

# **Submission to Australian Energy Market Commission (AEMC)**

## **Rule Change**

## **Meter Read and Billing Frequency**

**Consultation Paper – 17 December 2015**

January 2016



## BACKGROUND

Ergon Energy Queensland Pty Ltd (EEQ) welcomes the opportunity to provide additional commentary on the Australian Energy Market Commission's (AEMC's) Consultation Paper on Ergon Energy Queensland rule change request.

EEQ is a Queensland Government-owned non-competing retailer operating in regional Queensland that provides electricity to more than 700,000 homes and businesses and helps regional Queenslanders manage their energy consumption. It has a team of people servicing regional Queensland customers from contact centres and offices located in Townsville, Rockhampton, Maryborough and Brisbane.

EEQ reiterates that the intent of its rule change proposal is that there should be consistent obligations incumbent on all market parties (distributors, Meter Data Providers / Metering Coordinators and retailers) relating to their individual roles in the provision of meter data and the subsequent issuing of a bill to a small customer. The application of the obligations should facilitate the use of actual meter data for the basis of customer bills and thereby limit, to the extent possible, the circumstances in which a retailer must issue estimated accounts to customers.

With this intent in mind, EEQ provides the following additional comments on the consultation paper.

### Question 1- Nature of the Issue Identified

- (1) What proportion of consumers are likely to be affected by the issue identified by Ergon?
- (2) Is the availability of meter reads an issue for retailers other than Ergon?
- (3) To what extent will other developments, including the roll out of more advanced meters, address the issue identified by Ergon?

#### EEQ Responses

1. EEQ does not have any additional comments. We believe the data provided by EEQ in its initial rule change request detailed the very small proportion of our customers impacted by this issue over the period January to July 2015.
2. Not applicable to EEQ.
3. In the longer term, developments such as the gradual deployment of advanced meters will assist in providing more timely (remote) meter reads that would allow a consistent timeframe between bills. However, it should be noted that it will take considerable time to deploy advanced metering to all customers within the National Electricity Market (NEM). Additionally, in some more remote areas of regional Queensland (and potentially some other parts of the NEM), advanced meters may not resolve the issue entirely as available communications may not support remote meter reads.

### Question 2- Potential solutions to the issues identified

- (1) How should the AEMC consult with consumers and consumer groups on their preferences with respect to the trade-offs between the frequency of bills, the accuracy of bills and the costs of billing?

#### EEQ Responses

1. EEQ reiterates its position that the costs associated with more frequent manual meter reading in order to meet the timelines required by Rule 24 are likely to be passed through to all customers. EEQ does not propose to remove the obligation

on retailers to provide a regular bill to small customers, but rather provide customers with a bill with greater accuracy based on actual meter data. EEQ proposes that retailers follow metrology procedures meaning that bills should be provided to a small customer with a frequency of no more than four months from the previous bill.

From a cash-flow perspective it is not desirable for a retailer to bill customers less frequently (rather it is preferable to bill more frequently). EEQ does not seek to disadvantage customers, but rather improve confidence in the sector by using valid meter data rather than estimates to generate a bill.

### Question 3 – EEQ’s Proposed Solution

1. Do bills based on actual consumption enhance consumer experience and allow consumers to make more informed usage decisions compared to estimated bills?
2. Would delays to the frequency of retail bills cause significant issues for small customers? If so, would a maximum timeframe limit on billing frequency, e.g. four months, sufficiently manage those issues?
3. Should the frequency of retail bills be considered a consumer protection?

#### EEQ Responses

1. It is EEQ’s experience that where a customer receives an unexpected estimated bill it is more likely to result in a negative customer experience which drives an increase in complaints and requests for ‘re-bills’ using (actual) meter data. Analysis of EEQ’s complaint data shows that estimated bills represent approximately 15 per cent of EEQ’s total complaints into our business.
2. It is anticipated that lengthy delays between the frequency of bills has the potential to cause an issue with small customers and may contribute to affordability issues if customers had not adequately planned for a higher bill due to a slightly longer billing period. In its proposal EEQ suggested a maximum timeframe of 120 days which aligns with metrology procedures and would help manage the risk of higher bill costs for a customer.
3. EEQ believes that it is in the interest of both retailers and customers that bills be issued for predictable periods, and where possible, comparable amounts. The proposed approach to allow a bill to be based on an actual meter read is expected to provide sufficient benefits and protections for a customer. These benefits are anticipated to manage the likelihood of ‘bill shock’ for customers and provide greater certainty for customers where the current Rules may require retailers to issue estimated bills, potentially followed by a replacement bill a short time later using actual meter data. If retailers currently choose to wait for meter data (rather than issue an estimated bill), there is a requirement to report these instances to the Australian Energy Regulator (AER) as a Type 2 breach.

