



Submission by

Alternative Technology Association

on the

AER Review of Smart Meter Remote Service Charges

22nd December 2010

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1.0 Introduction

The Alternative Technology Association (ATA) welcomes the opportunity to respond to the Australian Energy Regulator's *Review of Smart Meter Remote Service Charges* under the Victorian Advanced Metering Infrastructure (AMI) program.

ATA is a national community-based, not-for-profit organisation representing consumers in the renewable energy and energy efficiency marketplace. The organisation was established in 1980 to empower our community to develop and share sustainable solutions and to promote the uptake of sustainable technologies.

The organisation currently provides service to approximately 6,000 members nationally (over 2,500 in Victoria) who are actively engaged with small, medium and large scale renewable energy, energy efficiency, smart meters and the national electricity market.

This submission has been formally endorsed by the following consumer organisations and members of the National Energy Consumer Roundtable:

- Consumer Action Law Centre;
- Consumer Utilities Advisory Centre; and
- St Vincent de Paul Society, Victoria.

1.1 ATA Expertise

The ATA are well positioned to comment on smart meter related charges given our extensive involvement in both the National Smart Meter Program (NSMP) and the Victorian AMI program over the past 18 months.

ATA's involvement in these policy processes includes active participation in a number of committees and work streams of direct relevance to this submission, including:

- The NSMP's *Business Processes and Procedures Working Group* (BPPWG).
The ATA continues to work with retail and distribution energy businesses in this working group in the development of business to business procedures, participant service levels and customer service standards for 23 identified business processes, including:
 - de-energisation (Business Process-01);
 - re-energisation (BP-08);
 - special meter reads (BP-06); and
 - meter configuration, including:
 - changing switching times for controlled loads (BP-02);
 - reassignment of to a feed in tariff and activation of import / export metering (BP-06);
 - reconfiguration of ToU periods and operation of the Home Area Network (HAN), (BP-03 & BP-15);
 - reconfiguration of maximum demand settings (BP-04).

- The NSMP's *Business Requirements Working Group* (BRWG).
Over the past 18 months, ATA has had significant input into all aspects of this work stream, including the development of the *Minimum Functional Specification* for Smart Meter Infrastructure (SMI) and draft infrastructure performance levels, and continues to be closely involved in the developments around the HAN.
- The *Pilots and Trials Working Group* (PTWG).
The ATA has also engaged with the PTWG, which has responsibility for reporting on tests of metering infrastructure functionality, including meter service provision (such as services referred to herein), demand management (e.g. load control) and other demand side participation (e.g. embedded generation)
- The *Customer Consultative Working Group* (CCWG) of the Victorian AMI program.
As part of this working group, ATA has advocated on behalf of proponents of micro-generation under the AMI rollout, specifically in relation to network tariff re-assignment and the restriction of standing and market offers at the retail level, despite a Victorian Government moratorium being in place (for 2010 and now 2011) on the automatic reassignment of regular electricity customers to time of use pricing.

The ATA also represents the National Energy Consumer Roundtable on the *National Stakeholder Steering Committee* (NSSC) of the NSMP. The Roundtable comprises a range of consumer organisations with a diversity of interests.

Of particular concern to all Roundtable member organisations are costs that may impact vulnerable sectors of the community, and ensuring that the promised benefits of advanced metering technology, such as cost reduction from the full automation of some services, are sufficiently captured by all consumers under any mandated rollout program.

In line with this second objective, we are extremely concerned by a number of the proposed charges and associated methodology and assumptions proposed by the Distribution Network Service Providers (DNSPs) as part of this review, and as outlined in the following sections.

2.0 General Comments

In response to the AER's *Draft Decision*, the advice provided by *Impaq Consulting*, and the submissions from four retailers, we have the following general comments that apply to the proposed charges for the remote services.

ATA note that the lack of transparent information provided in the DNSP's public submissions is of some concern, and while we appreciate the efforts of the AER in attempting to fill some of these information gaps in their draft decision paper, we feel that distributors should be required to provide the public with more detailed justification of their proposed charges.

2.1 Automation and Maturity of Services

ATA support Impaq consulting's assertion that the costs associated with many remote AMI services should be near zero as automated systems become established and the need for manual intervention is reduced and with time, all associated charges must drop to reflect this.

