

Australian Energy Market Commission

CONSULTATION PAPER

National Electricity Amendment (Meter Replacement Processes) Rule 2015

Rule Proponent
ERM Power

21 May 2015

**RULE
CHANGE**

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About the AEMC

The AEMC reports to the Council of Australian Governments (COAG) through the COAG Energy Council. We have two functions. We make and amend the national electricity, gas and energy retail rules and conduct independent reviews for the COAG Energy Council.

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1 Introduction

On 19 January 2015, ERM Power (the proponent) submitted a rule change request to the Australian Energy Market Commission (AEMC) in relation to the process that is followed when changing a meter at a connection point.

ERM Power proposed this rule change due to concerns about ambiguity in the National Electricity Rules (NER or rules) relating to the rights and obligations of certain parties in respect of a meter at a connection point when the meter is being changed. ERM Power is concerned that the rules may not be consistent in the treatment of such rights and obligations during the retail transfer process.

The rule change request originated from concerns about the process to change a meter for large customers under the status quo arrangements. However, it could also have implications for small customers in the future given developments proposed in the competition in metering rule change draft determination.

This Consultation Paper has been prepared to facilitate public consultation and to seek stakeholder submissions on the rule change request. It should be read in conjunction with ERM Power's rule change request, which is available on the AEMC's website.

This paper:

- sets out a summary of, and a background to, the rule change request that has been proposed by ERM Power;
- presents a proposed approach for assessing the rule change request;
- identifies a number of questions and issues to facilitate the consultation on this rule change request; and
- outlines the process for making submissions.

Submissions to the rule change request and this Consultation Paper are requested no later than 2 July 2015. The AEMC also intends to hold a stakeholder workshop on 16 June 2015 in order to discuss issues raised as part of this rule change request. The processes of registering to attend the workshop and of making submissions are described further in chapter 6.

2 Background

This section sets out:

- the roles involved in the provision of metering services at a connection point;
- how meter churn has been handled historically; and
- the outcomes of the recent review by the Australian Energy Market Operator (AEMO) of its meter churn procedures.

2.1 Roles in the provision of metering

There are a number of specific roles under the NER with respect to the provision of metering services at a connection point. Parties undertaking these roles have a number of rights and obligations set out in the NER and in a series of procedures developed and maintained by AEMO.¹

Every market participant must ensure there is a metering installation² at each of the connection points for which it is responsible and that the metering installation is registered with AEMO. This party is defined in the NER as the Financially Responsible Market Participant (FRMP). At each of these connection points, the FRMP is required to act as the Responsible Person (RP) for a type 1-4 metering installation (typically installed in a large business's premises) unless it has requested, and subsequently accepted, an offer from the Local Network Service Provider (LNSP) to take on this role. The role of RP is exclusively performed by the LNSP for type 5-7 metering installations (typically installed in household and small business premises).³

Under the NER, the RP is the person responsible for the provision, installation and maintenance of a metering installation at a connection point and the collection, processing and delivery of metering data.⁴ The RP must engage:

- a Metering Provider (MP) to carry out the installation and maintenance of the metering installation; and
- a Metering Data Provider (MDP) to provide the data services between the metering installation and AEMO's metering database along with parties entitled to such data under the NER.⁵

¹ For example the Meter Churn Procedure and the Metrology Procedure.

² A "metering installation" is defined in the rules as being "the assembly of components including the *instrument transformer*, if any, measurement element(s) and processes, if any, recording and display equipment, *communications interface*, if any, that are controlled for the purpose of metrology and which lie between the *metering point(s)* and the point at or near the *metering point(s)* where the *energy data* is made available for collection". A meter is defined in the rules as "a device complying with *Australian Standards* which measures and records the production or consumption of electrical *energy*." Generally speaking, a meter forms part of a metering installation.

³ Clauses 7.2.2 and 7.2.3 of the NER.

⁴ Clause 7.2.1 of the NER.

While the same party may become registered and accredited to perform all three roles, they are all separately defined roles under the NER.

The AEMC's recent draft determination for expanding competition in metering and related services sets out significant changes to the NER in relation to the provision of metering services.⁶ In particular, the draft rule incorporates changes to who has the overall responsibility for metering services under the NER to promote competition in metering and related services by:

- providing for the role and responsibilities of the existing RP to be undertaken by a new type of registered participant – a Metering Coordinator (MC);⁷
- allowing any person to become a MC, subject to meeting applicable registration requirements;
- permitting large customers to appoint their own MCs; and
- requiring the FRMP to appoint the MC, except where a large customer has appointed its own MC.⁸

2.2 What is meter churn?

The process of changing a meter at a connection point is known as meter churn. A retailer may wish to change a meter at a connection point for which it is financially responsible because it:

- allows the provision of customer service or pricing options that require the installation of a more advanced meter, eg an in-home display or a time of use tariff;
- achieves operational efficiencies through deployment of advanced meters that are capable of being remotely read;
- is necessary as the existing metering installation is faulty or needs to be replaced due to age; or
- maintains compliance with meter accuracy requirements if the consumption level at that connection point exceeds the volume limit of the installed meter.

⁵ Clauses 7.2.5(a) and 7.2.5(c1) of the NER. Under clause 7.2.5(a), an RP must (subject to the metrology procedure) allow another person to engage an MP to install the metering installation.

⁶ See:
<http://www.aemc.gov.au/Rule-Changes/Expanding-competition-in-metering-and-related-serv>

⁷ The acronym “RP/MC” is used throughout this Consultation Paper to describe both roles where applicable.

⁸ The retailer is the FRMP for the connection points of its retail customers.

