Australian Energy Market Commission

RULE CHANGE

DIRECTIONS PAPER

National Electricity Amendment (Meter Replacement Processes) Rule 2015

Rule Proponent
ERM Power

10 September 2015

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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.

Summary of Directions Paper

Purpose of directions paper and extension of time

This directions paper sets out the Australian Energy Market Commission's (AEMC) proposed policy position on the Meter Replacement Processes rule change. The purpose of this directions paper is to inform stakeholders and seek their views. The Commission is publishing a directions paper rather than a draft rule determination due to the close relationship between this rule change and the expanding competition in metering and related services rule change.

On 10 September 2015 the AEMC extended the period of time to make a draft determination and draft rule for the Meter Replacement Processes rule change. The extension is necessary due to the complexities and difficulties arising from the fact that, currently the Commission is assessing a major rule change related to metering. The expanding competition in metering and related services rule will affect the vast majority of provisions in Chapter 7 of the National Electricity Rules (NER or rules). This rule change and associated drafting needs to conclude before any drafting associated with the Meter Replacement Processes rule change can be completed.

The draft determination and draft rule for the Meter Replacement Processes rule change will be published on 17 December 2015. The Commission has decided to publish this directions paper to inform stakeholders of its considerations at this time and to inform feedback on the preparation of the draft determination and draft rule.

Rule change request

ERM Power has submitted a rule change request proposing amendments to the NER to clarify rights and obligations of certain parties during the meter replacement process. More specifically, the rule change proposes to clarify that an incoming retailer can arrange for a metering installation to be changed at a connection point during the retail transfer period, prior to such transfer being completed.

In order to clarify the arrangements, ERM Power proposed that "prospective" metering roles be introduced into the NER. Specifically, the prospective metering provider would have the right to change the metering installation at a connection point prior to the retail transfer being completed. This would enable retailers to be able to provide retail customers with their chosen product or service on the day that the retail transfer is completed.

The rule change request originated from concerns about the process to change a meter for large customers under recent changes to the Australian Energy Market Operator's (AEMO) Meter Churn Procedures, but it could also have implications for small customers under future arrangements given the proposed developments under the competition in metering rule change.

In response to the published rule change request from ERM Power and a consultation paper from the AEMC, the Commission received seventeen submissions. The AEMC also hosted a workshop to discuss the issues raised by the rule change request.

Commission's preliminary conclusions

The Commission considers that the current process which only allows meters to be changed after the retail transfer process has completed would lead to additional costs for both retail customers and retailers. The current arrangements could potentially lead to retail customers having to wait for a period, of up to twenty six business days, after a retail transfer has been completed before receiving a meter that could provide its desired products and services. Such negative experiences by customers have the potential to grow, and more broadly, undermine confidence in the retail market over time.

However, the Commission considers that the introduction of prospective roles as proposed by ERM Power would likely be overly complex and disproportionate to the problem identified above. Furthermore, the Commission notes that introduction of prospective roles may cause uncertainty in the allocation of rights and obligations for all parties at a connection point.

Commission's proposed policy position

With the above in mind, the Commission's proposed policy position is that the NER be amended 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 Meter Provider and Meter Data Provider 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.

The Commission proposes that the above changes become effective in line with the implementation of any changes to the NER made under the competition in metering final rule. The final rule determination for competition in metering will be published on 26 November 2015.

The Commission invites submissions on this directions paper by 8 October 2015.

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1.1 Purpose of this paper and extension of time

This directions paper sets out the Commission's considerations so far in assessing the rule change proposal from ERM Power. This document also outlines the Commission's proposed policy position that will inform the development of the Commission's draft determination and draft rule. The Commission notes that implementing the policies outlined in this paper may require some additional level of prescription in the NER in relation to the AEMO's development of procedures, notably the Meter Churn Procedure.

The AEMC has extended the time to make a draft rule determination in response to the Meter Replacement Processes rule change request by ERM Power. The draft determination and draft rule will be published on 17 December 2015.[1] The Commission considers the extension necessary due to the complexities and difficulties in assessing the rule change and publishing a draft rule determination prior to any changes to Chapter 7 of the NER being determined under the final rule determination for the COAG Energy Council's expanding competition in metering and related services rule change.

The Commission seeks written submissions on the proposed policy position outlined in this paper by 8 October 2015.

1.2 The rule change request

On 19 January 2015, ERM Power (the proponent) submitted a rule change request to the 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 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 during retail transfer under changes to AEMO's Meter Churn Procedure. However, it could also have implications for small customers in the future given the developments proposed in the draft rule determination for the expanding competition in metering and related services rule change.[2]

1 Under section 107 of the National Electricity Law (NEL).

2 http://www.aemc.gov.au/Rule-Changes/Expanding-competition-in-metering-and-related-serv

1.3 Commencement of rule making process

On 21 May 2015, the Commission published a notice under section 95 of the NEL advising of its intention to commence the rule making process and the first round of consultation in respect of the rule change request. A consultation paper identifying specific issues or questions for consultation was also published with the rule change request. Submissions closed on 2 July 2015.

The Commission received seventeen submissions to the consultation paper. These submissions are available on the AEMC website.[3] A summary of the issues raised in submissions and the Commission's response to each issue is contained in Appendix A.

In addition, the Commission hosted a workshop on 16 June 2015 to discuss the issues raised by the proposal and the Consultation Paper. There were over forty attendees at the workshop, and stakeholder feedback helped inform the Commission's proposed policy position as set out in this paper.

1.4 Consultation on directions paper

The Commission seeks written submissions on its proposed policy position set out in this paper by 8 October 2015. Submissions will inform the development of the Commission's draft rule determination for this rule change.

1.4.1 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.

1.4.2 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.

3 http://www.aemc.gov.au/Rule-Changes/Meter-Replacement-Processes

1.5 Structure of this paper

The remainder of the paper is structured as follows:

- **chapter 2** sets out the assessment framework the Commission is following to assess the rule change request;
- **chapter 3** discusses the issues ERM Power wish to resolve with the rule change request;
- **chapter 4** examines the solution proposed by ERM Power and stakeholder response;
- **chapter 5** sets out the solutions proposed by other stakeholders in submissions to the rule change request;
- **chapter 6** presents the Commission's proposed policy position;
- **chapter 7** outlines the Commission's proposed implementation timetable for the policy.

