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Dear Commissioners

## Accelerating smart meter deployment

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 in the draft determination for the Accelerating smart meter deployment (*the draft determination*). The rule change is the culmination of extensive industry collaboration and consideration through the metering contestability review, and the AEMC has progressed the recommendations that are within its remit as a rule maker. We believe the proposed changes are largely positive, resulting in improvements in process, and a better customer experience; however, there are instances in which this is not the case, and further consideration should be provided to beneficial alternatives.

We largely support the draft determination and will therefore focus our submission on the areas we believe require further consideration:

1. *Pace of Change*

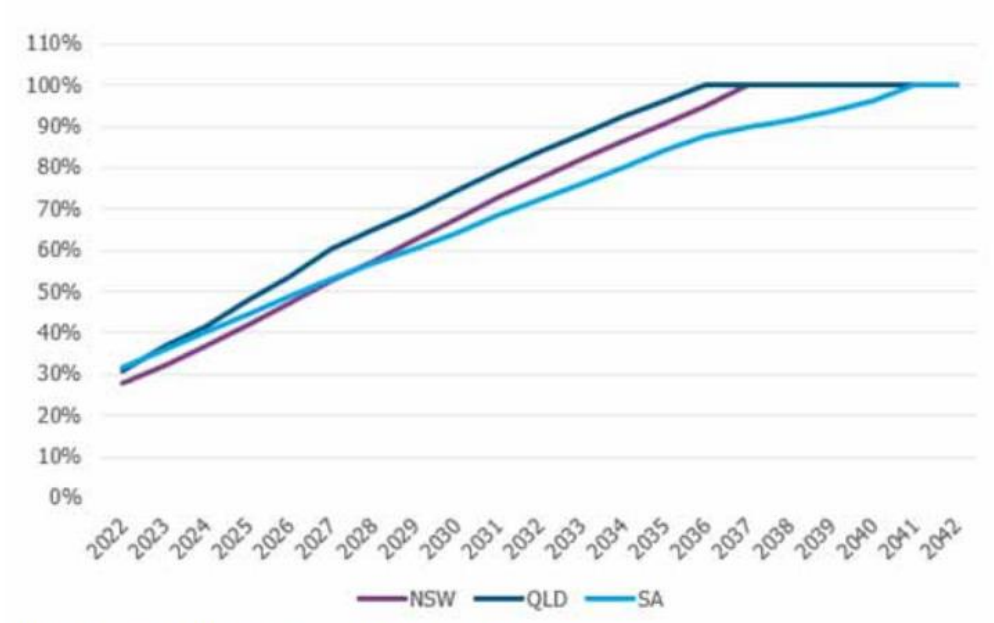
EnergyAustralia appreciates the desire by stakeholders to commence the accelerated roll-out in a timely manner, with the aim of achieving the roll-out by 2030. However, we urge the AEMC to carefully consider the timeframes imposed on the roll-out to ensure they balance the need for a timely completion with a cost-efficient roll-out. For example:

- The consideration for a 2030 or 2032 completion, as assessed in the Cost Benefit Analysis (CBA) of Oakley Greenwood, established that 2030 was preferable as it would provide a financial benefit to the market and customers compared with 2032. However, their CBA was not based off actual resourcing and system change cost estimates of Metering Co-Ordinators (MC)/Providers (MP), Distribution Network Service Providers (DNSP), or energy retailers, and was based primarily on the cost reductions from avoiding meter reading. In relation to this matter three considerations are worthy of note:

- For EnergyAustralia, a 2030 Legacy Meter Retirement Plan (LMRP) will require a six-fold increase on present day equivalent activities and resourcing, and is likely significant for other retailers as well. This is a substantial impact across the industry, at a time when there are constraints on the required resources availability due to competing initiatives (limits in the tradespeople available, particularly skilled trades like electricians), in back-office skilled resources to manage the workload, and is a major program of work for each industry participant to fund. Ultimately, these factors – coupled with a compressed timeline – will result in higher costs to procure the services and produce what is required, and this will require recovery of costs through consumers, via increased prices during a period of constrained capacity to pay.

- The uptake of Consumer Energy Resources (CER) is already driving a significant increase in meter exchange and new connection activities, and as expressed in Oakley Greenwoods uptake estimations (below) would achieve a complete roll out at some point in the 2030s (note: this is based on 2022 data and the rates have since increased, EnergyAustralia experienced a 23% increase in 2023). EnergyAustralia expects the retailer led roll-out will encounter a significant increase in the failure rate of meter exchanges being successfully completed, as we transition from our roll-out driven by customers choice to mandated requirement. With this likelihood creating delays and encumbrance on the roll-out it would - in EnergyAustralia's opinion – be prudent to an extended timeframe for the completion of the roll-out.