2.2.1 Occurrence of meter churn

Currently, most of the meter churn in the National Electricity Market (NEM) is limited to customers supplied through a type 1-4 metering installation. Many large customers have their meter churned during the retail transfer process. While there are no statistics published, the AEMC understands from discussions with stakeholders that it is common practice for these customers when a new retail contract begins for the old meter to be removed and replaced with a new meter.

Small customers currently receive metering services through a regulated meter provided by the LNSP.⁹ Currently, a small customer's metering installation is typically only replaced when it reaches the end of its life, has a fault, or no longer meets accuracy requirements under the NER. If the AEMC's rule change on expanding competition in metering services is made, meters may also be replaced to allow customers to access new products and services, subject to the ability of small customers to opt out of having a new meter installed in certain circumstances, or where a retailer sees a business case to do so.

The arrangements for meter churn have historically impacted largely on the provision of metering services to large customers.¹⁰ In the future this situation may change, and so impacts on small consumers need to be considered when assessing the rule change request.

2.3 Meter Churn Procedure

Under the NER, AEMO is required to maintain and publish the Meter Churn Procedure.¹¹ This procedure sets out the process that must be followed by the FRMP when undertaking a change to a metering installation at a connection point. It also outlines the responsibility of the FRMP and other parties at a metering point during meter churn.

The first version of this procedure was developed in 2008. Up until the most recent amendment to the procedure, which is to come into force in September 2015 (i.e. the procedure in force as at the date of this paper will change in September 2015), there have only been incremental changes.

Throughout this Consultation Paper the 2012 Meter Churn Procedure,¹² which is in force as of the publication of this Consultation Paper, is referred to as the 'current

⁹ That is the provision, installation and maintenance of the metering installations for these customers is classified by the Australian Energy Regulator (AER) as a direct control service.

¹⁰ Generally speaking a large customer is defined in most jurisdictions as a retail customer that consumes at or above 100MWh per year.

¹¹ Clause 7.3.4(j).

¹² Version v005.

procedure'. The Meter Churn Procedure that will come into force in September 2015¹³ is referred to as the 'amended procedure'.

2.3.1 Current meter churn procedures

The current procedure specifies the meter churn process under a series of meter churn events. One of these outlined meter churn events is where a metering installation is changed while a retail transfer is underway at the same connection point. The retail transfer period is described in more detail in Box 2.1.

Box 2.1 Retail Transfer Process

When a customer changes retailer, a retail transfer process is followed. This typically occurs within 30 calendar days, but can take up to 65 business days.¹⁴ This involves the incoming retailer using the largely automated Market Settlement and Transfer Solutions (MSATS) business system, operated by AEMO, to request meter reading data for the customer in order to give effect to the transfer.

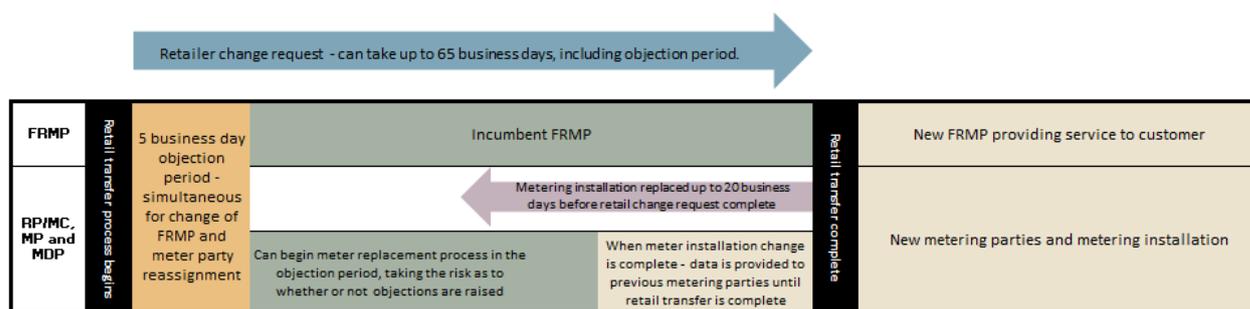
Once the relevant data has been uploaded into MSATS, a series of billing and settlement processes are initiated amongst the various registered participants and AEMO. The incoming retailer becomes the FRMP for the customer's connection point, supplying them with electricity, and the retail transfer process is completed. The losing retailer is responsible for energy supply, billing and is the FRMP until the retail transfer is complete. This complete process (i.e. the process through MSATS up until the retail transfer takes effect) is called the 'retail transfer period' throughout the rest of this Consultation Paper.

The current procedure outlines how the incoming retailer can change the metering installation during the retail transfer period, prior to the transfer being completed. This means that the incoming retailer can arrange to have its preferred metering installation installed at the connection point before becoming responsible for the provision of energy to the customer (i.e. before becoming the FRMP at the customer's connection point). This process is explained further in Figure 2.1 below.

13 Version V1.0.

14 AEMC, 2014, *Review of Electricity Customer Switching* Final Report, p. i.

Figure 2.1 Process in current procedure



When an incoming retailer enters the details of the transfer into MSATS, various parties are notified of the customer transfer by MSATS – including of any new roles or obligations that they may have in regard to the transfer. There is a five day objection period, as specified in the MSATS Procedures. Objections that can be raised largely relate to technical issues.¹⁵

At the same time as entering the retail transfer, if it so chooses, the incoming retailer can also nominate in MSATS the incoming RP, MP and MDP at the connection point. In this circumstance, the objection period to the change in metering roles occurs at the same time as the objection period to the change in retailer.

After the retail transfer request is made, the incoming FRMP is able to begin making changes to the metering installation up to twenty business days before the transfer is complete.¹⁶ It is understood that sometimes changes have been made to metering installations during the objections period. When this is done, the incoming retailer and metering parties (i.e. the RP, MP and MDP) are taking on the risk that no valid objection would be received during this period.

