



Final Decision

Interval Meter Reassignment Requirements

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Powercor Australia Ltd
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United Energy Distribution

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Shortened forms

AER	Australian Energy Regulator
AMI	Advanced Metering Infrastructure
APG	Australian Power and Gas
B2B	Business to Business
CALC	Consumer Action Law Centre
ERC	Energy Retail Code
EDPR	Electricity Distribution Price Review
ESCV	Essential Services Commission of Victoria
EWOV	Electricity and Water Ombudsman (Victoria)
IMRR	interval meter reassignment requirements
NEMMCO	National Electricity Market Management Company Limited
SVDP	St Vincent de Paul
TOU	Time of Use

1 Introduction

1.1 Background

In July 2004, the Essential Services Commission of Victoria (ESCV) mandated the roll out of manually read interval meters¹ to all Victorian electricity customers and assigned responsibility for this roll out to electricity distributors.² This was reflected in the ESCV's *Electricity Distribution Price Review 2006–10, Final Decision Volume 2: Price Determination* (the price determination), which provided for a distributor to reassign a customer to a time of use (TOU) tariff if the distributor installs an interval meter at that customer's premises. The conditions under which the customer may be reassigned were subject to the requirements determined by the ESCV.

In 2006, the State Government announced a decision to roll out Advanced Metering Infrastructure (AMI) to all Victorian electricity customers. Following this decision the ESCV suspended the roll out of manually read interval meters. The Victorian Government's roll out of AMI meters is scheduled to commence in 2009 and conclude on 31 December 2013.³ The AMI meters are also subject to the price determination decision regarding the reassignment of customers to a TOU tariff.

The price determination envisaged that distributors would provide advance notice to distribution customers, whose annual electricity consumption is less than 20 MWh, that they could be reassigned to a time of use network tariff, upon installation of an interval meter at their premises.

The AER released its draft decision on tariff reassignment in March 2009, which required that distributors and retailers co-ordinate their activities to ensure that customers who received an AMI meter were made aware in advance of their network tariff being reassigned to a TOU tariff.

The AER's draft decision, and this final decision, is made to implement the current price determination.

¹ An interval meter can measure and record the electricity consumed every half hour. Most small business and domestic customers in Victoria have a basic accumulation meter that records aggregate energy use over either one month or one quarter (Source: Essential Services Commission, *Mandatory rollout of interval meters for electricity customers final decision*, July 2004, p. 34)

² Essential Services Commission, *Mandatory rollout of interval meters for electricity customers final decision*, July 2004.

³ Letter from Peter Batchelor MP, Minister for Energy and Resources, to Australian Energy Market Commission, *Continuation of certain Victorian arrangements for electricity metering*, 18 September 2008, available at www.aemc.gov.au.

This final decision outlines the notification requirements that must be provided by distributors to ensure compliance with the price determination.

2 Overview of final decision

The AER's final decision on tariff reassignment is provided below. The reasons for the decision, responding to stakeholder submissions during the consultation process, are discussed in sections 2.2 and section 3.

The AER will permit distributors to reassign customers to TOU network tariffs as part of the Victorian Government's AMI rollout, provided that interval data is collected from the meter for that connection point, such that interval data is provided by the distributor to market participants and the National Electricity Market Management Company Limited (NEMMCO).

Notification about potential network tariff reassignment is to be provided via the distributors' meter exchange letters⁴, which will directly notify customers that their electricity meter will be changed as part of the AMI rollout and that their future network tariffs may be set on the basis of time of use charging.

To this end, a new clause 9.1.14 is required to be inserted after clause 9.1.13 of the *Electricity Distribution Code* to read as follows:

9.1.14 The distributor must advise each customer who has an annual electricity consumption of less than 20 MWh that their electricity network tariffs in the future may be set on the basis of time of use tariffs on two occasions, being no later than 20 business days prior to the meter exchange and again no later than 4 business days prior to the meter exchange.

