



EnergyAustralia

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Dear Mr Owens

AEMC Draft Rule Determination Amendment (Expanding competition in metering and related services) Rule 2015

EnergyAustralia (EA) welcomes the opportunity to comment on the rule change consultation titled National Electricity Amendment (Expanding competition in metering and related services) Rule 2015 and National Energy Retail Amendment (Expanding competition in metering and related services).

We are one of Australia's largest energy companies, providing electricity and gas to over 2.6 million households and business customers in NSW, Victoria, Queensland, South Australia and the Australian Capital Territory. We also own and operate a multi-billion dollar portfolio of energy generation and storage facilities across Australia, including coal, gas and wind assets with control of over 4500MW of generation in the National Electricity Market.

1. Overview of rule change

EnergyAustralia has participated in the various Australian Energy Market Commission (AEMC) workshops conducted in the rule change development process and we applaud the AEMC for conducting such a comprehensive consultative process. This rule change will enhance customer access to advanced metering and comes as a result of several recommendations made in the AEMC's Power of Choice review. It expands the existing market role of the Responsible Person (RP) now to be known as the Metering Coordinator (MC) (a Registered Participant). It also creates a minimum metering services specification together with new rules for new and replacement meters that will support a competitive framework for the provision of metering services to small customers.

We generally believe that this rule change will support a market driven roll out of advanced metering to jurisdictions other than Victoria¹ and that it supports the National Energy Objective being in the long term interest of customers.

¹ AMI meters already exist in Vic due to mandatory roll out by distributors in 2013.

The rule change has called up the requirement for many new procedures, essential for the application of these rules, with the Australian Energy Market Operator (AEMO) being tasked with the procedure development obligation. EA encourages the AEMC to maintain close oversight of this process, to ensure the original intent of the rules is suitably reflected in these often complex detailed procedures.

This Draft Rule Determination imposes significant changes to the National Electricity Rules (NER) (primarily chapter 7) and various provisions of the National Energy Retail Rules (NERR). In this submission EA will only provide comments on rules which we believe require clarification or further review. All other rule changes appear appropriate and reflect the intent of the rule change

2. Specific issues regarding amended provisions of the National Electricity Rules

a) Eligibility of Metering Coordinator

New NER rule 2.4A2.2 specifies that a Metering Coordinator (MC) must not be a Market Customer (retailer). Section 4.3.1 of the Draft Rule Determination suggests that should a customer change retailers but not MC that the confidential information provisions of clause 8.6 of the NER are not sufficient to ensure that such data collected by the MC could still be used by its affiliated retail business under the same entity. Hence the AEMC has proposed that a retail entity cannot also be a MC.

While this restriction addresses the perceived confidential information concerns it also introduces a transitional cost impact for existing retailers that choose to continue to manage their MC responsibilities, under a similar structure, to that used for their former (RP) responsibility (under the same legal retail entity and location). The additional cost to legally separate an existing RP now MC activity for retailers that choose to continue to manage their ongoing MC responsibilities for their own customers is unnecessary. EA believes that this is a transitional issue that could be resolved by the market without intervention.

We realise that, over the longer term, it will be unlikely that retailers will continue to only operate as MC for their own customers. Rather they will either appoint an alternative MC or establish a separate MC business, to benefit from the efficiencies and economies of scale that will undoubtedly prevail when managing this function for multiple retailers. We suggest that the AEMC reconsider the need for this regulatory intervention.

EA would also encourage the drafting of a transition arrangement under Chapter 11 of the NEL to allow for changes of retail RP to MC, for existing customer sites, with metering types 1 to 4. This will allow large customers time to appoint their preferred MC and allow retailers time to transition contracts to cover the new MC arrangements. The impact to market participants in undertaking these changes in a 'big bang' approach, on the effective date, will result in considerable transactions from the Market Settlement and Transfer Solution (MSATS) to update all this information. Considerable coordination with AEMO will also be required if retailers choose to appoint multiple MCs to different sites. EnergyAustralia suggests a transition period of perhaps a year is required to lessen the impact to market systems over this period of significant change.

b) Network Device

The draft rule (NER Rule 7.8.6) has introduced a new item of equipment to be known as a network device.

A network device is defined as "an item of apparatus or equipment associated with the provision or the monitoring of network services which may include circuit breakers and

control equipment and which may be housed within a facility that was previously used by the relevant Local Network Service Provider as a metering installation.

This definition is intended to cover a variety of new and existing network devices that may be used by distributors, including:

- existing load control equipment; and
- existing advanced meters that can be used for the purposes of operating or maintaining the distributors network, including the AMI meters that were deployed by Victorian distributors.

