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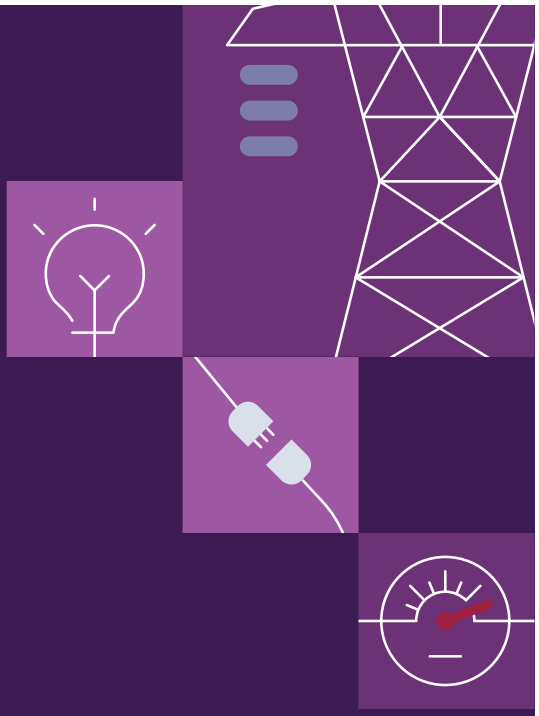

Electricity Rule Change Proposal

Strengthening Metering Compliance and Improving UFE Allocation Fairness

September 2025

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New South Wales | Queensland | South Australia | Victoria | Australian Capital Territory | Tasmania | Western Australia

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1. Summary

This Rule change request seeks amendments to the National Electricity Rules (NER) to enhance the current metering compliance framework for high voltage (HV) distribution connection points.

At present, Metering Coordinators (MCs) are responsible for ensuring that HV metering installations are tested and inspected, and replaced when malfunctioning, yet in many cases they cannot secure the customer cooperation or site shutdowns required to complete these obligations. As a result, a material portion of HV-connected NMIs remain untested and uninspected, creating risk of inaccuracy that can significantly distort market settlement outcomes given the scale of energy flows at these connection points. This issue does not arise at transmission connection points, where the alignment of roles ensures compliance obligations can be achieved in practice. The contrast highlights a structural weakness in the competitive MC model at HV distribution connection points.

The proposed solution is designed to improve compliance outcomes and strengthen settlement accuracy. It has two components:

1. **Sharing accountability for metering installation compliance** – to ensure that compliance obligations are achievable in practice and that metering installations critical to accurate market settlement are properly maintained and verified. AEMO proposes two complimentary measures:
    - Clarification of the definition of "*metering installation*" in Chapter 10 of the NER so that it explicitly means a compliant and verified metering installation. This ensures that the existing Financially Responsible Market Participant (FRMP) obligation under NER 7.2.1(a)(2) to ensure a metering installation is in place at a connection point is understood as an obligation to ensure a compliant and verified metering installation is in place. This makes it clear that the FRMP must support the MC in achieving compliance, including where site access limitations would otherwise prevent the MC from fulfilling its obligations.
    - Introduction of new paragraphs in NER 7.8.10 and Schedule 7.6 that makes it explicit that, where an MC is unable to carry out its obligations under these provisions due to customer or site access limitations, the relevant FRMP must facilitate the MC fulfilling their obligations within a specified timeframe (for example, 60 business days from being notified by the MC or becoming aware of the issue).
2. **Revised UFE allocation to incentivise compliance** – FRMPs with non-compliant metering installations at their connection points would bear a proportionally greater share of Unaccounted for Energy (UFE), ensuring that the financial consequences of non-compliance are borne by those responsible, aligning costs with behaviour.

An additional supporting measure is proposed to require Distribution Network Service Providers (DNSPs) to provide FRMPs and MCs with advance notice of planned outages, allowing compliance work to be scheduled during those shutdowns wherever practical.

