



2 February 2023

Australian Energy Market Commission  
GPO Box 2603  
Sydney NSW 2000

### **EMO0040 – Review of the Regulatory Framework for Metering Services – Draft Report**

Alinta Energy welcomes the opportunity to respond to the Commission's draft report on its review of the regulatory framework for metering services (metering review).

Alinta Energy is an active investor in energy markets across Australia with an owned and contracted generation portfolio of over 3,300MW and more than one million electricity and gas customers. The metering review's recommendations will have significant impacts on industry (retailers, Metering Coordinators and distributors) and end-use customers and do not come without cost or risk.

We support maintaining the roles and responsibilities established in the Power of Choice Review for the delivery of smart meter services to customers. The draft report proposes different options to accelerate the roll out of smart meters for electricity consumers in the National Electricity Market outside of Victoria, targeting a one hundred per cent deployment by 2030.

The proposals set out in the draft report to manage a range of challenges and inefficiencies impacting the deployment of smart meters will improve industry coordination, customer experience of the roll out and potentially lower costs overall. While an accelerated roll out will support the energy transition underway and enable customer access to new products and services earlier than may be the case under the current framework, it is important not to overstate the benefits of smart meters. Reasons for the slower than expected roll out of smart meters to date (noting that 30 per cent NEM deployment is a significant achievement in absolute terms in under five years) continue to include the limited business case for many customers and lack of benefits, the inability to capture benefits due to split incentives and the need for better industry coordination.

The choice of model to meet an acceleration target date of 2030 requires further consideration. Alinta Energy appreciates the work that the Commission and the Metering Review reference groups have undertaken in relation to this question (and others). Legacy meter retirement plans developed by distribution network service providers in close consultation with retailers and Metering Coordinators with the involvement of the Australian Energy Regulator may be the best approach and should be considered an industry, rather than DNSP led process. Legacy meter retirement plans should follow principles similar to those set out in Box 4 of the draft report, but the AER is required to enforce, modify, monitor and evaluate the plans and their progress as if option 2 were applied.

In relation to customer information and notification, Alinta Energy supports the simplification of this process by reducing the notice requirement from two to one over a defined period. The additional information proposed by the Commission to help improve customer understanding

and acceptance of a smart meter deployment will also foster customer acceptance of smart meters.

In relation to tariff reassignment following the installation of a smart meter, we do not support DNSPs assigning customers to a cost reflective tariff without retailers being able to change the retail tariff should they chose to. In addition, reassignment to cost reflective network tariffs should not occur if retailers are unable to meet their regulatory obligations, including advanced notification requirements of a retail tariff change. The recognition of impacts on customers in principles set out in DNSPs Tariff Structure Statements would support customer acceptance of cost reflective tariffs generally.

While we support the provision of information from a centralised website (for example hosted by the AER), we do not believe it is appropriate for retailers to explain if customers will be “better or worse off” following the installation of a smart meter. Customer consumption patterns and circumstances may change, and retailers tailor individual offers to customers based on customer preferences and competitive dynamics. We believe customer portals and the development of new energy services in a competitive market is preferable to further prescription in the retail energy market.

Proposed changes to opting out of a smart meter deployment and the choice of disabling of communications within a meter will support the benefits of an accelerated roll out.

We would welcome further discussion of this response with the Commission, please contact David Calder ([David.Calder@alintaenergy.com.au](mailto:David.Calder@alintaenergy.com.au)) in the first instance.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Shaun Ruddy', written in a cursive style.

**Shaun Ruddy**  
Manager, National Retail Regulation

#### QUESTION 1: IMPLEMENTATION OF THE ACCELERATION TARGET

1. Do stakeholders consider an acceleration target of universal uptake by 2030 to be appropriate?
2. Should there be an interim target(s) to reach the completion target date?
3. What acceleration and/or interim target(s) are appropriate?
4. Should the acceleration target be set under the national or jurisdictional frameworks?

**Question 1:** Alinta Energy supports the universal uptake of advanced meters by 2030. However, this target date will be impacted by the finalisation of rules, guidelines and procedures aimed at supporting the accelerated roll out. If the regulatory framework is not finalised by mid-2025, it is unlikely that the 2030 target date will be achieved.

**Question 2:** Interim targets may have value but should be used as a guide for roll out performance and progress rather than a mechanism to impose regulatory penalties on market participants attempting to comply. Under roll out acceleration options 1 and 2, interim targets are indirectly created through the setting of plans in any event.

**Question 3:** Interim targets need to account for the legacy meter fleet age and location, the varying levels of smart meter deployment undertaken by different retailers to date, be realistic and factor in tolerance levels around a specified target.

