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Regulatory Review – Smart Meters  
Essential Services Commission  
Level 2, 35 Spring Street  
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### **Regulatory Review - Smart Meters**

Thank you for the opportunity to comment upon the Commission's Regulatory Review of the Victorian Government's Smart Meter roll out. Detailed responses to the issues raised in the Issues Paper are provided below.

#### **Vulnerable Customers**

Are there enhancements to the current regulations which are necessary for vulnerable customers arising from the implementation of smart meters?

TRUenergy does not believe enhancements to the current regulations are necessary for vulnerable customers arising from the implementation of smart meters. Mass market customers are generally billed on flat tariffs which do not reflect the retailer's underlying time-of-day purchase costs. This imposes a cross-subsidy from customers who disproportionately consume during off-peak periods to customers who disproportionately consume during off-peak periods. Interval meters promote efficiency by allowing retailers to structure their tariffs to more closely reflect underlying purchase costs, unwinding the flat-tariff cross-subsidy.

There are, of course, potential cost impacts when any cross-subsidy is removed. In the case of electricity supply, whilst the cost impact will be dependent upon the behavioral response, some consumers will have a greater capacity to respond than others. However it is important that the assistance provided to customers who are adversely affected, restricted in their ability to respond, and in financial difficulty, does not distort the efficient pricing signals which interval meters seek to promote.

A further issue raised in the context of time-of-use pricing is the potential for greater volatility in customer bills. However, it must be recognised that retailers currently provide access to flexible payment arrangements, including bill smoothing options, which allow customers to remove the fluctuations in their bills. To the extent that any government policy considerations are necessary, they relate to the current government concession arrangements, and whether they require adjustment in response to the potential for more efficient retail pricing structures.

**Total accumulated consumption**

Will the proposed approach to including the consumption by tariff segment, total consumption and tariffs for the billing period ensure customers maintain their ability to confirm the accuracy of the bill?

What are the implications for cost, feasibility and information value to customers of the options for the meter's total accumulated consumption on the bill?

TRUenergy agrees that the proposed approach to including consumption by tariff segment, total consumption and tariffs for the billing period will ensure that customers maintain their ability to confirm the accuracy of the bill.

TRUenergy does not support any proposal that would require retailers to include accumulation reads on customer bills. Doing so would create an incorrect expectation among consumers that the bill will be based on the difference between the accumulation reads at the start and end of the billing period. However, if any of the intervals require estimated or substituted data, the sum of the interval data, upon which the bill will be based, will almost certainly not equal the difference between the two accumulation reads. Including those reads on the customer's bill will lead to increased customer calls, complaints and Ombudsman cases, which cannot be resolved by the retailer. These additional costs would need to be considered against any potential benefits to consumers (which are yet to be demonstrated) of providing index reads.

Furthermore, under current market rules distributors are not required to provide retailers with index reads, nor are retailers permitted to query any index read values that are voluntarily provided.

If there are customer concerns regarding the different nature of billing on an interval rather than accumulation basis, this should be addressed through direct communication which also explains the benefits of smart meter technology as it relates to meter reading accuracy and reliability. These issues are currently under consideration by the Victorian Government's Customer Integration Working Group, and no decisions should be made prior to consideration of the outcomes of that group.

### **Estimated and substituted data on bills**

Comments are sought on when customers should be advised that their bill is estimated.

Comments are also sought on whether there should be some default tariff arrangements impacting distributors, retailers and customers when bills are estimated.

Identifying an estimated bill for a manually-read meter, generally caused by a no-access issue, provides the customer with an option to arrange an actual reading and to replace the estimated bill with one based on actual read. No such opportunity is available to a customer with a remotely-read meter as the error rests with either the meter or the communications facility.

If the metering data is not available or recovered, a substitute will occur, which cannot be reconciled back to the actual consumption during that time period. There is no corrective action which any party can take, and as such, there is no benefit to be gained from advising the customer that their bill includes estimated data.

If it is considered necessary to inform the customer that at least part of a bill is estimated or substituted, noting that the purpose and benefits to consumers of providing that information has not been explained, it should only be done if a specified threshold has been breached.

The threshold should be set at a sufficiently high level which recognises that labelling bills as an estimate or includes substituted data is a significant call-driver, and therefore cost, to retailers. TRUenergy recommends that the obligation to advise the customer is aligned with the service level requirements of the Responsible Person. Currently 96% of all interval meter data collected by a distributor must be actual reads. This obligation should be amended to apply to each individual meter. The requirement then would be to inform the customer if the threshold has been breached, and a GSL fee should be payable from the distributor to the customer in those circumstances.

Where a read is unable to be completed remotely due to equipment failure or communication difficulties, the distributor should not be permitted to impose a field visit charge to obtain an actual read from the meter.

