METER READ AND BILLING FREQUENCY

ENA submission on AEMC Consultation Paper
28 January 2016

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EXECUTIVE SUMMARY

The rule change proposal seeks to amend the National Energy Retail Rules (NERR) to enable retailers to delay issuing a bill to a small customer until an actual meter read is provided by the Metering Data Provider (MDP).

Ergon considers that the misalignment of meter reading and billing impacts on the ability of retailers to provide a bill based on actual consumption to small customers on a standing offer at least once every three months, resulting in a greater number of estimated bills.

AEMC considers there may be three potential options to address the issue raised:

1. allowing retailers to delay issuing a bill to a small customer until a meter read has been provided by a MDP, subject to a maximum time limit (Ergon's proposed solution);
2. recommending to AEMO that it amend its Service Level Procedure to require MDPs to read meters more frequently, so that bills are more likely to be issued on the basis of actual consumption at least once every three months; or
3. maintain the current arrangements in which some small customers may receive estimated bills.

ENA has reviewed the options and also supports consideration of a fourth option, to define three months within the NERR.

While not recommending a specific option, as this is predominantly a retail issue, ENA considers that the proportionality of the response to the issue raised, especially in relation to cost impacts and predictability of billing for customers, should guide the outcome.

Regarding application to gas, ENA considers that at this time AEMC should limit its review to electricity customers.

RECOMMENDATIONS

ENA recommends that:

1. AEMC **reject** further consideration of proposed Option 2 requiring AEMO amend its Service Level Procedure to require MDPs to read meters more frequently, so that bills are more likely to be issued on the basis of actual consumption at least once every three months.
2. AEMC consider a further option (Option 4) of defining “three months” within the NERR as meaning “a maximum of 100 days”.
3. AEMC consider its proposed Options 1 (Align retailer and MDP meter read and billing responsibilities in line with “reasonable endeavours” to meet a timetable of three monthly billing, with a safeguard maximum), Option 3 (Maintain current arrangements) and proposed Option 4 in light of:
    - review of the make-up of customers on standing retail contracts to ensure that vulnerable customers are not adversely impacted;
    - feedback from customers and their representatives on the acceptability of variable billing cycles and bill levels; and
    - cost impacts on all stakeholders.

INTRODUCTION

ENA welcomes the opportunity to comment on the Australian Energy Market Commission (AEMC) consultation paper relating to the meter read and billing frequency rule change proposal from Ergon Energy Queensland (Ergon).

The ENA is the national industry association representing the businesses operating Australia's electricity transmission and distribution and gas distribution networks. Member businesses provide energy to virtually every household and business in Australia. ENA members own assets valued at over $100 billion in energy network infrastructure.

The rule change proposal seeks to amend the National Energy Retail Rules (NERR) to enable retailers to delay issuing a bill to a small customer until an actual meter read is provided by the Metering Data Provider (MDP).

The issues covered in this consultancy relate meter reading and billing matters. It is noteworthy distribution businesses currently undertake most of the MDP activity for small residential and business customers – hence our keen interest. ENA has attached responses to the specific questions asked by AEMC at Appendix A.

BACKGROUND

The basis of Ergon's rule change request is that the firm obligations on retailers under the NERR and the 'reasonable endeavours' obligations on MDP under AEMO's Procedure are inconsistent. In addition, the Australian Energy Regulator (AER) interprets the compliance obligation upon retailers to bill small customers under standing retail contracts 'at least every three months' as meaning within 92 days.

Ergon considers that the misalignment of meter reading and billing impacts on the ability of retailers to provide a bill based on actual consumption to small customers on a standing offer at least once every three months, resulting in a greater number of estimated bills.

Estimated meter data may lead to unexpected billing outcomes for small customers—for example it may not reflect different seasonal usage patterns and costs. This can result in increased customer complaints and dissatisfaction with their energy service.

ENA notes that billing estimations is appropriate in circumstances where arrangements are made for the customer to read their accumulation meter with an annual reading by the MDP to provide the verification and validation for correct final billing for the year and/or when there are access issues for meter reading.

