

28 January 2016

Mr John Pierce
Chairman,
Australian Energy Market Commission,
SYDNEY NSW 2000

Email: john.pierce@aemc.gov.au

ERC0182: Draft Rule Determination on Meter Replacement Processes

Dear Mr Pierce

ENA welcomes the opportunity to make a submission on the Australian Energy Market Commission (AEMC) draft determination on meter replacement processes. ENA appreciates the extensive consultation processes that have been undertaken by the AEMC in consideration of this rule change request from ERM Power.

As noted in our previous submissions on this topic, ENA considers that an overarching principle of the regulatory framework must be providing certainty in roles and obligations. The key requirement for meter replacement processes is that the regulatory framework should support all the relevant parties as nominated in Market Settlement and Transfer Solution (MSATS) in carrying out their responsibilities and roles for metering, related services and data provision to support services to customers.

The rule change request originated from concerns about the process to change a meter for large customers under recent changes to the Meter Churn Procedures introduced by the Australian Energy Market Operator (AEMO) in September 2015, but it would also have implications for small customers under future arrangements given the developments under the competition in metering rule change.

ENA endorses the view of the AEMC that the rule change to expand competition in metering and related services will effectively address the issue for large customers, by enabling the customer to appoint their own Metering Coordinator to provide metering services¹.

ENA therefore considers that it is the implications of the rule change proposal for small customers which should receive greatest consideration.

Roles and responsibilities

ENA welcomes the rejection by the AEMC of the concept of the prospective roles for metering service providers. ENA and our members have consistently argued that creation of such additional roles is disproportionate to the issue under consideration and would create significant complexity and uncertainty in roles and delivery of services to customers and other market participants.

¹ AEMC, *Draft Rule determination, National Electricity Amendment (Meter Replacement Processes) Rule 2015*, 17 December 2015, pp. i-ii

ENA supports the AEMC's policy intent for the draft Rule to:

- enable the incoming retailer to nominate the parties to be appointed for service provision roles (Metering Coordinator, Meter Provider, Meter Data Provider) at a connection point prior to the retail transfer process, and
- not allow those nominated parties to become active and effective appointments until the retail transfer is completed.

However, ENA considers the current drafting of the draft Rule does not achieve the AEMC's intended policy outcomes as it fails to establish a clear framework for meter churn in the NER that provides certainty to relevant parties on their roles and obligations.

It is important that the NER establishes a clear framework in order for this to be appropriately reflected in AEMO's Meter Churn Procedures and to ensure that there is alignment between obligations under the NER and market roles registered in MSATS.

In particular, the ENA considers that it is important that the NER places clear obligations to **not** replace a meter in contravention of the meter replacement process.

ENA considers that the drafting should clearly stipulate that early meter replacement (that is, prior to retail transfer completion) is **only** permitted where the Metering Coordinator nominated by the Incoming Retailer and the incumbent Metering Coordinator agree to this early change on commercial terms.

The draft Rule is silent on this issue and therefore increases the risk of meters being churned prior to the Incoming Retailer becoming the FRMP at a connection point. It is not desirable from an operational perspective for there to be an increase in meters churning prior to the retail transfer completion date without commercial arrangements with the incumbent parties to ensure service delivery. Meter churn without such agreements creates a misalignment between market roles and can create difficulty for the incumbent Meter Data Provider and Meter Provider to fulfil their contractual roles to the Incumbent Retailer.

Similarly, AEMO's Meter Churn Procedures may require further review to preclude network billing issues when a type 5-6 accumulation meter is replaced by an interval meter. Failure to update MSATS to align the Meter Provider transfer with the meter exchange date will result in substituted readings being forwarded for market settlement and network billing. This would result in market settlements and network billing being settled on final substitute data instead of the actual meter reads from the new metering installation at the connection point. If it then becomes apparent from reconciliation of the substitute and actual metering data that a network billing error has occurred, the DNSP would need to re-issue its network bill, which in turn may necessitate that the outgoing retailer re-issue its final bill. This is likely to cause confusion with the customer who will receive a second 'final' bill and may create bill shocks if the second bill requests further money to settle the account.

Such poor customer experience should be avoided by ensuring appropriate alignment of roles and meter change dates in the Meter Churn Procedures.

For the reasons outlined above ENA considers it important that the NER clearly defines the circumstances in which meters can be altered or replaced.

Consequently, in addition to the AEMC draft Rule substitution for clause 7.8.9(e), ENA strongly suggests including the following clause:

7.8.9 (g) A *Metering Coordinator* must not arrange the alteration or replacement of a *metering installation*, unless the *Metering Coordinator*:

(1) is assigned in *Market Settlement and Transfer Solution* as the *Metering Coordinator* at the *connection point*; or

(2) has a commercial agreement with the *Metering Coordinator* assigned in the *Market Settlement and Transfer Solution* at the *connection point* where the *metering installation* being replaced; or

(3) is nominated by the *Incoming Retailer* to be appointed at a *connection point*, with the appointment to become effective on the day that the *metering installation* is changed, being the same day that *market load* at the *connection point* transfers to the *Incoming Retailer* as the new *financially responsible Market Participant*.

ENA supports the option for commercial agreements between incoming and incumbent parties at a connection point so that the incumbent can (if agreed) churn the meter on behalf of the incoming parties during or coincident with the retail transfer period. However, Distributors (and other parties) must not be prevented from continuing to receive services from a meter installation under provisions within commercial arrangements with the incumbent service providers.

ENA considers that the role of Metering Coordinator registered in MSATS would remain unchanged until the commercial arrangement ceases and the Incoming Retailer becomes the FRMP. However, this would not prevent the registered Metering Coordinator from changing the meter register and the roles of Metering Data Providers and Metering Providers in MSATS prior to the Incoming Retailer becoming the FRMP.

