

16 February 2023

Mr Ed Chan
Australian Energy Market Commission (AEMC)
GPO Box 2603
Sydney NSW 2000

Dear Mr Chan,

AEMC DRAFT REPORT: REVIEW OF THE REGULATORY FRAMEWORK FOR METERING SERVICES (EMO0040)

Endeavour Energy appreciates the opportunity to provide this response to the AEMC's draft report on the Review of the regulatory framework for metering services. We welcome the AEMC's draft recommendations to accelerate smart meter deployment, improve the installation experience for customers and establish clearer and consistent data access arrangements.

In particular, we support the AEMC's ambition to achieve 100% penetration across the NEM by 2030. Via legacy meter retirement plans, Distribution Network Service Providers (DNSPs) can guide a coordinated approach to meter replacements that would prioritise installations in areas which can deliver the highest consumer benefits. This approach would also facilitate collaboration with retailers and metering parties, allowing them to effectively plan and manage resourcing requirements to align with the roll out timeframes.

We also agree retailers and metering parties should remain responsible for the provision of metering services. Although, there could be value in having flexible arrangements that allow DNSPs the ability to install meters where it would be the lowest cost option, delivers positive customer outcomes and supports the meter replacement schedule. We also support the several proposed changes that would improve the efficiency of the installation process. Specifically, we consider the proposed 'all-in-one' approach is a sensible basis to establish a streamlined process for meter replacements at shared fuse sites.

Regarding data access, we support the mandatory provision of 'basic' power quality data to DNSPs in a standardised format. However, in the absence of competitive tension in the market for data provision, we remain concerned that data access charges will continue to be inefficiently priced. Without a workably competitive market or any corrective regulatory controls, the challenges encountered in obtaining data critical to the efficient management of the network on reasonable commercial terms will persist.

The draft recommendations will result in changes that will impact our forecast revenue requirements and Type 5 and 6 metering prices for the 2024-29 regulatory control period. We would therefore appreciate the AEMC providing clear and timely direction on the role and responsibilities of DNSPs in the final report to ensure we can properly consult with our stakeholders ahead of submitting our revised proposal.

Our feedback on the key issues discussed in the report is provided in Appendix A. To discuss our submission further please contact Patrick Duffy, Manager Regulatory Transformation & Policy at patrick.duffy@endeavourenergy.com.au.

Yours sincerely,



Colin Crisafulli
Head of Network Regulation

Appendix A: Endeavour Energy feedback to key metering issues

Accelerating the deployment of smart meters

The successful transformation and digitalisation of the energy system is contingent on the widespread uptake of smart metering which can unlock significant system-wide benefits and enable a range of new services for consumers. However, the rate at which smart meters are being installed have lagged below expectations for a variety of reasons. The slower-than-expected rollout is delaying these benefits from being realised and is limiting opportunities to deliver an efficient, lower-cost energy system.

We therefore support the AEMC's draft recommendations to stimulate the deployment of smart meters throughout the NEM and agree this would be most effectively achieved by setting a target date to achieve universal uptake. In our view, targeting universal smart meter penetration by 2030 is feasible and appropriately balances the objectives of various jurisdictional and national energy initiatives and reforms whilst taking practical and logistical considerations of the roll out into account.

Coupled with an appropriate enforcement regime, a 2030 target date would support the integration of customer energy resources (CER) and consumers' ability to participate in the NEM which are both objectives underpinning the Energy Security Board's Post 2025 Market Design reforms. It also sends an investment signal to service providers that products and service offerings will be supported by requisite numbers of smart meter customers. In turn, this would provide CER customers with increased confidence that they can accrue benefits from their investment in CER technologies. The proposed target date is further supported by the analysis performed by Oakley Greenwood which indicates 100% penetration by 2030 would maximise net benefits.

We also support the AEMC's draft recommendation requiring DNSPs to develop a legacy meter retirement plan (the plan) as the mechanism to guide the accelerated roll out. These plans would set out a transparent schedule of meters to be progressively retired each year in order to meet the 2030 goal with metering parties required to replace the retired meters within 12 months.

