



4 June 2014

Lisa Nardi
Senior Advisor
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submitted electronically

Dear Ms Nardi,

Re: ERC0169: National Electricity Amendment (Expanding Competition in Metering and Related Services) Rule 2014

The Australian Energy Market Commission (the Commission) has released a consultation paper regarding proposed changes to both the National Electricity Rules and National Energy Retail Rules (collectively, the Rules). The Standing Council on Energy and Resources (SCER, now COAG Energy Council) raised the rule change request to Expand Competition in Metering and Related Services. Lumo Energy welcomes the opportunity to participate in this consultation and looks forward to continuing to work with the Commission on the further development of the Rules.

Lumo Energy currently retails across the National Electricity Market (NEM), and is one of the largest second tier energy retailers. As such, we have a keen interest in metering policies and their potential impact on our customers and competition in the market.

National Consistency is key

Lumo Energy strongly advocates that the Commission consider adopting a nationally consistent framework in the Rules that is free from jurisdictional derogations, where possible.

Metering and meter data are an integral part of the market. It is fundamental to the settlement of the NEM, operation of the wholesale and retail markets and provides the platform for customer billing and innovative products being offered. As such, the Commission must establish a nationally consistent framework that supports the market.

The COAG Energy Council's rule change request is inherently inconsistent. The rule change request proposes that the Commission establish a nationally consistent framework for competition in metering and related services. However, the rule change request also proposes that jurisdictions retain rights to make specific rules for their jurisdictions, which is contradictory to a nationally



consistent framework. A nationally consistent approach to new and replacement metering, reversion policies and minimum functional specifications must be adopted to ensure that business choose to invest and engage in the metering space. It is expected that Victoria will transition to the national framework once the existing derogation lapses.

Expanding Competition in Metering and Related Services

Lumo Energy supports a competitive arrangement for metering and related services, and broadly supports a number of the proposals in the rule change request. However, it is apparent that there is additional work that needs to be completed in order to achieve a nationally consistent framework. Lumo Energy is keen to continue working with the Commission to establish a framework that will be easily implemented and function well.

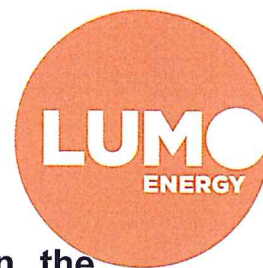
This submission has utilised the term Metering Coordinator throughout the submission, however, Lumo Energy only supports changing the name of Responsible Person to Metering Coordinator where it does not impose onerous costs on the market. This submission will answer a selection of questions raised in the Consultation Paper. Should the Commission wish to discuss this submission further; please do not hesitate to contact Stefanie Macri, Regulatory Manager on 03 9976 5604.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Aneta Graham".

Aneta Graham

General Manager, Regulatory Affairs & Corporate Relations
Lumo Energy Australia Pty Ltd



Lumo Energy's responses to the questions raised in the Consultation Paper

Metering Coordinator

What are the benefits for competition by allowing any registered and accredited party to take on the Metering Coordinator role? If established, should the new Metering Coordinator be classified as Registered Participant under the NER or should other arrangements be put in place? If so, what accreditation may be required?

Lumo Energy supports the establishment of a Metering Coordinator as a Registered Participant under the Rules. This allows for the Metering Coordinator to be equivalent to all other participants in the NEM, where AEMO is satisfied that it has demonstrated an ability to comply with the Rules.¹ Additionally, Lumo Energy does not consider registration with AEMO as a barrier to entry, as such, establishing the Metering Coordinator as a Registered Participant will not impact its ability to compete in the market.

From the point of view of existing participants, a Metering Coordinator that is a Registered Participant has obligations prior to entering or exiting the market, and has the ability to transfer its registration to another person, should it wish to cease operations. It also provides existing participants a level of comfort of the validity of the Metering Coordinator.

From the Metering Coordinator perspective, being a Registered Participant under the Rules provides it the ability to be consulted with on a number of Procedures and other matters. Additionally, as a Registered Participant, the Metering Coordinator would be able to access dispute resolution arrangements under the Rules, should it be required.

In addition to being a Registered Participant, Lumo Energy considers it appropriate for AEMO to establish an accreditation process to ensure that the Metering Coordinator is able to undertake the functions required for that role in the market. Lumo Energy is keen to participate in workshops where the detail of those functions is established and agreed.

