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7 Feb 2023

Anna Collyer
Chair
Australian Energy Market Commission
GPO Box 2603
SYDNEY NSW, 2001

Dear Ms Collyer

Re: Draft report – 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' draft report (Draft Report).

The AEMC's Draft Report highlights that higher penetration rates of smart meters will be a critical factor in enabling future market services and efficient investments that will ultimately contribute to reduced costs for consumers. We agree with the AEMC that accelerating the current rollout is critical if the benefits of smart meters are to be realised in a timeframe that supports the energy transition. We strongly support reforms to the metering framework that will achieve this objective.

Because smart meters provide more granular consumption information, they can facilitate better price signals and tailored tariffs, providing benefits to stakeholders across the energy supply chain. With clear price signals and more dynamic and targeted tariffs, smart meters may enable consumers to benefit from more control over how and when they use electricity, such as shifting their electricity consumption to times of the day when it is cheaper. This is important at a time of rising electricity prices.

Overall, smart meters represent a key technology that, combined with new energy services and tailored tariffs, can help unlock the benefits of integrating consumer energy resources (CER) within the National Electricity Market (NEM). The Energy Security Board (ESB) has estimated these benefits to be around $6.3 billion over the next 20 years. 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.

Smart meters should also help facilitate new energy services from retailers and aggregators that enable customers and owners of CER to sell their energy into wholesale markets and system services markets, and to provide network services.

Network businesses will also directly benefit from the provision of more granular usage information, which should help them manage network constraints and curtailment risks. This information should assist network businesses in making decisions about how they manage congestion and constraints, including through network investment or network services agreements. In addition, networks will benefit through having increased visibility of life support customers.

Smart meters are also an important enabler for technologies that can provide information to customers regarding their energy use, and which can in turn help to drive energy efficiency and assist energy customers in saving money. The AEMC's Draft Report sets out a target of achieving universal uptake of smart meters by 2030 and seeks views on a range of possible options to achieve the accelerated deployment of smart meters.

The AER broadly supports the AEMC's objectives under this review and we provide our comments on the AEMC's proposals and the mechanisms for implementing them in the attachment to this letter.

In providing these comments, the AER notes that it is critical that the target timeframe is supported by implementation arrangements that are carefully considered drive strong and effective consumer engagement.

Ensuring good consumer experiences, broad community support and trust will be critical if customers are to support the accelerated roll out and if the sector is to achieve the target of universal uptake by 2030. If consumer engagement through the roll out is ineffective, this may jeopardise achieving the target and the realisation of the benefits of smart meters to customers. We have sought to comment on these issues in more detail in our submission.

We would appreciate the opportunity to work closely with the AEMC on the detailed design of the framework and the implementation arrangements.

If you have any questions or wish to discuss this submission further, please contact Simon Kidd, Assistant Director, Policy Development team at [redacted]

Yours sincerely

[redacted]

Jim Cox
Deputy Chair
Australian Energy Regulator

Sent by email on: 07.02.2023

1. Target and Mechanism

The AEMC has recommended a target of universal uptake of smart meters by 2030 in NEM jurisdictions. The Draft Report notes:

- many of the system benefits of smart meters and the reforms to support the energy transition require a critical mass of meters to be installed, and there are costs in delaying these
- this timeframe is likely to be the earliest time that is realistically achievable by the industry.

We broadly support the AEMC's recommendation. In our view the 2030 target will enable the benefits of tariff reform, integration of CER and associated new markets and services to be realised within a timeframe that supports the rapid transition to a flexible, decentralised energy system.

The target is ambitious, particularly in network areas that have comparatively fewer meters already rolled out. We note, for instance, that to achieve the universal target in the Ausgrid region requires around 800 meters per business day to be installed, and around 600 per business day in the Essential Energy region. Individual site and customer challenges are likely to make the achievement of these numbers highly challenging.

The scale of the undertaking means that success in achieving the target will depend on metering providers significantly ramping up their installation capacity, which in turn will depend on workforce availability and adequate supply of equipment at a time of significant investment in the electricity sector. We recommend the AEMC undertake further analysis to ensure the 2030 target date can be (at least largely) achieved, noting such factors.

Working towards a universal target should ensure that, even if 100 per cent penetration is not reached by 2030, a high enough proportion of customers will have them for many system-wide benefits to be realised.

The ambitious nature of the target makes it even more critical that the AEMC build social licence and broad community support for the roll out. A loss of social licence and trust that the rollout is in consumers' long-term interests may mean the target is not reached.

