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Ms Anne Pearson
Senior Director
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Electronic Lodgement – ERC0182

Dear Anne

RE: Consultation Paper - Meter Replacement Processes Rule

United Energy (UE) appreciates the opportunity to respond on the Consultation Paper – National Electricity Amendment (Meter Replacement Processes), Rule 2015.

UE is an electricity distribution network service provider to more than 650,000 customers across east and south-east Melbourne and the Mornington Peninsula over an area of 1,472 square kilometres. The majority of these customers have operational remotely read interval meters, Victorian advanced interval meters. Customers are able to receive faster, more cost effective remote services for de-energisation and re-energisation, daily collection of interval data, portal services, binding services, avoided truck visits etc.

UE considers that the proposed solution involves a level of complexity and uncertainty in roles and responsibilities, service delivery, incumbent metering role compliance and penalties. UE have provided more detailed comments in the Attachment, however our key points are:

- Impact on regulated obligations whilst RP/MC: Under the current NER (and the Victorian Derogation), LNSPs carry RP responsibilities particularly for Type 5, 6 and 7 metering, these obligations include obligations that involve civil penalties. If the rule change is to proceed, then the rule change must be structured so as to eliminate such obligations immediately that the regulated metering services can no longer be provided by the LNSP, i.e. immediately that regulated metering assets are removed by a third party.

  Any new rule must provide clarity on the elimination of such obligations as soon as the LNSP no longer provides the metering assets at a NMI.

- Impact on Access to Additional Competitive Services: Where the LNSP has contracted services from a competitive MC (or MP or MDP) and these services are associated with the Standard Control Services that are being provided to the customer and the incoming retailer appoints a new MC, the LNSP may require the new MC to continue to provide access to these services.

  Clarity on ongoing access to metering services needed to support Standard Control Services being provided at a NMI through a change of metering must be addressed in the rules.

- No new participants: The proposed rule change could be perceived as asking for the creation of new 'prospective' participants to be created in the Rules. This would increase the complexity of the Rules and impose unacceptable additional costs associated with people, process and

technology. The implementation of the rule change, if it were to proceed, should avoid establishment of any new participants in favour of providing for the outcome by using the current participants.

UE welcomes the opportunity to participate in this rule change development and looks forward to the opportunity to participate in the further development of the metering competition rule change and the procedures development.

Should you have any comments in relation to this response please do not hesitate to contact me on (03) 8846 9856.

Yours sincerely

Verity Watson
Manager Regulatory Strategy

Attachment

Assessment Framework

The assessment of the rule change is considered in relation to the promotion of efficient investment in, operation and use of, metering services for the long term interests of consumers with respect to price and security of supply.

This more narrow view of the NEO is then assessed against the following framework:

Consumer engagement and customer satisfaction ie can the timing of the meter churn occur on or before retailer churn to enable the customer to access the new product or services from the day of retail churn. Timely delivery of the new services is expected to influence the consumers behaviour to positively engage with the retail market.

Efficiency in the market for metering services – lower the barrier to entry for metering service providers, improves the capacity of retailers to source and contract with meter service providers.

Regulatory transparency and certainty - improves regulatory and improves confidence from consumers, market participants and their metering service providers ie whether the rule change proposal maintains certainty for all parties, including consumers of their rights and obligations.

Transaction costs – changes to the rules should not create any unnecessary compliance and administrative burden for market participants ie complex to administer, difficult to understand, imposes unnecessary risk etc.

The consultation paper focuses on a short term aspect ie the move from a manually read meter to a new smart meter and the importance of enabling the meter churn and the move to better technology. If the intent of the rule change proceeds then this will also impact all meter churn:

- Smart meter to smart meter churn and Vic AMI to smart meter churn; and
- Type 4, 5 and 6 to smart meter.

The smart meters provide a number of services besides the traditional role of a type 4 meter in the market providing meter data:

- Remote de-energisation and re-energisations;
- Load control – hot water, slab or other;
- Supply capacity control;
- Outage data linked to network control rooms; and
- Voltage data.

Networks could contract directly with customers for demand response and may utilise network data and outage data for the benefit of all consumers. Third party energy service providers or current retailer may also utilise metering data, load control or interfacing capabilities to the current meter by contracting with the RP/MC.

Further the current customer at the premise may be different to the new customer seeking the new product and services from the prospective FRMP.

UE suggests that any rule change needs to be considered against the broader NEO and electricity

services more generally than just metering services. In addition rather than the focus being on just the new customer and prospective FRMP, all of the roles impacted need to be considered more broadly in the assessment framework.

