Energy Retailers Association of Australia
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24 October 2014

Jackie Krizmanic
Australian Energy Market Operator
GPO Box 2008
MELBOURNE VIC 3001

Email: NEM.MDP@aemo.com.au

Dear Ms Krizmanic,

RE: Notice of First Stage of Consultation on Meter Churn Package

The Energy Retailers Association of Australia (ERAA) welcomes the opportunity to provide comments in response to the Australian Energy Market Operator's (AEMO) First Stage Consultation on the Meter Churn Package (**the Consultation**).

The ERAA represents the organisations providing electricity and gas to almost 10 million Australian households and businesses. Our member organisations are mostly privately owned, vary in size and operate in all areas within the National Electricity Market (NEM) and are the first point of contact for end use customers of both electricity and gas.

The ERAA does not support the proposed changes to the Meter Churn Procedures (the Proposed Procedures). The Proposed Procedures are inconsistent with the intent of the Australian Energy Market Commission's (AEMC) rule change on competition in metering and related services (the Rule Change) in that the Proposed Procedures will increase the barriers to small customer meter advancement. The ERAA is in strong support of the AEMC's work to encourage customer choice of advanced metering and associated products.

We understand that the inconsistency between the National Electricity Rules (NER) and the meter churn procedures must be addressed. However it is our view that there is a strong case for the current industry process to be incorporated into the NER, particularly as the AEMC's process is expected to see significant redrafting of Chapter 7 of the NER. Our preferred outcome would be for AEMO's Meter Churn Package to be placed on hold, and for the inconsistency be considered through open consultation with AEMO, industry and the AEMC. All potential solutions should be objectively assessed, including a potential change to the NER.

We are also concerned that the procedure is not fully formed in that the bulk of the process flows have been deleted. The Proposed Procedures should not be implemented until these diagrams have been completed.

Customer implications

The ERAA is concerned that the proposed changes will lead to a number of adverse consequences for customers. The Proposed Procedures prohibit an incoming retailer from replacing the meter until the retail transfer has been completed. Restrictions in the customer transfer process mean that there will be a transitional period of up to 40 business days between the start of the retail contract and meter replacement.

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There are two particularly concerning consequences of this delay. Firstly, there will be a requirement for interim contracts between retailers and the current metering service providers at the site. Currently, such short term contracts are rarely offered by metering service providers, and those that are offered attract a substantial premium. The cost of this additional contract must be factored into the responsible person or customer's decision to have the meter replaced, making it more expensive and less convenient to upgrade the meter than to continue with the incumbent providers and their asset. This is expected to disincentivise advancement of the small customer metering fleet.

Secondly, consider the scenario where a small customer seeks to upgrade its basic meter to a type 1-4 meter. The current procedures allow the incoming retailer to request a meter change in advance of the contract start date, so that the required meter is operational when the contract commences. As the retail tariff must be billed according to the metering installation and network tariff at the site, during this transitional period the retailer would be required to bill the customer on the basic meter network tariff structure until a new meter is installed, rather than the customer's choice of tariff. This will create consumer confusion, increase disputed bills and impact on customer complaint levels. The ERAA is of the view that this is not in the long term interest of consumers.

We acknowledge that continuing with the current process would retain the current churn period between "pre-contract start" meter replacement and contract start date that can also lead to some operational challenges. A trade-off is therefore required. As the "pre-contract start" churn period of 20 business days is shorter than the "post-contract start" transitional period of up to 40 businesses days, it would follow that the current process results in fewer adverse consequences. A future change to the NER could also seek to reduce the pre-contract impacts.

Commencement date

Should AEMO proceed with the Proposed Procedures, the ERAA would strongly recommend that a revised implementation date of 1 September 2015 be considered. AEMO's proposed commencement date of 31 December 2014 provides insufficient time for retailers to amend their systems and processes to manage the changes required (particularly as the Final Decision on this consultation is not due until 31 December 2014). Retailers have significant IT programs that are scheduled months in advance to complete regulatory, compliance requirements and other projects. In addition to this, as this is a significant change in the way the market has historically operated, an education piece would be required for large customers and market intermediaries (such as energy brokers). The revised implementation date would provide sufficient lead time for retailers to allow for these considerations as well as ensure that the changes occur outside the peak times of January and July.

Grandfathering executed retail contracts

The ERAA requires that retail contracts that have been executed but have not yet commenced are grandfathered from the procedural changes to minimise customer and retailer impacts. If grandfathering was not granted, renegotiation would be required to account for the additional metering service provider contract discussed above.

Inconsistency with intent of the AEMC Rule Change

We view the Proposed Procedures as inconsistent with the direction of the Rule Change.

This Rule Change seeks to empower customers to choose new and innovative services through replacing their existing metering with a smart meter. The Proposed Procedures would have the effect of creating a disincentive to complete a meter upgrade by imposing new

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costs on customers seeking to upgrade their meter for the rationale outlined earlier in this submission.

The Rule Change request also aims to increase competition between metering service providers, to place downward pressure on pricing and improve service offerings. In contrast, the Proposed Procedures would provide a competitive advantage to incumbent metering service providers who are able to impose terms to frustrate competitor activity.

There are also public benefits associated with upgrading metering installations in the NEM with higher functionality meters, including improved network management capability. A disincentive to upgrade metering installations would prolong the realisation of these benefits.

We are also concerned that industry will incur implementation costs in consecutive years due to this Consultation and then the Rule Change.

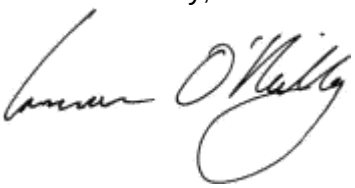
Alternative proposal

While referral to the AEMC's processes is the ERAA's preferred position, if AEMO must proceed with a procedure change at this time, the ERAA recommends some changes to the Proposed Procedures to ameliorate the impacts of the proposal. The scope of the Proposed Procedures could be limited to type 1-4 meter churn with the existing process continuing for type 5 and type 6 meters. The issue relating to applying the customer's choice of tariff caused by the Proposed Procedures only impacts the replacement of a type 6 meter with a type 1-5 meter. This alternative proposal would additionally reduce the need for system changes, and support the policy objective of encouraging small customer uptake of advanced metering.

While we note the contractual issues and competitive issues would remain unresolved, we view this option as a viable alternative option to apply until a change to the NER could be effected, should AEMO be obliged to proceed with a change to the procedures at this time.

Should you wish to discuss the details of this submission, please contact me on (02) 8241 1800 and I will be happy to facilitate such discussions with my member companies.

Yours sincerely,



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