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Implementation of Competition in Metering: Submission to NSW Government

The Australian Energy Council (the Energy Council) welcomes the opportunity to provide comment to the NSW Government regarding its proposed approach to supporting competition in metering as set out in the paper on *Implementation of Competition in Metering*.

The Energy Council is the industry body representing 21 electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. These businesses collectively generate the overwhelming majority of electricity in Australia and sell gas and electricity to over 10 million homes and businesses.

Summary

The Energy Council is deeply concerned about the proposed 18 month moratorium on remote de-energisation (or *de-en*) and re-energisation (or *re-en*) set out in the implementation paper. In particular, we are concerned that the proposed moratorium will exacerbate energy affordability issues in NSW for those customers who have smart meters. Requiring physical de-en and re-en, undertaken by the networks at a substantially higher cost will deprive customers with smart meters of significant cost-savings associated with remote services. In addition, restricting remote meter energisation services will also create an artificial barrier to innovative retail offerings.

The Energy Council recognises the Government's concern with ensuring the safe operation of smart meters. In partnership with the Competitive Metering Industry Group (CMIG), the Energy Council has commissioned an independent risk assessment which found a very low risk to public safety from the operation of remote meter energisation services. The Energy Council and CMIG are working closely with jurisdictional governments and their safety regulators to finalise a voluntary Remote Services Code, which we consider will enhance the safe operation of remote services, while promoting cost-efficient and effective solutions to assist customers.

The ability to access remote services, and the financial savings that such services deliver, was a key driver behind the Power of Choice reforms. Customer experience in the implementation of Power of Choice reforms will be best served by allowing those customers who have smart meters to benefit from the remote services these meters deliver. We urge the NSW Government to reconsider the proposed approach to the implementation of competition in metering in light of these issues.

Background

Smart meters in NSW

The Power of Choice reforms introducing competition in metering and related services will be implemented across the National Electricity Market from 1 December 2017. Following the implementation date, smart meters will become increasingly prevalent across NSW. In the small customer (commercial and residential) markets, smart meters will be installed where:

- (a) the customer has chosen to have a smart meter installed at their premises;
- (b) the customer's existing accumulation or local-read interval meter has been replaced with a smart meter due to meter faulty or the meter's 'end of life', as part of maintenance replacements;
- (c) there is a new connection point; or
- (d) the retailer has informed the customer that a new smart meter will be installed (and the customer has not opted-out of that arrangement).

While it is not known at present how many smart meters will be employed in NSW as a result of market activity (that is, (a) and (d) above), estimates are available of the number of smart meters which will be installed to satisfy maintenance replacement requirements under the National Electricity Rules and related procedures. At an industry Power of Choice forum held in September 2017, it was estimated that 243,000 regulated meters currently require replacement from 1 December 2017 in NSW alone. This figure is in addition to the approximately 48,000 meters which generally require replacement over a 12 month period across the NEM.

Based on these figures, the Energy Council would estimate that approximately 315,000 smart meters will be installed in NSW to satisfy maintenance replacement obligations in the 18 month time period to which the proposed moratorium relates. These figures do not include any of the smart meters that retailers may install for customers to provide additional functionality or innovative energy offers. While it is relatively straightforward to estimate the number of meters that will need to be replaced, the broader take up of smart meters is difficult to predict at this stage.