ENA also considers that there is a need to amend the drafting of clause 7.8.9(e)(1) to clarify that the commencement date of appointed roles differs for different parties. Specifically, for Metering Providers and Metering Data Providers the commencement date of roles should be when the meter is changed rather than the retail transfer date. This is because it gives rise to a misalignment between the roles and obligations of parties, whereby a new MDP or MP would be responsible for under the NER for providing metering data for a meter they do not own and would not have access to metering data unless they enter into contractual arrangements with the outgoing MDP and MP to obtain this metering data until such time they arrange to replace the meter.

We suggest that this issue could be avoided by amending the drafting of clause 7.8.9(e)(1) to reflect the following:

(e) The *Market Settlement and Transfer Solutions Procedure* must:

(1) permit an *Incoming Retailer* to nominate the *Metering Coordinator*, *Metering Provider* and *Metering Data Provider* to be appointed at a *connection point* in respect of which it is the *Incoming Retailer*, with such appointments to become effective:

i) in respect of a *Metering Coordinator*, no sooner than the day the *market load* at the *connection point* transfers to the *Incoming Retailer* as the new *financially responsible Market Participant*; and

ii) in respect of a *Metering Data Provider and Metering Provider* in accordance with a commercial agreement between the Metering Coordinators and the incoming retailer's Metering Coordinators, on the date the *metering installation* is replaced but no sooner than the day the *market load* at the *connection point* transfers to the *Incoming Retailer* as the new *financially responsible Market Participant*.

ENA considers that the addition of the new clause 7.8.9(g), in conjunction with the proposed amendments to the drafting of clause 7.8.9(e), establishes a clear framework for meter churn in the NER. The proposed amendments clarify that a meter is not be replaced or altered at a connection point unless a Metering Coordinator is assigned in MSATS as the Metering Coordinator for the connection point, or in the case of a change in retailer the meter can be changed the day of the retail transfer or shortly thereafter, unless the Metering Coordinator has entered into commercial agreements to enable early replacement of the meter. It is important that the NER clearly limits the replacement of meters prior to the retail transfer date, given the potential for early meter replacement to cause network billing concerns and adverse customer impacts.

Overall, the ENA considers that our proposed amendments to the Draft Rule better achieve the AEMC's policy intent and avoids operational issues arising from the current drafting of the draft Rule. Consequently, we consider that if adopted, the amendments are likely to better contribute to the achievement of the NEO by reducing the likelihood of customers experiencing bill shocks as a result of switching retailers, and is also likely to promote the efficient operation of the market by ensuring that roles and obligations are aligned to parties best placed to carry out the role.

Alternative options

ENA notes that the AEMC considered alternative mechanisms to support physical change of the meter triggering the retail transfer completion and sought the views of stakeholders on these options. ENA supports rejection of the option of allowing incoming retailers to appoint a Metering Coordinator at a connection point without a retail transfer, and hence enable the MC to install new or replacement metering prior to the retail transfer. ENA endorses the view of the AEMC that this proposal is contrary to the metering contestability rule change.²

The AEMC alternative option enabled an incoming retailer to appoint a Metering Coordinator at a connection point for a limited time prior to retail transfer and enable the Metering Coordinator to install new or replacement metering prior to transfer³. ENA endorses the views of the AEMC to not progress the AEMC alternative option for the following reasons:

- » The AEMC alternative option contravenes the maintenance of clear roles and responsibilities within the regulatory framework. It is very complex, and it would require a Metering Coordinator change nomination separate from the incoming retailer's transfer nomination to become the Financially Responsible Market Participant (FRMP)."
- » Terminating the appointment of a Metering Coordinator if the retail transfer is not completed would be problematic in terms of reappointing the previous Metering Coordinator, in particular if the previous Metering Coordinator was a regulated Distribution Network Service Provider (DNSP) deemed as Metering Coordinator and an accumulation meter was replaced.
- » The alternative arrangement would weaken the rights of the incumbent Metering Coordinator and would result in broken negotiated Metering Coordinator services agreements with retailers, DNSPs and third parties.

Consequently, as noted above, ENA recommends that the alternative options are not further considered.

² *ibid*, p. 20

³ *ibid.*, pp. 20-21

Implementation

AEMC indicates a final determination on this meter replacement process rule will be provided in March 2016. AEMO indicates that the first round of consultation on all Metering Contestability related procedures is required by around 22 April, in order to allow a second consultation and a final decision on procedures by AEMO on 1 September 2016.

This may mean that the changes to the Consumer Administration and Transfer Solution (CATS) procedures, meter churn procedures and service level procedures required for this Meter Replacement Processes rules change envisaged by the AEMC will need to be consulted upon and finalised (including holding industry workshops) within a period of around 3-7 weeks. This is extremely tight when considering the detailed changes across the range of issues between interactive procedures. ENA considers that the proposed timeframes to deliver changes relating to meter replacement processes are overly ambitious.

ENA considers that the fundamental priority within all metering related processes underway at present should be the effective finalisation of all matters supporting the successful introduction of metering contestability, scheduled for 1 December 2017. Other (relatively minor) rule change proposals such as meter replacement processes should not place at risk the delivery of metering competition.

Overall, ENA considers that it would be preferable if this rule change was deferred until six months after implementation of the meter competition rule and progressed as part of the normal May industry release process. As a result, the commencement date for Schedule 1 in the proposed rule would be approximately May 2018.

Thank you again for the opportunity to input the views of the ENA into your consideration of this important matter. For further discussion upon this submission, please contact Susan Streeter at email sstreeter@ena.asn.au or phone 0439 177 032

Yours sincerely



John Bradley
Chief Executive Officer