UE strongly recommend that the AEMC consider the rule and how this works more broadly for the range of services impacted, including the end to end processes and contractual impacts rather than just gaining access to the new meter services in isolation, including how this reflects on all parties over the longer term (not just to encourage the initial roll out of a smart meter).

The AEMC suggests that the rule change proposal may also require changes to the underlying procedures such as the meter churn procedure which are under AEMO administration. The details of any procedure change are within AEMO's discretion and if any rule is made the changes to the procedures is uncertain. UE considers that matters of competition, matters that impact rights and responsibilities of parties, impact customer protections are matters for policy and rule makers. The rules should be clear in the rights to interrupt or void customer, retailer, networks rights of access to data and contractual arrangements, these are matters for the AEMC to provide clear guidance/rules. AEMO administer procedures to deliver on those rules.

Materiality of the Problem

Question 1 Materiality of problem (a) Do stakeholders agree that there is a lack of clarity in the NER on this issue? (b) Given the specifications of the NER, current and amended AEMO procedures, do stakeholders consider that there are concerns about when meter replacements can occur in relation to the retail transfer process?

Current NER

Rule 7.1.2 refers to before participating in the market in respect of a connection point a retailer must ensure there is metering in place and it is registered in MSATS and it has become the RP or selected the LNSP as the RP. The most recent AEMO view is that the retailer can only select in the market sense the RP once it is registered as the current FRMP against the connection. UE believe that this drafting is intended to deal with new connections.

Further rule 7.3.4(i) states that the prospective retailer cannot alter the type 5, 6 or 7 metering installation until after they become the current FRMP. This appears to be a reasonable protection for small customers (in the case of Victoria generally customers below 160MWhpa ie MSATS version of small connections). When read with rule 7.2.5 (e) which allows procedures under the NER to enable an incoming RP to become responsible on the day of the retailer churn to the new FRMP or any other day, it is less than clear. It appears to suggest that type 4 to type 4 churn whether on a large or small customer could occur before the retail churn date. Where type 4 metering is going to be the norm for small customers (CATS small or NECF small), the loss of these protections for small customers and the potential volume of customers impacted will be quite different to the past.

The NER also requires the current FRMP to pay for all the metering costs in 7.3A. Where the prospective FRMP employs prospective RP and MP/MDP who pays the prospective roles for their work and who pays the current RP and MP/MDP who are still fully responsible in the market. If the retail churn to the prospective FRMP falls through, the current RP and MP/MDP remain responsible, but other

parties are performing the roles in the field.

For existing arrangements where limited numbers of small customers are opting into type 4 meters or there is limited type 5, 6 meter churn to a type 4 meter the current NER appears adequate. The revised AEMO procedures appear to provide more consistency with the NER. The NER should provide a clear framework for industry and AEMO to work by and should ideally not be subject to re-interpretation that could place parties in breach of their regulatory obligations.

NER under Metering Competition Draft Rule

7.6.2 (a) states that the MC can only be appointed by the large customer (NECF version of large customer) or the current FRMP and 7.6.2 (c) continues the ambiguity in current 7.2.5(e).

UE is sympathetic to the new customer being able to access the new services from the prospective retailer as soon as they become FRMP and recognises that this provides for better customer engagement and satisfaction for that customer. However the prospective retailer, once FRMP, is in full control of the RP/MC appointment and where they choose to be the MC, the MP and MDP appointments. These appointments and the planning of field work etc are under the full control of the prospective retailer who can ensure that the meter exchange is arranged to occur on the day of retail churn or shortly after.

UE recognise that the traditional type 4 meter churn that could occur prior to retailer churn may not be as well suited to small customers and hence the issues surrounding using the type 4 meter label and processes for the mass market needs to be carefully considered.

UE strongly support the adoption of new technology and customers being able to access the new services without creating adverse impacts of the incumbent customer. The AEMC information forum suggested that the meter churn rules were different for type 5, 6 compared to type 4, careful consideration is required if the rules were to be applied regardless of customer type/size.

ERM suggested that an efficient process is required so that customers can access the new services and confidence is instilled in the market. UE agree that processes for metering competition in the mass market needs to be efficient. Both this rule change on meter replacement and the metering competition and related rule services rule change need to have efficient processes across industry that allow participants to meet their regulatory obligations. The metering competition rule change rule NERR 91A is not clear on the meter replacement process where a customer has not requested the new meter, a meter upgrade or the new meter services. There needs to be a clear efficient agreed industry process before the rules are finalised and before the procedures can be efficiently developed.