Ergon has proposed alignment between the requirements for MDP meter reading and retailer billing schedules under Australian Energy Market Operator (AEMO) retail market procedures—that is, place a similar "reasonable endeavours" requirement to that of MDP—that a retailer must use "reasonable endeavours" to issue bills to a small customer. The intention is to enable retailers to undertake quarterly billing by "reasonable endeavours", as for the MDPs, to build some flexibility in quarterly billing cycles to increase availability of actual usage data. They further propose including a requirement of a maximum 4-month period for bills as protection for customers from long delays in billing and potential bill shock.

Ergon has provided statistical analysis to indicate that it issues around 80 per cent of bills to small customers within 92 days, and approximately 95 per cent within 95 days. Hence the small delay results in significant additional billing on actual reads[1].

ENA is sympathetic to the position of Ergon, especially in the circumstances where they are not permitted to supply under market offers and are thereby captured in full by all requirements relating to standing retail contracts[2].

ENA reiterates that estimated reads remain an essential option for MDPs, retailers and customers in situations where it is difficult to read meters - for example due to customers rejecting advanced meters and/or having access limitations due to issues such as locked gates or dogs.

ENA notes and endorses the AEMC's assessment that estimated reads in such circumstances will not be impacted by any approach to provide greater flexibility for timing retailer billing to improve availability of actual reads.[3]

[1] AEMC consultation paper, *National Energy Retail Amendment (Meter Read and Billing Frequency) Rule 2016,* December 2015, p. 16
[2] ibid, pp. 2-3
[3] ibid, p. 9, footnote 37

AEMC OPTIONS

In considering the issues raised by the rule change request from Ergon, AEMC notes that, if there is an issue to be addressed, potential solutions include:

1. allowing retailers to delay issuing a bill to a small customer until a meter read has been provided by a MDP, subject to a maximum time limit (Ergon's proposed solution);
2. recommending to AEMO that it amend its Service Level Procedure to require MDPs to read meters more frequently, so that bills are more likely to be issued on the basis of actual consumption at least once every three months; or
3. maintain the current arrangements in which some small customers may receive estimated bills.

AEMC notes that all three solutions involve some trade-off between the frequency of bills, the accuracy of bills and the cost involved, and seeks feedback with respect to the appropriate balance between the factors and the extent to which each factor represents a consumer protection issue[4].

AEMC OPTION 1

ENA appreciates the desire of retailers to have a "reasonable endeavours" obligation for billing every 92 days, with a safeguard to ensure that this does not extend beyond a maximum period (100 days? four months?) between reads for small customers.

The data provided by Ergon indicates that the vast majority of actual reads are completed and customers billed within a short additional period of time from the AER required 92 day period.

However, in the absence of remote-read advanced meters, this option may result in longer and/or more varied periods between meter reads and bills for small customers, which may make comparison of billing outcomes more difficult to assess. In addition, there will always remain a number of sites where access will remain difficult and result in estimated reads and this should be acknowledged in any proposed outcomes.

ENA believes that AEMC Option 1 should be assessed in the light of feedback from customer representatives, distributors and retailers on the acceptability of variable billing periods and consideration of likely improvements in actually billing versus costs.

[4] ibid, p. 17

AEMC OPTION 2

ENA is strongly opposed to AEMC option 2 of more frequent meter reads by MDPs, especially in the current circumstances where this would predominantly require site visits to read type 5/6 meters in all jurisdictions except Victoria.

Meter reading costs are proportional to the number of site visits. Consequently ENA agrees with the view of Ergon that an increase in meter reading frequency will result in a significant increase in costs flowing through to customers from the requirements for more site visits[5].

Notably, the increase in costs related to more frequent meter reads by MDPs would be applied to all customers although the trigger for this change relates to requirements for customers on standing retail contracts.

ENA agrees that as meters are upgraded to remote-read advanced meters, the cost and difficulties of obtaining actual data reads will reduce.

