AGL Energy Limited
ABN: 74 115 061 375

Level 22, 101 Miller St
North Sydney NSW 2060

Locked Bag 1837
St Leonards NSW 2065

T: 02 9921 2999
F: 02 9921 2552
agl.com.au

2 July 2015

National Electricity Amendment (Meter Replacement Processes) Rule 2015

Reference Number ERC0182

Attention: Ms Pearson

Lodged online: www.aemc.com.au

Dear Ms Pearson,

RE: Submission in Response to the AEMC consultation reference ERC0182

AGL Energy (AGL) welcomes the opportunity to make a submission on the Australian Energy Market Commission's (AEMC's) consultation relating to the *National Electricity Amendment (Meter Replacement Processes) Rule 2015*.

AGL is a significant retailer of energy with over 3.8 million electricity and gas customers nationally. Accordingly, AGL has a strong interest in the efficient delivery of services to customers, including meter changes.

We broadly support ERMs proposition that meter change can be separated from customer transfer. We do not believe that new roles are necessary, but rather believe that that the new meter provider and meter data provider must take on all the relevant obligations from the time the metering installation is changed, rather than leaving them with the outgoing Responsible Person.

Historically retailers have been able to change meters in advance of the customer transfer to ensure that the underlying metering requirements have been established in an efficient manner so that a customer's contract can start on time.

This also allowed an incoming retailer to ensure that they provide compliant metering installations for customers when they take responsibility. The amended AEMO procedures forces retailers to be non-compliant in certain circumstances by preventing an incoming Responsible Person from initiating a metering upgrade (e.g. existing type 5-6 metering) to the appropriate standard (e.g. 1-4 metering) until they become the Financially Responsible Participant. This is not an appropriate regulatory outcome.

The broad thrust of the COAG policy is to ensure that there is competition and customer choice, which AGL strongly supports.

In order to prepare the site (or sites) so that the new energy contracts can commence on time, customer metering has historically been installed at mutually acceptable times ahead of the customer transfer. This has been an effective and an efficient process which should be allowed to continue.

Our detailed comments on the proposed Rule Change are contained within Attachment 1.

If you have any further questions regarding this submission or would like to discuss this matter further, please contact Mark Riley at mriley@agl.com.au or (03) 8633 6131.

Yours sincerely,

Ms Allicia Volvricht

AMI Regulations & Industry Advice Manager

Att.

Attachment 1 – Detailed comments National Electricity Amendment (Meter Replacement Processes) Rule 2015

Fundamental Questions

In reviewing the proposals put forward in this Rule Change, AGL considers that there are three fundamental questions which form the core of this rule change:

1. Should retailers have the flexibility to churn meters in advance of the customer churn?
2. Should the party who installed the asset be responsible for the asset (e.g. the provision of data and accuracy of that asset)? and
3. Should a Responsible Person be forced to be non-compliant (i.e. due to a customer load increase) in terms of a metering installation (see Appendix II) when a customer is transferred to them?

The thrust of the COAG Rule change proposal relating to the metering coordinator is to benefit customers by providing mechanisms to give customers access to greater retail products through enhanced metering. As such, it is timely to consider whether the existing rule limitation around the types 5 and 6 metering is appropriate in the current environment.

The AEMO amended procedure linked a specific clause relating to the transfer of type 5 and 6 meters (i.e. mass market) and extended that limitation to all meters, including those used for commercial / industrial customers (types 1 to 4 meters).

AGL believes that within an appropriate framework (as discussed below) that the incoming retailer should have the flexibility to exchange the meter in order to provide the customer with the contracted service as soon as possible.

Clarity of obligation and responsibility is critical in ensuring efficient energy market processes and therefore we also believe that it is appropriate that the party which provides the asset has responsibility for that asset.

The amended AEMO Meter Churn Procedure could require a current Responsible Person to upgrade the metering installation of a customer in order to meet metering compliance requirements for load (see Appendix II) immediately prior to a customer transfer.

The customer may then have a further change of the metering installation to provide additional services required to support the new contract. Conversely, this pre-transfer upgrade could lead to a new retailer being forced to take metering equipment from the outgoing retailer, with associated competition issues. Both of these would be the poorest outcome for all parties.