The actual words to be inserted by the distributor in the meter exchange letter, which will be mirrored in the Distribution Code are:

The rollout of AMI meters may result in your network tariff being reassigned in future to a time of use network tariff. If this change has any implications for your retail costs and charges then your retailer will inform you of this. You do not need to act now; your retailer will notify you of any changes.

2.1 Price Determination Regulatory Requirement

Under clauses 2.1.22(iii) and 3.1.14(iii) of the price determination, a distributor is not permitted to reassign customers, whose annual consumption of electricity is less than 20 MWh, to a TOU distribution tariff or TOU transmission tariff when an AMI meter is installed unless the *interval meter reassignment requirements* (IMRR) have been published by the ESCV.

⁴ Distributors have agreed, through the AMI Industry Steering Committee, to send two separate meter exchange letters to customers, advising of the installation date of the new interval meter. The first letter is to be sent no later than 20 days prior to meter exchange. The second letter is to be sent no later than 4 days prior to meter exchange.

The IMRR are defined in the price determination as:

The distribution customer notification and information requirements that must be complied with prior to a distribution business reassigning a distribution customer to a time of use distribution tariff following installation of an interval meter.⁵

An interval meter means *a meter that is capable of recording energy consumption in intervals of 30 minutes or less.*⁶

Therefore, from the date a distributor collects and distributes interval data to market participants and NEMMCO, the AER will permit the distributor to reassign customers to a TOU network tariff.⁷

Clauses 2.1.22(iv) and 3.1.14(iv)⁸ specify that a distributor must provide customers with notification in writing consistent with the interval meter reassignment requirements *prior* to reassigning relevant customers to a TOU distribution tariff and TOU transmission tariff, respectively.

The reassignment requirements relate specifically to notification of a change in distributors' network tariffs.

There is no requirement in the price determination for retailers to inform customers of a change in their retail tariffs. Retailers' obligations are contained in the Electricity Retail Code, clause 26.4(b), which states:

*A retailer must give notice to a customer of any variation to the retailer's tariffs that affect the customer. The notice must be given as soon as practicable and in any event no later than the customer's next bill.*⁹

As such, although a distributor may reassign a customer from the existing tariff to a TOU tariff, the retailer is not obliged to utilise that tariff structure in setting its charges to their customers immediately. Therefore, during the AMI rollout, customers' final electricity bills may not change, even though their network tariff has been amended.

It is important to note that the interval meter reassignment requirements do not relate to retailers' actual tariffs or tariff structures. Similarly, the reassignment requirements do not affect the merits of the respective tariffs introduced by

⁵ Essential Services Commission, *Electricity Distribution Price Review 2006–10 Determination, Final Decision Volume 2: Price Determination*, October 2005, p. 71.

⁶ *ibid.*

⁷ A network tariff is the tariff that combines the distribution tariff and the transmission tariff.

⁸ Hereafter, only clause 2.1.22 is mentioned, though a reference to clause 2.1.22 is taken to also be a reference to clause 3.1.14.

⁹ Essential Services Commission, *Energy Retail Code*, January 2009, p. 32.

distributors as a consequence of installing and commissioning AMI meters, the functionality of AMI meters or the relative benefits of AMI meters compared to the accumulation meters they are replacing.

When reassigning customers as a result of the rollout of AMI, distributors will still be required to meet the overall price cap applicable in the remaining years of the EDPR 2006-10. This includes compliance with the rebalancing constraints within the price controls which limit the average increase in tariffs for each customer class at CPI+2 per cent over 2006-10. As the rebalancing control only applies to the average tariff, it allows distributors flexibility over how they vary the standing charge, demand charge and consumption charge, provided the average tariff does not contravene the CPI+2 per cent constraint.

