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Dear Commissioners

Review of the regulatory framework for metering services

EnergyAustralia is one of Australia's largest energy companies with around 2.4 million electricity and gas accounts in NSW, Victoria, Queensland, South Australia, and the Australian Capital Territory, of which around 22k customers are supported under our hardship program (EnergyAssist). EnergyAustralia owns, contracts, and operates a diversified energy generation portfolio that includes coal, gas, battery storage, demand response, solar, and wind assets. Combined, these assets comprise 4,500MW of generation capacity.

EnergyAustralia appreciates the opportunity to participate throughout the AEMC's review of the regulatory framework for metering services, the collaborative structure of the review and the emphasis on achieving a positive outcome for all stakeholders, has been a rewarding experience and is encouraging that subsequent regulatory change will achieve the desired benefits. We are predominantly supportive of the changes proposed in the *draft paper* and will therefore focus our submission on recommendations we believe need further consideration.

100% uptake of smart meters by 2030

Preferred option

EnergyAustralia believes that the AEMC's preferred option, the industry-developed legacy metering retirement plan (*option 1*) is preferable, as it combines the flexibility required for a rollout that will encounter hurdles, and the collaboration that should achieve the most efficient and cost effective roll out of meters.

We believe that the regulation of targets for the rollout should be considerate of the complexity that will be encountered, therefore, any target/s should allow for reasonable alterations. Further, the AEMC should consider whether specific targets should be prescribed in regulation at all, as this may lead to inappropriate reaction by participants if they are unable to achieve the targets due to any previously unforeseen events. EnergyAustralia believe it would be suitable for the regulation to outline the expectations of achieving the roll out by a determined end date, and then to leave any yearly targets to be determined at the discretion of the AER as part of the industry-development process.

We have reservations on the consultation proposed for option 1 as retailers have historically encountered difficulties with distribution network in achieving preferable outcomes, this is primarily centred around a reluctance for either party being overly considerate of the impacts on the other when developing business processes; this does not normally have any malice in its intention but a consequence of competing business models.

Therefore, we believe it would be prudent to consider what safeguards can be implemented to address retailer and Metering Coordinators concerns that the distribution led industry consultation truly considers the input of all impacted stakeholders, and that input is weighted evenly.

Providing the AER with a requirement to seek confirmation from stakeholders about their agreement with any iteration of an industry developed plan, would establish a framework that provides confidence to stakeholders their views are being considered. If following this consultation, the AER is unable to achieve consensus between stakeholders, the AEMC could provide the AER with the overarching power to produce a roll out arrangement that is in the best interest of consumers.

Completion date

EnergyAustralia is concerned about the capacity for the metering roll out to be efficiently achieved by the proposed 2030 timeframe. We appreciate the impetus for the acceleration of the meter roll out and can understand the desire by a range of stakeholders (including State and Federal Governments) for this to be achieved promptly; however, if the timeframe for achieving the roll out is not designed with efficiency and cost effectiveness as paramount, this will ultimately detract from any of the purported benefits the roll out is aiming to achieve.

We believe that prior to the regulation of a completion timeframe, the AEMC should seek confirmation from all existing Metering Coordinators on their capacity to efficiently achieve the roll out by the proposed date. This should include confirmation as to the costs that will be incurred by the Metering Coordinators to achieve the date with their existing resources and a consideration for how these costs compare to alternative dates, e.g., a comparison for achieving the roll out by 2030, with 2031/32/33/34 and whether the increase cost exceeds the incremental costs for deferring the completion, based on Oakley Greenwood's calculations.

Enhancing existing metering arrangements

Exemption process for 'family failure' meter replacement to be removed

EnergyAustralia agrees with the AEMC that the exemption process has led to extensive delays in the replacement of 'family failure' meters and support the decision to remove the blanket exemption process. However, we believe it is necessary to have some mechanism to extend the 70-business day meter replacement requirement in certain circumstances. Accepting that type 6 (basic) meters will no longer be part of a regular inspection regime, and this will remove the majority of instances in which an exemption would be required for bulk meter replacements, it would still be possible for electronic type 5 (Manually Read Interval Meters) and 4 (smart – advanced meters) to experience 'family failure'.

