United Energy Distribution Pty Limited
ABN 70 064 651 029

UNITED ENERGY

United Energy
6 Nexus Court
Mulgrave VIC3170
PO Box 449
Mt Waverley VIC 3149
T 03 8846 9900
F 03 8846 9999
www.ue.com.au

28 January 2016

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

Electronic Lodgement – RRC0006

Dear Mr Pierce

RE: Consultation Paper National Energy Retail Amendment (Meter Read and Billing Frequency) Rule 2016

United Energy (UE) appreciates the opportunity to respond to the Consultation Paper National Energy Retail Amendment (Meter Read and Billing Frequency) Rule 2016.

UE note that Ergon Retail have proposed this rule change on the basis of retail billing difficulties associated with the timely provision of actual data/estimated data being received from the MDP and concerns about meeting the obligation of providing a customer with a bill at least every 3 months. The AER interprets the 3 months as an absolute obligation to issue a retail bill within 92 days to all consumers on standard retail contracts. Ergon proposed changes to the National Energy Retail Rules (NERR) to overcome this issue to move to a best endeavours obligation, however the Consultation Paper poses a range of alternatives that impact Meter data provider (MDP) obligations as stated in the Metering Service Level Procedures (SLP) and the National Metrology Procedure (NMP).

Victoria has not yet adopted NECF, however some of the alternatives presented in the Consultation Paper impact distributors cash flows and credit arrangements and also have the potential to impact the metering services obligations and costs which would impact UE.

UE support the Ergon proposal of a best endeavours retail billing obligation at 3 months with an upper limit of providing an actual or estimated retail bill no later than 100-105 days. This recognises that the MDPs have service level windows around the scheduled read dates to provide processed data and retailers have billing windows where they would receive MDP data before undertaking their own estimate. UE support the continued discretion to use estimated reads for billing purposes and not limit billing to actual meter reads. UE do not support increased read frequency across all MDPs, or based on a meter by meter basis as this increases costs.

UE note that the AEMC envisage a final rule determination sometime in June 2016. Some of the alternatives being considered by the AEMC have wider implications in the NER and NEM procedures than the Consultation Paper currently envisages and it is preferable that these changes do not delay or place at risk the metering competition implementation. UE note that a June 2016 Final Determination is too late to integrate changes into the NEM procedures consultation which is commencing on 22 April 2016 for metering competition.

Objectives test

Consideration of any consequential changes and implications also need to take into account the NEO as this impacts cost structures, cash flow, credit risk, working capital etc. of other businesses. Amendments in the NERR cannot be considered in isolation from the provision of the services and cost impacts to that service provider and network billing.

Nature of the Issues

The meter read frequency and meter read (actual or estimated read) impact a number of participants in the market and the cash flow impacts and viability of those parties.

There are a number of other relevant clauses the AEMC needs to consider in relation to the proposed rule change. The meter read frequency is not just a matter for the retailer and their MDP, any change to the meter read cycle impacts the LNSP and needs to be agreed with the LNSP. The NMP was established on this basis so that the retailer or the LNSP whoever was RP could not impact the cash flow of the other party.

The AEMO SLP clauses for the MDP to read a meter with best endeavours at least every three months are also replicated in the NMP, Part A, 3.4.6 and 3.4.7 for meter types 5 and type 6. Similarly we would expect that type 4a will follow the type 5 requirements from 1 Dec 2017, or could require a monthly read cycle if the type 4a meter follows the minimum type 4 memory capacity of 35 days.

The relevant NMP clauses are:

3.4.10 For metering installations where the responsible person is not a TNSP, the responsible person must ensure that a schedule is developed and maintained to determine the ***scheduled reading dates*** *for each metering installation in accordance with clauses 3.4.6 and 3.4.7, and the meter reading frequency as* <u>*agreed between the financially responsible Market Participant and the Local Network Service Provider.*</u>

scheduled reading date *- scheduled reading date means the date of next scheduled meter reading.*
scheduled meter reading *- scheduled meter reading means an actual meter reading on a cycle that equates to the end-use customer's billing cycle, usually monthly or quarterly.*

In Victoria a small number of customers are still being manually read with estimated reads being required due to no access- locked gates, dogs etc. It is important that the MDP obligations in the SLP and the NMP, remain as best endeavours and are not drafted as absolute as meter access issues are inevitable. Increasing the meter read frequency would result in increased costs.