2.2 General overview and observations from submissions

The AER's draft decision on the interval meter reassignment requirements related to the following notification and information provisions:

- No later than 45 *business days* before reassigning a *customer* who has an annual electricity consumption of less than 20/MWh to a *time of use network tariff*, the *distributor* must provide to the *retailer* for that *customer* a notice in writing that sets out the information required by the *interval meter reassignment requirements*.
- No later than 10 *business days* after receiving the above notice from a *distributor*, the retailer must inform the relevant *customer* in writing about that notice.

This would be implemented by respective changes to the Electricity Distribution Code and the Energy Retail Code.

Stakeholder responses to the AER's draft decision appeared to show a misunderstanding of the EDPR 2006-10 provisions that relate to tariff reassignment and in particular their impact for retailers. It was apparent from responses to the draft decision that stakeholders thought the EDPR requirements related to the information that distributors and retailers should exchange with each other concerning the change in customers' tariffs. This is not the case.

As previously noted, the EDPR 2006-10 defines the interval meter reassignment requirements as a requirement for a distributor to notify customers of a tariff reassignment.¹⁰

The clause is not a requirement for distributors to directly inform retailers of the date, nature and requirement of network tariff reassignment under an interval meter rollout. Further, the requirement is not related to or associated with the timing of the interval data to be provided by distributors to retailers, to enable retailers to plan how the new network TOU tariffs will impact their retail tariff structures. These issues are more appropriately dealt with through industry co-ordination and are subject to existing processes further discussed in section 3.3.

The AER's draft decision set out above imposed requirement on both distributors and retailers, in order for clause 2.1.22 to be enacted for the AMI roll out.

Retailer submissions highlighted the potential for customer confusion where retailers had to notify customers of a change to their network tariffs.¹¹ They saw this additional requirement as unnecessary.

The retailers' interaction with their customers is mainly associated with final retail charges, provided with the retail bill. The draft decision would require a retailer to send, independently of its customer billing cycle, information that did not relate specifically to the retailer's tariffs, especially where the retail tariff does not change despite the alteration to the customers network tariffs. Submitters considered this was likely to confuse customers and generate complaints to retailers.

A key principle underpinning the draft decision and in earlier consultation undertaken by the ESCV on tariff reassignment was to avoid customer confusion in regards to communication on AMI and network tariffs.

Having reviewed retailer submissions, and in subsequent meetings with retailers, the AER is now of the view that network tariff reassignment communication should be from distributors direct to end use customers.

This avoids the need for retailers to send any separate notices to their customers about network tariff reassignment, for which the retailers have no responsibility under the EDPR 2006-10 and which may not necessarily lead to any changes in retail tariffs.

¹⁰ Essential Services Commission, *Electricity Distribution Price Review 2006-10*, op. cit..

¹¹ Origin Energy, Interval Meter Reassignment Requirements Draft Decision, 9 April 2009, p. 2; AGL Energy Limited, Re: Interval Meter Reassignment Requirements, 15 April 2009, p. 4; TRUenergy, Interval Meter Reassignment Requirements – Draft Decision, 9 April 2009, p 1; Red Energy, Interval Meter Reassignment Requirements, 9 April 2009, p. 2; Simply Energy, Interval Meter Reassignment Requirements: Draft Decision, 14 April 2009, p. 2.

Distributors do have a relationship with customers, which will continue in the AMI program, especially when advising customers of appointment times to replace existing accumulation meters with AMI meters.¹²

The AER regards this as the most appropriate time for distributors to advise their customers of a future network tariff reassignment to time of use charging.

The AER is aware of clauses 2.1.25 and 2.1.26 in the EDPR 2006-10 enabling customers to disagree with a network tariff assignment. This will continue to apply under the interval meter reassignment requirements.

Section 3 sets out the AER response to the main issues noted by stakeholders but in the context of the AER's clarification of the EDPR 2006-10 clause 2.1.22(iii) and (iv) above.

Additionally the AER sets out its final decision on the interval meter reassignment requirement to be met by distributors.

¹² As part of the AMI Communication plan, developed through the AMI Industry Steering Committee, distributors will send to customers a letter advising of the date and approximate time of day when they will attend the customers premises to perform the meter exchange.