**Question 4:** Noting differences in the legacy meter fleets of different DNSPs, a national approach to target setting is needed to account for these variations. Changes to the NER, its schedules and AER guidelines (and Australian Energy Market Operator procedures) should be consistent across jurisdictions to the extent possible. Jurisdictional targets and subordinate legislation/regulation for target setting would not be appropriate.

#### QUESTION 2: LEGACY METER RETIREMENT PLAN (OPTION 1)

1. Do stakeholders consider this approach feasible and appropriate for accelerating the deployment of smart meters?
2. Do stakeholders consider the Commission's initial principles guiding the development of the Plan appropriate? Are there other principles or considerations that should be included?
3. If this option is adopted, what level of detail should be included in the regulatory framework to guide its implementation?
4. Do stakeholders consider a 12-month time frame to replace retired meters appropriate? Should it be longer or shorter?
5. Are there aspects of this approach that need further consideration, and should any changes be made to make it more effective?

**Question 1:** Alinta Energy has qualified support for the legacy meter retirement plan (option 1). There is a need to ensure all parties, but particularly DNSPs are incentivised to engage with Metering Coordinators and retailers in preparing and implementing the plan with the inclusion of a role for the AER in approving plans and their operation in practice. We support a collaborative industry approach that is transparent and flexible.

**Question 2:** The principles set out in Box 4 on pages 42-43 of the draft report are appropriate for this option. While option 1 is not codified in the way that option 2 is intended to be, the inclusion of how disagreements over the plan's features or implementation can be resolved should be included in the principles – that is, what recourse do MCs and retailers have if the plan is unworkable or contains fundamental problems?

**Question 3:** Under option 1, rules (the NER) may refer to enforceable guidelines developed by the AER that support the principles in Box 4. A guideline governing the development of legacy meter retirement plans to ensure consistency across different networks and jurisdictions should be developed by the AER in consultation with industry.

**Question 4:** The 12-month period to replace retired meters is appropriate. A shorter or longer period both carry risks of misaligning with annual batch releases and reporting requirements. Consideration needs to be given to the availability of skilled resources and hardware required to meet an annualised batch target, given similar skill sets will be required in other parts of the electricity supply industry (renewable energy developments, transmission and distribution infrastructure for example).

**Question 5:** The role of the AER in assessing and if necessary, enforcing plans requires further clarification. Recognising the incentives for different parties and the information asymmetry regarding legacy meter details requires involvement by the regulator as arbiter of plans submitted.

#### QUESTION 3: LEGACY METER RETIREMENT THROUGH RULES OR GUIDELINES (OPTION 2)

1. Do stakeholders consider option 2 feasible and appropriate for accelerating the deployment of smart meters? Are there aspects of option 2 that would benefit from further consideration?
2. Are market bodies the appropriate parties to set out the legacy meter retirement schedule?
3. If option 2 is adopted, should the meter retirement schedule be located in the rules, or guidelines developed by the AER or AEMO?

**Question 1:** Option 2 is feasible but does require significant information sharing and centralised oversight (most likely by the AER). A hybrid of option 1 and 2 could be achieved if the AER applied consistent principles across DNSPs in relation to the development of legacy meter retirement plans and obliged DNSPs to genuinely and address input from retailers and MCs in drafting plans.

**Question 2:** As noted above and by the Commission on page 48 of the draft report, there are challenges for any market body to set and monitor a legacy meter retirement schedule. If option 2 were to be adopted, the AER would be the appropriate market body to manage the schedule.

**Question 3:** Placing the meter retirement schedule in the NER (even as a schedule) would add significant detail. Enforceable guidelines developed by the AER in consultation with market participants would be appropriate.

#### QUESTION 4: RETAILER TARGET (OPTION 3)

1. Do stakeholders consider option 2 is feasible and appropriate for accelerating the deployment of smart meters? Are there aspects of option 2 that need further consideration?
2. If this option is adopted, what are stakeholders' suggestion on how retail market dynamics could be taken into consideration in both setting the uptake targets and monitoring performance?
3. Should the rules or a guideline outline only a high-level target (universal uptake by 2030) taking into account practicality of replacements) or more granular targets or interim targets?

**Question 1:** Alinta Energy does not support option 3 as an acceleration approach to smart meter deployment. Issues with information asymmetry and the different capabilities, economies of scale and starting points of retailers render this option less efficient than options 1 or 2.

**Question 2:** If this option is adopted, it would need to account for changing retailer market shares, retailer failure, market entry and exit, geographic footprint and the current level of deployment achieved by different retailers as noted by the Commission on pages 50-51 of the draft report.

