



Directions paper

National Electricity Amendment (Accelerating smart meter deployment) Rule 2024

National Energy Retail Amendment (Accelerating smart meter deployment) Rule 2024

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About the AEMC

The AEMC reports to the energy ministers. We have two functions. We make and amend the national electricity, gas and energy retail rules and conduct independent reviews for the energy ministers.

Acknowledgement of Country

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Summary

This directions paper seeks stakeholder input on enhanced customer safeguards for the Accelerating smart meter deployment rule change

- 1 The Australian Energy Market Commission (AEMC, or the Commission) is progressing reforms to deploy smart meters across the National Electricity Market (NEM) by 2030.
- 2 Our *Review of the regulatory framework for metering services* (the Review) found that deploying smart meters faster would benefit consumers as well as the broader energy system.
- 3 Following receipt of a rule change request from SA Power Networks, Intellihub, and Alinta (the proponents), we published a draft determination for the *Accelerating smart meter deployment* rule change in April 2024. This rule change request was fast-tracked, reflecting the extensive consultation carried out during the Review.
- 4 In response to the draft determination, a broad range of stakeholders acknowledged the critical role that smart meters will play in the future energy system. However, stakeholders also raised concerns regarding negative customer experiences following a smart meter installation due to retail tariff variations. These stakeholders considered that we should strengthen the existing customer safeguards package proposed in our draft determination.
- 5 This directions paper outlines our proposed approach to strengthening customer safeguards to deliver a smooth rollout that has widespread customer support. We are seeking feedback on our proposed customer safeguards and rules by **12 September 2024**.

Stakeholders continue to support the accelerated rollout

- 6 Consistent with feedback received during the course of the Review, there remains broad stakeholder support for the accelerated deployment of smart meters. Stakeholders agree that there are benefits from an accelerated rollout, including most importantly benefits to customers from having earlier access to smart meter technology.¹
- 7 An accelerated smart meter rollout would benefit consumers. It would increase the amount of information available to consumers about their energy use, allow customers to better understand and manage their bills, and open up access to new and better retail service options.
- 8 More broadly, an accelerated rollout would benefit all energy stakeholders by enabling a more efficient, lower-cost, and lower-emissions energy system.

Our draft determination proposed new customer safeguards to accompany the rollout

- 9 Many consumers report positive outcomes from accessing smart meters. At the same time, some changes that can accompany the installation of a smart meter may not benefit all consumers, depending on their individual circumstances and the way they use energy.
- 10 Networks often assign a customer's connection point to a new network tariff structure following a smart meter upgrade. In turn, the customer's retailer will commonly transition the customer to a new retail tariff structure, including more cost-reflective structures such as time-of-use or demand tariffs, both of which fundamentally alter the way the customer is charged for energy.
- 11 These tariff structures allow customers to adjust their energy use to achieve bill savings in ways

1 Submissions to the draft determination

that are not possible without a smart meter. For example, customers on time-of-use tariffs can benefit from shifting some consumption to times of day when energy is cheaper.

- 12 Customers require information to judge whether to adopt these retail tariffs, including information on how their energy consumption patterns will impact their bills. Without sufficient information, customers may experience ‘bill shock’ following a change to a cost-reflective retail tariff, where their electricity bill under the new tariff may be higher than previous bills. Some customers are unwilling or unable to alter their consumption patterns. These customers may be worse off under the new tariff compared to their previous flat-rate plan.
- 13 Customer safeguards are critical in protecting customers from these risks. Without appropriate safeguards, the customer benefits associated with receiving a new smart meter could be undermined by negative experiences associated with tariff changes. As a result, customers may have low trust in and resist the accelerated rollout of smart meters. This could jeopardise the program’s benefits.
- 14 Noting these risks, our draft determination included a proposed customer safeguards package, which would:
- prohibit retailers from charging small customers any upfront costs for meter replacements that are part of the acceleration program
 - require retailers to provide customers at least 30 business days’ notice when transitioning them to a different pricing structure as a result of a change in meter type, as well as information on how to understand and manage the change
 - give customers the right to an estimate of what the customer’s historical bill would have been under the new varied retail tariff structure, compared to the bill they received under their existing tariff.

We consider that additional customer safeguards are warranted

- 15 In response to our draft determination stakeholders generally supported these proposed customer protections, though many felt that they did not go far enough.²
- 16 More smart meters have now been installed since the Review final report was published in August 2023, allowing more customers the opportunity to provide feedback about their experiences in receiving new meters. We have heard of various instances of negative customer experiences following installation of a smart meter. In particular, stakeholders have advised that retail tariff variations are a key driver of recent customer complaints, which include:
- being placed on a new cost-reflective tariff structure without the ability to opt out
 - customers with smart meters not being able to access a flat retail tariff offer
 - inadequate notification before a retail tariff change
 - not receiving sufficient information about the impact or implication of such changes
 - higher than expected bills after being placed on a new cost-reflective tariff structure.³
- 17 We share customers’ and other stakeholders’ concerns on these issues. We consider that enhancements to our proposed safeguards are warranted to protect customers from negative outcomes following the installation of a smart meter and to maintain social licence for the accelerated smart meter rollout.

2 Submissions to the draft determination: AER, Joint EWOs, PIAC, SACOSS, ECA, Queensland Minister for Energy and Clean Economy Jobs, ACT Minister for Water, Energy and Emissions Reduction, Nexa Advisory

3 Submissions to the draft determination: Joiny EWOs, AER

Our proposed new safeguards include two key reforms in addition to existing changes identified in our draft determination

18 This directions paper proposes two customer safeguard measures in addition to those already proposed in our draft determination. We are seeking stakeholder input on these proposed changes before proceeding to a final determination on the rule change.

