Australian Energy Market Commission

RULE CHANGE

DRAFT RULE DETERMINATION

National Electricity Amendment (Meter Replacement Processes) Rule 2015

Rule Proponent(s)
ERM Power

17 December 2015

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Reference: ERC0182

Citation

AEMC 2015, Meter Replacement Processes, Rule Determination, 17 December 2015, Sydney

About the AEMC

The AEMC reports to the Council of Australian Governments (COAG) through the COAG Energy Council. We have two functions. We make and amend the national electricity, gas and energy retail rules and conduct independent reviews for the COAG Energy Council.

Summary

The Australian Energy Market Commission (AEMC) has made a draft rule which is a more preferable draft rule in relation to the Meter Replacement Processes rule change request received from ERM Power.

The draft rule would provide clarity on which parties hold rights and obligations in respect of replacing a meter at the relevant connection point during a change in retailer. The draft rule would also support the reduction in the time of the process to be followed when an incoming retailer seeks to provide its customer with a change of their metering installation.

The draft rule, if made, would amend certain provisions in Chapter 7 of the National Electricity Rules (NER) with effect from 1 December 2017. This aligns with the implementation of the new metering framework under the final rule of the expanding competition in metering rule and related services ("competition in metering") rule change.[1]

Rule change request

ERM Power submitted a rule change request proposing amendments to the NER to clarify rights and obligations of certain parties during the meter replacement process.

Specifically, the rule change request proposes to clarify that an incoming retailer can arrange for a metering installation to be changed at a connection point prior to the retail transfer process being completed. In order to give effect to this, ERM Power proposed that "prospective" metering roles should be introduced into the NER. The prospective metering provider would have the right to change the metering installation at a connection point prior to the retail transfer being completed. This would enable retailers to be able to provide retail customers with their chosen product or service on the day that the retail transfer is completed.

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 developed by the Australian Energy Market Operator (AEMO), but it could also have implications for small customers under future arrangements given the developments under the competition in metering rule change.

Commission's analysis and conclusion

The current arrangements, which only allow for the process of changing meters to begin after the retail transfer process has completed, lead to additional costs for both retail consumers and retailers.

1 See http://www.aemc.gov.au/Rule-Changes/Expanding-competition-in-metering-and-related-serv

Currently, consumers may have to wait for a period of up to twenty six business days after a retail transfer has been completed before receiving a meter that could provide the desired products and services. Such negative experiences by customers have the potential to broadly undermine confidence in the retail market over time.

However, the introduction of prospective roles as proposed by ERM Power would likely be overly complex and disproportionate to the problem identified above. Furthermore, the introduction of prospective roles may cause uncertainty in the allocation of rights and obligations for all parties at a connection point during the meter churn and retail transfer processes.

The changes to be introduced under the recently completed competition in metering rule change resolve many of the issues for large customers identified by ERM Power. Under this framework a large customer would have the right to appoint its own Metering Coordinator, who in turn can undertake the change in a metering installation entirely independent of the retail transfer timelines. Therefore, when the new framework for competition in metering is introduced on 1 December 2017, there will be no impediment in the rules to a large customer arranging to have a new metering installation installed at any time independent of its retail transfer.

Draft determination

Given the above conclusions, the draft rule seeks to clarify the arrangements relating to meter churn, as well as put in place amendments that would support the reduction in the time of the process to change the meter when a retail transfer occurs.

The draft rule would amend certain provisions of Chapter 7 of the NER to:

- clarify that where a change in Metering Coordinator occurs due to a change in the retailer at a connection point, the new Metering Coordinator becomes responsible for the metering installation at that connection point when the retail transfer process is complete;[2]

- require that the Market Settlement and Transfer Solution (MSATS) procedures allow an incoming retailer at a connection point to nominate the parties to be appointed to the metering roles (ie the Metering Coordinator, Metering Data Provider and Metering Provider) at that connection point before the retail transfer is complete, with such appointments commencing on the day the retail transfer is completed; and

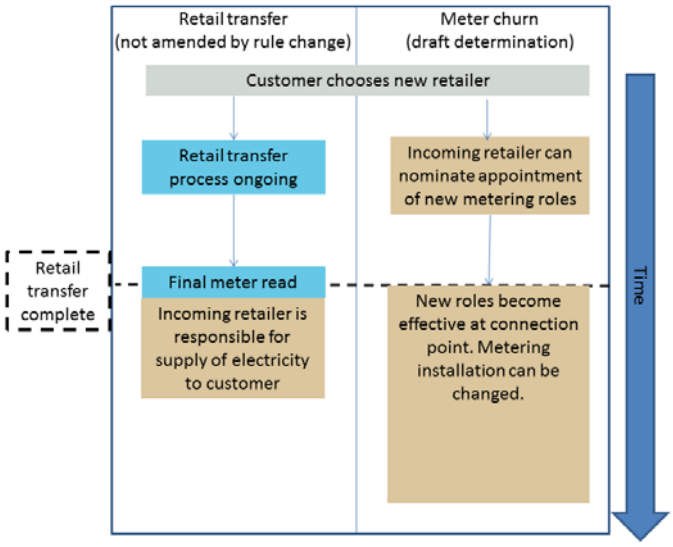
- require that MSATS procedures facilitate the alignment of the completion of the retail transfer process on the same day that a new metering installation is installed, where the incoming retailer has requested such alignment.

2 If there are no objections, or these have been resolved, this retail transfer process is completed with a final meter read to determine the customer's usage with the incumbent retailer. The responsibility to supply the customer is transferred in MSATS to the new retailer, which becomes the Financially Responsible Market Participant.

The incoming retailer would have no right to change the meter under the NER before the retail transfer date.

Figure 1 provides an overview of key features of the meter churn process under the draft rule, if made, alongside the current retail transfer process.

Figure 1 Current retail transfer process and meter churn process under draft rule



An example of where this meter churn process would be followed, would be in the situation where a customer changes retailers, and the new retailer offers a service that cannot be offered with the customers' existing metering installation.

In Figure 1 the left column shows a high level outline of the retail transfer process, which is not being amended by the draft rule. The retail transfer process is initiated after the customer requests to change retailer. The retail transfer process completes once a meter read has occurred and this data has been entered into AEMO's systems.[3] Responsibility for supplying the customer is transferred to the incoming retailer, with this retailer becoming the Financially Responsible Market Participant at the connection point.

The right hand side of Figure 1 provides an overview of the process for undertaking the change in metering installation as amended under the draft rule. Under the draft rule, the MSATS procedures must allow incoming retailers to nominate parties to be appointed to certain metering roles at a connection point prior to the retail transfer process completing, with such appointments becoming effective once the retail transfer has completed.

3 Assuming there have been no objections raised to the transfer, or these have been resolved.

The incoming retailer would have no right to change the meter under the NER prior to the retail transfer completing.

The outcome of these changes to MSATS would be that the meter could potentially be changed on the same day as the retail transfer completes. However, there is the potential that there could be a short period of time between the completion of the retail transfer and the physical change of the meter. In this instance, the incoming retailer would arrange for the existing meter to remain until the installation of the new meter can occur, as is the case currently. If this occurred, the Commission expects that retailers would be able to communicate this to the customer, particularly if there is to be a delay in the provision of the new retail service.

The incoming retailer and incumbent metering parties could also enter into commercial arrangements to change the meter prior to the retail transfer completing in certain circumstances.

The draft rule also includes transitional provisions that require AEMO to update certain procedures relating to the meter replacement process by 1 September 2016 to take account of the changes made to Chapter 7 of the NER.

The draft rule supports the reduction of time in the meter churn process when this happens alongside a retail transfer. The draft rule would also maintain clarity on which parties hold rights and obligations in respect of the relevant connection point at all times.

The draft rule will, or is likely to, contribute to the achievement of the National Electricity Objective. Making the rule requirements clearer and more specific in relation to meter replacement processes would provide greater certainty for consumers, retailers and metering businesses when meter churn occurs. Also, the reduction of time in the meter churn process could lead to improved outcomes for consumers, since they would be able to access services associated with their desired meter faster.

Alternative Option

In response to the Directions Paper a number of stakeholders requested that the Commission investigate ways of allowing the retail transfer to be triggered by the meter churn. This was requested as the physical act of changing the meter may be more likely to have implementation delays than the change in MSATS which executes retail transfer. The Commission has investigated this option, and determined that on balance, it is not worth pursuing.

An incoming retailer cannot require a change of a metering installation until it is financially responsible for that connection point and consequently has an ability to appoint a metering coordinator to arrange a metering installation.

It may be possible to amend the NER to allow an incoming retailer to appoint a Metering Coordinator at a connection point within a narrow time period before the completion of the retail transfer. Such a change would allow the incoming retailer to

have a new meter installed before the retail transfer is complete. The Commission observes that such a policy may have impacts that have not been examined in the rule change process.

It is not clear on balance that this option is worth pursuing, and so the Commission has made the draft rule as set out earlier in this Executive Summary. The Commission welcomes stakeholder feedback on the appropriateness of developing this option in more detail, noting that this would likely increase the implementation cost and time of the rule change.

The Commission invites submissions on this draft determination and the draft rule by 28 January 2016.

Table 1 Summary of changes to meter replacement processes

Topic	Current arrangements under NER and AEMO procedures[4]	Rule change proposal	Draft rule
Appointment of metering roles at a connection point.	Under the current NER and procedures, the metering roles can only be nominated and appointed at a connection point after the retail transfer is complete.	Incoming retailer can appoint "prospective" metering roles before the retail transfer is complete. The prospective roles would have certain rights and obligations at the connection point during the retail transfer process but the incumbent parties would also retain certain rights and obligations.	Incoming retailers would be able to nominate change of metering roles before the retail transfer is complete. The parties would not begin their roles until the day of the retail transfer.
Changing the meter before the retail transfer is complete.	Not provided for. The incoming retailer can only effect a change in meter once new metering roles have been appointed at the relevant connection point (ie, retail transfer has been completed).	Prospective roles would have the ability to arrange change in the meter before completion of retail transfer.	Incoming retailer is not able to effect a change in meter before the retail transfer has completed. However, the meter could be changed under certain commercial arrangements with coordination of incumbent parties.
Ability for incoming and incumbent parties to coordinate under commercial arrangements.	NER and procedures allow for certain arrangements to effect a change in meter prior to transfer, however in practice this may be difficult to effect.	Coordination between parties is not expressly referred to in the rule change request as prospective roles could change the meter.	AEMO must develop MSATS procedures that allow nomination of metering roles prior to retail transfer and facilitate alignment of retailer churn and meter churn, which would support coordination between incoming and incumbent parties to effect meter churn on day of retailer churn.

4 This describes the arrangements under the NER as they currently stand, but would also continue to apply under the NER as amended by the competition in metering rule changes as at 1 December 2017.

Contents

1 ERM Power's rule change request

1.1 The rule change request

On 19 January 2015, ERM Power (the proponent) submitted a rule change request to the Australian Energy Market Commission (AEMC or Commission) proposing changes to the National Electricity Rules (NER) to clarify rights and obligations of certain parties in relation to the process of replacing a meter at a connection point during a change in retailer. More specifically, the rule change request proposes to introduce into the NER new "prospective" metering parties.[5] These "prospective" metering parties would have certain rights and obligations in relation to a connection point, including being able to change the metering installation on behalf of the retailer that will become, subject to completion of the retail transfer process, the retailer at the connection point.