Under the current arrangements, there remains the potential of action from the AER against retailers for breaching Rule 24. This presents a dilemma for retailers in these circumstances - that being to either to wait for actual meter data and provide customers with greater billing certainty, or alternatively, breach the Retail Rules and report these breaches to the AER.

EEQ believes that this is not the intent of the National Energy Retail Objectives which are to *promote efficient investment in, and efficient operation and use of, energy services for the long term interests of consumers of energy with respect to price, quality, safety, reliability and security of supply of energy.*

## Question 4 – Frequency of meter reading

1. Would more frequent meter reading by the Metering Data Provider provide an efficient solution to the issue identified by Ergon in its rule change request?
2. Would more frequent meter reading impose additional costs on the Metering Data Provider? If so, how much are costs likely to increase?
3. Where there is a choice between bills based on actual consumption issued at less frequency or issued at the same frequency but at greater cost, what better serves the consumer's long term interest and is compatible with consumer protections?

### EEQ Responses

1. Currently there is only a best endeavours obligation on the metering data provider around timeframes for meter reads. As previously indicated, should there be a requirement for greater (manual) meter reading frequency, these increased costs are likely to be borne by small customers.
2. EEQ is not in a position to estimate the additional costs on MDPs should meter reading frequency be increased. These costs are currently included in distributor's operational costs which are reviewed every five years by the AER. It is important to note that any MDP costs will also vary by region. For some of EEQ's more remote customers, meter reading costs are higher than, for example, customers in more densely populated metropolitan areas. This is due to the geographical distances between customers and the consequential costs of servicing these customers.
3. Industry data confirms that there has been a significant increase in the number customers seeking assistance under hardship programs and media reporting shows that electricity and gas affordability is forefront in consumer concerns. EEQ believes that consideration of cost impacts is extremely important in considering changes to the existing Rules. EEQ is not supportive of changes without significant consumer benefits that will increase the cost of electricity or gas. EEQ believes that introducing a 'safeguard' around a reasonable maximum number of days between bill issue dates would provide adequate protections for consumers to manage 'bill shock'. It is also important to note that this issue impacts a relatively small number of customers.

## Question 5 – Billing on the basis of estimates

1. Where there is a choice between estimated bills issued on a regular recurrent basis or less frequent bills based on actual consumption, what better serves the consumer's long term interest and is compatible with consumer protections?
2. Are there any barriers to retailers accepting a customer's reading of its meter as a basis for an estimate?
3. How much are Metering Data Providers costs likely to increase if Metering Data Providers were required to generate estimates of small customers' consumption? Would the increase in the Metering Data Providers' costs be offset by a reduction in retailers' costs?

### EEQ Responses

1. It is EEQ's experience that where a customer receives an unexpected estimated bill it is more likely to result in a negative customer experience which drives an increase in complaints and requests for re-bills using (actual) meter data. EEQ suggests most appropriate safeguard is to allow a reasonable

period aligned to the Metrology Procedures to provide an actual read, but, also set a maximum period where a bill would need to be issued based on an estimated read.

2. Any requirement that introduced an obligation on retailers to accept customer readings could have the unintended consequence of creating safety issues for customers due to meter location and access issues. Some meters types (such as solar meters) may also be more complex to obtain readings from and introduce further negative impacts on customer bill accuracy if errors were made.
3. Refer to our previous response on this question.

### Question 6 - Gas

1. Do the issues identified by Ergon in its rule change request apply to standing offers for the supply of gas?
2. Should the same solution developed for standing offers for the supply of electricity be applied to standing offers for the supply of gas?

#### EEQ Responses

EEQ is not a gas retailer and as such, does not provide comment on these questions.

If you require additional information on these matters, please do not hesitate to contact Michelle Norris, Manager Retail Regulatory Affairs on 07 3851 6222 or [michelle.norris@ergon.com.au](mailto:michelle.norris@ergon.com.au)

Yours sincerely



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