Customers would need to give explicit informed consent for a retail tariff structure change following a smart meter deployment

19 We propose to introduce a new customer consent requirement for any retail tariff changes following a smart meter deployment. When a customer receives their new smart meter, the retailer may offer the customer a new (for example, cost-reflective) retail tariff structure. However, the retailer would be required to obtain the customer's explicit informed consent to change the customer's retail tariff structure. If the customer gives their explicit informed consent, the retailer may change the customer's retail tariff type.

20 This new explicit informed consent period would last for three years following the customer's smart meter deployment and would apply to customers who receive a tariff change as a result of receiving the new meter. The consent period would commence when the customer receives the new meter.

21 After three years, the retailer may move the customer to a new retail tariff structure without the customer's explicit informed consent. Under these circumstances, consistent with our draft determination, the retailer would be required to give:

- 30 business day's notice
- an estimate of what the customer's historical bill would have been under the new varied retail tariff structure, compared to the bill they received under their existing tariff (we have strengthened this measure since the draft determination, which only required a retailer to give a historical bill comparison at the customer's request)
- supporting information for customers detailing how to understand, monitor, and manage their electricity usage (for example, through available apps or in-home displays).

22 We consider that this proposed new requirement would benefit consumers by:

- mitigating the risk of negative customer impacts following a smart meter installation, such as bill shock
- supporting increased customer choice to choose the retail structure that best suits them
- providing stronger incentives for retailers to give customers detailed and useful information explaining how they may be able to benefit under a proposed new retail tariff structure
- giving customers a period where they can accumulate energy consumption data to better understand their energy usage, and what offers best suit their needs.

Designated retailers would be required to offer flat tariffs to customers with smart meters, with this measure being implemented by jurisdictions

23 In addition to the above, we are proposing a new requirement for designated retailers to offer customers with a smart meter a flat retail tariff structure.

24 Under this proposed new requirement, if a small customer's meter is replaced with a smart meter, then that customer's designated retailer must make a standing offer available to that customer with a flat retail tariff structure.

- 25 Under the NERL, jurisdictions would need to opt into this new flat tariff requirement for it to come into effect. That is, the rule would only apply if and when a given jurisdiction declares that it applies in that jurisdiction. Jurisdictions would need to apply this rule through a local instrument.
- 26 We consider that this reform would support increased consumer choice in the competitive retail market and better consumer outcomes.
- 27 We understand that some consumers cannot meaningfully shift their energy usage to be rewarded under cost-reflective retail tariffs, and would be significantly better off under a flat tariff structure. This may be particularly important for vulnerable customers, or customers with life support. This measure would also benefit consumers that find cost-reflective retail tariffs complex, and prefer a simple flat tariff product that they find easy to use and understand.

We encourage you to make a submission

- 28 Stakeholders can help shape the solution by participating in the rule change process. Engaging with stakeholders helps us understand the potential impacts of our decisions and contributes to well-informed, high-quality rule changes. Guidance on making a submission is provided in section 1.3.

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1 The context for this directions paper

We have published this directions paper to consult further on our proposed consumer safeguards package in the *Accelerating smart meter deployment* rule change project.

1.1 We made a draft determination to accelerate the deployment of smart meters

On 4 April 2024, the Commission published the *Accelerating smart meter deployment* draft determination, in response to the rule change requested by Intellihub, SA Power Networks, and Alinta Energy (the proponents). If implemented, this rule change would accelerate the deployment of smart meters to all customers across the NEM by 2030 under an improved metering framework in the *National Electricity Rules* (NER) and *National Energy Retail Rules* (NERR).

The rule change request seeks to implement recommendations made as part of the *Review of the Regulatory Framework for Metering Services* (the Review), which was published by the Commission on 30 August 2023.

The draft determination included a new customer safeguards package

Under current arrangements, following a smart meter upgrade a customer's connection point may be reassigned to a new network pricing structure (network tariff) by their DNSP. That customer's retailer may then decide to move the customer to a different retail pricing (retail tariff) structure to reflect this change. This creates the risk of negative customer experiences if customers are not appropriately informed of retail tariff changes, and what it may mean for their energy costs.

Our draft determination included a new customer safeguards package aimed at mitigating this risk. Our proposed safeguards package was informed by detailed stakeholder consultation throughout the Review, and in the course of preparing the draft determination. The package included:

- obligations on retailers to:
 - give a customer 30 business days' notice ahead of any changes to a customer's retail tariff
 - provide the customer with supporting information about their new tariff, including how to understand and monitor their usage, and how to manage their usage to be rewarded for responding to price signals under the new tariff
- a right for customers to request an estimate of what their historical bill would have been under the varied tariff compared to the bill they received under the existing tariff (to the extent that the customer's smart meter data is available).

1.2 We have published this directions paper to seek stakeholder input on our proposed approach to strengthening customer safeguards

We received significant stakeholder engagement in response to our draft determination. Over 200 stakeholders attended our public forum on 2 May 2024, and we received over 150 submissions in response to our draft determination. A broad range of stakeholders were highly supportive of the accelerated smart meter rollout by 2030, and noted the critical role that smart meters will play in enabling the future energy system.

However, stakeholders also raised concerns regarding the impact of cost-reflective retail tariffs on consumers, and advocated for us to strengthen our customer safeguards package. We note the

concerns identified by stakeholders may create significant social licence risks for the accelerated rollout if left unaddressed.

In light of this stakeholder feedback, we have published this directions paper and draft rules to consult further on our proposed approach to strengthening customer safeguards to ensure that there is social licence for the accelerated rollout of smart meters. The outcome of this process will inform our final determination for this rule change process, which will be published on 28 November 2024.

