



**Submission by**

**Alternative Technology Association  
and other consumer organisations**

**on**

**Expanding Competition in Metering and Related  
Services Rule Change – Consultation paper**

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## Introduction

We (ATA and the other consumer groups supporting this submission<sup>1</sup>) welcome this rule change proposal from SCER, and thank the AEMC for the opportunity to provide this late submission.

We support an outcome that:

- balances the expansion of competition with adequate consumer protections;
- promotes the uptake of efficient demand side participation (DSP) products and energy services that promote consumer participation and choice;
- improves competitive neutrality between retailers, third party service providers, and, network businesses, who seek to offer products and services that will benefit participating consumers;
- seeks particular protections and support for market participation by low income, vulnerable and disadvantaged consumers; and
- achieves the objectives of the rule change as outlined in section 2.2 of the consultation paper

## About ATA

Founded over 30 years ago, the ATA is a National, not-for-profit organisation whose 5,000 plus members are mostly residential energy consumers with an interest in sustainable energy and resource use.

Through the application of our in-house expertise and experience in the energy market to our continuing advocacy and research, and close collaboration with fellow members of the National Energy Consumer Roundtable, the ATA is an important voice for energy consumers Australia wide and in each of the NEM jurisdictions.

ATA presents a uniquely two-fold perspective in the DSP policy debate: as well as directly representing all Australian energy consumers through our support of improving energy affordability through improvements to the energy market, we speak with authority on behalf of the growing portion of the consumer base who have an active interest in DSP.

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<sup>1</sup> Due to the lateness in preparing this submission, endorsement of this submission in whole or part is anticipated, but not yet confirmed, by

- Uniting Care Australia
- Public Interest Advocacy Centre
- Consumer Utilities Advocacy Centre
- Victorian Council of Social Service
- Moreland Energy Foundation

AEMC will be advised of the status of endorsement by these organisations in coming days.

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## Differences between this rule change proposal and AEMC's PoC recommendations.

We are of the view that elements of the AEMC's original Power of Choice (PoC) recommendations are preferable to some of SCER's alternative approaches to this rule change:

### *Relationship between MC and retailer*

The contracts between these parties must be regulated to the extent that consumer protections and competitive neutrality are assured. (See also the section on Loss of accreditation/failure of metering coordinator in this submission).

### *Smart meters as part of a regulated DSP business case*

The AEMC has given careful consideration to many of the issues that relate to the deployment of smart meters under a market led rollout, and measures proposed by the AEMC and supported by SCER will go a long way towards ameliorating these issues.

SCER have elected to exclude providing specific guidance for networks undertaking smart meter deployment. We are concerned that the absence of a framework to govern the targeted provision of smart meters by energy networks will make it difficult for the AER to effectively regulate costs and charges for the efficient deployment of smart meters, and for the same reason may present a deterrent to energy networks from implementing cost effective DSP due to uncertainty about cost recovery for enabling infrastructure.

We are of the view that it is in the long term interest of consumers for the development of such a framework as part of the rule change.

### *Jurisdictional policies*

The notion of jurisdiction-specific policies for meter functionality and arrangements for new and replacement meters is highly concerning, and given the progress of national reforms of the NEM, seems a backwards step.

There needs to be more national consistency around metering, not less, to maximise economies of scale, minimise duplication (and hence the overall costs for consumers), ensure some degree of interoperability and facilitate effective competition.

Given especially the ability for jurisdictions to derogate from the aspects of the NER and have other specific arrangements, there is no apparent benefit to avoiding a nationally consistent arrangement under the rules.

(See also the response to question 23, including 'Lack of consistency across the NEM' in this submission)

In relation to the above three aspects of this rule change, we request that the AEMC considers making a more preferable rule that is in keeping with the PoC recommendations, or where this is not possible, recommending to SCER that they reconsider these elements for a further rule change

### **Question 1: Criteria for assessing the rule change**

We support the proposed assessment framework, but recommend it also includes considerations of:

- Equity - especially by geographic location for remote and regional consumers
- Any commitment to reducing greenhouse gas emissions by a minimum 5% by 2020, as metering solutions may be a key enabler efficiently reaching such targets.

