

11 February 2021

Ms Anna Collyer  
Chair  
Australian Energy Market Commission  
GPO Box 2603  
Sydney NSW 2001

Lodged via the Australian Energy Market Commission's website

Dear Ms Collyer,

**Re: Review of the regulatory framework for metering services (EMO0040)**

Simply Energy welcomes the opportunity to provide feedback on the Consultation Paper (the paper) regarding review of the regulatory framework for metering services.

Simply Energy is a leading energy retailer with over 730,000 customer accounts across Victoria, New South Wales, South Australia, Queensland and Western Australia. As a leading retailer focused on continual growth and development, Simply Energy supports the objectives, reasons, and high-level approach of the review to facilitate positive consumer outcomes in the market. Additionally, Simply Energy is a leading energy retailer with respect to Distributed Energy Resources (DER), with a successful ARENA-supported Virtual Power Plant (VPP) program and a pipeline of projects built on this success, with a high degree of reliance on smart meters.

In exploring the feasibility of the Australian Energy Market Commission's (AEMC) proposed approach in the paper, it is important to reflect on the Power of Choice key objectives, that were defined as to:

- Empower consumers (access to data/usage, etc.)
- Enable embedded/green generation
- Promote innovation in products and services
- Increase customer awareness on the benefits of digital metering (enhance competition in metering)
- Support the next generation technology and customer choice of products and services EVs, batteries, etc.
- Facilitate demand side participation.

As such, Simply Energy's submission provides feedback on the smart meter roll-out and its alignment with the Power of Choice objectives, focusing on:

- Consistency with approaches across all jurisdictions where appropriate
- Ensuring consumers are incentivised while adequately protected
- Reducing unnecessary red tape and expense for consumers.

### *Consistency with approaches across all jurisdictions, where appropriate*

Simply Energy considers that consumers would benefit from more consistent approaches to rolling out smart meters across all participating jurisdictions, as these drive development of safe and efficient processes across the National Electricity Market (NEM). Jurisdictional variations can lead to additional costs and additional risks through process differences and conflicts.

In the current landscape, Simply Energy considers there are four key drivers of smart meter roll-out:

- New connections
- Distributor initiated 'end-of-life' or faulty legacy meters
- Customer initiated meter exchange (e.g. solar upgrades)
- Retailer initiated smart meter roll-out programs.

Below, Simply Energy outlines some challenges with the smart meter roll-out and some proposed enhancements to the current approaches. Simply Energy also proposes some solutions to current issues with industry cooperation.

### *Challenges with the roll-out and proposed enhancements*

In each of the above category, there are unique challenges. For example, new connections seem to be the most straight forward process as there are no obstacles in getting a smart meter installed, however the process followed by each jurisdiction is different, creating costly processes for retailers that operate in multiple jurisdictions, like Simply Energy. While this issue was raised many times during the 2017 metering competition consultation, the level of harmonisation remains a challenge.

End-of-life or faulty meters are provided by the local distributors on a case-by-case basis. While Simply Energy understands that 'faulty' meters are reported to the retailers (via distributors) sporadically throughout the year, as they're discovered, end-of-life meters can be forecasted in an efficient and harmonised manner. If all distributors can provide this on a set frequency, say half yearly (such as every January and July), this can result in significant improvement across the end-to-end smart meter roll-out planning. Improved planning would result in more accurate forecasting, budgeting and strategy for smart meter roll-outs and would ensure our metering coordinators have the equipment and resources available at all times. Simply Energy's current challenge is an inability to provide any logical end-of-life forecast to our metering coordinators, as some different distributors provide these forecasts at different times. Also, these could vary from a few thousands in one year and drop significantly to a few hundred in the following year, resulting in uneven allocation of work in forecasting models.