3 Submissions to the Draft Decision

A wide range of submissions were received, from retailers, consumer advocates and a joint submission by the five Victorian electricity distributors (CitiPower, Jemena, Powercor, SP AusNet and United Energy Distribution). Some issues raised are considered beyond the scope of the customer notification and information requirements as they relate to this decision. These issues are addressed in this section.

The key issues raised in submissions included:

- Definition of TOU and tariff rebalancing
- Assumption about meter exchange and tariff change
- Network tariff change notification for retailers
- Nature of distributor-retailer-customer relationship re tariffs
- Current retailer obligations regarding tariff changes
- The content of the notification requirements

3.1 Definition of TOU tariff and tariff rebalancing

EWOV and Red Energy were concerned that the AER had not appropriately defined a TOU tariff.

The draft decision provided the definition of TOU in the price determination, being:

where referring to a tariff, means a tariff that has varying components for the time that consumption occurs.

EWOV and Red Energy suggested that TOU should not include Critical Peak Pricing (CPP) tariffs and requested clarification of whether demand tariffs, seasonal tariffs and feed-in tariffs are time of use tariffs.

AMI is designed, in part, to encourage customers to shift their energy consumption from peak periods to off-peak times and for distributors (and retailers) to amend their tariff structure to encourage this behavioural shift.

A CPP tariff is one where the costs faced by the customer bear a strong relationship to the actual wholesale cost of energy delivered to the customer connection point.

The AER notes that CPP trials have been conducted in Australia (e.g. Country Energy)¹³, which have required customers to pay the actual tariffs set via the CPP trial. Therefore, customers have had exposure to CPP in the National Electricity Market.

CPP is a form of time of use tariffs that distributors – and retailers – may introduce under the AMI roll out. However, before any such introduction, the AER expects distributors in Victoria would advise retailers and customers, through their tariff strategy reports and annual network tariff reports, of the intent to introduce CPP tariffs.

Where retailers introduce CPP tariffs following the AMI rollout, customers will have the ability to ‘opt in’ to these tariff arrangements through a separate contract with their retailers, and be fully informed of their rights before doing so. This is an appropriate retailer response in the competition for market share among customers.

Furthermore, the AER notes that distributors already have TOU tariffs available, with peak and off-peak rates. The AER considers that shoulder period tariffs could also be included in these tariff structures, which also further include demand, seasonal and feed-in tariff arrangements. It is anticipated that distributors will vary the number of time of day and time of year bands, with greater peak and off-peak differentials than currently exist. The design of these tariffs is at the discretion of the distributor under the weighted average tariff basket control applied in Victoria.

The AER considers that these tariffs are TOU in nature and permitted in the Victorian regulatory environment. As a consequence, the AER will continue to rely on the definition of time of use tariffs adopted in the EDPR 2006-10.

With regard to tariff rebalancing, St Vincent de Paul advised that customers may receive significant price shocks when reassigned to a TOU network tariff. The AER notes that for those customers that receive an increase in tariff rates, distributors will have to reduce other tariffs in order to meet the price control. This will continue the current approach to tariff rebalancing.

Distributors’ proposed tariffs will still be required to meet the EDPR 2006-10 price controls. The AER will review the current rebalancing constraints and their application in the 2011-15 price review to ensure that tariff reassignment does not result in adverse price shocks for customers..

¹³ Country Energy, downloaded from http://www.sustainability.vic.gov.au/resources/documents/C2_Ben_Hamilton.pdf on 1 May 2009

3.2 Assumption about meter exchange and tariff change

Submitters argued that the draft decision had erred in linking meter exchange to tariff reassignment.

This is incorrect. Although the draft decision stated that meters may provide interval data from the day they are installed and therefore allow tariff reassignment, the AER went on to say that it:

considers that reassignment to a TOU network tariff by a distributor can only occur if the distributors' network charges are set on the basis of the interval data.

