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21 May 2015

Richard Owens
Senior Director
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submitted electronically

Dear Mr Owens,

Re: ERC0169/RRC0002 Expanding Competition in Metering and Related Services

Red Energy welcomes the opportunity to respond to the Australian Energy Market Commission's (the Commission) Draft Determination on Expanding Competition in Metering and Related Services (Draft Determination).

Red Energy is a 100% Australian owned subsidiary of Snowy Hydro Limited. Red Energy retails gas and electricity in Victoria and New South Wales and electricity in South Australia and Queensland. We are currently one of the largest second tier retailers.

Benefits of the Rule Change

Meeting the Objectives

The Draft Determination outlines changes to Chapter 7 of the National Electricity Rules (NER) and the National Energy Retail Rules (NERR) (collectively the Rules) to enable customers to have more choices in the products and services available to them by expanding competition in metering and related services.

Red Energy considers that this rule change will meet both the National Electricity Objective and the National Energy Retail Objective. The rule change will promote competition in all facets of the energy supply chain in the long term interests of consumers. It will enable consumers to have increased choice in the products and services, with the metering installation being the enabler of many future reforms.

The Commission argues that by enabling contestability in metering services, there are benefits to consumers, market participants and metering coordinators. In relation to retailers, the Commission view is that this occurs through "lower regulatory and transaction costs". We strongly support this view, as identified in this section of our submission, as a nationally consistent approach, a true minimum specification based on services and the promotion of consumer choice. We expect that the benefits of a competitive metering arrangement will increase choice for our customers as the metering installation will be the enabling technology to unlock future products and services.

Nationally Consistent Approach

In response to the Commission's Consultation Paper, Red Energy strongly advocated for a nationally consistent approach to metering arrangements, free from any jurisdictional derogations. We argued that advanced metering and its meter data are integral to the operation of the market whilst the enabling technology allows for innovative products and services to be delivered to our customers.

The Commission's draft Rules support a nationally consistent approach, with minimal derogations in the draft Rules which only relate to the transition for Victoria into the national framework. Red Energy strongly supports this approach and the benefits it has across the National Electricity Market (NEM).

Minimum Approach to Specifications

Red Energy has consistently advocated for a minimum approach to specifications to ensure that the consumers' choice of services are those that are included in the metering installation that is installed.

The Commission has taken a sensible and future-proof approach to what is mandated in the Rules in terms of specifications of the meter and the metering system. Red Energy strongly supports the adoption of a services approach instead of specific functionality being mandated as the minimum in the Rules. This provides the outcome which consumers will come to expect, such as a remote reconnection upon moving into their new home, without mandating the individual functional specifications that are required. It also provides the opportunity for a consumer to receive a metering installation that either meets the minimum services requirement or something more advanced, dependent on their needs. We look forward to having conversations with our customers regarding the products and services that they can receive, rather than individual functions within a meter that they are not likely to be interested in.

Promotion of Consumer Choice

The Commission has outlined a pragmatic approach to consumer choice in relation to the installation of an advanced meter. Lumo Energy supports the maintenance of the current approach to faulty meters, those at the end of their working life and emergency replacements. Presently, in these scenarios a meter is installed by the distributor without providing the consumer on site with a choice regarding what type of meter is installed. In the new Rules the priority will be to get a consumer reconnected and the meter installed will meet the minimum services specifications, without providing choice for a consumer to select a higher service specification meter.

The Commission has also proposed that where a meter is being replaced for the purposes of a 'new meter deployment' (as defined in the NERR) by a retailer that a consumer will have a choice to retain their existing meter provided that it is functioning as designed. In these situations, providing a consumer with choice is supported by Red Energy.

The Commission has noted in the Draft Determination that the draft Rules "promote opportunities for consumers to become more active participants in the electricity market

through engaging with a new range of products and services, should they wish to do so”.¹ We support this outcome and through the promotion of consumer choice, it provides options for consumers to engage with the market. If a consumer chooses to remain with the status quo, that is a choice that they are able to make.