Are there any specific arrangements required in the event that a Metering Coordinator fails?

Lumo Energy does not consider there are specific requirements that must be made where a Retailer establishes the Metering Coordinator relationship. It is expected that this will be dealt with in a contractual way, and standard contract law should apply.

¹ See National Electricity Rules, rule 2.9.2(b)(3).

Should the Commission allow a customer to select its own Metering Coordinator, the customer should be able to contract with a secondary Metering Coordinator, should their first Metering Coordinator fail. There is precedence for this scenario, as an existing arrangement exists where large electricity customers can nominate a retailer of last resort instead of the default arrangement.² The existing arrangement for large electricity customers allows the nominated retailer and the customer to agree terms and conditions prior to the nomination. This would also need to be the case for a secondary Metering Coordinator. Irrespective of a Metering Coordinator failure, it is expected that the responsibilities of the Meter Data Provider (MDP) continue to provide meter data to the market.

Should there be any specific changes to the RoLR arrangements regarding metering?

Existing Meter Providers (MPs), MDPs and Responsible Persons are currently not contemplated in the existing RoLR arrangements under the National Energy Retail Law. However, under the AER's RoLR Plans, the AER can nominate any other party to participate; therefore they have the ability to be captured. It is noted that there are a number of obligations placed on Distributors that could be placed on a Metering Coordinator, either in addition to or instead of being placed on a Distributor.

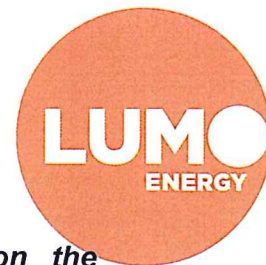
Lumo Energy recommends that the Commission conduct a workshop, once the roles and responsibilities of a Metering Coordinator are agreed to ascertain whether there is a specific need to include a Metering Coordinator in the RoLR arrangements. In establishing this workshop, it is suggested that the Commission in conjunction with the AER, review the existing obligations, in particular:

- section 137 which designates gas contracts from the failed retailer to the designated RoLR for a short term period;
- section 140 and 141 which transfer the responsibilities from the failed retailer to the designated RoLR;
- Division 6 which contemplate the customer contractual arrangements; and
- Those obligations that currently sit with the distributor and determine whether they are still relevant.

Additionally, Lumo Energy advocate that any review of RoLR arrangements for metering be conducted in conjunction with AEMO, as their RoLR Procedures may also be impacted or require consequential amendment. The Commission should also discuss with jurisdictions that have not yet adopted the NERL to ensure that they consider the Metering Coordinator role in their jurisdictional RoLR processes.

Lumo Energy is unclear whether the Commission will have the ability to establish Rules in relation to RoLR or whether an amendment to the National Energy Retail Law will be required to change the obligations.

² See National Energy Retail Law, section 140(7).



How would the proposed jurisdictional arrangements impact on the proposed approach for competitive provision of metering and related services? Should SCER's proposal for prescribing Metering Coordinator exclusivity be limited [to] certain metering types? If yes, what are the metering types that should be considered?

As outlined in the overarching submission, national consistency will provide the best environment for competitive provision of metering and related services. Lumo Energy considers that the only type of meters that jurisdictions could be able to mandate Metering Coordinator exclusivity is over Type 7 (Unmetered Loads) metering installations. Where there is a customer involved in the metering type, there should not be any exclusivity arrangements allowable. This will add regulatory risks to the market, particularly where retailers or ring-fenced distributors choose to invest in metering at a site and the jurisdiction later nominates an exclusive Meter Coordinator. This is not appropriate in a national framework for competitive provision of metering and related services.

Roles and Relationships between parties

What information and consent requirements would be appropriate under the competitive model for provision of metering and related services? Should opt-in / opt-out provisions apply where a party seeks to upgrade a consumer's metering installation to achieve business operational efficiencies that may lead to reduced costs for consumers?

Lumo Energy supports an opt-out model, in all instances where a customer is upgrading their metering installation. In the opt-out model, if a customer wanted a basic meter, they would need to request one and understand that cost reflective charging would apply. The Commission, in determining any reversion policies, must be cognisant of customer choice.

Lumo Energy aims to ensure that information provided to our customers is understandable, accessible and transparent. Culturally or linguistically diverse customers have the ability to access interpreter services, in a language of their choosing. The introduction of metering and related services will not change our customer service standards.