We further discuss our views on the proposed roll-out options below.

Option 1 – Legacy meter retirement plan

Based on the options presented, the AER-approved legacy meter retirement plan (option 1) appears to have the greatest potential to avoid high and/or inefficient costs. The key finding of the AEMC's cost benefit analysis is that a suburb-by-suburb roll out is likely to be the most important factor in containing the roll out costs, due to the efficiencies associated with installing more meters per day.

To contain the costs of the roll-out, the AEMC proposes to introduce principles into the regulatory framework, including that the plans enable retirement to occur on an efficient basis. The Draft Report sets out that replacement based on geography is likely to support an efficient deployment, while age may also be a relevant factor.

This option would be a major regulatory change, and presents a range of implementation challenges and complexities. These will need to be carefully considered to ensure the smart

meter roll out does not impose unnecessary costs and inefficiencies, or create compliance risk for energy businesses and regulators.

Given these challenges, we are open to further discussion with the AEMC about the detailed framework design, including how plans could be developed, as well as any AER role in approving the plans, monitoring, compliance and enforcement. We also note that the introduction of a new role for the AER in approving legacy meter plans will have cost and funding implications. We would appreciate working with the AEMC closely on the design of the framework and the implementation timelines so that resourcing issues and any funding requirements can be managed.

Observations on the plan development and approval process

While distributed network service providers (DNSPs) would be the primary parties developing the legacy meter retirement plans under option 1, the success of this option will rely on their cooperation and coordination with retailers and metering providers. In particular, as retailers would be responsible for delivering the plans, the regulatory framework for developing plans will need to allow significant time and opportunities for retailers and metering coordinators to contribute to and consult on the plans.

The AEMC has indicated that if option 1 were adopted, principles could be incorporated into the regulatory framework to ensure that the retirement plans are efficient, minimise overall costs and reflect the input of stakeholders.

Whatever framework is used to set the principles, it must set clear obligations that provide all parties with certainty and guidance about how the principles can be met, and what must occur in order for the AER to approve a plan. For instance, we consider the principles should be clear about what hierarchy of criteria the AER should take into account in determining whether a plan 'enables efficient replacement' – for instance geography, age and network need. Our view is that this hierarchy should align with the factors identified in the AEMC's cost benefit analysis, with geography likely to have the largest impact on cost.

Interaction with network revenue determinations

As DNSPs are responsible for managing the fleet of legacy meters, the management and cost recovery of these meters forms a central part of their 5-yearly network revenue determinations.

Option 1 would have a range of interactions with regulatory determination processes that are currently underway, which would need to be carefully considered and managed.

Timing is a key consideration. The AER has recently received the ACT, New South Wales and Tasmanian DNSPs' regulatory proposals for the 2024-29 regulatory period. It is currently not clear whether these proposals will be impacted by the AEMC's final determination when it is made. For some proposals, where substantive revisions are not required, the reset process timelines are likely to be sufficient to align with the AEMC's review timelines, including consultation timelines. Where this is not the case, the AER's timeframes for making our draft revenue determinations (September 2023) and potentially our final revenue determinations (April 2024) may be delayed as these proposals would require further consultation outside the standard regulatory determination consultation process, and may not allow sufficient time to meet the NER's consultation timelines.

In light of the above, we consider there is merit in exploring whether the legacy meter retirement plans for some DNSPs could be developed and assessed under a separate process from network revenue determinations. There may be significant efficiencies for all

stakeholders in this type of approach, particularly if it enabled consultation processes across multiple DNSPs to be consolidated under a single legacy meter determination process.

Regarding the regulatory mechanism for approving the forecast expenditure for the plans, the AER is open to considering any approaches that provide sufficient consultation time for stakeholders and would be happy to explore further options with the AEMC.

We note there is value in considering whether existing regulatory frameworks covering DNSPs may have useful features that could be incorporated into the metering plan framework. For instance, there may be merit in a governance framework where DNSPs are required to submit an independent third-party review of the plan, or key quantitative or financial elements. This would have similarities to our distribution ring-fencing framework, which requires regular reporting of compliance as well as preparation of annual compliance reports that have been assessed by appropriately qualified independent assessors.