However, market rollout of advanced meters would take time and in the interim, ENA recommends that AEMC option 2 be rejected as a disproportionate response.

AEMC OPTION 3

ENA notes the difficulties encountered by Ergon in relation to the AER's compliance requirements due to misaligned requirements between the NERR and AEMO Service Level Procedures for MDPs.

However, ENA notes that the current rules enable retailers to comply with billing cycle requirements by utilisation of estimated bills.

ENA notes the experience reported by Ergon that estimated reads have resulted in increased complaints from customers and are one of the most common reasons for a customer complaint.[6]

However, this option remains an effective and essential solution, especially where the retailer has an agreement with the customer to self-read their meter or in circumstances where public holidays or weather related events disrupt meter reading schedules.

[5] Ergon Energy Queensland, *Rule change request: aligning the retailer requirement to issue a bill to a small customer every three months with National Metrology Procedures*, 15 September 2015, p. 13-14

[6] ibid, p. 7

ALTERNATIVE OPTION

ENA considers that there may be a further alternative option worth consideration by the AEMC.

The trigger to the compliance issue confronted by Ergon is the strict definition by the AER that three months means 92 days.

The AEMC may wish to consider providing a more flexible definition of the term 'three months' within the NERR.

Defining the term 'three months' in the NERR, as a period **not exceeding a maximum of 100 days** would provide retailers with additional flexibility to meet their obligations under Rule 24 without eroding the strong protections that this provision is intended to provide customers.

The additional flexibility provided to retailers by including such a definition seems proportionate to the issue, in not requiring major changes to systems or significant cost impacts upon all customers.

ENA CONCLUSIONS

Ergon has identified practical billing issues related to standing retail contracts. This may also be relevant in other jurisdictions, such as Tasmania and the Australian Capital Territory, where significant numbers of small customers are supplied under standing retail contracts.[7]

ENA notes that if a significant proportion of customers on standing retail contracts are classed as low income or vulnerable customers, the impact of increasingly unpredictable or varied billing cycles is likely to be greater. This may affect the assessment of a preferred outcome in consideration of options.

ENA considers that the proportionality of the response to the issue raised, especially in relation to cost impacts and predictability of billing for customers, should guide the outcome.

Regarding application to gas, ENA considers that at this time AEMC should limit its review to electricity customers.

RECOMMENDATIONS

ENA recommends that:

1. AEMC **reject** further consideration of proposed Option 2 requiring AEMO amend its Service Level Procedure to require MDPs to read meters more frequently, so that bills are more likely to be issued on the basis of actual consumption at least once every three months.
2. AEMC consider a further option (Option 4) of defining "three months" within the NERR as meaning "a maximum of 100 days".
3. AEMC consider its proposed Options 1 (*Align retailer and MDP meter read and billing responsibilities in line with "reasonable endeavours" to meet a timetable of three monthly billing, with a safeguard maximum*), Option 3 (*Maintain current arrangements*) and proposed Option 4 in light of:
   - » review of the make-up of customers on standing retail contracts to ensure that vulnerable customers are not adversely impacted;
   - » feedback from customers and their representatives on the acceptability of variable billing cycles and bill levels; and
   - » cost impacts on all stakeholders.

[7] AEMC consultation paper, *National Energy Retail Amendment (Meter Read and Billing Frequency) Rule 2016,* December 2015, Table 2.1, p. 4.

APPENDIX A: AEMC QUESTIONS IN CONSULTATION ON METER READING AND BILLING FREQUENCY

Note that inconsistency in AEMC subtitling questions is reflected in numbers below.

