

2 February 2023

Mr. Mitchell Grande
Advisor – Transmission & Distribution Networks
Australian Energy Market Commission

Submitted online

Review of the regulatory framework for metering services – Draft report

Dear Mr. Grande,

Energy Networks Australia (**ENA**) appreciates the opportunity to respond to the Australian Energy Market Commission's (**AEMC or the Commission**) draft report for the Commission's review of the regulatory framework for metering services.¹

ENA is the national industry body representing Australia's electricity transmission and distribution and gas distribution networks. Our members provide more than 16 million electricity and gas connections to almost every home and business across Australia.

ENA welcomes and strongly supports the Commission's recommendation for Australia to accelerate the roll out of smart meters to support the transition to net zero. As highlighted in the draft report, smart meters provide the foundation to a more connected, modern and efficient energy system that supports future technologies, services and innovations. Without an acceleration to the roll out, the current metering framework will not enable a sufficiently fast deployment to support the transition to the future energy system.

Distribution network service providers (**DNSPs**) will be key partners in this accelerated roll out and ENA supports the Commission's proposed industry-developed legacy meter retirement plan as the means to target 100 per cent smart meter coverage by 2030. Customer support during this transition is essential, including the provision of appropriate information to enable greater transparency, and continued strong engagement and collaboration through individual DNSP tariff structure statement (**TSS**) processes with respect to tariff reassignment policies.

ENA, however, has key concerns with the Commission's proposed approach to enabling DNSPs access to basic power quality data services. In particular, the recommendation that the price for the basic power quality data service should be determined commercially when the DNSP, as the effective price taker who does not appoint the metering coordinator (**MC**), is severely limited in its ability to negotiate a

¹ AEMC, [Review of the regulatory framework for metering services: Draft report](#), 3 November 2022.

commercial price for this data. Unless this is addressed as an outcome of the review, it will likely lead to higher prices for electricity customers in the longer term.

Smart meter acceleration

ENA strongly supports the AEMC's recommendation to accelerate the smart meter deployment to target 100 per cent update of smart meters by 2030 in National Electricity Market (**NEM**) jurisdictions. The current smart meter rules have not delivered for customers and therefore a new approach is needed.

ENA also supports the AEMC's recommendation to utilise legacy meter retirement plans as the mechanism to accelerate the roll out, with the plan to be developed by DNSPs and approved by the Australian Energy Regulator (**AER**). Noting, however, that the proposed acceleration measure does not preclude the continued deployment of smart meters by existing measures, such as customer requests and retailer-led deployments.

DNSPs will be required to engage with key stakeholders such as retailers, metering parties and jurisdictional governments to develop and publish a plan that is consistent with a set of agreed principles. To allow for sufficiently robust engagement and consultation with stakeholders, ENA suggests that a 6 to 12-month period is allowed for.

In developing the plan, DNSPs will consider a range of factors to optimise the legacy meter retirement strategy, including but not limited to:

- » economies of scale when meters are installed by geographical area,
- » priority low voltage network areas that would benefit from greater visibility to support network operations, including hosting export services,
- » areas of the network that pose higher potential safety or reliability risks, and
- » economies associated with meter reading routes.

These factors will likely need to be balanced against individual network circumstances and stakeholder feedback. Similar to the TSS process, a DNSP should be required to demonstrate to the AER how it has applied the principles and how it has (or why it has not) incorporated stakeholder feedback into its plan, which the AER will then assess.

As ENA understands it, the plan will specify the annual tranches of meters to be retired each year in order to meet the 2030 target, which should provide sufficient certainty and foresight to all stakeholders of the forthcoming retirements out to 2030. Retailers and metering parties will then be required to replace the national metering identifiers (**NMIs**) within 12 months of the meters' 'retirement', and the AER will be required to check retailers' compliance with the timeframes under current reporting processes.

Building in regular reviews to the plan will likely add additional complexity, regulatory burden, and ultimately cost to consumers, and therefore the costs of such an approach are likely to outweigh any potential benefits. However, there may be merit in defining a narrow set of criteria that would enable an adjustment to the plan if deemed prudent and efficient.

The recommended legacy meter retirement plan requires DNSPs to play a greater role in facilitating acceleration. DNSPs will incur additional unfunded costs to develop the plan, along with likely costs to administer the plan during its life. These costs, however, are unlikely to meet the materiality thresholds for cost pass through events in the National Electricity Rules (**NER**) and therefore specific cost recovery

provisions would need to be included in any rule change that also places the legacy meter retirement plan obligation on DNSPs.

Supporting customers through the transition

ENA supports the development of key customer protections alongside the smart meter acceleration. In particular, retailers' provision of important information in a clear, streamlined and consistent way to small customers before a smart meter upgrade will provide greater transparency and empower customers to make informed decisions.

The draft report highlights that the accelerated deployment of smart meters could facilitate the shift of more customers to cost-reflective pricing structures sooner. In fact, the AEMC's prior 2015 metering competition final rule determination² highlights cost reflective pricing as an expected outcome, emphasising that cost reflective network tariffs are likely to lower bills for the majority of consumers, and lower future network costs due to peak demand reductions, which are passed on to all consumers.

The NER require DNSPs to gradually make their network tariffs more accurately reflect the costs of serving their customers (i.e., cost reflective). The AER also considers network tariff reform to be a key priority and one of the ways it measures progress in this area is by tracking how many residential customers have their retailer exposed to a cost reflective network tariff.