Stakeholders were broadly supportive of the other elements of our draft determination, consistent with what we heard during the Review. We are therefore not seeking further stakeholder feedback on any other aspects of the proposed *Accelerated smart meter deployment* rule change in this directions paper.

1.3 Opportunities for stakeholder engagement

Stakeholders can help shape the solution by participating in the rule change process. Engaging with stakeholders helps us understand the potential impacts of our decisions and contributes to well-informed, high-quality rule changes.

How to make a written submission

Due date: Written submissions responding to this Directions paper must be lodged with the Commission by **12 September 2024**.

How to make a submission: Go to the Commission's website, www.aemc.gov.au, find the "lodge a submission" function under the "Contact Us" tab, and select the project reference code **ERC0378**.⁴

Tips for making submissions are available on our website.⁵

Publication: The Commission publishes submissions on its website. However, we will not publish parts of a submission that we agree are confidential, or that we consider inappropriate (for example, offensive or defamatory content, or content that is likely to infringe on intellectual property rights).⁶

Attend a stakeholder forum on this directions paper

We will host a public forum on this directions paper on 29 August 2024. You can register for the public forum via our project webpage. We will also circulate registration information via our newsletter, to which you can subscribe here <https://www.aemc.gov.au/contact-us/subscribe>.

⁴ If you are not able to lodge a submission online, please contact us and we will provide instructions for alternative methods to lodge the submission.

⁵ <https://www.aemc.gov.au/our-work/changing-energy-rules-unique-process/making-rule-change-request/our-work-3>

⁶ Further information is available here: <https://www.aemc.gov.au/contact-us/lodge-submission>

2 Stakeholders raised concerns regarding the impact of retail tariff variations following a smart meter installation

2.1 How customers are billed for their energy use

Network tariffs are determined through the Tariff Structure Statement (TSS) process

DNSPs charge network tariffs to retailers. These tariffs allow DNSPs to recover the costs of building, operating, and maintaining the network.

Network tariffs are currently set through the Tariff Structure Statement (TSS) process.⁷ Each regulatory period (every 5 years), DNSPs must submit a TSS to the Australian Energy Regulator (AER) for approval. This TSS sets out the DNSP's proposed network tariff structure for the next regulatory control period. The NER requires distributors to gradually make their tariffs more accurately reflect the costs of serving their customers (i.e. cost-reflective) over time.

A TSS includes the DNSP's proposed approach to how it will assign different network tariffs to different customer connection points. This assignment approach will often be informed by the customer's meter type. As basic (accumulation) meters cannot measure when within a given period energy was consumed, these connection points will generally be assigned a 'flat' or 'anytime' network tariff. Conversely, under a DNSP's TSS, connection points with smart (interval) meters will often be assigned to more 'cost-reflective' network tariffs, as enabled by such meters and required by the NER. These can include 'time of use' and 'demand' tariffs.

DNSPs variously adopt different approaches to network tariff reassignment following a smart meter deployment. Some DNSPs will reassign a customer's connection point to a new network tariff immediately after a smart meter deployment. Other DNSPs have a 'transitional' or 'lag' period (for example, 12 months) before they assign a new network tariff to a connection point following a smart meter deployment.

Retailers may choose how they pass network tariffs onto consumers

A network tariff for a given connection point is passed on as a network cost to the relevant retailer. Retailers are not required to pass on the network tariff structure to the customer. Retailers can choose how to package these network tariffs up with other costs, such as the cost of wholesale energy, in their service offerings to customers.

This means that, in practice, the retail electricity tariff need not reflect the network tariff. For example, a customer may be assigned to a 'time-of-use' network tariff, but face a 'flat' or 'anytime' retail tariff structure whereby the cost of using a unit of energy does not vary by time of day.

Retailers must notify customers ahead of any retail tariff changes

Under current arrangements, a retailer does not need a customer's consent to change the customer's retail tariff. Under rule 46 of the National Energy Retail Rules (NERR), retailers must give customers 5 business days' notice prior to changing their retail, except in Queensland where they must give 10 business days' notice.

If the retail tariff variation occurs because of a tariff reassignment by the DNSP pursuant to a request from the retailer, then the notification must be given to the customer as soon as possible, and no later than the customer's next bill. The main intent of this rule is to take into account

⁷ Part E and I of the NER.

scenarios where a customer has requested a change to their tariff from their retailer. A retailer may only request a network tariff variation for a given connection point once in any 12-month period, unless requested to do so by the customer.

At 30 June 2023, the proportion of residential customers on a cost-reflective network tariff across the NEM was 30.4 per cent. This was an increase of approximately 5 per cent from the previous year.⁸

2.2 Some customers are not positioned to benefit from cost-reflective retail tariffs

Cost-reflective retail tariffs likewise include 'time of use' and 'demand' tariffs, and combinations of these, where the price consumers face for electricity better reflects the costs of generation and supply at the time the energy is used. 'Flat' or 'anytime' retail tariffs do not reflect such costs and as such these tariff types are not considered cost-reflective.

Customers require detailed information to benefit fully from cost-reflective retail tariffs, including specifically how their energy consumption patterns will impact their bills. Without sufficient information, customers may experience 'bill shock' following a change to a cost-reflective retail tariff, where their electricity bill under the new tariff may be higher than previous bills. We note that many customers are used to paying the same price for electricity no matter what time of day it is used, and may find it difficult or be unmotivated to adjust to time-varying prices.

