

Your Ref: EMO0040
Contact Officer: Matt Lady
Contact Phone: 08 8213 3491
Date: 11 February 2021

Anna Collyer
Chair - Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Dear Ms Collyer,

Consultation paper—Review of the regulatory framework for metering services

Thank you for the opportunity to comment on the Australian Energy Market Commission's (AEMC) 'Review of the regulatory framework for metering services' consultation paper.

The AEMC's changes to introduce a competitive framework for metering services sought to facilitate a market-led deployment of advanced metering technology (or 'smart meters'). This review, after three years in operation, is considering whether these changes have met expectations, given implementation and customer experience issues. It will also consider whether changes are required to improve the efficiency and effectiveness of the regulatory framework for metering services. We welcome this holistic review.

The AER considers the effective and timely deployment of smart meters will empower consumers with the means to engage proactively in the national electricity market (NEM). Because smart meters provide more granular consumption information, they can facilitate better price signals and tailored tariffs. With clear price signals and more dynamic and targeted tariffs enabled through smart meters, consumers may benefit from more choice in how and when they use electricity, such as the opportunity to shift their electricity consumption to times of the day when it is cheaper.

Smart meters can also help to foster innovation and promote diversity in energy services through leveraging technological changes, such as smart appliances and more demand side participation. We also know that smart meters allow customers to switch retailers faster, enable remote disconnection/reconnection and meter reading, support more frequent billing cycles (such as monthly rather than quarterly), and reduce bills based on estimations.

As the energy transition continues apace, smart meters will play an essential role in empowering consumers to source their electricity from local, more sustainable sources, such as rooftop solar. By enabling effective signals to incentivise rooftop solar self-consumption, the uptake of battery storage, and the efficient integration of electric vehicles into the power system, smart meters should also contribute to reducing peak demand growth and help to defer costly network investment, thus benefiting all consumers.

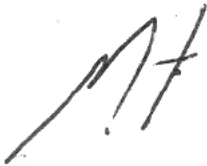
Similarly, smart meter technology should also facilitate pricing arrangements that help owners of solar PV, through their retailer or aggregator, optimise the use of their solar PV, for example, by exporting during those times when solar generation is valued the most. In short, we consider that the widespread use of smart meters will better position consumers to reap the benefits from the energy transition that is underway.

In the remainder of this submission, we comment on:

- the importance of advanced metering technology ('smart meters');
- potential barriers to the roll-out of advanced metering technology; and
- consumer protection and consumer engagement.

We thank the AEMC for the opportunity to submit on this process and look forward to ongoing involvement in this Review. If you have any questions about our submission, please contact Matt Lady (08 8213 3491).

Yours sincerely,

A handwritten signature in black ink, appearing to be 'MF', written in a cursive style.

Mark Feather

General Manager, Policy and Performance

Australian Energy Regulator

11 February 2021

Appendix A

The importance of advanced metering technology

We consider the effective and widespread rollout of smart meters in the NEM is necessary for the implementation of cost reflective tariffs. By providing more granular information, smart meters enable retailers to send more efficient price signals and provide innovative tariff structures.

Smart meters will also support the integration of distributed energy resources and increase demand side participation in the NEM. As consumers increasingly adopt devices that can respond autonomously to pricing signals, businesses will be better positioned to offer consumers access to Time of Use pricing. Cost reflective tariffs are an enabler of this future and smart meters are an essential means of delivering this outcome.

In the short term, the widespread adoption of smart meters is necessary if we are to avoid significant new investments in network infrastructure. In the absence of smart meters and a Time of Use tariff, for example, electric vehicle (EV) owners will be unable to access incentives to adjust the timing of their EV charging practices. In turn, this could lead to extensive and otherwise avoidable network build-out similar to that required during the widespread uptake of air-conditioning. Time of Use pricing has been shown effectively to defer EV charging patterns into off-peak periods, thereby avoiding significant network over-build.

In addition, as the energy transition continues and solar PV uptake continues to grow, smart meters should also facilitate pricing arrangements that enable consumers (through their retailer or aggregator) to export their solar PV generation into the wholesale market at times when it is valued the most. This enables solar PV owners, if they choose, to optimise the use of their solar PV in a manner that reduces costs to all consumers.

We note that a core element of the Energy Security Board's NEM 2025 project is based on initiatives to encourage owners of solar PV to optimise their equipment and drive a more active solar response to help manage and balance the electricity system.

More generally, without the widespread uptake of smart meters, electricity retailers and aggregators are unlikely to have sufficient incentives to bring to market innovative, new products and services that are better tailored to individual consumer needs.

Potential barriers to the roll-out of advanced metering technology

When considering barriers that may be impeding the timely and efficient roll-out of smart meters, we note there are a variety of issues across jurisdictions and to varying degrees. Here we discuss some of these issues and encourage the AEMC and stakeholders to consider how they may be mitigated.

Incentives

Although Distribution Network Service Providers (DNSP) can currently obtain half-hourly consumption data, we understand that data on voltage, power factor, and outages, for example, is not automatically available to them through the existing regulatory framework. We understand this has been an issue for some DNSPs, which have prioritised the installation of their own devices rather than negotiate contracts with retailers to access to this data.