Although the plan is designed to stimulate retailer-led deployment of smart meters, we note it is intended to work in parallel with the existing triggers for smart meter installations. Maintaining these arrangements allows new and existing consumers to continue to initiate an installation and be provided with a smart meter within the timeframes currently prescribed in the NER. This ensures that customers will not be unduly inconvenienced by CER installation delays and also ensures achieving the 2030 target is not exclusively reliant on retailer-led deployments triggered by the retirement plan.

Importantly, the approach provides DNSPs with a greater ability to influence the location for smart meter installations which has been limited under the existing framework and has contributed to the inefficient ad hoc approach to smart meter installations. For instance, replacements could be prioritised in locations where:

- scheduled meter reading costs are disproportionately high or there are chronic access issues for meter reading;
- it would facilitate a cost-reflective tariff or demand management trial;
- it allows an efficient non-network option to proceed in lieu of more costly network investment;
- accumulation meters are failing or approaching the end of their useful life; and
- improved network visibility is required to manage network congestion and constraints, reliability or safety (neutral integrity) issues.

There are considerable benefits of this approach as demonstrated by our own experience from our Off-Peak Plus trial detailed below.

Case Study: Endeavour Energy Off Peak Plus project

In August 2020 Endeavour Energy received an exemption from the Meter Failure Notification (MFN) process under clause 7.8.10 of the NER to transition 2,850 customers to an in-meter based load control device (i.e. within a smart meter) to address the risk of failure of the load control system at a zone substation.

This solution was proposed by the metering market and avoided the replacement of off-peak relays with smart meters (i.e. reducing duplication) with the agreement of FRMPs and customers (who could still opt out to a Type 4A meter).

Off Peak Plus has successfully delivered an improved and consistent hot water service to off peak customers in Albion Park and has addressed the risk of load control system failure (e.g. system overloading and ongoing loss of supply events) at a substantially lower cost than the network replacement alternative. In this regard, it has delivered the desired outcomes and satisfied the network need.

More broadly, Off Peak Plus has been heralded as an innovative demand response program which has demonstrated the effectiveness of utilising smart meter functionalities in a real world setting to operate controlled load in a reliable and cost-effective manner. Notably, the program has improved our ability to host more rooftop solar in the Albion Park area through enabling “solar soaking” of the hot water systems in collaboration with retailers. Customers have indicated they value the improved access to clean and cheaper forms of renewable energy the program has enabled.

It is our belief this “solar soaker” function has application more broadly across the network as a low marginal cost approach to improve hosting capacity and could be extended in the future to provide cost effective access to electric vehicle charging. This gives retailers the scope to provide new products for consumers to help reduce peak demand and drive down electricity costs.

The program also unlocks a range of network benefits that can be provided through smart metering. As part of the arrangements, Endeavour Energy now has access to energy and power quality data at frequent intervals which provides greater visibility of the low voltage network.

This has allowed us to detect serious safety issues with neutral connections, detect when power is out and enhance our voltage management to allow greater solar power flows back into the grid. We can use this data to better respond to network issues and outages, particularly during storms, giving customers even safer and more reliable energy supply. Furthermore, Off Peak Plus provides improved metrology to allow retailers to offer cost reflective pricing structures and support greater customer control over their energy usage and bills.

In developing the plan, each DNSP will be required to satisfy a set of agreed principles which require consultation with stakeholders including retailers and metering parties. This principles-based approach recognises that achieving universal uptake by 2030 will necessarily require collaboration between DNSPs, retailers and metering parties to ensure the schedule of replacements are achievable, coordinated and efficient.

In particular, collaboration could inform the geographical areas that are progressively retired with Metering Coordinator’s (MC) provided the flexibility to retire legacy meters in the manner that allows them to maximise scale efficiencies. We consider the proposed principles are appropriate and envisage that 6-12 months may be required by DNSPs to allow for sufficiently robust consultation.

It could be challenging for DNSPs to develop plans that are universally supported by retailers and metering parties given their various and competing interests and there may be some risk that any impasse or conflict between parties could lead to delays in implementing the plan. The AER’s assessment process should be cognisant of the challenges DNSPs may encounter in reflecting the input of stakeholders in their plans. That is, approving a DNSPs retirement plan should not be contingent on demonstrating stakeholder endorsement but rather evaluated on a ‘best endeavours’ approach to complying with the guiding principles.