TRUenergy does not support default tariff arrangements for estimated data. Such arrangements would impose substantial system costs on retailers (and distributors), requiring all mass market retail products (and network tariffs) to include default tariff rates on the possibility that a customer's bill may include estimated data. It would also impose a financial penalty on retailers (i.e. the foregone revenue of the difference between the contracted rate and the default rate) when retailers are not in a position to manage the risk that the bill may be estimated.

**Substitutes**

The proposal is to retain the current requirement that customers be notified that any part of a bill is based on substituted data.

TRUenergy does not support the current requirement that customers be notified that any part of a bill is based on substituted data. As argued above, advice regarding estimated and substituted data should only be required if a specified threshold has been breached.

The threshold should be set at a sufficiently high level which recognises that labelling bills as an estimate is a significant call-driver, and therefore cost, to retailers. The requirement that 96% of interval meter data must be actual reads should apply to each individual meter. The obligation then would be to inform the customer if the threshold has been breached, and a GSL fee should be payable to the customer in those circumstances.

### **Graphical information on the bill**

The proposal is to require retailers to provide customers with a graph similar to that used by Energy Australia or Ontario Energy Board when time-of-use tariffs are introduced for customers with smart meters.

What are the implications for incremental costs or barriers to innovation of this approach?

Given the customer feedback from overseas pricing pilots, and the potential move to monthly billing, mandating daily periods may also be beneficial for customers. Comments are invited on this approach.

TRUenergy does not support mandating the presentation format of graphs on bills. The provision of metering and billing information to customers should be viewed as an important source of product differentiation and innovation in a competitive market. It must also be recognised that presenting graphical information on bills imposes substantial costs upon retailers. This cost/service trade-off should be an outcome of competitive tension whereby retailers will respond to consumer demand and preferences. It is also important that there is scope for customers who may not be interested in obtaining more detailed data, to be able to avoid the additional costs of providing that information.

TRUenergy would require more detailed specifications regarding any graph proposal in order to provide a specific cost estimate.

Imposing a mandatory single solution has the potential to impose substantially different costs across retailers, depending upon the respective capabilities of their billing systems, as well as stifle innovation and the delivery of targeted solutions for specific customer groups, depending on their unique preferences.

### **Customer Billing Cycle**

The current regulations for explicit informed consent may be seen to be acting as a barrier to customers accessing more timely information upon which they could better manage their costs. Views are sought on:

- Whether an 'opt-out' approach to monthly billing for deemed or standing offer customers is appropriate?
- What are the implications for the costs and timing of the current collection cycle if customers move to monthly billing?
- How should any changes to the customers' current billing cycles be implemented?

The benefits of the smart meter roll out are predicated upon the provision of more frequent metering and billing data to consumers, namely from a quarterly to monthly cycle. The regulatory framework should support this objective through the adoption of an opt-out approach to monthly billing for deemed or standing offer customers. There is also an important competitive neutrality consideration in this regard, given that the incumbent retailers have a higher proportion of standing and deemed customers who, by their nature, are more difficult to engage with than market contract customers.

### **Unbundling tariffs and charges on the bills**

Greater transparency through information to customers is a prerequisite for customers to benefit from the introduction of smart metering and unbundling could be considered to deliver part of this information. However, some key questions are:

- Would customers gain any information from unbundling of the distribution charges if the retailer does not base its tariff on the distributor's tariff structure?
- Would it be helpful or not for customers to have some charges unbundled, but not others?
- Does unbundling of network charges and tariff alignment have the potential to reduce retailer flexibility in tariff offerings?
- What are the costs, benefits and feasibility of greater unbundling? Should regulation go beyond requiring the unbundling of retailer and distribution cost sub-components of wholesale and metering costs?

Customers are billed on a bundled retail tariff, whereby the underlying cost components of those tariffs are irrelevant. Retailer mass market billing systems are configured on a bundled tariff format. Unbundling would impose multi-million dollar costs, and create a more complex bill and customer confusion.

More cost-effective would be a continuation of current requirements, for retailers to provide details of network tariffs upon request.

It is also possible that a misalignment between the retail and network tariffs may require, in an unbundled bill format, that the retail rate for a particular time period is negative. This would occur if the bundled rate was lower than the underlying network rate, for example, as currently applies, when a demand network tariff is not passed through as part of the customer's retail tariff.

Wholesale costs are commercially sensitive and would be complex to attribute to a specific retail tariff, to the point of being arbitrary. Metering costs are based on meter type for which retailers do not have access to the relevant market data.

**Notification of variations to tariffs**

The Commission considers that any changes to the regulation on the notification of tariff variations should wait for the outcomes of the Victorian Government's deliberations, so that there is consistency between customers on market contracts and those on standing contracts. Nevertheless, interested parties may wish to submit their comments in regard to this matter.