The rule change request originated from concerns about the process to change a meter for large customers during retail transfer under changes to AEMO's Meter Churn Procedure. However, it could also have implications for small customers given the new framework for competitive metering services being introduced under the final rule for the expanding competition in metering rule change and related services ("competition in metering") rule change.[6]

1.2 Current arrangements

Where retail competition has been introduced, customers are able to choose which retailer they receive supply of electricity from. The way in which customers switch (or "transfer") to a retailer of their choice, occurs through what is called the "retail transfer process". The process commences at the point at which a customer initiates the process to switch retailers, and completes when a meter read occurs and so the incoming retailer becomes the Financially Responsible Market Participant (FRMP) for the connection point. The retail transfer process is not the subject of this rule change request.

Under the NER, once a retailer becomes the FRMP it has certain rights and obligations relating to the metering at its customers' connection points.[7] Certain rights and obligations of retailers and other parties in relation to metering at a connection point will change when the new framework for metering services under the final rule for competition in metering is effective in late 2017. For example, the FRMP will have to ensure that there is a Metering Coordinator appointed at the connection point.

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5 For example a prospective Responsible Person and prospective Financially Responsible Market Participant.

6 http://www.aemc.gov.au/Rule-Changes/Expanding-competition-in-metering-and-related-serv

7 For example, a retailer (in its capacity as FRMP at a connection point) must ensure that there is a metering installation installed at the connection point of its retail customer. See clause 7.1.2 of the current NER.

Under the current version of AEMO's Meter Churn Procedures, which came into force on 1 September 2015, the process of changing a metering installation at a connection point cannot be commenced by an incoming retailer until the retail transfer period is complete and, consequently, the incoming retailer has become the FRMP at the relevant connection point.

Consequently, when a customer changes retailer, the incoming retailer may wish to effect a change to the metering installation at the customer's connection point (eg, to install a time of use meter that would allow the customer to have a particular pricing option). The process of changing metering installations at a connection point cannot be commenced until the incoming retailer has taken responsibility for the site. The process of how metering installations are changed is the subject of this rule change request.

The processes of retail transfer, meter churn and how these interact is described in more detail in appendix C. This appendix also outlines the roles of the different parties at a connection point, both under the current rules, and how this will change on 1 December 2017.

1.3 Rationale for rule change request

ERM Power (the proponent) considers that the NER is internally inconsistent with regard to whether an incoming retailer can arrange for incoming metering parties such as the Responsible Person (RP),[8] Metering Provider (MP) and Metering Data Provider (MDP) to be assigned and arrange for the metering installation to be changed at a connection point prior to becoming the FRMP at that connection point. The proponent considers that certain provisions in the rules, most notably clauses 7.1.2(a) and 7.2.5(e) of the current NER, imply that certain incoming metering roles can begin before the retail transfer is complete.[9]

In addition, ERM Power considers that there would be clear benefits in allowing a retailer to have its preferred meter in place when it begins providing services to a new customer. To achieve this, ERM Power proposes that the metering installation at a connection point should be able to be changed before the retail transfer is complete, as set out below. A number of the suggested benefits of this change are outlined in section 3.1.

8 The competition in metering rule change introduces the role of the Metering Coordinator (MC) into the NER. The MC would have the role and responsibilities of the existing RP. This draft determination refers to MC only.

9 ERM Power, Rule Change Request: Facilitating an efficient meter replacement process, 2015, pp. 9-10. These provisions will change on 1 December 2017 under the final rule for the competition in metering rule change – notably, current clauses 7.1.2 and 7.2.5(e) of the NER will become clauses 7.2.1 and 7.6.2(i), respectively, inclusive of requisite changes to address the introduction of the Metering Coordinator role.

1.4 Solution proposed in the rule change request

To address the issues identified in its rule change request, the proponent has requested that the NER be amended to allow for an incoming retailer to appoint "prospective" metering parties. The prospective metering parties would have certain rights at the connection point before the retail transfer process completes. These rights would include the ability to change the metering installation on behalf of the retailer that is in the process of taking over the connection point. The incumbent metering parties would retain the obligations until the completion of the retail transfer.

ERM Power's proposal is set out in more detail in section 3.1.

1.5 The rule making process to date

On 21 May 2015, the Commission published a notice advising of its commencement of the rule making process and the first round of consultation in respect of the rule change request.[10] A Consultation Paper identifying specific issues and questions for consultation was also published with the notice. The Commission received seventeen submissions on the rule change request as part of the first round of consultation.

In addition, the Commission hosted a workshop on 16 June 2015 to discuss the issues raised by the proposal and the Consultation Paper. There were over 40 attendees at the workshop.

On 10 September 2015 the Commission extended the time to make a draft rule determination under section 107 of the NEL. The extension was necessary due to the complexities and difficulties in assessing the rule change and publishing a draft rule determination prior to any changes to Chapter 7 of the NER being determined under the final rule determination for the COAG Energy Council's competition in metering rule change.

Alongside the extension, the Commission published a Directions Paper for consultation that set out the Commission's initial considerations in assessing the rule change proposal from ERM Power. There were seventeen submissions to this Directions Paper.

This consultation, and submissions received, has informed the draft rule and draft determination.

All the documents relating to this rule change, including submissions to both rounds of consultation are available on the AEMC website.[11]

10 This notice was published under section 95 of the National Electricity Law (NEL).

11 See: http://www.aemc.gov.au/Rule-Changes/Meter-Replacement-Processes

1.6 Consultation on draft rule determination

The Commission invites submissions on this draft rule determination including the more preferable draft rule, by 28 January 2016.

Any person or body may request that the Commission hold a hearing in relation to the draft rule determination. Any request for a hearing must be made in writing and must be received by the Commission no later than 24 December 2015.

Submissions and requests for a hearing should quote project number "ERC0182" and may be lodged online at www.aemc.gov.au or by mail to:

Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

2 Draft rule determination

The Commission has decided to make a draft rule, which is a more preferable draft rule.

This chapter outlines:

- the Commission's rule making test for changes to the NER;
- the Commission's assessment framework for considering the rule change request; and
- the Commission's consideration of the more preferable draft rule against the National Electricity Objective (NEO).

Further information on the legal requirements for making this draft rule determination is set out in Appendix B.

2.1 Rule making test

Under the NEL (National Electricity Law) the Commission may only make a rule if it is satisfied that the rule will, or is likely to, contribute to the achievement of the NEO. This is the decision making framework that the Commission must apply.

The NEO is:

> "to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to:
>
> (a) price, quality, safety, reliability and security of supply of electricity; and
>
> (b) the reliability, safety and security of the national electricity system."

2.2 Assessment framework

In assessing the rule change request against the NEO the Commission has considered:

- **Consumer engagement and customer satisfaction.** Generally, in well-functioning competitive markets, consumers have a range of products available to them and have choices about what products and services to consume. Consumers expect that retailers provide their chosen products on the day that their contract with the retailer commences. Such experiences impact on consumer satisfaction in both the short-term as well as the long-term. In assessing the rule change request, consideration has been given to the effects of the timing of meter churn on the ability of retailers to provide customers with

their chosen products. Such outcomes influence the ability of consumers to positively engage with the retail market.

- **Efficiency in market for metering services.** In assessing the rule change request, consideration has been given as to whether the rule change request has the potential to lower any barriers to entry for meter service providers, as well as the effects this would have on the wider market. The capacity of the rule change request to improve the ability of retailers to source and contract with meter service providers that match the retailers' needs was also being examined.

- **Regulatory transparency and certainty.** Regulatory certainty promotes confidence from consumers, market participants and their metering service providers in the market. Addressing inconsistences in the rules and so improving regulatory certainty for market participants is important in improving the functioning of the market. The regulatory framework should maintain certainty for all parties, including consumers, of their rights and obligations.

- **Transaction costs.** Changes to the rules should not create any unnecessary compliance and administrative burden for market participants. A rule that is complex to administer, difficult for market participants to understand, or imposes unnecessary risks, is less likely to achieve its intended purpose or will do so at a higher cost.

2.3 Summary of reasons

The more preferable draft rule made by the Commission is attached to, and published with this draft rule determination. As described in more detail in chapter 6, this draft rule amends Chapter 7 of the NER as amended by the competition in metering rule with effect on 1 December 2017, and not the current NER.

The key features of the more preferable draft rule are:

- that the Market Settlement and Transfer Solutions (MSATS) procedures (as developed by AEMO) must allow for an Incoming Retailer[12] to nominate the Metering Coordinator (MC), MP and MDP to be appointed at a connection point in respect of which it is the Incoming Retailer before the completion of the retail transfer;

12 An "Incoming Retailer" is a defined term introduced in Chapter 10 of the NER along with the new framework for metering services under the final rule for competition in metering rule change – see schedule 4 of that final rule for complete details of the commencement date of the new term. Under the final rule, an Incoming Retailer is a retailer that has a contract with a customer at a connection point and has initiated the retail transfer process, but which is not yet the FRMP at that connection point.

- that such appointments would become effective on the day that the retail transfer occurs (ie, when the incoming retailer becomes the FRMP at the connection point);[13]

- that MSATS procedures must facilitate, at the request of an incoming retailer, the transfer of a market load at a connection point (ie, a change in FRMP) on the same day that a new or replacement metering installation is installed at the connection point;[14]

- to require AEMO to amend certain procedures[15] to take into account the changes referred to by 1 September 2016;[16] and

- to clarify that where a change in MC at a connection point is effected due to retail transfer, the new MC becomes responsible for the metering installation at the connection point on the day that the retail transfer is completed.[17]

The draft rule affords AEMO a level of discretion with regard to how the MSATS procedures (and other procedures maintained by AEMO relating to meter churn, metrology and the retail transfer process) give effect to the "nomination" of metering roles at a connection point and the alignment of meter churn and retailer churn. This discretion is important because the manner in which the nominations are processed, and how this alignment occurs is driven by the capability of AEMO's and market participants' systems and interactions with other procedures and processes, which are governed by AEMO.

Further detail on the draft rule can be found in chapters 3 to 5 of this draft determination.

Having regard to the issues raised in the rule change request, the Commission is satisfied the draft rule will, or is likely to, contribute to the achievement of the NEO for the following reasons:

- **Improves clarity of rule obligations**. The draft rule would clarify the rights and obligations of MCs during the meter churn and retailer churn processes under the new framework being introduced under the final rule for competition in metering. Making the rule requirements clearer and more specific would provide greater certainty for consumers, retailers and metering businesses when meter churn occurs.

- **Reduction in time for meter churn alongside retail transfer**. The draft rule would require that MSATS procedures allow incoming retailers to nominate

13 See clause 7.8.9(e)(1) of the draft rule.

14 See clause 7.8.9(e)(2) of the draft rule.

15 Under clause 11.88.2 of the draft rule, AEMO must amend and publish the MSATS procedures, meter churn procedures, metrology procedures and service level procedures to take into account the more preferable draft rule.

16 See clause 11.88.2 of the draft rule.

17 See clause 7.6.2(c) of the draft rule.

during the retail transfer period the parties to be appointed as MC, MP and MDP at a connection point. This may, subject to other processes determined by AEMO under the NER and procedures authorised under the NER,[18] lead to a reduction in time between the retail transfer and change in meter and potentially for these to occur on the same day. This reduction in time could lead to more positive consumer experiences when an incoming retailer is changing a meter at a connection point.

In addition, the draft rule will, or is likely to, better contribute to the achievement of the NEO than the proponent's rule change request for the following reasons:

- **Certainty of obligations**. The prospective roles proposed by ERM Power would have been overly complex. This could have potentially led to lack of clarity regarding the rights and obligations of certain market participants at a given point in time during the meter churn and retailer transfer processes. Any misalignment of obligations and rights could lead to costs being borne by consumers due to confusion or disputes between parties at a connection point. On the other hand, under the draft rule, all parties would have clearly defined rights at the connection point at all times.