If the metering installation is changed during the retail transfer period, the incumbent metering parties still retain their rights and obligations until the retail transfer is complete, even if the metering installation has been altered. The current procedure notes that the incoming metering parties would be required to undertake certain actions during this period. For example, the incoming MDP is required to supply data to the incumbent MDP until the retail transfer is complete.

2.3.2 Amended meter churn procedures

In 2013 AEMO undertook a review of the:

- Meter Churn Data Management Procedure; and

¹⁵ For example, one objection code is “BADPARTY”. This is used where the nominated MDP or MP is incorrect. This is for use by the new RP on retail transfer type transactions where the FRMP has nominated the wrong MDP or MP.

¹⁶ Procedure v005 clause 3.2.1(c).

- Meter Churn Procedure for FRMPs.¹⁷

In the course of this review AEMO identified inconsistencies between the NER and the Meter Churn Procedure.¹⁸ AEMO stated that it considered that:

- the Meter Churn Procedure described a series of obligations that facilitate a process to allow a FRMP, who is not the RP for the metering installation or the FRMP for the market load in MSATS, to instigate a replacement of metering devices at a metering installation; while
- the NER clauses 7.2.1 and 7.3.4 (i) and (m) stated that metering installations must not be altered by the FRMP until the retail transfer has been effected by AEMO.¹⁹

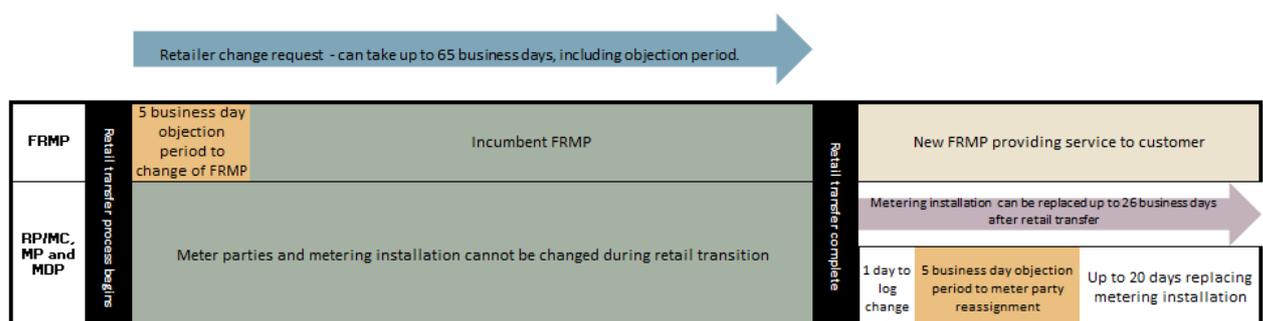
Consequently, AEMO amended the Meter Churn Procedure for FRMPs to bring it into line with the NER. The amended procedure will come into effect on 1 September 2015.

The amended procedure clarifies that when a retailer gains a customer, it cannot appoint a new RP/MC, MP or MDP until after the retail transfer period is complete. Additionally, the amended procedure has no provisions relating to incoming parties undertaking roles on behalf of the incumbent parties at a connection point. Only after the finalisation of a retail transfer at a connection point can the incoming FRMP begin the process of appointing the chosen RP/MC, MP and MDP at that connection point.²⁰

If the retailer intends to instruct the metering parties to churn the meter, this would need to start after the incoming parties have become the RP, MP and/or MDP (as the case may be).

The process for meter churn during retail transfer under the amended procedure is shown in Figure 2.2.

Figure 2.2 Process in amended procedure



¹⁷ AEMO, Notice of first stage of consultation: Meter Churn Package, 18 September 2014, p. 1.

¹⁸ AEMO, Notice of first stage of consultation: Meter Churn Package, 18 September 2014, p. 2.

¹⁹ Ibid.

²⁰ The amended procedure does not refer to contemplate the role of the MC. The procedure would have to change to reflect the introduction of the MC role into the market.

At the beginning of the retail transfer process there is an objection period for the change of retailers. All the rights and obligations of the incumbent metering parties relating to the connection point are maintained until the end of the retail transfer.

After the retail transfer is complete, the new FRMP can begin the process of nominating the new parties to undertake the metering roles. When the new RP/MC, MP and MDP for the connection point have been allocated, they are able to begin the process of changing the meter.

This means that under the amended procedure, changing the metering installation could take twenty-six business days from the day of the retail transfer. These twenty six business days include:

- one business day to log that the change in retailer is complete;
- a five business day objection period to the appointment of the RP, MP and MDP; and
- reasonable endeavours for the new MP to undertake the replacement of the metering installation within 20 business days.²¹

When the retail transfer is complete, the retailer is responsible for the provision of energy to and billing of, the customer. Therefore, there could be a period where the retailer is required to initially provide energy to the consumer using a meter that may not be able to provide the services the consumer requested to receive.

²¹ As set out in 4.13(a) of the Service Level Procedure: Metering provider services category B for metering installation types 1, 2, 3, 4, 5 and 6.

3 Details of the Rule Change Request

ERM Power submitted the rule change request to clarify the obligations of various parties during the meter replacement process. Specifically, ERM Power proposes clarifying that an incoming retailer can change a metering installation at a connection point during the retail transfer period. The rule change request is available on the AEMC website.²²

This section sets out:

- the issues the rule change request seeks to address;
- how the process set out in the rule change request would operate; and
- the rationale for the rule change request.