Lumo Energy considers that explicit informed consent requirements may be excessive for the provision of metering, as we would like our customers to focus on the type of product or service they wish to receive rather than the technology required to enable it. As explicit informed consent requirements are required for the establishment of a customer retail contract, adding additional explicit informed consent requirements would be onerous on both the customer and the retailer.



Should retailers be required to inform consumers of their metering services charges? If so, what is an appropriate means for retailers to fulfill this obligation?

Unbundling of metering charges from the distribution use of system charges is strongly supported by Lumo Energy.

It is reasonable for retailers to provide customers who request to have metering charges unbundled on their retail bill or energy price fact sheets. However, Lumo Energy maintains that customers should have the choice between either a bundled or an unbundled electricity bill. In light of other rule changes being progressed by the Commission, it is difficult to determine precisely what should or should not be included on a retail bill.

Lumo Energy looks forward to working with the Commission on providing choice to consumers, should they wish to have more detail provided to them. However, Lumo Energy cautions that adding further mandatory changes to bills is costly and can be confusing for some consumers, particularly as gas and electricity bills diverge.

Should the relationship between the retailer and the Metering Coordinator be based on a commercial arrangement? If not, what alternatives should be considered? What are considered the costs and benefits of a standard contract for this relationship?

Lumo Energy strongly supports the relationship between the retailer and the Metering Coordinator to be commercial and based on contractual negotiations.

The only consideration for a standard contract between a Metering Coordinator and another party would be that where a customer chooses to directly engage a Metering Coordinator. Alternatively, an approach for Metering Coordinators who wish to directly contract with customers can be to have a set of terms and conditions approved by the AER, similar to a standard connection agreement that a Distributor must publish.³

The Commission should consider these options once a decision has been made whether a customer can directly engage its own Metering Coordinator, and if so, what consequential amendments are required to the National Energy Retail Rules.

³ See Part 4 of the National Energy Retail Rules – Relationship between Distributors and Customers.

Should residential and small business consumers be able to exercise a right to appoint their own Metering Coordinator? If so, what arrangements would need to be put in place to govern that relationship? Are any additional consumer protections required to support a direct relationship between a consumer and a Metering Coordinator?

Lumo Energy supports consumers having equal consumer protections, irrespective of whether the Metering Coordinator has been directly appointed or is appointed by the retailer.

In theory, Lumo Energy supports the right for consumers to choose their own Metering Coordinator in a contestable environment. However, in practice, it is difficult to understand how it will operate.

Lumo Energy would like the Commission to consider and respond to the following questions regarding the operation of a Metering Coordinator directly appointed by the customer:

- For a new premises, who the customer contact should they wish to obtain a new connection? A distributor? A retailer? Or their Metering Coordinator?
- Upon establishing a new connection, who will assign the NMI? If a Metering Coordinator is directly appointed, will the requirement to establish the meter and its NMI in the market remain with the Distributor? Or move to the Retailer? Or will the Metering Coordinator have the ability to establish it themselves?
- Will a Metering Coordinator have a hardship program for customers experiencing financial hardship?
- What recourse will be available to the Metering Coordinator if the customer fails to pay?

Lumo Energy is keen to work through the detail with the Commission of how a consumer can directly appoint their Metering Coordinator and how it operates in the market.

Network Regulatory Arrangements

Do the NER require any changes to facilitate unbundling of metering charges from distribution use of system charges? If so, what factors should be considered?

Should the AER have a role in determining exit fees for accumulation and manually read interval meters? If so, are SCER's proposed criteria for determining exit fees appropriate, and should a cap on fees be considered?

Lumo Energy supports the unbundling of metering charges from distribution use of system charges, and as the economic regulator, the AER should have a role in determining exit fees for all existing meters where the Distributor is currently the responsible person.

Minimum Functional Specification

What do you consider are the appropriate governance arrangements for allowing a new smart meter minimum specification in the NER?

Is AEMO the appropriate body to develop and maintain the proposed minimum functionality specification to support competition in metering and related services, or are there alternate options that could be considered?

The existing Metrology Procedures are currently developed and maintained by AEMO, as such, Lumo Energy considers this an appropriate instrument to place the minimum functional specifications for all metrology. The minimum functional specifications when developed should outline the minimum functionality required. Where additional functions add value, relative to their cost and benefit, they should be considered as optional in the minimum functional specifications.