- **Lower transaction costs**. The introduction of prospective metering roles would necessitate complex and substantial changes to the rules and AEMO procedures. In addition, changes to participant and market systems would also be likely if such roles were introduced. The complexity involved is disproportionate to the potential benefits and the issues to be addressed. The draft rule achieves the benefits outlined above, through less substantial changes to existing processes.

18 For example, the objection periods in relation to the assignment of MC, MP and MDP roles at a connection point.

3 Ability to change meter on or before day of retail transfer

3.1 ERM Power's view

In its rule change request, ERM Power:

- examine the potential benefits of allowing a change in the meter by an incoming retailer before the retail transfer is complete; and
- propose the introduction of prospective parties in the NER that would allow for the meter change to occur prior to the retail transfer being complete.

3.1.1 Potential benefits for allowing change of meter before retail transfer

ERM Power considers that not being allowed to change the meter prior to the retail transfer completing could lead to a number of negative outcomes, such as:[19]

- **Non-compliance with meter accuracy requirements.** If the existing metering installation at a connection point does not satisfy the requirement for the customer's consumption, the new MC[20] would be in breach of the rules when it became responsible for the metering installation at the connection point until such time as the metering installation was changed in order to be made compliant.
- **Late start in application of new tariffs and demand side participation.** Consumers could be confused since retailers may not be able to provide the agreed tariff until a new meter is installed. Under this scenario, the first bill may not meet customers' expectations since the bill would be based on a different tariff.
- **Complications with arranging metering services at a connection point.** Retailers may be forced to contract with the incumbent parties undertaking the metering roles to allow timely change in metering installations. This could possibly lead to increased costs for retailers and reduced competition in metering services.
- **Confusion in multi-site retail contracts.** A retailer with a large customer with sites spread geographically may not be able to properly provide the agreed services until all metering installations are replaced across all sites. Since an incoming retailer cannot begin changing the metering installation until the retail transfer is complete, this could mean that the agreed services for the large

19 ERM Power, Rule Change Request: Facilitating an efficient meter replacement process, 2015, pp. 12-13.

20 The rule change request was written in reference to the existing rules and referred to the responsibility of the RP. From 1 December 2017, the existing responsibilities of the RP will be provided to the MC.

customer may not start for all the sites at the same time, or that this would have to be managed by the customer having different tariffs for different sites.

- **Inability to manage peak replacement periods.** At certain times of the year there is an increase in meter churn. Forcing retailers to wait for the retail transfer to be complete would reduce flexibility to spread out workload during these peak periods.

3.1.2 Method for allowing change of meter before transfer

To address the issues identified in its rule change request, the proponent requested that the NER be amended to:

- clarify that meter churn by an incoming retailer could occur before the retail transfer is complete;
- separate the meter replacement process from the retail transfer process;
- create new categories of "prospective" FRMP, RP/MC, MP and MDP roles that exist before the retail transfer is complete and have limited rights and obligations;
- clarify that the incumbent RP/MC, MP and MDP's rights and obligations in respect of the relevant connection point cease on midnight on the day of the metering installation being changed; and
- strengthen requirements for cooperation between incumbent and prospective metering roles.

The proponent did not include a proposed rule with the rule change request.

3.2 Stakeholder's views in response to rule change request

3.2.1 Impact of allowing meter change before completion of retail transfer

A number of retailers and the Energy Retailers Association of Australia (ERAA) in their submissions to the Consultation Paper agree with the issues raised by ERM Power in the rule change request.[21] For example, EnergyAustralia comments that consumers already struggle with the complexity of the market and delaying metering churn would make the experience confusing for the customer.[22]

Non-compliance with meter accuracy requirements

21 ERAA, Submission to Consultation Paper, pp. 1-2; Momentum, Submission to Consultation Paper, p. 1; Red Energy, Submission to Consultation Paper, p. 1; Lumo Energy, Submission to Consultation Paper, p. 1; AGL, Submission to Consultation Paper, p. 4.

22 EnergyAustralia, Submission to Consultation Paper, p. 2.

In addition to the issues raised by ERM Power, Momentum notes that retailers may have problems in undertaking the retail transfer of a site which has non-compliant metering. In this situation, the retailer could face objections to the retail transfer as the existing metering installation would not comply with requirements. However, the retailer may not be able to make the metering comply to allow the transfer since it would have no role at the site until the retail transfer is complete.[23]

Late start in application of new tariffs and demand side participation

AGL states that in order for a new retailer to provide the contracted services to the customer from the transfer date, the appropriate metering infrastructure must be in place. It states that "requiring the customer to be delayed in receiving the benefits of a new contract with a retailer until the required metering can be installed does not meet the objectives of efficient investment for the long-term interests of consumers with respect to price."[24]

On the other hand, the NSW DNSPs consider that it is unlikely that delays of up to twenty-six days between retail transfer and meter churn will eventuate under the amended procedures as the retailer would have close connections with its appointed metering roles after the retail transfer.[25]

Some stakeholders consider the late start in application of tariffs can be managed through communication of this to the consumer. The Energy Networks Association (ENA) and United Energy consider that it is the responsibility of the incoming retailer to manage consumers' expectations.[26]

Origin notes that consumers are used to multiple tariffs on their bill, for example when applying solar tariffs. Origin also considers it unlikely that many customers will change retailers to gain a new product or service that requires a change of meter.[27]

Complications with arranging metering services at a connection point

Both ERM Power and AGL note that under the current rules multiple site visits may be necessary to undertake the retail transfer and churn the meter. AGL notes that it would be beneficial and simple if small customers could have the meter change date and the retail transfer date aligned.[28]

Confusion in multi-site retail contracts

AGL states that with multi-site contracts it is generally necessary or at least preferable to have all metering installed before the new contracts can "take effect completely". AGL states that in these instances "the customer can only receive the benefits of the

23 Momentum, Submission to Consultation Paper, p. 3.

24 AGL, Submission to Consultation Paper, p. 4.

25 NSW DNSPs, Submission to Consultation Paper, p. 3.

26 ENA, Submission to Consultation Paper, p. 8.

27 Origin, Submission to Consultation Paper, p. 3.

28 AGL, Submission to Consultation Paper, p. 5.

new contract proportionally to the number of installations that are upgraded (or possibly no benefits until all sites are upgraded)". It further notes that multi-site contracts are difficult to coordinate without changing all the customer's meters across all sites.[29]

Regulatory Certainty

Many stakeholders indicate that the arrangements that came into force under the revised Meter Churn Procedures on 1 September 2015 (ie, where meter churn cannot occur until the retail transfer completes, for further detail see appendix C.5) provides certainty to participants in relation to which parties have rights and obligations at a connection point. These stakeholders consider that the recent amendment to the Meter Churn Procedures made an improvement in the operation of the market for this reason.[30]

AusNet Services notes that the superseded Meter Churn Procedures relied on cooperation and manual system adjustments between parties. Such an arrangement may have operated satisfactorily to handle meter changes for the low volume of large customers who transferred retailers historically, but may result in problems as more small customers transfer retailers and have advanced meters installed under a competitive metering framework.[31]

3.2.2 Views on method proposed by ERM Power

Most submissions to the rule change request raised concerns about the complexity of the proposal.[32] For example, the ENA considers that the proposal "involves a level of complexity and uncertainty in roles, responsibilities, obligations, service delivery, compliance and penalties".[33] AusNet Services notes that implementing prospective roles would likely lead to extensive procedure and system changes being necessary.[34]

ENA and United Energy note that it is possible that meters may be changed before a retail transfer has taken place, and that the retail transfer may subsequently not be completed. In this situation, the previous meter must be re-installed to operate in a way that meets the incumbent parties' specification. ERM Power considers that this is a commercial risk that the incoming retailer faces through changing the meter.[35] United

29 AGL, Submission to Consultation Paper, p. 4.

30 Ergon, Submission to Consultation Paper, p. 1; NSW DNSPs, Submission to Consultation Paper, p. 1; Vector, Submission to Consultation Paper, p. 3; ENA, Submission to Consultation Paper, p. 7; AusNet Services, Submission to Consultation Paper, p. 6.

31 AusNet Services, Submission to Consultation Paper, p. 6.

32 Vector, Submission to Consultation Paper, p. 2; United Energy, Submission to Consultation Paper, p. 9; Origin, Submission to Consultation Paper, p. 5; Energex, Submission to Consultation Paper, p. 1; Active Stream, Submission to Consultation Paper, p. 1. EnergyAustralia also noted in its submission that any solution offered to resolve the issues identified would likely be complex.

33 ENA, Submission to Consultation Paper, p. 1.

34 AusNet Services, Submission to Consultation Paper, pp. 8-9.

35 ERM Power, Submission to Consultation Paper, p. 3.

Energy notes that if a type 5-6 meter has been upgraded to a type 1-4 meter, it may not be possible to restore the metering to its original state under provisions of the draft rule for expanding competition in metering and related services rule change.[36]

Vector raises concerns that the introduction of prospective roles could result in work arounds being developed which may undermine the ongoing attempt to reduce the length of retail transfer times.[37]

United Energy raises concerns about move in customers at a connection point in relation to ERM Power's proposal. For example, the prospective party may be able to change the meter to meet the needs of the incoming customer, prior to the old customer moving out. The new meter may not be consistent with what the old customer values.[38]

In its submission to the rule change request, ERM Power made certain clarifications to the amendments to the NER it proposed in its rule change request. This includes clarifying that the rule change would not apply to move in customers. ERM Power also clarify that: the prospective MC, MP and MDP would be assigned as the MC, MP and MDP at the connection point on the midnight before retail transfer which makes for easier transfer of data. Furthermore the retail transfer date would be changed to retrospectively match the meter churn date.[39]

3.3 AEMC proposed policy position in Directions Paper

3.3.1 Impact of allowing meter change before completion of retail transfer

There would be benefits of an incoming retailer being able to have its preferred metering installation ready for the customer on the day the retail transfer is completed. Any situation that may cause sub-optimal experiences for consumers is concerning. The current Meter Churn Procedures (ie those in effect from 1 September 2015) may potentially lead to consumers having to wait for a period of up to twenty-six business days, or potentially longer, from a retail transfer before receiving a meter that is capable of providing them with the services that they desire.

The Commission agrees with the concerns raised by ERM Power and other retailers that this may lead to consumers not having the best possible experience with the market. Such negative experiences have the potential to grow and, more broadly, undermine confidence in the retail market over time.

However, the new framework under the competition in metering rule change would allow a large customer to appoint its own MC, who can undertake the change in a

36 United Energy, Submission to Consultation Paper, pp. 8-9.

37 Vector, Submission to Consultation Paper, p. 2.

38 United Energy, Submission to Consultation Paper, p. 6.

39 AusNet Services, Submission to Consultation Paper, pp. 5-8.

metering installation entirely independently of the retail transfer timelines. This is discussed further in chapter 4.

3.3.2 Method proposed by ERM Power

Complexity of Proposal

The creation of prospective roles, as proposed by ERM Power, would most likely involve extensive and complex changes to the rules and procedures. Four new roles would need to be introduced. The precise nature and scope of the rights and obligations of all roles, both incumbent and prospective, at all stages of the retail transfer and meter churn process would need to be specified in the rules or procedures.