Question 1 Materiality of problem

(a) Do stakeholders agree that there is a lack of clarity in the NER on this issue?

(a) Given the specifications of the NER, current and amended AEMO procedures, do stakeholders consider that there are concerns about when meter replacements can occur in relation to the retail transfer process?

As ERM has suggested, there can be different interpretations of clauses 7.1.2 which relates to a Market Participant's obligations and clause 7.2.5(e), which relate to a Responsible Person's obligations[1].

As previously stated, 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.

With commercial and industrial metering, the correct equipment can take time to procure and install which can affect the customers operation. Therefore, meter exchanges have historically been undertaken within the final 20 business days prior to the customer transfer at a time that is suitable for the customer.

The impact on the existing retailer should be small, as they continue to receive metering data that is equivalent or better (i.e. accumulation to interval) for that remaining period and the customer has been inconvenienced as little as possible.

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. In these instances the customer can only receive the benefits of the new contract proportionally to the number of installations that are upgraded (or possibly no benefits until all sites are upgraded).

While there are obligations on having metering equipment installed within 20 business days, delays can occur for various reasons including the customer's requirements to avoid shutdowns in their peak periods.

The National Electricity Objective (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 price,

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.*

[1] See Appendix 1 – NER Clauses

Question 2 Consumer engagement and satisfaction

(b) What are stakeholders' experiences, in particular, consumers' experiences, of being able to change the metering installation prior to the retail transfer being completed (i.e. under the current procedure)?

(c) Do stakeholders consider that it would be beneficial to consumers and retailers for metering installations to be able to be altered before or on the day of a retail transfer?

(d) What are the likely outcomes for consumers in situations where retailers are unable to change the metering installation for consumers during the retail transfer period (i.e. under the amended procedure)?

AGL believes that is appropriate to allow flexibility for metering installations to be altered prior to (or on) the customer transfer date, as well as after the transfer date.

With simpler metering installations (e.g. small customers) there is no reason why the meter change cannot be used as the customer transfer date – provided that the works occur within a reasonable period of when all parties expected the customer to transfer (e.g. within 20 business days of the proposed date or an agreed date). These customers generally churn as a result of a cyclic meter read or a special meter read. A meter exchange will generate a meter read which can be used for the purpose of a transfer.

With large customers, often the contractual periods are more specific, and customer transfers tend to be tied to these contractual dates, such as 1 January and 1 July.

With these types of customers, these key dates can create substantial and inefficient workloads for all parties if they attempted to change metering installations on those specific dates. These types of customers can also involve multiple sites which may require metering changes for bill consolidation or other energy products.

Under the Australian Energy Market Operator's (AEMO's) amended procedures, retailers will not be able to initiate the metering changes until they are the retailer. The time to initiate the transactions then gives us the following timeline:

- Transfer completes;
- Initiate the role change transaction (1 business day);
- Allow time for the objection period (5 business days); and
- Time to schedule and undertake the work (up to 20 business days or longer as outlined in the relevant Service Level Procedures).

As a result the customer will be unable to realise the benefits of their new contract until at least the 6th business day, and more likely much later. If an objection is raised, this can add further delays to the process (up to an additional 20 business days for clearance)

This has an immediate negative impact on the customer's expectations of the new retailer to deliver contracted services, financial impacts on their energy expenditure as well as possible service benefits (e.g. moving from accumulation to interval metering with its associated benefits).

All of these outcomes have a detrimental impact on the customer who has made a decision to seek better benefits from a new contract.

From the perspective of the existing retailer, they are no worse off as they will continue to receive metering data for that customer until the customer transfer has completed if that is in the future. If the meter churn triggers the transfer, then there should be minimal impact.

Question 3 Efficiency in the market for metering services

(a) Do stakeholders consider the other possible actions identified above are feasible for retailers to use where they cannot change the metering installation until the retail transfer is complete? Are there any alternatives?

(b) Do stakeholders consider there are issues that should be taken into account relating to the allocation of responsibilities where parties can change a metering installation before the retail transfer is complete?