Although many customers can benefit from switching to cost-reflective retail tariff, these tariffs will not suit or benefit all customers depending on their circumstances and requirements. This problem may be more acute for customers who are unable to shift their consumption patterns, or invest in products that allow them to benefit from cost-reflective tariffs, as well as customers who are not actively engaged in understanding their energy consumption. This problem may also be more acute for certain cohorts of vulnerable consumers, such as life support consumers or consumers with 'leaky homes'.

As noted in section 2.1 above, although there is no obligation for retailers to directly pass a network tariff onto the consumer, they will often do so in practice. Retailers may do this to reduce the risk of bearing a mismatch between what the DNSP charges, and what the customer pays. Where retailers seek to reflect the network tariff in their retail tariff offerings as much as possible, customers with smart meters may experience difficulties accessing certain retail tariff structures, such as flat tariffs that were previously available when they had a legacy meter.

The ACCC notes that in practice, there is currently little information on the extent to which customers on time-of-use or demand tariffs have sought to switch back to a flat tariff, or how successful these customers have been finding flat-rate plans with their existing or new retailer.⁹ However, we note feedback from the AER and Energy and Water Ombudsman (EWO) schemes, advising that they regularly receive complaints from customers with smart meters about being unable to access flat retail tariffs.¹⁰

8 AER, *Network tariff reform*, <https://www.aer.gov.au/about/strategic-initiatives/network-tariff-reform>

9 ACCC, *Inquiry into the National Electricity Retail Market*, June 2024 report

10 Submissions to the draft determination: AER, Joint EWOs

2.3 Stakeholders raised concerns regarding retail tariff reassignment in response to the draft determination

As noted in Chapter 1, we have received detailed feedback from stakeholders regarding retail tariff reassignment following a smart meter upgrade, and our proposed customer safeguards package. Based on this feedback, we consider that there is sufficient justification to explore options to strengthen customer safeguards, as outlined in further detail in Chapter 3 of this paper.

2.3.1 A broad range of stakeholders considered that our customer safeguards package should be strengthened

Some stakeholders considered that more should be done to protect consumers from the impacts of retail tariff changes

In response to the draft determination, a range of stakeholders considered that our proposed customer safeguards package does not go far enough to protect consumers from the impacts of retail tariff variation, following a smart meter deployment.¹¹

Some stakeholders have observed customer complaints following a change to a new cost-reflective retail tariff

Both the AER and the EWO schemes advised that retail tariff variations are a key driver of consumer complaints. Key areas of customer complaints relate to:

- being placed on a new cost-reflective tariff without the ability to opt-out
- customers with smart meters not being able to access a flat retail tariff offer
- inadequate notification prior to a retail tariff change
- not receiving sufficient information about the impact or implication of such changes
- higher than expected bills after being placed on a new cost-reflective tariff
- the incorrect application of cost-reflective tariffs.¹²

Some stakeholders proposed a new 'explicit informed consent' requirement for retail tariff changes be introduced

Some stakeholders considered that we should strengthen our customer safeguards package to require a retailer to obtain a customer's explicit informed consent prior to making any changes to the customer's retail tariff.¹³ Stakeholders considered that this would help mitigate against potential negative consumer outcomes such as bill shock, support trust in the sector, and ensure that customers have the autonomy to make an informed decision that best suits their needs and circumstances.

Stakeholders also noted the importance of allowing customers to make an informed choice about how they pay for energy, and considered that customer choice was important in building trust and support for the renewable energy transition.¹⁴

Some stakeholders considered that retailers should be required to provide a retail offer with a flat tariff

11 Submissions to the draft determination: AER, Joint EWOs, PIAC, SACOSS, ECA, Queensland Minister for Energy and Clean Economy Jobs, ACT Minister for Water, Energy and Emissions Reduction, Nexa Advisory

12 Submissions to the draft determination: AER, Joint EWOs

13 Submissions to the draft determination: PIAC, SACOSS, ECA, Queensland Minister for Energy and Clean Economy Jobs, ACT Minister for Water, Energy and Emissions Reduction

14 Submissions to the draft determination: PIAC, ACT Minister for Water, Energy and Emissions Reduction

In its 2018 Retail Electricity Pricing Inquiry (REPI) report, the ACCC noted that the transition to cost-reflective network tariffs could lead to negative customer bill shock outcomes, where retailers pass network tariffs through to customers. Noting this, the ACCC considered that there should be a requirement for retailers to provide a retail offer using a flat tariff.¹⁵

This recommendation was supported by some stakeholders in response to the draft determination, who considered that this measure would protect customers from unwanted changes to the way they are charged for energy.¹⁶ Furthermore, stakeholders felt this protection be particularly important given:

- the current environment of high cost of living pressures
- the planned accelerated smart meter deployment, which would otherwise see more customers moved to cost-reflective network tariffs absent the protection
- the planned removal of the right for customers to opt out of a smart meter deployment.

Some stakeholders consider that the existing tariff notification arrangements are unclear

Some stakeholders consider that the current retailer tariff notification rules are unclear, which may have led to confusion in particular scenarios.

As stated in section 2.1 of this paper, rule 46 of the NERR requires that customers be given 5 business days' notice before any retail tariff changes (10 business days' notice in Queensland). Under rule 46(4C), if a retail tariff variation occurs as a result of a tariff reassignment by the DNSP pursuant to a request from the retailer under clause 6B.A3.2 of the NER, then the notification must be given to the customer as soon as possible, and no later than the customer's next bill.

As raised by stakeholders, the Commission notes that the explanation of how rule 46(4C) of the NERR would operate in the relevant AEMC Final Determination differs from the rule provision. The Final Determination suggested that the ability for a retailer to advise a customer of a retail tariff change as soon as possible would also apply to distributor-initiated changes.¹⁷ The AER submitted that this inconsistency may have led to confusion and instances of retailer non-compliance with their notification obligations.