Alternatively, a framework could be explored where broad obligations on networks are set out in the Rules, and the AER creates a guideline setting out what we consider would meet the criteria of enabling efficient replacement. We note that similar frameworks exist for the Demand Management Incentive Scheme and distribution ring-fencing. We note guidelines have statutory consultation requirements, which the AEMC would need to factor into its timelines.

Each approach would entail its own set of risks and benefits, as well as resourcing implications for the AER, which would need to be carefully considered.

Other network implications

Regardless of the plan development and approval mechanism ultimately adopted, we highlight that there will be a range of other interactions with DNSPs and network pricing.

One consideration is how the 2030 target will interact with network businesses whose next regulatory period will conclude in June 2029. Clear guidance as to how legacy meter retirement plans should be considered across regulatory periods would be valuable. The stakeholder consultation arrangements and impacts of having to undertake any assessment relating to metering for the 2029–34 regulatory period should be considered.

The mechanism for cost recovery is another key consideration. The proposed move to the retirement plan approach may have significant impacts on the way legacy metering costs are recovered by DNSPs from consumers. Under current regulatory settings, metering costs are classified as alternative control services and costs are recovered through prices under a price cap control. Under this arrangement, option 1 would see legacy meter costs recovered through the network tariffs of an increasingly small pool of legacy meter customers. This will increase the costs for these customers.

Sharing legacy meter costs across a network business's entire customer base may be a fairer outcome. To this end, we encourage the AEMC to also consider flexibility for legacy meter costs to be spread across a network business's entire customer base rather than the current user pays regulatory settings.

The AEMC's determination may require revisions to other costs within the regulatory proposals. For example, the AEMC has noted the option of revising meter testing requirements. These costs relate to the operating expenditure in regulatory proposals. We would welcome direction from the AEMC on what costs can and cannot be recovered from network customers.

Reviewing plans

The AEMC also noted the possibility that, under option 1, legacy metering asset plans could be subject to regular review, to enable retailers and metering coordinators to respond to changes in their operating environment.

Although this process is not within the current regulatory framework, we consider some flexibility to amend plans would be important if retailers are to have confidence that the process can respond to changed circumstances.

In our view, an annual process of review incorporating appropriate consultation opportunities is likely to be overly time- and resource-intensive for stakeholders and the AER, in comparison to the benefits. The AER suggests a longer time period would be more appropriate. For instance, if a 5-year plan is adopted, a mid-point review is likely to balance the resource impacts for stakeholders with the need to provide retailers and metering coordinators with the flexibility to respond to changes in their operating environment.

The timelines for such a review should include appropriate consultation processes and feed into the relevant regulatory processes (such as the annual pricing process).

If this option is adopted, we request that the AEMC consider what mechanisms will manage any changes to legacy metering asset plans mid-regulatory period. This could be through ensuring cost pass-through mechanisms are accessible, or changes in the form of control. If cost pass-through mechanisms are considered, appropriate thresholds should also be considered.

Option 2 – Legacy meter retirement through rules or guidelines

Under this option, the AEMC proposes that the schedule for the retirement of legacy meters would be outlined in the National Energy Rules (NER) or a subordinate instrument developed by either the AER or the Australian Energy Market Operator (AEMO). Retailers would be required to replace the retired meters within a certain timeframe and report on meter replacement performance.

The AEMC has highlighted a range of challenges with this option, including the feasibility of a market body developing these plans without ready access to key information about the age, location and current retailer of the legacy meter fleet. We consider that the level of planning, lead time and consultation required would be a significant administrative and analytical undertaking for any market body, even with additional resourcing.

Conversely, DNSPs currently own and manage the legacy meter fleet and have significant experience in meter deployments, as well as ready access to the information needed to develop an efficient retirement schedule.

In our view, it may be possible to achieve geographical efficiencies under this option. However, the extensive challenges and information asymmetries for any market body taking on this role mean that option 1 is likely to be a more practical way to achieve annual retirement schedules.

Option 3 – Retailer targets

Under this option, the AEMC proposes that retailers would be required to replace their customers' legacy meters with smart meters in line with the acceleration target of universal uptake by 2030, with potential interim targets to ensure retailers make regular progress towards the target.

The AEMC highlights that a range of factors, such as churn, geographical footprint and existing smart meter uptake, mean a retailer's performance against its target my change due to events outside of its control, which may complicate the process for assessing compliance. We agree with the challenges the AEMC has highlighted.

As it does not involve DNSPs, a further key issue with this option is that it is unlikely to achieve the geographical efficiencies that the AEMC has highlighted will be important in keeping the overall cost to consumers as low as possible.