ATA appreciate that:

- business to business processes are still being developed in the NSMP, and many business' services cannot be finalised until mid 2011 or later (subject to the level of risk that any recommendations of the BPPWG will be adopted by IEC/AEMO);
- any resultant changes to systems from that point will naturally take some months to refine; and
- the need for some degree of manual intervention will persist, meaning that some services may continue to carry a charge.

However, ATA strongly disagrees with Impaq's assumption that the business processes for many of the remote service charges can only be bedded down after the completion of the AMI rollout (i.e. after 2013). Leaving the maturity of remote services provision until after 2013 is a further barrier to consumers being able to access the benefits of smart meters for which they are already paying, and a target date for optimised delivery of these services should be mandated on DNSPs.

Of significant concern are the forward projections of charges for the 2011 to 2015 period by Jemena¹. Jemena's proposal goes to lengths to justify their methodology in relation to annual indexation of labour costs, yet fails to acknowledge any cost reductions through improvement of delivery of services during the entire 2011 to 2015 period.

Given that the AER observes that DNSPs were unable to satisfactorily answer questions regarding the longer term need for manual intervention in special reads, remote de-energisation and remote re-energisation, these claims by Jemena are concerning.

ATA would be equally concerned if other DNSPs are making similar assumptions, however due to the aforementioned general lack of detail in the submissions generally we are unsure of other DNSP's intentions in this regard.

¹ Jemena Electricity Networks, Remote AMI service charges for approval by the AER

The foremost issue is that under the mandated rollout, Victorian consumers have commenced paying for metering infrastructure from the beginning of 2010, with little or no opportunity to recoup these costs through any potential savings to date.

The cost benefit analysis on which the business case for the Victorian AMI program is predicated holds cost reductions through automation of these services to be among the main benefits of the AMI program. The longer these charges reflect the inefficient delivery of services, the less benefit for, and greater cost to, Victorian electricity consumers.

The onus must be placed on DNSPs to prioritise achieving efficient delivery of these services, through implementation of automation and batching to the maximum practicable extent, and for service charges to reflect this.

ATA strongly supports the AER's decision to sunset this determination, and in light of the information presented above, we recommend that the sunset date be brought forward to the end of 2011.

Recommendation 1: *That the AER mandate a sunset clause of 31st December 2011 by which all remote services included in this review are automated to the full extent that is safe and practicable.*

Recommendation 2: *That DNSPs be required to work toward providing special reads, de-energisation, re-energisation at no charge from 1 January 2012.*

Recommendation 3: *That by 30 September, 2011 Victorian DNSP's will be required to lodge a new submission on proposed charges for the provision of AMI services from 1st January 2012.*

2.2 Hourly Rates and Back Office Time

ATA are surprised by Jemena's proposed assumed rates of \$77.53 / hour for the cost of back office time for some services, and support both Impaq's recommendation and the AER's subsequent agreement that approved back office hourly rates should be restricted to a maximum associated with the back office labour rate for Alternative Control Services. ATA laud PowerCor for assuming more conservative back office costs of \$47.92 / hour in this regard.

Recommendation 4: *That the AER adhere to their decision to cap the hourly rate associated with the delivery of remote services, in line with the back office labour rate for Alternative Control Services.*

3.0 Service Specific Comments

3.1 Special Reads

3.1.1 Use-Cases

ATA do not understand why 'recovering data missing during routine reading' is offered as a use-case for this service, given that it will presumably be the responsibility of the DNSP to ensure provision of metered data in accordance with appropriate service levels, and recovering / estimating missing data is part of that requirement.

ATA note also that the automation of a special read request will generally not be impacted by a lack of system availability.

3.1.2 Automation and batching

ATA understands that special meter reads are a relatively uncomplicated service, with no material safety implications, that can be fully automated. Accordingly, we see no reason that this service cannot be provided for zero charge from the beginning of 2012.

Recommendation 5: *That the AER determine that no charge will be associated with special meter reads from the beginning of 2012.*

3.1.3 Back Office Time & Charges for Special Reads (Jemena & UED)

ATA accept Jemena's assessment and Impaq's recommendation that the average manual intervention for a special read will be in the order of 15 minutes.

However, noting our point regarding automation above, ATA do not accept the assumption that manual intervention will be required in 10% of cases over 2011 for a special read service. We note that Impaq's report states:

"This proportion (10%) of special reads needing manual intervention does seem a little high as there has been so much industry work spent on detailed development of AMI processes for fully automated reading of meters. Nevertheless, it is our view that this time should be allowed."²

ATA agree with Impaq's assessment that this assumption by Jemena and UED is excessive, but strongly disagree that it should be allowed regardless.

