

28th January 2016

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney NSW 1255

DRAFT DETERMINATION

National Electricity Amendment (Meter Replacement Process) Rule 2015

Dear Mr Pierce,

Metropolis Metering Services Pty Ltd (Metropolis) is an AEMO accredited Metering Provider and Metering Data Provider with a significant volume of contestable advanced meters installed across homes and businesses in all states and territories in the NEM.

Metropolis welcomes this opportunity to respond to the draft determination for *Meter Replacement Process*. As an existing, accredited, competitive metering services provider who has been providing competitive metering to the NEM for 8 years, the Meter Replacement Process has a significant impact on Metropolis operations, and the operations of our customers.

Please see the attached appendix for Metropolis's response.

Sincerely,

Charles Coulson
Regulatory Manager
Metropolis Metering

Objective

The objective of ERM Power's initial Rule Change Request was to enable the best-practice meter exchange process that has been used by the market for decades to continue. That is, to allow meter exchanges to be executed effectively and efficiently, while also supporting the improved customer outcome of timely Retail churn. The solution proposed by ERM was overly complex, but it did meet the objective.

The AEMC has agreed with the objective of ERM Power's proposed Rule change. However, the AEMC has prepared two simpler solutions:

- 1) Draft Rule which allows a meter exchange to occur shortly after a Retail transfer has occurred, or on the same day where the MC does not change.
- 2) Alternative Rule which allows a Retail transfer to occur based on a read taken at the time of a meter exchange.

The Alternative Rule is very similar to the functioning of the market prior to September 2015, with additional controls to ensure the parties with obligations related to metering are the only ones who can affect the metering.

Summary

Metropolis agrees with the Commission's analysis and conclusions regarding:

- Negative outcomes occur for consumers and the industry where there are delays in retailer churn and meter exchanges.
- Responsibility for metering installations must lie with parties who have authority over the site.
- ERM's original rule change request was excessively complex
- Large customer's issues are largely resolved with the *Competition in Metering* rule change.

Metropolis consider that the proposed Draft Rule will result in a poor consumer outcome, significantly worse than the market has achieved for the majority of the last 2 decades. Metropolis also consider that the Draft Rule change would be a significant drag on the *Competition in Metering* objectives by restricting the ability for MCs and MPs to compete independently for advanced meter installation work.

Metropolis recommend the Alternative Rule, with a slight modification. The Alternative Rule addresses each of the above issues in a manner which can be supported by both the physical work and logical MSATS and market settlements processes required to make a meter exchange. The Alternative Rule, being based on historic industry best practices, has been well tested and provides a robust approach to meter upgrades from basic to interval.

Analysis

Metropolis consider that the most critical scenario for this Rule change is mass-market change from basic metering to smart metering. This will become very common from 1-December-2017, when the *Competition in Metering* Rule change becomes effective. At this time the customer impacts will become very large, and it will be important to have an efficient and effective process to upgrade meters. The magnitude of the process is estimated to be approximately half a million meters per year.

The meter upgrade process is the focus for the rest of this submission.

Metropolis have been installing contestable metering for 8 years, and have a high level of practical experience in meter upgrades. Approximately half of Metropolis's smart metered sites were upgraded from basic metering.

Below is an outline of the current process, including the variability and impacts of the recent re-interpretation of the Rules by AEMO. Following this is a description of the impacts of the proposed Draft Rule change. Lastly is a description of the Alternative Rule proposal, including the slight suggested modification.

Current state

Currently, a residential Retail churn on a basic meter will take from 3 to 15 weeks to complete, in a perfect scenario, as it relies on a meter reader physically attending site. The options are to pay additional for a special read, or wait for the next scheduled read event. If there are issues reading the meter, this timeframe can extend indefinitely.