The AEMC should consider allowing a limited exemption capacity in the event that type 5 & 4 metering experience family failure, as this could result in many thousands of meters requiring exchange; something that is likely to be unachievable in a 70-business day timeframe, particularly when resources will be focusing on achieving the meter roll out requirements established via this review.

Customers remain responsible for remediating sites, and increased notification and record-keeping requirements for customer side defects.

EnergyAustralia's agrees that site remediation is the responsible of the customer/property owner and that there should be an avenue for vulnerable customers to receive financial assistance to facilitate remediation works. We appreciate the AEMC's consideration that the most equitable form of providing this assistance is through government funding, and we believe this could be facilitated through existing energy concession and government grant/subsidy schemes.

The proposed notification requirements are intended to *'encourage more customers (who have the financial means) to remediate as they would be promptly reminded by their retailer and given sufficient opportunity to remediate to enable the installation of a smart meter'*; however, we believe the proposal is limited in its ability to achieve this, as it lacks a capacity to enforce the requirement if remediation failed to occur.

Providing appropriate notification to a customer outlining their responsibilities is a required step in the process, but there needs to be further consideration for what action can be taken (by a distribution network, state electrical safety regulator, retailer, or Metering Coordination) if there is a refusal or failing in the site remediation request. The data points below are in aggregate, and the supporting data can be provided upon request:

- 78% of meter installations are successful at the first attempt, of these the four main reasons they become unsuccessful are (incl. as a % of total '*Unable To Complete'* reasons);
    - 30% - unable to isolate;
    - 11% - no access;
    - 6% - customer site defect; and,
    - 7% - unable to perform customer consultation/ unable to contact.

- 87% of meter installations are successful following a customer-initiated meter exchange (to facilitate the installation of solar, etc) at the first attempt.
    - 99.5% of subsequent meter installation attempts are successful.

- 68% of meter installations are successful following a meter malfunction at a first attempt.
    - 85% of subsequent meter installation attempts are successful.

- 54% of meter installations are successful following a meter family failure
    - 81% of subsequent meter installation attempts are successful at a first attempt.

This indicates that meter exchanges for any reason other than customer initiated are far less likely to be successful on the first attempt and remain unlikely to be completed in subsequent attempts. We envisage the accelerated roll-out will encounter similar percentages of unsuccessful meter installations, and that without developing a framework requiring remediation for the range of issues impeding an installation, universal uptake of metering is highly unlikely.

The notification and record-keeping requirements should be extended to other common reasons for an unsuccessful meter exchange ('*Unable To Complete')*; e.g., unable to isolate, no access, unable to perform customer consultation/ unable to contact.

'One-in-all-in' approach for shared fuse/ multiple occupancies

A prevailing issue since the inception of the Power of Choice reforms, installing meters or isolation devices in locations where any interruption to supply with impact multiple residences, the AEMC's proposal seeks to provide an option that will improve the outcomes for successful installation, and a reduction in potential interruptions and inconvenience to customers.

EnergyAustralia's long-held preference has been that rectification of these locations, whether that be installation of meters or installation of isolation devices, should have been reverted to the distribution networks. This view was based on the belief that a carve out in the reforms providing distribution networks the capacity to complete this work would have resulted in a cheaper and quicker installation process, and provided the avenue for a fairer allocation of costs; with distribution networks able to absorb and share costs across their customer base, as occurred in Victoria's smart meter roll out. While we encourage the AEMC to continue to explore this option, we appreciate there are limitations in the AEMC's remit which will impede its capacity to produce this outcome.

The proposed 'one-in-all' in approach is an improvement on the existing process for rectifying shared fuse installations, but there remain prominent concerns which the AEMC should seek to clarify and resolve before finalising the process:

- Some shared fuse locations will require many Metering Coordinators to be in attendance, and this raises obvious concerns about the ability for required work to be safely and efficiently completed. Therefore, the process requires a coordination mechanism between the network and the Meter Coordinators, this will need to facilitate the transfer of job information at a near real time timescale. This will be required to ensure the coordination can be arranged and that any last-minute alterations to the appointment do not result in the failure of the installation e.g., traffic delaying the arrival of the distribution network or Metering Coordinators resulting in the other party leaving the site.

