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Australian Energy Market Commission
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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 consultation for the Accelerating Smart Meter Deployment rule change. The *directions paper* focuses on an additional change to what was proposed in the draft determination, aiming to improve consumer protections by ensuring that following a meter exchange customers will not have their retail tariff changed without Explicit Informed Consent (EIC). EnergyAustralia acknowledges the intent of the proposal and supports action to improve customer outcomes; however, we do not believe the proposal is the best option to achieve this outcome.

EnergyAustralia is disappointed that the *directions paper* did not consider any of the suggestions or feedback provided by stakeholders in their submissions. Most of the feedback and the suggestions would have had beneficial impacts to customers, either in reduced costs for the meter rollout or improved outcomes (e.g. consistent messaging on the roll out, processes optimised for customer preference), and it seems perverse that the AEMC will consider the additional change outlined in the directions paper and not the many considered and appropriate suggestions of stakeholders.

We appreciate the AEMC could view the extensive timeframe for the *Metering Review* as substantiation that all elements have been considered in full; however, as EnergyAustralia has participated since the instigation of the *Review,* we can confirm that there are elements of our and other stakeholders' suggestions that haven't been considered at all or in full, or the reasoning for the AEMC's views have since changed. We urge the AEMC to consider the suggestions put forward by stakeholders in the responses to the draft determination and make an informed assessment with an objective of choosing the optimum outcomes for the metering acceleration (e.g. least cost, best customer experience). EnergyAustralia's suggested changes are outlined below, further context for the suggestions is available in our response to the draft determination[1]:

[1] EnergyAustralia Draft Determination Submission

- Reconsider a 2032 completion date
- 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
- Recommend 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
- Consider a process that would allow DNSPs to 'facilitate' the proactive installation of isolation devices at shared-fuse locations
- Consider how to equitably allocate the increased price for physical meter readings
- Require DNSPs to record relevant site information at locations that require a meter exchange
- Proposal to prioritise meter installation for the Life Support sector in advance of the December 2025 acceleration commencement date
- DNSPs required to provide 40-business day notification to retailers regarding any tariff/price change that will impact a customer/s
- EnergyAustralia recommends requiring the 40-business day notification changes from the December 2025 acceleration commencement date
- Request the AER to consult with industry on the specific details required for reporting
- Limit the application of civil penalties unless there is an egregious effort against achieving the roll-out

Directions paper proposal

The *directions paper* pursues a change to how customers tariffs are changed, requiring that retail tariffs following a meter exchange cannot reflect a new network tariff without prior EIC from the customer. This proposal has been considered in light of recent media[2] and political attention to customer dissatisfaction regarding having a network tariff pricing structure imposed without their consent.

EnergyAustralia acknowledges that this can be an undesirable outcome for customers; as such, we instigated a practise that wouldn't change a customer's retail tariff in the event a network tariff changed (similar to what the AEMC has proposed); however, this decision made as a business in a competitive industry does not ratify that the *directions paper* proposal is warranted or appropriate. Ultimately, EnergyAustralia's business decision was made to attract and keep customers, it was not made having regard to the 'cost-reflective' objectives of distribution network tariffs. The AEMC's decision must consider more than the desires of the customers that have raised concern with a tariff change, and/or the desires of Members of Parliament seeking to avoid complaints from their constituents, it must consider all implications to the regulatory framework in which it is the independent rule maker.

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[2] Energy retailers exploit legal 'loophole' to change power prices without warning - ABC News

Customers must give their explicit informed consent for any changes to retail tariffs, for three years after a smart meter deployment

This requirement essentially considers the network tariff as something that a customer shouldn't have imposed upon them, a premise which contradicts how distribution networks have been and are developed.

National Electricity Rules
Chapter 6, Part I
6.18.4
Principles governing assignment or re-assignment of retail customers to tariff classes and assessment and review of basis of charging

(1) retail customers should be assigned to tariff classes on the basis of one or more of the following factors:
   i. the nature and extent of their usage or intended usage of distribution services;
   ii. the nature of their connection to the network;
   iii. whether remotely-read interval metering or other similar metering technology has been installed at the retail customer's premises as a result of a regulatory obligation or requirement;

6.18.5
Pricing principles
Network pricing objective

(a) The network pricing objective is that the tariffs that a Distribution Network Service Provider charges in respect of its provision of direct control services to a retail customer should reflect the Distribution Network Service Provider's efficient costs of providing those services to the retail customer.