The appendices of the paper provide responses to additional issues raised by stakeholders (Appendix A) and additional background to the issue (Appendix B).

2 Assessment

This chapter of the report sets out the framework that the Commission is using to assess the rule change request.

2.1 Assessment Framework

The Commission may only make a rule if it is satisfied that the rule will, or is likely to, contribute to the achievement of the National Electricity Objective (NEO). This is the decision making framework that the Commission must apply.

The NEO is:[4]

> "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."

The most 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 first considered whether there is a problem to be addressed by amending the NER. Following this assessment, the AEMC considered the following factors to assess any potential solution. These factors incorporate stakeholder submissions on the assessment framework as contained within the consultation paper:[5]

- **Consumer engagement and customer satisfaction.** Generally, in well-functioning competitive markets, consumers 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. Such experiences impact on consumer satisfaction in both the short-term as well as the long-term. 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

4 See s. 7 of the NEL.

5 In its submission United Energy raised concerns that the assessment criteria in the Consultation Paper were too focussed on short term benefits and the provision of metering services. United Energy considers that the assessment must also examine the impact of any changes on the wider market. The AEMC considers the above assessment encompasses both the short term metering issues and the long term issues for market participants and consumers. For example regulatory transparency and certainty extends to providing certainty for businesses to undertake investment in the market over a long term period.

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 request, consideration is given to whether the rule change request has the potential to lower any barriers to entry for meter service providers, as well as the effects this would have on the wider market. The capacity of the rule change to improve the ability of retailers to source and contract with meter service providers that match the retailers' needs are also being examined.

- **Regulatory transparency and certainty.** Regulatory certainty promotes confidence from consumers, market participants and their metering service providers in the market. Reducing inconsistences in the rules and so improving regulatory certainty for market participants is important in improving the functioning of the market. The regulatory framework should maintain 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.

2.2 Relationship between rules and procedures change process

The AEMC notes that the proponent's rule change request would likely involve amendments to procedures that are developed and maintained by AEMO, most notably the Meter Churn Procedures. 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 directions paper does not address any changes that AEMO would need to make to procedures as a result of any rule change on this matter. This rule change process will examine any changes to the NER on their own merits and the Commission's assessment of the rule change will not be dependent on any specific changes to the procedures being subsequently determined by AEMO.[6]

AEMO's procedures provide relevant context to help understand some of the potential implications of the requested amendments to the NER. If a rule is made, the specific nature of any changes to the procedures by AEMO will not be determined until AEMO completes the procedures change process.

Accordingly, a rule can only be made in response to the rule change request if the AEMC considers the change will, or is likely to, contribute to the achievement of the NEO taking into account any subsequent changes to the procedures by AEMO.

6 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.

3 Issues the rule change is to resolve

This chapter examines the issues identified by ERM Power in the rule change request. This chapter:

- explains the issues ERM Power is attempting to resolve through the rule change request;
- summarises stakeholders views on the issues identified in the rule change request; and
- outlines the Commission's preliminary position on the materiality of the issues identified.

An outline of the background of the operation of retail transfer and meter churn processes, alongside a summary of AEMO's recent procedure change can be found in Appendix B.

3.1 Rationale for Rule Change Request

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 Financially Responsible Market Participant (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) of the NER, imply that certain incoming metering roles can begin before the retail transfer is complete.[7]

However, as discussed in Appendix B, AEMO, during its review in 2013 of the Meter Churn Procedures, identified that clauses 7.2.1, 7.3.4 (i) and (m) of the NER prohibit the incoming metering parties having rights, and being subject to obligations, at the connection point before the retail transfer is completed. This led to AEMO revising the Meter Churn Procedures so that an incoming retailer cannot begin changing the metering installation at a connection point until after the retail transfer period is complete.

ERM Power considers that this may lead to a number of negative outcomes that would be associated with delays in meter churn as described below:[8]

- **Non-compliance with meter accuracy requirements.** If the existing metering installation at a connection point does not satisfy the requirement for the customer's consumption, the new Responsible Person (RP) will be in breach of the rules when it becomes responsible for the metering installation at the

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

8 ERM Power, Rule Change Request: Facilitating an efficient meter replacement process, 2015, pp. 12-13.

connection point until such time as the metering installation is changed in order to be made compliant.

- **Late start in application of new tariffs and demand side participation.** Consumers could be confused as retailers may not be able to provide the agreed tariff until a new meter is installed. Therefore, the first invoice will not meet a customer's expectations since the invoice will be based on a different tariff.

- **Complications with arranging metering services at a connection point.** Retailers may be forced to contract with the incumbent parties undertaking the metering roles to allow timely change in metering installations. This may possibly lead to increased costs for retailers and reduced competition in metering services.

- **Confusion in multi-site retail contracts.** A retailer with a large customer with sites spread geographically may not be able to properly provide the agreed services until all metering installations are replaced across all the sites. Since an incoming retailer cannot begin changing the metering installation until the retail transfer is complete, this could mean that the agreed services for the large customer may not start for all the sites at the same time.

- **Inability to manage peak replacement periods.** At certain times of the year there is an increase in churn. Forcing retailers to wait for the retail transfer to be complete will reduce flexibility to spread out workload during these peak periods.

3.2 Stakeholder submissions

Stakeholder submissions on the materiality of the issues raised by ERM Power have been divided into three categories:

- views on the clarity of the existing rule and procedure requirements (section 3.2.1);

- views on the impact of delays in metering churn (section 3.2.2); and

- views on the benefits of maintaining the current arrangements (section 3.2.3).[9]

3.2.1 Clarity of rules

In the submissions to the rule change request numerous stakeholders provided their interpretations of how the existing rules operated in relation to meter churn during a retail transfer.