Option 4 – Metering coordinator targets

The first step of this option would see the retirement of the entire legacy meter fleet. This would most likely need to be triggered through a provision in rules. Once the legacy meter fleet has been retired, retailers would be required to appoint metering co-ordinators (MCs) for their sites so that the physical replacement can commence.

As the AEMC highlights, there are a range of significant challenges and compliance risks with this approach. In particular, we note that MCs would be responsible for meeting targets, but would be dependent on the actions of other parties (retailers) to deliver on these targets.

For the same reasons as option 3, we consider this option is unlikely to achieve the geographical efficiencies needed to contain the overall costs of the roll out.

2. Consumer safeguards, communications and social licence

Ensuring good consumer experiences, broad community support and trust will be critical if consumers are to support the roll out, and if the AEMC is to meet the target of universal uptake by 2030. Poor experiences that damage this trust will risk creating barriers to engagement that may delay the roll out.

Our submission to the directions paper noted a number of areas where consumers may have poor experiences. These included that:

- not all consumers will be able to respond to price signals for a range of reasons. Others will not be able change their energy usage behaviour, and time of use and other flexible tariffs have the potential to expose these customers to increased energy costs
- many consumers will need support and guidance to develop the capability to understand and respond to these signals.

To address the risks above, the AEMC has proposed improved pre-installation information notices, as well as a 'smart energy' website, which the AER could potentially operate. These measures alone will likely not be sufficient to build social licence and community trust in the roll out, or protect consumers from poor experiences.

In our experience of enforcing compliance with current metering requirements, poor or non-existent communication about retail tariff changes prior to the change coming into effect, has been as systemic problem and significant source of poor consumer experiences with meter replacement. Based on this experience, we strongly consider clear communication with customers prior to their retail tariff reassignment is also critical.

Regardless of the mechanism adopted, careful consideration of customer information needs and support should occur not just at the pre-installation stage. The following sections of this

submission discuss the AER's views as to measures that can promote social licence and community trust in the roll out, and protect consumers.

Smart Energy website and communications campaign

The AER supports the Smart Energy website concept, which is likely to be a useful tool for some consumers. However, we consider it needs to form part of a well-designed communications campaign that explains the context and need for the rollout and ensures that consumers receive information and support at multiple points throughout the smart meter installation 'journey'.

In our view, all components of the communications campaign and website need to be designed in close collaboration with consumers, to ensure that the marketing and design of new products is targeted and meets the needs of consumers. We acknowledge that a well-researched and co-designed campaign will require significant resources, but will be critical to building trust and support for the deployment.

The AER would be open to hosting the website to provide factual information relevant to smart meters. Alternatively, if the aim of the website is to provide information around the policy of the roll out, it may be better owned, developed and maintained by the AEMC with links from the AER's *Energy Made Easy* (EME) website.

Our experiences of including customers in the policy design process, for example through the development of the *Better Bills* guideline and *Towards Energy Equity* strategy, may position us to play a useful role in this design process.

We would welcome further discussions with the AEMC regarding the Smart Energy website concept and who hosts it. If the AER were to host such a website, it would need to be properly resourced to do so. In this regard we would support a discussion of implementation timelines, scope and resourcing.

We note the AEMC has been exploring customer impacts and experience of the smart meter installation journey through the ESB's Customer Insights Collaboration work stream, including the need for clear information at the pre-installation stage and before reassignment to a retail time of use (TOU) or demand tariff. We strongly encourage the AEMC to use the insights from this process to inform the design regulatory requirements relating to the website and broader customer communications.

Network tariff assignment

Increasing the number of customers on cost-reflective network tariffs is the long-term objective of the tariff reform program administered under the NER.

Under the NEM-wide network tariff reform program, some distributors have been reassigning customers who have a smart meter installed onto cost-reflective tariff structures such as TOU and demand tariffs.

Cost reflective price signals also support uptake of batteries and more efficient use of controllable load such as pool pumps, electric vehicle chargers and other appliances. These efficiencies are mitigating the need for expensive network investment and so put downward pressure on customer bills in the long term.

The existing process for distributors to develop and then offer network tariffs is regulated under the NER. We engage with distributors and their stakeholders during the tariff design phase. We then independently assess and approve network tariffs applicable during a 5-year regulatory period through our regulatory determinations. At every stage of this process,

significant weight is given to the views of consumers. The network pricing principles within the NER explicitly require the consideration of customer impacts and the need to transition customers to cost reflective network tariffs over time. Customer impact modelling is a key consideration in both network tariff design by distributors and our assessment.