At the commencement of the NEM, each tranche of large customers was open to retail competition. A customer could only select a new retailer other than the local retailer if the customer had a remotely read interval meter. Once retail competition was available to the mass market (sub 160MWhpa) using profiling there was no longer a need to install a remotely read meter where a customer wished to have a retailer of their choice. This need for the change of metering to enable the customer to select their retailer of choice prior to retail churn has almost disappeared. Only a few remaining type 5, 6 metered customers above 160MWhpa would need to have a remotely read meter installed prior to choosing a retailer other than the local retailer. Given that the metering competition rule is a market led and a mandated roll out, this issue of the need for prospective metering arrangements prior to retail churn could be addressed. If small customers below 40MWh pa in Victoria need a smart meter, it is mandated for any needed meter exchange, surely the few remaining above 160 MWhpa customers could be transitioned onto a type 4 meter through a Chapter 11 rule? In the metering competition rule if the X/Y

thresholds for the upper limit for manually read meter types/profiling are amended this will also alter the need for a meter exchange to occur prior to retail transfer.

Consumer Engagement and Satisfaction

Question 2 Consumer engagement and satisfaction (a) What are stakeholders' experiences, in particular, consumers' experiences, of being able to change the metering installation prior to the retail transfer being completed (i.e. under the current procedure)? (b) Do stakeholders consider that it would be beneficial to consumers and retailers for metering installations to be able to be altered before or on the day of a retail transfer? (c) What are the likely outcomes for consumers in situations where retailers are unable to change the metering installation for consumers during the retail transfer period (ie under the amended procedure)?

The majority of customers who have the meter exchanged before the retail transfer are large customers. In these instances the customer is the same either side of the meter exchange field work and either side of the completion of the retail churn transaction and meter exchange transaction. Customers are knowledgeable and volumes are low. ERM notes that these customers may also have their own direct metering contracts.

Where early meter exchange work occurs in the field for small customers in preparation of a new customer/new retailer contract in some cases it may not be the same consumer who is impacted by the early meter exchange (around 20% customers move each year and may opt for a new retail contract/services at their next premises). About 15-20% of retail transfers fail or do not proceed for a range of reasons which means that an early meter exchange may also be inappropriate/premature. Adding these complexities to an early meter exchange process with higher volume could be problematic and could ultimately result in a poor customer experience and rework.

ERM suggests that prohibiting pre-transfer and on the day transfer of metering will lead to the imposition of additional costs, operational inefficiencies, poor customer experience and barriers to competition and demand side participation.

There could also be consequential impacts for the contractual arrangements surrounding the incumbent metering arrangements which may provide services/data to the distributor, loss of benefits to the old customer, contractual issues for a demand response contract or third party energy provider. These consequential impacts to the incumbent parties also may not contribute to the NEO.

Where the customer is the same party throughout the process as is generally the case in the large customer transfer arrangements there is less of a concern about something going wrong. To the extent that some issue does occur with the metering arrangements and/or with the retail transfer the large customer is able to work through the contracting arrangements to sort it out and the retailer would account manage these customers.

We acknowledge that customers wish to receive benefits as early as possible, under metering competition retailers are selecting the RP/MC and are able to better manage the timing of the metering installation making this less of an issue.

We also acknowledge that there have been site wiring or meter box sizing related issues, inability to neutral testing and a range of other issues encountered when exchanging meters at small consumer premises. It is important that these sorts of issues are not created with impacts on the incumbent customer for the benefit of the new customer. The new customer is best placed to deal with these when/if they arise.

Retailers are well versed in managing expectations regarding timing of retail churn and cooling off periods etc with small customers, we would expect that a product involving new metering and system requirements at the retailer end would also become part of the customer expectation setting and management process.

Efficiency in the market for metering benefits

Question 3 Efficiency in the market for metering services (a) Do stakeholders consider the other possible actions identified above are feasible for retailers to use where they cannot change the metering installation until the retail transfer is complete? Are there any alternatives? (b) Do stakeholders consider there are issues that should be taken into account relating to the allocation of responsibilities where parties can change a metering installation before the retail transfer is complete? (c) What are the implications on efficiency in metering services for: (i) being allowed to change the metering installation on and/or prior to a retail transfer completing; and (ii) being allowed to change the metering installation only after the retail transfer completes. (d) What do stakeholders consider would be the impact of the introduction of prospective parties on the metering services market? (e) Do stakeholders consider the issues raised by ERM Power could be resolved through the introduction of obligations relating to transfer dates and bilateral contractual agreements between incoming and incumbent parties?

