

6 July 2015

Mr John Pierce
Australian Energy Market Commission
PO Box A2449
Sydney South NSW1235

Lodged online: www.aemc.gov.au

Dear Mr Pierce

National Electricity Amendment (Meter Replacement Processes) Rule 2015 Consultation Paper

Momentum Energy welcomes the opportunity to provide comments in response to the National Electricity Amendment (Meter Replacement Processes) Rule 2015 Consultation Paper (the consultation paper).

Momentum Energy is a second tier retailer authorised to sell electricity in Victoria, New South Wales, South Australia, Queensland and the Australian Capital Territory, and gas in Victoria and South Australia. Momentum is fully owned by Hydro Tasmania, the largest clean energy producer in Australia.

Introduction

This rule change proposal has been proposed in response to new metering procedures, due to commence on 1 September 2015, which will prohibit a new retailer from replacing the metering installation at a connection point until the retail transfer is complete. Momentum would like to register its disappointment that we must dedicate scarce resources to the difficulties caused by the market operator's new metering procedures at a time when the volume, complexity and importance of positive market change arising from the commission's Power of Choice reforms is so great.

We support the intent and objective of the rule change proposal and of the Consultation paper. As set out in detail in this submission, substantial market disruption and concomitant negative consumer impacts are likely to result if the full suite of recently-made relevant market procedures commence as presently intended on 1 September 2015.

However, the proposed rule change should not be necessary. So far as Momentum is aware, no one has demonstrated any customer detriment flowing from the current industry practice and the aligned AEMO procedures set to be superseded on 1 September 2015. The alternative ways forward are as follows:

Option 1 – New status quo, post making of new metering procedures

1. Current approach until 31 August 2014
2. New procedures commence 1 September 2015
3. Competition in metering commences on or soon after 1 December 2017

Option 2 – New status quo, post making of new procedures, with amelioration

1. Current approach until 31 August 2014
2. New procedures commence 1 September 2015
3. Uninterrupted right to replace meter prior to retail transfer in specified circumstances, supported by limited Australian Energy Regulator (AER) letters of no action from 1 September 2015 until further procedure changes or commencement of competition in metering
4. Competition in metering commences on or soon after 1 December 2017

Option 3 – This Rule Change Proposal

1. Current approach until 31 August 2014
2. New procedures commence 1 September 2015
3. This rule change or some variant made and commences, probably sometime in 2016
4. Competition in metering commences on or soon after 1 December 2017

Option 4 – Momentum’s proposal

1. Current approach until commencement of Competition in metering, supported by AER letters of no action covering from present time until commencement of competition in metering
2. Competition in metering commences on or soon after 1 December 2017

Momentum submits that Option 4 is in the best interest of consumers and that it would be appropriate for the AEMC to support the issuance of industry no action letters by the AER, in order to allow the continuation of current AEMO procedures and continued non-compliance with the rules without penalty, until commencement of Competition in metering. We note that this is also the option favoured by the Energy Retailers Association on behalf of its members, including Momentum. Momentum believes that the Competition in metering rule change will achieve the necessary separation of the meter change process from the customer transfer process, and that current industry practice should be allowed to continue in the meantime. Also, irrespective of what happens in between now and commencement of Competition in metering, further amendment of the AEMO procedures in question will be necessary at that time.

Momentum’s second preference is Option 2. This option would at least allow for meter exchanges to occur prior to transfer where it is a matter of metering compliance and/or Large Site and/or Large Customer transfer requiring Type 1-4 metering installations.

In summary, it is preferable that the current procedure is allowed to remain in place, so retailers continue to be able to replace meters prior to retail transfer, and so there only needs to be a single change of approach, procedures and systems occurs upon commencement of Competition in metering. If the broad letters of no action required to give effect to Option 4 are not possible, consideration should be given to narrower, more specific letters of no action (Option 2). Approval of the rule change proposal (Option 3) would be far from optimal, because it would necessitate a set of substantial process and system changes, which would follow process and system changes consequent on commencement of the new procedures on 1 September 2015 and be followed by very substantial process and system changes consequent on commencement of Competition in metering on or soon after 1 December 2017. Notwithstanding the substantial downsides of Option 3 (which should be avoidable due to the availability of Options 2 and 4), with appropriate adjustments Option 3 would still be preferable to the new status quo (Option 1). As appropriate, beneficial

elements of the rule change proposal should be incorporated into the Competition in metering final determination, for commencement along with Competition in metering and not as an interim solution.

