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Electronic Lodgement – ERC0196

Dear Mr Chan

RE: Consultation Paper – Using Estimated Reads for Customer Transfers Rule

AusNet Services appreciates the opportunity to respond on the Consultation Paper – Using Estimated Reads for Customer Transfers Rule 2016.

COAG Energy Council has requested a Rule change request designed to facilitate using estimated reads for customer transfers.

The vast majority of Victorian households now have remotely read AMI interval meters. The daily delivery of metering data associated with the mandated Minimum AMI Service Levels Specification means transfers can occur within days. There appears to be no need to introduce obligations to follow procedures for customer transfers on estimated reads in Victoria.

The Rule change proposed in the Consultation paper, in particular, the use of estimates for settlements, would have significant cost implications associated with changes to systems and process. In our detailed response attached, we identify the significant cost drivers. We have also considered the relative merits of restricting the rule change to only apply the new process to Type 6 accumulation meters and exclude customers with solar. Finally, our submission comments regarding matters of explicit informed consent affecting market efficiency, and when a transfer on estimate should be restricted if too close to the next read date.

The AEMC is proposing AEMO develop and publish a new procedure, and we agree that this would be essential to implement the Rule change. Developing a procedure will affect the implementation timeframe for the proposed Rule change. In our view, this would require a minimum of nine months for AEMO to develop this process after the Rule change determination, and the industry would then require, at least nine months to implement the changes. Further, if this Rule was implemented it would be restrained by activities associated with the implementation of the metering contestability framework in December 2017. Therefore, we recommend a final implementation date of no earlier than late 2018.

We welcome the opportunity to participate further in this Rule change development and look forward to the next stage of Consultation. Should you have any queries in relation to this response please do not hesitate to contact Justin Betlehem on 03 9695 6288.

Yours sincerely,



Kelvin Gebert
Regulatory Frameworks Manager

Submission to the AEMC on Using Estimated Reads for Customer Transfers Rule Change

1 Use of estimates for settlements

1.1 Use of estimates for settlements

AusNet Services positions with respect to these aspects of the framework are given in the answers below:

Question 6 Use of estimates for settlement

- a) What, if any, issues would be raised by the use of an estimated read (not corrected by an actual read) for a final bill with retail billing, wholesale market settlement or other payments made by retailers, for example network charges, feed-in tariffs, REC obligations, and market and ancillary charges?
- b) What, if any, substantial changes to the systems or procedures of AEMO, retailers, MDPs or others would be required to address these issues?
- c) How would the costs of implementing the changes referred to in Question 6 (b) compare to the savings to retailers and customers from reduced payments to MDPs for special reads on transfer and from reduced administrative costs (including those in relation to meter access issues) relating to long transfer times?

Response to question 6

a & b) AusNet Services considers the proposed use of a mid-cycle estimate (final substitute) would result in very significant system changes, in particular, if applied to manually read interval meters. In any case, we recommend not introducing transfers on estimates in Victoria for reasons outline in section 2.1.

In the case of manually read interval meters the interval data would replace the mid-cycle estimate (final substitute), and our network billing system would automatically generate the bill. To disable this re-billing function would be a very significant change to our billing system and may even require a separate instance of our billing system. We believe that AEMO would also face significant challenges in altering the wholesale settlement process to not re-bill when the actual interval metering data is collected. We would therefore support a change to exclude all interval meters from the proposed Rule.

In the case of Basic Type 6 metering we consider that the use of a mid-cycle estimate (final substitute) would also result in system changes to produce the necessary mid-cycle estimate. Although once produced the mid-cycle estimate would be treated similarly to a mid-cycle special read (or any other mid-cycle read). However, there is the potential if the customer lowers their consumption in the read cycle it is possible that the next actual read can result in a negative consumption (or generation) reading. This would result in any number of exception events in metering data management systems, network billing systems and retailer billing systems. It is managing these exceptions and the task of altering our metering data management system to produce the mid-cycle estimate (final substitute) that will drive significant costs DNSPs and ultimately to customers.

- c) The cost saving associated with avoiding special read costs is a matter for retailers and customers.

Submission to the AEMC on Using Estimated Reads for Customer Transfers Rule Change

1.2 New estimation methodology for estimates on transfer

AusNet Services positions with respect to these aspects of the framework are given in the answers below:

Question 7 New estimation methodology for estimates on transfer

- a) In the context of preparing estimates for final bills for in-situ transfers, are the current estimation methodologies set out in AEMO's metrology procedures sufficient or is a new methodology necessary?
- b) Should the rules include any general principles regarding the new estimation methodology, for example that customer reads should be given priority, where available?

Response to question 7

a & b) AusNet Services regards a number of the current estimation methodologies as set in Metrology Procedure Part B would be able to provide the necessary metering data. These include substitution types 61, 62, and 65. However, the retail market procedures would need to define the circumstances when a mid-cycle estimated read is required.