The NER clearly requires distribution networks to establish tariffs based on the customer's specific circumstances and the efficient cost to provide distribution services to each specific customer. This is acknowledged in the *directions paper*, '*The NER requires distributors to gradually make their tariffs more accurately reflect the costs of serving their customers (i.e. cost-reflective) over time*'. It is therefore confusing why the *directions paper* is proposing a solution that would obfuscate the network tariff entirely. The AEMC suggests that many customers do not engage with their bills and don't adjust their consumption according to a tariff:

- '*Our engagement with stakeholders also indicates that many customers do not, and do not wish to, engage with their bills';* and,

- *'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.'*

EnergyAustralia does not necessarily disagree with the AEMC's views on customers' desires to engage with their bill or in their capacity to enact change based on the tariff they are assigned, but we are concerned that the AEMC has outlined this as a reality to support the *directions paper*'s proposal only a few years after making substantial regulatory change that is contradictory to this assertion *"Letting networks give customer incentives to use the system better means supply and demand on the grid can be smoothed out over the course of the day."*[3]

The AEMC have acknowledged that there is a need to consider how distribution network tariffs are developed and assigned; however, has proposed that a holistic review of this should occur in the forthcoming review into electricity pricing for a consumer-driven future. It is unclear as to why this same assertion was not accurate when considering if retailers should incur a network tariff that was designed for their customer, and why this would not also require '*detailed work and comprehensive consultation*'. Therefore, **EnergyAustralia recommends the AEMC delay any decision on network or retail tariff assignment until the completion of the forthcoming review**.

Alternatively, the AEMC could request the AER to produce a letter of no-action allowing **distribution networks to delay the assignment of a new network tariff following a metering acceleration meter exchange by 12-months**. This is closer to proposal in the draft determination, based on the suggestion by energy retailers, and with the AER agreement would be possible without ramifications to NER requirements for amendments to Tariff Structure Statements. The retailer notification requirements proposed by the AEMC could still occur with this suggestion and would be far more beneficial to customers as comparisons could now be completed with real interval data between a customer's previous and prospective tariff.

Either of the recommendations we have suggested are preferable to the *direction paper*'s proposal, they ensure customers receive adequate notice and accurate information, they limit the impact on network and retail recovery, and – crucially – they would provide adequate time for stakeholders to implement.

Implementation timeframe

The *directions paper* did not provide any indication on expected implementation, with this information shared by the AEMC in meetings following the release of the paper. The timeframes advised by the AEMC were intended to account for the delay in releasing a final decision (caused by the consideration of the additional safeguards considered in the *directions paper*); however, as the *directions paper* did not provide any further advice on what elements of the *draft determination* were still being considered, retailers lack certainty on what they should be developing and preparing to implement.

<u>Energy retailers should not be expected to commence implementation on regulatory change prior to a final decision being made and associated rules being updated.</u>

Commencing development of implementation requirements is a timely and costly initiative, with an overarching compliance obligation, it would not be prudent or appropriate for a retailer to conduct this activity without the assurance of a final decision and associated formal rule changes. It is disappointing that the AEMC haven't considered this when developing their proposed implementation timeframe, and while we appreciate there is a desire to commence the metering acceleration as soon as possible, this should not outweigh the consideration of providing a reasonable timeframe for retailer implementation; particularly as there is a civil penalty provision intended.

[3] New plan to make room on grid for more home solar and batteries | AEMC

The notification requirements to customers are a decision that must be finalised prior to retailers commencing work on their implementation. This communication should be developed with industry, government, and consumer advocates, as it should aim to be in a consistent and digestible format that can be communicated in a manner that will alleviate customer concern and dissatisfaction. Notably, the following requirement should be required to meet this objective; *(g) include information regarding how to understand, monitor and manage their electricity usage (for example, through available apps or in-home displays).*

There should also be consideration into how the following requirement would work in practise; *(h) be delivered by the customer's preferred form of communication where this has been communicated to the retailer, or otherwise by the same method as that used for delivery of the customer's bill.* As this may create poor customer outcomes based on the customer's preferred method of contact e.g. it will be difficult to present all notification requirements via SMS.

Therefore, **EnergyAustralia recommend the notification requirements be delayed until the commencement of the accelerated roll-out**. This would provide enough time for industry, government, the AEMC, and the ECA to develop consistent comms.

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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