Therefore, the AER signalled that distributors must be using interval data generated from the meter for the purposes of setting network tariffs before reassignment can occur. This means that changing an accumulation meter with an AMI meter which is read as a basic meter would result in no tariff reassignment being permitted by the AER for that particular customer under clause 2.1.22(iii) and (iv). Only when interval data is captured by the distributor and be made available to the retailer, will network tariff reassignment be permitted.

It is expected that in some instances distributors will initially read AMI meters as basic meters. Where this occurs, the AER agrees with submitters that tariff reassignment will not occur at meter exchange.

The AER notes that actual network tariff reassignment will occur only when distributors collect and forward interval data to market participants, for the purpose of designing new tariff structures. The joint distributors' submission concurred with this approach.¹⁴

Full AMI services need only be activated by 2012. Therefore, this may be the date upon which many customers are transferred to TOU network tariffs.

When considering notifying customers about tariff reassignment, distributors need only inform customers prior to the date that reassignment will occur. This is the purpose and intent of clause 2.1.22(iii) and (iv) and this final decision.

3.3 Network tariff change notification for retailers

Some submitters suggested that the draft decision failed to clarify when a distributor must provide a retailer with notification about the date interval data will be made available and the actual TOU tariff to apply.

¹⁴ Joint submission by CitiPower, Jemena, Powercor, SP AusNet and UED, Interval Meter Reassignment Requirements, 9 April 2009, p. 4.

Retailers' submissions recommended that distributors must provide retailers with relevant tariff data, to enable retailers to map distributors' new TOU network tariffs to potential retail tariff offering for customers. This view was re-affirmed in separate face-to-face discussions with AER staff..

The AER understands that these are crucial issues for retailers and market participants. Where distributors propose to change network tariffs, it is highly appropriate that retailers receive advance notice of this. The AER agrees that it would be appropriate for distributors to provide retailers with a network tariff mapping table that maps distributors' existing network tariffs to their new proposed TOU network tariffs.¹⁵ Retailers would then be able to plan more effectively for potential retail tariff changes and communicate those outcomes direct to customers via the Energy Retail Code clause 26.4(b).

However, these matters are outside the scope of the relevant EDPR 2006-10 clauses 2.1.22, which relate only to distributors advising customers about tariff changes, where interval meters are installed, which is the subject of this decision.

The AER considers that distributor – retailer discussions can and should occur through NEMMCO's proposed business to business (B2B) procedure One Way Notification Process. This will provide notification of a network tariff change by distributors to retailers and will include information such as current network tariffs, the date of proposed tariff change and proposed reassigned network tariffs. This is expected to be finalised soon.

Retailers can then plan new retail tariff offerings for customers, following the distributors meter exchange and network tariff reassignment, including introducing retail TOU tariffs. Retailers will separately in accordance with common commercial and regulatory practice, advise customers accordingly of the impacts on them of new tariffs.

The AER encourages industry participants to come up with solutions that meet their requirements regarding appropriate notification and information, rather than imposing additional obligations.

A tariff mapping schedule provided by distributors to retailers however the AER will not make this a requirement of clause 2.1.22 (iii) and (iv).

3.4 Nature of distributor-retailer-customer relationship on tariffs

Distributors charge network tariffs for the use of the poles and wires and related network assets that distribute electricity to final connection points.

¹⁵ AGLE, p. 3, Origin Energy, p.4, Red Energy, op.cit. p. 2.

Retailers purchase electricity from generators. They then charge end use customer a tariff that recovers generation costs and the separate charges imposed by transmission network providers and distribution network providers for the transport of electricity along high voltage transmission lines and low voltage distribution cables. .

Retailers then package the network and other costs into a retail tariff, offered to customers in the competitive retail electricity market.

Generally, only retailers provide customer with information about tariffs, while network business talk to customers about metering issues and power outages.

