

9 June 2016

Mr John Pierce  
Chairman  
Australian Energy Market Commission  
PO Box A2449  
SYDNEY SOUTH NSW 1235

## **ENA submission to AEMC Consultation Paper “Using Estimated Reads for Customer Transfers”**

Dear Mr Pierce

ENA welcomes the opportunity to provide a limited submission to the Australian Energy Market Commission (AEMC) Consultation Paper on Using Estimated Reads for Customer Transfers.

The ENA is the national industry association representing the businesses operating Australia’s electricity transmission and distribution and gas distribution networks. Member businesses provide energy to almost every household and business in Australia.

Under the current rules, customers may elect to change retailers at the next scheduled meter read date, or they can pay a fee to allow for an additional special read to allow a transfer to a new retailer prior to their next scheduled read. ENA does acknowledge that a small number of customers may benefit from the use of an estimated read when transferring retailers, as this will avoid the cost and time taken for a special read. However, the following key issues need to be carefully considered.

### **Key Issues**

The key issues identified by the ENA are as follows:

- » Costs to the Network Service Providers and Retailers
- » Costs to Customers for an Estimated Read
- » Potential for Billing Disputes
- » Diminishing Number of Manually Read Meters
- » Timing of any Proposed Changes.

### **Costs to Network Service Providers and Retailers**

The proposed rule change will result in the following additional costs to every Metering Data Provider (MDP). Many Network Service Providers (NSP) currently act as MDPs; and will continue to be the MDP for all existing meters after the shift to metering competition in December, 2017. It is expected that each Retailer will also incur similar costs:

- Cost associated with the changing of processes and procedures to comply with the proposed rule change. Note that the proposed rule will add complexity to the current process resulting in ongoing additional costs. Many MDPs have systems for providing estimates, but most have processes in place to arrange an actual meter reading and reissue a bill when possible. This will result in changes to procedures and processes;
- Costs associated with updating IT systems to comply with the proposed rule change and to ensure that estimates are calculated in accordance with the new procedure. Some ENA members estimate that their costs for changes to IT systems would be approximately \$500,000;
- Administrative costs associated with managing and resolving disputes that result when customers disagree with their estimated read.

NSPs are also involved with wholesale billing, and may also need to modify their processes and IT systems if estimated reads are used for customer transfers.

### **Costs to Customers for Estimated Reads**

It is likely that some MDPs will charge for the provision of an estimated read. In some jurisdictions the AER has previously approved a minimal fee for estimated reads. Where an MDP charges a fee for an estimated read, it is likely that many customers will opt for a special read rather than an estimate; since the actual read will reduce the potential for a billing dispute and a poor customer transfer experience.

If a fee is not charged, or if the fee does not adequately cover the MDP's and Retailer's costs, the implementation costs of the rule change will effectively create another cross-subsidy in the market; whereby all customers are required to fund a service utilised by only a small percentage.

### **Potential for Billing Disputes**

It is expected that the use of an estimated read for billing purposes will lead to an increase in disputes and complaints, as some customers will not agree with the estimate provided. This not only results in a poor customer transfer experience but also represents a significant cost to all affected market participants. Aside from the obvious costs associated with managing a customer complaint, consequential revision of the estimated read and the resultant rebilling will result in a significant cost to NSPs, MDPs and retailers.

### **Diminishing Number of Manually Read Meters**

The number of meters that require manual reads will diminish over time, as advanced remotely read meters are progressively installed. In some jurisdictions, advanced metering infrastructure is being rolled out ahead of the metering contestability framework which will apply from 1<sup>st</sup> December, 2017. This changing meter environment increases the likelihood that it will not be in the long term interests of electricity consumers for market participants to undertake costly changes to current IT systems and processes for what will effectively be an interim process. In Victoria, almost all small customers now have meters that are read remotely, so the costs of the proposed rule change would only benefit a very small number of customers.

Furthermore, where a meter exchange is aligned with a retail transfer, the normal practice for Type 6 accumulation meters is to provide an actual final read for the retiring meter. The use of estimates in this transfer should be avoided as a metering provider is on site and the meter is returned to its owner. A final actual meter reading can be undertaken in this situation. Note that interval meters that cannot be remotely read are difficult to read on site. Some NSPs are applying the existing estimation/substitution metrology rules when these meters are replaced. Changes to the application of the existing estimation/substitution metrology rules should only be considered after a cost benefit analysis.

### **Timing of any Proposed Change**

To implement the proposed rule change, consultation will be required, and new detailed procedures will need to be developed by the industry prior to market participants considering the necessary changes to their own IT systems and procedures.

ENA recognises that some savings can be made if the changes can be made to coincide with other changes required to IT systems and procedures. However, it is essential that adequate time is allowed to enable all market participants to implement all required changes.

Given the volume of work required to implement the changes required for Metering Competition on 1 December 2017, and the importance of completing this critical work, ENA considers it essential that any changes that may result from this proposal are to be implemented following completion of the major system and process changes being implemented to support the Power of Choice reforms commencing on 1 December 2017.

### **Recommendations**

ENA does acknowledge that a small number of customers may benefit from the use of an estimated read when transferring retailers. However, given the significant cost to MDPs and Retailers, potential costs to customer and the increased likelihood of disputes over estimated bills, the ENA considers that the proposed rule change is not in long term interests of customers.

ENA strongly recommends that the proposed rule change to allow estimated reads for customer transfers not be adopted.

If the AEMC does decide to allow the use of estimates for customer transfers, the ENA recommends that:

- Estimated reads should not generally be allowed when a meter exchange aligns with the customer transfer; and
- Any changes are implemented following completion of the major system and process changes being implemented to support the Power of Choice reforms commencing on 1 December 2017.

For further information on this matter, please contact Peter Cole at ENA on 0434 871 422 or pcole@ena.asn.au.

Yours sincerely



**John Bradley**  
Chief Executive Officer