3.1 Issues the rule change request seeks to address

ERM Power considers that the current rules are internally inconsistent with regard to whether an incoming retailer can arrange for incoming metering parties to be assigned and arrange for the metering installation to be changed at a connection point prior to becoming the FRMP at that connection point. The proponent considers that some clauses of the rules, most notably clauses 7.1.2(a) and 7.2.5(e) imply that certain incoming metering roles can begin before the retail transfer is complete.²³

However, as discussed in section 2.3, during their review of the Meter Churn Procedures AEMO identified clauses in the rules that prohibit the incoming metering parties having rights and obligations before the retail transfer is completed.

Consequently, under the amended procedure, an incoming retailer cannot begin changing the metering installation at a connection point until the retail transfer period is complete.

ERM Power considers that this may lead to a number of negative outcomes such as:

- non-compliance with meter accuracy requirements;
- late start in application of new tariffs and demand side participation;
- complications with arranging metering services at a connection point;
- confusion in multi-site retail contracts; and
- inability to manage peak replacement periods.

These are discussed in further detail below.

²² See: <http://www.aemc.gov.au/Rule-Changes/Meter-Replacement-Processes>

²³ ERM Power, Rule Change Request: Facilitating an efficient meter replacement process, 2015, pp. 9-10.

3.1.1 Meter accuracy

The RP/MC²⁴ must ensure that the metering installation of the customer meets minimum accuracy requirements of the NER and relevant AEMO procedures. The accuracy requirements differ depending on the volume of energy consumed by the customer.²⁵

ERM Power is concerned about the situation where the existing metering installation of a newly transferred customer may not meet the relevant minimum accuracy requirements for the expected consumption level of the customer and thus the metering installation at the connection point may need to be changed. Under the amended procedure, the new RP/MC would not have the right to begin meter churn until after the retail transfer is completed. ERM Power notes that "it is not good regulatory practise for a participant to be prohibited from mitigating their own non-compliance [with the rules]."²⁶

3.1.2 Late start to products

Retailers enter into contracts with consumers to provide energy services. Some services offered as part of a retail contract require certain functionality of the metering installation at the consumer's connection point to be provided. For example, the consumer may be offered a time-of-use tariff which may not be supported by the existing meter, e.g. if the customer had an accumulation meter (type 6 meter). Here, during the period before the metering installation is upgraded, the retailer would have to offer energy to the consumer through a temporary arrangement that could be met using the existing meter.²⁷

From the customer's perspective, the initial interaction with the new retailer directly after switching would not match its preferred service terms. For example, the customer may be billed on a flat tariff initially, as opposed to a time-of-use tariff that it would prefer.²⁸ Therefore, meter churn occurring after retail transfer may lead to confusion or disengagement with the market by consumers.

24 The AEMC notes that the proponent did not refer to the MC in the rule change proposal. The acronym RP/MC is used where obligations or rights now lie with the RP and would be held by the MC if the expanding competition in metering rule change is made.

25 NER clause 7.2.3 and Schedule 7.2.

26 ERM Power, Rule Change Request: Facilitating an efficient meter replacement process, 2015, pg. 12.

27 ERM Power, Rule Change Request: Facilitating an efficient meter replacement process, 2015, pg. 13.

28 Ibid.

3.1.3 Metering services at a connection point

ERM Power considers that it would be necessary under the amended procedure for the incoming FRMP to have in place contractual arrangements with the incumbent MP and MDP at a connection point, until the change of roles can be undertaken.²⁹

However, ERM Power considers that the retailers would be in a poor negotiating position, and thus would potentially enter into agreements that cost more for the retailer and eventually the consumer. Furthermore, as such contracts would likely be for long term agreements; this may restrict new entrants entering the market to undertake metering roles.³⁰

3.1.4 Multi-site contracts

Many large customers negotiate contracts for a retailer to supply electricity across multiple connection points, often in multiple locations. All of these sites are often handled together by the retailer for billing purposes.

In the situation where meter churn is considered necessary, the provision of the contracted services might not be able to begin until the meter churn at all sites is complete. Therefore, a multi-site large customer may be required to wait until all sites have their meter replaced before the agreed service may begin. This may create complexity in billing the sites. Customer confusion and dissatisfaction may also occur.³¹

3.1.5 Managing workload during peak replacement periods

At some points, especially at the beginning of the financial or calendar year, the number of customers seeking new retail contracts may increase. During such peak periods, resources for undertaking meter churn may become stretched. If meter churn can only occur after the retail transfer is complete, ERM Power considers this may lead to metering service provider being unable to properly plan workload during peak periods.³²

3.2 Operation of proposed rule

The proponent's rule change would:

- clarify that meter churn can occur before the retail transfer is complete;
- separate the meter replacement process from the retail transfer process;

²⁹ ERM Power, Rule Change Request: Facilitating an efficient meter replacement process, 2015, pg. 12.

³⁰ Ibid

³¹ ERM Power, Rule Change Request: Facilitating an efficient meter replacement process, 2015, pg. 13.

³² ERM Power, Rule Change Request: Facilitating an efficient meter replacement process, 2015, pg. 13.

- create new categories of “prospective” FRMP, RP/MC, MP and MDP's roles that exist before retail transfer is complete and have limited rights and obligations;
- clarify that the incumbent RP/MC, MP and MDP rights and obligations cease on midnight on the day of the change in metering installation; and
- strengthen requirements for cooperation between incumbent and prospective metering roles.

The proponent did not include a proposed rule with the rule change request. ERM Power considers that:

- the AEMC is best placed to determine the appropriate amendments of the NER to give effect to the proposed rule change request; and
- material changes to Chapter 7 of the NER are expected as part of the expanding competition in metering rule change, which would necessitate changing any proposed rule to be consistent.

The AEMC notes that the rule change request outlines a policy position and does not examine whether each element of this position would most appropriately be met through amendments to the rules or AEMO's metering procedures. This is discussed in more detail in section 4.1.