Figure A.2: Forecast of the uptake of smart meters under BAU




Source: AEMC analysis of Oakley Greenwood cost benefit assessment

- Finally, avoided meter reading costs are only achievable with significant or complete avoidance of meter reading, as detailed in the sections below, if there are issues impacting the exchange of metering, then meter reading will still be required, and will occur in a less efficient (locationally sporadic) manner.

To ensure the least cost option for achieving the accelerated meter roll out, **EnergyAustralia propose the AEMC reconsider a 2032 completion date.**

*2. Site Rectification Works*

We believe that site rectification will be the largest hurdle to achieving a 100% uptake of smart meters. Retailers and MCs/MPs have seven years experience in understanding the instances which result in works being 'Unable to Complete' (UTC), at present approximately 37% of meter exchanges are rejected UTC based on consumer rectifications required (and can be over 50% for multi-occ sites). As stated above, these have primarily occurred at customer's residences that have requested a meter exchange (to enable a CER installation). With the shift to retailer led mandated roll out, UTC failures due to site defect will be less likely to rectified in comparison to site defects where a customer was receiving a tangible benefit from the installation (e.g. solar feed-in tariff or rebate).

This will be exacerbated by customer's capacity to pay, particularly during a difficult economic period (in the past 12 months the number of consumers seeking our assistance programs EnergyAssist has risen by 62%). While we are passionate about providing industry leading vulnerability support to our customers, we are aware that site rectification will not be something that energy retailers will be able to solely incur. It is clear both from our own insights and from discussions with DNSPs that support from Government is necessary to assist consumers with the costs of site rectification works.

Without an appropriate mechanism to support customers to fund site rectification (such as, financial support via Governments, funded through the taxation system, or a loan scheme similar to HECS-HELP), EnergyAustralia anticipates that approximately 15% of its sites will remain with basic meters as at 2030. We appreciate the AEMC have limited capacity to impose a requirement outside of energy laws and regulations, therefore we propose that the AEMC **consider allowing DNSPs to facilitate and potentially fund site rectification works, with costs attributed and recoverable through their Regulatory Asset Base and approved network determinations.**

An additional matter to consider is the proposed rule requires that a 'meter must be installed within 45-business days' following rectification of the site defect and notification to the customer, with this customer contact required within 20-business days following rectification. We believe that customers should be provided the opportunity to request an agreed date during this contact and should not be constrained to the 45-business day timeframe that follows. Therefore, EnergyAustralia **recommends the rules state that within 20-business days a customer must be contacted to agree on an installation date, with the subsequent 45-business days being required unless the customer advises a later period.**

*3. Limiting effectiveness*

In addition to our concerns that customer site defects will limit complete smart metering uptake to ~85%, the effectiveness of the reform will also be determined based on customer satisfaction and the outcomes if we are unable to achieve 100% uptake. There are three constraints that required further consideration to ensure these risks are minimised:

- Rectification of shared-fuse sites, currently proposed to be addressed under the one-in-all-in mechanism, will result in a lengthy outage for customers, will encounter many situations which impede the ability for the exchanges to be successful and will lead to poor customer experiences. EnergyAustralia has been in collaboration with several DNSPs on *the draft determination's* proposed one-in-all-in changes. Firstly, what is clear is that there is not a universal panacea for shared-fuse installations and there are differences between States. EnergyAustralia is reviewing and piloting alternative approaches with DNSPs and our default MC for both simple and complex scenarios to seek mechanisms to reduce the outage duration for consumers, reduce costs, and establish a more efficient process. Within NSW it appears that there is an opportunity to **consider a process that would allow DNSPs to 'facilitate' the proactive installation of isolation devices at shared-fuse locations**, a process that would significantly progress the issues described above.

Furthermore, the AEMC proposes that the One-In-All-In process commence in January 2025. We strongly urge this date be reconsidered, as there are major IT updates required to support the process, which AEMO haven't scheduled until May 2025. In EnergyAustralia's view the IT changes are built on a field operational framework that needs to be trialled and may require alternatives to be considered.

