

Ausgrid Submission
AEMC review of metering services
February 2021

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Lodged online

Dear Ms Toomey,

Ausgrid is pleased to provide this submission to the Australian Energy Market Commission's (AEMC) review of the regulatory framework for metering services (the AEMC Metering Review).

The existing metering framework, determined by the AEMC in 2015, was expected to deliver significant benefits to customers. The expected benefits, which included better information for customers, improved retail service, and new products and services, were meant to develop by establishing a competitive environment for meter provision.

Three years after the new framework was introduced, many of these benefits are yet to materialise. Furthermore, in many respects the introduction of competition has led to increased complexity in the provision of metering services, for example in shared fuse arrangements.

The AEMC Metering Review comes at a crucial time in the evolution of energy systems in Australia, with multiple reviews, including those of the Energy Security Board (ESB), considering how energy services will be delivered in the future. It is very important that policy makers consider the role of distributors in this evolution, particularly in the provision of services at the boundary between regulated and contestable markets. In many instances, with appropriate oversight, allowing networks to utilise their assets to provide services that improve customer outcomes will result in lower overall costs across the supply chain.

We would welcome further discussions with the AEMC on these issues. Should the AEMC have any questions in relation to this submission, please contact John Skinner, Regulatory Policy Manager on 02 9269 4357 or john.skinner@ausgrid.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to read "Alex McPherson", written in a cursive style.

Alex McPherson
Head of Regulation

Submission

Ausgrid operates a shared electricity network that powers the homes and businesses of more than 4 million Australians living and working in an area that covers over 22,000 square kilometres from the Sydney CBD to the Upper Hunter.

This shared network plays a key role in the transition to a more distributed energy system and a lower carbon economy and must be harnessed to ensure it continues to deliver benefits for customers.

Through the introduction of competition, the AEMC's 2015 metering reforms were expected to deliver significant benefits for customers. In practice, many of these benefits are yet to materialise. Our submission below outlines some of the reasons why this is the case.

In our submissions to the AEMC's 2015 *Expanding Competition in Metering and Related Services* rule change process, Ausgrid alerted the AEMC to the potential that the costs of competitive meter provision, and the inefficiencies that would result, may outweigh the costs.¹ Multiple reviews, including those of the ESB, are now considering how energy services should be delivered in the future, particularly those services that operate at the boundary between regulated and contestable markets.

As technology advances and networks evolve, the ability to extract value from network assets for relatively low marginal cost will also increase. Market-only approaches may increasingly result in network assets, such as dynamic voltage control and community batteries, being inefficiently underutilised, resulting in higher overall energy supply costs than are necessary. It is important for the AEMC to consider the role which non-market solutions should play in delivering energy services into the future.

This submission provides views on the key issues raised in the AEMC's consultation paper, including:

- the smart meter roll-out in Ausgrid's network area and difficulties associated with shared fuse arrangements;
- customer benefits associated with smart meters;
- the importance of smart meters for tariff reform;
- access to meter data; and
- development of metering data standards.

Current state of smart meter roll-out

As at December 2020, there were approximately 319,000 smart (also known as advanced) meters in Ausgrid's network area (covering around 17.5% of our customers). There were approximately 78,000

¹ For example, Ausgrid, *Submission to the Expanding competition in metering consultation paper*, 29 May 2014, p.7

smart meters on our network at 1 December 2017, and approximately 240,000 advanced meters have been installed since the reforms commenced. This pace of smart meter rollout is slower than forecast in our 2014-19 Regulatory Proposal², where we expected an approximately 400,000 additional smart meters in our network area by this time.

Advanced meters are generally rolled out under one of three circumstances:

- Customers require a new smart meter, either for a new connection or for a new distributed energy resource installation (such as solar PV or battery);
- Replacement of a faulty meter, which also includes the replacement of a fleet of similar meters due to a high failure rate (also known as 'family failure');
- Retailer-led installation of smart meters.

The AEMC's consultation paper seeks views on options to drive the smart meter rollout and improve the ability of distributors to manage their networks. We support initiatives that will speed up the smart meter rollout and recommend that the AEMC undertake a cost benefit analysis of any business case for expediting the rollout.

Shared fuse arrangements

There are many reasons for the slow roll-out of smart meters. In Ausgrid's network area, which has a multi-occupancy rate of approximately 40%, the complexity of replacing a meter with shared fuse arrangements is likely to be a key reason for the slower than expected smart meter rollout. This is because replacing a meter in a multi-occupancy with shared fuse arrangements requires that all customers on the shared fuse be notified of a planned outage, regardless of whether their meters are being replaced or not. This process is repeated each time a meter at that location is replaced.