Together, these reforms aim to directly address the structural access barrier at distribution HV connection points, strengthen incentives for timely compliance, improve the fairness and accuracy of UFE allocation, and provide practical tools to achieve it.

2. Relevant background

2.1. Current framework

The NER sets out clear obligations on both the FRMP and the MC in relation to metering installations. Under NER 7.2.1, the FRMP must appoint an MC for each connection point and ensure that there is a metering installation in place. Once appointed, the MC's responsibilities are set out in NER 7.3, which include the provision, installation, and maintenance of the metering installation.

In addition, the NER sets out clear obligations for MCs to ensure metering installations are tested, inspected, maintained, and compliant with the accuracy and performance requirements applicable to each connection point (see NER Schedule 7.6). These obligations include periodic testing and verification to standards proportionate to the energy throughput at the site, with the highest rigour applying to HV connection points due to their large energy volumes and corresponding settlement significance. The framework also places responsibility for rectifying metering malfunctions on the MC within prescribed timeframes, with civil penalty provisions applying to certain failures (see NER 7.8.10).

The existing policy rationale assigns accountability for metering performance to a party with the technical expertise and independence to manage metering assets, separate from the energy retail or generation roles at the NMI. MCs are therefore expected to manage metering installation compliance through technical capability, operational processes, and contractual arrangements with the FRMP, who in turn has the direct commercial relationship with the customer. Matters such as access to the customer's premises for metering work – which includes facilitation of physical access to metering devices and agreed shutdown periods where electrical supply can be de-energised to facilitate testing – are anticipated to be facilitated via these contractual relationships.

Large customers can appoint their own MC to provide metering services. For connection points with these arrangements, the FRMP is not required to have a contractual relationship with the MC, and may instead rely on the delivery specifications and related obligations on metering parties in the NER and AEMO procedures to access necessary data and services.

This framework reflects a clear separation of roles: MCs manage the technical compliance of metering installations, while FRMPs manage the commercial and customer-facing aspects. However, this separation creates challenges when the MC in carrying out its responsibilities in relation to the metering installation requires cooperation from the customer that only the FRMP is positioned to secure.

By contrast, at transmission connection points, the difficulties described above do not arise to the same extent. Under NER 7.6.3, the only parties who may act as MC at a transmission connection point are the FRMP or the Transmission Network Service Provider (TNSP). Both parties typically have contractual arrangements with the customer, supported by long-standing operational agreements which provide for adequate site access. This alignment ensures that obligations to test and verify metering installations at transmission connection points are generally achievable in practice. The absence of a comparable access problem at the transmission level highlights the structural weakness of the competitive MC framework at HV distribution connection points, where the appointed MC may lack sufficient commercial influence to secure access.

2.2. Narrative of issue

Over recent years, MCs have faced persistent and growing difficulty in arranging the site shutdowns required to conduct HV metering installation compliance testing. In many cases, AEMO understands that customers have refused or delayed access due to the operational impacts of such shutdowns. As a result, a material and increasing number of HV-connected NMIs have metering installations that have never been tested or inspected to NER standards, or cannot be re-tested within the prescribed intervals.

It is important to note that this issue is largely confined to distribution connection points. At transmission connection points, the MC arrangements ensure that the responsible party has both the incentive and contractual leverage to secure access for testing and inspection. The persistence of access barriers at distribution connection points therefore reflects a structural difference in role alignment between the two contexts, and underscores why the distribution network arrangements require reform.

This is more than an administrative concern. Metering installations that are not tested and inspected can materially contribute to Unaccounted for Energy (UFE), especially for HV customers whose energy volumes are large relative to the total local area load. Yet, the current framework leaves MCs accountable for compliance without giving them the tools or leverage to compel customer cooperation.