Given the points above, and that the maturation of delivery of this service should result in a reduction in the need for manual intervention with special reads during the course of 2011 alone, ATA are of the opinion that a manual intervention rate in the range of 2% to 5% (between one in

² Impaq consulting, AER Remote Services Price Review, p6

twenty and one in fifty special read requests) is appropriate for both Jemena and UED. We note CitiPower and PowerCor do not propose charges for special reads.

ATA's estimations of back office time and intervention rates for services is based on an assumed average across the 2011 period and acknowledges additional time required during the early stages of implementing new processes.

Recommendation 6: *That the AER determine that JEN's and UED's charges for special reads should be adjusted to reflect an intervention of average 15 minutes in 3.5% of cases.*

3.1.4 Errata

The draft decision appears to contain a miscalculation of UED's revised special read charge, with page 16 stating:

*"Applying the hourly charge-out rate of \$60 and 1.5 minutes to perform the special meter read, Impaq recommends that United Energy's charge be reduced to \$1.52 (\$'2010) for remote special meter reads in 2011 (see table 4.1)."*³

This formula results in a charge of \$1.50, not \$1.52 as stated above. This appears to be a misinterpretation of the methodology described in the Impaq report.

In addition, the draft decision appears to suggest that the AER have misunderstood the nature of normal meter reads. On this, page 26 states:

"Because AMI technology provides 48 meter reads per day, the AER considers the demand for special meter reads may be low."

The AMI meter stores energy data at half-hourly intervals (i.e. 48 per day). However normally the meter will only be read (i.e. the data downloaded) once per day. The AER may wish to reconsider their assumptions regarding the need for special reads in light of this information.

3.2 De-energisation and Re-energisation

ATA acknowledges that there are consumer safety issues, such as avoiding disconnecting people on life support customers and avoiding restoring supply to a non-electrically isolated unattended home, which warrant some degree of manual intervention, and that this will be the case at least until after an imminent decision by Energy Safe Victoria.

Importantly, there are no likely reasons that these checks can't still be safely automated in the future. Three of the DNSPs submissions were lacking in detail on the expected number of orders for this service, however based on the current rates of retail churn and move in/move outs in Victoria, this service will be by far the most frequently performed remote service in 2011.

³ AER, Draft decision, Victorian DNSPs AMI remote services charges, Page 16.

These high use rates will give the DNSPs ample opportunity, and imperative, to refine processes where possible to achieve efficiency in the delivery of these services.

Impaq's report suggests that manual intervention is reasonable during the first year or two or for de-energisation and re-energisation services. Given the opportunities and imperatives outlined above, our strong view is that this service should be fully automated by the end of 2011.

Recommendation 7: *That the AER determine that no charge will be associated with de-energisation and re-energisation from the beginning of 2012.*

3.3 Meter Reconfiguration

3.3.1 Definition

ATA are concerned about the lack of clarity regarding the meaning of 'meter reconfiguration', particularly in relation to what should be routine changes to tariffs, demand limits and controlled load settings.

In this regard, we note CitiPower and Powercor's proposed terms and conditions:

*"The Remote Reconfiguration charge applies when a request is received to modify the metering arrangements in the case where AMI metering and related infrastructure is in place.
"Meter reconfiguration, will cover metrology and 'customer service' based settings."*⁴

which are in keeping with the following four use-cases proposed:

- *"to change switching times for the controlled circuit in association with tariff changes;*
- *"to enable bi-directional energy measurement and recording for a solar feed-in tariff;*
- *"to disable the second data stream within a two-element meter when cancelling a controlled load hot water tariff; and*
- *"to reconfigure the time of use periods or maximum demand settings in a meter to align the meter with a tariff change";*

this charge is likely to be applied broadly and in a number of scenarios that will impact consumers' ability to benefit from competitive retail products. Such high meter reconfiguration charges (i.e. between \$28 and \$39) as proposed by the DNSPs, will only serve to provide a significant financial disincentive to consumers to take-up the same retail products that are intended to justify the AMI program objectives from the perspective of more efficient network management.

In addition, Impaq's report suggests that the fourth use-case identified by CitiPower and PowerCor (above) is contingent on a cessation of the ToU tariff moratorium in Victoria. ATA disagree with this assertion and note that the moratorium does not preclude consumers from voluntarily entering into a market contract ToU product, thereby necessitating the reconfiguration of time of use periods in the meter.