Shared fuse arrangements are prevalent across our network area as they were allowed under jurisdictional rules until 2016. Unfortunately, these fuse arrangements introduce inefficiencies and additional costs. In addition to the customer inconvenience of an outage, the wide number of parties involved in the outage (including electrical contractors, retailers, meter coordinators and distributors) means that the process is cumbersome and is repeated for each meter at that location until all have individual isolation devices. The May 2020 rule change for customers with shared fuse arrangements mandates installation timeframes and certainty for customers but the process remains inefficient.³

Customer benefits associated with smart meters

The 2015 metering reforms were expected to facilitate competition in meter provision and lead to the following consumer benefits:⁴

² Ausgrid, *Attachment 8.04 – Sankofa – Independent appraisal of diseconomies of scale*, January 2018

³ AEMC, *Introduction of metering coordinator planned interruptions, Rule determination*, 21 May 2020

⁴ AEMC, *Expanding competition in metering and related services, Rule Determination*, 26 November 2015, p61

- Better information: more detailed and timely data about energy use and more accurate billing;
- Cost-reflective pricing: network charges that better reflect the cost of supplying energy and cost reflective tariffs to lower bills for majority of customers;
- Better network service: potential for quicker and lower cost response to power interruptions;
- Better retail service: more innovative pricing, service and delivery options; and
- New products and services: more to choose from and more control over energy use.

Three years after the new metering framework was introduced, many of these benefits are yet to materialise, a view shared by many stakeholders prior to the commencement of the AEMC Metering Review.⁵ That said, the number of smart meters installed across the NEM is increasing and Victoria is starting to demonstrate the multitude of benefits associated with the wide-spread coverage of smart meters.

As recognised by the AEMC in its consultation paper, many consumers had a poor metering experience following the commencement of the reforms. Smart meter installation delays in particular drove an increase in complaints to the Energy and Water Ombudsman of NSW (EWON).⁶ Table 1 shows the volume of meter delay complaints over the past three years and the total volume of complaints related to meter exchange. Recent AER retail energy market performance shows that the volume of meter delay complaints has continued to fall in 2020-21.⁷ The AEMC's Metering Installation Timeframes rule change process is likely a significant contributor to this decline.⁸

Table 1

Year	Meter delay complaints	Total meter exchange related complaints
2017-18	882	1527
2018-19	1475	2314
2019-20	540	1266

Source: EWON Annual reports

Smart meters and tariff reform

In the long term, reducing peaks and filling troughs in electricity demand is the key to reducing costs for all customers. Smart meters, when accompanied by cost reflective tariffs, can help encourage the efficient use of the shared network by sending price signals to customers at particular times of the day. As more distributed energy resources, including electric vehicles, connect to the network, this will become increasingly important.

⁵ AEMC, *Expanding competition in metering and related services, Rule Determination*, 26 November 2015, p20

⁶ AEMC, *Expanding competition in metering and related services, Rule Determination*, 26 November 2015, p24

⁷ AER, *Retail energy market performance update for Quarter 1, 2020-21*

⁸ AEMC, *Metering Installation Timeframes, Rule Determination*, 6 December 2018

As part of our 2019-24 Revised Proposal, Ausgrid co-designed a new pricing strategy with its Pricing Working Group. Our new pricing strategy, captured in our Tariff Structure Statement (TSS), includes a set of demand tariffs (i.e. tariffs with a demand component) for residential and small business customers with a smart meter. Demand tariffs, when passed on or packaged into a product by retailers, encourage customers to use the shared network when the cost of doing so is low and ensure that all customers make a fair contribution to the cost of the network service they use.

Our TSS was approved by the AER in April 2019. Consequently, from July 2019 all new customers and customers on flat tariffs that choose to update their meter are moved onto a demand tariff as a default tariff assignment. Customers on flat tariffs who experienced meter failure are assigned to introductory demand tariffs. We worked closely with our Pricing Working Group, retailers and the NSW Government on our tariff plans, and as of the end of December 2020 we have 79,000 customers on residential demand tariffs and 4,000 customers on small business demand tariffs.

Overall in the NEM, it is early days in the move to more cost-reflective tariffs, and as the AEMC has recognised, many customers with smart meters are still on flat tariffs. It is vital that this move to more cost reflective tariffs continues smoothly, supported by the roll-out of advanced metering technology. In conjunction with the new Consumer Data Right, we expect that cost reflective tariffs will stimulate innovation and new product offerings for customers.

Access to meter data

When it made its rule determination in November 2015, the AEMC had a clear expectation that MCs would share metering data with third parties, including distributors, following successful commercial negotiation.⁹ In practice, this has been hard to achieve. One of the main reasons for this is that there is no obligation for data to be provided at all, under any terms.