The problem is not confined to HV metering installation testing and inspection. The same structural gap arises where MCs cannot rectify a malfunctioning metering installation at a low voltage (LV) connection point due to site access restrictions, even though the NER places the compliance obligation (and potential civil penalties) on the MC. In these cases, the MC's ability to discharge its obligations is contingent on customer cooperation that can only realistically be secured by the FRMP.

The existing indirect mechanism – MCs requesting access via their contract with the FRMP – has not worked as intended. In addition, even where the MC has established direct agreements with a large customer, the leverage provided within such an arrangement to secure access is limited due to the comparatively low value of metering service provision relative to the customer's core operations. The scale of non-compliance now observed by AEMO demonstrates a structural market failure: compliance obligations rest with the party less able to enforce them, while the party best placed to ensure access (the FRMP) carries no equivalent regulatory burden.

The UFE allocation framework in the NER requires AEMO to allocate local area UFE volumes across FRMPs in proportion to their share of accounted-for energy in the local area. The calculation is neutral to compliance status and makes no distinction between FRMPs associated with compliant or non-compliant metering installations.

This combination of weak enforcement tools and neutral cost allocation has created a persistent misalignment. The NER assumes that contractual mechanisms between MCs and FRMPs would suffice, but in practice this has not addressed customer resistance to shutdowns. The resulting non-compliance undermines settlement and UFE accuracy and confidence in the integrity of the metering framework.

3. Statement of issue

3.1. Current Rules

Under the NER:

- MCs are responsible for ensuring metering installations are installed, maintained, tested and inspected in accordance with NER requirements (including accuracy standards and periodic verification).
- MCs must arrange for testing and inspection within the timeframes specified in the NER, including the need to de-energise installations in some cases (particularly for HV connections).
- MCs are responsible for rectifying metering installation malfunctions in all circumstances.
- UFE is allocated to FRMPs in proportion to their share of accounted-for energy within each local area, regardless of metering compliance status.

3.2. Issues with the current Rules

AEMO contends that the issues with the NER can be summarised as follows:

- **Misalignment of accountability:**
  The NER gives MCs obligations they cannot always fulfil due to lack of direct access rights to the metering installation. This is most acute for HV connection points, however access barriers also arise at LV connection points, for example where a malfunctioning metering installation cannot be rectified because access is restricted or denied.

  This creates a dependency on the FRMP–customer relationship, yet there is no rule-based obligation on FRMPs to facilitate access for MC testing and inspections. The result is a persistent and growing backlog of unverified instrument transformer connected metering installations.

  This problem is not observed at transmission connection points, where the FRMP or TNSP as MC has sufficient contractual and operational leverage to ensure testing obligations are met. The contrast reinforces that the issue is not with the obligations themselves, but with the misalignment of responsibilities at distribution HV connection points.

  This misalignment exposes MCs to civil penalties for non-compliance despite their inability to control the main barrier to compliance (metering installation access). It also leaves FRMPs, who are better positioned to secure access, without a regulatory incentive or obligation to act.

- **Ineffective incentives under UFE allocation:**
  The current UFE allocation methodology is indifferent to compliance status. A FRMP for a non-compliant metering installation at one of their connection points may face no additional settlement cost relative to a fully compliant FRMP, even though non-compliance increases the likelihood of contributing to UFE. This undermines the “causer pays” principle and fails to incentivise resolution of access issues.

- **Extent of the issue:**
  Operational feedback indicates that:

  - There is a material and growing population of instrument transformer connected NMIs with non-verified metering installations.

- These NMIs represent a disproportionately large share of local area energy volumes.
- MCs have exhausted indirect access arrangements, over a period of years, without resolving the backlog.
- Similar access barriers affect HV and low voltage metering installations where metering installation malfunctions cannot be rectified.
- Current UFE allocations fail to reflect the elevated contribution risk of these non-compliant metering installations.

The combination of these factors represents an inefficiency in the NEM: compliance obligations, and associated civil penalty provisions, are proving to be ineffective if they are not properly aligned and enforceable, and settlement cost allocation does not encourage remediation of the underlying problem.