Even though the creation of the prospective roles may allow certain rights and obligations to be allocated to incoming parties at a connection point (eg an incoming retailer), certain rights and obligations would have to be retained by the incumbent parties. The existing rights and obligations of FRMPs, MCs, MPs and MDPs at a connection point include obligations with respect to provision, installation and maintenance of metering installations and collection and provision of metering data.

Creating a clear delineation between the rights and obligations of incumbent and prospective roles throughout the meter replacement process would require complex and expansive changes to the existing framework. In practice, it may also result in confusion for parties as to their roles and obligations at certain points in the meter replacement process.

Allocation of obligations

An important component of any regulatory regime is that roles and responsibilities are clear, and allocated to parties best able to manage them.

Given the nature of existing rights and obligations of FRMPs, MCs, MPs and MDPs at a connection point (eg obligations with respect to provision, installation and maintenance of metering installations and collection and provision of metering data), creating a clear delineation between the rights and obligations of incumbent and prospective roles throughout the meter replacement processes would require complex and expansive changes to the existing framework. The Commission considers that, in practice, it may also result in confusion for parties as to their roles and obligations at certain points in the meter replacement process.

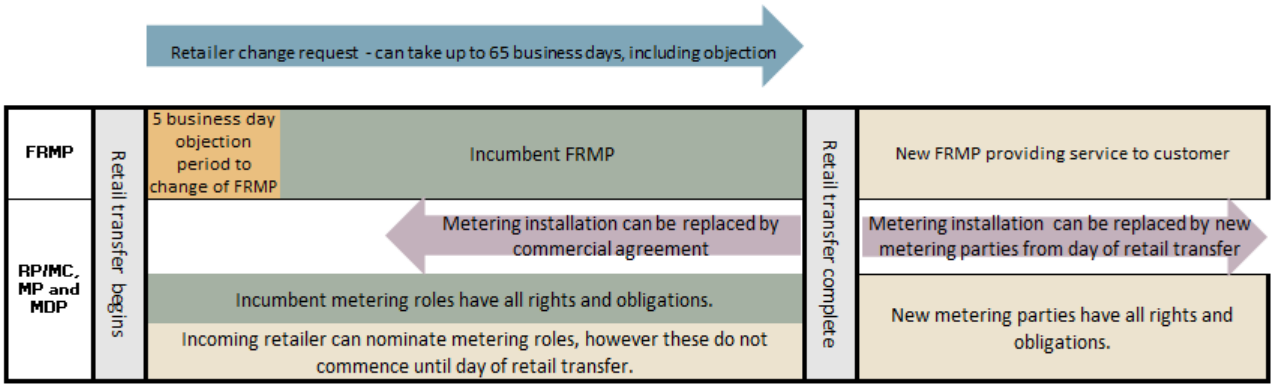
Creating detailed rules and procedures, with the aim to create clear obligations, may result in the obligations becoming more confusing than if these obligations were simply allocated to existing parties.

3.3.3 AEMC proposed policy

Figure 3.1 outlines the Commission's proposed policy position as set out in the Directions Paper. Each of the three elements of the proposed position are elaborated

below. Note that some aspects of this diagram, such as the objection period, are determined under AEMO's procedures.

Figure 3.1 AEMC proposed process



The proposed policy position was to amend the NER so it is clear that an incoming retailer cannot change a meter until after the retailer transfer is complete. That is, the meter change cannot be initiated by the incoming parties until after the retailer has become the FRMP at the relevant connection point.

The result of the Commission's proposed policy position would be that an incoming retailer would not be able to physically change a metering installation until the retail transfer is complete. However, the incoming retailer would be able to *nominate* the change in metering parties (ie MC, MP and MDP) prior to the retail transfer completing.

In addition, the Commission considers that the NER should allow for certain commercial arrangements between incumbent and incoming metering parties to facilitate a change in meters during the retail transfer period. This is discussed further in chapter 5 below.

3.4 Stakeholder views in response to Directions Paper

Stakeholder submissions received were generally in support of the proposed policy set out by the AEMC in the Directions Paper.[40] Red Energy and Lumo Energy state that "reducing any inconsistencies in the rules and ensuring the roles and responsibilities are clearly articulated without adding further complexity in a transactional sense will provide an ideal outcome."[41]

40 United Energy , Submission to the Directions Paper, p. 1; ENA , Submission to the Directions Paper, p. 2; NSW DNSPs , Submission to the Directions Paper, p. 2; Ergon Energy , Submission to the Directions Paper, p. 1; AusNet Services, Submission to the Directions Paper, p. 1; Energex, Submission to the Directions Paper, p. 1; Vector , Submission to the Directions Paper, p. 1; CitiPower and Powercor , Submission to the Directions Paper, p. 1.

41 Red Energy and Lumo Energy, Submission to the Directions Paper, p. 1.

A number of submissions note that under the policy set out in the Directions Paper it would still be possible for a customer to transfer retailers without the meter being churned. Therefore, a number of stakeholders consider that the rules should allow the incoming retailer to request that the retail transfer be aligned with the meter churn.[42] As outlined by Metropolis Metering "[t]he difference here is the triggering event: the physical work of installing a meter, or the logical work of the retail transfer."[43]

Active Stream and AGL consider that such a change to the policy position will make commercial arrangements between incoming and incumbent parties unnecessary. As incoming retailers would be able to organise a change of meters in advance of the retail transfer, there would be no need to have any commercial relationship between parties.[44]

On the other hand, Origin reiterate that it considers that the costs of not being able to change a small customer's meter on the day of, or before retail transfer are not likely to be material.[45]

Simply Energy notes concerns about the process followed for multi-site small customers, or large customers which have not appointed their MC. Simply Energy considers that a change to the metering installation should be allowed on the day before the completion of the retail transfer.[46]

3.5 Commission's analysis and conclusion

3.5.1 Conclusion

The draft rule provides for certain changes to MSATS procedures to:

- permit an Incoming Retailer to nominate the MC, MP and MDP to be appointed at a connection point in respect of where it is the Incoming Retailer;
- clarify that where the change in MC at a connection point is effected due to retail transfer, the new MC becomes responsible for the metering installation at the connection point on the day that the retail transfer is completed;[47] and
- facilitate alignment of meter churn with retailer churn at the request of the Incoming Retailer;[48]

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42 ERM Power, Submission to Directions Paper, p. 5; EnergyAustralia, Submission to Directions Paper, pp. 1- 2; AGL, Submission to the Directions Paper, p. 8.

43 Metropolis Metering, Submission to Directions Paper, p. 2.

44 Active Stream, Submission to the Directions Paper, p. 2; AGL Submission to the Directions Paper, p. 5.

45 Origin, Submission to Directions Paper, p. 2.

46 Simply Energy, Submission to Directions Paper, p. 1.

47 See clause 7.6.2(c) of the draft rule.

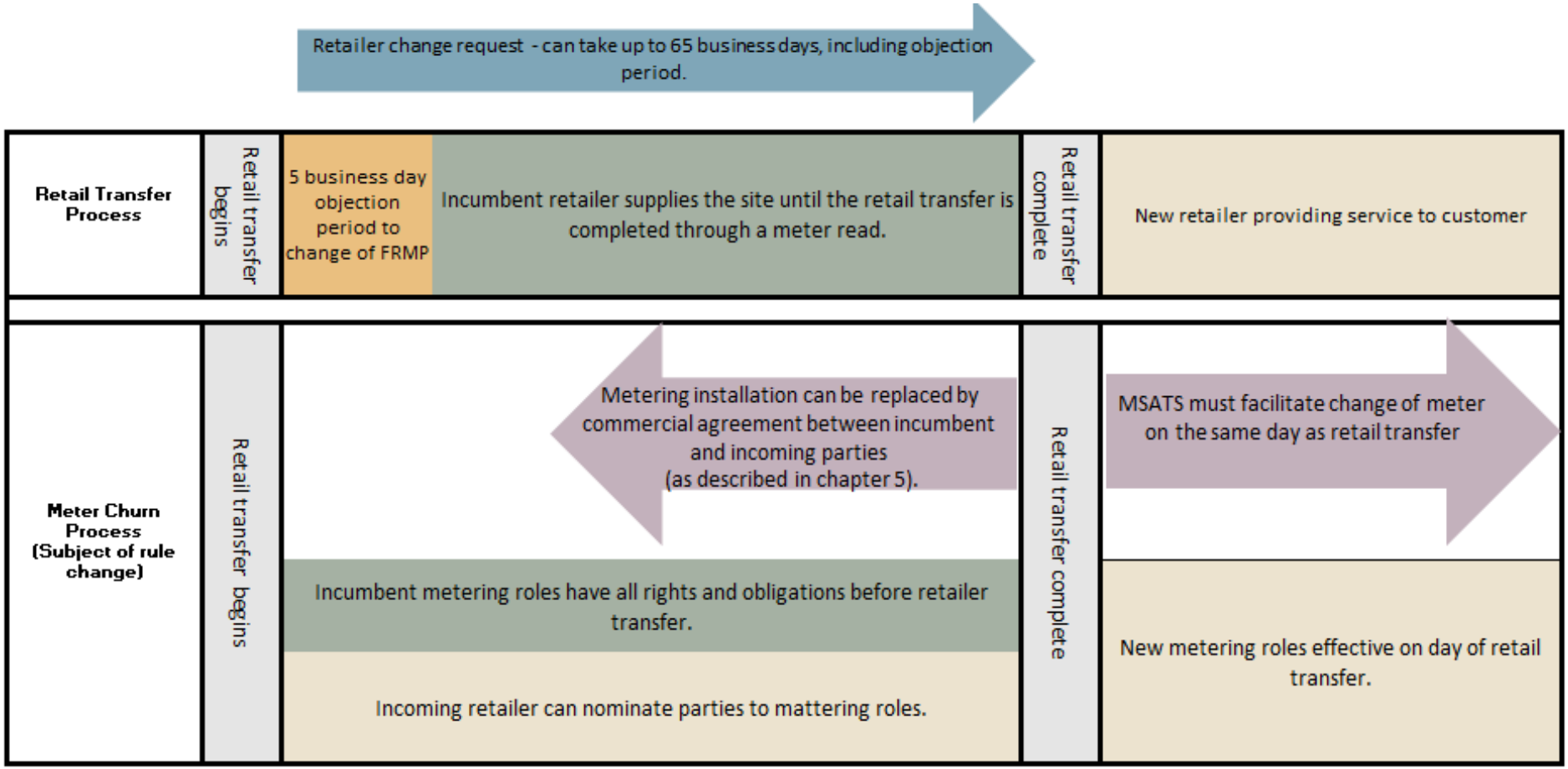
48 See clause 7.8.9(e)(2) of the draft rule.

The draft rule does not affect the retail transfer process, which is separate from the meter churn process.

The draft rule makes changes to Chapter 7 of the NER as amended by the final rule for competition in metering.

This should, subject to other processes determined by AEMO under the NER and procedures authorised under the NER, lead to a reduction in time between the retail transfer and change in meter and potentially for these to occur on the same day. Figure 3.2 provides greater detail on the operation of the draft rule.

Figure 3.2 Meter Churn process in draft determination



In Figure 3.2, the top section shows a high level outline of the retail transfer process, which is not being amended by the draft rule. The retail transfer process is initiated after the customer requests to change retailer. The retail transfer completes once a meter read has occurred and this data has been entered into AEMO's systems. Responsibility for supplying the customer is transferred to the incoming retailer, with this retailer providing the service the customer from this point on.