Furthermore, the provisions in the NERR allow for a minimum standard of communication with consumers in relation to meter deployments. Through the provision of correspondence to consumers, we expect that consumers will be capable of making that decision in an informed fashion that clearly outlines the benefits of an advanced meter and the associated costs (if any) with a ‘new meter deployment’.

Red Energy supports the Commission’s position regarding a consumer’s ability to appoint their own Metering Coordinator. We believe that consumers are more concerned with reliability of their supply, customer service and the products and services available to them, rather than the meter itself.

Opportunities for Improvement in the Rule Change

Establishment of the Metering Coordinator

Red Energy strongly supports the establishment of the Metering Coordinator role as a registered Participant in the Rules.

The draft Rules propose that a Metering Coordinator must not be a Market Customer. We understand that the intent of this Rule is to ensure that a Metering Coordinator is not the same entity that has a retail contract with the consumer. Red Energy recommends that this Rule is strengthened to ensure that any party with a retail authorisation or an exemption from a retail authorisation under the National Energy Retail Law is precluded from fulfilling a Metering Coordinator role. This will ensure that the intent of the draft Rule is met, under current and future arrangements, where it is conceivable that an alternative energy retailer may be the party that has the dominant retail contract with the consumer.

In the Consultation Paper, Red Energy advocated that the Metering Coordinator must also be an accredited party with AEMO. This would provide confidence to industry that the Metering Coordinator was being monitored in a manner similar to the Meter Provider and Meter Data Provider roles in the current Rules. This is articulated in the draft Rules stating that “a *Metering Coordinator* is a person so accredited and registered with AEMO ...”.² Red Energy supports the oversight that AEMO accreditation provides and considers that the draft Rules need to be amended to include the accreditation of Metering Coordinators in the Metrology Procedures.³ Through the monitoring function performed under accreditation, this will provide AEMO with the information it requires to ‘reasonably determine’ whether a breach has occurred under the Rules. If this is not the intent of the draft Rules, we query which body will undertake a monitoring role in relation to providing AEMO with the information it requires to reasonably determine whether a Metering Coordinator has breached the Rules.

¹ AEMC 2015, Expanding competition in metering and related services, Draft Rule Determination, 26 March 2015, Sydney, pg. 21

² Draft Rule 2.4A.1(a). See also draft Rule 7.6.4(g)

³ See draft Rule 7.16.5(a)(1)(v)

Ring-Fencing Arrangements

The Commission has proposed a change to the Distribution Ring-Fencing Guidelines, mandating that they must be established by the AER under Chapter 6 of the NER. Red Energy is supportive of this approach as it ensures that should distributors choose to compete in the metering services market they do so on a competitively neutral basis.

Red Energy queries whether the AER should also establish a Metering Ring-Fencing Guideline. We have consistently recommended to the Commission that a competitive metering framework should not impede a consumer's ability to choose retailer, product or service. Furthermore, we have argued that the metering framework must not introduce barriers to entry or competition.⁴

Red Energy has genuine concerns that a Metering Coordinator that is a subsidiary of a retailer (or exempted retailer) may not be sufficiently independent to ensure that metering competition will not impede retail competition. Whilst the Commission has stated that competition law should prevent sharing of information between the retailer and its subsidiary metering business, we urge the Commission to further consider placing an obligation on the AER creating a Metering Ring-Fencing Guideline. This position will ensure that the Metering Coordinator will be competing in the metering market on a competitively neutral basis, similar to the requirements on Distributors.

It is critical that the market has confidence in all service providers to ensure that the rule change delivers the benefits as expected. In the Draft Determination the Commission states: "the ability of Metering Coordinators to exercise market power may be constrained ...If Metering Coordinators do not offer access to products and services that consumers value, they risk losing customers and market share. This reduces the incentives for Metering Coordinators to deny access to their services, or charge excessive prices to energy service companies".⁵ Red Energy is particularly concerned that if it is uneconomical to churn the meter where it is owned by a retailer subsidiary, it is likely that the meter will introduce retail competition issues. These concerns stem from the potential sharing of information between the metering business and its parent retail company. Therefore, the creation of a Metering Ring-Fencing Guideline will ensure that competitive neutrality and retail competition continue to exist.