It is critical that retailers be allowed to realign customers in accordance with the customer's underlying network tariff. As the Commission recognises, such an approach is consistent with the policy rationale of the smart meter roll-out, and to do otherwise would impose an unreasonable financial risk to retailers.

**Access to historical billing data**

Will the regulation of the provision of billing level data continue to meet the needs of customers to allow them to reconstruct their historical bills in a smart metering environment for ad-hoc or occasional purposes?

Current regulations on the provision of historical billing data will allow customers to reconstruct their historical bills in a smart metering environment for ad-hoc or occasional purposes.

Consistent with the provision of graphical information on bills, the provision of metering data is an important source of product differentiation and innovation, whereby the cost/service trade-off should be determined by the competitive market in response to consumer demand.

### **Access to metering data**

The Commission considers that there is a need for regulation to require customer access to metering data that will be available on a daily basis through secure communication methods capable of protecting customer privacy.

Comments are sought on:

- whether distributors as well as retailers should be obliged to provide metering data sets to customers
- how distributors or retailers can provide interval data from smart meters securely to customers
- How would the cost of such a service be assessed?

What other information and information sharing issues should be considered by the Commission in reviewing the regulations?

The Victorian Government has considered the provision of services through the HAN and determined through the cost-benefit analysis that these services are not currently justified.

In addition to the cost/service trade-off decision, which should be determined through the competitive market, it is important that the costs of providing the service should be met by those seeking its provision, and not imposed upon those customers who would prefer a lower cost service offering.

### **Shopping around for a better offer**

Comments are sought on these, or alternative, options for ensuring customers are able to compare competing retail offers when time-of-use tariffs and more complex tariffs are introduced.

Requiring retailers to offer products with structures aligned to network tariff structures would unreasonably restrain retailers from managing their wholesale market risk, impose market inefficiencies on the operation of the national electricity market, and undermine (and be inconsistent with) the national market objective. It would also increase the likelihood of retailer failure.

Indicative charges based on a standard profile would be misleading for customers, and generate additional customer complaints from the inevitable misalignment between estimated and actual costs.



**Remote disconnection and reconnection**

Should the regulation require the distributors to disconnect and reconnect premises more quickly if the smart meter functions are available?

Yes, the regulation should require distributors to disconnect and reconnect premises more quickly if the smart meter functions are available. The cost-benefit analysis of the smart meter roll-out is dependent upon the delivery of more efficient business transactions. Disconnection and reconnection charges imposed by distributors should also be reduced in response to the lower costs of providing a remote service.

**Customer protection under disconnection**

What steps could be taken by the distributors and/or the retailers to ensure that the wrong customer is not disconnected with smart meters?

Should retailers take additional steps prior to disconnecting all customers, as well as noting on the disconnection warning that the disconnection may be carried out remotely?

Current regulations provide a robust consumer protection framework for disconnections, and do not contemplate further customer interaction subsequent to the retailer request to the distributor to disconnect. Consequently, the method by which the customer is disconnected, whether remotely or manually, should be considered irrelevant.

### **Frequency of network billing of retailers by distributors**

The Use of System Agreements are amended to provide for monthly network billing of customers with smart meters, but in the period until 1 January 2012 (or some other agreed future date) the payment terms for such network bills be extended if the retailer is billing the customer quarterly. UoSAs currently provide that retailers must pay network bills within 14 days. This would be extended to a number of days that produced an equivalent outcome to their current level and pattern of payments.

Under this amendment, distributors could implement their new billing systems, generate monthly network bills and all of the distributors' objectives in the AMI Process Model would be attained. For retailers, while data and bills would begin to flow to them more frequently, there would be no acceleration of their payments to distributors, no mismatch between receipts from customers and outgoings to distributors, and therefore no increased working capital required. Distributors' working capital positions would be unchanged from their present state, rather than being "immaterially" advantaged.

Comments are invited on whether such a solution is supported, whether it can be achieved by negotiation, or whether the Commission should amend default UoSAs to bring about this outcome.

The existing default Use of System agreements do not permit monthly network invoicing for customers previously on a quarterly meter reading cycle. Any amendment to those arrangements should be subject to retailer agreement.

Of particular concern is the potential for a misalignment between network invoices and retail bills. Under a true commercial negotiation, retailers would not accept a monthly network invoice for a site at which the retailer was not issuing monthly retail bills. The Commission's proposal to allow an opt-out approach to transferring standing offer and deemed customers to monthly billing would at least facilitate greater alignment between network invoices and retail bills, relative to an opt-in approach.

In principle, TRUenergy supports the intent of the Commissions' proposal. However this is subject to consideration of the specific drafting of the amendment, and an opt-out approach to transferring standing offer and deemed customers to monthly billing.

Please contact me on (03) 8628 1122 if you require additional information.

Yours sincerely,

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