(c) What are the implications on efficiency in metering services for:

  i. being allowed to change the metering installation on and/or prior to a retail transfer completing; and

  ii. being allowed to change the metering installation only after the retail transfer completes.

(d) What do stakeholders consider would be the impact of the introduction of prospective parties on the metering services market?

(e) Do stakeholders consider the issues raised by ERM Power could be resolved through the introduction of obligations relating to transfer dates and bilateral contractual agreements between incoming and incumbent parties?

The critical issue for customers and retailers arise from the ability to provide the contracted services which will require upgrading metering equipment (at single or multiple sites).

If existing sites have unsuitable metering, such as basic metering rather than interval metering with communications equipment, then the ability of the retailer to provide the contracted services, such as time of use, real time usage, consolidated usage (for multiple sites) and so forth in not achievable.

In these instances retail contracts would have to have at least two products which the customer would receive – one as a result of the current metering equipment and the desired product which requires newer metering equipment.

In the environment of a Metering Coordinator (MC), large customers will be able to select their MC, and their ability to change the MC will be completely divorced from their retail contract and therefor the ability to change a metering installation would be divorced from the retail contract.

The proposed MC Rules also have a review to determine whether the small customers should be able to choose their MC. AEMO's amended procedures are completely contradictory to this policy direction and are only going to create additional processes within the energy industry that will have to be undone when the MC rules come into effect.

AGL believes that the current processes are more closely aligned to the MC policy position and believe that these processes should be extended to the small customer segment (within a reasonable framework) to allow industry and service providers time to more fully develop the processes to these concepts. This in turn would reduce some of the transitional issues which would be associated with the introduction of the MC.

AGL does not believe that it is necessary to create new prospective roles – as they exist by default in the processes that are undertaken already. AGL does believe that the role of FRMP and Responsible Person can be separated through an appropriate framework which recognises the current parties, allows for incoming parties to take actions (within reason).

Given the large number of meter transfers which currently occur and are expected to increase moving forward under metering competition, AGL believes that it is more efficient to have procedures which provide clear guidance and processes on how these changes will occur, but leave flexibility for parties to negotiate and agree variations where it is appropriate to do so.

AGL is also cognisant of the inconsistency of the current arrangements where the outgoing Responsible Person (RP) is responsible for a metering installation with which they have no control when equipment is installed prior to a transfer.

There is no reason why the party who is contractually responsible for the metering installation should not also have the responsibilities for the security, accuracy etc. of that installation, as they have control of it. The obligations to provide access, security, metering data etc. already exist, the inconsistency relates to who is responsible during transition periods.

This can be resolved by allowing the Responsible Person to be separated from the retailer during the final transition. Again, this direction also supports the upcoming implementation of the metering coordinator, who will be separated from the retailer.

Question 4 Treatment of prospective roles

(a) Would the implementation of prospective roles provide a sufficient mechanism for facilitating the replacement of metering installations at a connection point before a retail transfer is complete?

(b) If these were introduced, what specific obligations and rights do stakeholder consider would best be allocated to the prospective metering roles? What obligations and rights would need to be maintained with the incumbent roles?

(c) Would clarity be increased for participants and consumers if the meter churn process was made separate from the retail churn process as has been proposed?

(d) Where incoming metering parties have rights and obligations, how do stakeholders consider these should be set out as part of the regulatory framework?

As stated previously, AGL does not believe that there is a need to create prospective roles. By their very nature, every role is prospective at some stage.

The issue is whether or not the meter churn and the retail transfer can be separated, and what obligations exist on the parties at that time. AGL believes that the two churns can be separated with an appropriate framework surrounding this process.

While a retailer should have rights and obligations to appoint a responsible person (or metering coordinator) as a retail transfer approaches, the prospective retailer needs to prepare the environment for the new contracts.

Provided that changes to the metering installation are made in the final stages prior to the churn (or by agreement) and the current retailer is no worse off, then there should be no reason the metering installation could not be changed in advance of the customer transfer. The energy industry has had seven years' experience in doing just that without any major issues.