The Commission has outlined that the draft Rule will meet the criteria of 'Transparency and Predictability', where market participants are confident in the metering arrangements, and it encourages consumer participation and choice. Therefore, we question whether this is achieved without a competitively neutral environment, hence the benefits of the AER establishing a Metering Ring-Fencing Guideline to ensure competition in the retail and metering markets.

Special Sites and Type 4A Metering

The Commission has not specifically dealt with consumers who take exception to remote metering installations. We have interpreted that the draft Rules will allow AEMO to determine that a particular NMI can be deemed a 'special site' in these situations.⁶ Additionally, we

⁴ Lumo Energy Submission to Framework for Open Access and Communication Standards Draft Report, 30 January 2014, pg. 3.

⁵ AEMC, Draft Determination, pg. 69.

⁶ See draft Rule 7.8.12(a)

consider that where these sites have been so deemed, there remains a requirement to install a metering installation that is capable of providing all services outlined in the minimum service specification.⁷ Therefore, in these circumstances the metering installation will be capable of remote services irrespective of whether they are enabled, in line with the Type 4A provisions.⁸

In terms of both special sites as outlined above, and those with technological constraints where telecommunications is not accessible, we believe that this is the most appropriate course of action. This will ensure that where the consumer concerns are allayed or telecommunications become available, there will not be a new meter required but a small change to enable the telecommunications. Furthermore, we consider that this approach will provide consumers with the choice in the situation where they have a faulty or end of life meter and are required to have a meter installed which meets the minimum service specification.

Network Devices

The draft Rules state that a network device can be installed at a consumer's site for the purpose of monitoring or operating a network. The Draft Determination states that the Commission recognises that the installation of the network device could lead to an inefficient outcome.⁹ Red Energy has concerns regarding the draft Rule regarding network devices from a customer experience and from a practical outcome standpoint.

In terms of consumers, it remains unclear why the distributor is not required to provide the consumer with a choice regarding whether the network device is installed adjacent to a metering installation. In particular, as the Commission has progressed this rule change on the basis that consumer choice is paramount to the success of a contestable market. Presumably the distributor retains the right to install a network device on its asset, and as such where it is seeking to install a network device to monitor its network, it could do so by installing it on a distribution pole.

We question in what circumstances a network device will be utilised to operate the network? If the customer wishes to have a controlled load such as hot water or an air conditioner, the onus will be on the retailer to ensure that the meter that is installed is capable of meeting the requirements of their customer. In these circumstances, the retailer will receive the customer's consent when offering a product that includes a controlled load service. Additionally, where the distributor wishes to retain the existing meter as a network device, will the customer have a right to opt out of the arrangement similar to the arrangements for new meter deployments? It is unclear in these instances why the distributor will not be subject to the same provisions.

Red Energy has a number of practical questions when existing meters are retained as a network device, such as:

- How is 'monitoring and operating' defined?
- How will the Metering Coordinator become aware that a distributor wishes to retain its meter as a network device?
- Who will pay for the installation of the network device?

⁷ See draft Rule 7.8.3

⁸ See draft Rule 7.8.4(b)

⁹ AEMC, Draft Determination pg. 73.

- Will there be any reduction in the overall costs to consumers? For example, where there is an exit fee, will that be applicable where the meter is retained?
- Where there is a capital and non-capital unbundled metering fee, will both fees be removed for consumers who have a network device?
- What occurs when a network device fails or ceases operation?
- When a consumer agrees to a new product that requires a meter deployment and the distributor decides the network device remains, which party will be liable where a consumer contests having two meters on their property to the ombudsman?