9 As described in Appendix B.

Most DNSPs (Ergon, the Energy Networks Association (ENA), Citipower and Powercor and NSW DNSPs) consider that the rules are clear that metering installations cannot be changed by an incoming retailer until the retail transfer is complete.[10] However United Energy notes that the rules could be read to imply that an existing type 4 metering installation can be replaced with a new type 4 metering installation before the retail transfer is complete.[11]

Retailers typically consider the rules to be unclear.[12] For example, AGL noted that it considers that the rules for the obligations of RPs, as set out in clause 7.2.5(e) and market participants, as set out in clause 7.1.2. are inconsistent.[13] EnergyAustralia also agrees that the rules are currently "ambiguous" with regard to meter churn during retail transfer.[14]

Finally, AusNet Services considers there is an inconsistency in clause 7.2.5(e) of the rules in allowing a RP to change a metering installation "on any other day", when this is not possible. However AusNet Services considers that this inconsistency is immaterial.[15]

3.2.2 Delay in meter churn

A number of retailers and the Energy Retailers Association of Australia (ERAA) in their submissions agreed with the issues raised by ERM Power in the rule change request.[16] For example EnergyAustralia commented that consumers already struggle with the complexity of the market and delaying metering churn will make the experience confusing for the customer.[17]

Non-compliance with meter accuracy requirements

In addition to the issues raised by ERM Power, Momentum notes that retailers may have issues in undertaking the retail transfer of a site which has non-compliant metering. In this situation, the retailer may face objections to the retail transfer as the existing metering installation does not comply with requirements. However, the

10 Ergon, Submission to Consultation Paper, p. 2; ENA, Submission to Consultation Paper, p. 7; Citipower and Powercor, Submission to Consultation Paper, p. 2; NSW DNSPs, Submission to Consultation Paper, p. 4.

11 United Energy, Submission to Consultation Paper, p. 4.

12 Active Stream, an accredited Meter Provider and Meter Data Provider, also consider that the NER requires further clarity with respect to when meter churn can be undertaken at a connection point. Active Stream, Submission to Consultation Paper, p. 1.

13 AGL, Submission to Consultation Paper, p. 4.

14 EnergyAustralia, Submission to Consultation Paper, p. 4.

15 AusNet Services, Submission to Consultation Paper, p. 3.

16 ERAA, Submission to Consultation Paper, pp. 1-2; Momentum, Submission to Consultation Paper, p. 1; Red Energy, Submission to Consultation Paper, p. 1; Lumo, Submission to Consultation Paper, p. 1; .AGL, Submission to Consultation Paper, p. 4.

17 EnergyAustralia, Submission to Consultation Paper, p. 2.

retailer may not be able to make the metering comply to allow the transfer since they would have no role at the site until the retail transfer is complete.[18]

Late start in application of new tariffs and demand side participation

AGL states that in order for a new retailer to provide the contracted services to the customer from the transfer date, the appropriate metering infrastructure must be in place. Requiring the customer to experience a delay in receiving the benefits of a new contract with a retailer until the required metering can be installed does not meet the National Electricity Objective.[19]

On the other hand, the NSW DNSPs consider that it is unlikely that delays of up to twenty-six days between retail transfer and meter churn will eventuate as the retailer will have close connections with its appointed metering roles after the retail transfer.[20]

Some stakeholders consider the late start in application of tariffs can be managed through communication of this to the consumer. ENA and United Energy consider that it is the responsibility of the incoming retailer to manage consumers' expectations.[21]

Origin notes that consumers are used to multiple tariffs on their invoice, for example when applying solar tariffs. Origin also considers it unlikely that many customers will change retailers to gain a new product or service that requires a change of meter.[22]

Complications with arranging metering services at a connection point

Both ERM Power and AGL note that under the current rules multiple site visits may be necessary to undertake the retail transfer and churn the meter. AGL notes that it would be beneficial and simple if small customers could have the meter change date and the retail transfer date aligned.[23]

Confusion in multi-site retail contracts

AGL states that with multi-site contracts it is generally necessary or at least preferable to have all metering installed before the new contracts can take effect completely. In these instances the customer can only receive the benefits of the new contract proportionally to the number of installations that are upgraded (or possibly no benefits until all sites are upgraded). It further notes that multi-site contracts are difficult to coordinate without changing all the customer's meters across all sites.[24]

18 Momentum, Submission to Consultation Paper, p. 3.

19 AGL, Submission to Consultation Paper, p. 4.

20 NSW DNSPs, Submission to Consultation Paper, p. 3.

21 ENA, Submission to Consultation Paper, p. 8.

22 Origin, Submission to Consultation Paper, p. 3.

23 AGL, Submission to Consultation Paper, p. 5.

24 AGL, Submission to Consultation Paper, p. 4.

3.2.3 Regulatory certainty

Many stakeholders indicated that the arrangements that came into force on 1 September 2015 (ie where meter churn cannot occur until the retail transfer completes) provides certainty to participants in relation to which parties have rights and obligations at a connection point. These stakeholders considered that the recent amendment to the AEMO procedures made an improvement in the operation of the market for this reason.[25]

AusNet Services noted that the superseded Procedure relied on cooperation and manual system adjustments between parties. Such an arrangement may have operated satisfactorily to handle meter changes for the low volume of large customers who transferred retailers historically, but may result in problems as more small customers become part of the market under a competitive metering framework.[26]

3.3 Commission's initial assessment

3.3.1 Clarity of regulatory framework

The AEMC undertook an initial review of the potential inconsistencies in the NER raised by some stakeholders as detailed in section 3.2.1. From this initial assessment, the Commission proposes that aspects of Chapter 7 of the NER be amended to clarify the rights and obligations of various parties during the meter replacement process.

3.3.2 Delay in meter churn

The Commission notes that there are benefits of an incoming retailer having its preferred metering installation ready for the customer on the day the retail transfer is completed.

Furthermore, positive engagement with the market is of high importance for consumers. Markets operate most efficiently where consumers are able to easily identify, and procure, the product available that best suits their needs. The draft rule for the expanding competition in metering and related services provides retailers (in their capacity as FRMP) with the ability to appoint a Metering Coordinator (MC) at a connection point. This would provide for a greater opportunity for the market to determine the optimal metering provision for each customer.

The Commission is concerned about any situation that may cause sub-optimal experiences for consumers. The current rules and procedures (ie those in effect from 1 September 2015) will potentially lead to consumers having to wait for a period of up to twenty six business days, or potentially longer, from a retail transfer before receiving a

25 Ergon, Submission to Consultation Paper, p. 1; NSW DNSPs, Submission to Consultation Paper, p. 1; Vector, Submission to Consultation Paper, p. 3; ENA, Submission to Consultation Paper, p. 7; AusNet Services, Submission to Consultation Paper, p. 6.