Issues that will arise from 1 September 2015

Set out below are Momentum's views on specific issues that will arise if the new procedures come into force on 1 September 2015. In each case, the rule change proposal would overcome this issue. However, we note that, even if it is supported, the rule change cannot commence until well after 1 September 2015, and would be interim due to the commencement of the Competition in metering rule change on or soon after 1 December 2017, thus causing four approaches between today and post commencement of Competition in metering.

Large sites with non-compliant metering

In a situation where a new retailer wins a large site and that site does not have compliant metering (ie type 1-4), the current procedure allows the new retailer to replace the meter prior to the retail transfer. This is appropriate because the retail transfer would commonly be prevented by the non-compliant metering. An actual example showing how retail transfer is prevented when a new retailer attempts to transfer a large site without compliant metering is set out in confidential Appendix 1.

Under the new procedures set to commence on 1 September 2015 the meter replacement will not be able to occur prior to the retail transfer.

Two problematic scenarios will become more common.

Firstly, it will become common that the retail transfer of a customer in this situation is effectively stymied. At best, customers will face delays. The customer and new retailer will be reliant on the incumbent retailer, which will not have a strong incentive to prioritise the meter exchange requested by the departing customer. At worst, anti-competitive behaviour will be encouraged. A material increase in complaints is likely, as is an increase in the number of retailer and/or customer escalations to AEMO requesting enforcement of the current rules. Delays to the retail transfer process will sometimes have wholesale market impacts that expose the customer to default market rates on unhedged load by their incumbent retailer for the period of delay.

Secondly, to the extent that retail transfers of large sites with non-compliant metering (ie type 5 or 6) are completed (which could be due to an oversight by the distribution business, or acquiescence by the distribution business on the understanding that the new retailer will install compliant metering after the retail transfer), this scenario will bring its own issues for these customers and their new retailers including:

- Two sets of contractual arrangements (i.e. for the period from retail transfer to meter upgrade, then for the period after the meter upgrade)
- Two sets of pricing and invoicing requirements (i.e. for the period from retail transfer to meter upgrade, then for the period after the meter upgrade)
- Additional costs and inconvenience caused by an additional site visit (i.e. for the purpose of obtaining a retail transfer read on the Type 5 or 6 meter followed by another site visit to upgrade the meter)
- The customer's loss of contracted benefits and added services during the period between retail transfer and meter exchange
- The new retailer will face additional costs resulting from the above duplication, reducing the ability of the new retailer to offer a competitive price to the customer.

Both of these scenarios will be complex and difficult for the parties involved, leading to bad customer experiences and lower customer trust in the energy industry. Significant delays to metering upgrades will delay delivery of demand side participation products and services and tariff changes to consumers and expose retailers to litigation and broader reputation risks arising from being stymied from delivering on the promises that convinced the customer to transfer their business to the new retailer.

Meter Provider Schedules

Large customer transfer volumes notoriously peak at commencement of the new financial year (1 July) and the new calendar year (1 January). The Type 1-4 meter providers work with retailers to ensure that schedules are maximised so as to target a 100% success rate of meter installations by the contract start dates. While there will be some exceptions under the current procedure, Momentum's experience with its large customer base is that we have achieved three years of over 99% success for meter installation in time for retail transfer.

Because the current procedures allow up to 20 business days prior to retail transfer to request a meter exchange, meter providers are able to optimise their schedules.

This will not be the case with the new procedure commencing 1 September 2015. All such requests will hit the market at the same time (i.e. 1 January and 1 July) causing mass congestion of metering provider schedules.

If you would like to discuss this submission or any other matter, please contact me on (03) 8612 6437 or luke.brown@momentum.com.au.

Yours sincerely



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