Red Energy recommends that the Commission addresses these concerns when making its final decision.

Implementation

Red Energy supports the Commission being involved in the AEMO Procedure development to ensure that the intent of the Rules is met.

Furthermore, Red Energy supports an overarching project management function sitting with either the Commission or COAG Energy Council to ensure that all milestones are successfully met. We have concerns that the development of Procedures will not be sufficiently considered and will only be focused on meeting the deadlines prescribed in the Rules. Through the project management function, it will ensure that the industry is provided with enough time and confidence to build and implement systems successfully, to deliver the benefits to consumers as intended.

Drafting Considerations

Red Energy includes a list of drafting changes that we recommend to ensure that the rule change is workable and effective. Red Energy would enjoy the opportunity to participate in a further workshop with the Commission on the proposed final drafting to ensure that it is operable and delivers the benefits to consumers as intended.

Conclusion

Red Energy considers that this rule change will deliver choice to consumers in the products and services available to them, enabled via the expansion in metering competition. This submission has outlined the key benefits of the rule change as defined in the Draft Determination and the key opportunities for improvement.

We thank the Commission for their support of competition in the energy market and the opportunity to respond to this rule change. Should you have any further enquiries regarding this submission, please call Stefanie Macri, Regulatory Manager on 03 9976 5604.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Ramy Soussou".

Ramy Soussou

General Manager Regulatory Affairs & Stakeholder Relations

Red Energy Australia Pty Ltd

Att.

Drafting Considerations

Red Energy has listed these items in Rule order not priority order.

Specific Drafting Items	Red Energy Comment
7.2.1(b) AEMO may refuse to permit a <i>financially responsible Market Participant</i> to participate in the <i>market</i> in respect of any <i>connection point</i> in relation to which that <i>financially responsible Market Participant</i> is not in compliance with its obligations under paragraph (a).	Paragraph (b) should be reworded to ensure that it meets its intent. It currently appears to be a trigger for a RoLR event.
7.2.2 [Not used]	Recommend that the final Rules are clean and renumbered to avoid any Rules that appear as [Not used].
7.3.2(f) The <i>Metering Coordinator</i> must, for each <i>small customer metering installation</i> for which it is responsible, ensure that <i>energy data</i> is retrieved from that <i>small customer metering installation</i> via remote access.	There should be a reference to where the metering installation is exempted as a Type 4A. Also, should remote access be a defined term?
7.4.1(e) Except as otherwise specified in paragraph (f), a <i>Market Generator</i> or <i>Market Customer</i> which is involved in the trading of <i>energy</i> must not be registered as a <i>Metering Provider</i> for <i>connection points</i> in respect of which the <i>metering data</i> relates to its own use of <i>energy</i>.	Is the intention of this rule to allow Market Customers to be able to be registered as a Metering Provider for connection points that it is <u>not</u> the FRMP for?
7.4.2(e) Except as otherwise specified in paragraph (f), a <i>Market Generator</i> or <i>Market Customer</i> which is involved in the trading of <i>energy</i> must not be registered as a <i>Metering Data Provider</i> for <i>connection points</i> in respect of which the <i>metering data</i> relates to its own use of <i>energy</i>.	Is the intention of this rule to allow Market Customers to be able to be registered as a Metering Data Provider for connection points that it is <u>not</u> the FRMP for?
7.5.1(b)(1) permit the <i>financially responsible Market Participant</i> to appoint a <i>Metering Data Provider</i> of its choice to perform the <i>metering data services</i> between the <i>metering installation</i> and the <i>metering database</i> and to parties who may be granted access to that data under clause 7.15.5(a)(a), subject to the limitations on that choice imposed by paragraph (a) and (d);	Consider that it is pointing to the wrong clause, believe should be 7.15.5(a)(1).