- The process should result in a reduction in outages to customers and the subsequent isolations facilitated by the distribution network. However, the isolation will now presumably be a lengthier event, and how the cost for this are to be allocated will be a complex conundrum for the AEMC and the AER to consider; will the Temporary Isolation Group Supply remain fit for purpose or will a new service be developed, one that will provide a variable charge to cater to the diversity in shared fuse locations? will allocation of costs be shared evenly based on ownership of impacted customers, or specific to the time the respective Metering Coordinators are requiring the distribution network at site?

- The process should establish what will occur if a customer refuses, with a consideration for how this would impact the rectification at the different stages of the timeline. Additionally, it should clarify the expectation on the installation of isolation devices (Surge Protection Devices), as this will be required where a meter is not installed (for any reason) and remove the shared fuse concerns for future supply interruptions.

Supporting customers through the transition

Information requirements - retailers notification and single source of information

Providing accurate, informative, trustworthy, and easy to understand information to customers will be crucial to ensure the roll out of meters is accepted as beneficial; however, the perception that the requirement for a customer to have a meter installed is a costly inconvenience will not be removed

regardless of what information is provided, as this is inherent when customer choice is removed from the equation.

The responsibility for managing the customer relationship sits largely with energy retailers, and there is a significant risk that the mandated roll out will increase negative customer perceptions of their retailer. We therefore believe it is prudent to clearly outline in any communication – retailer notification or the single source of information website – that the accelerated/ mandated roll out is a regulatory or government obligation and not a decision imposed on the customer by their retailer.

Transition period following meter exchange (excl. customer initiated) where existing tariff will remain

We acknowledge that appropriately assigning a cost reflective network tariff (such as, time of use or demand) to a customer following the exchange of a basic meter is limited, as apportioning a customer's impact on the network is difficult without a concise understanding of when and how this is occurring (as is provided via interval metering), and we agree that there would be benefit in allowing customers a transition period following the exchange of their meter, to understand their new tariff and consider altering their usage.

However, we believe the following considerations will dilute the need for the change or negate the potential benefits:

- we are sceptical that most customers will consider the impacts of the tariff change and alter their consumption accordingly;

- we believe that retailers already have - and should retain - the ability to decide if they pass through a network tariff, and while many retailers directly pass through the network tariff, there are retailer offerings available to customers if they desire to avoid this; and,

- the inherent design of cost reflective network tariffs is predominantly as a deterrent on customers' consumption (time or quantity based), it is unlikely with this form of network tariff design that a customer can realistically alter their consumption to avoid any negative impact from a tariff change.

Therefore, our preference is for the existing tariff change process to remain. We support the draft paper's proposal for additional information being provided to customers about their tariff change and believe that appropriate information on the potential impacts should provide a reasonable safeguard.

Unlocking future benefits from smart meters through better data access

Basic power quality data to be exchanged on a minimum content basis and in a standard and agreed-on interface and data access framework to allow procurement of other data requirements via commercial agreement

EnergyAustralia supports providing basic power quality data to distribution networks where it is the least cost option. This information will be beneficial to running an efficient network, with improved outage repair, and improvements in safety standards. The AEMC's position is that the proposal is the least cost option to provide this service, compared against alternative options the distribution network could consider; however, we are concerned that a thorough cost benefit analysis has not been completed and that the communication method and format for this information could shift the 'least cost' equation significantly; particularly, if the transfer is facilitated through any of AEMO's existing B2B systems.

Recommendations for new regulatory instruments which could be developed to manage different stakeholder concerns – remote and local access

Providing these services will lead to costs, either through implementation of information delivery services, or via physical changes to metering (to improve minimum security specifications required to facilitate local access), our view is that while there may be a market for some customer's and businesses to benefit from this inclusion, there are alternative options available to provide it currently (businesses to contract directly with Metering Coordinators or retailers, or to install monitoring devices), and it will not be beneficial to most customers so it is not equitable they should incur the costs.