UE note the NZ example where metering exchange can occur for large customers only prior to retail churn and is prohibited for small customers. Victorian AMI meters or the new smart meters are intended to provide services and data to a number of parties not just retailers, the arrangements in NZ given the simpler meter and possibly not as active retail market etc may not be a good precedent.

In Victoria if the meter exchange field work and processes were different for large and small customers, which version of large would be adopted for inclusion in CATS and service level procedures?

- CATS large customers above 160MWhpa (also reflects the upper limit of use of manually read type 5 and 6 in the NEM for Victoria);
- NECF large customers business above 100MWhpa; or
- Victorian consumer protections business above 40 MWhpa.

Ordinarily the retail competition market opening, consideration of mass market and the possible differences in transfer rules has been around the CATS threshold of 160MWhpa.

In relation to small mass market customers meter exchanges prior to retailer churn will need to deal with the following issues:

- If the incumbent customer is not selecting the prospective retailer and the new services they need some notification of a supply interruption for the meter exchange, who will be responsible for this? Or negotiating an alternative time?
- If the incumbent FRMP requests a remote service from a Victorian distributor, eg remote de-energisation or re-energisation or meter reconfiguration then the distributor would not be able to meet the obligations if they were the incumbent responsible metering parties but the prospective metering parties had altered the metering installation;
- This may impact the incumbent customers retail tariff and network tariff if the metering installation is not configured or programmed in the same manner eg a dedicated hot water tariff or a supply capacity control tariff;
- The incumbent customer who may be impacted for around 20 business days may be adversely impacted if the new metering arrangements do not support any demand response contract they have in place and the demand response events are called in this period eg if the transitional period was in February for instance. Who is responsible for this customer complaint and compensating for the missed benefits?
- If the meter is exchanged but the incumbent customer is dissatisfied, has no hot water etc, the incumbent MC or retailer will need to take responsibility for the issue or is it the prospective parties;
- If the meter exchange commences and there are wiring issues or defects which are identified and the site is defected then there may be issues with supply or additional costs for the incumbent customer;
- There may also be the possibility that the site cannot go back on supply if the premises is unable to be tested for correct wiring ie the neutral earth testing cannot be completed as no suitable test points can be gained until access within the premises is provided, who goes back to site to address this sort of issue?
- If something goes wrong at the premises in relation to metering services and supply, and it is a civil penalty clause, who is the penalty allocated to incumbents or prospective retailer and metering parties?

These issues and the method to handle them are much clearer when there is only one customer throughout the various meter and retail churn stages, ideally they are best managed once the prospective retailer becomes the current FRMP.

The introduction of prospective parties installing metering prior to retail churn on mass market customers has the potential for the issues outlined above. This can impact on UE's LNSP and RP/MP/MDP responsibilities. If the rule change is to proceed, then the rule change must be structured so as to eliminate such obligations immediately that the regulated metering services can no longer be provided by the LNSP, i.e. immediately that regulated metering assets are removed by a third party.

Even if the customer is the same small customer throughout, there are still the concerns that the retail churn might fail, the customer changes their minds etc and the metering has been altered from a regulated metering arrangement to a competitive metering arrangement. Metering rules generally do not allow a meter to be installed as an interval meter or possibly a remotely read interval meter and then to revert to a manually read meter. In addition the underlying costs would be altered for the incumbent retailer from a regulated charge to competitive charging arrangement which may increase their cost to serve that customer which may be borne by that customer or is smeared across all customers.

With the MC gatekeeper role, possibly incumbent and new customer, incumbent and prospective retailer

and possibly other services contracts, this may not be as simple as a bilateral agreement any more. It is assumed that the LNSP would be consulted before meter removal.

Before deciding to allow large customer choice of early meter churn or same customer choice of early meter churn it may be prudent to consider all of the AEMC meter exchange scenarios and the efficient processes, including clarifying the regulatory requirements and the rights of the related services parties. These are matters of policy which are then reflected in process/procedures which AEMO progress. Without this clear policy work then the procedures development will just override any rights of these parties by eliminating notifications or objection rights.