Specific Drafting Items	Red Energy Comment
7.6.1(b) In accordance with the <i>Rules</i> and procedures authorised under the <i>Rules</i>, a <i>Metering Coordinator</i> may supply services with respect to a <i>metering installation</i> including access to the services provided by the <i>metering installation</i> and <i>metering data</i> from the <i>metering installation</i> on terms and conditions (including as to price) to be commercially agreed between the <i>Metering Coordinator</i> and the requesting party.	Can the Metering Coordinator supply services to any requesting party? Or only those which the customers have provided authority? Or only parties who are authorized to access under the Rules? Should this be limited similar to clause 7.15.4(a) and 7.15.4(b)?
7.7.3 AEMO may issue breach notice	As per the submission above, we recommend that this rule clarifies which party has the compliance monitoring obligations.
7.8.6 Network devices	As per the submission above, we recommend this clause is substantially amended.
7.8.6(a) A <i>Local Network Service Provider</i> may install a <i>network device</i> at or adjacent to a <i>metering installation</i> for the purposes of monitoring or operating its <i>network</i>.	As per the submission above, we recommend that for this rule the terms “monitoring or operating its network” applies to. For example, in paragraph (c) it states that a network device must only be used in connection to the operation or monitoring of the network. Where load control is used as demand side participation, is this ‘operation or monitoring’ of the network? Or is this a service provided to a consumer?
7.8.9 Meter churn	We have interpreted this rule as the addition of communications to a type 5 meter does not constitute it as a type 4 meter. If this is not the intent of paragraph (c), please clarify within the Rules.
7.9.1 Responsibility for testing	This clause does not actually assign responsibility for testing onto the Metering Coordinator. The clause that assigns responsibility is in Schedule 7.6.1(c). We recommend that the obligation is placed in the Rule covering responsibility and referred to in the Schedule.
7.10.1(a)(9) maintaining the standard of accuracy of the time setting of the <i>metering data services database</i> and the <i>metering installation</i> in accordance with clause 7.15.5;	We do not think that clause 7.15.5 is the correct clause. Please amend.

Specific Drafting Items	Red Energy Comment
7.10.2(j) The <i>Metering Data Provider</i> must arrange with the <i>Metering Coordinator</i> to obtain the relevant <i>metering data</i> if <i>remote acquisition</i>, if any, becomes unavailable.	This clause is poorly drafted. Is the intent of this clause - if there is remote acquisition of data and it becomes unavailable, or if there is only some metering data that is unavailable via remote acquisition?
7.10.3 (a) ... of <i>metering data</i> as required by clauses 7.11.2(a) and 7.10.1.	We do not think that clause 7.11.2(a) is not the correct clause. Please amend.
7.10.6(c) <i>AEMO</i> may relax or exempt the performance standards specified in subparagraph (a)(4) in circumstances, including those referred to in clause 7.8.9(a), when <i>AEMO</i> and the <i>Metering Coordinator</i> agree on a lower performance standard that does not place a material risk on <i>AEMO</i>'s ability to meet its <i>settlements</i> and <i>prudential requirements</i> obligations under the <i>Rules</i>.	We do not think that clause 7.8.9(a) is the correct clause. Potentially it is both 7.8.4 and 7.8.12?
7.13.3 A <i>Distribution Network Service Provider</i> must, at the request of a <i>financially responsible Market Participant</i>, and within 2 business days of the date of the request, provide the <i>financially responsible Market Participant</i> with the <i>NMI Standing Data</i> for premises identified in the request by reference to the <i>NMI</i> for the premises.	Both references to a financially responsible Market Participant (FRMP) should be a 'retailer'. A FRMP already has NMI Standing Data, the purpose of this clause is to enable incoming retailers to find out information about the site to quote a customer.
7.15.3(e) The <i>Metering Provider</i> must forward a copy of the passwords held under paragraph (d) to <i>AEMO</i> on request by <i>AEMO</i> for <i>metering installations</i> types 1, 2,3 and 4.	Should this clause also include type 4A?
7.15.4(d) the <i>Metering Provider</i> must keep records of remote access passwords secure; and	This is a duplicate obligation that is not different to clause 7.15.3(b). Recommend that only 7.15.3(b) remains as small customer metering installations are a sub-set of all metering installations.
7.15.5(a)(4) <i>financially responsible Market Participants</i> in accordance with the <i>meter churn procedures</i>	Are the meter churn procedures the correct procedures to point to? Is it not the MSATS Procedures?
7.15.5(c)(1) a <i>financially responsible Market Participant</i> is entitled to access or receive <i>NMI Standing Data</i>	This should say retailer. See comment above re: clause 7.13.3.