The Draft Report notes the possibility of additional new measures, or safeguards, being introduced to further guide network tariff design or customer assignment to cost reflective network tariffs in the context of an accelerated smart meter rollout. Our view is that the existing regulatory framework for network tariffs is fit for purpose, reflects the differing circumstances across distributors and the varying views across stakeholders, and can accommodate a faster smart meter rollout.

In designing their individual tariff reform pathways, distributors conduct intensive stakeholder engagement including with consumer groups and consumer advocates. Some distributors have transitional network tariffs already in place and these are evolving to eventually send mature price signals about the costs of network use. Some distributors already have lags in customer reassignment to cost reflective tariffs, so that consumption information can be collected via a new smart meter and the best possible network and retail tariff combination can be offered to the consumer. As a matter of course, the AER scrutinises any proposed transitional arrangements closely to ensure compliance with the existing pricing principles.

The Draft Report raises the option of mandating a lag (or transitional period) in customer assignment to cost reflective network tariffs upon receiving a new smart meter. We support the AEMC not prescribing a specific transitional approach because:

- such prescription would undermine the stakeholder engagement undertaken by distributors and ourselves in tailoring transitional arrangements to each network's unique circumstances
- a mandate risks cutting across transitional arrangements already enacted following consideration of consumer and stakeholder views
- a mandated lag may delay the realisation of potential consumer benefits in addition to delaying realisation of broader system-wide benefits.

It is not clear that the AEMC's proposal to amend the pricing principles to further emphasise the need to account for customer impacts, will add value beyond the current pricing principles. Should the AEMC prefer to reform the network tariff setting process under this option, the AER can support the drafting of the relevant NER provisions.

Complementary measures

The AEMC is seeking feedback on whether any complementary measures should be undertaken to reduce the risk to consumers, including the impacts of customers being transitioned to a cost-reflective retail tariffs such as TOU and demand tariffs.

Under current retailer practice, most customers who receive a smart meter can expect to be assigned to a TOU or demand retail tariff that reflects the underlying network tariff for their DNSP region.

With appropriate information, guidance and tools, many consumers will be able to benefit from shifting usage to cheaper off-peak periods. However, as our submission to the directions paper noted, not all consumers will have the capacity to respond to the price signals, or the ability to shift their usage. These customers are at risk of bill shock or poor experiences. In this context, we consider that further safeguards should be adopted.

In particular, we consider retailers should be required to use customers' smart meter usage data to provide customers with further information about any up-coming retail tariff changes, and their options.

Retailer obligations prior to reassigning a customer to a TOU or demand tariff could include:

- when notifying customers about the 'Smart Energy' website, directing customers to EME.

  This would give customers an opportunity to compare potentially beneficial deals at a point in time when they are likely be sensitive to possible cost increases.

- demonstrating what a customer would have paid on their upcoming TOU or demand retail tariff, compared with their current flat tariff, based on their previous usage.

  If the expected bill under the proposed new offer would be higher, retailers could be required to direct customers to a cheaper plan offered by the retailer (in a similar manner to the Better Offer requirement under the Better Bills Guideline) or to the Energy Made Easy (EME) website to compare other retailers' plans.

- providing information about any simpler offers that the retailer has available, such as offers with flat rate or simple TOU tariffs.

  Or, if it has no simpler offers, directing customers to EME to search for other retailers' simple offers.

  This prompt may act as incentive for retailers to make a simpler tariff available for customers who desire it.

- promoting any tools the retailer has available to assist the customer to understand and manage their usage, such as apps, web portals, or in-home displays.

  This requirement may increase competitive pressure on retailers to offer such tools, which, as we note in the 'Unlocking the benefits' section below, will be important to help customers manage the price shock risks of TOU and demand tariffs.

In regard to demand tariffs, we note these are conceptually complex and require consumers to have a high level of energy literacy to predict and manage the bill impacts of peak demand. For this reason, the suggested interventions above may not fully mitigate the risk of poor experiences for customers who are reassigned to retail demand tariffs that may not suit them or which they do not understand. We encourage the AEMC to consider measures that would mitigate the potential impact or risks for customers with retail demand tariffs, such as requiring retailers to tell customers they can request to be transferred to a non-demand tariff.