The bottom section provides an overview of the process for undertaking the change in metering installation as amended under the draft rule. Under the draft rule, the MSATS procedures must allow incoming retailers to nominate parties to be appointed to certain metering roles at a connection point prior to the retail transfer process completing, with such appointments becoming effective once the retail transfer has been completed. In other words, of particular relevance to this rule change request, the MP would be responsible for the connection point from that point onwards.

The draft rule provides that MSATS procedures must facilitate, at the request of the incoming retailer, the transfer of a market load at a connection point (ie, a change in FRMP) on the same day that a new or replacement metering installation is installed at a connection point.[49] This has been introduced to require AEMO to amend MSATS procedures to allow for an alignment of meter churn and retailer churn on the same day, where requested by the incoming retailer. The exact timing of the meter churn and the retailer churn would be left to AEMO's systems and procedures, as is currently the case.

However, as discussed below, an Incoming Retailer cannot appoint a MC to effect a change in the meter at a site until the Incoming Retailer is responsible for that site (ie, they are the FRMP at the connection point). Therefore, while AEMO would have to amend their systems so that meter churn and retailer churn could occur on the same day, the retailer churn would still have to occur prior to the meter churn in circumstances where the metering installation is being installed by the Incoming Retailer's appointed MC.

The outcome of these changes to MSATS would be that the meter could potentially be changed on the same day as the retail transfer completes. However, there is the potential that there could be a short period of time between the completion of the retail transfer and the physical change of the meter. In this instance, the incoming retailer would arrange for the existing meter to remain until the installation of the new meter can occur, as is the case currently. If this occurred, the Commission expects that retailers would communicate this to the customer.

The draft rule would, however, permit incoming retailers and incumbent metering parties at a connection point to reach a commercial agreement to effect a meter churn prior to the completion of the retail transfer process and does support the potential for such meter churn to trigger the completion of the retail transfer. This is discussed further in chapter 5.

49 See clause 7.8.9(e)(2) of the draft rule.

The draft rule affords AEMO a level of discretion with regard to how the MSATS procedures (and other procedures maintained by AEMO relating to meter churn, metrology and the retail transfer process) give effect to the nomination of metering roles at a connection point and the alignment of meter churn and retailer churn. This discretion is important because the manner in which the nominations and alignment are given effect is driven by the capability of AEMO's and market participants' systems and interactions with other procedures and processes, which are governed by AEMO.

The Commission understands that AEMO is expected to undertake a review of the MSATS system next year, in response to a request from the COAG Energy Council, following the AEMC's recommendations in the Review of Customer Switching.[50] Changes made as part of this review process may also facilitate meter churn closer to the time of retailer churn.

3.5.2 Alternative Option

This section outlines an alternative option for resolving the issues identified by the proponent and other stakeholders with the current requirements. This option was identified while investigating the ways that the physical change of the meter could be the trigger for the retail transfer. The Commission has decided against implementing this option as part of the draft determination since it does not consider that on balance this option is worth pursuing, but seeks stakeholder feedback on whether this option should be developed in more detail.

The Commission notes the view of some stakeholders that the Directions Paper position could be improved by allowing incoming retailers to effect a change in meter prior to becoming the FRMP, and that meter change then triggering completion of the retail transfer process. The Commission agrees that such an idea has potential merit. Accordingly, the Commission has investigated how this could be given effect.

Under changes to Chapter 7 of the NER being introduced under the final rule for competition in metering, a party cannot arrange for a meter to be changed at a connection point until they are assigned in MSATS as being responsible for that site (ie, they are the assigned as the FRMP, MC or MP at the connection point). That is, an Incoming Retailer could not arrange to change a metering installation until it was FRMP for that connection point and, consequently, had an ability to appoint an MC to arrange the installation of the metering installation.

Allowing the retail transfer to be triggered by the meter churn cannot be introduced without clearly defining the point in time when the Incoming Retailer may exercise the right to effect a change in the meter and defining the concurrent rights and obligations of the Incoming Retailer and incumbent metering parties during this period. Therefore, the Commission does not consider that the solution is as simple as making the meter churn the trigger for the completion of the retail transfer.

50 See: http://www.aemc.gov.au/Markets-Reviews-Advice/Review-of-Electricity-Customer-Switching

However, during its investigation of methods of coordinating the meter churn and retail transfer, the Commission has developed a potential alternative policy, which would support the physical change of the meter being the trigger for the retail transfer. The key features of this alternative proposal are as follows:

- An Incoming Retailer would have a right to appoint a MC at a connection point for a *limited* time prior to the retail transfer being completed (ie for a period during which the Incoming Retailer is not the FRMP for the relevant connection point).

- The Incoming Retailer's ability to appoint an MC prior to the retailer transfer process being completed would only be for the purposes of installing a new or replacement metering installation at the connection point and where the installation is intended to immediately precede the completion of the retail transfer process. Such appointment would also terminate if the retail transfer is not completed within a specified period of time.

- AEMO would be required to develop procedures that:

  - specify any requirements that the Incoming Retailer must satisfy prior to appointing the MC;

  - permit an Incoming Retailer to nominate the day on which the MC will become responsible for the metering installation at the relevant connection point;

  - permit an Incoming Retailer to nominate the MC, MP and MDP to be appointed to the connection point, with such appointments becoming effective when the Incoming Retailer's appointment of the MC is effective;

  - facilitate the installation of a new or replacement metering installation by the incoming retailer's appointed MC on the day the Incoming Retailer's appointed MC becomes responsible for the metering installation and the alignment of the installation of the meter with the day on which the retail transfer occurs (ie, the day on which the Incoming Retailer becomes the FRMP).

This option could allow for a meter to be changed prior to the retail transfer occurring, which may result in improved outcomes for consumers. Consistent with the draft rule, this option would still leave discretion to AEMO (subject to other processes determined by AEMO under the NER and procedures authorised under the NER) as to how this would be put in place, and so whether the trigger for a retail transfer would be the meter churn.

However, there are other aspects that may impact negatively on regulatory or commercial certainty. For example, under this approach, the outgoing retailer may have no relationship with the incoming retailer or the new MC, which could undermine an incumbent retailer's ability to satisfy its obligations as FRMP at the connection point and access services from the metering installation during the period

where the Incoming Retailer is not yet the FRMP but has appointed the MC at the connection point. Retailers may be uncomfortable with this approach from a practical point of view.

The Commission also recognises that this option would require significantly more time and effort to develop. There may also be higher transaction costs in terms of implementing this option into the market. The Commission does not consider that on balance that this option is worth pursuing, and so it has made a draft rule as set out above. However, this option does allow the meter churn to be the trigger for a retail transfer and so we seek stakeholder views' on whether they consider the benefits from this option would outweigh the implementation cost and time. We welcome stakeholder feedback on the appropriateness of developing this option in more detail.

4 Treatment of large and small customers

4.1 ERM Power's view

In the rule change request ERM Power observe that under the rules currently in force "[m]eter replacement is much more common in the large customer segment".[51] However, ERM Power note that a new framework for competition in metering services from the introduction of the expanding competition in metering rule change is likely to result in an increase in the range of products requiring advanced meters for small customers.[52]

4.2 Stakeholder's views in response to rule change request

The Energy Networks Association (ENA) note that issues relating to the meter replacement process currently relate mostly to large customers with type 1-4 metering installations, but with the introduction of competition in metering, will increasingly impact small customers.[53]

4.3 AEMC proposed policy position in Directions Paper

In the Directions Paper the Commission notes that as part of the draft rule for competition in metering coming into force on 1 December 2017, large customers would have the ability to appoint their own MC. This would result in the ability for the meter to be changed prior to the large customer's new retailer suppling energy at the premises in circumstances where the customer is changing retailers. This is because the large customer would be able to appoint its own MC, prior to the retail transfer completing, who would have the ability to request a change to the metering installation and so change the meter prior to the retail transfer occurring. This appointment of a MC would occur independently from the retail transfer period.

Therefore, if a large customer valued receiving a new meter by a certain date it would be able to appoint an MC to undertake this task regardless of the date the retail transfer is expected to take place. Therefore, the Commission considers that the issue identified in the rule change request is no longer an issue to the extent that large customers are willing to appoint an MC to effect change in the meter prior to the retail transfer completing.

On the other hand, absent any changes to the competition in metering framework, an incoming retailer for a small customer would need to wait until the retail transfer is completed before having the right to appoint an MC at the relevant connection point to arrange a change in the metering installation. Accordingly, the Directions Paper proposed that the incoming retailer can nominate parties such as the MP and MDP to

51 ERM Power, Rule Change Request, p. 5.

52 ERM Power, Rule Change Request, p. 5.

undertake certain roles at a connection point, but that these nominated parties cannot commence these roles until the day the retail transfer is completed (as discussed in chapter 3).

4.4 Stakeholder views in response to Directions Paper

Stakeholders note in submissions to the Directions Paper that the ability of a large customer to appoint its own MC, and thus be in a position to request a meter change outside of the retail transfer process, resolved many of the issues raised by ERM Power relating to large customers. However, AGL and the ERAA note that the Commission did not define what was meant by the phrase "large customer" in the Directions Paper and requested clarification.[54] ERM Power and the ERAA raise concerns that the definition of large customer under the draft rule for the competition in metering rule change could potentially exclude large customers in Victoria.[55]

In addition, some stakeholders consider that there should be a capacity for multi-site customers to be aggregated for the purpose of metering.[56] There are some multi-site customers where each connection point draws a level of energy below the threshold to be defined as a large customer, as defined in each jurisdiction. However, if the total energy of the sites could be aggregated, then this would enough for the customer to be classified as a large customer, and thus allow it to appoint an MC.

EnergyAustralia also notes that rule 5 of the National Energy Retail Rules (NERR) may allow aggregation of multi-site small customers. In this situation EnergyAustralia consider the customer should be able to appoint its own MC.[57]

4.5 Commission's analysis and conclusion

4.5.1 Definition of a large customer

The Commission note that a definition for "large customer" was introduced in the NER under the final rule for the expanding competition in metering and related services rule change. This definition formed part of the amendments to the NER as set out in Schedule 1 of that final rule, which commenced on 26 November 2015.

The definition of large customer introduced by the final rule for competition in metering is as follows.

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53 ENA, Submission to Consultation Paper, p. 1.

54 ERAA, Submission to Directions Paper, pp.1-2; ERM Power, Submission to Directions Paper, p.2; AGL, Submission to the Directions Paper, pp. 6.

55 ERM Power, Submission to Directions Paper, p.3; ERAA, Submission to Directions Paper, p. 1; AGL, Submission to the Directions Paper, pp. 6,10

56 ERM Power, Submission to Directions Paper, p.3, AGL, Submission to the Directions Paper, p. 7.

57 EnergyAustralia, Submission to Directions Paper, p. 2.

large customer

(a) In a *participating jurisdiction* where the *National Energy Retail Law* applies as a law of that *participating jurisdiction*, has the meaning given in the *National Energy Retail Law*.

(b) Otherwise, has the meaning given in *jurisdictional electricity legislation*

Under the above definition, business customers who consume at or above the upper consumption threshold are classified as large customers under section 5(b) of the National Energy Retail Law.[58]

In the final determination of the competition in metering rule change the Commission considered that large customers are likely to have sufficient bargaining power to negotiate terms and conditions and resolve any disputes with a MC. Therefore, the Commission determined that contractual relationships between a large customer and its MC would be on commercial terms and be largely unregulated.

The Commission recognises the concerns raised by stakeholders with respect to the definition of large customer. However, the Commission notes that the definition of large customer has been amended under the final rule for Embedded Networks to clarify that the definition includes a retail customer that is not a small customer in a participating jurisdiction that has not adopted the National Energy Customer Framework.[59] Accordingly, the definition operates to capture retail customers in Victoria that are not small customers.