4. How the Proposal will address the issues

4.1. How the proposal will address the issues

This rule change proposal contains two inter-related components. Each component could be implemented independently, but together they provide a more complete and effective response to the current compliance and accountability gap.

4.1.1. Sharing of accountability for metering installation compliance

AEMO proposes two complementary changes to address the accountability gap that arises when MCs are unable to meet their compliance obligations due to customer access barriers.

- **Clarification of the definition of "metering installation" (NER Chapter 10)**

The current NER definition of *metering installation* does not explicitly state that it must be both compliant and verified. AEMO considers this is already the intended inference from the definition and its use throughout the NER, but the lack of clarity has the effect of weakening accountability.

AEMO proposes that the definition of *metering installation* is amended in Chapter 10 so that it explicitly refers to a compliant and verified installation. This change would give effect to the existing framework in NER 7.2.1(a)(2), which places a civil penalty obligation on the FRMP to ensure that there is a metering installation at each connection point. By clarifying that this means a compliant and verified installation, the FRMP becomes expressly accountable for ensuring that the appointed MC is able to carry out its obligations under NER 7.3 and Schedule 7.6, including HV testing and verification, and rectification of malfunctions under NER 7.8.10.

This amendment would ensure that the FRMP at a connection point has both a clear requirement and a direct incentive to facilitate customer access and other cooperation necessary for the MC to perform its role.

- **New facilitation obligations**

In addition, AEMO proposes that new paragraphs are added to NER 7.8.10 and Schedule 7.6 that makes it explicit that, where an MC is unable to carry out its obligations under these provisions due to customer or site access limitations, the relevant FRMP must facilitate the MC fulfilling their obligations within a specified timeframe (for example, 60 business days from being notified by the MC or becoming aware of the issue).

To ensure transparency, AEMO also proposes that a corresponding identifier or flag be established in MSATS, visible through NMI Standing Data, to indicate where a metering installation is subject to an access-related facilitation obligation. This would allow both current and prospective FRMPs to be aware of any outstanding compliance responsibilities associated with the NMI.

Together, these two changes would:

- Share accountability for metering installation compliance with the FRMP (who has the primary customer relationship and leverage), while
- Preserving the MC's technical responsibilities, and
- Ensuring visibility and enforceability of compliance across the market.

The AEMC may also wish to consider whether DNSPs should be required to provide FRMPs and MCs with advance notice of network-facilitated planned outages at connection points – in addition to existing notice requirements in both the National Energy Retail Rules and Chapter 5 of the NER. Such a requirement could

enable FRMPs and MCs to schedule compliance-related metering work to coincide with the outage, wherever practical, thereby reducing disruption to customers and lowering the overall cost of compliance.

4.1.2. Targeted UFE allocation to incentivise metering compliance

The second component proposes modifying the current UFE allocation methodology to introduce a compliance-sensitive adjustment. Under this approach, FRMPs associated with NMIs where the metering installation is non-compliant due to failure to complete verification testing (or other relevant compliance breaches) would be allocated a proportionally greater share of the local area UFE. Importantly, this adjustment would only ever increase a FRMP's UFE allocation – i.e. should the UFE calculations result in a credit being applied, only compliant NMIs would qualify for the credit allocation. As UFE only applies to connection points within the distribution network, this approach would not apply to transmission connection points, and would therefore not overlap or confuse the incentive structures for transmission connection points already established in the NER, which are delivering robust outcomes as previously highlighted.

This targeted allocation creates a direct commercial signal for FRMPs to ensure metering installation compliance, by engaging more effectively with their contracted MCs or, where appropriate, by influencing their customers to facilitate the necessary metering installation access. It aligns the financial consequence of non-compliance with those who have the consequential commercial relationship with the customer and are best placed to facilitate resolution.