Customer-initiated meter exchanges and retailer-initiated meter exchanges have opt-out provisions that are inconsistent with each other and hence it impacts the end-to-end smart meter roll-out efficiency. While Simply Energy acknowledges the sensitivity around customer's right to opt-out, some of the provisions in the rule are counter intuitive to the 'Power of Choice' objectives. As an example, Rule 59A of the National Energy Retail Rules (NERR) 'Notice to small customers on deployment of new electricity meters (SRC and MRC)' requires two opt-out notices for retailer-initiated meter exchange and mandates almost 60 business days (equivalent to three months) of notice to a customer. This is a lengthy process, which is highly onerous and poses significant challenges in the smart meter roll-out strategy.

Moreover, Simply Energy has no evidence that suggests rule 59A is working in accordance with the metering competition objective or consumer protection, because sooner or later, all legacy meters are required to be replaced with a smart meter, either via end-of-life or faulty meter. However, in instances where retailers are trying to stay ahead of the curve by replacing these meters proactively, Rule 59A poses a major barrier to a positive customer and retailer experience. Simply Energy suggests Rule 59A should be redrafted and aligned with 15 business days meter exchange timeframe, to maintain consistency while not compromising consumer protections.

### Industry cooperation

One of the key outstanding issues since December 2017 has been 'distributor locked' meters. While some of jurisdictions have taken a pragmatic approach (e.g. QLD) in providing distributor keys to the nominated metering providers in order to exchange the meters, other jurisdictions (especially SA) have not adopted any such approach, resulting in a number of unsuccessful smart meter upgrades. Simply Energy considers it to be a minor change that can make a real difference in not only minimising field visits and costs associated with the unsuccessful attempts, but also enhancing customer experience.

Since majority of retailer-distributor processes are governed via the Information Exchange Committee (IEC) procedures, the B2B working group (established by the IEC as a working group under its legislative framework) has identified a number of issues that may result in negative customer experience, associated with coincident service orders for small customer metering installations (i.e. smart interval metered premises) where physical and remote de-energisation and re-energisation requests can go to multiple parties (distributors and metering providers) in NECF jurisdictions. The retailer can decide to either raise a physical or a remote de-energisation, with the physical de-energisation going to the distributor and the remote de-energisation to the metering provider. However if two different retailers are involved in a move-in and move-out scenario (one of the most commonly used processes) and have chosen different service, the worst unintended consequence would be where a customer who has requested for a move-in, i.e. for the premises to be energised, being disconnected from supply instead, because of the timing issue and lack of visibility to the incoming retailer on the method of disconnection used by the outgoing retailer.

B2B working group has shortlisted a number of solution options however, there are a number of roadblocks to mitigate these issues, and it requires one of the two approaches below:

## Simply Energy's submission on 'Review of the regulatory framework for metering services'

*Option 1:* Industry-wide cooperation on a robust solution, that can be implemented as a matter of priority, i.e. within next 3-6 months.

*Option 2:* Rules to be made to prohibit physical reconnections and physical disconnections for move-ins and move-outs, respectively, on contestable smart metered sites where remote reconnections and remote disconnections are permitted.

As a member of the B2B-WG, Simply Energy is leading Option 1 however the solution options that are under discussion have not progressed in a timely manner, posing risk on implementation and in-turn, might result in consumer detriment. Simply Energy suggests that AEMC considers this matter as a serious concern in the current review and provide guidelines to the industry to avoid Option 2.

### *Ensuring consumers are incentivised while adequately protected*

As per the Minimum Services Specification in Chapter 7 of the National Electricity Rules (NER) each metering installation must be capable of managing:

- remote disconnection service
- remote reconnection service
- remote on-demand meter read service
- remote scheduled meter read service
- metering installation inquiry service
- advanced meter reconfiguration service.

As discussed below, Simply Energy has observed that despite these capabilities, consumers are not currently receiving the full benefits of the smart meter roll-out due to low levels of smart meter penetration and a lack of services permitted in NECF jurisdictions.

### *Consumer incentives*

The main reason that consumers are not receiving the full benefits of smart meter installations is the non-proactive participation and passive approach taken by participating jurisdictions, i.e. NSW, QLD, and SA. The current status is as follows:

- *QLD:* Prohibition on some services including remote reconnection and remote disconnection.
- *SA:* The government has not identified the process to gain approval to perform remote re-energisation and de-energisation, however work is underway to identify the SA government's requirements to allow market participants to use remote re-energisation and de-energisation.
- *NSW:* While the moratorium on remote re-energisation and de-energisation expired on 1 October 2020, i.e. almost after three years post 'metering competition' went live in December 2017, industry participants are still working through their implementation and therefore, benefits realisation is still a distant destination.