26 AusNet Services, Submission to Consultation Paper, p. 6.

meter that is capable of providing them with the services that they desire. The Commission agrees with the concerns raised by ERM Power and other retailers that this may lead to consumers not having the best possible experience with the market. Such negative experiences have the potential to grow and, more broadly, undermine confidence in the retail market over time.

For small customers, this is likely to represent a transitional issue during any market led role out of advanced meters after the implementation of the expanding competition in metering and related services rule change.[27] If, in the future, there is a level of market saturation of advanced meters, the issues relating to potential delays in the installation of meters during retail transfer will become less important. This is because the existing advanced meter may be able to support the new tariff being offered by an incoming retailer in the event of a retail transfer.

Furthermore, the issue of many transfers happening on specific dates is typically limited to large customers and thus not necessarily appropriate in informing the development of rules and policy for all customers.

Therefore, at this stage the Commission considers that sufficient evidence has been presented by the proponent and other stakeholders that the issues identified are material. As such, the Commission's proposed policy position is that there should be greater clarity in the NER with regard to when a meter can be replaced during the retail transfer process. This would be coupled with changes to support minimising the period to complete the meter replacement process.

If possible, this period should be reduced to an extent such that the new meter is available on the day of the retail transfer or soon after. As outlined in the consultation paper, the Commission understands in New Zealand that meters are able to be changed one or two days after the retail transfer.

3.3.3 Regulatory certainty

The Commission also notes the benefits that the current meter churn procedure has in maintaining certainty of obligations for all parties at connection points. Any change from the current process introduced through the rule change should maintain this certainty for the metering parties. This requirement to maintain certainty of obligations has informed the Commission's considerations of proposed policy as described in chapter 6.

27 This is if the regulatory framework in the draft rule of competition in metering is implemented under the final rule.

4 ERM's solution to the issues identified

This chapter outlines ERM Power's proposal in the rule change request to address the issues identified. The chapter also summarises stakeholder feedback, as well as the Commission's initial views on the proposal.

4.1 ERM Power's proposed solution

To address the issues identified in its rule change request, the proponent has requested that the NER be amended to:

- clarify that meter churn can occur before the retail transfer is complete;
- separate the meter replacement process from the retail transfer process;
- create new categories of "prospective" FRMP, RP/MC, Metering Provider (MP) and Metering Data Provider (MDP) roles that exist before retail transfer is complete and have limited rights and obligations;
- clarify that the incumbent RP/MC, MP and MDP's rights and obligations in respect of the relevant connection point cease on midnight on the day of the metering installation being changed; 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 to 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 and related services change, which would necessitate changing any proposed rule to be consistent.[28]

The AEMC notes that the rule change request outlines a proposed position and does not examine whether each element of this position would most appropriately be met through amendments to the rules or AEMO's procedures.

28 ERM Power, Rule Change Request: Facilitating an efficient meter replacement process, 2015, pp. 14-18.

4.2 Stakeholder views on the rule change request

Most submissions to the rule change request raised concerns about the complexity of the proposal.[29] For example, the ENA considers that the proposal "involves a level of complexity and uncertainty in roles, responsibilities, obligations, service delivery, compliance and penalties".[30] AusNet Services notes that implementing prospective roles would likely lead to extensive procedure and system changes being necessary.[31]

ENA and United Energy note that it is possible that meters may be changed before a retail transfer has taken place, and that the retail transfer may subsequently not get completed. In this situation, the previous meter must be re-installed to operate in a way that meets the incumbent parties' specification. ERM Power considers that this is a commercial risk that the incoming retailer faces through changing the meter.[32] United Energy notes that if a type 5-6 meter has been upgraded to a type 1-4 meter, it may not be possible to restore the metering to its original state under provisions of the draft rule for expanding competition in metering and related services rule change.[33]

Vector raises concerns that the introduction of prospective roles could result in work arounds being developed which may undermine the ongoing attempt to reduce the length of retail transfer times.[34]

United Energy raises concerns about move in customers at a connection point. In the event that the retail transfer occurs where the consumer at a connection point has changed, the prospective parties may undertake a change that the incumbent consumer does not desire.

In its submission to the rule change request, ERM Power outlines some amendments to the original rule change request. This included clarifying that the rule change would not apply to move in customers. ERM Power also clarified that: the prospective RP, MP and MDP would be assigned as the RP, MP and MDP at the connection point on the midnight before retail transfer which makes for easier transfer of data. Furthermore the retail transfer date would be changed to retrospectively match the meter churn date.[35]

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29 Vector, Submission to Consultation Paper, p. 2; United, Submission to Consultation Paper, p. 9; Origin, Submission to Consultation Paper, p. 5; Energex, Submission to Consultation Paper, p. 1; Active Stream, Submission to Consultation Paper, p. 1. EnergyAustralia also noted in its submission that any solution offered to resolve the issues identified would likely be complex.

30 ENA, Submission to Consultation Paper, p. 1.

31 AusNet Services, Submission to Consultation Paper, pp. 8-9.

32 ERM Power, Submission to Consultation Paper, p. 3.

33 United, Submission to Consultation Paper, pp. 8-9.

34 Vector, Submission to Consultation Paper, p. 2.

35 AusNet Services, Submission to Consultation Paper, pp. 5-8.

4.3 Commission's assessment of the rule change proposal

As described in section 3.3 the Commission agrees that ERM Power has identified an issue of clarity with the existing rules requirement. The Commission also considers that where there is a change in metering installation alongside a change in retailer, the process should be as simple for the retail customer as practicable.

However, at this stage the Commission does not consider that the proposal by ERM Power represents an appropriate solution to the issues identified. The Commission has two main concerns with the proposed solution. These are:

- its complexity; and
- the potential regulatory uncertainty in allocation of roles.

4.3.1 Complexity of implementation of policy

The Commission notes that the creation of prospective roles would most likely involve extensive and complex changes to the rules and procedures. Four new roles would need to be introduced into the rules. The precise nature and scope of the rights and obligations of all roles, both incumbent and prospective, at all stages of the retail transfer and meter churn process would need to be specified in the rules or procedures.