The mechanics of customer churn and metering churn can be quite detailed and are presently interrelated and tied to the AEMO MSATS system. These are not matters which should be spelt out in detail in instruments such as the NER. Rather, the NER should provide clear direction on the goal that is desired and allow the procedures to deliver that goal.

So, for instance, some simple objectives could be established in the NER to clarify the policy position and the meter churn procedures could be amended to support the majority of standard meter churns.

The objectives could be:

- to enable metering equipment to be changed efficiently so that a customer can realise the benefits of a new retail contract as soon as possible (new objective);
- the incumbent retailer must be provided metering data until the customer transfer completes (existing obligation); and
- the party who installs the metering equipment is responsible for its accuracy, security etc. regardless of who the retailer is (amended obligation which supports MC implementation).

Moving to the next level of detail, a simple framework for the majority of meter churns for the interim could look something like:

1. An incoming retailer can submit a request to change the Responsible Person (or Metering Coordinator) no earlier than at the same time as the customer transfer; (This would change when the MC takes effect as the metering churn would not be tied to the retail transfer);
2. If there are no objections to either customer or metering installation transfer (or the objections have been satisfied) then the retailer can take the necessary steps to have the metering installation changed;
3. A customer's metering installation can only be changed within the final twenty business days prior to the customer transfer, or on a date agreed to by the parties; (This would also change after the MC takes effect.) and
4. For small customers, if the change to the metering installation is undertaken within the final twenty business days of the proposed transfer date, then the customer transfer can be triggered by either the change to the metering installation or the proposed transfer date; We believe that this will simplify the process for small customers changing from basic metering to advanced metering as well as supporting multi-site customers. (This may change if a small customer selects their MC.)

Question 5 Implementation of any rule change and transaction costs

(a) If this rule were to be made, should the commencement coincide with the planned commencement of the expanding competition in metering and related services final rule expected in July 2017?

(b) If this rule was to commence in July 2017, would there be a need for a transitional rule to be made to take effect between the publication of the final rule and when the expanding competition in metering and related services rule comes into force?

(c) What are the expected costs for stakeholders associated with any system changes resulting from changes to the meter replacement process?

From the perspective of good customer service and efficient operation there are many advantages to customers and industry to allowing a meter change to be undertaken prior to the customer transfer.

While the Rule change was initiated prior to the rule change for metering competition, the proposed changes to allowing meter churn prior to customer churn should be strongly considered to be included in the Rule Change and procedural amendments associated with the Metering Coordinator.

In terms of implementing a transitional rule change, amending clause 7.3.4(i) to allow meter transfers in the final stage of a customer transfer would more closely align this rule with the rules associated with types 1 to 4 metering and allow for upgrades where customer metering is required to be changed for load increases or multi-site contracts or new products / services.

Question 6 Other issues

(a) Do stakeholders consider that there are other potential regulatory solutions that could be followed to resolve the issues raised by the proponent?

(b) Do stakeholders consider that there are any additional issues that would be relevant to the Commission's decision on this rule change request?

One option is for AEMO to reverse the changes recently made to the Meter Churn Procedure to allow meters to be churned prior to customer transfer and for the Australian Energy Regulator (AER) to confirm that it would take no action in this regard while the procedure was being amended again. This would be the simplest outcome to allow existing practice to continue until the rule change for the Metering Coordinator is made in 2017.

Given the substantial work on that has started within industry to review and then re-write the procedures to incorporate the metering coordinator, it seems inefficient and impractical to attempt to rewrite procedures multiple times.

Rather, providing a clear policy intent for future direction and a proposal to amend clause 7.3.4(i) would allow AEMO to amend the meter churn procedures in line with the policy intent.

While that is being undertaken, the AEMC should request the AER of the position and direction being undertaken by industry and seek a no-action while the procedure and rules are being amended for the Metering Coordinator, and allow industry to continue with current practice.

Costs for implementation of this Rule change will depend on the process the AEMC undertakes. If the AEMO procedure is reversed and the AEMC indicate a clear objective, then AGL costs will be minimised. Protracted process changes will lead to higher implementation and change costs.