4.5.2 Aggregation of small customers to form a large customer

The Commission also notes that the provisions of the NERR identified by EnergyAustralia specify matters where multi-site small customers can be treated as large customers, if the customer agrees. These matters do not include arrangements under the NER for metering services and as such, the identified provisions do not allow a retailer to aggregate a multi-site small customer to allow the customer to appoint the MC at the site.

The introduction of an ability to aggregate multi-site small customers to form a large customer, as proposed by submissions, was not examined as part of the assessment of either the expanding competition in metering and related services rule change or in the proponent's rule change request for this rule change.

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58 The National Energy Retail Regulations sets this upper consumption threshold at 100 MWh per annum, which has been adopted by the ACT, Queensland and NSW. Varying thresholds have been set in the other jurisdictions. There is an upper threshold of 160 MWh per annum in South Australia and 150 MWh per annum in Tasmania. The equivalent threshold in Victoria is 40 MWh per annum.

59 More detail on the embedded network rule change can be found here: http://www.aemc.gov.au/Rule-Changes/Embedded-Networks

A retail customer's classification as either a large or small customer has an impact on a number of different interactions between that customer and the energy market. Being classified as a large customer could change the customer's tariff and does affect the application of consumer protections to the customer in addition to allowing the customer to appoint the MC at the connection point. Therefore, the introduction of an ability to aggregate multi-site small customers to become a single large customer has wider implications than just altering the process of churning meters during retail transfer, and in light of the matters raised in the proponents rule change request is considered out of scope for this rule change.

5 Commercial arrangements

5.1 ERM Power's view

The rule change request did not expressly refer to commercial arrangements between incoming parties and the incumbent parties at a connection point being used to facilitate meter churn by an Incoming Retailer on or before the retail transfer process is complete.

5.2 Stakeholder's views in response to rule change request

The ENA, NSW DNSPs and Citipower and Powercor proposes that retailers should be able to undertake commercial agreements to change meters before the retail transfer was completed. These meter changes would occur only if "agreed between the parties".[60] The ENA consider this should only apply for large customers.[61]

5.3 Commission position in Directions Paper

The NER should allow for commercial arrangements between incumbent and incoming metering parties to facilitate a change in meters during the retail transfer period. Permitting such commercial arrangements would allow a change in meter before the retail transfer is complete. As described below, this is most likely to be applied in the case of large customers where it will be administratively easy. This is in-line with a proposal from a number of DNSPs as described above. Incumbent parties at a connection point would still have all rights, and be subject to all obligations, at the connection point under the NER in circumstances where a commercial arrangement has been used to effect the meter churn.[62]

A commercial arrangement between incumbent and incoming retailers may be difficult to achieve for small customer connection points under the arrangements introduced in the rule for competition in metering. More specifically, under that final rule:

- The DNSP that is the MC for a type 5 or 6 metering installation at a connection point immediately before changes to Chapter 7 of the NER commence on 1 December 2017, must be appointed by the FRMP as the MC for that connection point.[63]

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60 Citipower and Powercor, Submission to Consultation Paper, p. 1; NSW DNSPs, Submission to Consultation Paper, p. 8.

61 NSW DNSPs, Submission to Consultation Paper, p. 1.

62 For example, the incumbent MC would still be responsible for the provision, installation and maintenance of the metering installation at a connection point.

63 See clause 11.86.7 in Schedule 5 of the *National Electricity Amendment (Expanding competition in metering and relates services) Rule 2015 No. 12).*

- The Australian Energy Regulator (AER) must develop and publish Distribution Ring-Fencing Guidelines[64] under clause 6.17.2 of the NER by 1 December 2016.[65]

Given the above aspects of the final rule, it is likely that the initial MC at a small customer connection point will be the DNSP as most small customers currently have type 5 or type 6 metering installations. Further, the incumbent retailer may not be able to upgrade the meter to a type 4 metering installation at the incoming retailer's request in circumstances where the metering installation at the connection is a type 5 or 6 metering installation and the MC is the DNSP, without first appointing a new MC at the connection point for the short interim period until the retail transfer is completed. This is because the AER's Distribution Ring-Fencing Guidelines may require DNSPs to ring-fence metering services classified as direct control services from those metering services that are unregulated (eg establish a separate legal entity in order to provide unregulated metering services).

Consequently, a commercial arrangement to change a small customer's meter could involve up to three successive MCs at the connection point in a short time period, and thus would be administratively burdensome.

One issue raised by ERM Power in its proposal is that for multi-site customers, retailers typically need all meters changed before the contract can commence. Allowing for commercial arrangements does not necessarily resolve the issue, but does mitigate it as the incoming retailer may be able to enter into commercial arrangements with incumbents, under which the incumbent changes the meters at some or all of the sites before the retail transfer.

5.4 Stakeholder views in response to Directions Paper

Some stakeholders raise concerns about the operation of the commercial agreements between companies. AGL note that "[c]ommercial negotiations are founded on the principles that both parties seek something of value". However, AGL has concerns that the providers of the service to the incumbent customer, would have no reason to enter into negotiations with incoming parties. Active Stream also considers that there would be minimal commercial interactions between incoming and incumbent parties at a connection point.[66] ERM Power notes that the incoming party and the consumer would receive all the benefits of a commercial arrangement, thus making a commercial negotiation difficult.[67]

64 The Distribution Ring-Fencing Guidelines are guidelines developed by the AER under clause 6.17.2 of the NER for the accounting and functional separation of the provision of direct control services by DNSPs from the provision of other services by DNSPs.

65 See clause 11.86.8 of the Schedule 5 of the *National Electricity Amendment (Expanding competition in metering and relates services) Rule 2015 No. 12*.

66 Active Stream, Submission to Directions Paper, p. 2.

67 ERM Power, Submission to Directions Paper, p. 7.

Consequently, AGL proposes that the rule change include a "good faith" provision for the interaction of incoming and incumbent parties at the connection point. This will require incumbent parties to negotiate outcomes with the incoming parties.[68]

ERM Power notes that the commercial arrangements could take one of two forms. It could either be incumbent parties installing the meter by agreement or the incoming parties acting on behalf of the incumbents at the connection point.

In addition, ERM Power has concerns that the usage of the phrase "commercial agreement" could imply legal contract between the parties. Instead, arrangements between differing meter parties should be organised through MSATS.

5.5 Commission's analysis and conclusions

The draft rule does allow for certain commercial arrangements to be entered into in order for the meter to be churned prior to the retail transfer being completed.

The draft rule provides that MSATS must facilitate, at the request of the incoming retailer, the transfer of a market load at a connection point (ie, a change in FRMP) on the same day that a new meter is installed at a connection point. As set out in section 2.3, this has been introduced to require AEMO to amend MSATS to allow for an alignment of meter churn and retailer churn on the same day.

This clause also supports the use of commercial agreements to enable the meter to be changed prior to the retail transfer. For example, the Incoming Retailer could enter into a commercial agreement with the incumbent MC to a meter of the incoming retailer's choice, subject to the terms of the incumbent's MC appointment by the FRMP.

If such a commercial agreement was entered into then the meter could be changed prior to the incoming retailer becoming the FRMP at that connection point. In MSATS, all rights and obligations would lie with the incumbent parties, until the retail transfer.

The draft rule does not include a specification on the operation or framework of commercial arrangements that can be entered into by parties. Some stakeholders consider that the Commission should specify the operation of commercial arrangements, or provide regulation on behaviours such as introducing a good faith provision. However, it would be inappropriate to regulate specific interactions among different parties. It is the Commission's intent that the NER not remove the ability of parties to enter into such an agreement. There is little benefit on specifying, potentially onerous, restrictions on interactions between businesses.

68 AGL, Submissions to Directions Paper, pp. 4-5.

6 Implementation

This section of the determination sets out the timing and implementation of arrangements under the draft determination.

6.1 ERM Power's proposal

ERM Power consider that the Commission should make a rule in response to the rule change proposal to come into force alongside the introduction of the competition in metering and related service rule change.[69] ERM Power consider that in the interim, there should be a no action letter from the AER so that participants do not need to comply with the current procedures.[70]

6.2 Stakeholder feedback

A number of stakeholders agreed with the proposed implementation timeframes by ERM Power. Most stakeholders note that this rule change should be implemented alongside the competition in metering rule change.[71]

Energex notes that the implementation of this rule change must not delay the implementation of the competition in metering rule change. Additionally, Citipower and Powercor consider that the competition in metering rule change timetable should take a higher priority than the meter replacement processes rule change.[72]

In response to the Directions Paper, stakeholders were in support of the proposed timeline of implementation.[73] The ENA considers that the proposed timeline is potentially optimistic.[74] United Energy notes that the final rule would likely not be ready until March 2016, and considers that the procedure changes from the competition in metering rule change should not be delayed for the meter replacement processes rule change.[75]

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69 ERM Power, Rule Change Request; p. 20.

70 The AER has decided not to make a statement of No Action for non-compliance with the revised Meter Churn Procedures.

71 Lumo Energy, Submission to Consultation Paper, p. 1; Red Energy, Submission to Consultation Paper, p. 1 ERAA, Submission to Consultation Paper, p. 2; Ergon Energy, Submission to Consultation Paper, p. 5; Origin, Submission to Consultation Paper, p. 6; Active Stream, Submission to Consultation Paper, p. 2.

72 Citipower and Powercor, Submission to Consultation Paper, p. 2.

73 Ergon, Submission to Directions Paper, p. 2; Origin, Submission to Directions Paper, p. 2; Energex, Submission to Directions Paper, p. 2.

74 Red Energy and Lumo Energy, Submission to the Directions Paper, p. 2.

75 United Energy, Submission to the Directions Paper, p. 1;

6.3 Commission's analysis and conclusion

The draft rule sets out that these amendments would commence on 1 December 2017, consistent with the planned commencement of:

- the competition in metering rule change;
- the embedded networks rule change; and
- the Updating the Electricity B2B Framework rule change.[76]

The draft rule amends clauses 7.6.2(c) and 7.8.9(e) of the NER as amended by the final rule for competition in metering. The amendments made to these clauses by the draft rule would commence on 1 December 2017, consistent with when changes to Chapter 7 of the NER commence under the final rules for the embedded networks and competition in metering rule changes.