In submissions to the AER's draft decision and to the ESCV's earlier consultation paper on the interval meter reassignment requirements, most retailers were of the view that they, and not distributors, should inform customers about tariff issues.

However, having looked further at the EDPR 2006-10 clause 2.1.22 and following discussions, the major retailers operating in Victoria– which account for 79 per cent of the market¹⁶ - have now accepted that it would be preferable for distributors to inform customers directly of the network tariff reassignment as a result of the AMI roll out. Retailers now understand that the EDPR tariff reassignment requirement was a distributor only obligation that had to be implemented.

At this time, retailers have not fully considered how they will change retail tariffs under AMI. Therefore, retailers did not want to inform customers that their distributor's network tariff had changed as a result of the AMI rollout. They contended customers would be confused – on the one had, told that their tariff had changed but at the same time told by their retailer that there would no change to their final tariffs and electricity bills. Retailers were concerned this confusion would generate additional calls to retailers' customer information call centres.

Retailers therefore considered it more appropriate for the distributor to directly advise the distribution customer that network tariffs had been amended as a consequence of the AMI roll out – as required by clause 2.1.22 of the EDPR 2006-10. In turn this would eliminate the need for the Retail Code change proposed by the AER in the draft decision.

The AER agrees with retailers' views. To ensure that customers are not confused about the tariff impacts generated by AMI, the final decision sets out obligations only on distributors. No retailer obligations are imposed. Appendix A clarifies these obligations.

¹⁶ Australian Energy Regulator, State of the Energy Market 2008, p. 171.

3.5 Current retailer obligations regarding tariff changes

Retailers strongly expressed the desire that the current Energy Retail Code clause 26.4(b) is sufficient for them to inform customers about a change to retail tariffs.

The AER notes that the draft decision did not intend to provide any additional obligation on retailers with respect to retail tariffs. Rather, retailers were to be obliged to pass on the distributors' tariff notification.

However, retailers strongly put the view to the AER that the draft decision effectively mandated an additional retailer obligation (to inform customer of a network tariff change) that would serve no purpose but to confuse customers about the tariffs applicable to their circumstances. This was especially the case where the customer's retailer was not amending their final retail tariff even though the network tariff had changed to time of use charging.

The AER agrees with retailer concerns that the draft decision would impose an additional unnecessary obligation on them, with the potential to confuse rather than inform customers about the tariff implications of AMI metering.

The AER sees more benefit in customers being informed by their retailer of the impact of the AMI roll out on their retail electricity costs, as appropriately determined by retailers.

As a consequence, the final decision does not impose additional obligation on retailers. The normal requirements for retailers to inform customers of a change to their retail tariffs through the Energy Retail Code clause 26.4(b) will continue to apply.

Consumers will therefore have the ability to respond to the new competitive retail pricing signals that AMI will deliver in the future.

3.6 The content of the notification requirements

The draft decision required distributors to only inform customers a minimum 45 days in advance that they would be reassigned to a TOU network tariff as a result of the AMI roll out.

The information requirements were kept to a minimum to ensure that the EDPR 2006-10 clause 2.1.22(iii) and (iv) were met in the simplest manner and that customers were not unduly confused by AMI and tariff related notifications.

The Energy and Water Ombudsman (Victoria) Limited (EWOV) and the Consumer Action Law Centre (CALC) said the customer notification does not go far enough. They recommended additional information, such as an explanation of what a TOU tariff is and a statement of the reason for the reassignment, commencement date of

the new distribution tariff, distribution company contract details for customer queries and advice to customers about how they can obtain more information on interval meter tariffs.

Retailers interpreted the EDPR 2006-10 clause 2.1.22 (iii) and (iv) to include the information that distributors must provide them, before reassigning customers to TOU network tariffs.

The AER is required to implement the EDPR 2006-10 clause 2.1.22(iii) and (iv) and its view is that distributors do not need to provide customers with large amounts of tariff information to meet the EDPR 2006-10 obligations. As previously noted, EDPR 2006-10 clause 2.1.22(iii) and (iv) relate only to distributor information to customers, not to the types of information that distributors should provide to retailers. This information is appropriately dealt with at industry level.