Even though the creation of the prospective roles may allow certain rights and obligations to be allocated to incoming parties at a connection point (eg an incoming retailer), certain rights and obligations would have to be retained by the incumbent parties. The existing rights and obligations of FRMPs, RPs, MPs and MDPs at a connection point include obligations with respect to provision, installation and maintenance of metering installations and collection and provision of metering data.

Creating a clear delineation between the rights and obligations of incumbent and prospective roles throughout the meter replacement process would require complex and expansive changes to the existing framework. The Commission considers that, in practice, it may also result in confusion for parties as to their roles and obligations at certain points in the meter replacement process.

4.3.2 Uncertainty of allocation of obligations

An important component of any regulatory regime is that roles and responsibilities are clear and allocated to parties best able to manage them.

Even though the creation of the prospective roles would allow some obligations to be allocated to the incoming parties at a connection point (ie an incoming retailer), certain rights and obligations would have to be retained by the incumbent parties. Given the nature of existing rights and obligations of FRMPs, RPs, MPs and MDPs at a connection point (eg obligations with respect to provision, installation and maintenance of metering installations and collection and provision of metering data), creating a clear delineation between the rights and obligations of incumbent and

prospective roles throughout the meter replacement processes would require complex and expansive changes to the existing framework. The Commission considers that, in practice, it may also result in confusion for parties as to their roles and obligations at certain points in the meter replacement process.

This overlap would likely result in confusion for parties as to their roles and obligations. Creating detailed rules and procedures, with the aim to create clear obligations, may result in the obligations becoming more confusing than if these obligations were simply allocated to existing parties.

5 Proposed solutions in submissions

5.1 Stakeholder proposed solutions

A number of submissions to the Consultation Paper proposed alternative methods of resolving the issues identified in the rule change proposal by ERM Power:

- Lumo and Red Energy proposed incoming retailers should be able to organise the meter churn during the retail transfer. However, under this proposal the actual meter would not change until after the retail transfer completes.[36]
- Citipower and Powercor consider that the rules should "appropriately place commercial incentives and accountability on prospective parties to ensure prompt meter replacement [… and …] appropriately recognise that prospective parties are best positioned to communicate to customer the operational implications of their offers, and any impacts from not being able to deliver their offer promptly". Citipower and Powercor also consider that to the extent that barriers exist that limit the prompt and efficient replacement of a meter after the retail transfer date (eg the meter parties reassignment objection period), these should be removed.[37]
- AGL proposes that the incoming retailer should be able to change the RP/MC during the retail transfer period. The incoming retailer would be able to make a change to the physical metering installation during the last twenty days of the retail transfer period. When the meter churn occurs, this would become the date of the retail transfer.[38]
- The ENA, NSW DNSPs and Citipower and Powercor propose that retailers should be able to undertake commercial agreements to change meters before the retail transfer was completed. These meter changes would occur only if "agreed between the parties".[39] The ENA considers this should only apply for large customers.

5.2 Commission's assessment

A number of the proposed policies in submissions have merit. However, the Commission considers that aspects of many of the proposals could be implemented simultaneously. These have been taken into account in developing the AEMC's proposed policy position. The Commission's proposed policy as set out in chapter 6 represents an amalgamation of some aspects of the proposals presented by stakeholders.

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36 Lumo, Submission to Consultation Paper, p. 1; Red Energy, Submission to Consultation Paper, p. 1.

37 Citipower and Powercor, Submission to Consultation Paper, p. 1.

38 AGL, Submission to Consultation Paper, p. 8.

39 Citipower and Powercor, Submission to Consultation Paper, p. 1; NSW DNSPs, Submission to Consultation Paper, p. 8.

6 Commission's proposed position

This chapter sets out the Commission's proposed policy position, and the reasoning behind each element that has been proposed.

6.1 Commission's proposed position

As discussed in chapter 3 the Commission's proposed position is that the proponent has identified a material issue in the rule change request. However, as described in chapter 4, the Commission considers that the solution proposed in the rule change request is overly complex and may represent a large regulatory burden for participants in comparison with the expected benefits.

With this in mind, the Commission has developed an alternative solution.

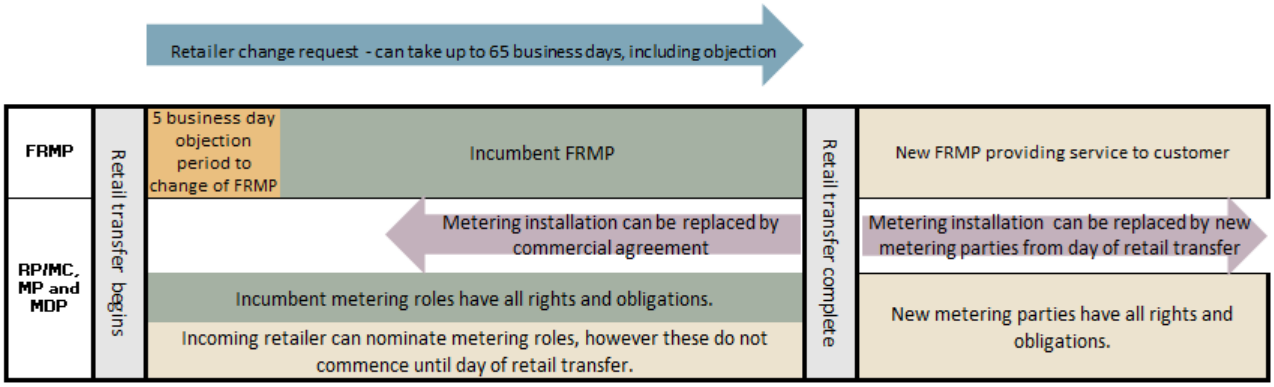
The Commission's proposed policy position is that the NER be amended to:

- 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 Meter Provider and Meter Data Provider 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.

The Commission notes that often the final meter read on behalf of the incumbent retailer, and the retail transfer occur on the same day. If the incoming metering parties are able to commence their roles on the day of the retail transfer, then it may be possible to align the meter churn day with the final meter read for the old meter.

Figure 6.1 outlines the Commission's proposed policy position. Each of the three elements of the proposed position are elaborated below. Note that some aspects of this diagram, such as the objection period, are determined through AEMO's procedures.

