers to discuss options and any associated costs.

Next steps

The Commission has conducted a thorough process to date in releasing the directions paper. In many discussions in the Reference Group, there has often been a conflating of the meter installation and network tariff reassignments and the impact that it has on consumers. Red and Lumo welcome the Commission to revisit the requirements in Chapter 6 of the Rules and address this issue.

Any recommendations made by the Commission are likely to have wide ranging impacts on many stakeholders, including potentially commercial implications and even system changes. As such, Red and Lumo strongly encourage the Commission to clearly articulate in the draft report not only its recommendations, but also outline how these preferred options would be drafted into the Rules. This will allow participants to provide thorough and well-considered feedback to the Commission on the costs, benefits and value of any of the recommendations. In turn, the Commission's final report will be more informed and therefore deliver on the long term interests of consumers.

About Red and Lumo

We are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail gas and electricity in Victoria, South Australia, New South Wales, Queensland and the ACT to over 1.1 million customers.

Red and Lumo thank the Commission for the opportunity to comment on the directions paper. Should you wish to discuss or have any further enquiries regarding this submission, please call Stephen White, Regulatory Manager on 0404 819 143 or Stefanie Monaco, Manager - Regulatory Affairs on 0481 009 645.

Yours sincerely

A handwritten signature in black ink, appearing to read "Ramy Soussou".

Ramy Soussou
General Manager, Regulatory Affairs & Stakeholder Relations
Red Energy Pty Ltd
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