This mechanism adjusts the proportional allocation of UFE in a way that directly incentivises FRMPs to maintain metering compliance, while removing the current free-rider problem where FRMPs with non-compliant metering may face no direct financial impact from this non-compliance.

Under the current framework, UFE is allocated to FRMPs proportionally to their share of accounted-for energy in the local area. This method is neutral to compliance status and therefore does not reflect the higher likelihood that metering non-compliance contributes to UFE. The proposed change introduces a weighting factor for NMIs (applicable to the appointed FRMP) that have been flagged by the MC as unable to be tested or as having a malfunction due to lack of access to the metering installation attributable to the customer.

Key elements of the solution are:

- **Weighting factor applied in positive UFE intervals only**: Where the market experiences a shortfall (positive UFE), connection points with flagged NMIs would have their Distribution Loss Factor (DLF) adjusted metered energy (i.e. the DME value referenced in NER 3.15.5) multiplied by a weighting factor (e.g. x10). Ergo, the higher proportion of high energy throughput NMIs with non-compliant metering installations that a FRMP has, their share of the total UFE allocation increases proportionally.
- **No weighting in negative UFE intervals**: This avoids creating a perverse outcome where FRMPs with non-compliant metering installations benefit financially from market surpluses. Rather, a non-compliant NMI would not attract a credit resulting from a surplus, increasing the proportion of a surplus credits to FRMPs with compliant metering installations.
- **Transparency through MSATS flagging:** MCs will apply a specific MSATS status for NMIs where compliance testing cannot be performed due to metering installation access issues attributable to the customer. This flag will be visible to the and FRMP and to any prospective FRMP during NMI discovery, ensuring the compliance status is known before a transfer.

4.1.3. Combination approach to issue resolution

This approach aligns financial incentives with compliance obligations. FRMPs will have a clear incentive to ensure metering installation access is provided to MCs, because failure to do so will directly increase their share of UFE costs and increase their compliance risk. At the same time, it removes the structural barrier currently faced by MCs, who are unable to compel customers to cooperatively provide metering installation access.

MC efforts to demonstrate reasonable endeavours are also likely to receive greater scrutiny in contractual arrangements with FRMPs, strengthening accountability across the chain.

While the two proposals could be considered independently, AEMO's preferred solution is to implement the compliance-weighted UFE allocation in parallel with the MSATS compliance flagging and accountability realignment between FRMPs and MCs. This ensures that allocation adjustments are based on verifiable compliance status, while FRMPs are given both the visibility and the legal responsibility to resolve non-compliance with MCs once access issues are identified as the barrier.

4.2. AEMO Procedure changes

In addition to amendments to the NER, implementation of the proposed reforms would require updates to certain AEMO procedures to give effect to the changes operationally. These include:

- **MSATS Procedures:** For example, amendments to introduce the new compliance status flag in MSATS, making it visible to current and prospective FRMPs, MCs and MPs, and confirming notification processes where obligations are transferred.
- **Metrology Procedures**: For example, matters relating to the maintenance of metering installations.
- Other AEMO Procedures and Guidelines: For example, the **Guide to the Role of Metering Coordinator**, to ensure alignment across the procedural framework.

AEMO would expect to follow the rules consultation procedures in relation to these changes.

5. Proposed Rule

5.1. Description of the proposed Rule

The proposed rule is aimed at assisting Metering Coordinators undertake important responsibilities under the NER when faced with customer access limitations.

5.1.1. Amendment 1 – Sharing of accountability for metering installation compliance

Definition of *metering installation* in Chapter 10

The first proposal is to amend the definition of *metering installation* in Chapter 10 of the NER to make explicit that a metering installation must be compliant and verified in accordance with the requirements of Chapter 7, including testing and inspection.