Energy Consumers Australia has highlighted that providing customers with choice and agency is a key element of building social licence for the smart meter roll out. The potential interventions outlined above would provide customers with information and options, and may help avoid customers feeling that they are being forced to accept an unwanted outcome.[1] This sense of agency will be particularly important in a context where, under the AEMC's proposals, customers will lose the ability to 'say no' to a smart meter.

Unlocking the benefits

Our previous submission stated that a key benefit for individuals with a smart meter is the additional visibility meters provide about a customers' usage. This information, if available in

[1] Energy Consumers Australia, Presentation to AEMC Smart Meter working group, 18 August 2022

real time or near-real time, is potentially a powerful way customers can understand which behaviours are driving higher energy use, and act as a prompt to change.

Additionally, access to this information will be critical in the context where all or most customers will be on cost reflective retail tariffs, with the associated price-shock risks of using electricity at peak price times.

In this context, we support all meters of having a default configuration that provides access to real, or near-real time data. If an opt-in approach is adopted, we consider this should be promoted as part of the general and retailer communications that occur prior to customers being reassigned to a retail TOU or demand tariff (as noted in Complementary Measures above).

Remediation assistance for vulnerable customers

We agree that vulnerable customers not having access to smart meters is an equity issue, and support the AEMC's proposal that funding support for vulnerable customers who need to carry out site remediation should be considered.

3. AER Compliance and Enforcement role

When the metering contestability framework first commenced in December 2017, the AER observed widespread compliance issues related to delays in rectifying faulty meters and retailer responses to customer requests for new meters.

This included poor consumer experiences stemming from issues with different market participants co-ordinating and communicating with each other – for instance, consumers being taken off supply without meter exchanges occurring or without receiving the appropriate notification.

In response, in February 2020 and January 2021, the AER took enforcement action by issuing infringement notices to four retailers (AGL, Origin, EnergyAustralia and Dodo) related to delays in rectifying faulty meters. Since the enforcement action, compliance has improved significantly. The AER is still identifying isolated instances where required timeframes for installing new meters do not appear to have been complied with but does not consider that these issues are systemic in nature. However, the AER notes that metering compliance issues are likely to become more prevalent under an accelerated roll out because:

- based on our experience with metering obligations, compliance issues are most likely to arise in instances where new obligations are imposed, and market participants need to amend relevant compliance processes and frameworks
- there will be a higher number of meters to install
- there are likely to be greater issues with consumer engagement as meters are more likely to be proactively upgraded rather than in response to consumer requests or due to faults with meters. This may lead to increases in issues such as consumers refusing access to properties, especially in circumstances where consumers do not fully understand or disagree with the need for a meter replacement. The AER encourages the AEMC to consider whether these potential site access issues ought to be encapsulated by proposed processes and protocols to manage consumer site defects.

In light of these issues and experiences, irrespective of the roll out option selected, the AER considers it is imperative for rules to place clear obligations on market participants. If the selected option requires multiple market participants to engage with each other, then the obligations should include requirements relating to how that engagement occurs. Further,

timeframes that are aligned with industry readiness and capability, and which provide participants with sufficient information around drivers of meter take up (including with respect to family failures) in order to properly plan resources to meet obligations, are likely to minimise the risk of poor customer experience.

The AER currently dedicates resources to proactively monitor compliance with metering obligations and to better understand the consumer experiences more generally. However, if the anticipated increase in compliance issues (outlined above) eventuates, this may have resourcing implications for the AER, particularly if the regulatory framework changes – for instance, if new retailer targets are introduced.

When we identify compliance issues, in line with our Compliance and Enforcement Policy, we will continue to assess whether compliance and/or enforcement action is appropriate to ensure important protections are delivered and consumer rights are respected.

When considering potential delays in rectifying faulty meters, the AER's assessment of compliance issues may also involve consideration of potential detriment stemming from delays in rectifying particular types of meters faults and resourcing demands on relevant market participants.

Key obligations should be subject to a civil penalty to ensure strong incentives for the relevant participants to comply. Our preliminary view is that a compliance and enforcement approach similar to that currently applying to installing new meters and replacing malfunctioning meters may provide suitable incentives, and that extensive new powers and penalties may not be necessary. Careful consideration will need to be given to how the current framework could apply to participants' compliance with the legacy meter retirement plans and, where there are gaps in the framework, how these are best addressed.

The AER would welcome the opportunity to work with the AEMC in its development of a compliance and enforcement regime for the new rules.