Over time, retailers will have incentives to communicate the implications of AMI to their customers, including tariff impacts, in ways that promote customers to take advantage of AMI meters.

This will likely include the type of information that EWOV and CALC recommended in their submissions to the draft decision. Distributors' meter exchange letters will also include this information. Further, the Victorian Government will communicate directly with customers about AMI, directing them to the Department of Primary Industries website and phone numbers where customers can obtain further information about AMI.

The AER's view is that in the competitive electricity market, it is appropriate to allow retailers the flexibility to educate customers about AMI, consistent with current regulatory obligations.

As such and to keep customer confusion to a minimum, distributors will be required to inform customers directly, via their meter exchange letter, that customers may in future be reassigned to a TOU network tariff. Appendix A provides the requirement.

3.7 Other matters relates to meter exchange

3.7.1 Requirements for customers using more than 20 MWh annually

The AER does not intend to amend the requirement relating to notification of customers who consume more than 20 MWh of electricity annually to a TOU network tariff. It is not possible to align the notification requirements for these customers with the meter exchange letter to be provided by distributors. To do so would require a consultation process on an appropriate amendment to the EDPR 2006-10 to implement this change. This is not considered practicable, given time constraints associated with the AMI rollout.

However, the AER does consider that the distributors' meter exchange letters will be sufficient to meet the EDPR 2006-10 clause 2.1.22(ii)(a) to (c), for those customers who consume more than 20 MWh annually. The exception is item (d).

Item (d) states that the distributor is to advise these customers of *the date at which distribution tariff reassignment will occur*. This will have to be provided by distributors to these customers at a separate date to the meter exchange letter.

However, as there are fewer customers in the greater than 20 MWh bracket, the obligations on distributors to inform these customers of the date of tariff reassignment from clause 2.1.22(d) is not considered a significant burden. These customers are usually larger commercial customers, more informed of their rights and obligation regarding tariffs and distribution related matters, and therefore likely to understand the implications of AMI on their tariffs.

3.7.2 Two element meter customers and off-peak tariffs

Under the minimum AMI specification,¹⁷ distributors are only required to replace two element meters with single element AMI meters. Where they do so, single element meters will become the norm.

Distributors have sought clarity from the AER, through the AMI Industry Steering Committee, regarding the applicability of network tariff reassignment when distributors replace two element accumulation meters with single element AMI meters read initially as accumulation meters.

Where this type of meter exchange occurs distributors assume this permits tariff reassignment under the EDPR 2006-10 clause 2.1.20 which states:

If a distribution business believes that a distribution customer's load or connection characteristics (or both) have changed such that it is no longer appropriate for that distribution customer to be assigned to the distribution tariff to which the distribution customer is currently assigned or a distribution customer no longer has the same or materially similar load or connection characteristics as other distribution customers on the distribution customer's existing tariff, then the distribution business may reassign that distribution customer to another distribution tariff. The distribution business must notify the distribution customer concerned in writing of the distribution tariff to which the distribution customer has been reassigned, prior to the reassignment occurring.

AGL's contention was that this clause relates to all customers, not just those consuming less than 20MWh annually.¹⁸ The AER agrees with this view.

¹⁷ Department of Primary Industries, Advanced Metering infrastructure Minimum AMI Functionality Specification (Victoria), Release 1.1, September 2008, p. 3.

¹⁸ AGL, op.cit. p. 2

Customers affected are those with electric hot water storage heating and boosting facilities, space heating and slab floor heating systems. These customers currently receive off peak tariffs for energy consumed by these appliances.

Where a distributor initially replaces an accumulation meter that measure a customer's consumption for the controlled load appliance and installs an AMI single element meter read as a basic accumulation meter, they will be permitted, under clause 2.1.20 to reassign those customers to a new non-TOU network tariff that comprises peak and off-peak charges. Distributors have alternative tariffs that comprise peak and off-peak charges that will enable these customers to continue to take advantage of off-peak electricity tariffs.