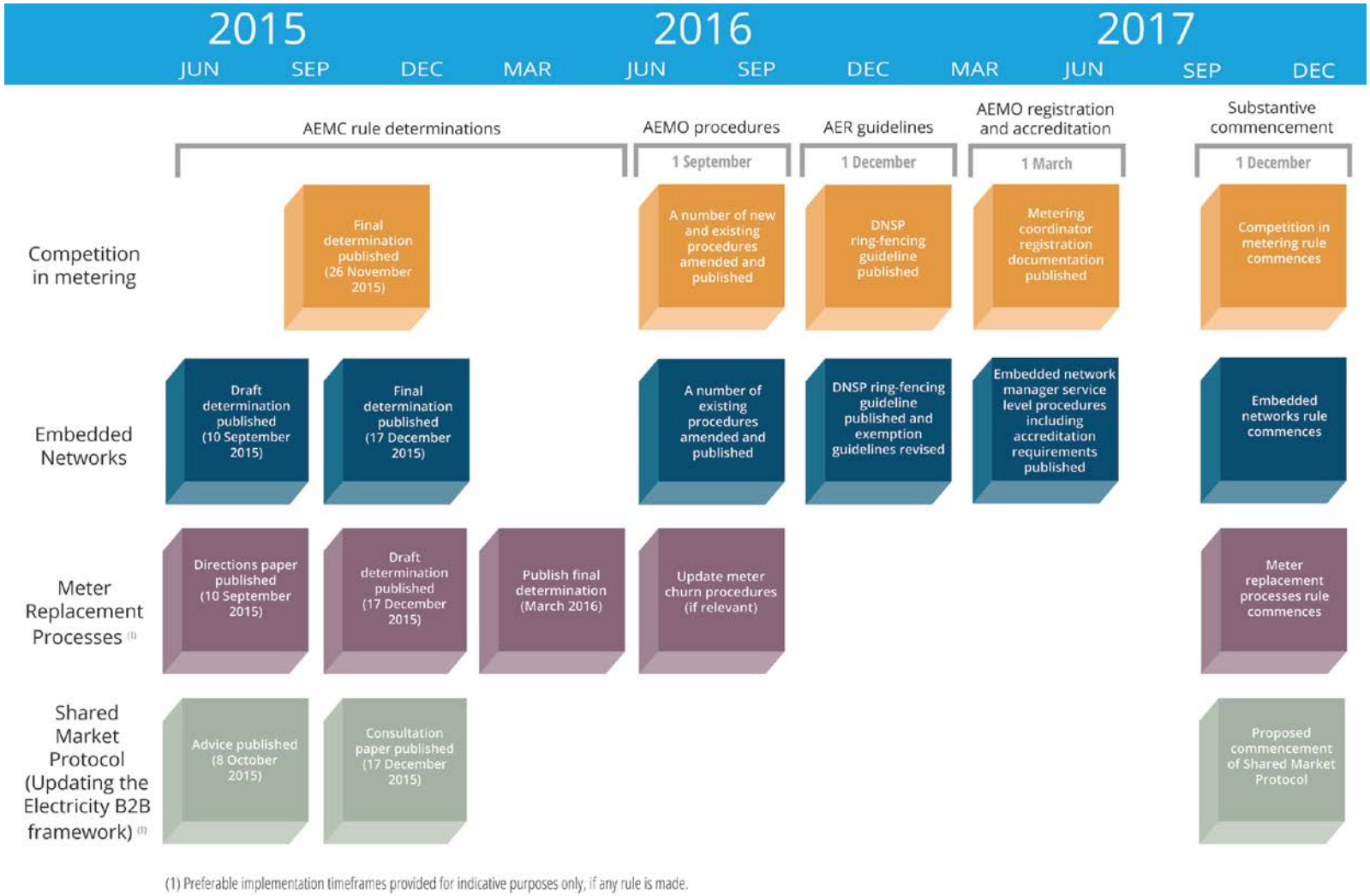
The draft rule also includes transitional arrangements, which take effect before 1 December 2017. Under these transitional arrangements, AEMO must amend and publish the following procedures, as required, by 1 September 2016 to take into account changes made to Chapter 7 under the draft rule:

- the Market Settlement and Transfer Solution Procedures;
- the Meter Churn Procedures;
- the Metrology Procedures; and
- the Service Level Procedures.

Figure 6.1 displays the proposed implementation schedule for these projects. The diagram also displays how the timeframes are being co-ordinated to streamline implementation across all four projects, noting that the final implementation timeframe for each will be determined as part of that project.

76 The Updating the Electricity B2B Framework rule change process stems from rule change requests made by the COAG Energy Council and Red Energy and Lumo Energy in relation to the AEMC's advice on implementing a shared market protocol.

Figure 6.1 Project timelines



(1) Preferable implementation timeframes provided for indicative purposes only, if any rule is made.

Abbreviations

AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
ENA	Energy Networks Association
ERAA	Energy Retailers Association of Australia
FRMP	Financially Responsible Market Participant
LNSP	Local Network Service Provider
MC	Metering Coordinator
MCE	Ministerial Council on Energy
MDP	Metering Data Provider
MP	Metering Provider
MSATS	Market Settlement and Transfer Solutions
NEL	National Electricity Law
NEO	National Electricity Objective
NER	National Electricity Rules
NERR	National Energy Retail Rules
RP	Responsible Person

A Summary of additional issues raised in submissions

A.1 Submissions to the Consultation Paper

Issue	Stakeholder	AEMC Response
Issues identified in the rule change request could best be resolved through the competition in metering rule change.	AGL, p. 9.	The Meter Replacement Processes rule change arrived late in the rule change process for competition in metering and therefore was not able to be consolidated with that rule change.
Retail transfer takes too long.	EnergyAustralia, p. 2.	This is out of scope for this rule change. However, the Commission completed a review into electricity consumer switching timeframes in April 2015. The review made several recommendations to the COAG Energy Council on how the consumer transfer process can be made more timely and accurate.
The Australian Energy Regulator (AER) should make a statement of no action until the completion of the rule change process.	ERAA, p. 2; Momentum, p. 1.	The AER has decided not to make a statement of No Action for non-compliance with the revised Meter Churn Procedures.[77]
There are likely to be issues relating to safety and access in the replacement of meters for small customers.	ERM Power, p. 4; United Energy pp. 6-7.	Noted. This is out of scope for this rule change.
There is no monitoring for compliance processes in relation to meter churn. Formal processes should be created.	Ergon, p.6.	The AER is the body responsible for enforcing compliance with the rules associated with meter churn.

77 AER, Quarterly Compliance Report: National Electricity and Gas Laws April – June 2015, p. 5.

A.2 Submissions to the Directions Paper

Issue	Stakeholder	AEMC Response
Note that details from AEMO Procedures would need to be moved to the NER	Origin, p. 1.	The specific operational processes on meter churn and retail transfer should continue to be governed by AEMO Procedures. Flexibility for AEMO in determining such processes is important since the nature of such processes is driven by the capability of AEMO's and market participants' systems and interactions with other procedures and processes, which are governed by AEMO.
This rule change is only an administrative correction and the full rule change process should not be followed.	Metropolis, p. 4.	Under the NEL, the AEMC must complete the full statutory process for this rule change request. The AEMC is of the view that the rule change request does raise substantial matters for consideration.
Definitions of meter types for different consumption levels in the *National Measurement Act* are not aligned with the definition of large customers in the NERR.	AGL, p. 6.	This issue is out of scope for this rule change as it relates to interaction between the NERR and the *National Measurement Act.* Participants are welcome to submit a rule change to the NERR to examine this issue.
The rules should specify the outcome where a large customer has a manually read meter and is with the first tier retailer, so it must change its meter before the load can be transferred.	United Energy, pp. 1-2.	In this situation the customer can directly appoint a MC, to undertake the change in meter prior to the retail transfer occurring.
Delayed batch processing in MSATS may make meter churn on the day of retail transfer difficult.	EnergyAustralia, p. 1.	It is the responsibility of AEMO to operate MSATS in compliance with the rules. The operation of batch processing is an operational matter for AEMO.
If incumbent metering parties for franchise customers, classified as small customers, were not afforded the protections proposed in	AusNet Services, p.2.	Since the volumes of franchise customer churn are low, the Commission does not consider this a priority. AusNet Services also considers that if a solution is not specified that "the Commission's proposed alternative

Issue	Stakeholder	AEMC Response
the Directions Paper, then all deemed DNSP MCs would need to make costly system and process changes to handle this overly complicated replacement arrangement. This could lead to very complicated outcomes.		process would be the next most efficient outcome."

B Legal requirements under the NEL

This appendix sets out the relevant legal requirements under the NEL for the AEMC in making this draft rule determination.

B.1 Draft rule determination

In accordance with section 99 of the NEL the Commission has made this draft rule determination in relation to the rule change request by ERM Power.

The Commission's reasons for making this draft rule determination are set out in section 2.3.

A copy of the draft rule which is a more preferable draft rule is attached to and published with this draft rule determination. Its key features are described in section 2.3.

B.2 Power to make the rule

The Commission is satisfied that the draft rule falls within the subject matter about which the Commission may make rules. The draft rule falls within the matters set out in s. 34 of the NEL, as it relates to "facilitating and supporting the provision of services to retail customers"[78] and "the regulation of persons providing metering services relating to the metering of electricity."[79]

B.3 Power to make a more preferable rule

Under section 91A of the NEL, the Commission may make a rule that is different (including materially different) from a market initiated proposed rule if the Commission is satisfied that, having regard to the issue or issues that were raised by market initiated proposed rule (to which the more preferable rule relates), the more preferable rule will, or is likely to, better contribute to the achievement of the NEO.

As discussed in Chapter 2, the Commission has determined to make a more preferable draft rule. The reasons for the Commission's decision are set out in section 2.3.

B.4 Commission's considerations

In assessing the rule change request the Commission considered:

- the Commission's powers under the NEL to make the rule;
- the rule change request;

78 NEL s34(1)(aa).

79 NEL Schedule 1 (29).

- the fact that there is no relevant Ministerial Council on Energy (MCE) Statement of Policy Principles;[80]
- submissions received in response to the Consultation Paper and Directions Paper;
- comments made by stakeholders in a workshop held as part of the consultation undertaken for the rule change request;
- the recent final rule determination on competition into metering and related services; and
- the Commission's analysis as to the ways in which the draft rule will or is likely to, contribute to the NEO.

Under section 91(8) of the NEL, the Commission may only make a rule that has effect with respect to an adoptive jurisdiction if it is satisfied that the rule is compatible with the proper performance of the AEMO's declared network functions. The rule is compatible with AEMO's declared network functions.

B.5 Civil penalties

The draft rule does not amend any clauses that are currently classified as civil penalty provisions under the NEL. The Commission does not propose to recommend to the COAG Energy Council that any of the proposed amendments made by the draft rule be classified as civil penalty provisions.

80 Under section 33 of the NEL the AEMC must have regard to any relevant MCE statement of policy principles in making a rule. The MCE is referenced in the AEMC's governing legislation and is a legally enduring body comprising the Federal, State and Territory Ministers responsible for Energy. On 1 July 2011 the MCE was amalgamated with the Ministerial Council on Mineral and Petroleum Resources. The amalgamated Council is now called the COAG Energy Council.

C Background

C.1 Roles in the provision of metering

There are a number of specific roles under the NER with respect to the provision of metering services at a connection point. Parties undertaking these roles have a number of rights and obligations set out in the NER and in a series of procedures developed and maintained by AEMO.[81]

A market participant must ensure there is a metering installation[82] at each of the connection points for which it is financially responsible and that the metering installation is registered with AEMO. This party is defined in the NER as the FRMP. At each of the these connection points, the FRMP is required to act as the RP for a type 1-4 metering installation (typically installed in a large business's premises) unless it has requested, and subsequently accepted, an offer from the Local Network Service Provider (LNSP) to take on this role. The role of RP is exclusively performed by the LNSP for type 5-7 metering installations (typically installed in household and small business premises).[83]

Under the NER, the RP is the person responsible for the provision, installation and maintenance of a metering installation at a connection point and the collection, processing and delivery of metering data.[84] The RP must engage:

- a MP to carry out the installation and maintenance of the metering installation; and
- a MDP to provide the data services between the metering installation and AEMO's metering database along with parties entitled to such data under the NER.[85]

While the same party may become registered and accredited to perform all three roles, they are all separately defined roles under the NER.

The AEMC's recent final determination for competition in metering sets out significant changes to the NER in relation to the provision of metering services.[86] These will come

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81 For example the Meter Churn Procedure and the Metrology Procedure.