Alinta Energy agrees that further guidance is required to gauge retailer performance under this option. As a starting point, we believe any meter upgraded from a type 5 or 6 to a type 4 would contribute to the retailer's target permanently, regardless of whether a customer switches retailers in the future.

**Question 3:** If option 3 were adopted, a high-level target would be more workable than granular interim targets (even on an annual basis, this may prove challenging).

QUESTION 5: STAKEHOLDERS' PREFERRED MECHANISM TO ACCELERATE SMART METER DEPLOYMENT

1. What is the preferred mechanism to accelerate smart meter deployment?
2. What are stakeholders' views on the feasibility of each of the options as a mechanism to accelerate deployment and reach the acceleration target?
3. Are there other high-level approaches to accelerating the deployment that should be considered?

**Question 1:** Of the four options presented by the Commission, a potential hybrid of options 1 and 2 is preferred. The AER will need to play an active role in assessing DNSP legacy meter retirement plans and ensuring that DNSPs develop and update these based on input from retailers and MCs.

**Question 2:** Option 1 has the advantage of providing information currently known only to DNSPs. Legacy meter retirement plans need to comply with agreed principles and not used for other purposes (i.e., independent of economic network regulation to the extent possible). Option 2 presents challenges of administration and central decision making, which may impact the acceleration target date. Options 3 and 4 require retailers and MCs respectively to meet the accelerated target without the information available in options 1 and 2.

QUESTION 6: FEEDBACK ON NO EXPLICIT OPT-OUT PROVISION

1. Do stakeholders have any feedback on the proposal to remove the opt-out provision for both a programmed deployment and retailer-led deployment?
2. Are there any unintended consequences that may arise from such an approach?

**Question 1:** Removing the opt-out provisions for programmed and retailer-led deployments of smart meters would improve the efficiency of the roll out and likelihood of meeting the accelerated target. The measures proposed by the Commission in chapter 3 and appendix C of the draft report go some way to mitigating the removal of an opt-out right.

Site remediation remains a concern, however. It is not simply a matter of a meter board needing replacement; if there are genuine safety concerns, there are jurisdictional laws and

regulations to manage these. Alinta Energy again would strongly encourage the Commission to involve state governments and their safety regulators on a consistent and uniform approach to remediation, including customer assistance, particularly for vulnerable consumers.

#### QUESTION 7: REMOVAL OF THE OPTION TO DISABLE REMOTE ACCESS

1. Do stakeholders consider it appropriate to remove the option to disable remote meter access under acceleration?

**Question 1:** Alinta Energy believes it is appropriate to remove the option to disable remote meter access under an accelerated roll out. The communications technology used by smart meters is essentially identical to mobile phone technology, which is safely used and well understood by the vast majority of customers. One of the key drivers to install a smart meter is to leverage the remote services capability that reduces costs for retailers when energising and de-energising sites. Disabling remote meter access materially reduces these benefits.

#### QUESTION 8: PROCESS TO ENCOURAGE CUSTOMERS TO REMEDIATE SITE DEFECTS AND TRACK SITES THAT NEED REMEDIATION

1. Do you consider the proposed arrangements for notifying customers and record keeping of site defects would enable better management of site defects?

**Question 1:** We agree the proposed arrangements will enable better management of site defects and note that over time other market participants can enter information into MSATS detailing site defects and their status in addition to retailers. The Commission needs the involvement of Federal and jurisdictional Governments to address how vulnerable customers might be assisted with remediation costs.

#### QUESTION 9: IMPLEMENTATION OF THE 'ONE-IN-ALL-IN' APPROACH

1. Would the proposed 'one-in-all-in' approach improve coordination among market participants and the installation process in multi-occupancy sites?
2. Are the time frames placed on each market participant appropriate for a successful installation process of smart meters?
3. Are there any unforeseen circumstances or issues in the proposed installation process flow and time frames?
4. How should DNSPs recover costs of temporary isolation of group supply from all retailers?
5. Can the proposed role of the DNSP in the one-in-all-in approach be accommodated by the existing temporary isolation network ancillary services?
6. Which party should be responsible for sending the PIN in the context of the one-in-all-in approach?

**Question 1:** In principle, Alinta Energy supports a 'one-in-all-in' approach for multi-occupancy sites. Coordination has been a material issue (as noted by Vector<sup>1</sup>) and the proposed approach would improve this.