While AEMO considers this is already implicit in the current definition and its use across the NER, it is not explicit. Clarifying this point would align with the intent of NER 7.2.1(a)(2), which requires the FRMP at a connection point to ensure that a metering installation is installed and maintained for as long as the FRMP continues to participate in the market in respect of the connection point. By expressly linking the definition of *metering installation* to compliance and verification, the obligation in NER 7.2.1(a)(2) would extend to ensuring that the appointed MC is able to fulfil all relevant compliance obligations, including:

- HV metering installation testing and verification in accordance with NER Schedule 7.6;
- Timely rectification of metering installation malfunctions under NER 7.8.10, and
- Other obligations that may be constrained by customer access limitations.

Because NER 7.2.1(a)(2) is a civil penalty provision, this change would provide a strong and enforceable incentive for FRMPs to facilitate MCs fulfilling their obligations under the NER. It ensures that a responsibility for maintaining a compliant metering installation sits with the FRMP, as the party with the direct commercial relationship with the customer and the best ability to secure customer cooperation.

The change addresses the structural issue that has arisen at distribution connection points, where the competitive MC model can create persistent access barriers that MCs are unable to resolve alone. By clarifying that the FRMP is ultimately accountable for ensuring that the metering installation remains compliant, the amendment removes the current misalignment of obligations.

FRMP facilitation of MC obligations under S7.6.1

The second proposal builds on the first by proposing new paragraphs to NER 7.8.10 and Schedule 7.6 that makes it explicit that, where an MC is unable to carry out its obligations under these provisions due to customer or site access limitations, the relevant FRMP must facilitate the MC fulfilling their obligations within a specified timeframe (for example, 60 business days from being notified by the MC or becoming aware of the issue).

This requirement would be identified in MSATS for visibility to the current and any prospective FRMP through NMI Standing Data.

5.1.2. Amendment 2 – Revised UFE allocation methodology to incentivise compliance

Under current arrangements, UFE is allocated proportionally to measured energy volumes, regardless of whether those volumes come from compliant or non-compliant NMIs. The proposed amendment introduces a

compliance-weighted allocation method, to be adopted as a change to the current calculations and methodology in NER 3.15.5.

This amendment alters the simplistic current UFE allocation method in NER 3.15.5, with a weighted allocation that:

1. In deficit intervals (positive UFE), FRMPs with non-compliant NMIs will bear a larger share of UFE.
2. In credit intervals (negative UFE), FRMPs with non-compliant NMIs will be excluded from receiving any credit.

The calculation steps are as follows:

- Determine total UFE for the area.
- If UFE is positive (i.e. a deficit): include all energy volumes in the calculation, but apply additional weighting to volumes at non-compliant NMIs.
- If UFE is negative (i.e. a credit): include only energy volumes from compliant NMIs (non-compliant NMIs attract a zero share).
- Work out total weighted energy.
- Allocate each FRMP's share of the deficit or credit in proportion to the weighted energy volumes.

This change directly links compliance with financial incentives, ensuring that parties with non-compliant metering bear a higher cost burden.

The scale of the weighting factor(s) could be determined in the NER or by AEMO in procedures authorised by the NER, and might be different depending on factors such as the annual energy throughput as defined by the metering installation type (e.g. type 1, 2, 3, or 4), or the duration of non-compliance.

AEMO is keen to work with the AEMC, and stakeholders, to determine the detailed calculation changes required to give effect to the methodical steps outlined in this paper. These refinements are proposed to be expressed through amendments to NER 3.15.5, and associated procedures, ensuring that the revised UFE allocation method is applied consistently and transparently.

5.1.3. Links between the amendments

While each proposed amendment could stand alone, they are strongly complementary. The revised UFE allocation methodology creates a market-based incentive for maintaining compliance, while the sharing of accountability amendments specifically address one of the most common causes of prolonged non-compliance – site access issues. Together, they form a robust approach to incentivising the improvement of metering compliance outcomes.