We also believe it is prudent for the AER to review compliance to the plan on an annual basis. Monitoring the progress of the rollout would provide certainty towards the achievement of the acceleration target and enables the plan to be amended if required. However, the benefits of any periodic reviews must be weighed against the additional administrative burden and risk of the rollout being delayed.

We suggest this risk could be reduced if DNSPs are exempted from consulting with parties and AER approval for amendments made to plans required to account for a change in circumstances. Rather, transparency around the process undertaken by DNSPs for making amendments to the plan could be provided in the initial plan approved by the AER. There may be merit in defining a set of conditions that would enable DNSPs to amend or reprioritise the plan in a more streamlined and less time-consuming manner.

Metering responsibilities and market structure

In response to the failure of retail competition to drive the rollout of smart meters, some stakeholders have suggested responsibility for metering should be restored to DNSPs to resemble the metering arrangements in Victoria. We share the view that assigning responsibility to a single party would likely have facilitated a

smoother and more streamlined deployment of metering and allowed the range of coordination issues which hamper the installation process to be managed more effectively.

However, unwinding the existing arrangements would be impractical and time-consuming. We therefore accept that retailers and metering parties should remain responsible for the provision of smart metering services in a market-led framework. In our view, improving competition between metering providers should drive the incentives to deliver efficient metering services to retailers and reductions in the cost for metering services. We broadly consider the shortcomings of the current framework could be more efficiently addressed by making incremental, targeted adjustments rather than dissolving the framework completely.

We reiterate our view that unwinding the metering contestability reforms would require significant changes that are more likely to delay rather than accelerate the smart meter rollout. Furthermore, DNSPs are no longer well placed to assume responsibility as, relative to metering parties, DNSPs are not appropriately resourced and are limited in their ability to cost recover. Also, different arrangements across metering points will contribute to confusion and complexities relating to service provision and access arrangements.

Nevertheless, we consider there is scope for DNSPs to play a more direct role to help achieve universal smart meter penetration by 2030. Specifically, the framework should provide the flexibility to enable DNSPs the option - but not the obligation - to work with retailers and MCs to install meters. There are likely to be circumstances where DNSP provision of a smart meter is cost efficient and can deliver better customer service outcomes. Where DNSPs identify these opportunities, it would be reasonable to allow DNSPs to enter into arrangements to undertake smart meter installations on behalf of retailers or MCs, particularly where the need is urgent.

For instance, a DNSP-led installation might facilitate an efficient non-network solution or deliver improved low-voltage network visibility for CER management or safety purposes in a quicker timeframe. It could also avoid delays and poor customer outcomes associated with coordinating multiple parties to perform work at multi-occupancy sites. Also, given DNSPs generally have a more frequent field presence than metering service providers, it could be more efficient if DNSPs were engaged to install meters in remote high cost-to-service areas. A DNSP may also offer this service more generally to assist achieving the 2030 goal where the progress of replacements are materially lagging behind the planned schedule.

Certainty around cost recovery arrangements, the regulatory treatment of this service (i.e. service classification) and the application of ring-fencing provisions would likely influence a DNSPs decision to offer this service to retailers or MCs. The mechanism through which to provide this flexibility within the framework requires further consideration but ideally would not be administratively burdensome for DNSPs or require any changes to the industry structure, particularly as we expect the vast majority of meter replacements would continue to be most efficiently performed by competitive metering parties.

Improving access to smart meter data

In contrast to Victorian DNSPs who are well placed to manage the increasing levels of CER by virtue of their access to metering data, non-Victorian DNSPs face significant challenges and cost in accessing the same data. This gives rise to a significant and growing discrepancy in dynamic network monitoring and management capabilities across NEM jurisdictions. Broadly, these challenges relate to:

- complexities in negotiating with multiple parties to access a consistent dataset that provides the requisite level of visibility;
- lack of an agreed standardised format and collection interval for data to be provided; and
- inability of DNSP to obtain access to metering data on reasonable commercial terms.