82 A "metering installation" is defined in the NER as being "the assembly of components including the *instrument transformer*, if any, measurement element(s) and processes, if any, recording and display equipment, *communications interface*, if any, that are controlled for the purpose of metrology and which lie between the *metering point(s)* and the point at or near the *metering point(s)* where the *energy data* is made available for collection". A meter is defined in the rules as "a device complying with *Australian Standards* which measures and records the production or consumption of electrical *energy*." Generally speaking, a meter forms part of a metering installation.

83 Clauses 7.2.2 and 7.2.3 of the NER.

84 Clause 7.2.1 of the NER.

85 Clauses 7.2.5(a) and 7.2.5(c1) of the NER. Under clause 7.2.5(a), an RP must (subject to the metrology procedure) allow another person to engage an MP to install the metering installation.

into force on 1 December 2017. In particular, the rule incorporates changes to who has the overall responsibility for metering services under the NER to promote competition in metering by:

- providing for the role and responsibilities of the existing RP to be undertaken by a new type of registered participant – a MC, ie, the MC will take on the current responsibilities of the RP;[87]
- allowing any person to become a MC, subject to meeting applicable registration requirements;
- permitting large customers and Non-Market and Exempt Generators to appoint their own MCs;
- requiring the FRMP to appoint the MC, except where another party has appointed the MC;[88] and
- the MC would be responsible for appointing a MP and MDP to provide metering services in accordance with the NER. However, as is the case with RP role under the current NER provisions, the MC retains overall responsibility for metering services.

C.2 What is meter churn

The process of changing a meter at a connection point is known as meter churn. A retailer may wish to change a meter at a connection point for which it is financially responsible because it:

- allows the provision of customer service or pricing options that require the installation of a more advanced meter, eg an in-home display or a time of use tariff;
- achieves operational efficiencies through deployment of advanced meters that are capable of being remotely read;
- is necessary as the existing metering installation is faulty or needs to be replaced due to age; or
- maintains compliance with meter accuracy requirements if the consumption level at that connection point exceeds the volume limit of the installed meter.

86 See: http://www.aemc.gov.au/Rule-Changes/-competition-in-metering-and-related-serv

87 If made the meter replacement processes rule will come into force at the same time as the commencement of the competition in metering rule change on 1 December 2017. Therefore, all discussion in this determination of the Commission's policy position refers to the operation of a MC.

88 The retailer is the FRMP for the connection points of its retail customers.

C.3 Meter Churn Procedure

Under the NER, AEMO is required to maintain and publish the Meter Churn Procedure.[89] This procedure sets out the process that must be followed by the FRMP when undertaking a change to a metering installation at a connection point. It also outlines the responsibility of the FRMP and other parties at a metering point during meter churn.

The first version of this procedure was developed in 2008. Up until the most recent amendment to the procedure, which came into force on 1 September 2015, there have only been incremental changes.

Throughout this draft determination the 2012 Meter Churn Procedure,[90] is referred to as the 'superseded procedure'. The Meter Churn Procedure that came into force on 1 September 2015[91] is referred to as the 'amended procedure'.

Box C.1 Retail Transfer Process

When a customer changes retailer, a retail transfer process is followed. This typically occurs within 30 calendar days, but can take up to 65 business days.[92] This involves the incoming retailer using the largely automated Market Settlement and Transfer Solutions (MSATS) business system, operated by AEMO, to request meter reading data for the customer in order to give effect to the transfer.

Once the relevant data has been uploaded into MSATS, a series of billing and settlement processes are initiated amongst the various registered participants and AEMO. The incoming retailer becomes the FRMP for the customer's connection point, supplying them with electricity, and the retail transfer process is completed. The losing retailer is responsible for energy supply, billing and is the FRMP until the retail transfer is complete. This complete process (ie the process through MSATS up until the retail transfer takes effect) is called the 'retail transfer period'.

C.4 Superseded meter churn procedures

The superseded procedure specified the meter churn process under a series of meter churn events. One of these outlined meter churn events was where a metering installation was changed while a retail transfer was underway at the same connection point. The retail transfer period is described in more detail in Box C.1.

89 Clause 7.3.4(j).

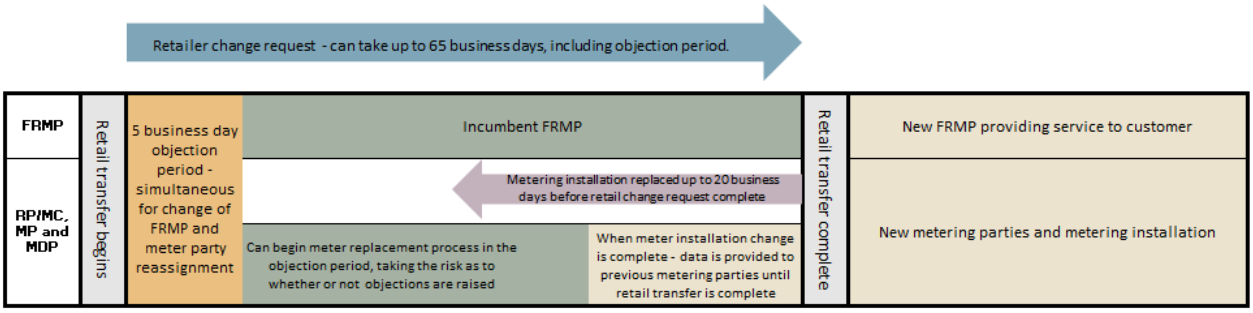
90 Version v005.

91 Version V1.0.

92 AEMC, 2014, *Review of Electricity Customer Switching* Final Report, p. i.

The superseded procedure outlined how the incoming retailer could change the metering installation during the retail transfer period, prior to the transfer being completed. The incoming retailer could arrange to have its preferred metering installation installed at the connection point before becoming responsible for the provision of energy to the customer (ie before becoming the FRMP at the customer's connection point). This process is explained further in Figure C.1 below.

Figure C.1 Process in superseded procedure



When an incoming retailer entered the details of the transfer into MSATS, various parties were notified of the customer transfer by MSATS – including of any new roles or obligations that they may have in regard to the transfer. There was a five day objection period, as specified in the MSATS Procedures. Objections that can be raised largely relate to technical issues.[93]

At the same time as entering the retail transfer, if it so chooses, the incoming retailer could also nominate in MSATS the incoming RP, MP and MDP at the connection point. In this circumstance, the objection period to the change in metering roles occurs at the same time as the objection period to the change in retailer.

After the retail transfer request was made, the incoming FRMP was able to begin making changes to the metering installation up to twenty business days before the transfer was complete.[94] It is understood that sometimes changes were made to metering installations during the objections period. When this was done, the incoming retailer and metering parties (ie the RP, MP and MDP) were taking on the risk that no valid objection would be received during this period.

If the metering installation was changed during the retail transfer period, the incumbent metering parties still retain their rights and obligations until the retail transfer is complete, even if the metering installation has been altered. The superseded procedure notes that the incoming metering parties would be required to undertake certain actions during this period. For example, the incoming MDP was required to supply data to the incumbent MDP until the retail transfer was complete.

93 For example, one objection code is "BADPARTY". This is used where the nominated MDP or MP is incorrect. This is for use by the new RP on retail transfer type transactions where the FRMP has nominated the wrong MDP or MP.

94 Procedure v005 clause 3.2.1(c).

C.5 Amended meter churn procedures

In 2013 AEMO undertook a review of the:

- Meter Churn Data Management Procedure; and
- Meter Churn Procedure for FRMPs.[95]

In the course of this review AEMO identified inconsistencies between the NER and the Meter Churn Procedure.[96] AEMO stated that it considered that:

- the Meter Churn Procedure described a series of obligations that facilitate a process to allow a FRMP, who is not the RP for the metering installation or the FRMP for the market load in MSATS, to instigate a replacement of metering devices at a metering installation; while
- the NER clauses 7.2.1 and 7.3.4 (i) and (m) stated that metering installations must not be altered by the FRMP until the retail transfer has been effected by AEMO.[97]

Consequently, AEMO amended the Meter Churn Procedure for FRMPs to bring it into line with the NER. The amended procedure came into effect on 1 September 2015.

The amended procedure clarifies that when a retailer gains a customer, it cannot appoint a new RP, MP or MDP until after the retail transfer period is complete. Additionally, the amended procedure has no provisions relating to incoming parties undertaking roles on behalf of the incumbent parties at a connection point. Only after the finalisation of a retail transfer at a connection point can the incoming FRMP begin the process of appointing the chosen RP, MP and MDP at that connection point.[98]

If the retailer intends to instruct the metering parties to churn the meter, this would need to start after the incoming parties have become the RP, MP and/or MDP (as the case may be).

The process for meter churn during retail transfer under the amended procedure is shown in Figure C.2.

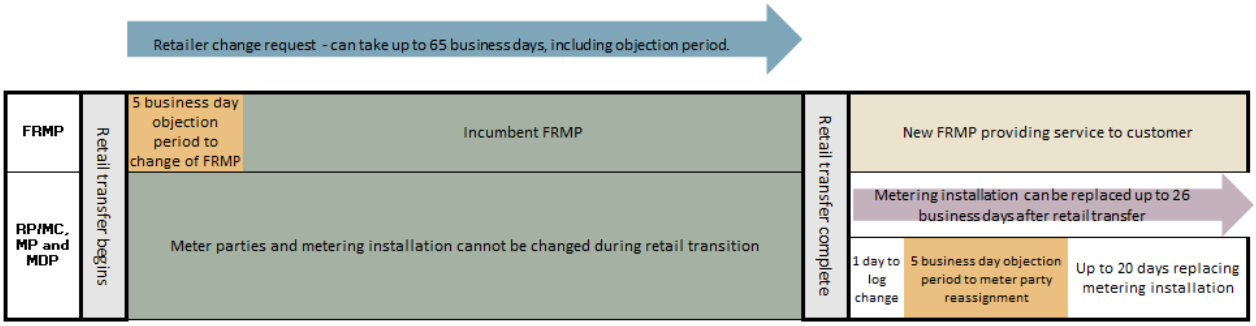
95 AEMO, Notice of first stage of consultation: Meter Churn Package, 18 September 2014, p. 1.

96 AEMO, Notice of first stage of consultation: Meter Churn Package, 18 September 2014, p. 2.

97 Ibid.

98 The amended procedure does not refer to or contemplate the role of the MC. The procedure must be amended to reflect the introduction of the MC role in Chapter 7 of the NER in accordance with the transitional arrangements in the final rule for the competition in metering rule change. See clause 11.86.6 of the NER.

Figure C.2 Process in amended procedure



At the beginning of the retail transfer process there is an objection period for the change of retailers. All the rights and obligations of the incumbent metering parties relating to the connection point are maintained until the end of the retail transfer.

After the retail transfer is complete, the new FRMP can begin the process of nominating the new parties to undertake the metering roles. When the new RP/MC, MP and MDP for the connection point have been allocated, they are able to begin the process of changing the meter.

This means that under the amended procedure, changing the metering installation could take twenty-six business days from the day of the retail transfer. These twenty six business days include:

- one business day to log that the change in retailer is complete;
- a five business day objection period to the appointment of the RP, MP and MDP; and
- reasonable endeavours for the new MP to undertake the replacement of the metering installation within 20 business days.[99]

When the retail transfer is complete, the retailer is responsible for the provision of energy to and billing of, the customer. Therefore, there could be a period where the retailer is required to initially provide energy to the consumer using a meter that may not be able to provide the services the consumer requested to receive.

99 As set out in 4.13(a) of the Service Level Procedure: Metering provider services category B for metering installation types 1, 2, 3, 4, 5 and 6.