We encourage the AEMC to examine this issue further as part of this Review, and consider how it may facilitate improved access to better data for DNSPs and adequately incentivise metering co-ordinators to roll-out smart meters efficiently.

Costs

Given the pace of technological change underway and the scale of smart meter production as they are deployed globally, it would be informative if the AEMC examined how the costs of smart meters and their deployment has developed over the years since their introduction.

It is important that stakeholders understand the costs associated with integrating smart meters across the NEM, as well as appreciating the benefits to consumers and the electricity system that may flow from the widespread use of smart meters.

For example, this Review may helpfully examine the costs of smart meters relative to the analogue meters they are replacing. Smart meters may be more expensive upfront than the analogue meters they replace, but we understand this difference in cost is reducing as smart meter production is ramped up.

Similarly, it would be informative to examine whether the anticipated reductions in ongoing servicing costs, such as those associated with meter maintenance and manual meter reading, have been realised and how those anticipated savings interact with actual smart meter roll outs.

Particularly applicable to rural and remote areas of Australia, we note the significant costs associated with the communications infrastructure needed to support advanced metering technology. We also understand there have been instances of very long delays in the installation of smart meters in some remote areas of the NEM where the cost to serve is higher (including through loss of efficiencies of scale). It is worth knowing more about whether these costs are influencing retailers' behaviour in the roll out of smart meters.

Finally, we note the competitive rollout of smart meters (as opposed to a mandatory rollout) was intended to ensure smart meters were installed on a cost-efficient basis. We consider it would be informative to understand if this approach has succeeded in its aims.

To the extent that this Review identifies the cost drivers of smart meters and ways to reduce their costs and increase their efficient uptake, we consider consumers would be better off and the NEM more efficient. Similarly, it would be informative if the Review considered the future role of smart meters in the context of consumers' increasing uptake of so-called smart appliances. For example, how would the widespread use of smart appliances affect the utility and expected benefits flowing from smart meters?

Metering contestability impacts

The introduction of competition in metering services may have unintentionally created several barriers to the efficient deployment of smart meters. There is additional complexity around the deployment of new and replacement meters for small customers due to the fragmentation of roles and increase in transactional costs associated with retailers, metering co-ordinators, metering providers, and network service providers now co-ordinating work that was previously the sole responsibility of the network service provider (and its subsidiaries or contractors undertaking metering provider and metering data provider roles). This has impacted the customer experience.

Due to the fragmentation of roles and greater co-ordination required between these parties, there are also increased opportunities for mistakes to arise, and more occasions where it is not clear (or takes longer to establish) who is responsible for rectifying an issue. When this occurs, consumers typically have a poorer experience.

We note that smart meters are not currently deployed to capture and report Frequency Control and Ancillary Services (FCAS), Fast Frequency Response and possibly synthetic inertia services, even though existing smart meters could be configured to capture and report on this data. Under a virtual power plant model where these services are provided via

aggregators, for example, there may be value in using smart meters to prove the delivery of the service.

At present, there are a number of challenges in validating and measuring FCAS services provided through a virtual power plant. As such, more advanced smart meters may be able to provide this needed validation and measurement. However, we note it may be more cost-effective to rely on bulk-system monitoring for this validation, but nonetheless encourage some consideration of this matter as part of this Review.

Consumer protection and consumer engagement

We support initiatives to increase consumer engagement in the electricity market and to enable consumers to benefit from more innovative products and services that are enabled by smart meters. We also recognise that there are a range of challenges and barriers to promoting greater customer engagement in the retail electricity market. This can include the complexity of the market, consumer inertia, different levels of customer ability and willingness to engage, as well as situations where customers may be experiencing vulnerability.

We note the key pressure points with consumers have been around lack of clarity of communication and unwarranted delays in resolving metering issues. In recognition of this, the AER recently took action against electricity retailers for not promptly appointing Metering Coordinators after receiving notice that customers' meters were faulty. As the AER Chair has indicated publicly:

“Smart meters benefit competition by providing retailers with increased opportunities to develop innovative energy services such as time of use pricing, and also offer consumers more ways to manage and control their energy consumption.

The longer customers have to wait for their smart meters because of delays by retailers, the longer customers are denied the benefits of this technology.”¹

We consider any unjustified delays in the roll out of advanced meters negatively impact consumers and undermine the efficiency of the NEM.

As part of this Review, we encourage the AEMC to identify and scrutinise regulatory requirements and business systems and processes that may be contributing to delays in the industry's ability to drive the installation of smart meters (including in response to notified family failures) but which otherwise does not contravene existing obligations.

We also supported the AEMC's 2019 implementation of new obligations setting out mandatory timeframes for new and replacement meters for small customers, most recently updated in May 2020, as a result of poor consumer outcomes. We understand from energy ombudsman schemes that complaints related to metering delays have declined since the introduction of these new obligations.

We support continued consideration of the customer experience and how it may be improved, including through simplifying processes and increasing transparency, as well as ensuring appropriate consumer protections are in place to drive greater consumer benefits.

¹ <https://www.aer.gov.au/news-release/aer-takes-action-against-agl-for-not-promptly-fixing-customers%E2%80%99-meters>.