

25 January 2016

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Dear Mr Pierce,

RE: AEMC Draft Rule Determination - *National Electricity Amendment (Meter Replacement Processes) Rule 2015 (Reference ERC0182)*

Endeavour Energy welcomes the opportunity to support the AEMC's draft determination regarding the *National Electricity Amendment (Meter Replacement Processes)* proposed rule.

This draft determination follows a consultation paper and directions paper in response to ERM Power Limited's (the proponent) request that the AEMC clarify the obligations of market participants during the meter replacement process. The proposed rule sought to establish incoming participants in the National Electricity Rules (NER or Rules) with transitional rights and obligations and to separate the assignment of market roles from the completion of the retail transfer process.

This request was made in response to the Australian Energy Market Operator's (AEMO's) amended meter churn procedures (effective 1 September 2015) which removed the ability for retailers to replace meters prior to the completion of the retail transfer in the Market Settlement and Transfer Solution (MSATS). In our previous submissions, we have stated that the proposed rule is not preferable to AEMO's recently amended procedure. Specifically, we stated that:

- AEMO's amended procedure assigns roles and responsibilities to the parties who are best placed to provide the service or action. Whereas under the rule change proponent's approach, the existing participants would bear the risks and additional costs associated with an early meter replacement rather than the incoming participants;
- The creation of new market roles may create unnecessary complication and unwind the system and procedural changes made to comply with AEMO's amended procedure;
- The issue may not be as material as suggested or could be addressed more appropriately through less prescriptive means such as modifications to objection periods and reliance on negotiated commercial agreements

The AEMC's draft determination confirms AEMO's amended procedure whilst allowing an incoming retailer to nominate an incoming Meter Provider (MP) and Meter Data Provider (MDP). In giving effect to this change the AEMC intends to amend the NER to:

- clarify that an incoming retailer cannot require a metering installation to be changed at a connection point until the retail transfer is complete;
- provide that during the retail transfer period an incoming retailer can nominate parties such as the MP and MDP to undertake certain roles at a connection point, and that such nominated parties cannot commence these roles until the day the retail transfer is completed; and
- clarify that commercial arrangements can be entered into between incoming and incumbent parties at a connection point, so the incumbent parties can churn the meter on behalf of the incoming parties during the retail transfer period.

Endeavour Energy supports the AEMC's solution and considers it is proportional to the issue identified and preferable to that proposed by the rule change proponent. However, Endeavour Energy considers the intent of the draft determination may not be reflected in the current drafting of the draft rule. We consider a clause should be inserted to clearly establish obligations to not replace or alter a metering installation prior to the completion of the retail transfer (unless in circumstances where a commercial agreement has been reached). We are supportive of the

recommendations and proposed drafting contained in the Energy Networks Association's submission in this regard.

We note that the AEMC also seeks views on an alternative solution that would allow an incoming party to churn the meter early, and in doing so trigger the completion of the retail transfer process. We do not support this alternative option for similar reasons why we opposed the proponent's approach. This alternate option would be costly to administer and complex, for instance:

- A meter change could occur but the retail transfer is not completed or was transferred in error. This would lead to a negative customer experience, particularly if a minimum functionality type 4 meter has been installed and the customer cannot revert, as per the recent metering competition rule changes, to their type 5 or 6 meter.
- There may be uncertainty regarding regulatory obligations, particularly for emergency maintenance and which party is responsible for providing metering and billing services.
- Where the meter change is for a new customer moving into a premise, the existing customer may experience a disruption to their service without their consent and with reduced commercial incentive on the incoming retailer or Metering Coordinator to maintain their services.

We consider the major benefit of the draft determination is that it provides certainty around the obligations and rights of all parties. We consider the alternative option would complicate the process whilst not delivering an improved outcome (in terms of time) compared to the draft rule. We consider that commercial negotiation, as permitted by the draft rule, is the appropriate mechanism through which to conduct a meter churn prior to the completion of the retail transfer.

In regards to implementation, we consider the existing work program is ambitious and challenging. We note that the *Updating the electricity B2B framework* rule change may further delay the implementation timeline outlined in the final *Expanding competition in metering and related services* rule change (the metering competition rule change). It is unlikely changes to the IEC could be made whilst allowing enough time for the IEC to recommend changes to B2B procedures by 1 August 2016. Whilst it would be ideal that this metering replacement rule change is implemented as part of this wider work program it may not be achievable in the time available.

We recommend that the AEMC consult with AEMO and stakeholders to determine what is practical and achievable and to potentially categorise the changes in order of priority. We consider enabling the provision of minimum metering services and establishing the new market roles by 1 December 2017 should be prioritised and less critical changes delayed until mid-2018. Alternatively, the commencement date of the metering competition rule change may need to be delayed until late 2018 to ensure that all necessary changes can be made in a thorough and prudent manner.

In summary, we consider the AEMC's draft determination is preferable to the rule change proponents and would better contribute to the achievement of the NEO. It ensures incumbent parties can fulfil their obligations whilst providing sufficient flexibility for alternative arrangements to be established. It will be the implementation of this rule change in the context of the broader suite of changes currently being implemented that will require careful consideration and consultation.

If you have any queries or wish to discuss this matter further please contact Jon Hocking, Manager of Network Regulation at Endeavour Energy on (02) 9583 4386 or alternatively via email at jon.hocking@endeavourenergy.com.au.

Yours sincerely,



Rod Howard
Acting Chief Executive Officer
Endeavour Energy