AEMO has the appropriate consultative processes and governance provided for it in the Rules, that it should be tasked with developing the minimum functional specification.

Lumo Energy cautions the Commission that the development of any minimum functional specification for the NEM, must encompass all jurisdictions⁴ to ensure that a harmonised and nationally consistent approach to smart meter deployment is achievable. Achieving a national framework that is scalable will lower costs, meeting the NEO and NERO in terms of efficient investment in, and operation of energy services that are in the long term interests of consumers.

Should there be arrangements that allow for jurisdictions to determine their own new and replacement policies or should all new and replacements meet a common minimum functional specification?

Lumo Energy does not support jurisdictional new and replacement policies being adopted for Type 5 and 6 metering. This does not meet the objective of promoting a competitive rollout of metering and related services, as the party who makes the investment decision, or the consumer selecting an innovative product requiring metering technology to support it should have the ability to select the meter type installed.

A nationally consistent approach to new and replacements must be adopted in this rule change proposal, in order to promote the NEO. Varying the approach across jurisdictions will not promote the efficient investment in, or the efficient operation of electricity services.

⁴ It is acknowledged that Victoria will continue to have a different set of specifications, until the existing derogation falls away on 31 December 2016.

The Commission notes in the Consultation Paper that the rule change proposal considered that where an existing manually read interval meter is currently installed, that it can be retrofitted with communications to enable remote services. This is not the case for all manually read interval meters, and in some cases, adding communication to the existing meter will not provide the functionality required to meet the minimum functional specification, which are assumed to include two way communications and remote services. Therefore, Lumo Energy cautions this perception when the nationally consistent new and replacement standards are developed.

Transitional & Implementation Arrangements

Is it appropriate that the Victorian distribution network businesses would become the Metering Coordinator for the smart meters they have deployed?

Should Victoria's local distribution network businesses be required to take on the Metering Coordinator role as a ring fenced entity after the exclusivity period has ended?

Should an exclusivity arrangement be put in place to allow Victorian distribution network businesses to continue in the Metering Coordinator role for a specified period of time? If so, should this be determined by the Victorian Government or defined in the NER?

Is it appropriate that as a part of the transitional arrangements, the local distribution network businesses would become the initial Metering Coordinator for existing meters for which it is the Responsible Person?

If so, should the local distribution network business be required to take on this role as a ring fenced entity? And by what stage of the transition would the ring fenced entity need to be established?

Is it appropriate that as part of the transitional arrangements, retailers would become the initial Metering Coordinator for existing meters for which it is the Responsible Person?

Lumo Energy is keen to work through the appropriate transitional arrangements with the Commission to ensure that the market is not negatively impacted by the introduction of competitive arrangements in the metering and related services. At this early stage, the approach suggested by the Commission is generally acceptable, however once further regulatory outcomes are finalised the appropriate transitional arrangements should become evident.

Are there any other systems, procedures or guidelines that might need to be amended to support competition in metering and related services?

Lumo Energy would like to see the B2B Procedures encompass the Metering Coordinator transactions that the Open Access Framework considered part of the Common Market Protocol. In order to operationalise the Common Market Protocol into the B2B Procedures, Lumo Energy considers it prudent to have a representative mix of decision makers within the Information Exchange Committee (IEC). On this basis, it is unclear how the Commission will consider incorporating the Common Market Protocol without the IEC being representative, and therefore discussing the membership of the IEC.

Other systems, procedures or guidelines that would need to be considered in the implementation of competition in metering and related services including, but not limited to:

- AEMO RoLR Procedures;
- systems noting that existing arrangements at the customer site; and
- information provision from the current Responsible Person for replacement of existing metering.

The Commission has noted that implementation of the rule change proposal will require “significant changes to Chapter seven of the NER”.⁵ Lumo Energy strongly advocates that the Commission review the language, terminology and obligations implemented in the Rules and supporting Procedures and Guidelines.

Lumo Energy strongly supports the Commission making consequential amendments to other Chapters that will make the Rules clearer. This will avoid the need for establishing or revising existing guidelines that describe the obligations, roles and responsibilities in plain english statements. A successful implementation would see the existing descriptive guidelines abolished as they will be no longer required.

⁵ AEMC 2014, Expanding competition in metering and related services in the National Electricity Market, Consultation Paper, 17 April 2014, page 69.