⁴ AER, Draft decision, Victorian DNSPs AMI remote services charges, Page 30.

The wording of CitiPower and Powercor's terms and conditions suggests that any customer voluntarily moving from a standard flat tariff to a ToU tariff during the moratorium period will incur this charge, even if that tariff shape reflects DNSPs approved network tariffs for 2011.

Recommendation 8: *That from 1 January 2012, a differentiated list of service charges apply to services currently bundled under meter reconfiguration, including but not limited to:*

- changing switching times for controlled loads;
- reassignment of to a feed in tariff and activation of import / export metering;
- reconfiguration of ToU periods; and
- reconfiguration of maximum demand settings.

3.3.2 Benchmarking and Comparison

ATA appreciate that due to the immaturity of these services and lack of precedence in Australia, it is difficult to establish a benchmark for the appropriate amount of back office time for providing services. However we are concerned that the only measure used to verify the DNSP's proposed times is the range quoted by other DNSPs for the same service.

ATA also note that the side by side comparison of manual meter reconfigurations with remote reconfigurations⁵ appears to be misleading and possibly a false comparison. We question whether the charges are for equivalent services. The manual reconfiguration charges of over \$300 for three of the DNSPs would appear to include either a significant hardware cost, service charge, or another external cost. ATA request that AER require DNSPs to address this.

3.3.3 Automation and Batching

ATA agree with the AER and Impaq that these services will, with time, be for the most part fully automated and acknowledge that this may take longer to achieve than for some other remote services.

ATA note however that DNSPs are already partly automating some of these processes to the extent that they can be batched. For example, meter reconfigurations are executed by sending preconfigured files that are automatically loaded into the meter, rather than individually updating settings in that meter while maintaining an open communications link with that meter.

3.3.4 Back Office Time

ATA feel that the claims of the DNSPs with regard to back office time for meter configuration is significantly overstated. On this, Impaq's report states:

⁵ AER, Draft decision, Victorian DNSPs AMI remote services charges: Table 4.

*"It is noted that all four DNSPs have times that are relatively similar; between 32 minutes to 39 minutes. These times are higher than what Impaq Consulting would have expected based on the relative simplicity of the task to edit the image of the meters configuration and send the edited configuration to the meter. There is no prior experience on which to draw to give a more definitive determination on times, and it is early days in the operation of AMI with business processes and systems that are not yet bedded down. Hence although Impaq Consulting considers the times excessive, it nevertheless accepts them on the basis that they should only apply for one or two years."*⁶

ATA agree with Impaq's assessment that the extent of manual intervention allowed for these services is excessive, but on that basis strongly disagree that these charges should be accepted.

Given the above points and complexity of assessing the time requirements for these services, ATA recommend the following as a guide to the amount of back-office time reasonably required by DNSPs to deliver these services:

- 75% require 5 - 15 mins manual intervention (average 10 mins, batch processed, high volume);
- 20% require 15 - 45 mins manual intervention (average 30 mins, ad hoc/on demand, low volume, including exception handling of batch processes);
- 5% require 45 - 90 mins manual intervention (average 60 mins, high intervention required, exception handling);
- Overall average: 16.5 minutes per service request.

ATA's estimations of back office time and intervention rates for services is based on an assumed average across the 2011 period and incorporate additional time required during the early stages of implementing new processes.

3.3.5 Errata

United Energy's claim of an average of 39 minutes of manual intervention for meter reconfiguration (the highest of any of the DNSPs) appears overstated by 5 minutes due to an error.

In UED's letter to Chris Pattas of the AER on page 4, it states:

"Review time: 20 mins per service order (4 per hour)."

ATA advise that 4 service orders per hour is actually equal to **15 minutes** per service order.

ATA also note that UED's modelling assumes a volume of only 232 total meter reconfigurations per annum. Based on current trends however, it is likely that over 10,000 grid connect new PV systems will be connected to UED's network in 2011 alone. If 20% of these are installed at sites with extant smart meters, this would suggest a figure in the order of 2,000 total meter reconfigurations per annum to be more accurate.

ATA believe that the above errors have materially affected UED's own estimate of their costs for this service.

⁶ Impaq consulting, AER Remote Services Price Review, p14

4.0 Further Contact

Thank you again for the opportunity to submit to this review and feel free to contact us should you have any questions regarding the content of this submission.

Yours sincerely,

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