In comparison, Victoria (with ~99% penetration of smart meters) shows that the benefits of remote re-energisations and de-energisations, which retailers are procuring almost daily, are considerable. As quoted from the article published on ENA's website:<sup>1</sup>

*"Network businesses [in Victoria] have already realised significant benefits from the smart meter implementation. United Energy noted that in one year (2014):*

- *More than 54,000 connections and disconnections were completed remotely reducing costs by more than \$30 for each transaction,*
- *more than 2,300 unnecessary truck visits to customers' premises were avoided saving customers from \$51 to \$115 per truck visit, and*
- *Neutral integrity testing undertaken remotely avoided site visits and manual testing at around 65,000 premises per annum, saving about \$26 million per annum.*

*AusNet Services has identified and remediated more than 1,500 Loss of Neutral situations reducing the number of reported electrical shocks by 75%.*

*For Jemena, approximately 4105 truck visits have been avoided, with an estimated benefit to all customers in 2016 of \$1,654,890"*

While Victoria does not apply the National Metering Rules or the National Energy Consumer Framework (NECF), and there are other differences between Victoria and NECF jurisdictions, the processes could be aligned to a great extent. Moreover, the National Metering Rules only provide minimum specifications, whereas the technology used in modern smart meters are above and beyond the minimum specifications and can be configured to comply with stricter standards if required, such as responsiveness times and load on meter detection (similar to auto-disconnect).

Additionally, Victoria may not be the only benchmark in terms of comparing remote services. Other global markets where remote services are frequently used by competitive service providers, such as New Zealand, Germany, Great Britain and Italy (being a world-leader in the system-wide deployment of smart meters and the only country with a 100% smart meter penetration) should also be reviewed.

Undoubtedly, some of the key benefits that Simply Energy and our customers have observed due to smart meters are:

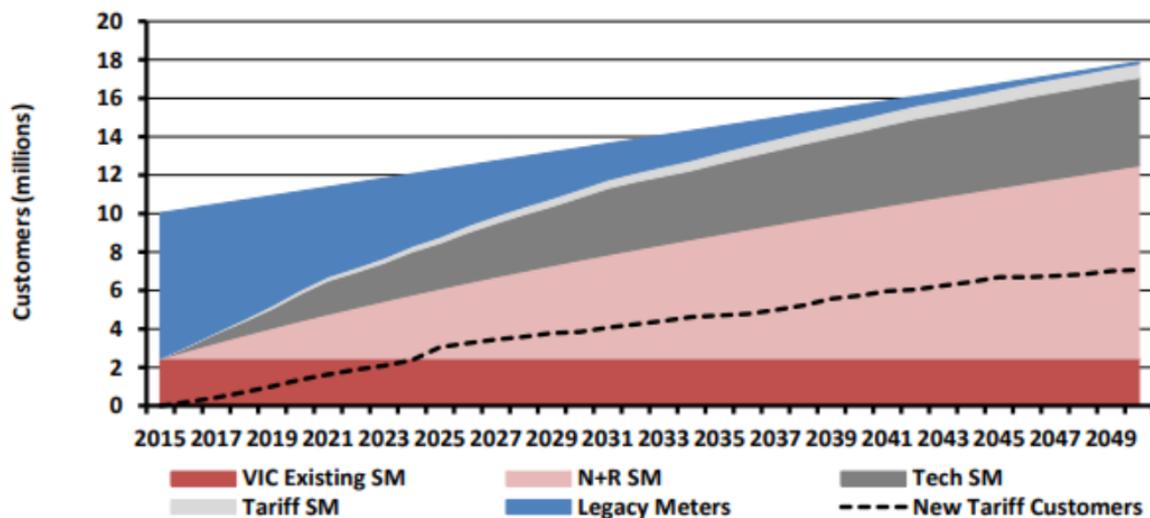
- Reduction in manual meter reading /special reading costs
- Reduction in complaints due to estimated consumption
- Accurate monthly billing and customer experience
- Real-time data provisioning
- Better consumer insights and demand forecasting
- Reduction in 'unaccounted for energy' consumption due to energy thefts, etc.
- Enabling innovative products and services, e.g. Simply Energy Virtual Power Plant (VPP) products.

