

12 May 2016

Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Draft Determination - Meter Read and Billing Frequency (project number RRC0006)

AGL Energy welcomes the opportunity to comment on the Australian Energy Market Commission's (AEMC)'s Draft Determination in relation to the Meter Read and Billing Frequency rule change request, March 2016 (Draft Determination).

AGL Energy (AGL) is Australia's largest integrated energy companies, operating across the supply chain with investments in coal-fired, gas-fired, and renewable electricity generation and is a significant retailer of energy, providing energy solutions to over 3.7 million customers in across Australia. AGL is Australia's largest ASX listed owner, operator and developer of renewable generation.

AGL does not support the AEMC finding in the Draft Determination which seeks to require retailers to issue a bill to a small customer on a standing offer at least once every 100 days, replacing the current obligation to issue a bill at least once every three months.

AGL's view is that the Draft Determination will not increase the number of customers that will receive a bill based on an actual read and therefore it is our view that the Draft Rule will not or is unlikely to better contribute to the NERO objective - "promote efficient investment in, and efficient operation and use of, energy services for the long term interests of consumers of energy with respect to price, quality, safety, reliability and security of supply".

However, AGL supports the AEMC's objective that wherever possible small customers should be issued bills that are based on actual metering data. We believe this objective can be achieved through a combination of market changes identified by the AEMC in the Draft Determination, mainly:

1. The roll out of smart meters across the various jurisdictions and the commencement of smart metering competition in the NEM from December 2017; and
2. More customers electing to move to a market energy supply contract because of the benefits market contracts offer in relation to standing offer energy supply contracts with respect to billing arrangement terms (e.g., monthly, smooth or cap billing).

AGL also contends that a greater focus on ensuring regulated Meter Data Providers (MDP) fulfilling their service level obligations with respect to meter reads will also lead to more customers receiving bills based on actual reads.

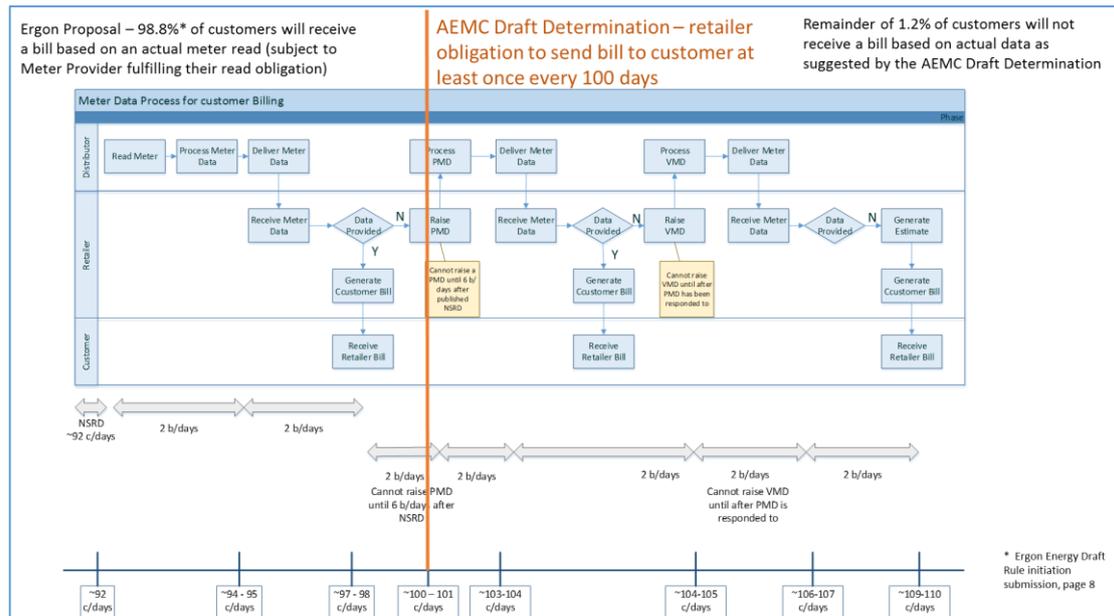
The remainder of the submission provides more details on why AGL does not believe the proposed Draft Rule will increase bills being sent based on actual reads and how enforcement of current MDP regulatory obligations will achieve better billing accuracy and frequency outcomes for customers.

Draft rule requiring retailers to issue a bill to a small customer on a standing offer at least once every 100 days, rather than the current requirement of three months

In the diagram below AGL has mapped out the process of meter reads and billing as required under the various regulatory instruments including the National Energy Retail Rules, AEMO Service Level Procedures and B2B Procedure Meter Data Process.

In Ergon Energy’s Rule initiation submission Ergon quantified that approximately 98.9 percent of their residential customers are issued a bill within 100 days. AGL believes that the AEMC Draft Rule will not change this percentage and is unlikely to also increase the percentage of customers that will receive a bill based on actual rather than an estimate read within 100 days.