The NERR provides the framework for retailers to deal with repeated estimates and to engage with the customer to gain access for the MDP or develop the alternatives - customer own meter reads. Retailers have the ability to use the MDP estimate (or retailer estimate) for retail billing (where there is no actual) and retail billing windows should allow this approach. The NERR should recognise reasonable data delivery and billing windows and reasonable timeframes to create retailer estimates.

Potential Solutions

The consultation paper offers three alternatives;

1. Allow retailers to delay issuing a retail bill to a small customer until an actual or estimated read has been provided by the MDP , subject to a maximum time limit:
2. Recommend to AEMO that its SLP require MDPs to read more frequently so that bills are more likely to be based on actual consumption at least once every three months: or
3. Maintain the current arrangement where some small customers may receive estimated bills.

Retailers should have some discretion to bill on day 92 or day 95 if the delay may result in retail billing based on actual meter data or on an MDP estimated meter read which may be better than the retailer generated estimate. A maximum limit of 100-105 days might be reasonable. UE agree with the AEMC that this is a proportionate response to the issue identified. Lengthy delays in retail billing may create budgeting/cash flow problems for customers.

UE do not support change to the MDP SLP or NMP to require more frequent meter reads for small customers with type 5 (or 4a) or type 6 meters, potentially based on their retail contract type. This would result in increased read costs, ultimately this is not efficient expenditure for consumers. This may also result in different meter reading obligation/frequency which is overly complex.

As noted above, any change in the meter read frequency needs to be agreed with the LNSP. The retailer cannot unilaterally agree to a change in read frequency with the MDP without gaining agreement from the LNSP. As the number of manually read customers reduces, the travel distances and hence read costs increase during a smart meter roll out.

Whilst it is highly desirable for retail billing (and network billing) to be based on validated actual meter data, it is inevitable that there will be no access issues on occasion. The ability for retailers to bill on estimates should remain. Retailers should not be limited to billing on actual meter reads as this may create perverse incentives.

UE agree with the AEMC that there is trade-off between frequency of meter reads, accuracy of bills and costs involved on all parties, not just the retailer and customers.

Frequency of meter reading

Shortening the meter read cycle will involve more manual read costs, higher data volumes to manage validation, estimation and substitution processing and exceptions. The Consultation Paper recognises that the metering services are alternative control costs where they are provided by the LNSPs. These charges are approved by the regulator in the price review process and in the case of Victoria set under a revenue cap for a 5 year period. The AEMC recognises that this would mean that the allowance that the AER has given to an LNSP to cover the costs for these services is no longer adequate, with limited option for recovery.

Where there is a shortened reading cycle this would result in more frequent network billing, payment and disputes management etc. as billing is triggered by the next scheduled read date. This extra processing and exception management would depend on how the change was managed e.g. on all type 6 metered customers or on type 6 metered customers with standard retail contracts.

The underlying costs will change considerably depending on the meter volumes being managed and the efficiency of meter read routes. As the smart meter roll out progresses these costs to maintain even the quarterly read customers will increase, this becomes exacerbated for the last few percent.

Billing on the basis of estimates

The Consultation Paper notes that there are constraints on the retailer in terms of recovering undercharged amounts beyond 9 months and similarly the NERR requires the retailer to return any overcharged amounts to the customer. These also generate constraints on network charges and recovery under the customer framework.

The Consultation Paper poses an alternative solution where the retailer could ask the MDP to provide an estimate in time for the retailer billing i.e. prior to the next scheduled read date. This would allow the strict interpretation of the 3 months or 92 days to be met without taking into account the meter read and processing windows or the billing windows. This is a disproportionate response to the issue.

Relevance of rule change to gas

Ergon requested a change in the NERR for electricity and not for gas, at this stage any proposed solution should only apply for electricity. There is no case made to apply changes which may impact gas meter reading arrangements.

Gas meter read cycle is 2 monthly in Victoria, so retailers are able to issue a retail bill within the 3 months. Retailers are able to request alternative read arrangements but they need to be agreed with the distributor. Undertaking this on a supply point by supply point basis by retailer is not currently seen as efficient by any of the parties involved.

Any solution for the electricity industry needs to be separately considered in the context of the gas retail market procedure if there will be a change to the meter reading arrangements. Consideration of the application of a solution to gas is best undertaken once the final solution is agreed for electricity.

UE welcomes the opportunity to participate in this rule change development and looks forward to the further consultation on the issues.

Should you have any comments in relation to this response please do not hesitate to contact me on (03) 8846 9856.

Yours sincerely

Verity Watson
Manager Regulatory Strategy