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<sup>1</sup> Energy Networks Australia 2017, Developments in energy market competition in Victoria, April, accessed at: <https://www.energynetworks.com.au/news/energy-insider/developments-in-energy-market-competition-in-victoria/>

However, with the current scale (<20% of smart meters penetration across NECF), the benefits are overshadowed by legacy metered sites as they still hold majority of the population. As such, Simply Energy has to maintain traditional processes to manage both sides, however, the longer the transition period, the farther the benefits-realisation.

Energeia predicted in 2017, that “under current policy settings, the new Rules are likely to see almost two million meters being installed between 2016 and 2020 to replace old meters and connect new customers, with possibly three million other smart meters installed where customers take up new technologies or tariffs. Even with these projections, smart meter penetration will be below 60% – well behind most markets in Asia and Europe”. Comparing these projections with the current statistics, Australia has ~40% coverage of smart meters (including Victoria), well behind the projected 60% penetration.



Source: Energeia: Network Transformation Roadmap – Network Pricing and Incentives Reform, 2016 Page 43

Consumer protections and safety protocols

Simply Energy considers that a lack of services provided by smart meters in NECF jurisdictions is also a significant factor in consumers not receiving the full benefits of smart meter installations. Most relevantly, smart meters not being used for the most commonly used service in Victoria, i.e. move-in/move-out. Simply Energy strongly believes that customer protections are not compromised by the use of new technology provided by smart meters, despite being sometimes perceived this way due to its high-speed responsiveness and artificial intelligence (AI) capabilities.

Simply Energy acknowledges that disconnections for non-payment (DNP) are a concern for industry and governments, but the outcomes for customer welfare are the same whether disconnections are manual or remote. Also, this service is only performed when all other options are exhausted. Retailer DNP processes include multiple communications with the customer and if at any point in time a customer is identified as being in hardship, the hardship framework applies, and DNP is no longer progressed.

Regarding safety risks, on the 3<sup>rd</sup> and 4<sup>th</sup> of October 2017, in preparation for Power of Choice go-live, Simply Energy participated in the workshops in relation to remote services and the development of the Smart Meters Semi Quantitative Risk Assessment (SQRA). This risk assessment specifically addressed potential risks posed to the public from remote meter services, addressing safety concerns and providing risk mitigation steps in detail. While there is a great level of detail provided in the SQRA report, Simply Energy believes that the report has not been given the weight it deserves given the level of knowledge and expertise that was demonstrated in it. It provides examples from global markets where remote re-energisation and de-energisation are widely used and facilitated by competitive industry participants. Prohibiting remote services is not assisting industry participants to work collaboratively and as such, Simply Energy believes that it's high time participating jurisdictions should allow industry to work on the next level of process.

It is important to note that despite there being no prohibition on remote re-energisation and de-energisation in SA, participants are not providing this service because of the lack of scale. There is just over 12% of meters converted to smart meters in SA, which does not provide sufficient scale to justify retailers managing two separate sets of processes, depending on the type of meter, for the same jurisdiction.

### *Reducing unnecessary red tape and expense for consumers*

The community and policy makers have shown a focus on reducing energy prices, which is made possible by efficiency gains made over time by the industry, which are shared with consumers through competitive tension. There are opportunities for significant efficiency gains in the remote services, such as the re-energisation and de-energisation process, where a customer (via their retailer) has to request for a de-energisation at least three business days in advance, and if the work is required on an immediate basis, the customer has to pay a 'three-figure' after hours fee. This process can be streamlined with the use of remote services, which not only cost significantly less than manual disconnections and reconnections but also mean that customers no longer have to wait for three business days and can request this service on same day without having to pay an afterhours fee.