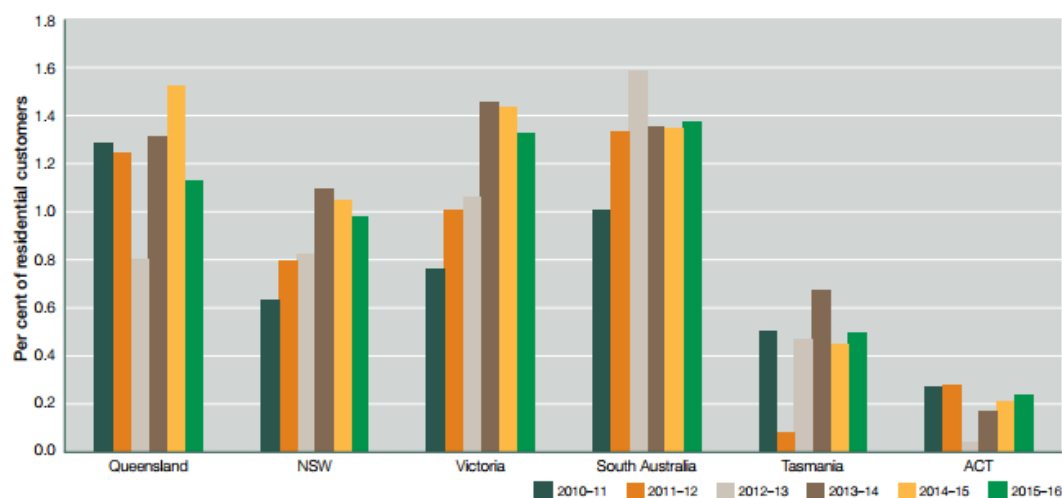
Impact of smart meters on disconnection rates

A question arises as to the effect of smart meters on the incidences of re-en and de-en. In this context, it is worth noting that Victoria conducted a state wide roll-out of smart meters, which was completed in June 2014. In our view, the evidence does not suggest that Victoria's adoption of smart meter technology (including the ability to remotely disconnect a premises) has increased rates of disconnection for non-payment.

While Victoria shows an increase in disconnections rates as a percentage of residential customers between 2010-11 to 2013-14, this echoes a trend across other NEM states, including NSW (see Figure 4.17 from the Australian Energy Regulator's State of the Energy Market May 2017). This supports an analysis that the increase in disconnections for non-payment is related to energy affordability issues, rather than due to remote services from the smart meters. It is worth noting that Queensland and South Australia generally have higher rates of disconnection than Victoria, despite the relative paucity of smart meters in those jurisdictions.

Considering this evidence, the smart meter rollout and associated remote services had no material impact on the rate of disconnections for non-payment in Victoria. Additionally, disconnection for non-payment of bills only occurs once the retailer has fulfilled the minimum contact points with the customer in accordance with the regulated consumer protections framework. The existing customer protections outlined in the National Energy Retail Rules will continue to ensure that disconnection for non-payment is only implemented as a last resort.

Figure 4.17
Disconnections for failure to pay amount due—electricity



Key issues

Affordability and Customer Experience

The proposed moratorium on remote de-energisation and re-energisation would, if implemented, deprive customers with smart meters of the significant advantages provided by remote services, including cost savings and convenience. For instance, if a customer changing address arranges a remote re-en of the premises, the house will be energised within 2 hours of the request – whereas a physical re-en may take much longer. The benefits to consumers of remote services were key to the AEMC’s determination that the Power of Choice rule change accorded with the best interest of customers and achieved the national electricity objective.

One of the key advantages of smart meters is the ability to provide remote services to customers, minimising the cost associated with physical site call-outs. In NSW, the costs of physical re-energisation or de-energisation varies according to the distributor and method of energisation (or de-energisation), and are as follows:

Distributor	De-energisation (cost to remove fuse)	Re-energisation (cost to insert fuse)
Ausgrid	\$148.08	\$103.98
Endeavour	\$180.23	\$67.59
Essential	\$128.38	\$82.74

Much higher costs apply if the distributor is required to effect a de-en or re-en via the pole.

These costs are passed on to consumers through their retail energy bill.

Under the Power of Choice reforms, it is expected that the cost of remote re-en and de-en energisation will be substantially lower than these regulated costs for physical call-outs. These prices are not regulated but will rather be established by commercial agreement between the retailer and the metering coordinator at a connection point under competitive market conditions. To provide an indication of the expected market cost for a remote service, in Victoria the regulated prices for remote services is between \$6.95 and \$11.30 per service.