Consistent with the Victorian experience, providing networks with access to meter data will help deliver a range of network services that help reduce costs and improve the service to customers. We believe that ultimately, given sufficient meter penetration, networks can provide more cost efficient services to customers through utilisation of smart meter data, as opposed to the installation of network devices at customer premises. This data can be particularly useful as network businesses provide export services in areas with high penetrations off rooftop solar PV. We therefore consider that new arrangements should be introduced in order to facilitate better access to meter data:

- **Basic smart meter data:** In our view, mandating distributor access to a basic set of metering data would significantly improve the services offered by distributors and ultimately provide improved customer benefits. Basic smart meter data will include instantaneous 5-minute readings of voltage, current, real and reactive power provided to DNSPs at least every 24 hours. We support a review into the cost and feasibility of expanding the minimum network

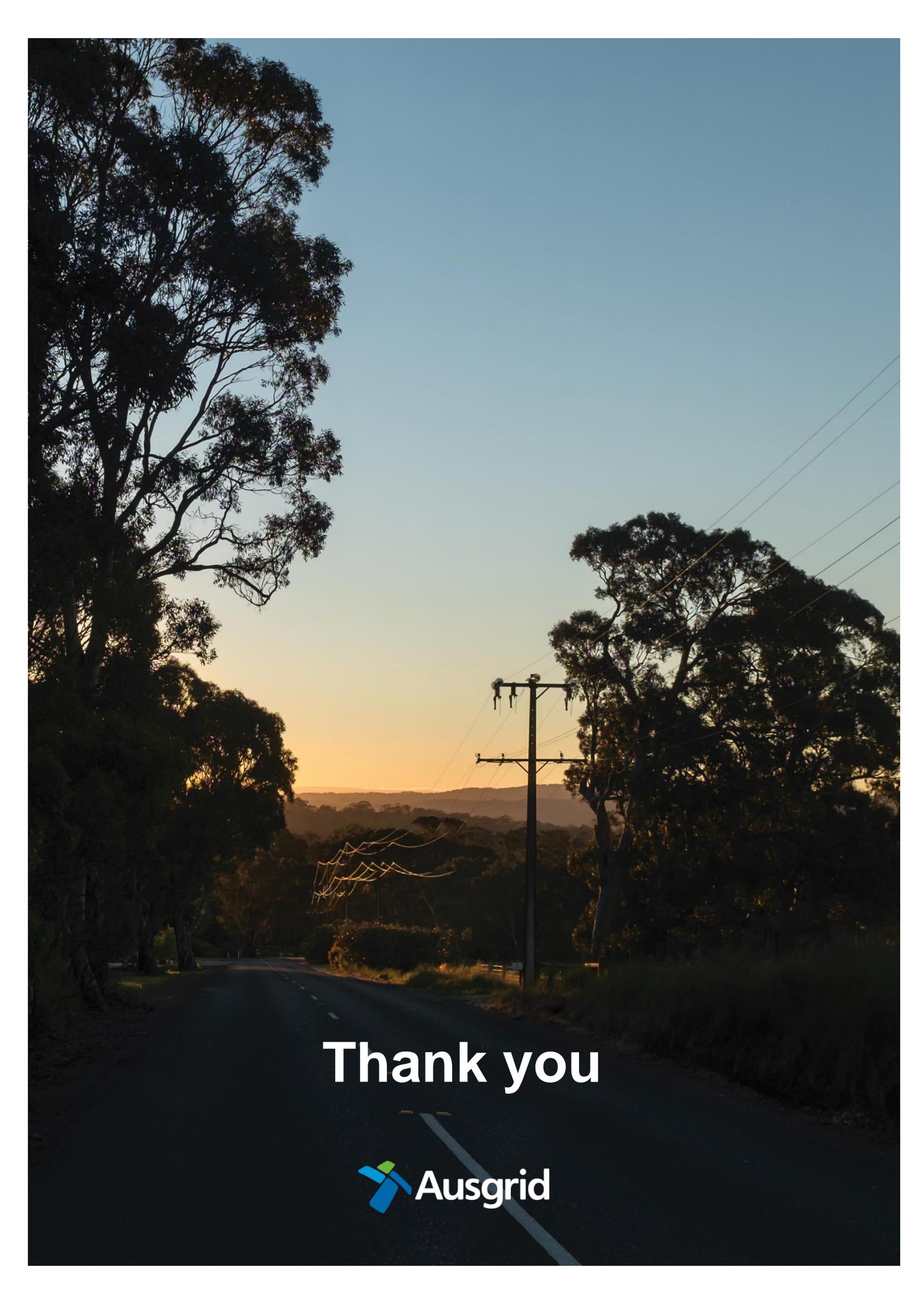
⁹ AEMC, *Expanding competition in metering and related services, Rule Determination*, 26 November 2015, Chapter A5

data that MCs must provide to distributors to include basic metering data. It is important that the framework allows MCs to recover their costs for any investment they make to provide basic smart meter data to distributors.

- **Advanced smart meter data:** Beyond 'basic' smart meter data, Ausgrid supports new arrangements that require retailers and MCs to negotiate with distributors in good faith should distributors seek access to advanced meter data. This will help accelerate the use of meter data by networks and help avoid the inefficient rollout of network devices.

Standardisation of meter data

There is a lack of standardisation across the metering data sets provided by MCs. This significantly increases the cost and complexity of utilising metering data from various MCs. We support the development of a well-defined standards for a generic set of data and services provided by MCs. This would reduce transaction costs across the industry, ultimately benefiting consumers.

A scenic landscape at sunset. A paved road with a white dashed line runs through the center, flanked by large, dark trees. In the distance, a utility pole with power lines stands against a sky transitioning from orange to blue. The overall mood is peaceful and serene.

Thank you