No	Question	Proposed ENA response
1	Nature of the issue identified	
1a	What proportion of consumers are likely to be affected by the issue identified by Ergon?	No comment.
1b	Is the availability of meter reads an issue for retailers other than Ergon?	No comment.
1c	To what extent will other developments, including the roll out of more advanced meters, address the issue identified by Ergon?	ENA considers that the issue will reduce in severity after the rollout of advanced meters in areas where communications enable remote reading. How quickly and/or extensively this may apply in regional Queensland is not clear at this time.
2	Potential solutions to the issue identified	
2.1	How should the AEMC consult with consumers and consumer groups on their preferences with respect to the trade-offs between the frequency of bills, the accuracy of bills and the costs of billing?	ENA would recommend that this be handled in consultation with Energy Consumers Australia
3	Ergon's proposed solution	
3.1	Do bills based on actual consumption enhance consumer experience and allow consumers to make more informed usage decisions compared to estimated bills?	Customers benefit from receiving bills based upon actual usage data, but this is not an absolute as it will also be impacted by the related costs of reading (which will be passed on) and the frequency of billing. Long delays between large, accurate bills would not necessarily be a better experience than more frequent, estimated bills. The use of estimation (especially in circumstances where customers are able to read and advise their own usage with annual verification) is a valuable option for both customers and market participants.
3.2	Would delays to the frequency of retail bills cause significant issues for small customers? If so, would a maximum timeframe limit on billing frequency, eg. four months, sufficiently manage those issues?	Yes and ENA would support an absolute maximum of four months and prefer a period closer to 100 days.
3.3	Should the frequency of retail bills be considered a consumer protection?	If a customer protection provision was inserted to further strengthen the current NERR requirements of three monthly billing for retailers, this would exacerbate the issue.
4	Frequency of meter reading	
4.1	Would more frequent meter reading by the Metering Data Provider provide an efficient solution to the issue identified by Ergon in its rule change request?	No

No	Question	Proposed ENA response
4.2	Would more frequent meter reading impose additional costs on the Metering Data Provider? If so, how much are costs likely to increase?	Yes. ENA cannot estimate current costs but in the environment of a significant number of meters still requiring site visits to read, this will be significant.
4.3	Where there is a choice between bills based on actual consumption issued at less frequency or issued at the same frequency but at greater cost, what better serves the consumer's long term interest and is compatible with consumer protections?	This question is best addressed by customer representatives. However, ENA considers that the answer is likely to vary widely across different customer cohorts and individuals. ENA considers that analysis of customers on standing retail contracts will be required to ensure no adverse impacts on low income or vulnerable consumers.
5	Billing on the basis of estimates	
5.1	Where there is a choice between estimated bills issued on a regular recurrent basis or less frequent bills based on actual consumption, what better serves the consumer's long term interest and is compatible with consumer protections?	As above
5.2	Are there any barriers to retailers accepting a customer's reading of its meter as a basis for an estimate?	ENA has no comment.
5.3	How much are Metering Data Providers costs likely to increase if Metering Data Providers were required to generate estimates of small customers' consumption? Would the increase in the Metering Data Providers' costs be offset by a reduction in retailers' costs?	Especially in relation to manually read meters, ENA considers that to get the MDP to produce this additional estimated reading information for the retailer outside of the normal meter read and data delivery process would be very complicated/if at all possible and potentially very costly, and could also result in new costs for other market participants in terms of receiving estimated data outside of the normal billing cycle. Shortening the meter read cycle will involve more manual read costs, higher data volumes to manage validation, estimation and substitution processing and exceptions. The underlying costs will change further depending on the meter volumes being managed and the efficiency of meter read routes. As the smart meter roll out progresses, the costs to maintain even quarterly reads for customers will increase and this will be exacerbated for the last few percent on manual reads.
6	Gas	
6.1	Do the issues identified by Ergon in its rule change request apply to standing offers for the supply of gas?	As Ergon requested a rule change in relation to electricity and not gas, at this stage any proposed solution should only apply for electricity. Consideration of the application of the solution to gas is best undertaken once the final solution for electricity is agreed.

No	Question	Proposed ENA response
6.2	Should the same solution developed for standing offers for the supply of electricity be applied to standing offers for the supply of gas?	As Ergon requested a rule change in relation to electricity and not gas, at this stage any proposed solution should only apply for electricity. Consideration of the application of the solution to gas is best undertaken once the final solution for electricity is agreed.