These amendments would have no negative impact on transmission connection points, where either the TNSP or the FRMP acts as the MC. In those cases, contractual relationships and coordination with the customer ensure that compliance testing and inspections are routinely carried out. This demonstrates that where the MC has sufficient leverage and support, the NER framework operates as intended.

5.1.4. Facilitating FRMP Compliance Through Planned Outage Coordination

To support the FRMP in meeting the proposed new obligations for resolving metering compliance issues at HV connection points, the AEMC may also wish to consider placing an additional requirement on DNSPs to provide the FRMP and MC with reasonable forward notice of any network-facilitated planned outages at connection points with instrument transformer connected metering installations.

For these metering installations, arranging site de-energisation is a significant operational hurdle to completing testing, verification, or replacement work. Early notice of planned outages would allow compliance activities to be scheduled to coincide, reducing:

- the need for separate outage arrangements (lowering both cost and operational effort);
- the risk of prolonged non-compliance; and
- customer disruption.

This would represent a relatively low-cost change to existing processes, but with material benefit to compliance timeliness and reliability.

5.1.5. Consideration of Alternative Approaches

In developing this proposal, an alternative approach considered was to reduce the compliance burden by relaxing testing and verification requirements under the NER.

While superficially attractive from a cost-reduction perspective, this approach is not viable because:

- Any relaxation of requirements must be supported by compelling evidence that metering installations of particular types and designs maintain sufficient accuracy over their operational life, and specifically over any extended period between tests.
- Such evidence can only be demonstrated through consistent and robustly collected test results – something not yet available.
- Without this evidence, reducing obligations would transfer risks of inaccuracy and settlement error to all customers, undermine confidence in metering data, and increase inappropriate UFE allocation.

For these reasons, this alternative approach was not suitable. The preferred reforms – Amendments 1 and 2, supported by forward notice of maintenance by DNSPs – maintain existing accuracy and verification standards while directly addressing the operational challenges that give rise to non-compliance.

The experience at transmission connection points further underscores this position. At those NMIs, compliance is achieved under the current NER framework because the MC has sufficient leverage and cooperation with the customer. This confirms that the testing and verification requirements themselves are appropriate, and that the issues at distribution NMIs is not one of excessive regulatory burden but of structural inability to secure access. The proposed reforms therefore address the actual barrier rather than weakening established accuracy standards.

To the extent that evidence supporting a relaxation was obtained in the future, or another suitable testing methodology or approach was developed, the NER already accommodates this. The framework provides the MC with the ability to propose an asset management strategy for AEMO's assessment under NER S7.6. As a result, no change is required to the NER.

6. How the Proposed Rule Contributes to the national electricity objective (NEO)

The National Electricity Objective as stated in the National Electricity Law is *"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 proposed reforms will enhance market efficiency and consumer outcomes by ensuring that metering parties are able to fulfil their obligations under the NER, which will lead to more accurate metering and increased accuracy of costs for consumers. This approach also reflects a principle already applied in the management of metering installations connected to the transmission network where costs and obligations are aligned with the parties best placed to manage them.

UFE Allocation Reform

The current approach to UFE allocation spreads losses proportionally across all FRMPs in a local area, regardless of their compliance. This weakens incentives to maintain metering standards, as the consequences of non-compliance are socialised.

The proposed reform directly links a participant's UFE liability to the proportion of non-compliant NMIs they are responsible for. FRMPs with higher non-compliance rates would bear a greater share of UFE costs, while those maintaining compliance would see a relative reduction in UFE allocation.

This targeted incentive promotes:

- **Efficient operation of the system** – reducing UFE by driving accurate metering through testing and verification.
- **Price benefits** – lowering settlement inaccuracies that ultimately affects retail pricing.
- **Enhanced competition** – by preventing non-compliant participants from enjoying an indirect cost advantage over those who invest in compliance assurance.
- **Long-term efficiency** – encouraging ongoing investment in metering integrity and timely remediation.