### **Questions 2,3: Proposal for a Metering Coordinator**

We support in principle the proposal for a new separate Metering Coordinator role, enabling greater competition and potentially lower cost and/or more innovative metering services to be provided to consumers, and particularly that third parties are able to be contracted to undertake this role.

We do not support the retailer becoming the 'Responsible Person' for all types of meters, as this may impact competitive neutrality, slow the uptake of DSP, and create other risks such as meter churn.

#### *Loss of accreditation/failure of metering coordinator*

Noting that it appears likely the NEM will lack a common meter protocol for meter access and communications for small customer metering installations, the lack of interoperability in metering infrastructure presents consumer protection risks that are unacceptable without some regulation of the contractual arrangements between Responsible Persons and Metering Data providers.

Accordingly, we recommend that contracts between said parties must be regulated to the extent that consumer protections and competitive neutrality are assured.

### **Questions 9-14: Roles and responsibilities**

We support the principle that consent from consumers is required where additional costs or changes to services, are incurred, and support the proposal for opt-out provisions where an upgrade to a customer's metering installation may lead to a change in costs for consumers

We support that retailers should inform consumers of their metering service charges to support competition. Notification on or with bills are a logical means to do this, but other means should also be investigated.

#### *Standard terms and conditions between consumer and Metering Coordinator*

We support the view that residential and small business consumers should be able to exercise a right to appoint their own Metering Coordinator, but note the need for strong consumer protections in relationship between consumer and Metering Coordinator.

As DSP starts to evolve and mature in the market, it would be appropriate to adopt specific policy defining the relationships of third parties with consumers, retailers and networks, as part of NECF and into national energy rules and law.

We feel it is appropriate to allow the emerging metering and related services market to take some shape and begin to mature before finalising arrangements for the same under NECF, so that the nature of any arising issues, and required consumer protections, we be better understood.

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Until such a time as these protections are enshrined in NECF however, a code of conduct or similar instrument may be an appropriate interim measure, and we ask the AEMC to consider such an approach.

We also suggest that the AEMC incorporate into this rule change a review of the effectiveness of consumer protections with regard to marketing, services and other matter relating to third parties, and that this be undertaken within three years of the implementation of the changes to arise from this rule change. This review could be brought forward if needed.

## **Questions 16,17: Network regulatory arrangements**

### *Exit fees*

The concept of an exit fee needs to be clarified to be limited to a narrow range of circumstances where there is just cause for networks to recoup costs of meters of equivalent functionality, especially given the potential for windfall gains by network businesses or excessive compensation for previous poor business decisions.

Consumers should not bear the cost of poor business decisions by networks, for example in cases where DNSPs may have (particularly, recently) installed sub-standard meters. We would like to see the need for an exit fee and circumstances where one might apply clearly justified in the rule change.

Also the rule change should look at how any potential exit fee can be minimised to facilitate smart meter roll outs.

AER is an appropriate body to determine exit fees and we are of the strong view that there should be a cap for these fees.

## **Questions 21-22 Governance**

We support AEMO as being the most appropriate party to maintain the minimum functionality specification (MFS) but only on the condition that the constitution of the IEC/RMEC (who would presumably have ultimate responsibility for approving changes to the MFS) is amended to include consumer representation in decision making processes.

We are very concerned that consumers, and the lower tier retailers and third party service providers that are more likely to offer DSP products and services, are not included in the IEC/RMEC, and hence are excluded from decision making that increasingly impacts consumers.

We note that the IEC/RMEC includes 'Independent' members, which is laudable, however:

- To our knowledge, full consensus, therefore support of independents, is not required for decisions of the IEC/RMEC
- Independents are not the same as actual representatives of consumers (or DSP providers)
- The independent members are historically nominated and appointed by the retail and DNSP members

While this arrangement was probably considered effective and efficient, it does not provide for fair consumer engagement, adequate transparency of decision making or support competitive neutrality for new entrants to the market

AEMO's governance arrangements, including the constitution of the IEC/RMEC, have come under scrutiny in recent times, highlighting the need for better representation. We understand that the AEMO board has recently decided to separate the functions of these two committees, so now is an appropriate time to make required changes to the constitution of these groups.