3.2.1 Separation of retail transfer and meter churn

ERM Power proposes that the rules be amended to allow for meter churn to occur in the period of retail transfer, provided certain pre-conditions are met. ERM Power state that the rules should be clarified by deleting clause 7.3.4(i) of the NER so metering installations can be altered by an incoming retailer at a connection point.³³ Additionally ERM Power considers that clause 7.2.5(e) of the NER would become redundant and should be deleted to ensure consistency.³⁴

The proposal includes clearly delineating the change in metering roles from the retail transfer process. Currently the change in metering parties and retailers can be entered into MSATS at the same time.³⁵ The proposal seeks to make these two separate processes, with separate objection periods. This is proposed to be achieved through the utilisation of prospective metering roles during the retail transfer process.

³³ ERM Power, Rule Change Request: Facilitating an efficient meter replacement process, 2015, pg. 18.

³⁴ ERM Power, Rule Change Request: Facilitating an efficient meter replacement process, 2015, pg. 17.

³⁵ Note that MSATS does allow changes to MDP/MDP could occur at a date after the change in the FRMP.

3.2.2 Prospective meter roles

The rule change proposed the introduction of "prospective" metering roles. The prospective metering roles would have certain rights and obligations before the completion of the retail transfer. These prospective metering roles at a connection point would allow the incoming FRMP to change the metering installation at a connection point before the completion of the retail transfer.

Prospective FRMP

ERM Power proposes that the prospective FRMP would be the incoming FRMP that has a pending transfer request at a connection point. The incoming retailer would become the prospective FRMP after the objection period is completed. The prospective FRMP would have the right to appoint a prospective RP/MC, prospective MP and prospective MDP before the completion of the retail transfer.³⁶

Prospective RP/MC, MP and MDP

The prospective RP/MC, prospective MP and prospective MDP for a connection point would be the parties nominated by the prospective FRMP for these roles.

Up to twenty days before the retail transfer is complete, the prospective MP would have the right to alter or replace the metering installation at the connection point, if instructed to do so by the prospective RP/MC.³⁷

In its rule change request ERM Power proposes that the incumbent RP/MC, MP and MDP would maintain their rights and obligations during this period. That is, all other rights and obligations would remain unchanged.

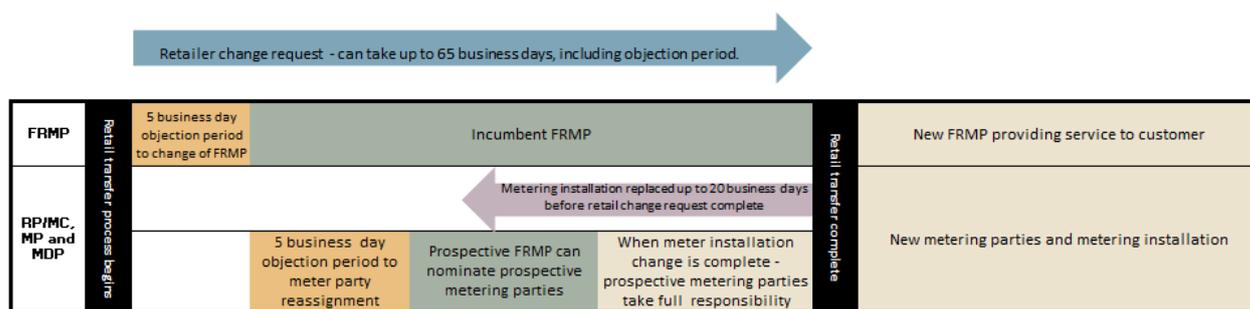
Timeline of transfer

The proposed operation of prospective metering roles is shown in more detail in Figure 3.1.

³⁶ ERM Power, Rule Change Request: Facilitating an efficient meter replacement process, 2015, pg. 15.

³⁷ Ibid.

Figure 3.1 ERM Power’s proposed process for meter churn



Initially, the incoming retailer would enter the retail transfer in MSATS. After the objection period relating to the change in retailer is complete, the incoming retailer would become the prospective FRMP.

At this point, the prospective FRMP could nominate the prospective RP/MC, prospective MP and prospective MDP. A second objection period is then followed for this change request. ERM Power has not proposed any changes to the objection periods.

Up to twenty days before the completion of the retail transfer, the prospective RP/MC and MP could then undertake the process of changing the metering installation.

3.2.3 Cooperation and handover of incumbent and prospective roles

The rule change request also sets out a proposal for the handover of the roles from the incumbent to incoming meter parties. The request notes that currently the exact timing of the change from one party to another for a metering role may not be clear. Consequently, ERM Power proposes formalising that the prospective RP/MC, MP and MDP begin their role at the connection point, and end their prospective status, on the midnight after the change in metering installation at the connection point. This point may come before the end of the retail transfer period.³⁸

3.3 Rationale of rule change

This section of the consultation paper sets out the reasoning the proponent has provided for the rule change, specifically:

- **Improved clarity in the rules.** The proponent considers that the rule change would make the requirements of the rules clearer to AEMO, the AER, retailers, and specialist metering parties. By clarifying potentially contradictory clauses of the rules, the rule change would lead to all parties being aware of the relevant roles and responsibilities.³⁹

³⁸ ERM Power, Rule Change Request: Facilitating an efficient meter replacement process, 2015, pg. 16.

³⁹ ERM Power, Rule Change Request: Facilitating an efficient meter replacement process, 2015, pg. 21.

