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13 August 2010

Dr Ron Ben-David
Chairperson
Regulatory Review – Smart Meters
Essential Services Commission
Level 2, 35 Spring Street
Melbourne VIC 3000

Dear Dr Ben-David,

Regulatory Review – Smart Meters

CitiPower Pty and Powercor Australia Ltd (**the Businesses**) welcome the opportunity to comment on the Essential Services Commission's (**Commission**) draft decision regarding *the Regulatory Review for Smart Meters* dated July 2010 (**Draft Decision**).

The Businesses agree in principle with the Commission's objective to promote the long term interests of Victorian consumers and support the guiding principles outlined in the Draft Decision. The Businesses do however wish to raise a number of points arising from the Draft Decision.

Notification of tariff variations (section 4.3.3)

The Businesses note the Commission's proposal to amend the Energy Retail Code to require retailers to notify customers of any variation to the retailer's tariffs at least one month prior to the date of effect. Consequently, the Commission has also proposed an amendment to the Use of System Agreement to ensure that distributors advise the retailers of the network tariff changes in a timely manner.

The Businesses agree in principle that customers should be provided with notice of a tariff change where possible. However, the Businesses submit that the proposed arrangement may prove impractical and unworkable.

The Businesses advise that while it has some scope to plan the implementation of tariff variations, there may be many factors which mean that the Businesses will be unable to proceed with a meter exchange as planned, for example, site access and difficulties in contacting customers. Consequently, a tariff variation can only be confirmed once a meter exchange has been completed and the Victorian

Government's moratorium on tariff reassignment is lifted. This does not provide sufficient time for retailers to notify customers, and it is likely that retailers would seek greater notice periods from distributors for which the Businesses will be unable to provide.

The AMI Policy Committee will be making recommendations to the Minister in the following month. The Businesses submit that any proposed amendments be suspended until the outcome of the AMI Policy Committee's recommendations to the Minister is known, or until further industry consultation on this matter can be conducted through the AMI Program Governance Framework to find a practical solution which accommodates distributors and retailers, and provides customers with an acceptable notice period.

Frequency of network billing of retailers by distributors (section 7)

The Businesses are supportive of the Commission's proposal to amend the Use of System Agreement (**UoSA**) to allow distributors to bill monthly from 1 January 2012 and to retain the payment terms currently associated with these customers. The Businesses note the Commission's draft clause of the UoSA, and suggest that the number of Business Days applicable to extended payment terms for bills issued prior to 1 January 2012 remain negotiable between the relevant retailer and the Businesses to allow the parties to reach a commercial outcome.

The Businesses advise that a number of customers are currently billed monthly under interval meters types 1 to 4 and type 7. The Businesses seek confirmation that the proposed amendment will not be applicable to these customers. A clear definition of 'remotely read interval meter' is required to ensure any extended payment terms are only applicable to AMI meters that the Businesses choose to move to a new monthly billing process before 1 January 2012, and not to the existing remotely read interval meters of types 1 to 4 and type 7, as defined under the *National Electricity Rules (the Rules)*.

Remote connection, disconnection and reconnection (section 6.1)

The Businesses note the Commission's proposal to require distributors to perform a remote connection, disconnection or reconnection within two hours of a valid request from a retailer or customer. The Businesses agree that reconnections, disconnections and connections should be performed remotely where possible to ensure that services become more efficient over time, and can be performed as quickly as possible for the benefit of retailers and customers.

However, the Businesses object to the Commission's proposal to require remote connections, disconnections or reconnections to be carried out within 2 hours of a retailer request or customer. Minimum service levels were recently contemplated in the *AMI Service Levels Specification (Victoria) September 2008 (AMI Specification)*. Clause 4.2 of the AMI Specification imposes an obligation on the Businesses to use its best endeavours to perform remote disconnection or reconnection. The Businesses' experience has been that the vast majority of requests

are scheduled for a date in the future, and where customers have requested a specific appointment, the Businesses are required to meet guaranteed service levels under the GSL Scheme set out in clause 6 of the Code.

The AMI Specification was drafted on the basis that there was limited experience in large scale rollout of the technology in Australia, and therefore it was considered that a staged transition to a higher performance capability was prudent in order to determine the minimum service levels that could practically and safely be achieved.

The Businesses have been developing systems and processes in accordance with the agreed AMI Industry Operating Model, which was developed within the established AMI Program Governance Framework and is aligned with current regulatory requirements.

The Businesses suggest that a two hour limit on services be considered in the existing AMI Program Governance Framework to ensure any impacts and risks to changes are appropriately managed and coordinated. In this framework, the Businesses would strongly recommend that any changes in requirements would only be effective from 1 January 2012 and that any time limit within which connections must be performed should only apply after requests have been verified and adequately processed by the distributor receiving the request.

Information at the meter box (section 6.3)

The Businesses note the Commission's proposal to require distributors to include stickers on all smart meters installed which directs customers to the distributor's call centre in the event of a disconnection. The Businesses note that the purpose of the Commission's proposal is to require distributors to inform customers of all available retailers for the customers' reference.

The Businesses are concerned that redirecting customers to the distributor in the event of a disconnection would create confusion with respect to the role and responsibility of the distributor. The Businesses emphasise that distributors are not permitted under clause 2 of the *Electricity Distribution Code (the Code)* to reconnect customers without a valid request from a retailer.

In addition, the Businesses submit that it is the regulator's role to facilitate competition in the retail market and therefore it is an inappropriate and costly exercise to require distributors to inform customers of available retailers, particularly where the Victorian Government has already allocated resources in initiatives such as 'Your Choice'. Further, were distributors to be involved, it would inevitably result in disputes relating to the order in which retailers were listed.

The Businesses therefore suggest that the notification redirects customers to the Commission's Your Choice website at www.yourchoice.vic.gov.au.

The Businesses also submit that the requirement that the notification must be in the form of a sticker located on the smart meter is unnecessarily prescriptive and raises a number of practical implementation issues, including:

- many smart meters already have labelling on the meters and there may be physical constraints on placing another label or sticker on the meter;
- there is significant lead-time (potentially over six months) in implementing a redesign of current meter labelling and having meters flow through logistics systems; and
- existing customer information on the meter may not be in form of a “sticker”, but may include other methods such as screen printing, embossment on the meter casing or associated covers.

Accordingly, the Businesses suggest that the decision be amended to remove direct reference to a sticker that is located on the meter.

To assist the Commission, the Businesses suggest the following drafting for the final decision on this matter:

“Clause 9.1.13 of the Electricity Distribution Code will be amended to require distributors when installing a smart meter from 1 April 2011, to provide a sticker or other labelling on the smart meter or within the metering enclosure that includes information advising customers to contact the Commission’s Your Choice website; www.yourchoice.vic.gov.au if their premise is disconnected.”

Should you have any further questions in relation this submission, please do not hesitate to contact Vivienne Pham on (03) 9683 2023.

Yours sincerely

[SIGNED]

Brent Cleeve
MANAGER PRICE REVIEW