Specific Drafting Items	Red Energy Comment
S7.1.2(a)(6) transfer date for <i>Second-Tier Customer</i> and <i>Non-Registered Second-Tier Customer</i> metering data (i.e. to another <i>Market Customer</i>).	What is the definition for a “ <i>Non-Registered Second-Tier Customer</i> ”?
S7.4.2 Metering installations commissioned prior to 13 December 1998	We question whether there are still metering installations in the field that were commissioned prior to 1998. If not, recommend this clause is deleted.
Table S7.5.1.1 Row (b) Access Party <i>Local Network Service Provider</i> <i>financially responsible Market Participant</i>	We recommend that this is defined as the LNSP and ‘retailer’ which includes a retailer that has won a move in customer and organised a reconnection but is not yet the FRMP in MSATS.
Table S7.5.1.1 Row (c) Access Party Parties listed in clause 7.15.5(a)	We query why all the parties listed in clause 7.15.5(a) should have access to a service that requests a meter read on demand. Where the data is requested by a FRMP for a final bill that data will be provided to the market and Local Retailer for settlements via another obligation. We consider that the parties who should have access to this service should be limited to: LNSP, FRMP, MC, MDP and MP.
Table S7.5.1.1 Row (d) Access Party Parties listed in clause 7.15.5(a)	We query why all the parties listed in clause 7.15.5(a) should have access to a service that requests a meter read be delivered to them on a schedule. The schedule could vary from the market obligations, such as a FRMP could request it be delivered for monthly billing. Settlements ready data will be provided to the market and Local Retailer for settlements via another obligation. We consider that the parties who should have access to this service should be limited to: LNSP, FRMP, MC, MDP and MP.
Table S7.5.1.1 Row (e) Access Party <i>Local Network Service Provider</i> <i>financially responsible Market Participant</i> A person to whom a <i>small customer</i> has given its consent under clause 7.15.4(b)(2)	Similar to the remote reconnect service, we recommend that this is defined as the LNSP and ‘retailer’ which includes a retailer that has won a move in customer and organised a reconnection but is not yet the FRMP in MSATS.

Specific Drafting Items	Red Energy Comment
Table S7.6.1.2 Type 4 & 4A VT	What will be the time period specified as the maximum period between tests for these meter types?

Finally, there are many procedures that are established in Chapter 7 that are not drafted into 'Part G Procedures'. We have identified these as:

- Emergency priority procedures (7.8.5(b))
- Procedure for deregistration of Metering Providers and Meter Data Providers (7.4.3(a))
- Procedure for the issue of a Metering Coordinator default notice (7.7.3(a))
- Minimum services specification (7.8.3(c))
- Meter churn procedures (7.8.9)
- Provision of exemptions for meter installation malfunctions (7.8.10(b))
- Metering Data Provision Procedures (7.14(a))
- Ombudsman access to data (7.15.5(h))

We consider that these procedures should be dealt with consistently with the MSATS, metrology and service level procedures. They should be clearly articulated in the clause 7.16.1. We would like to see all procedures listed in Chapter 7 clearly articulated similar to the MSATS Procedures i.e.

AEMO, in consultation with Registered Participants and in accordance with the Rules consultation procedures, must establish, maintain and publish xx.

This provides the market with a clear indication of what is and is not in scope of the Procedures and what remains in the remit of the Rules.