Appendix 1 – NER clauses

7.1.2 Obligations of Market Participants to establish metering installations

(a) Before participating in the *market* in respect of a *connection point*, a *Market Participant* must ensure that:

(1) the *connection point* has a *metering installation* and that the *metering installation* is registered with *AEMO*;

(2) either:

(i) it has become the *responsible person* under clause 7.2.2 and has advised the *Local Network Service Provider*; or

(ii) it has sought an offer and, if accepted, entered into an agreement under clause 7.2.3; and

(3) prior to registration, a NMI has been obtained by the responsible person for that metering installation.

(b) AEMO may refuse to permit a Market Participant to participate in the market in respect of any connection point in relation to which that Market Participant is not in compliance with its obligations under paragraph (a).

7.2.5 Role of the responsible person

……

(e) The Market Settlements and Transfer Solution Procedures may specify that an incoming responsible person is responsible for the metering installation:

(1) on the day that a *market load* transfers from one *financially responsible Market Participant* to another *financially responsible Market Participant* for the period within that day; or

(2) on any other day.

7.3.4 Metering installation types, accuracy and meter churn

……

(h) For the purposes of paragraph (f), operational difficulties may include locational difficulties where the metering installation is:

(1) at a site where access is difficult; or

(2) on a remote rural property.

(i) A type 5, 6 or 7 metering installation must not be altered by the financially responsible Market Participant under paragraph (e) until the transfer of the relevant market load has been effected by AEMO in accordance with the Market Settlement and Transfer Solution Procedures.

(j) AEMO must establish, maintain and publish procedures for the financially responsible Market Participant to consider in managing the alteration of a metering installation where one or more devices are to be replaced (the 'meter churn procedures');

(k) AEMO may from time to time and in accordance with the Rules consultation procedures, amend or replace the meter churn procedures referred to in paragraph (j).

(l) AEMO must develop and publish the first meter churn procedures under paragraph (j) by 1 January 2008, and there must be such procedures available at all times after that date.

(m) A financially responsible Market Participant who is not the responsible person for a metering installation that is altered under paragraph (e), must:

(1) consider and manage meter churn consistently with the meter churn procedures developed by AEMO under paragraph (j); and

(2) advise the responsible person of the proposed date of alteration

(i) prior to that alteration being made; and

(ii) in accordance with any time specified in the Market Settlement and Transfer Solution Procedures.

Appendix II - Meter Data Requirements

NER - S7.2.3 Accuracy requirements for metering installations

Table S7.2.3.1 Overall Accuracy Requirements of Metering Installation Components

Type	Volume limit per annum per connection point	Maximum allowable overall error (±%) at full load (Item 7) active	reactive	Minimum acceptable class or standard of components	Metering installation clock error (seconds) in reference to EST
1	greater than 1000GWh	0.5	1.0	0.2CT/VT/*meter* Wh 0.5 *meter* varh	±5
2	100 to 1000GWh	1.0	2.0	0.5CT/VT/*meter* Wh 1.0 *meter* varh	±7
3	0.75 to less than 100 GWh	1.5	3.0	0.5CT/VT 1.0 *meter* Wh 2.0 *meter* varh (Item 1)	±10
4	less than 750 MWh (Item 2)	1.5	n/a	Either 0.5 CT and 1.0 *meter* Wh; or whole current general purpose *meter* Wh: • meets requirements of clause 7.3.1(a)(10); and • meets the requirements of clause 7.11.1(b). (Item 1)	±20 (Item 2a)
5	less than x MWh (Item 3)	1.5 (Item 3b)	n/a	Either 0.5 CT and 1.0 *meter* Wh; or whole current connected general purpose *meter* Wh: • meets requirements of clause 7.3.1(a)(11); and • meets the requirements of clause 7.11.1(d). (Item 1)	±20 (Item 3a)
6	less than y MWh (Item 4)	2.0 (Item 4b)	n/a	CT or whole current general purpose *meter* Wh recording *accumulated energy data* only. Processes used to convert the *accumulated metering data* into *trading interval metering data* and *estimated metering data* where necessary are included in the *metrology procedure*. (Item 1)	(Item 4a)
7	volume limit not specified (Item 5)	(Item 6)	n/a	No meter. The metering data is calculated metering data determined in accordance with the metrology procedure.	n/a