
TERMS OF REFERENCE

REVIEW OF THE REGULATORY FRAMEWORK FOR METERING SERVICES

Australian Energy Market Commission

3 December 2020

Review of the regulatory framework for metering services

Terms of reference

Under section 45 of the National Electricity Law (NEL) and section 232 of the National Energy Retail Law (NERL), the Australian Energy Market Commission (AEMC or Commission) has initiated a review into the regulatory framework for metering services.¹

The purpose of the review is to determine whether the reforms introduced under the *Expanding competition in metering and related services*² (*Competition in metering*) rule change have met expectations, whether changes are required to improve the efficiency and effectiveness of the regulatory framework for metering services, and whether the regulatory framework for metering services supports the implementation of other electricity sector reforms where metering services will play a role.

Background

Introduction of competition in metering

On 1 December 2017, new rules commenced to introduce a competitive framework for metering services. The *Competition in metering* rule sought to introduce a market-led approach to the deployment of smart meters and rule intended to facilitate consumers to drive the uptake of smart meters, and innovation, through their choice of new products and services. It also allowed retailers to roll out smart meters where they can see benefits from the services provided (such as remote meter reading). The *Competition in metering* rule involved significant amendments to the National Electricity Rules (NER) and the National Energy Retail Rules (NERR).³

In the *Competition in metering* final determination, the Commission recommended that the ability of small customers to appoint their own Metering Coordinator be reviewed three years after the commencement of the new Chapter 7 of the NER.⁴ In addition, the Commission recommended that whether some form of access regulation is required should also be reviewed at that time.⁵

Changes to the regulatory framework since the introduction of competition in metering

Since the commencement of the *Competition in metering* rule on 1 December 2017, there have been a number of implementation issues including in relation to customer experience. Three further rule changes have been made to amend the framework for metering in the NER and NERR.

In 2018, the *Metering installation timeframes* rule was made to provide customers with greater control and confidence over when their electricity meter will be installed by imposing obligations on retailers to install meters within specified timeframes as well as providing more flexibility for both retailers and DNSPs in arranging for planned interruptions.⁶

In 2019 a rule change was made to allow the communications on an installed type 4 smart meter be switched off at any time if requested by a customer.⁷

¹ Part 4 of the NEL sets out the functions and powers of the AEMC. Under Division 5 of Part 4, the AEMC has the power to conduct a review into the operation and effectiveness of the National Electricity Rules (NER). Part 9 of the NERL similarly sets out the powers and functions of the AEMC, with the AEMC having the power to conduct a review into the operation and effectiveness of the National Energy Retail Rules (NERR) under Division 5 of Part 9.

² AEMC, *Expanding competition in metering and related services*, Final determination, 26 November 2015. Available at: <https://www.aemc.gov.au/rule-changes/expanding-competition-in-metering-and-related-serv>.

³ AEMC, *Expanding competition in metering and related services*, Final determination, 26 November 2015.

⁴ AEMC, *Expanding competition in metering and related services*, Final determination, 26 November 2015, p. vi.

⁵ AEMC, *Expanding competition in metering and related services*, Final determination, 26 November 2015, p. xi.

⁶ AEMC, *Metering installation timeframes*, Final determination, 6 December 2018. Available at: <https://www.aemc.gov.au/rule-changes/metering-installation-timeframes>. The final rule commenced on 1 February 2019.

⁷ AEMC, *Meter installation – advanced meter communications*, Final determination, 21 March 2019.

A further change to the regulatory framework for metering services was made in 2020, under the *Introduction of metering coordinator planned interruptions* final rule. This rule introduced additional timeframes for meter installation where a customer has requested a meter installation, but the installation of the meter would interrupt the supply of one or more other customers.⁸

In addition, the Commission is aware that some industry participants as well as market bodies would like to see amendments to aspects of the framework pertaining to metering services, either to reduce barriers to smart meter installation, or to provide clarification to roles and responsibilities under the rules.

Further, ARENA's Distributed Energy Integration Program (DEIP) *Access and pricing outcomes report* recommended that the roll out of smart meters and other complementary technologies be accelerated and a similar recommendation was also made in the Commission's 2020 *Electricity network economic regulatory framework review*.⁹

Having regard to the customer experience since the commencement of the *Competition in metering* rule and implementation issues, the Commission considers that the review should not be limited to the narrow aspects discussed in the competition in metering final determination, and should instead be a holistic review.

Objectives

Through this review, the Commission will develop recommendations relating to the regulatory framework for metering services which may include changes to the NER, NERR and any other relevant regulatory instruments.

The output of the review will be a report that may include:

- initial rules drafting for recommended changes to the NER and NERR
- recommendations for any required changes to other regulatory instruments
- advice on any recommended actions for regulators or market operators, for example, revisions to guidelines or procedures
- information on gaps, or areas in which changes could be of benefit, in jurisdictional regulatory frameworks that are identified while undertaking the review
- advice on implementation, including the timing and sequencing of required changes.

A copy of the final report will be provided to the National Federation Reform Council.

Scope

The review will examine the current state of metering services and consider the future requirements of metering services; having regard to stakeholder feedback and reforms which are underway by the Commission, other market bodies and industry.

When examining the current state of metering services, the Commission will consider whether the expectations of industry, market bodies and other stakeholders have been met from the reforms introduced under the *Expanding competition in metering and related services* rule change. This will include examination of:

- the current state of the roll out of smart meters in the National Energy Market (excluding Victoria)
- whether the expected benefits of smart meters are being realised, and if not, why

⁸ AEMC, *Introduction of metering coordinator planned interruptions*, Final determination, 21 May 2020.

Available at: <https://www.aemc.gov.au/rule-changes/introduction-metering-coordinator-planned-interruptions>.

⁹ ARENA, *DEIP Access and pricing package: reform package outcomes report*, June 2020, and AEMC, *Electricity network economic regulatory framework 2020 review*, 1 October 2020.

- if there are any barriers to either the roll out of smart meters, or the expected uses of smart meters
- the materiality of any differences between expectations and reality.

When considering the future requirements for metering services the review will have regard to:

- the services meters may be expected to deliver in the future
- the impact of other market reforms on metering frameworks
- the desired role of smart meters in the future.

The review will identify and assess key issues and risks in the current regulatory framework for metering services, and provide recommendations on potential solutions, including required regulatory changes to facilitate future metering needs.

The review report will set out the appropriate pathway for implementation of any recommended changes, including where jurisdictional instruments may need to be reviewed and amended to ensure consistency with the recommended framework.

Approach and key principles

In conducting the review, the Commission will be guided by the National Electricity Objective and National Energy Retail Objective. Consumer outcomes and experience will be a key consideration when making recommendations in this review.

The Commission will take account of any related work underway, including work coordinated by the Energy Security Board.

In developing its advice, the Commission will consult with a range of stakeholders through a public consultation process following publication of the consultation paper and draft report. Public workshops and forums to gather feedback and discussion papers on particular issues raised by stakeholders may also be undertaken over the course of the review, with reference groups created if required.

In addition, the Commission will consult with:

- state, territory and commonwealth officials
- the AER and AEMO
- Energy Consumers Australia (ECA), other consumer groups and ombudsmen, and seek feedback and input from stakeholders during the consultation process

Key deliverables

At a minimum, the Commission will seek to publish:

- A consultation paper in December 2020
- A draft report by the end of June 2021
- a final report by the end of October 2021.

An embargoed copy of the draft and final reports will be provided to the National Federation Reform Council prior to publication. The Commission may also publish additional consultation papers as considered necessary.