In response, the draft report includes recommendations that would oblige MCs to make available to DNSPs a defined set of “basic” power quality data via a single information exchange interface. The charge for accessing this data would be subject to commercial negotiation. Arrangements for accessing “additional” data via the interface would continue to be negotiated between DNSPs and MCs.

We support AEMC’s draft recommendation outlining the requirements of the basic power quality data service and consider the proposed minimum content sufficient to enable power quality monitoring and management strategies that facilitate better maintenance, planning, and operation of the network.

Mandating the provision of the specified data in a predefined format would significantly reduce negotiation effort, transaction and data processing costs and removes the ability for parties to deny data requests which are all current barriers to data access. In terms of the data exchange architecture, we consider details

relating to the design, technical requirements and implementation considerations of the information sharing platform should continue to be progressed with input from the technical Working Group.

The draft recommendations therefore address two of the three key shortcomings of the framework outlined above. However, we remain concerned that DNSPs will be unable to obtain basic or additional power quality data at a reasonable cost if this remains a commercially negotiated process without regulatory oversight.

We note, the need for access regulation to counter the risk of MCs charging high prices or refusing access to data was considered during the Competition in Metering rule change consultation. Notably, the AEMC listed a variety of factors that would likely constrain their ability to exercise market power and ultimately concluded access regulation in the form of price control or monitoring may significantly diminish the incentives for different parties to invest in metering services. These factors included¹:

- Low barriers facilitating potential entrants into the MC role.
- The risk of metering assets becoming stranded if MCs restrict access to them.
- Strong bargaining power of DNSPs as the only potential party interested in particular services.
- The ability of dissatisfied consumers to switch retailers
- The potential for DNSPs to access data by installing network devices

The fact that market power concerns have materialised - as evidenced by data access charges exceeding the likely marginal cost of providing the data - indicates that in practice the factors above have not been effective in incentivising MCs to provide data services at a reasonable and efficient price. In our view, this supports the case to introduce a form of access regulation.

We appreciate that limits to the AER's information gathering powers could make price regulation problematic. Visibility over the costs underpinning the prices charged by metering parties for data services could be further complicated by their ability to vary prices and bundle metering service charges in variety of different ways. Challenges in verifying an MCs power quality data costs and prices also make introducing pricing principles which could require MCs to charge prices reflective of the efficient incremental cost of providing the service problematic.

An alternative, albeit more light-handed control, could be to oblige MCs to develop a transparent negotiating framework outlining its approach for engaging in fair commercial negotiations for access to both basic and advanced power quality data. This could resemble the current requirement for DNSPs to similarly outline their respective processes for negotiating the provision of negotiated distribution services, although we would expect the requirements to be tailored to mitigate against the aforementioned specific market power concerns.

Each MC's framework could be developed with input from DNSPs and require AER approval – potentially as a condition of an MC's registration requirement. Importantly, it should provide a dispute resolution pathway allowing DNSPs and third parties to seek recourse where the framework has not been applied.

However, we reiterate our view that there are reasonable grounds to require basic power quality data be provided to free of charge to reflect the criticality of this data in enabling networks to dynamically manage two-way energy flows. Given the new obligations and heightened expectations around efficient CER integration, power quality data should be provided to DNSPs on the same terms as consumption and billing data. This approach has the distinct advantage that it encourages an efficient price for data to be discovered.

To clarify, under the current industry structure the competitive tension in the provision of metering data, and therefore the ability to negotiate price and service levels, exists between the retailer and the MC – not between the MC and the DNSP. This tension arises from MCs competing to be assigned responsibility for a premises on the retailers behalf. Once assigned responsibility, the MC is free to charge a price unrelated to its costs unencumbered by a competitive threat or regulatory control.

The DNSP is therefore limited in its ability to negotiate a reasonable commercial price for accessing power quality data. In the absence of an alternative source for metering data at a premises, DNSPs are effectively a 'price taker'.

¹ AEMC, Rule determination - Expanding competition in metering and related services, 26 November 2015, p.79

As a result, this service will not be subject to competitive price discovery and will remain inefficiently priced. DNSPs therefore remain vulnerable to variability in data access charges which in no way reflect the incremental cost of providing the service. Anecdotally, some DNSPs have observed large increases in the data access charges. Continued unconstrained cost increases could have a material impact on electricity prices as the need for widespread network visibility increases.