EnergyAustralia has established that the existing advanced metering fleet generally has the capacity for local access, the design allowing three levels of access (read, minor control of settings, full control of settings) and corresponding passwords. While on face value this would appear to suggest that local access should have no associated costs, the reality is that these passwords are not unique to each meter, so a customer granting access to their meter will unintentionally provide the password to many others, which will require software, firmware, or physical changes to metering to ensure the local access is only provided following confirmation from the specific customer. Notably, the information obtained from local access (via the optical port) is already freely available via the meter's display.

The consideration outlined in the draft paper and throughout the review has been led by the interest of specific businesses aiming to improve their existing business model, and while the AEMC is able to consider this under the guise of 'allocative, productive, and dynamic efficiency' it seems counter to the National Energy Objective's requirement to *promote efficient investment ~ in electricity services for the long-term interests of consumers with respect to ~ price ~ of electricity,* as the implementation and ongoing costs to provide this are not proportionate to the expected benefit. Therefore, EnergyAustralia does not believe that remote or local access to the meter should be considered as part of this review.

Facilitating easier access to energy markets for new entrants, is being considered through the AEMC's *Flexible Trading Arrangements* rule change. This will consider the merits of minimising barriers to entry to promoting efficient investment in energy markets and consumer energy resources, and investigating whether metering requirements should be reduced in some instances. EnergyAustralia suggests the AEMC assess how the Flexible Trading Arrangement rule change may impact on any decisions made through this review, and consider delaying the culmination of each process to ensure and decision does not adversely impact the decisions of the other; e.g. the Flexible Trading Arrangement rule change may facilitate alternative metering options which would remove the need for remote or local access, or could determine a reduced metering requirement which could be beneficial in dealing with metering installation problems (such as, limited meter board space).

Furthermore, it is worth considering how the developments in interoperability[1] policy and the continued advances in technology may supersede the purported benefits the review has proclaimed. While we appreciate a 'wait and see' approach is problematic for the many stakeholders that require action promptly, the risk of inefficient or unneeded investment following this review should provide an impetus to consider whether delaying a formal decision is warranted, particularly as '*The Commission notes that the accelerated deployment will carry financial implications for parties involved in metering, which could impact customers'.*

[1] ESB Development of Interoperability Policy

Align incentives

As a final point, we are concerned that the draft paper has not developed a proposal to address the preliminary recommendation to align incentives set out in the Directions Paper; *Improving incentives to rolling out smart meters by removing inefficiencies, improving cost sharing, and aligning incentives*. While there have been modest improvements to inefficiencies and cost sharing that will benefit retailers, there is no aligning of incentives that would promote a more equitable sharing of the costs for the roll out of meters, this discrepancy is amplified due to the proposal of accelerating the roll out.

In the preliminary stages of this review, prior to any assertion there would be an accelerated roll out mandated, the AEMC was considering how to better align the benefits or cost allocation, to incentive retailers to proactively roll out meters. With the accelerated roll out the preference of the AEMC, and no correlating benefits attributable to retailers – that couldn't have been achieved without an accelerated roll out – we urge the AEMC to consider how the increased costs retailers will incur for installing meters under an accelerated roll out can be more equitably shared between the parties that benefit (distribution networks) and those that are promoting the acceleration (state governments). This will provide some assurance that energy retail customers are not incurring the full cost of a roll out that they have not requested, have no ability to reject, and at a time when cost of living will be a paramount concern.

Finally, we encourage the AEMC to consider each decision against the backdrop of increased energy prices - resulting from inflationary impacts, global pressures, and to facilitate the transition - and the limited ability for customers to bare additional costs. We therefore suggest the AEMC consider limiting any regulatory requirements to those that are necessary to facilitate the accelerated roll out, and to require any additional changes to facilitate future markets, or theoretical benefits, to require substantiation of a defined and present need, significant benefit (exceeding the cost), and an assessment on whether the change needs to occur now or in the future when the demand is expected.

If you would like to discuss this submission, please contact me on 03 9060 1361 or Travis.Worsteling@energyaustralia.com.au.

Regards

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