- **Reduced barriers to demand side participation.** Advanced metering roll-outs could facilitate increased levels of demand side participation. ERM Power states that increased demand side participation would lead to a more dynamically efficient power system that would better meet customers' profiles. The proponent considers that the rule would lead to an increased number and reduced cost of advanced meters, thereby encouraging demand side participation.⁴⁰
- **Supporting competition in metering services.** ERM Power considers that the proposed rule would provide greater opportunities for an incoming retailer at a connection point to contract with non-incumbent parties to undertake the metering roles. This would lower barriers to entry for new parties to enter the market for metering services.⁴¹
- **Positive customer experience.** Customers are most engaged with the market when undertaking retail transfers. The proponent notes that the rule change would reduce the risk for consumers having a poor experience due to not having a metering installation installed that can allow the provision of their preferred product at the initial part of a retail contract.⁴²
- **Operational efficiency.** ERM Power considers that where metering installations cannot be churned during the retail transfer period, retailers would be required to maintain two separate billing systems, along with arrangements with multiple metering parties. If the rule were made, the proponent considers that such duplication and costs for retailers would be minimised.⁴³

40 Ibid.

41 Ibid.

42 Ibid.

43 ERM Power, Rule Change Request: Facilitating an efficient meter replacement process, 2015, pg. 21.

4 Assessment Framework

The Commission's assessment of this Rule change request must consider whether the proposed Rule promotes the National Electricity Objective (NEO) as set out under section 7 of the National Electricity Law (NEL).

The NEO states:⁴⁴

“The objective of this Law is to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to:

- (a) price, quality, safety, reliability and security of supply of electricity; and
- (b) the reliability, safety and security of the national electricity system.”

Based on a preliminary assessment of the rule change request, the relevant aspects of the NEO to be considered for this rule change request are the promotion of efficient investment in, and operation and use of, metering services for the long term interests of consumers with respect to price and security of supply.

In assessing the rule change request the AEMC will first consider whether there is a problem to be addressed by amending the NER. If the AEMC considers there is a problem we propose to consider the following factors to assess any potential solution:

- **Consumer engagement and customer satisfaction.** Generally, in well-functioning competitive markets, customers have a range of products available to them and have choices about what products and services to consume. Consumers expect that retailers provide their chosen products on the day that their contract with the retailer commences. In assessing the rule change request, consideration would be given to the effects of the timing of meter churn on the ability of retailers to provide customers with their chosen products. Such outcomes influence the ability of consumers to positively engage with the retail market.
- **Efficiency in market for metering services.** In assessing the rule change proposal, consideration would be given to whether the rule change request has potential to lower any barriers to entry for meter service providers. The capacity of the rule change to improve the ability of retailers to source and contract with meter service providers that match the retailer's need would be examined.
- **Regulatory transparency and certainty.** Improved regulatory certainty improves confidence from consumers, market participants and their metering service providers. The potential for the rule change to reduce inconsistencies in the rules and so improve regulatory certainty for market participants would be

⁴⁴ See s. 7 of the NEL.

investigated. The rule change proposal would also be assessed upon whether it 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. A rule that is complex to administer, difficult for market participants to understand, or imposes unnecessary risks, is less likely to achieve its intended purpose or will do so at a higher cost.

4.1 Relationship between rules and procedures change process

The AEMC notes that the proponent's proposed policy position laid out in the rule change request would involve amendments to the Meter Churn Procedures for FRMPs which is developed and maintained by AEMO. The procedure change process is managed by AEMO separately from the AEMC rule change process. AEMO must comply with the rules consultation procedures and other requirements when amending the procedures.

This Consultation Paper does not address any changes that AEMO would need to make to procedures as a result of any rule change on this matter. The details of any procedure changes within AEMO's discretion will not be considered as part of the AEMC's rule change process. This rule change process will examine any changes to the NER on their own merits, independent to any potential changes in the procedures.⁴⁵

AEMO's current and amended procedures provide relevant context to help understand some of the potential implications of the requested NER changes. If this rule change is made, the content of any changes to the procedures is uncertain and will not be determined until AEMO completes the procedures change process.

Accordingly, the requested rule change can only be made if the AEMC considers those specific changes promote the NEO.

⁴⁵ AEMO is required to make Procedures in accordance with a set process that includes stakeholder consultation, as set out in clause 8.9 of the NER.

5 Issues for Consultation

Taking into consideration the proposed assessment framework and requirements that need to be examined to implement the proposed rule change, the AEMC has identified a number of issues for consultation.

The issues outlined below are provided for guidance. Stakeholders are encouraged to comment on these issues as well as any other aspect of the rule change request or this paper, including the proposed assessment framework outlined in chapter 4.

Sections 5.1 to 5.3 seek stakeholder comment on the materiality of the problem identified by ERM Power, and potential solutions. Notwithstanding the stakeholder answers to the questions in these sections, sections 5.4 to 5.5 seek further information on other matters of interest to the AEMC.

5.1 Materiality of problem

5.1.1 Lack of clarity in the rules

ERM Power considers that the NER currently lacks clarity around the rights and obligations of prospective participants at a connection point in relation to meter replacement. The rule change request seeks to remove clauses that imply that the incoming retailer cannot specify metering parties at the connection point until the retail transfer is complete.

5.1.2 Under the current procedure

Under the current procedure, incumbent metering parties retain their relevant rights and obligations with respect to a connection point until the retail transfer is complete. However, the incoming parties that would have the metering roles at the connection point after the retail transfer have certain rights, notably the ability to change the metering installation before becoming the new metering parties at that connection point.

The experience of participants in the operation of the market under the current procedures (ie where meters could be changed by an incoming retailer prior to the completion of the retail transfer) is relevant to the consideration of the rule change request. There is potentially some overlap between the rights and obligations of parties under the NER, and the current procedures.

Under the current procedures the allocation of obligations may not necessarily sit with the party best able to meet the responsibilities. For example, during a retail transfer, an incoming MP has the ability to change the metering installation at the point in time that the incumbent MP is still responsible under the NER for the maintenance of the metering installation at the connection point.