Regulatory Transparency and Certainty

Question 4 Treatment of prospective roles (a) Would the implementation of prospective roles provide a sufficient mechanism for facilitating the replacement of metering installations at a connection point before a retail transfer is complete? (b) If these were introduced, what specific obligations and rights do stakeholder consider would best be allocated to the prospective metering roles? What obligations and rights would need to be maintained with the incumbent roles? (c) Would clarity be increased for participants and consumers if the meter churn process was made separate from the retail churn process as has been proposed? (d) Where incoming metering parties have rights and obligations, how do stakeholders consider these should be set out as part of the regulatory framework?

The proposal is less than clear whether the prospective metering providers would become the new registered metering providers and new RP/MC in MSATS prior to the retailer churn. The proposed rule change could be perceived as asking for the creation of new 'prospective' participants to be created in the Rules. This would increase the complexity of the Rules and impose unacceptable additional costs associated with people, process and technology. The implementation of the rule change, if it were to proceed, should avoid establishment of any new participants in favour of providing for the outcome by using the current participants.

This also impacts the current Victorian distributor obligations in relation to remote services, including de-energisation and re-energisations and issues which may be created in storm events or high voltage injections where in this interim period they can no longer get the customer back on supply by replacing the metering.

The metering competition rules being created do not require the prospective MC to be able to offer the minimum services or to provide them in the standard B2B format so the ability for continuity or management of the related services in the transitional period or ongoing is unclear. Victorian distributors have access to network data and can provide binding services and portal services to consumers, these rights of access whilst in the incumbent role for Victorian AMI meters may not be available on similar terms and may result in reduced customer and societal network benefits. The rights and obligations in the broader service environment are less certain. Given the minimalistic metering services approach being adopted for the metering competition rules, the prospective MC is not required to provide/continue the incumbent MCs services and meet their rights/obligations.

Where the LNSP has contracted services from a competitive MC (or MP or MDP) and these services are associated with the Standard Control Services that are being provided to the customer and the incoming retailer appoints a new MC, the LNSP may require the new MC to continue to provide access to these services. Clarity on ongoing access to metering services needed to support Standard Control Services being provided at a NMI through a change of metering must be addressed in the rules.

Ultimately in the 5 AEMC meter exchange scenarios, the industry needs to have an efficient meter exchange arrangement for each of the meter churn scenarios with complexity of retailer churn and customer/premise churn in the mix.

Implementation process for any rule change and transaction costs

Question 5 Implementation of any rule change and transaction costs
(a) If this rule were to be made, should the commencement coincide with the planned commencement of the expanding competition in metering and related services final rule expected in July 2017?
(b) If this rule was to commence in July 2017, would there be a need for a transitional rule to be made to take effect between the publication of the final rule and when the expanding competition in metering and related services rule comes into force?
(c) What are the expected costs for stakeholders associated with any system changes resulting from changes to the meter replacement process?

The complexity outlined above warrants consideration of the detailed efficient process for meter exchanges for mass market customers and how they impact the MC and related services roles. This may be most efficiently done with the metering competition rule change.

If a no action is requested for the interim period between Sept 15 and the commencement of the metering competition rule then it should be limited to large business customers above 160MWhpa ie customers above X and Y thresholds so that there is essentially the same discretion for prospective retailers as today or the no action should be limited to the same customer.

UE recognise that retailers are keen to adopt new metering technology earlier than the commencement of the metering competition rule, however the role obligations need to be clear in relation to supply, energisation and interruptions to supply. Under the NERL these are clearly distributor responsibilities which are not dealt with adequately yet in the metering competition rule and are not yet subject to competitive service provision for mass market customers.

The responses to AEMC on the metering competition rule change have been extensive and highlighted a significant number of issues that need to be worked through. Whilst AEMC needs to progress these issues, industry still needs the clear efficient process for meter exchanges in the various scenarios to cater for mass market and services beyond meter data. This is a sizable task and we would like to see independent project coordination of the many stakeholders. AEMO also has a significant task to create the necessary procedures or procedure changes, they should not be diverted from this task by undoing the Sept 15 changes and then delivering new requirements in Sept 16 and again in July 17.

Other Issues

Question 6 Other issues

(a) Do stakeholders consider that there are other potential regulatory solutions that could be followed to resolve the issues raised by the proponent?

(b) Do stakeholders consider that there are any additional issues that would be relevant to the Commission's decision on this rule change request?

There is a significant task ahead on the metering competition rule change alone, the focus should be on efficient processes for all services including network services and the efficient meter exchanges. There is no clear governance committee to ensure that clear, efficient, unambiguous processes are developed supported by procedure changes and build packs to enable an efficient move to metering and related services competition. The devil is in the detail as we saw with the national smart metering program.