Figure 6.1 AEMC proposed process



The Commission seeks submissions on the policy proposal outlined in this chapter. Of specific interest is the level of detail stakeholders consider appropriate to be drafted in the rules compared to the procedures.

6.1.1 Restriction on changing physical metering installation

Under the current rules and procedures an incoming retailer at a connection point does not have any rights at the connection point until the retail transfer is complete. The incumbent metering roles (eg RP, MP and MDP) retain all rights and obligations at a connection point in relation to the metering installation until this time.

The proposed policy position is that the NER be amended to make it clear that an incoming retailer cannot change a meter until after the retailer transfer is complete. That is, the meter change cannot be initiated by the incoming parties until after the retailer has become the FRMP at the relevant connection point.

The result of the Commission's proposed policy position would be that an incoming retailer would not be able to change a *physical* metering installation until the retail transfer is complete. However, the incoming retailer would be able to *nominate* the change in metering parties (ie RP, MP and MDP) prior to the retail transfer completing (see below).

It is proposed that any change would apply equally to large and small customers. However, as noted by AusNet Services and AGL,[40] following the publication of the final rule determination for expanding competition in metering and related services rule change and the implementation of any changes to the NER under that rule change, it is likely that large customers would have the ability to appoint their own MC, who would have the ability to request a change to the metering installation. This appointment of a MC could occur independently from the retail transfer period.

Therefore, if a large customer valued receiving a new meter by a certain date it may be able to appoint an MC to undertake this task regardless of the date the retail transfer is

40 AusNet Services, Submission to Consultation Paper, p. 1; AGL, Submission to Consultation Paper, p. 6.

expected to take place. On the other hand, an incoming retailer for a small customer would need to wait until the retail transfer before having the right to request a change in the metering installation.

6.1.2 Specification on change in roles

The proposed policy is that the rules would specify that an incoming retailer would have the right to nominate a FRMP, MP and MDP at the connection point during the retail transfer period. However, the parties would not be able to begin these roles until the completion of the retail transfer.

This change would maintain the requirement that each role at a connection point is only undertaken by a single specified party at each moment of time. However it would allow the incoming retailer at a connection point to nominate the parties that would undertake those roles on the day of and from the retail transfer date. This would likely allow a meter change to happen on the day of the retail transfer.

The Commission notes that this policy would require some level of specification in the rules on details that currently sit in AEMO's procedures.

6.1.3 Commercial arrangements

The Commission considers that the NER should allow for commercial arrangements between incumbent and incoming metering parties to facilitate a change in meters during the retail transfer period. Permitting such commercial arrangements would allow a change in meter before the retail transfer is complete, as long as this is agreed by the incumbent metering roles. As described below, this is most likely to be applied in the case of large customers where it will be administratively easy. This is in-line with a proposal from a number of DNSP as described in chapter 5. While using commercial arrangements to change a meter, the incumbent parties still hold all the obligations at the connection point.

Implications for large customers

One issue raised by ERM Power in its proposal is that for multi-site customers, retailers typically need all meters changed before the contract can commence. Allowing for commercial arrangements does not necessarily resolve the issue, but does mitigate it as the incoming retailer may be able to enter into commercial arrangements with incumbents, under which the incumbent changes the meters at some or all of the sites before the retail transfer.

Implications for small customers

The Commission recognises that a commercial arrangement between incumbent and incoming retailers may be difficult to achieve for small customer connection points under the arrangements proposed in the draft rule for competition in metering (the "Draft Rule").

More specifically, under the Draft Rule:

- The DNSP that is the RP for a type 5 or 6 metering installation at a connection point immediately before changes to Chapter 7 of the NER under the Draft Rule become effective (the "effective date"), must be appointed by the FRMP as the MC for that connection point.[41]

- The Australian Energy Regulator (AER) must develop and publish Distribution Ring-Fencing Guidelines[42] under clause 6.17.2 of the draft rule prior to the effective date.[43]

Given the above aspects of the Draft Rule, it is likely that the initial MC at a small customer connection point will be DNSP as most small customers currently have type 5 or type 6 metering installations. Further, the incumbent retailer may not be able to upgrade the meter to a type 4 metering installation at the incoming retailer's request in circumstances where the metering installation at the connection is a type 5 or 6 metering installation and the MC is the DNSP, without first appointing a new MC at the connection point for the short interim period until the retail transfer is completed. This is because the AER's Distribution Ring-Fencing Guidelines may require DNSPs to ring-fence metering services classified as direct control services from those metering services that are unregulated (eg establish a separate legal entity in order to provide unregulated metering services).

Consequently, a commercial arrangement to change a small customer's meter could involve up to three successive MCs at the connection point in a short time period, and thus would be administratively burdensome.

41 See clause 11.78.7 of Draft Rule.

42 The Distribution Ring-Fencing Guidelines are guidelines developed by the AER under clause 6.17.2 of the NER for the accounting and functional separation of the provision of direct control services by DNSPs from the provision of other services by DNSPs.

43 See clause 11.78.8 of the Draft Rule.

7 Implementation

This section of the report sets out the proposed timing and implementation of the rule change request.

7.1 ERM Power's proposal

ERM Power considered that the AEMC should make a rule in response to the rule change proposal to come into force alongside the introduction of the expanding competition in metering and related service rule change.

7.2 Stakeholder feedback

A number of stakeholders agreed with the proposed implementation timeframes by ERM Power. Most stakeholders noted that this rule change should be implemented alongside the expanding competition in metering and related service rule change.[44]

However, Energex noted that the implementation of this rule change must not delay the implementation of the competition in metering and related services rule change. Additionally, Citipower and Powercor consider that the expanding competition in metering rule change should take a higher priority than the meter replacement processes rule change.[45]

7.3 Commission's position

Of particular relevance to the implementation of this rule change is the implementation for the Power of choice recommendations, most notably the competition in metering rule change. The Embedded Networks rule change and the Implementation advice on the Shared Market Protocol may also be relevant.[46]

The AEMC and AEMO have been working together to develop an implementation work plan for the Power of Choice recommendations and held an implementation workshop with stakeholders on 16 July 2015.

Figure 7.1 displays the Commission's proposed implementation schedule for these projects, noting that the final determination has not yet been made for these rule changes and timeframes can only be confirmed if and when the Commission makes final rules in relation to each rule change. Figure 7.1 also displays how the timeframes are best co-ordinated to streamline implementation across all four projects, noting that the final implementation timeframe for each will be determined as part of that project.