5.1.3 Under the amended procedure

There is a requirement under the rules and amended procedures that the retail transfer at a connection point needs to be complete before the incoming retailer can reallocate meter roles. As described in section 3.1, the proponent notes that this could lead to retailers not being able to have their preferred metering installations installed and operating on the day when they begin offering services to customers.

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?**

5.2 Consumer engagement and satisfaction

5.2.1 Under the current procedure

Under the current procedure, the meter can be changed before the incoming retailer begins providing service to the customer. The incoming MDP supplies all the relevant data to the incumbent FRMP for the period where it retains obligations to supply the customer at the connection point. Therefore, when the interactions from all the parties operate smoothly, the current procedure allows for an instant transfer of service provision from the incumbent to the incoming retailer on the day of the retail transfer.

However, it is possible that retail transfers may not be completed, for a variety reasons. In these situations, if a change to the metering installation has occurred before the retail transfer is complete, the metering installation may have to be returned to its original state. This may also impact on consumer experiences.

5.2.2 Under the amended procedure

The amended procedure requires the retail transfer to be complete before new metering parties can be allocated. This could negatively impact on a consumer's experience in the retail market. For example, as set out in chapter 2, it could take up to twenty-six business days for the meter to be replaced from the day of the retail transfer.

If the consumer was moving from an accumulation meter to an interval meter, it would be unable to access the benefits their chosen product would provide for these twenty-six business days. While this situation might not occur often, it only takes unsatisfactory experiences for a few customers to be made known more widely to undermine confidence in the retail market.

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)?**

5.3 Efficiency in the market for metering services

The arrangements for meter churn in the NEM have implications for efficiency and competition in the market for metering services. For example, not allowing meter churn to occur until after the retail transfer has been completed may result in a situation where the incoming retailer is forced to engage with the incumbent MP and MDP at the relevant connection point.

There may be a number of actions that the incoming retailer could take where it cannot change the metering parties at a connection point (in addition to those described in ERM Power's proposal). Such examples include:

- the incoming retailer entering into arrangements with incumbent metering parties to allow changing of the metering installations before the conclusion of the retail transfer period; or
- the incoming retailer entering into a short-term arrangement with the customer to undertake energy supply using the existing metering installation at the connection point (e.g. entering into a flat tariff contract for the period of time between becoming the FRMP and when the new meter is installed).

In assessing this rule change request, the AEMC will need to determine if the concerns raised by ERM Power are material, and if so, what action should be taken. It may be informative to consider whether there are experiences from other electricity markets, such as New Zealand, or other sectors that could be applied to the issues raised in the rule change request. Although we recognise that there are differences in regulatory arrangements between different markets, understanding how meter churn occurs in other markets may still be useful.

Box 5.1 Meter replacement processes in New Zealand

To provide context to feedback on this rule change request, the AEMC has examined how meter churn is handled in New Zealand, where the provision of metering services is the responsibility of retailers in a competitive market.

The meter churn arrangements differ depending on the type of customer. For those connection points that have metering with a current transformer of 500 amps or more, or voltage of 1,000 volts or more (i.e. large customers), the incoming retailer determines the transfer date. It can therefore align the transfer date with the meter change date. No consent is necessary from the outgoing retailer.

For all other connection points, the process is less clear. It is understood that the New Zealand Electricity Industry Participation Code prohibits meter churn until after the retail transfer has been completed. So, the incoming retailer receives the customer with the existing meter, and changes the meter post transfer. The time taken to change the meter is typically only one to two days post-transfer, and so the effects on retailers are small.

It is also understood, however, that in some instances the outgoing and incoming retailers agree that the meter can be churned at some other time. Here, arrangements for meter churn are worked out between the two retailers.

As described in Box 5.1, the market in New Zealand appears able to largely resolve many of the issues identified through bilateral arrangements between the different parties. Even keeping in mind the difference between the NEM and the New Zealand market, there may be potentially elements of the process that could be used as an example when examining meter churn in the NEM.

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?

5.4 Regulatory transparency and certainty

The proposed rule changes from ERM Power would create a number of prospective metering roles as set out in chapter 3. These prospective roles would each have certain rights and obligations e.g. the prospective MP would have the right to commence the replacement of a metering installation before the retail transfer process is completed.

Under the rule change request, these prospective roles would have some rights and obligations at the connection point, while the incumbent parties would still have overall responsibility.

The AEMC notes that if prospective metering roles were to be created, the division of obligations between the prospective roles and incumbent would need to be clear to all parties. It would be necessary to lay out the full list of rights and obligations of all parties during each step of the meter churn process, in either the NER or the procedures.

More generally any process, including any alternative options that may be proposed, of allowing metering roles to change during retail transfer would require specification of each party's rights and obligations at all stages of the process.