Retailers will need to be advised of this change, to ensure they can map the customers to an appropriate retail tariff.

When the distributor eventually converts the meter to a fully specified AMI meter, these same customers can be further reassigned to an alternative TOU network tariff (expected to consist of peak and off-peak charges), where the distributor has provided the customer with a meter exchange letter that complies with appendix A.

The AER notes that some distributors already have TOU tariffs. Where they convert their two element meters to a single element type 4 or type 5 interval meters, customers can be reassigned immediately to the TOU network tariff. This will be subject to the distributor meeting the requirements set out in appendix A.

Under either scenario, distributors will have met their obligation to advise customer of a future reassignment to TOU network tariffs through provision of the meter exchange letter.

Nothing in this final decision causes customers to automatically lose access to off-peak tariffs when the distributor installs an AMI meter, read as either an accumulation meter or an interval meter.

4 Final Decision

The AER will allow distributors to reassign customers to TOU network tariffs as part of the Victorian Government's AMI rollout, provided that interval data is collected from the meter for that connection point, such that interval data is provided by the distributor to market participants and NEMMCO. However it will be at the distributors' discretion to actually reassign individual customers, or classes of customers, from existing distribution tariffs to the new TOU network tariffs.

Any proposed new network tariffs will form part of the AER's annual assessment of distributors' proposed network tariffs for the purposes of determining compliance with the relevant price controls in force.

In summary, the AER's final decision in relation to the customer notification and information requirements is:

- reassignment to a TOU network tariff by a distributor can only occur if the distributors' network charges are set on the basis of interval data
- the distributor is to notify a customer in writing that they may be reassigned to a TOU network tariff in the future, by placing such correspondence in the distributor's pre-meter exchange letters, to be forwarded to customers in the first instance at least 20 days, and in the second instance, at least 4 days before the actual meter exchange (in accordance with the proposed amendments to the Distribution Code as set out at Appendix A)
- The actual words to be inserted into the meter exchange letter are as follows:

The rollout of AMI meters may result in your network tariff being changed in future to a time of use network tariff. If this change has any implications for your retail costs and charges then your retailer will inform you of this. You do not need to act now; your retailer will notify you of any changes.

Appendix A: Amendments to Distribution Code

Under the transitional arrangements in the NEVA, the AER understands the ESCV retains the function or power to make or amend codes or guidelines. Accordingly, the AER proposes that the ESCV amend the Electricity Distribution Code insert the proposed provisions as set out below.

The AER considers these amendments are necessary in order to impose an obligation on distributors to advise their distribution customers of the reassignment of their distribution customers to a TOU network tariff under the Victorian Government's interval meter rollout.

Proposed amendment to the Electricity Distribution Code (Issue no. 3, March 2008)

A new clause 9.1.14 be inserted after clause 9.1.13 of the *Electricity Distribution Code* to read as follows:

- 9.1.14 The distributor must advise the each customer who has an annual electricity consumption of less than 20 MWh that their electricity network tariffs in the future may be set on the basis of time of use tariffs on two occasions, being no later than 20 business days prior to the meter exchange and again no later than 4 business days prior to the meter exchange

The words to be inserted by the distributor in the notification are:

The rollout of AMI meters may result in your network tariff being changed in future to a time of use network tariff. If this change has any implications for your retail costs and charges then your retailer will inform you of this. You do not need to act now; your retailer will notify you of any changes.

The following definitions are to be inserted into section 19 of the *Electricity Distribution Code* to read as follows:

time of use network tariff means a distribution tariff as determined in accordance with the *Commission's* or the *AER's* prevailing distribution determination (as the case may be) or transmission tariff as determined in accordance with the *AER's* prevailing transmission determination that has varying components for the time that electricity consumption occurs.