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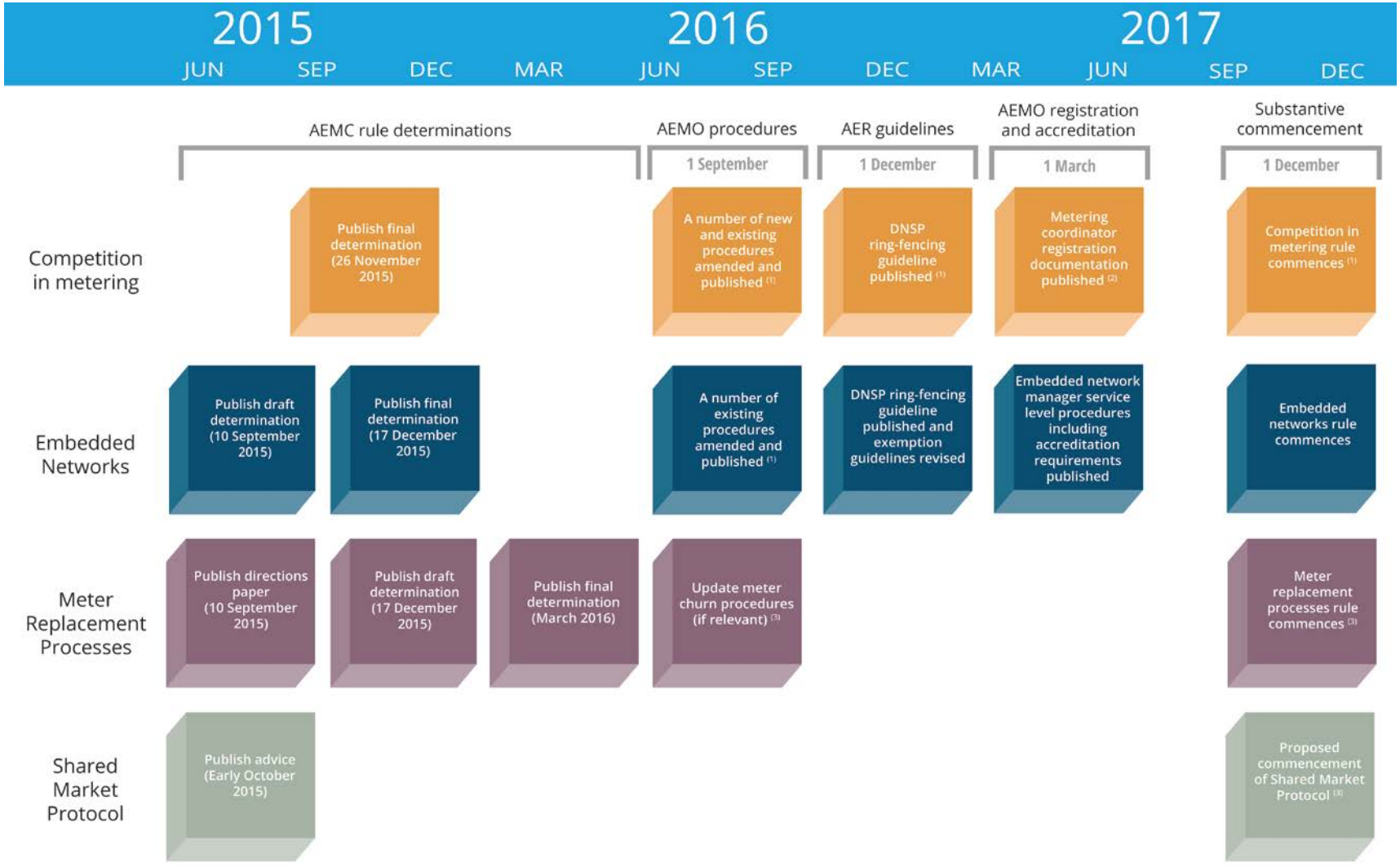
44 Lumo, Submission to Consultation Paper, p. 1; Red Energy, Submission to Consultation Paper, p. 1 ERAA, Submission to Consultation Paper, p. 2; Ergon, Submission to Consultation Paper, p. 5; Origin, Submission to Consultation Paper, p. 6; Active Stream, Submission to Consultation Paper, p. 2.

45 Citipower and Powercor, Submission to Consultation Paper, p. 2.

46 In particular, the timing for any shared market protocol proposed changes is dependent on a number of factors, including the timing of a rule change request from the COAG Energy Council.

Figure 7.1 Project timelines



(1) See AEMC Information Sheet 'Extension of time for final rule on provision of metering services', 12 July 2015

(2) Indicative timeframe only

(3) Preferable implementation timeframes provided for indicative purposes only, if any rule is made.

Abbreviations

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

A Summary of additional issues raised in submissions

Issue	Stakeholder	AEMC Response
Issues identified in the rule change could best be resolved through the expanding competition in metering rule change.	AGL, p. 9.	The Meter Replacement Processes rule change arrived late in the rule change process for competition in metering therefore and was not able to be consolidated with that rule change.
Retail transfer takes too long.	EnergyAustralia, p. 2.	This is out of scope for this rule change. However, the Commission completed a review into electricity consumer switching timeframes in April 2015. The review made several recommendations to the COAG Energy Council on how the consumer transfer process can be made more timely and accurate.
The Australian Energy Regulator (AER) should make a statement of no action until the completion of the rule change process.	ERAA, p. 2; Momentum, p. 1.	The Commission notes that the AER has decided not to make a statement of No Action for non-compliance with the revised Meter Churn Procedures.[47]
There are likely to be issues relating to safety and access in the replacement of meters for small customers.	ERM Power, p. 4; United Energy pp. 6-7.	Noted, but this is out of scope for this rule change.
There is no monitoring for compliance processes in relation to meter churn. Formal processes should be created.	Ergon, p.6.	The AER is the body responsible for enforcing compliance with the rules associated with meter churn.