- As the notional completion of the Legacy Meter Retirement Plan will largely follow existing meter reading routes, the remaining 15% of meters that will require a manual reading will create significant inefficiencies, the 'Swiss-cheese' layout of remaining meters will severely impact efficiency and is likely that residual read costs will approach the equivalent costs of manual 'special-reads'; an additional expense that will be an impost on the specific customer or result in increased costs for all customers. For the consumers inhibited by the costs of rectification, this will simply cause a doubling-down effect as an additional incremental cost of their energy service. EnergyAustralia **recommends the AEMC consider how it will ensure the increased price for physical meter reading should be allocated**; e.g. will the cost be socialised by DNSPs or a direct pass through by retailers.

- The *draft determination* removed the requirement for DNSPs to update MSATS when they identify sites that will have installation difficulties, e.g. multiple residences connected to a shared fuse/isolator. The requirement remains for MPs to record defects when they are identified. However, this will result in the costs incurred by MPs attending site being unable to complete the work required. EnergyAustralia propose **that DNSPs are required to record the site information at locations that require a meter exchange**. With incremental training provided to meter readers significant additional information can be gathered during the remaining meter reading visits between now and Q2 2025. This information will significantly improve the success rate of installations, reduce avoidable costs for failure of MPs to complete required work, and should be a minor addition to the work meter readers are currently conducting.

*4. Proactive action to avoid constraints and risks*

AEMC invites retailers to commence the program in advance of July 2025. While we appreciate a proactive approach will be beneficial in light of a constrained implementation timeframe, we are concerned that proceeding without appropriate regulatory change, communication to consumers, and industry agreement on process, runs a risk to both consumers, retailers, and other industry participants. EnergyAustralia note the following situations that would benefit from proactive action to mitigate or rectify, that require corresponding consideration by the AEMC for the potential implications (as detailed above):

- Life-Support customers: With the accelerated roll-out operating at six-times the current pace of meter exchanges, this is guaranteed to elevate the operational risk of error for a customer group that is vulnerable. EnergyAustralia **proposes that the Life Support sector be addressed in advance of July 2025,** and as such, we are pursuing a program commencing late Q3/early Q4 2024 to achieve this outcome to mitigate the potential operational and safety risks. Industry may wish to consider whether it is prudent as a 'blanket approach' or up to each retailer to consider based on their circumstances and back-office capabilities.

- Unique sites: Customer keys / Abloy keys: EnergyAustralia is working with industry to examine options for addressing unique site access situations where once-off procedures or arrangements will inhibit effectiveness of the mass roll-out. Industry may wish to consider whether these are uniquely addressed outside of the mass framework.

EnergyAustralia commends the excellent engagement to date by most DNSPs and MCs, collaboration between these parties have provided insight into what will be required, how we can best manage the work required, and identified additional opportunities regarding the roll-out plans.

EnergyAustralia broadly supports the utilisation of existing readings routes when developing the LMRP work sequencing. Following these routes should create geographical efficiencies and ideally reduce manual meter reading as quickly as possible. However, the roll-out should consider the issues that may be experienced within each route, which would erode any benefit from this method.

The ability to maintain installation targets is dependent on the complexity of the sites that will have meters installed, loosely grouped into complex (multiple residence, site defects, etc) and simple (single residence/connection, no site defects). The DNSPs are in the early stages of planning and have yet to factor in simple vs complex sites within the proposed routes. Such an indication will also assist the MCs with resource planning, and retailers with providing accurate information to customers.

As discussed previously, EnergyAustralia suggests that DNSPs are required to capture and with a view to recording within MSATS the site information at locations that require a meter exchange:

- Geocode the meter location (noting rural limitations)
- Update / reconfirm access restrictions (key, dog, locked gate, etc)
- Shared Fuse scenario: record for example that a site perhaps 1 of 4 scenarios.

*5. Process improvement*

EnergyAustralia appreciates the consideration the AEMC has had for improving the process of meter installation, and we urge this continued consideration before completing final determination on the requirements. Our concerns focus on two sections of *the draft determination's* proposals; the lack of simplification in the timing design of the operational rules, and the flow on impacts of extending the notification timeframe following a retail price change:

- <u>Simplification in operational timeframes</u>

  While we understand that processes can be automated, there should be a consideration for simplification in the design, as this will make it easier for retailers to develop the process, to train our operational staff, and will reduce the risk of error (leading to costly compliance implications). The lack of simplification in the design is particularly evident in the design in *the draft determination*, depending upon circumstances back-office operations and correspondence is variously set out as: 5-days for step 1, followed by 30-days for step 2; or 10 days for step 1, and 40 days for step 2; and then 15 days for step 1, and 70-days for step 2, etc.