We believe a beneficiary-pays model works best when the beneficiary has a reasonable opportunity to influence the price they are charged. As retailers and MCs are the parties that have this influence over prices, they are best placed to bear the cost of this service. In other words, the cost of providing basic power quality data should be included within the bundled metering services provided by an MC and included in the metering charge paid by the retailer.

With retailers passing on this charge, it ensures that the price paid by consumers has been tested in the competitive market. If the current arrangements are preserved, DNSPs would pass through costs that have not been similarly tested and likely inflated. We also note retailers have greater flexibility in passing through these costs to their customers in a timelier manner than the highly regulated and cumbersome cost recovery process required of DNSPs.

Assignment to new tariff structures

Some stakeholders have raised concerns that there could be an adverse customer reaction to an automatic tariff reassignment to a cost-reflective tariff triggered by meter replacements delivered under the plan. In response to this feedback, the AEMC is considering providing additional safeguards in the NER, options include:

- strengthening the customer impact principles under the TSS framework; and
- prescribing a transitional arrangement preventing customers from being automatically reassigned to a new retail tariff structure.

In our view, these safeguards are not required as the pricing framework is generally fit-for-purpose and robust to changing circumstances and customer preferences. Mandated transitional arrangements would conflict with the purpose of the Tariff Structure Statement (TSS) process, which is to develop - in collaboration with stakeholders - strategies to progress network tariff reform, including the policies and procedures for assigning customers to tariffs.

The TSS framework includes several customer engagement related obligations in the NER, including the requirement for DNSPs to demonstrate how they have sought to address stakeholder concerns in their TSS and describe in plain language the key risks and benefits for customers of the proposed TSS.

We note DNSPs have undertaken a significant uplift in their stakeholder engagement efforts to elicit views and opinions more effectively from a range of customer groups to better inform their tariff structures. This is representative of the growing emphasis on improving stakeholder involvement in network decision making processes and has provided customers with more opportunities to provide input into tariff design and understanding of the potential impact and trade-offs of new cost-reflective pricing structures.

Furthermore, the TSS is required to comply with the network pricing objective and pricing principles, which includes the requirement to minimise the year-on-year bill impacts for each group of customers. This 'customer impact principle' generally guides the design of any transition to a cost reflective tariff. The effectiveness of these existing safeguards is demonstrated in our proposed [2024-29 TSS](#) recently submitted to the AER.

To summarise, we have proposed that all our residential and general supply customers with enabling smart metering will be assigned to our Seasonal Time of Use (TOU) Energy tariff, with the option to 'opt-out' to our Seasonal TOU Demand tariff. To further progress tariff reform, we have proposed to remove the option to opt-out of cost-reflective pricing although retailers will retain the ability to develop retail offerings that manage the network costs that arise from these efficient network tariff structures, while meeting the needs of customers.

To manage adverse customer impacts, our proposed assignment policy includes a two-year transitional period and applies as follows:

1. After obtaining a smart meter, a customer will remain on their existing tariff for (at least) the next 12 months.
2. The customer will then be assigned to a transitional Seasonal TOU Energy tariff for an additional 12 months, which is a diluted version of the fully cost-reflective tariff.

3. 24 months after they obtain a smart meter, the customer will be assigned to the Seasonal TOU Energy tariff, with the choice to opt-out to the Seasonal TOU Demand tariff.

Similarly, we have provided developed an assignment policy for our new “prosumer” or two-way connection tariff which is consistent with the general preference of our customers for opt-in arrangements for export tariffs. Specifically, we have proposed the assignment of customers to our two-way tariff is on:

- an opt-in basis for existing export customers; and
- an opt-out basis for new or upgrading export customers from 1 July 2025 (and opt-in prior to 1 July 2025).

The purpose of these transitional periods is to provide customers an opportunity to understand, monitor and adjust their energy usage with the benefit of smart metering. Although our proposed TSS still requires AER approval, it shows the TSS framework is capable of providing flexible transitional measures to manage stakeholder concerns and feedback on reassignment policies effectively and efficiently.