**Question 2:** The proposed timeframes seem reasonable to support the successful coordination and installation of smart meters at multi-occupancy sites. However, Alinta Energy would suggest

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<sup>1</sup> Vector (2021), submission to the Directions Paper, page 17.

that if practical experience of the 'one-in-all-in' approach demonstrates timeframes require extension, this is accommodated in guidelines and regulation.

**Question 4:** The cost of TIGS event should be prorated among the financial responsible market participants supplying customers at a multi-occupancy site, where practical.

**Question 6:** The DNSP should send the PIN as the network operator.

#### QUESTION 10: STRENGTHENING INFORMATION PROVISION TO CUSTOMERS

1. Do you have any feedback on the minimum content requirements of the information notices that are to be provided by retailers prior to customers prior to a meter deployment?
2. Are there any unintended consequences which may arise from such an approach?
3. Which party is best positioned to develop and maintain the smart energy website?

**Question 1:** Alinta Energy supports the reduction of notices from two to one and the flexibility provided by the window of time for retailers to provide this information to customers. In principle, the set of minimum information in the proposed notice is appropriate and not site specific. The issue of site remediation and individual customer reactions to defects resulting in a non-installation requires further consideration (see out response to Question 8 above).

**Question 2:** There may be unintended consequences associated with providing more comprehensive information to customers, such as opposition to smart meters generally, which occurred in Victoria under its mandatory accelerated roll out. However, making it clear what customers and retailers rights and obligations are will help alleviate this.

**Question 3:** A smart energy website could be developed by the AER as the national regulator, noting it maintains the Energy Made Easy resource online for customers currently. The regulator is separate from jurisdictional governments and the Commonwealth and is therefore best placed to provide independent information to consumers.

#### QUESTION 11: SUPPORTING METERING UPGRADES ON CUSTOMER REQUEST

1. Do stakeholders support the proposed approach to enabling customers to receive smart meter upgrades on request?

**Question 1:** Alinta Energy remains of the view that the decision to provide a smart meter on request should remain a choice for retailers and individual customers. This view was set out in our response to the Direction Paper in October 2021.<sup>2</sup> Ad hoc installations are inconsistent with the objectives of a geographic, planned deployment of smart meters. Nonetheless, retailers are incentivised to satisfy a customer request or risk losing the customer to a retailer who will act upon it.

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<sup>2</sup> Alinta Energy (2021), Response to the Review of the Regulatory Framework for Metering Services – Directions paper, page 8. <https://www.aemc.gov.au/sites/default/files/2021-11/Rule%20Change%20Submission%20-%20EMO0040%20-%20Alinta%20Energy%20-%2020211028.PDF>

QUESTION 12: TARIFF ASSIGNMENT POLICY UNDER AN ACCELERATED SMART METER DEPLOYMENT

1. Which of the following options best promotes the NEO:
  - (a) Option 1: Strengthen the customer impact principles to explicitly identify this risk to customers.
  - (b) Option 2: Prescribe a transitional arrangement so customers have more time before they are assigned to a cost-reflective network tariff.
  - (c) No change: Maintain the current framework and allow the AER to apply its discretion based on the circumstances at the time.
2. Under options 1 or 2, should the tariff assignment policy apply to:
  - (a) all meter exchanges – for example, should the policy distinguish between customers with and without CER?
  - (b) the network and/or the retail tariffs?
3. What other complementary measures (in addition to those discussed above) could be applied to strengthen the current framework?

**Question 1:** Both options 1 and 2 could be considered as part of securing greater customer acceptance of cost-reflective tariffs. In effect, Option 2 has been applied in the past - in South Australia as noted by the Commission in section C.4.2 of the draft report and by Energex providing a 12 month 'grace' period for advanced metering customers before transitioning to a demand or time of use network tariff structure.

While no change might remain an appropriate, the AER needs to apply consistent principles to the reasoning behind any discretion it may exercise over network tariff assignment policies. If customers are reassigned to cost reflective network tariffs following the installation of smart meter, retailers should not be restricted in making an alternative offer aligning with the network tariff if they choose to. Retailers should not be put in a position however of facing the cost reflective network tariff only to face delays to applying their own changes to the customer's pricing structure. Cost reflective network tariffs should only come into force once a retailer has met its regulatory obligations under the NERR and any jurisdictional requirements (such as advanced notice).

**Question 2:** While customers installing CER of their own initiative may be more engaged than customers having advanced meters installed by reactively, Alinta Energy does not believe separate treatment under tariff assignment policies between these customer groups is warranted. The objective of tariff assignment policies should be ultimately aimed at increasing customer acceptance.