AER data indicates that across NSW, there were 30,065 disconnections for non-payment of bills in NSW during the 2016 financial year. We can assume a similar number of re-energisations, which follow once customers have resumed bill payments. For customers experiencing disconnection, the stress of being disconnected from the electricity grid is compounded by the high cost of re-connecting their energy supply due to physical call-outs. Such customers stand to gain the most from remote re-en and de-en services – costs which could exceed \$250.00 for re-energisation following de-energisation through physically delivered service would be substantially reduced. Based on the Victorian costs of these services, we anticipate costs in the range of \$15 – \$25.00.

In addition, based on data provided by some of our member companies, a conservative estimate is that there were approximately 120,000 de-energisations and 195,000 re-energisations due to customer move-ins in NSW during the 2016 financial year. We understand that the higher number of re-energisations reflects new connections. We expect a higher percentage of move-in customers will have smart meters as a result of market activity following the Power of Choice implementation, for example to facilitate particular retail offerings or because the customer has solar panels installed. We further note that all new connections will be connections with smart meters. These figures demonstrate the high number of customers that could potentially benefit from remote energisation services – and the substantial number of customers that will face increased costs under the proposed 18 month moratorium on remote re-en and de-en.

Safety

The Energy Council is concerned with safety across all energy operations. We have been actively engaged in reviewing the safety of remote services offered by smart meters, and working with members to strengthen any perceived weakness in the current safety framework for smart meters. To this end, we commissioned an independent report, *Remote Services with Smart Meters Semi Quantitative Risk Assessment (SQRA)*. This risk assessment specifically addressed potential risks posed to the public from remote meter services. We attach a copy of this report for your reference.

The key finding of the report was that the safety level of remote services from smart meters is 1000 times safer than the tolerable individual public risk suggested by regulatory bodies. This result is consistent with previous risk assessments and also the experience over the last few years of energisation service operations by AEC members.

As well as assessing the current risk level and finding it to be minimal, the independent report also made recommendations which could further reduce this risk to the public by 83% if all 12 recommendations are adopted. The recommendations cover life support reconciliation, adapting retail scripts to ensure safe customer access to meters and meter condition checks. These safety recommendations further reduce the risk posed to the public from remote meter services off an already very low rate.

As noted above, the Energy Council has been working closely with the CMIG to develop a Remote Services Code. The primary objective of this voluntary code is to ensure that remote services of smart meters are used in a safe and efficient way to maintain a positive customer experience, and to promote the safe provision of remote de-en and re-en services. The objectives of the Code are aligned with those set out in the implementation paper. In particular, we note the implementation paper stresses that ‘a positive customer experience including strong safety and consumer protections is critical to the smooth implementation of competition in metering’

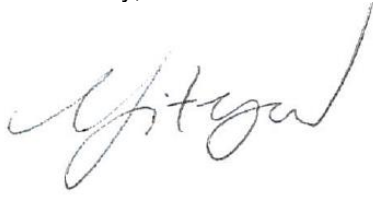
Considering this, the Energy Council considers that the Code provides the adequate safety and consumer protection requirements which makes any moratorium on remote services unnecessary and will only create adverse outcomes for customers.

Conclusion

In light of the number of re-ens and de-ens likely to occur over an 18 month period following 1 December 2017, and the anticipated penetration of smart meters in NSW during that time, the proposed moratorium would increase costs for a significant number of customers in NSW. Customer experience in the implementation of Power of Choice reforms will be best served by allowing those customers who have smart meters to benefit from the remote services these meters deliver.

Any questions about our submission should be addressed to Tess Fitzgerald, Retail Policy Manager, by telephone on (03) 9205 3115.

Yours sincerely,

A handwritten signature in cursive script, appearing to read 'Tess Fitzgerald', written in black ink.

Tess Fitzgerald
Retail Policy Manager
Australian Energy Council