Question 4 Treatment of prospective roles

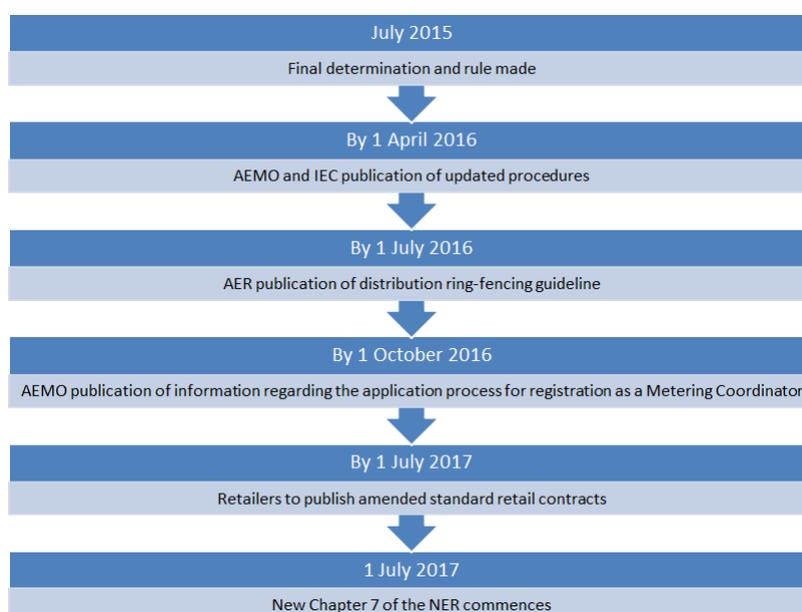
- (a) Would the implementation of prospective roles provide a sufficient mechanism for facilitating the replacement of metering installations at a connection point before a retail transfer is complete?
- (b) If these were introduced, what specific obligations and rights do stakeholder consider would 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?

5.5 Implementation process for any rule change and transaction costs

As has been noted previously, the Commission's draft rule for the expanding competition in metering and related services rule change incorporates is undertaking changes to Chapter 7 of the NER. The final determination for this rule change is expected in July 2015.

The Commission has laid out a draft timeline for the changes to Chapter 7 of the NER, if made, to come into effect by the middle of 2017. This timeline includes a period for AEMO to undertake amendments to the metering procedures. This is set out in Figure 5.1.

Figure 5.1 Timeline for implementation of the expanding competition in metering and related services rule change



If a rule were to be made in response to this rule change request from ERM Power, it would likely involve amendments to Chapter 7 of the NER. The rule change may require AEMO to make consequential changes to its metering procedures (e.g. the meter churn procedures, service level procedures and metrology procedure). Also there is a rule change request relating to embedded networks that is being consulted on concurrently with the Meter Replacement Processes rule change.⁴⁶ In addition, the AEMC is in the process of preparing a consultation paper on a pending rule change relating to multiple trading relationships which was submitted by AEMO.⁴⁷

The impact of any rule change in this space on the workload of AEMO and market participants, particularly given the timing of the expanding competition in metering and related services rule change, needs to be taken into account of any rule making decision. If a rule were to be made in response to ERM Power's rule change request

⁴⁶ See: <http://www.aemc.gov.au/Rule-Changes/Embedded-Networks>.

⁴⁷ See: <http://www.aemc.gov.au/Rule-Changes/Multiple-Trading-Relationships>.

and this was aligned with the expanding competition in metering and related services rule change, it could be expected to result in the rule coming into force in July 2017.

Further, there could potentially be benefit in making a transitional rule to take effect between the time of the final rule, if one were made, and when the expanding competition in metering and related services rule change would come into effect. This would have the effect of creating a set of transitional arrangements to address the issues identified by ERM Power that would apply to the current framework. Further changes would then be given effect under the framework implemented as part of the expanding competition in metering and related services rule change.

Stakeholder feedback on the level of transaction costs that would be required to accommodate any rule change that would necessitate a change in AEMO's procedures is welcomed.

The amended Meter Churn Procedure comes into force in September 2015. ERM Power contemplates that market participants may seek a no action letter from the AER for non-compliance with the amended procedures. This is a matter between market participants and the AER.

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?**

5.6 Other issues

ERM Power proposed this rule change in order to clarify the obligations of various parties during the meter replacement process. Comments on whether there are any other issues relating to this rule change are welcomed, including whether there are any other ways of achieving the proponent's policy objectives.

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?

6 Lodging Submissions

The Commission has published a notice under section 95 of the NEL for this rule change proposal inviting written submission. Submissions are to be lodged online or by mail by 2 July 2015 in accordance with the following requirements.

Where practicable, submissions should be prepared in accordance with the Commission's Guidelines for making written submissions on rule change proposals.⁴⁸ The Commission publishes all submissions on its website subject to a claim of confidentiality.

All enquiries on this project should be addressed to Alex Fattal on (02) 8296 7800.

6.1 Lodging a submission electronically

Electronic submissions must be lodged online via the Commission's website, www.aemc.gov.au, using the "lodge a submission" function and selecting the project reference code "ERC0182". The submission must be on letterhead (if submitted on behalf of an organisation), signed and dated.

Upon receipt of the electronic submission, the Commission will issue a confirmation email. If this confirmation email is not received within 3 business days, it is the submitter's responsibility to ensure the submission has been delivered successfully.

6.2 Lodging a submission by mail

The submission must be on letterhead (if submitted on behalf of an organisation), signed and dated. The submission should be sent by mail to:

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Or by Fax to (02) 8296 7899.

The envelope must be clearly marked with the project reference code: ERC0182.

Except in circumstances where the submission has been received electronically, upon receipt of the hardcopy submission the Commission will issue a confirmation letter.

If this confirmation letter is not received within 3 business days, it is the submitter's responsibility to ensure successful delivery of the submission has occurred.

⁴⁸ This guideline is available on the Commission's website.

6.3 Workshop

The AEMC will be hosting a half-day workshop to discuss the issues raised by the rule change request. The workshop will be held in Sydney on 16 June 2015. To register your interest use the form available on the AEMC website. Registration for the workshop will close on 10 June 2015.

Abbreviations

AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
FRMP	Financially Responsible Market Participant
LNSP	Local Network Service Provider
MC	Metering Coordinator
MDP	Metering Data Provider
MP	Metering Provider
NEL	National Electricity Law
NEM	National Electricity Market
NEO	National Electricity Objective
NER	National Electricity Rules
RP	Responsible Person

A Timeline of meter churn

Retailer change request - can take up to 65 business days, including objection period. 