**Question 3:** Obliging retailers to demonstrate changes in monthly bills on a bespoke basis following every advanced meter installation will be administratively burdensome and costly. Each retailer will have its own approach to changing network tariff structures and whether, how, or when those tariff structures are reflected in retail tariffs. There is an education role for State and Federal Governments alongside industry to help customers understand the impact of on tariff structures following the installation of a smart meter.

DNSPs, retailers and governments can assist customers by providing examples of what tariff structure changes can mean (e.g., via a centralised, trusted information hub) to assist educating customers. Furthermore, individual retailers and DNSPs have customer portals that clearly show the cost associated with a customer's pattern of consumption. We do not believe prescribing case-by-case approaches is necessary or efficient at this time and will result in

significant increases in retail operating costs under and accelerated roll out. The centralised website could provide information to customers of this nature.

QUESTION 16: REGULATORY MEASURES TO ENABLE INNOVATION IN REMOTE ACCESS TO NEAR-REAL-TIME DATA SOONER

1. Do stakeholders support the Commission pursuing enabling regulatory measures for remote access to near real-time data? If so, would it be suitable to:
  - (a) Option 1: require retailers to provide near real-time data accessible by the consumer in specific use cases (while allowing them to opt-out).
  - (b) Option 2: allow customers to opt-in to a near real-time service via their retailer for any reason.
  - (c) Option 3: promote cooperation and partnerships between retailers and new entrants for near real-time data services, e.g., in a regulatory sandbox.
2. If so, could the Commission adapt the current metering data provision procedures?
3. Are there any standards the Commission would need to consider for remote access? E.g., IEEE2030.5, CSIP-AUS, SunSpec Modbus, or other standards that enable 'bring your own device' access.
4. What are the new and specific costs that would arise from these options and are they likely to be material?

**Question 1:** Alinta Energy supports customer access to meter data to improve their understanding, use and manage the cost of their energy supply. However, given limited customer interest in consumption data (even over a billing cycle), we do not believe a mandatory requirement to provide near real-time data on an opt-out basis to customers is necessary at this time and should be opt-in if required in the future.

On this basis, options 2 and 3 are preferable and option 3 provides flexibility to determine if customer demand for data is material enough to warrant any mandatory requirement. Alinta Energy strongly believe the market for new energy services and the competitive market will meet the needs and preferences of consumers for smart meter services, including data provision.

**Question 4:** The costs associated with option 1 are likely to be material to implement but used by a limited number of customers (even if provided automatically until they opt out).

QUESTION 18: ADDRESSING SHORT TERM COST IMPACTS AND ENSURING PASS THROUGH OF BENEFITS

1. Are stakeholders concerned about the risk of short-term bill impacts as a result of the accelerated smart meter deployment? To what extent would the above offsetting and mitigating factors address this risk?
2. If stakeholders are concerned about residual cost impacts, what practical measures could be put in place to address these risks?
3. What are the implications for AER revenue determinations for the upcoming New South Wales, Australian Capital Territory and Tasmania DNSP regulatory control periods? Is there a risk that network cost savings as a result of the accelerated smart meter deployment will not be fully passed through to consumers under the regulatory framework?

**Question 1:** There will be short-term impacts on costs facing customers under an accelerated

roll out. While we appreciate the cost-benefit analysis undertaken by Oakley Greenwood (and support its conclusions), smart meters are more costly than basic (type 6) meters.

Retiring these meters earlier than would be the case under the retailer-led roll out model will result in the costs reflected in the annual costs and benefits calculated by Oakley Greenwood illustrated in Figure F.1 on page 131 of the draft report.

The economies of scale that may be captured under the accelerated roll out could reduce the marginal cost of installations in real terms, which will benefit customers in the medium to long term. Other mitigating benefits will offset the additional cost of smart metering, such as remote services for energisation and de-energisation, where these services are permitted.

We note that jurisdictional barriers remain for some remote services. For remote energisation and de-energisation this includes the requirement for network approval in South Australia and potentially by the Office of the Technical Regulator. In Queensland a visual site inspection is required by the DNSP prior to re-energisation.

A further issue for some customers may be a slight increase in metered consumption following the installation of a smart meter. This occurs as mechanical meters demagnetize and slow down over time and record a lower level of consumption than is occurring.

**Question 2:** Metering costs are one, relatively small component of the overall cost of supply of electricity to small customers. Numerous other changes, for example - the Consumer Data Right, the impact of price regulation through the Default Market Offer, the implementation of five-minute settlement, and recent market volatility have all contributed to the overall increase in energy costs and have impeded the ability of retailers to compete and innovate. Relative to the collective impacts of the recent and proposed regulatory and policy changes, the impact of accelerating the roll out of advanced metering are small.