47 AER, Quarterly Compliance Report: National Electricity and Gas Laws April – June 2015, p. 5.

B Background to meter churn and retail transfer

B.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.[48]

A market participant must ensure there is a metering installation[49] at each of the connection points for which it is financially responsible and that the metering installation is registered with AEMO. This party is defined in the NER as the FRMP. At each of the these connection points, the FRMP is required to act as the 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).[50]

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.[51] The RP must engage:

- a MP to carry out the installation and maintenance of the metering installation; and
- a 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.[52]

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

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

49 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.

50 Clauses 7.2.2 and 7.2.3 of the NER.

51 Clause 7.2.1 of the NER.

52 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.

metering services.[53] 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 MC;[54]
- 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.[55]

B.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.

B.3 Meter Churn Procedure

Under the NER, AEMO is required to maintain and publish the Meter Churn Procedure.[56] 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

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

54 As described in chapter 7, the Commission considers that if made the meter replacement processes rule will come into force at the same time as the commencement of the expanding competition in metering and related services rule change. Therefore, all discussion in this paper of the Commission's policy position refers to the operation of a MC.

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

56 Clause 7.3.4(j).

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 came into force on 1 September 2015, there have only been incremental changes.

Throughout this directions paper the 2012 Meter Churn Procedure,[57] is referred to as the 'superseded procedure'. The Meter Churn Procedure that came into force on 1 September 2015[58] is referred to as the 'amended procedure'.

Box B.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.[59] 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 (ie the process through MSATS up until the retail transfer takes effect) is called the 'retail transfer period' throughout the rest of this directions paper.

B.4 Superseded meter churn procedures

The superseded procedure specified the meter churn process under a series of meter churn events. One of these outlined meter churn events was where a metering installation was changed while a retail transfer was underway at the same connection point. The retail transfer period is described in more detail in Box B.1.

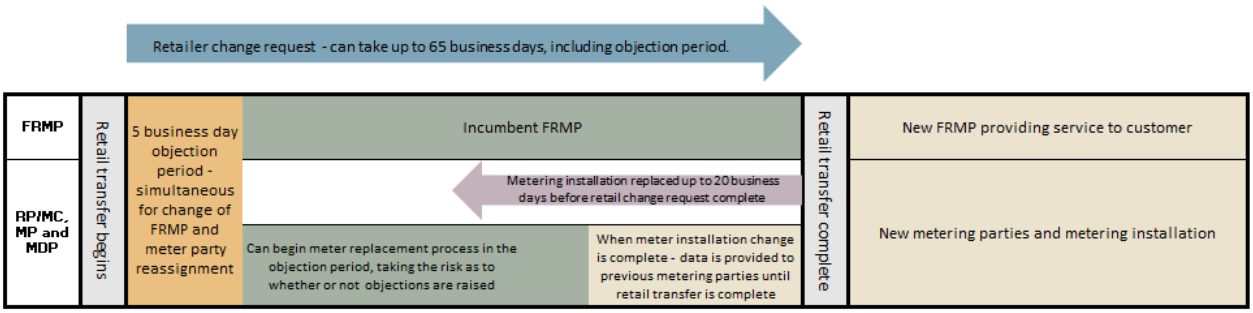
The superseded procedure outlined how the incoming retailer could change the metering installation during the retail transfer period, prior to the transfer being completed. The incoming retailer could arrange to have its preferred metering installation installed at the connection point before becoming responsible for the provision of energy to the customer (ie before becoming the FRMP at the customer's connection point). This process is explained further in Figure B.1 below.

57 Version v005.

58 Version V1.0.

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

Figure B.1 Process in superseded procedure



When an incoming retailer entered the details of the transfer into MSATS, various parties were notified of the customer transfer by MSATS – including of any new roles or obligations that they may have in regard to the transfer. There was a five day objection period, as specified in the MSATS Procedures. Objections that can be raised largely relate to technical issues.[60]

At the same time as entering the retail transfer, if it so chooses, the incoming retailer could 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 was made, the incoming FRMP was able to begin making changes to the metering installation up to twenty business days before the transfer was complete.[61] It is understood that sometimes changes were made to metering installations during the objections period. When this was done, the incoming retailer and metering parties (ie the RP, MP and MDP) were taking on the risk that no valid objection would be received during this period.

If the metering installation was 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 superseded procedure notes that the incoming metering parties would be required to undertake certain actions during this period. For example, the incoming MDP was required to supply data to the incumbent MDP until the retail transfer was complete.

B.5 Amended meter churn procedures

In 2013 AEMO undertook a review of the:

- Meter Churn Data Management Procedure; and

60 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.

61 Procedure v005 clause 3.2.1(c).

- Meter Churn Procedure for FRMPs.[62]

In the course of this review AEMO identified inconsistencies between the NER and the Meter Churn Procedure.[63] 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.[64]

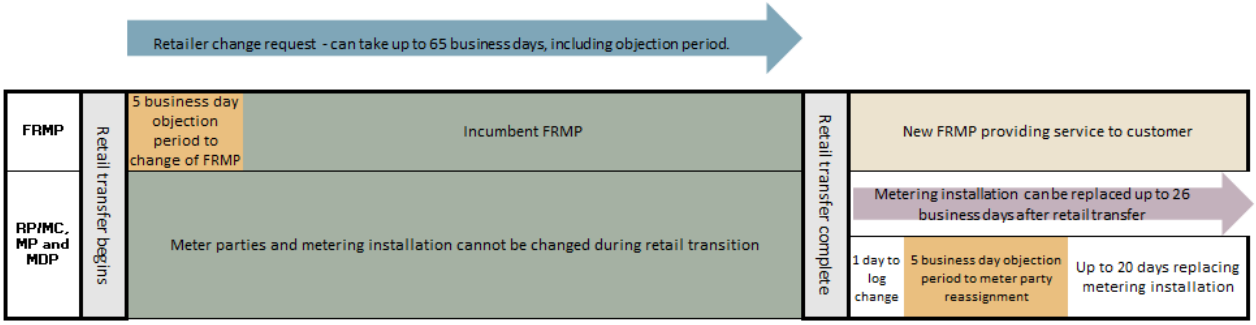
Consequently, AEMO amended the Meter Churn Procedure for FRMPs to bring it into line with the NER. The amended procedure came into effect on 1 September 2015.

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.[65]

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 B.2.

Figure B.2 Process in amended procedure



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

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

64 Ibid.

65 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.[66]

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.

66 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.