Compliance Obligation Sharing

The proposed amendments, which change the definition of metering installation and incorporate a new obligation on FRMPs to assist MCs comply with their obligations, will contribute to the achievement of the NEO in the following areas:

- **Efficient use of the system** – operational efficiency gains through combining MC and FRMP efforts to coordinate delivery of testing, inspection and meter malfunction requirements, ensuring metering installations are functional and verifiable.

- **Reliability of data** – supporting accurate settlements and network operation.
- **Risk reduction** – avoiding systemic compliance backlogs that may distort market outcomes.
- **Long-term consumer benefit** – ensuring metering is maintained in a state fit for purpose.

This logic parallels that applied for transmission connection points, where accountability for compliance rests with the party with the contractual and operational leverage to resolve issues, rather than with a party lacking that relationship. AEMO expects that these changes will also assist in ameliorating delays and complexity in the resolution of metering installation malfunctions at connection points to the HV and LV networks.

Combined Benefits

Together, the two reforms provide a complementary framework:

- The UFE allocation change strengthens the financial incentive to maintain compliance.
- The compliance-obligation sharing ensures there is a clear responsibility for both the FRMP and MC to establish practical mechanisms to achieve metering installation compliance, including when access issues arise.

This dual approach creates incentives through cost signals and enabling action through responsibility alignment. The additional proposal to require DNSPs to provide forward notice of planned outages can streamline processes and customer interactions in order to obtain the benefits of the two primary amendments.

7. Expected benefits and costs of the proposed Rule

The proposed rule is designed to deliver long-term benefits by addressing inefficiencies in the current framework. Benefits arise from aligning obligations with capability, improving compliance incentives, and strengthening settlement accuracy. Costs are expected to be largely limited to transitional and implementation activities.

Expected Benefits

1. Fairer and More Accurate Cost Allocation
By allocating a greater share of UFE to FRMPs with non-compliant metering installation at their connection points, the proposed change ensures that the costs associated with non-compliance are borne by the parties responsible, rather than being spread across compliant participants. This strengthens incentives to maintain compliance.

2. Improved Compliance Resolution Through Incentive Alignment
The clarified definition of *metering installation* and facilitation duty on FRMPs will better assure that metering installations are tested, verified, and maintained as intended under the NER. Alignment of incentives, confirming that FRMPs are explicitly accountable for ensuring MCs can fulfil their obligations, provides for cooperation and timely resolution of barriers that would otherwise limit necessary works, minimising the duration and extent of non-compliance in the market.

3. Enhanced Market Integrity
The combination of these measures supports the integrity of settlement processes, improves market data accuracy, and strengthens trust in market outcomes and the enforceability of the rules.

4. Long-Term Consumer Benefits
Although benefits may be indirect, consumers ultimately gain from reduced inefficiencies, improved market fairness, and more accurate allocation of costs.

Expected Costs

1. Implementation Costs

- **For AEMO:** System and procedure changes to implement the revised UFE allocation method and to support the new metering installation compliance flag in NMI Discovery, and create new performance reports for AEMO and key stakeholders.
- **For Participants:** Some system and process adjustments, particularly for FRMPs and Metering Coordinators, to align with the new allocation and obligation transfer arrangements. AEMO does not envisage that any material costs or change would be required of participants operating exclusively at HV metering installations connected to the transmission network. FRMPs may incur additional administrative and operational costs in facilitating access for MCs. It appears reasonable to consider that these should be proportionate and efficient, given the FRMPs existing customer relationship and the material impacts of prolonged non-compliance.

2. Transitional Effort
Participants will require a transitional period to identify existing non-compliant NMIs, update internal processes, and manage customer communications where obligations are transferred.

3. Cost of Not Proceeding

Without reform, inefficiencies and cross-subsidies will persist, compliance incentives will remain weak, and unresolved access issues will continue to distort settlement accuracy. This would perpetuate inaccurate settlement outcomes and undermine trust in the market and enforceability of the rules.