EA understands that distributors were concerned that they may not be able to negotiate suitable services with the MC to continue to maintain their network and hence a network device could be used for the purpose of monitoring or operating the local network. In some cases a Network Device could be the former metering installation.

EA is concerned that if the former metering installation was to be used as a network device it could mean that the customer's meter board cannot accommodate a second meter to be installed by the MC and hence the board would need to be upgraded at additional customer expense. Moreover will the customer be expected to pay an additional metering charge imposed by the distributors for this Network Device or will the distributor smear this cost across all users of the network?

EA believes that this arrangement does not incentivise distributors to make every effort to negotiate the services provided by the network device from the MC where the MC can provide these services. Duplicated metering equipment may evolve which would be an inefficient outcome. This draft rule needs to be reviewed or amended so that the AER has more control on the number of existing and new network devices installed. A limitation on new and a progressive phasing out of existing network devices should be considered.

3. Specific issues regarding amended provisions of the National Energy Retail Rules

a) Notice to Customers on deployment of new electricity meters NERR 59A

This new provision prescribes the retailer and customer notice arrangements when a retailer deploys new meters. A customer has the right to opt out of a new meter under a roll out deployment by the retailer. The retailer is obliged to provide multiple written notices (no greater than 60-20 business days prior and another at no later than 10 business days prior) prior to a meter deployment.

However the customer has the right to opt out of a new meter with notification by writing, electronically or by telephone up to 3 business days prior to the meter expected deployment date (NERR 59A(3)(c)).

EA believes that this provision should be extended from 3 – 5 business days as it would be difficult to amend contractor roll out schedules at this late notice while still maintaining an efficient roll out. Considering that retailers have provided multiple written notices, well in advance of the roll out, it does not appear to be too onerous to expect that the customer could make their decision to opt out of new metering at least 5 business days prior to the scheduled rollout.

b) Retailer of Last Resort (ROLR) Arrangements

EA is concerned that the rule change does not address the responsibilities of the new registered participant (MC) in the market under a ROLR event.

Under the current ROLR arrangements in the NERL the designated ROLR currently takes on the role of the RP for any metering installation for which the failed retailer was the RP. The current ROLR provisions in the NERL also provide that the designated ROLR will, by force of law, become party to the agreement between the failed retailer and the Metering Provider. The Commission has decided to request AEMO to consider any ROLR procedure changes that would complement this rule change, particularly in relation to any impacts on meter churn.

A designated retailer would be responsible for appointing an MC for each metering installation that it was allocated under a ROLR event. As ROLR events occur with very little notice the reappointment of MCs to many meters could be problematic. Moreover there are likely to be many more MC businesses, specifically established for this activity, in the market and the rules should also manage the failure of an MC in the market.

c) Life Support

Initially the Commission proposed an alternative approach to the current arrangement whereby both distributors and retailers maintain life support registers. The Commission suggested a single life support register, to be held by the distributor, as the record of source would be a more pragmatic approach.

EA originally supported this approach to ensure a simpler clearer allocation of responsibility for this important function. However the addition of a new obligation, in this rule change, for distributors (existing obligation for retailers) to advise retailers of changes to the life support status of a premise is appropriate. Going forward both retailers and distributors will have an obligation to maintain a life support register each and this should minimise system data errors for life support customers.

d) Contents of Bills

The rule change proposes an amendment to NERR 25(2) *Contents of Bills* mandating a separate bill or separate line item on the bill covering the cost for the provision, installation and maintenance of metering. EA is not convinced that this provision is necessary considering the variety of product packaging and medium available to educate customers on metering costs moving forward. It appears that regulators and government despite privatisation and full retail competition continue to intervene in the contents of the retail bill.

Research from the UK suggests that consumers are struggling to engage with their bills.² A report from Consumer Focus touches on a number of the same issues that have become apparent in the Australian market. Discussions with consumers when presented with real bills touched on issues such as hostility towards kilowatt hours in favour of a focus on monetary values, the gas equation, the impressions of complexity, too much small print, issues which have been identified as causing degrees of disengagement in Australia.

Interestingly, the UK research formed the view that there is no evidence that there is an unmet need for more information on energy bills, indeed a more likely position is that there is already too much information on bills. Although it is likely that the regulated content of UK retail energy bills is considerably different to what is required in Australia, it appears that it is consistent with the notion of only providing customers with the information which they must have rather than making all manner of information available and leaving the consumer to try to make sense of what is most important.

²<http://www.consumerfocus.org.uk/files/2011/03/Informing-choices.pdf>

EA believes that retailers have the right incentives to determine the best means to advise customers of their metering costs that may or may not be via a separate line item on the retail bill.

If you require further information with regard to this submission please do not hesitate to contact me on 03 8628 1437.

Yours sincerely

[Signed]

Randall Brown
Regulation Manager