### *Retail expenses over and above smart meter installation costs:*

Simply Energy considers that one of the biggest issues with the smart meter roll-out, which often results in negative customer incentive as well as experience, is where sites are defective (such as, asbestos on meter panels) and customers have to get the site rectified at their own expense in order to get a smart meter. This could cost anywhere from a couple of hundred dollars to a few thousand dollars and acts as a deterrent to smart meter upgrades.

To provide an example, Simply Energy had to deal with an ombudsman complaint from a customer who needed a meter upgrade (due to a faulty meter) but was on hardship support and unable to manage the expenses of defect rectification. In order to resolve the complaint, Simply Energy agreed to pay over \$1,000 to get the site ready for smart meter installation.

Also, Simply Energy is seeing an increase in 'unable to complete' smart meter installation due to there being no room on meter boards. This is especially prevalent in multi occupant sites that are used for government housing or renters. Currently, retailers are often paying for the meter board upgrades in order to get smart meters installed for both customer-initiated meter upgrades (due to solar, etc.) as well as faulty meters. However, this arrangement is not sustainable as the cases continue to increase. Our hands are somewhat tied.

More recently, Simply Energy had issues in relation to smart meter installation for our VPP customers, where we have had to pay for the isolator being installed. Simply Energy can provide the required data to the AEMC on request, however these 'additional' costs are exorbitant at times where retailers end up paying for the rectification of long outstanding defects (some sites have never been inspected for 40+ years) that should have been resolved and paid by the distributors or the government as they were responsible for the safety of these sites.

### Proposed changes to regulatory instruments

1. As briefly mentioned earlier, Simply Energy strongly recommends review of the current Rule 59A of the NERR. Simply Energy had a program to manage retailer led smart meter roll-out for plug-in sites in SA, however the success rate was only 56% due to a number of reasons, while 32% were put on hold awaiting site readiness (due to outstanding defects, etc.), however since cancelled due to COVID-19 impacts.

While Simply Energy continues to experience a low rate of opt-out cases, our data suggests that customers who requested for be opted-out of smart meter program were more focused on 'why' than the timeframes. Subsequently, Simply Energy trialled a number of ways to educate smart meter benefits to the customers and were able to successfully manage the upgrade.

Simply Energy is considering its next program to ramp up smart metering installations across NSW and SA, targeting customer who have access issues (due to locked gates, or inaccessible locations, etc.) and in order to provide a smooth customer experience, Simply Energy suggest the following:

- Rule 59A of the NERR should be reviewed in light of opt-out provisions, and 60 business days process should be confined to 15 business days, similar to provisions for malfunction meters, and;
  - Chapter 7 of the NER, Rule 7.8.10B sub-clause (d) and Rule 7.8.10C sub-clause (f) should be deleted in their entirety.
2. Simply Energy suggests that government plays a major role in acceleration of smart meter roll-out, by providing necessary funding to the retailers especially due to outstanding defective sites (asbestos boards, ceramic fuses, and other works required to be done by customers) which were inherited by customers and retailers at no fault of theirs. A government-funded mechanism to help address these major issues would accelerate the roll-out and reduce the direct cost for consumers.

*Proposed next steps*

Simply Energy agrees with the approach proposed by the AEMC in the paper, with concerns raised that need to be resolved at an industry level. In closing, Simply Energy, in conjunction with the AEC, would welcome the opportunity to engage with the AEMC, as well as other key stakeholders such as CMIG and the distribution businesses to further explore any gaps in the current process that can be identified and addressed.

Simply Energy has already expressed its interest (via email, dated: 11<sup>th</sup> January 2021) in being part of the Reference Group for the review to be able to provide targeted feedback on key issues raised in the review, and to inform and 'stress test' AEMC's analysis.

Simply Energy looks forward to engaging with you on these matters. To arrange a discussion or if you have any questions, please contact Aakash Sembey, Manager, Retail Regulations, on (03) 8807 1132 or [Aakash.Sembey@simplyenergy.com.au](mailto:Aakash.Sembey@simplyenergy.com.au).

Yours sincerely



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