We are of the strong view that these changes should be made ahead of the IEC/RMEC taking on further responsibilities that may impact DSP, such as maintaining the smart meter MFS.

As an alternative to modifying the constitution of the IEC and RMEC, this responsibility should not rest with AEMO but instead should be implemented through changes to the Chapter 7 of the Rules to ensure full, fair and open consultation, and implementation to effectively introduce DSP to the market in a timely manner.

### **Question 23: Jurisdictional arrangements and Minimum Functionality**

#### *Impact of lack of consistency across the NEM*

Given the population of the NEM and the expected uptake rates of new metering in the foreseeable future, it would be uneconomic and inefficient to leave open the door for different minimum specifications for meters in different jurisdictions.

In global terms, Australia is a small market for meters. Throughout the National Smart Meter Program, a concern that was repeatedly raised by industry, government and consumers alike was that having too many options for metering configurations would drive up the cost of meters, resulting in lower functionality, and therefore lower benefits, at higher cost than having more options.

Today, even though it has no formal status, meter manufacturers' most cost-effective remotely read interval meter models are at least partly compliant with the current NSMP/NSSC minimum functional specification (MFS), with such meters being now routinely provided for parts of Tasmania, Queensland and WA.

Most of the 2.5+ million meters rolled out in Victoria are of two models. These meters meet a common minimum specification, and have been purchased and manufactured in orders of hundreds of thousands over three or more years. These volumes have justified the cost of developing new models of meter.

By way of comparison, 20+ market participants ordering meters in annual volumes two orders of magnitude lower than the Victoria case, with not result in manufacturers investing the capital, time and risk required to develop meters that suit the Australian market, unless they are built to a common national specification.

Under the market-based rollout model, having a small number of allowable meter configurations that maximise the potential usefulness to consumers, networks, and retailers and third party providers of competitive services, is critical to achieving the long term interests of consumers, by

- accessing economies of scale;
- minimising duplication (and hence the overall costs);
- ensuring some degree of interoperability;
- facilitating effective competition; and
- avoiding inconsistency between jurisdictions and among meter coordinators.

Accordingly, we recommend that AEMC implement Nationally consistent rules in relation to metering replacement and minimum specifications.

*Using the current NSMP Minimum Functional Specification as the base for any future MFS*

We support the use of the National Minimum Functional Specification as endorsed by the NSSC as a baseline for meter functionality. It was developed with the extensive input of all stakeholders, including consumers, to reflect the suite of smart meter functionality representing the highest net cost benefit to consumers.

We note that the MFS was designed with mandated, distributor-led smart meter rollouts to most or all consumers in mind, in the expected context of derogations from meter provision contestability. In such a situation, the case for maximum functionality is clear. However in a market-led rollout model, the case for inclusion of some functionality (for example those generally for the purposes of network support and/or home area networks where they may not be used by consumers in the near term) may not be apparent. This can be addressed as the MFS is adopted and is no reason to disregard the MFS as a starting point.

We are of the view that using the National MFS as a baseline, and minimising the number of potential configurations for meters will be in the long term interest of all consumers, and suggests that the AEMC's decision reflects this.

## **Other matters**

### *Regulation of access and charges*

The suggestion that additional regulation of the rights to access meter functionality and charges on the basis "that consumers will have the option to appoint their own metering coordinator" is greatly concerning.

While this may be a reasonable statement in relation to larger energy users, residential and small business consumers lack the knowledge and bargaining capacity that large users have, and are exposed to relatively higher risks. For example, without some regulation of charges and contract terms, a consumer may face unexpectedly high fees for exiting or varying a contract, to which they gave ill-informed consent before a change of circumstances.

Further, there are meter functions that should be made available to network businesses, either at no charge or for a fair and reasonable cost reflective charge. Consumer choice of meter provider affords no certainty that these services will be made available at little no charge: as noted by both SCER and AEMC, most consumers will make their decisions about metering on the basis of a product or service being offered, and consumers have little or no interest in the many smart meter functions and services that their meter is capable of.

We therefore are of the view that metering communications access and charges (B2B and B2C charges) should be regulated.

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