The Retailer will order the transfer process to happen, typically "on the next scheduled meter read". The Retailer does not know when this will occur. There is a target Next Scheduled Read Date (NSRD), which is maintained by the Distributor, however the actual read event is allowed to be plus or minus 2 days of this date. In addition, the Distributor can change the NSRD at any time, including the day after the NSRD, to meet their operational requirements.

Once a read is taken, the Distributor will set date the meter was read in MSATS. This date is the date the Retail churn actually occurs. The Retailer will be notified of this a few days after the read and churn occurs.

From the market start till September 2015, Retail churn which includes a change to contestable metering has been expedited: When the meter exchange occurs, the technician reads the basic meter – effectively performing a special read at the time of the meter exchange. This allows the Retail transfer to occur on the meter install/meter read. The reading can be verified by the Distributor, if required, once the physical meter is returned to them.

Since September 2015, AEMO reinterpreted the Rules and modified the Procedures in a way that disallows this expedited practice. This was not the purpose of the reinterpretation and the result has been detrimental to consumers and the broader market. The result was that the time taken for a Retail transfer, and to access the advanced metering capabilities, is dramatically extended (from about 20 days to 30-130 days). This restricts Retail offerings, complicates IT systems and generally results in worse consumer outcomes.

The change in Procedures is particularly detrimental to Retailers with advanced business models, relying on smart meter data. These businesses need to add capability to process basic meter data, which is not core to the businesses.

Proposed Draft Rule change

The Draft Rule change allows two options for exchanging a meter as part of Retail churn:

- 1) The prospective Retailer to schedule a meter exchange “soon after” the day of the Retail Transfer. This would reduce the meter installation delay, but fail to address many issues, including a long delay in Retail churn, complexities in the customer’s first bill and the cost associated with setting up the customer metering for both basic and interval.
- 2) The prospective Retailer may use the old MC to arrange a meter exchange to trigger the Retail churn. This would support an efficient process, but would have significant detrimental impacts on the contestable market.

Metropolis have assessed the process for each option below, highlighting practical and commercial issues.

Option 1 – Schedule a meter exchange “soon after” the day of the Retail Transfer.

Important points to note are:

- The date of Retail churn where there is a basic meter is difficult to determine in advance. The Retail churn will occur when the meter is read, typically on the Next Scheduled Read Date (NSRD), which has a plus or minus 2 days tolerance. Also the NSRD can be changed without warning to support DNSP operational requirements.
- It is not possible to provide assurance that a meter install will occur on a specific date. Installation dates change due to fluctuation in work load, or specific issues associated with installations – such as a bee hive in the meter box, a flat tire on the installer’s car or a consumer who likes to dress as Rambo and ambush anyone he finds on his property. (Yes, these are all real scenarios that Metropolis installers have encountered). Or any one of a vast array of other causes.

These difficulties mean that a large margin of error must be allowed when scheduling the meter exchange. In order to ensure no breach of the Rules, a Retailer (MC) must not allow the meter exchange to occur until they are notified of the successful Retail churn. This will usually be 2 days after the meter read has been taken. At that point, the meter exchange can proceed.

In practice, this means that the meter exchange will not be scheduled until after the Retail churn has completed, triggering about a 1 to 2 week delay. Some minor efficiencies will be gained, such as the objection period running in parallel with the Retail transfer.

This outcome is essentially the same as the current process: There is a significant delay in the Retail transfer, all the costs and inefficiencies related to two meter setups occur, the consumers first bill will be a complex mix of basic and interval data.

Option 2 – Using the old MC to arrange a meter exchange which would trigger the Retail churn.

This process is the same as the Alternative Rule, however the incoming Retailer is restricted to using the existing MC. This outcome impacts the contestable market, where the incumbent MC has excessive control over the Metering Provider used by the incoming Retailer. It is inappropriate for the MC, who may only be responsible for the site for a few more days, to be responsible for the selection and installation of an expensive physical metering installation that has a useful life of approximately 15 years.