2 Proposed restrictions on transferring on estimates

2.1 Not introducing transfers on estimates in Victoria

AusNet Services considers applying the requirement to transfer on estimates to Victorian customers would be inefficient and is not justified. The vast majority of Victorian households now have remotely read AMI interval meters. These meters are delivering daily metering data in accordance with the mandated Minimum AMI Service Levels Specification so in fact transfers can occur within days. With the obligation on Victorian DBs to replace outstanding non-AMI meters when the customer no longer objects or resolves the issue preventing the installation, we still are actively trying to deploy more AMI meters. Even after metering contestability commences the retailers and contestable metering coordinators will have obligations to ensure interval meters are deployed.

As outlined earlier in the submission, we consider the cost of the proposed changes would be significant and disproportionate given the small portion of Victorian customers on basic meters. Even if interval meters were excluded from transfer on estimates requirements, billing systems would require reconfiguring to bill on the new mid-cycle estimate (Final Substitute) and DNSP metering data management systems would need to accommodate new substitution logic to generate the mid new mid-cycle estimate (Final Substitute). These DNSP metering data management systems were not developed for a long-term life cycle because Type 6 metering is meant to be replaced with remotely read interval meters. There would be no opportunity to leverage these stand-alone system changes with any other initiatives.

The relevance of the proposed rule change would further diminish over time as opportunities arise to replace the small number of remaining Type 6 accumulation meters. Therefore, the costs of such works would impact non-discretionary prices for every Victorian customer, and as such we strongly recommend not apply applying the requirement to transfer on estimates to Victorian customers.

Submission to the AEMC on Using Estimated Reads for Customer Transfers Rule Change

2.2 Further answers to the questions

AusNet Services positions with respect to these aspects of the framework are given in the answers below:

Question 2 Assessment framework

- a) Are the proposed restrictions on the use of estimates on transfer sufficient to overcome the consumer and retailer issues identified in answers to Question 1 above?
- b) If not, what additional restrictions or protections are required?
- c) Are there any changes to the proposed restrictions that would improve the effectiveness of this proposed rule in reducing transfer times, without sacrificing consumer protections?
- d) Are there any changes to the proposed restrictions that would reduce the costs of implementing the proposed rule, without sacrificing consumer protections?

Response to question 2

- a) AusNet Services agree with the proposed restrictions are reasonable, however we consider that it would be difficult to objectively determine if “the same customer is remaining at the same premises”. The customer may have given different details to the new retailer, and the new retailer has no way of verifying the customer’s information prior to the transfer. If the condition cannot be independently verified it may be worth removing.
- b) We suggest that adding the following situations restrictions to prevent consumer, retailer and market issues associated with the Rule change.
 - (i) as outlined in section 1.1 above, situations where the customer has a manually read Type 5 interval meter should be restricted to allow the market to properly utilize all actual interval metering data where it is available. To not restrict would have significant impacts on network billing and wholesale settlement processes.
 - (ii) situations whereby the estimated read is very close to either the next or previous read. In such cases where the estimate was higher than the actual consumption the next retailer may have a negative read.
 - (iii) customers with feed in tariffs on the basis that current substitution rules allow zero substitutes for solar generation import to the grid. All the generation would accrue to the next retailer.
- d) As outlined above AusNet Services recommends all meters in Victoria are excluded from this on the basis that it would be very inefficient to introduce costly system changes for an insignificant portion of meters.

Submission to the AEMC on Using Estimated Reads for Customer Transfers Rule Change

3 Matters relating to customer consent

AusNet Services considers that Explicit Informed Consent (EIC) is a fundamental requirement for the framework of transferring on estimates. Without EIC customers adversely affected by transfers on estimates could raise a complaint through the relevant ombudsman's office, and if successful, the subsequent process of reversing a transfer on estimate would be time consuming on all Registered Participants involved. Even if the transfer is successfully reversed out it would be pointless and time consuming to seek to modify the final substitute read used as the mid-cycle estimate.

Question 4 Record of customer's consent to transfer on an estimate

- a) Should the proposed rule include a requirement for the new retailer to provide the old retailer a record of the customer's explicit informed consent to the use of an estimate that complies with the requirements of sections 39 and 40 of the NERL?
- b) If so, how should that record be provided? Would the Business to Business (B2B) Procedures provide an appropriate framework for providing consent records?

Response to question 4

a&b) We suggest that requirements for informing the old retailer of a customer's EIC for a transfer on estimates is primarily a matter for retailers to resolve in a manner that balances efficiency and legal risk.

Question 5 Consequences of using an estimate without consent

If a customer's final bill is based on an estimate, and the customer gave explicit informed consent to the transfer to a new retailer but did not consent to the use of an estimate for the final bill, what should the consequences be for the customer, the old retailer and the new retailer? Is it appropriate for the transfer to become void or would some other remedy better serve the customer?

Response to question 5

If EIC for the estimate on transfer was not granted the transfer would not necessarily be invalid, rather it would be up to the customer if he or she determined that the transfer on estimate resulted in an increased cost. As stated above, we consider reversing transfers causes inefficiencies for all Registered Participants involved, and should only occur if EIC is not granted for the transfer.