AGL believes that the proposed Rule will mean retailers will issue bills based on estimates to ensure they satisfy the 100 day requirement for the remaining 1.2 percent of residential customers on standing offer contracts. That is, under the AEMC Draft Determination, retailers are unlikely to raise a Validate Meter Data (VMD) request if they do not receive meter data from a Meter Provider post the Provide Meter Data (PMD) stage.



Meter read obligations

In 2015, billing was the biggest area of consumer complaints to energy ombudsmen schemes. Specifically, billing issues accounted for nearly half of all customer complaints to energy ombudsmen schemes¹. Therefore, meter reads and billing frequency are key transactions energy retailers have with their customers and any improvements to the accuracy and frequency of billing can have a significant impact on the reputation and trust of the energy sector.

AGL supports the AEMC’s view “that wherever possible small customers should be issued bills that are based on actual metering data”. We also support the AEMC finding that retailers are developing new innovative ways to offer bills. For example, over the past 24 months AGL has developed and offers customers monthly billing, price freeze guarantee and electronic billing options. These initiatives are aimed at meeting customers’ expectations around more frequent and accurate billing.

While market innovation is leading to more accurate and frequent billing outcomes for customers, to achieve the goal of increasing the number of bills issued based on actual reads, AGL reiterates the position in our submission to the proposed Rule, that the customer experience can be improved if regulated MDPs are held to account with respect to their meter read service levels agreed to with the AER in their price determinations.

¹ Australian Energy Regulator (AER) 2016, State of the Energy Market 2015, updated February 2016, page 141.

The recent NSW Jemena gas meter reading issues illustrates the negative customer outcomes when regulated MDPs do not carry out the agreed regulatory meter read service obligations.

The Australian Energy Market Operator (AEMO) has conducted assessments² of Jemena Gas' meter reading delivery and found Jemena Gas consistently non-compliant since first quarter of 2015 with respect to breaches of clause 21.1 (7) of the NSW and ACT Retail Gas Market Procedures which relates to the timely provision of quarterly gas meter read data to AEMO.

AGL acknowledges that AEMO has referred Jemena Gas' non-compliance to the AER. However, AGL contends that the Jemena Gas meter read issue is not an isolated incident, but rather is part of a long term pattern of consistent delays in the provision of meter data due to the absence of strong monitoring, performance reporting, sanctions or penalties that would provide the necessary incentives for regulated MDPs to improve their meter read performance.

In support of our view, AGL carried out a deep dive analysis of complaints data for July 2015. The analysis was based on better understanding the root cause of a customer complaint. As part of the analysis AGL reviewed all complaints for the month and found:

- While NSW Jemena Gas meter read event represented the largest source of root cause complaints, the Jemena example is not isolated;
- Of all complaints to AGL in July 2015, network error was the root cause for nearly one in five complaints;
- Most network errors appear in the bill disputes category; and
- Where the network was the validated root cause of a complaint the customer effort to resolve the complaint was 23% higher than other complaints.

AGL acknowledges that the AEMC's response in the Draft Determination (Appendix A) that the introduction of additional penalties or sanctions on MDPs to incentivise better performance is outside the scope of this rule change process.

However, the effective operation of the National Electricity and Gas Laws and the National Energy Retail Law necessarily relies on the effective operation of regulated entities in meeting their regulatory obligations. Although the current framework within which network service providers operate is not a competitive environment, it is a regulated monopoly, AGL contends it is within the public interest for customers to be able to assess whether or not the local network service provider is meeting the service standards for which they receive a regulated rate of return through their approved network charges. Similarly, it is useful for regulators to monitor service standards to ensure that regulated participants are meeting their obligations to customer and retailers.

While the introduction of competition in metering services in December 2017 should over time drive improved quality and frequency of meter data, in the immediate period, network service providers' behaviour with respect to meter read and accuracy of customer bills is resulting in reputation damage to the industry.

In this respect AGL offers the following possible solutions to improve the transparency and performance of network services providers with respect to their meter read (and other service standard that impact on customer outcomes) obligations:

1. The AER monitor, benchmark and publicly report on the performance of meter read service standards. As a starting point, the AER can report performance against network service providers' proposals (and other service standards) as per their submissions in support of Price Determination applications.
2. Currently under AEMO obligations network service providers have 90 'reason' options³ when they are unable to provide an actual meter read. AGL recommends that the AEMO monitor and publicly report network service providers' performance on how often and the type of reason codes they use for not providing an actual read.

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<file:///C:/Users/A133860/Downloads/AEMO%20Compliance%20Decision%20%20Jemena%20November%202015.pdf> and [file:///C:/Users/A133860/Downloads/Final%20Compliance%20Breach%20Decision%20%20Jemena%20March2016%20\(1\).pdf](file:///C:/Users/A133860/Downloads/Final%20Compliance%20Breach%20Decision%20%20Jemena%20March2016%20(1).pdf)

³ Appendix E, AEMO Meter Data File and Format Specification NEM12 & NEM13.



If you have any questions in relation to this submission, please contact Con Hristodoulidis, Manager Regulatory Strategy on (03) 8633 4464 or christodoulidis@agl.com.au.



Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Beth Griggs', is positioned below the closing salutation.

Beth Griggs
Head of Regulatory Strategy