Retailers must comply with requirements as outlined in the rules, rather than in the relevant AEMC Final Determination. For clarity, retailers:

- are required to provide advance notification of any variation to the tariffs and charges that affect the customer (as set out in rule 46), unless,
- the variation to the tariffs and charges are a direct result of a tariff reassignment by the distributor pursuant to a request from a retailer under clause 6B.A3.2 of the NER. In this case, notice must be provided as soon as practicable, and in any event no later than the customer's next bill.

Some stakeholders considered that we should expand our customer safeguards to a broader cohort of consumers

Under the draft determination, our customer safeguards package would relate to all tariff variations resulting from a smart meter deployment over the acceleration period. This includes all deployment types, including:

- meters deployed as part of the acceleration program

15 ACCC, *Restoring electricity affordability and Australia's competitive advantage*, Retail Electricity Pricing Inquiry - Final Report, June 2018

16 Submissions to the draft determination: Joint EWOs, SACOSS, PIAC

17 AEMC, Advance Notice of Price Changes, Final Determination, https://www.aemc.gov.au/sites/default/files/2018-09/Final%20Determination_2.pdf

- customer-initiated deployments
- new connections
- replacements of malfunctioning legacy meters.

Some stakeholders considered that our customer safeguards should be extended to all tariff variation notification scenarios, such as when a retail tariff is varied for a reason other than a smart meter deployment. They also considered that these customer safeguards should apply on an ongoing basis, rather than for a transitional period.¹⁸

Under our rule change process, we consider matters raised as part of the rule change request. In this instance, the rule change request identified issues relating to tariff variations that result from a smart meter deployment. Addressing broader issues relating to tariffs more generally would require more detailed consideration and consultation. As such, we consider broader changes that are unrelated to a smart meter deployment to be out of scope for this rule change process.

2.3.2 Some retailers considered that our proposed customer safeguards package would lead to retailer cost risks

As noted in section 2.3.1 above, the majority of stakeholder feedback regarding customer safeguards considered that consumers may face risks from changing retail tariff structures, and that we should explore measures to enhance our proposed customer safeguards package. However, some retailers raised concerns regarding our proposal to introduce a new 30 business day notification requirement before change can be made to a customer's retail tariff.

Retailers noted that in some instances, they may receive less than 30 business days' notice from a DNSP informing them that a customer's connection point has been reassigned to a new network tariff. Retailers were concerned that in such instances they will need to bear a new tariff structure (and associated costs) from a network for some time without being able to pass this new structure and costs onto the customer through a new retail tariff structure. We further discuss the potential impacts of such retailer cost risks in section 3.1.2 of this paper.

Some retailers considered that to address this risk, DNSPs should be required to give retailers a minimum notification period so that retailers have sufficient time to notify the customer.¹⁹ Other retailers considered that the existing retail notification requirements are already effective, and do not support any extension to 30 business days.²⁰

2.4 It is important to address these issues so there is social licence for the accelerated deployment of smart meters

There are clear economic benefits and efficiency gains in delivering an accelerated deployment of smart meters by 2030, as articulated in the Review cost-benefit analysis.²¹

It is also evident that smart meters will play a foundational role more broadly in the transition to the future energy system. The energy landscape is undergoing unprecedented change in response to market and technology developments, changing community expectations, and the shift to a cleaner energy system. Households will become smarter and more autonomous over time and will increasingly interact with the grid and energy markets. Smart meters are an important tool to facilitate that interaction, and to support the cost-effective decarbonisation of the energy market.

18 Submissions to the draft determination: AER, Joint EWOs

19 Submissions to the draft determination: AGL, Next Business Energy, Alinta, EnergyLocals, EnergyAustralia, Origin Energy

20 Submissions to the draft determination: Origin Energy, Shell

21 Review of the regulatory framework for metering services, 2023, https://www.aemc.gov.au/sites/default/files/2023-08/emo0040_-_metering_review_-_final_report.pdf

They also offer a range of benefits, particularly for consumers, but also for market participants and the system overall.

The timely deployment of smart meters is also a key enabler for market bodies' broader CER integration work program, as well as CER work being led by jurisdictions. The critical importance of accelerating the deployment of smart meters across the NEM was echoed by a broad range of stakeholders in response to the draft determination. Stakeholders acknowledged the crucial role that smart meters will play in our future energy system.

Noting the clear benefits of getting smart meters to consumers faster, we therefore consider it is important that there is social licence to support the acceleration program. This view was echoed by a range of stakeholders in response to the draft determination.

3 How our proposed solution would work

3.1 We propose a new 'explicit informed consent' period before retailers can pass new tariff structures onto customers

We are proposing to introduce a new customer consent requirement relating to retail tariff changes following a smart meter deployment. Under this proposal, there would be no change to existing network tariff arrangements. When a customer receives a new smart meter, a DNSP may apply a new cost-reflective network tariff to that customer's connection point, in line with the DNSP's TSS, which has been approved by the AER.

When a customer receives their new smart meter, the retailer may then offer the customer a new (for example, cost-reflective) retail tariff. However, the retailer must obtain the customer's explicit informed consent to change the customer's retail tariff.

If the customer gives their explicit informed consent, the retailer may change the customer's retail tariff type. The customer is not obliged to remain on their existing (likely flat) tariff. They may ask the retailer what alternate tariffs are available to them, or seek other offers with other retailers.

This new explicit informed consent period would last for three years following the customer's smart meter deployment. After three years, the retailer may move the customer to a new retail tariff without the customer's explicit informed consent.