ENA supports the Commission's position that the pricing framework is generally fit-for-purpose and is robust to changing circumstances and customer preferences over time and provides flexible transitional measures.

While ENA acknowledges stakeholder feedback regarding uncertainty about how customers will be transitioned to cost-reflective pricing, ENA considers that a DNSP's individual TSS process is able to manage stakeholder concerns and feedback on reassignment policies effectively and efficiently, noting that any DNSP proposal also requires AER assessment and approval.

Automatic reassignment and transitional arrangements are not mutually exclusive options under the TSS process and are currently utilised by some DNSPs now. For example, the current TSS for Ergon Energy and Energex applies ongoing transitional arrangements where customers that have their basic accumulation meter replaced for the reasons that are not initiated by the customer (e.g., due to end of life). In this circumstance, during the current regulatory control period, those customers are kept on their existing flat network tariff for twelve months from the date of the meter replacement grace period.

Mandated transitional arrangements for all customers nationally are therefore not required and may run counter to the purpose of the TSS, which is to develop, in collaboration with a DNSP's stakeholders, the distributor's proposed strategies to progress network tariff reform, including the distributor's policies and procedures for assigning customers to tariffs.

² AEMC, [Expanding competition in metering and related services: Rule Determination](#), 26 November 2015.

Enabling access to smart meter data and services

As outlined in the Commission's draft, there are currently material issues in gaining access to smart meter data and services including complexities and costs to negotiate, a lack of standardisation and the price exceeding value to access.³

ENA therefore strongly supports, as a key outcome of this review, the development of a power quality data access and exchange framework that enables DNSPs access to power quality data – as highlighted by the Commission, a crucial enabler of smart meter benefits is the access and exchange of power quality data.

ENA supports the development of a standardised consistent 'basic' power quality data service definition and agrees with the Commission that prescribing the minimum content required for the basic service would promote the long-term interest of consumers by giving predictability and stability to accessing parties, minimising the impacts of regulation and providing a higher chance of success and uptake of power quality data services.⁴

The 'basic' power quality data service should be considered a minimum visibility requirement for DNSPs to provide benefits to customers. Amongst the many benefits that this data can unlock, one key outcome is enabling the timely detection and resolution of broken and high impedance neutral connections at customer premises.

This is a safety imperative that is only available at premises where monitoring devices are providing data. While a DNSP could theoretically deploy its own network device at a customer's premise (and do so now in some cases, particularly given the slow roll out of smart meters), under a 100 per cent smart meter penetration future, this would be duplicative and ultimately more costly for customers. Under the accelerated smart meter roll out, smart meters can and should provide basic power quality data from all meters rather than a network deploying duplicative alternative devices.

ENA, however, has significant concerns with the AEMC's recommendation that the price for the basic power quality data service should be determined commercially between the DNSP and MC. Under the AEMC's proposal, DNSPs would procure the basic power quality data service from MCs as an operational expenditure and recover via distribution use of system (**DUoS**) charges.

This approach, however, is unlikely to work effectively at scale under an accelerated smart meter roll out with 100 per cent penetration. The framework establishes the MC (engaged by the retailer) as a monopoly provider of this data, and the DNSP as a price taker.

The competitive tension, and therefore the ability to negotiate price and service levels, exists between the retailer and the MC – *not* between the MC and the DNSP. The DNSP (as the effective price taker who does not appoint the MC) is severely limited in its ability to negotiate a commercial price for this data.

While DNSPs are currently engaged in small-scale localised trials of power quality data, this is for data from a small number of meters only, allowing DNSPs flexibility in the data set and therefore an ability to select MCs, which can enable commercial negotiations.

³ AEMC, [Review of the regulatory framework for metering services: Draft report](#), 3 November 2022, page 102.

⁴ AEMC, [Review of the regulatory framework for metering services: Draft report](#), 3 November 2022, page 105.

However, this approach is not viable under the scenario of DNSPs obtaining basic power quality data from MCs for all smart meters (i.e., with 100 per cent smart meter penetration) as DNSPs are then price takers given that the MC is the monopoly provider for its meter fleet.

Requiring the DNSP to pay for the basic power quality data (but with limited negotiating power to establish a commercial price) and recovering it through DUoS (which is also charged to retailers), will likely lead to higher than necessary prices for electricity customers in the longer term.

ENA acknowledges the limitations outlined by the AEMC in alternative approaches such as the establishment of a benchmark efficient price, including the challenges a regulator would face in determining and maintaining a benchmark price and the lack of incentives to drive efficiency in prices below the benchmark once established.

Instead, ENA's proposed solution is to include the provision of basic power quality data as a standard part of the metering service provided by the MC and included in the annual metering charge paid by the retailer (and recovered through electricity prices).

Competition between MCs (to get retailer contracts) will drive efficiency in pricing, which is absent in the DNSP/MC commercial negotiation model proposed in the AEMC's draft report. Under this alternative model, the MC would provide the basic power quality data to DNSPs at no cost.

ENA, however, does support the AEMC's proposal for advanced power quality data services to be determined on a commercial negotiation basis between the DNSP and MC. If deemed necessary, a DNSP could select a subset of smart meters to obtain advanced power quality data and negotiate with MCs to obtain access to this service.

If you wish to discuss any of the matters raised in this response further, please contact Lucy Moon, Head of Regulation, on lmooon@energynetworks.com.au.

Yours sincerely,



Garth Crawford
General Manager Economic Regulation