  **EnergyAustralia recommend further review within industry to gain alignment and reduce complexity.**

- <u>Implications of a 30-business day notification period following price change</u>

  We support the consideration for further information on the tariff change that may occur following meter exchange; however, there are other implications that the AEMC must consider. Primarily, the 30-business day notification period for retail price changes (following a LMRP exchange) would need to be reliant on retailers having ample time to be aware that the network tariff was changing, considering:

  - The process is reliant on the DNSP notifying the retailer in a timeframe that would allow 30-business days' notice to the customer.

- Meter replacement or DNSP notification occurring at periods in which there is constrained time for retailers to process the information, e.g. repricing periods (mid-year).
- There are practical issues we face with customers transferring; in particular, where we are required to commence the customer's account from a retrospective period.

EnergyAustralia recommend that **DNSPs are required to provide 40-business day notification to retailers regarding any tariff/price change that will impact a customer/s.**

Furthermore, the timeframe for retailers to make these changes should be considerate of regular reprice activities, as such, the requirement should occur at a time that would lessen the impact on projects to implement. **EnergyAustralia recommends requiring the 40-business day notification changes from 1 July 2025**, this will align with the commencement of the LMRP roll-out and will provide enough time for retailers to consider this change and align it with regular mid-year reprice activity.

*6. Retailer Reporting and Civil Penalties*

EnergyAustralia appreciates that reporting on the roll-out will be crucial to understanding effectiveness and to identify any issues that require attention. However, we urge caution in both the frequency of information requests and reporting, and in the analysis of responses. Retailer reporting on the roll-out and adherence to targets will be heavily influenced by a retailer's geographical market share (locational specific issues such as distance, or propensity for multiple occupancies, etc), overlayed with the UTC rate (discussed above).

For accurate reporting we propose the **AEMC require the AER to consult with industry on the specific details required for reporting and the scope of understanding attributable to the response**. Generally, the requirements for reporting should be considerate of locational complexities, and be designed in a way that in not a burdensome on retailers:

- Annual reporting;
- Defined metrics for successfully achieving targets, e.g. if we went to best endeavours to achieve the installation, it should still count towards our target; and,
- Incentives if you exceed the target.

In addition to the concerns listed above, we urge the AEMC to **limit the application of civil penalties unless there is an egregious effort to achieve the roll-out**. There will be many instances in which the roll out targets will be impacted by decisions outside of retailer, MC, and DNSP control, and the regulation should be considerate of this.

*7. Access to Power Quality data*

EnergyAustralia notes that the Draft Determination discusses 'allowed participants' having access to PQ information. The FRMP is not identified as a party with access rights to the basic power quality data service in the draft rule. Whilst NERS7.5 does provide for FRMPs to be access parties to an agreed "metering installation inquiry service", this does not recognise our needs for access to this data under the same terms as other participants.

EnergyAustralia has identified from its CER customer equipment monitoring and support activities that this data is valuable in assisting with quickly resolving issues that arise between the DNSP and the customer where anomalies are detected within the monitoring of the CER. We seek consideration as a potential user of this data to support those activities on the same basis as other authorised participants.

8. *Customer experience*

Effective customer communication is fundamental to reducing customer dissatisfaction at the roll out (particularly where there will be costs incurred), and improving the success of installations (understanding and acceptance of what is occurring). In our view it is crucial to ensuring the success of the roll-out and how customers perceive both the roll-out and the smart metering they will have installed.

The communication campaign must provide impartial information from a trusted source, it must outline why the roll out is occurring and how the customer can both benefit and be supported through the change. We strongly believe that the comms should be clear that the decision is mandatory, and outline this is not a retailer decision; as we believe this will significantly increase customer refusals, and calls of dissatisfaction, particularly when the customer is advised there is a cost to install the metering (where a defect requires rectification).

EnergyAustralia believes industry (consumer groups, MCs, retailers, DNSPs, government, and regulators) should collaborate on the messaging, that it should be accessible on a government site (such as the Australian Energy Regulators website), and that this site should outline why the change has occurred, what customers can expect (from the install and the benefits of the metering), and provide links to support customers through the process (e.g. financial support if needed). We think this collaborative approach will be the most likely to produce information that is consumer centric and detailed in an approachable manner.

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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