Under these circumstances, the retailer would be required to give:

- 30 business day's notice
- an estimate of what the customer's historical bill would have been under the new varied retail tariff, compared to the bill they received under their existing tariff
- supporting information for customers detailing how to understand, monitor, and manage their electricity usage (for example, through available apps or in-home displays).

Our proposal to require retailers to give customers a historical bill estimate ahead of a tariff variation differs from our draft determination. Under our draft determination retailers would only be required to give a historical bill comparison if a customer requests it. We consider that under an explicit informed consent period where customers can accumulate consumption data, retailers will be able to more easily share this information with customers. We also consider that this measure will be important in helping consumers better understand their usage and what it means for their energy bill.

This new explicit informed consent safeguard would apply to customers who receive a tariff change as a result of a smart meter deployment. This covers all smart meter deployment types, including deployments under the acceleration program, customer-initiated deployments, new connections, and where a malfunctioning legacy meter is replaced with a smart meter.

This safeguard would not apply:

- if a customer moves into a premises that already has a smart meter
- if a customer changes retailer after they receive a smart meter
- where the variation to the tariff is a direct result of a benefit change and the retailer has provided the customer with a notice under rule 48A
- where the variation to the tariff is a direct result of a change to, or withdrawal or expiry of, a government funded energy charge rebate, concession or relief scheme

- where the variation to the tariff is a direct result of a change to any bank charges or fees, credit card charges or fees, or payment processing charges or fees applicable to the customer.

This safeguard would apply for all tariff variations resulting from a smart meter deployment from 1 January 2025, until the end of the acceleration program on 31 May 2031. This means that if a customer receives a smart meter at the end of this period (for example, on 31 May 2031), the three year explicit informed consent period will apply until 31 May 2034.

A 1 January 2025 start date is earlier than the start date for the new tariff notification requirements proposed in the draft determination. This is in recognition of the high number of smart meters that retailers are already rolling out, and the need to ensure that there are adequate customer safeguards in place.

The proposed new explicit informed consent period commences when the customer receives a smart meter. DNSPs have varied approaches to network tariff reassignment following a smart meter deployment. We note that for DNSPs that have a transitional period between when a smart meter is installed and when a new network tariff is applied, the retailer will not face the new network tariff for a portion of a customer's 3-year explicit informed consent period.

3.1.1 **A new three-year explicit informed consent period would help minimise negative customer impacts and support increased customer choice**

Requiring retailers to obtain a customer's explicit informed consent ahead of any retail tariff variations would help minimise the risk of negative customer experiences following a smart meter installation. This includes risks such as bill shock resulting from unexpected retail tariff changes, or changes that customers are not equipped to understand or respond to.

An explicit informed consent period would help restore customer choice regarding how they are billed for their energy usage. We consider that meaningful customer choice will be important in building trust and support for the smart meter rollout and broader energy transition.

Under a new explicit informed consent period there would be strong incentives for retailers to provide customers with detailed and useful information explaining how they may be able to benefit under a proposed new retail tariff structure. This is important noting stakeholder feedback of anecdotal evidence that customers have not received sufficient information from their retailer about the impact of their new tariff, or how they can change their energy usage to benefit from it.

We also note that a key consumer benefit of smart meters is increased access to meaningful energy consumption information. We consider that a three-year new informed consent period before changes to retail tariffs will allow consumers to accumulate energy usage data and better understand their consumption patterns. This in turn will allow consumers to make more informed decisions about what retail tariffs best suit them. It will also give customers more time and opportunity to consider behaviour changes or invest in products that may allow them to take advantage of a cost-reflective tariff.

3.1.2 **Introducing a new explicit informed consent period may have broader impacts**

A new explicit informed consent period may lead to an increase in retail price levels

Introducing a new explicit informed consent period before retailers can vary a customer's retail tariff may lead to retailers increasing their price levels.

In instances where a customer does not give their explicit informed consent to vary their retail tariff following a smart meter deployment, this means that their retailer may face a network tariff

cost structure that it is unable to directly pass through to the customer via a corresponding retail tariff structure, for a period of up to three years. To the extent that these instances create cost risks for retailers, they may choose to manage these risks by increasing retail price levels.

Retailers may choose to take a portfolio approach to manage these cost risks (i.e. by spreading costs across their offers or customer base). Alternatively, retailers may choose to specifically raise price levels for customers with a smart meter who choose to remain on their existing (likely flat) tariff over their three-year explicit informed consent period. However, if the customer is on a standard retail contract, this price level would be capped by the Default Market Offer (DMO).

As noted in section 2.3.2 above, some retailers consider that any period of mismatch between network and retail tariff structures will create an unacceptable cost risk of retailers. We do not consider that retailers will be uniformly worse-off facing a cost-reflective network tariff that they cannot directly pass on to customers:

- Cost-reflective network tariffs will result in lower network costs for some customers. For example, analysis in a number of DNSP TSSs shows that customers may be better off (i.e. experience a bill decrease) after moving from their existing tariff to a cost-reflective tariff, even without assuming any behaviour change from the customer being exposed to cost-reflective price signals.²² This suggests that in these instances, retailers will benefit if they are exposed to a new cost-reflective network tariff structure that is not passed through to the customer via a corresponding retail tariff structure.
- Stakeholders have advised that some retailers do not vary a customer's retail tariff following network tariff reassignment, or that they do so only for some customers.

A new explicit informed consent period may slow the transition to cost-reflective retail pricing

Cost-reflective network tariffs are important in supporting DNSPs to effectively build and maintain the network at an efficient price for consumers. This is particularly important in the context of the growing prevalence of CER, such as electric vehicles, which will have a material impact on consumer consumption patterns.