Alternative Rule change

The Alternative Rule change allows a prospective Retailer to request that Retail churn occur when the meter is exchanged. This (like all meter exchanges) requires a meter read, and the Retail churn occurs at the time of the meter read. In this scenario, the Retail churn read is the same reading as the final meter read, and is taken by the incoming Meter Provider.

The alternative Rule discussed in the draft determination indicates that the MC would need to be appointed prior to the retail transfer, and specific Rules would need to be developed to ensure appropriate rights and responsibilities. Metropolis does not believe this is required, and that it increases the complexity of the solution.

Metropolis's view is that the FRMP can nominate the FRMP, MC, MP and MDP in the same transaction, all to take effect as of the meter exchange. In a number of current transactions, as well as being allowed in the Draft Rule, the FRMP can nominate the MC, MP and MDP all at the same time. It is unclear why the AEMC consider that in this specific case the MC would be required to be changed earlier.

As such, Metropolis suggest a minor adjustment to the Alternative Rule to allow the Retailer to nominate the FRMP, MC, MP and MDP as part of the Retail churn request. All four roles will complete when the meter exchange is performed.

This alignment of all the roles allows for a clean transfer of all responsibilities. It clearly delineates when the responsibilities begin and end for all parties. No parties can modify a metering installation without taking on the responsibility to go with it. One challenge that has been identified with this approach is that the FRMP will be nominating the MP and MDP. Under the *Competition in Metering* Rules this is the responsibility of the MC.

As a likely MC, Metropolis does not view this as a problem. The new Retailer requests all the parties via MSATS, so all parties have an opportunity to object. For example, if the MC does not have a contract with the nominated MP, they can object to the transfer.

This replicates how the market has operated historically: The FRMP has selected the RP, MP and MDP in their transfer request. If, from the perspective on any party, insufficient commercial agreements exist, they can object to the request.

Importantly, this also provides for the expedited process and fully contestable day-1 advanced metering services. This is a significantly improved consumer outcome to the Draft Rule.

There are also a number of incidental benefits:

- The MC does not have to take over responsibilities for the basic metering installation. This is important, as contestable MCs may elect to deal only with advanced metering installations, so developing a capability to deal with basic meters for just a few days per site would be laborious and have no customer or commercial benefit.
- Any difficulties changing the meter would delay the Retail churn. On face value this looks like a problem, but is actually beneficial. If Retail churn includes a meter upgrade, the incoming Retailer is offering advanced services: If those services are not available, the consumer may not want to take up the offer. A consumer will have be able to cancel the Retail churn if the services are not available. Eg, if the customer must spend \$2000 to remove an asbestos meter panel to enable their advanced product, they may elect to remain with their existing Retailer
- Minor adjustments to the meter installation schedule will not have any meaningful impact, allowing for more efficient (ie, cheaper) field work, resulting in cheaper metering costs to consumers.

Conclusion

Metropolis consider this Rule change to be critical to facilitating an effective and efficient national transition to competitive, advanced metering. An effective outcome will provide an improved consumer outcome in terms of service and price. Conversely, an ineffective

outcome will result in a significant drag in the roll out of advanced metering, and suppress the competitive Retail and Metering markets.

Metropolis strongly supports the objectives of the AEMC, and support a simplified form of the Alternative Rule proposed in the Draft Determination.

By making a minor adjustment to the Alternative Rule, a vastly superior outcome will be enabled, with no additional complexity over the Draft Rule. The adjustments align the Rules with the process established over the last decades and will support the *Competition in Metering* processes and objectives. The outcomes will allow the optimal consumer outcome of an expedited Retail transfer, along with advanced services enabled from day-1 of the contract, and minimise the transaction costs of both Retailers and Metering Providers.

[An Appendix B to this submission containing confidential information has been omitted for the purposes of section 24 of the Australian Energy Market Commission Establishment Act 2004 (SA) and sections 31 and 108 of the National Electricity Law.]

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