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Wendy Heath  
Senior Manager  
Regulatory Energy Division  
Essential Services Commission  
2nd Flr/ 35 Spring St  
Melbourne VIC 3000

Dear Ms Heath

**RE: Regulatory Review – Smart Meters**

Thank you for the opportunity to comment on the scope of a planned regulatory review of Victorian distribution and retail regulatory instruments in the light of the Advanced Meter Infrastructure (AMI) programme.

The establishment of widespread AMI infrastructure will change the operations of the retail electricity market in some fundamental ways. Some of these changes are known and well planned and form the basis of the current Victorian Government's policy to mandate the accelerated roll out of smart meters. Other changes and implications of the AMI programme will only become apparent through retailer experience and the operation of vigorous competition in the market. Red Energy believes it is important that the ESC's planned regulatory review does not therefore over-prescribe and regulate offerings from energy retailers under AMI thereby stifling innovation which will otherwise emerge.

The AMI programme was established on the basis of benefits that would be delivered from improving price signals to customers such that they better reflect the full costs of supply. While other cost savings were identified from remote meter reading, connect and disconnect functionality under AMI, these were insufficient alone to justify the investment requested by Government. While the emergence of stronger price signals to customers will affect some households more than others and do raise valid questions about distributional equity, these are issues for Government to consider and address through its benefits policies and should not form part of the scope of the ESC review.



Specific issues that we do believe should form part of the scope of review include:

1) Bill frequency and debt cycle

Quarterly billing is the current default for customers as meters were read quarterly and as such the Energy Retail Code reflects this and subsequently requires explicit informed consent for a different bill cycle. With AMI there is no reliance on quarterly meter reads so the requirement for EIC should be removed for market and standing offers. Debt cycle obligations need review in line with the shorter bill cycle.

2) Reconciliation of bills to meter reads

The requirements regarding the provision of information to customers should be fully considered to avoid the imposition of unnecessary obligations upon retailers. If customers require access to their 48 meters reads per day and value the data, retailers (and/or distributors) will develop offerings for customers.

Red's experience with MRIM customers is that few require access to interval data to reconcile their bills. While recognising that some may request this, it should be an optional requirement to ensure that retailers are not forced to provide the same for all because this will simply increase costs to all customers for a service that may only be requested by a few.

Retailers should be allowed to charge for administration costs associated with the provision of data. This will ensure that only those customers requesting the service will pay and this will reduce the potential of these costs being recovered in general tariffs and being an additional burden for all customers. By allowing retailers to price the service appropriately, the ESC can ensure that the service is not over consumed with unnecessary additional costs imposed on customers.

3) Application of excluded Service Charges

Excluded service charges should be reviewed with fees for special meter reads and site visits relating to re-energisation and de-energisation being abolished for sites with AMI. This will ensure that distributors have a financial incentive to deliver on the core functionality paid for through the AER's meter provision charges.

4) Estimated bills

Consideration should be given to the current definitions of when a bill should be described as an estimate and the materiality thresholds for when it must be re-billed. Interval data ensures that the value of estimation within each bill is now known and the value of the bill which is not estimated can be identified. The current obligation on retailers is to ensure a minimum of one actual read per year. With remote reads under AMI we believe this obligation – or at least the costs associated with a site visit should communications fail – should reside with the DB.

5) Service levels and performance penalties

There must be an assurance that appropriate performance incentives are in place for the provision of complete, accurate interval data by distributors to retailers at the right time. This is a critical issue which impacts both the customer experience and the ability of retailers to deliver the benefits of smart meters. The imposition of penalties on distributors for not meeting the minimum service levels will promote a more robust system and ensure accountability for quality data.

Red's experience to date has identified that the quality of MRIM data has been very patchy between distributors, frequently with missing data, whole data meter streams missing, incorrect read dates etc – even reads for future dates have been provided. Similar performance with large volumes of meters under AMI would be disastrous for customers and Red believes the best way to protect the customer is to ensure the providers of the raw data are appropriately incentivised to deliver. Performance penalties should be imposed under the DUOS agreements for any failure to meet the service levels specified in the AMI Minimum Service Level Spec (Sept 08).

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. Exelby', with a long horizontal stroke extending to the right.

Martin Exelby  
General Manager – Corporate Development