Cost-reflective network prices are only effective in constraining network augmentation costs where network price signals are communicated to customers and/or their devices through retail offers. Under a new explicit informed consent period, fewer customers may be exposed to cost-reflective retail pricing in the near term than previously anticipated. This in turn may translate to higher network and retail costs in the near term.

The Commission considers that should these impacts occur, they would likely be modest. We offer two reasons in this respect:

1. We anticipate that many customers will still prefer to take advantage of cost-reflective retail pricing even when they have the choice to remain on a flat tariff. Customers with the capacity and willingness to adjust their consumption behaviour and/or to utilise devices to do so on their behalf are still more likely to opt in to cost-reflective retail offers, given such offers would in many cases deliver bill savings.
2. Customers without such capacity and willingness may choose to remain on flat tariffs because they prefer simplicity and/or a flat tariff may be cheaper for them. These customers would not be expected to materially adjust their consumption behaviour in response to price signals if they were placed on a cost-reflective retail tariff. They would therefore not contribute to limiting network augmentation costs through behaviour change.

²² Essential Energy 2024-29 Revised Tariff Structure Statement, Ergon Energy Network Regulatory Proposal for 2025-2030, Ausgrid's 2024-29 Revised Proposal

3.2 We propose a new rule requiring designated retailers to offer flat tariff standing offers

We are proposing a new requirement for designated retailers to offer customers with a smart meter a flat retail tariff. This would only apply to designated retailers' customers for which they are designated.

Under this new requirement, if a small customer's meter is replaced with a smart meter, then that customer's designated retailer must make a standing offer available to that customer with a flat retail tariff.²³

The Commission has specific powers under section 22 of the National Energy Retail Law (NERL) to make rules requiring designated retailers to offer customers with an interval meter (including smart meters) a certain tariff structure. These rules were implemented in 2013 through the *Statutes Amendment (Smart Meters) Act 2013*, following recommendations of the *National Smart Meter Consumer Protection and Safety Review*. This included a recommendation that consumers with a smart meter should be given an effective choice of retail tariff, including a standing offer flat tariff.

Under the NERL, jurisdictions would need to opt into this new flat tariff requirement for it to come into effect. That is, the rule would only apply if and when a given jurisdiction declares that it applies in that jurisdiction. Jurisdictions would need to apply this rule through a local instrument.

3.2.1 A requirement for designated retailers to make flat tariff offers available would enhance consumer choice

We consider that a new requirement for designated retailers to offer customers a flat tariff would support increased consumer choice in the competitive retail market, and better consumer outcomes.

This measure may particularly benefit consumers who cannot meaningfully shift their consumption to benefit from cost-reflective pricing. For example, some customers may reach the end of our proposed three-year explicit informed consent period and find that a flat tariff best suits their needs, with these finding supported by their smart meter data.

Requiring designated retailers to make a flat tariff offer available would also benefit consumers that find cost-reflective retail tariffs complex, and prefer a simple flat tariff product that they can easily understand.

3.2.2 This new flat tariff requirement may also have broader impacts, similar to those identified in section 3.1.2 above

As noted in section 3.1.2 above, requiring retailers to offer certain tariff structures to customers with smart meters may result in retailers raising price levels. For example, we expect that designated retailers will set their flat tariff offers at a price (up to the DMO) that maintains a retail margin to cover the costs of providing that flat tariff.

We consider that consumers should have a choice of tariff products available to them in a competitive retail market. Some consumers may be willing to pay more for a flat tariff product, as they find cost-reflective tariffs complex, and value simplicity. However, we also expect that

²³ All customers have a 'designated retailer'. Where there is no existing connection, the designated retailer is the local area retailer for the relevant geographical area, premises, or customer. Small customers are entitled to receive offers for retail energy services from the designated retailer, at the retailer's standing offer prices, and under its standard retail contract. Local area retailers in each State and Territory are nominated under the National Energy Retail Regulations for the State or Territory.

competitive forces in the retail market will help deliver competitively priced flat tariff offers for consumers.

3.3 We ruled out other proposed options to achieve the desired outcome

3.3.1 We considered giving consumers the right to opt-out of new retail tariffs

We considered giving consumers the right to opt-out of their cost-reflective retail tariff, and remain on their existing (likely flat) retail tariff. Under this option, retailers would be required to give customers notice ahead of any change to their retail tariff, and the right to opt-out and remain on their existing tariff. The onus would be on the customer to engage with the retailer during this notification period to opt-out.

This approach relies on customer engagement with their retail tariff. This includes the customer's ability to understand the impact of different tariffs and their energy consumption on their bill, and their ability to engage with a notification from their retailer. We note feedback to the draft determination highlighting that tariff structures may be complex and difficult for some consumers to understand.²⁴

Our engagement with stakeholders also indicates that many customers do not, and do not wish to, engage with their bills. As such, we do not consider that an opt-out approach is likely to effectively mitigate the risk of negative consumer outcomes, like bill shock.

3.3.2 We considered changes to existing network tariff arrangements

In response to the draft determination, some stakeholders considered that there should be changes to the current network tariff arrangements which result in network tariff reassignment following a smart meter installation.

For example, some stakeholders considered that the network tariffs being designed by DNSPs were complex, and are often passed through retailers directly to consumers. They considered that networks should be designing network tariffs in conjunction with the retailer, with the retailer then having the responsibility to create appealing products, and simple solutions for customers who prefer them.²⁵ Others considered that there should be a moratorium on tariff changes at the network level in the year that a customer receives a new smart meter.²⁶ We understand that some DNSPs' TSSs provide for a lag between the installation of a smart meter and network tariff reassignment, though some do not.

We do not consider that this *Accelerating smart meter deployment* rule change process is the appropriate vehicle to holistically consider broader reforms to network pricing arrangements. There are two primary reasons for this:

1. changing DNSPs' tariff reassignment policies would conflict with decisions made by the AER on DNSPs' Tariff Structure Statements (TSS)
2. reforming network tariff arrangements through this rule change process would require detailed work and comprehensive consultation, risking delays to the accelerated smart meter rollout and the corresponding benefits to customers of accessing smart meters sooner.

We also consider that these broader issues are better considered through alternate processes currently underway, as discussed below in section 3.4.

²⁴ Submissions to the draft determination: Joint EWOs, AER, ECA

²⁵ Submissions to the draft determination: ECA, AGL

²⁶ Submissions to the draft determination: EnergyLocals

3.4 Broader issues raised by stakeholders are being explored through other processes

3.4.1 Electricity pricing for a consumer driven future Review

On 25 July 2024, the Commission self-initiated the *Electricity pricing for a consumer-driven future* Review, by publishing a draft terms of reference (ToR). This is a broad, forward-looking review that will address the important role that electricity pricing, products, and services will play in supporting the diverse needs of customers, including the CER necessary for the energy transition.

The Review will examine how markets and regulatory frameworks can provide the products and services that best match consumer preferences, now and into the future.

The Review's key areas of focus are:

1. market arrangements that provide for consumer choice between a range of appropriate products, services, and associated prices that suit their needs and preferences
2. the role of DNSPs in enabling the right products, services, and incentives for consumers, and the efficient cost and pricing outcomes that result
3. the role of retailers and energy service providers in effectively packaging and pricing electricity products and services to match consumer preferences.

We consider that this Review is the more appropriate vehicle to consider some of the matters raised by stakeholders regarding broader network tariff reforms.

3.4.2 Ministers have agreed to progress a package of consumer reforms

At the Energy and Climate Change Ministerial Council meeting on 19 July 2024, Ministers agreed to progress a package of consumer reforms that will help households access cheaper energy deals, increase support for people experiencing hardship, and deliver more protections for consumers.

These reforms aim to reduce confusion over tariff structures, reduce barriers preventing switching to better plans, and embed changes that may save consumers money. The Commission expects to receive formal rule changes requests imminently to progress this work in the near-term.²⁷

²⁷ Energy and Climate Change Ministerial Council Meeting, 19 July Communique, <https://www.energy.gov.au/energy-and-climate-change-ministerial-council/meetings-and-communications>

4 Making our decision

4.1 The Commission must act in the long-term interests of consumers

The Commission can only make a rule if it is satisfied that the rule will or is likely to contribute to the achievement of the relevant energy objectives. For the *Accelerating smart meter deployment* rule change project, the relevant energy objectives are the NEO and the NERO.²⁸

The NEO is:²⁹

to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to—

- (a) price, quality, safety, reliability and security of supply of electricity; and
- (b) the reliability, safety and security of the national electricity system; and
- (c) the achievement of targets set by a participating jurisdiction—
 - (i) for reducing Australia’s greenhouse gas emissions; or
 - (ii) that are likely to contribute to reducing Australia’s greenhouse gas emissions.

The NERO is:³⁰

to promote efficient investment in, and efficient operation and use of, energy services for the long term interests of consumers of energy with respect to—

- (a) price, safety, reliability and security of supply of energy; and
- (b) the achievement of targets set by a participating jurisdiction—
 - (i) for reducing Australia’s greenhouse gas emissions; or
 - (ii) that are likely to contribute to reducing Australia’s greenhouse gas emissions.

The targets statement, available on the AEMC website, lists the emissions reduction targets to be considered, as a minimum, in having regard to the NEO and NERO.³¹

4.2 Our assessment criteria

As part of our *Accelerating smart meter deployment* rule change process, we identified the following criteria to assess whether the proposed rule change, no change to the rules (business-as-usual) or other viable, rule-based options are likely to better contribute to achieving the NEO and the NERO:

- **Consumer outcomes:** do the proposed changes to the metering framework provide consumers earlier access to the benefits that smart meters offer? Do they improve consumer information and protections throughout the transition to smart meters?

28 Section 88 of the NEL /236 of the NERL

29 Section 7 of the NEL.

30 Section 13 of the NERL.

31 Section 32A(5) of the NEL/ Section 224A(5) of the NERL

- **Market efficiency:** do the proposed changes enable a more efficient deployment of smart meters than under the current framework? Do they reduce regulatory and practical barriers to speeding up deployment, and give stakeholders better access to smart meter data?
- **Innovation and flexibility:** do the proposed changes to give stakeholders earlier access to smart meter data support more innovative services and products for consumers, and more innovative management of the energy network?
- **Emissions reduction:** do the proposed changes support achieving government targets for reducing Australia's greenhouse gas emissions? Do they also align with broader reforms on CER integration?
- **Implementation considerations:** do the proposed changes align with industry capabilities and ensure universal smart meter deployment can be achieved by 2030?

Abbreviations and defined terms

AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
ACCC Commission	Australian Competition and Consumer Commission See AEMC
DMO	Default Market Offer
DNSP	Distributed Network Service Provider
EWO	Energy and Water Ombudsman
NEL	National Electricity Law
NEM	National Electricity Market
NEO	National Electricity Objective
NER	National Electricity Rules
NERL	National Energy Retail Law
NERO	National Energy Retail Objective
NERR	National Energy Retail Rules
NGL	National Gas Law
NGO	National Gas Objective
NGR	National Gas Rules
Proponent	The proponent of the rule change request
TSS	Tariff Structure Statement