

Notes for consumer presentation at January 2018 meeting of Victorian Metering Competition Stakeholder Working Group

Dean Lombard, Alternative Technology Association¹

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In general

We would support Option 2 in the future only if it is clear that it can bring consumer benefits that can't be delivered under the AMI framework – noting that if it is only access to meter data and services by retailers and third parties that inhibits consumer benefits, this can be delivered by adjustments to the existing AMI framework.

Access to data and functionality

Note that even under the existing AMI system there are problems with access to data. For example:

- Retailers' inability to get unvalidated data for informational (not billing) purposes in near-real-time limits what they can offer customers
- Difficulty for third parties to access data on behalf of customers (and with their consent) limits what they can offer in the market (e.g. Energy Tailors and their offer comparison service)

As noted above, this can be facilitated in the existing AMI framework: does not need a contestable framework to happen. And, as noted below, split incentives in the contestable framework mean that access problems will probably still exist, for distributors and third parties

Direct customer access

ZigBee and the HAN: value in having the connectivity, even though there has been low uptake until now, that is likely to change in the future, especially if third parties become more prominent

- There is value for energy auditors (with better connectivity) not just residents directly
- It is a reasonable expectation that growth in third party energy services will occur in the near future, and HAN access lowers cost to entry (because additional equipment may not be necessary).

Indirect customer access via retailer access

Retailers' ability to send daily data to customers depends on their access to meter data. Under the contestable metering framework, it is possible that some smaller retailers may be reliant on larger retailers' meters to serve customers, and may face higher charges to receive daily data than they can recoup through competitive price offerings.

Distributor access

There's also a concern about DNSPs' access to data they use for network monitoring and remotely identifying safety issues or solar faults in individual customers' dwellings. It's a combination of meter functionality (some of which may be over the minimum spec) and data analysis, it appears that some is over and above the minimum required to meet service levels but achievable at minimal cost because of free data access. It's not clear (to us) that it can all be done if access to the data comes at a non-trivial cost.

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Retail choice

Smaller retailers facing an extra barrier to competition?

As well as the concern expressed previously – that smaller retailers without their own meters may not be able to deliver daily usage data to customers at a bearable cost, making their offerings less attractive – there is a similar risk that they may be completely priced out of the market by access costs charged by retailers whose meter remains in a property when a customer attempts to churn.

Locational metering charges could also hinder competition

Meter installation and replacement is currently a regulated network charge smeared across consumers in a distribution area, involving a cross subsidy for uneconomic provision requirements. Actual metering costs may vary considerably depending on the type of meter and functionalities favoured by particular retailers or meter coordinators and the location of customers. There is a particular risk of customers in regional or remote areas being charged higher meter purchase and connection costs. The higher initial costs and risk for retailers resulting from the need to arrange metering infrastructure for new connections may also limit the offers available to these customers. Supply access for these consumers should be ensured through the 'obligation to supply' for local area retailers requiring connection via metering infrastructure at a reasonable cost. Additional hardship protections may also need to be considered to ensure that vulnerable customers are not left without access to supply.

Confusing pricing could make choice more difficult

Because meter costs will likely be often bundled in with retail tariffs (rather than charged up-front or separately), it may be increasingly difficult for customers to understand energy costs and shop around for better deals. Published prices may be different from the actual prices negotiated (AEMC has recognised this probability)

It's already happening

Some of these issues have already played out in other jurisdictions. We are already aware of one case in which a customer who had received a new meter from a first tier retailer was unable to switch to the retailer of their choice (a second tier retailer) because the new retailer did not have systems to read their meter. This matter has been referred to the relevant ombudsman.

A similar issue is already playing out in New South Wales where one large retailer is charging solar customers an annual fee of around \$120 to access the basic feed-in tariff as part of an energy offer that includes a new smart meter, with an extra \$120 to receive a higher feed-in tariff. These prices are not disclosed on the retailer's website and it is difficult for customers to figure out what the effective price they will face will be, especially without any existing data about how much they will be exporting to the grid.

Tenant-specific issues

Inability to install meter – lockout from offers that require new meters

Advanced meters are considered a 'fixture' of a residence and tenants will therefore require permission from their landlord to churn their meter. The NBN rollout showed that many landlords won't give permission even when there is no cost to them. (The NBN situation was largely fixed by changing the guidelines for the rollout: instead of requiring tenants to get their landlord's permission to have NBN equipment installed, tenants became required to give landlords the option of reusing permission. The same landlords who couldn't be bothered saying 'yes' also couldn't be bothered saying 'no'.)

Inability to avoid exit fees – leading to higher costs or limited choice

This barrier to switching retailer is accentuated by the poor security of tenure facing Victorian renters – any tenant can be evicted with 120 days' notice for no reason at all, and with a shorter notice period in several

other circumstances. This uncertainty over the length of tenancies limits the length of contracts tenants can sign up to with confidence; and while retail contracts currently tend to allow tenants to continue at a new address, this may be less likely when Metering Coordinators will need to recoup the costs of any installed small meter that can't (without further cost) be moved to a new property. Tenants with every expectation of staying in a property for several years can be caught out by this. This is already an issue with the telecommunications market, where tenants are often liable for exit fees from internet contracts if they have to move while still under contract.

Opting in

Despite 'opt-out' provisions applying for customers in circumstances where their existing meter is still operational, there is a risk that low literacy or other vulnerable customers may end up with an unexpected additional cost or new tariff arrangement. Given this risk, it may be appropriate to restrict meter replacement to where a meter has failed, or where it is required to provide an additional service offered by the retailer that current metering cannot provide (and the customer has agreed to receive). ***At a minimum, protections around marketing would need to be introduced, similar to those provided in the UK's Smart Metering Installation Code of Practice.***

Faults and outages

There also needs to be effective communication to customers of the process of replacing or investigating a fault with a meter, and who is responsible. The customer should only have to make initial contact with either the distributor or retailer. If the party contacted is not responsible, they (the distributor or retailer) should be obliged to contact the responsible party and get the process underway. A similar approach applies to credit reporting complaints following amendments that came into effect in 2014. Under that arrangement, any complaint to either a creditor or a credit reporting body must be resolved by the party that receives the dispute, regardless of their connection to the dispute.

The framework should also ensure that there are no barriers to the immediate restoration of power following an outage where there are no ongoing safety issues. For example:

- It should be clarified that where an outage involves a meter failure, distributors are not prevented from restoring power prior to the relevant metering coordinator arranging for a meter replacement.
- Retailers should be required to assign a 'provisional' metering coordinator to each connection for which they are the responsible retailer, but not yet responsible for metering services. This will allow for a smoother/quicker metering transition in the event of a meter failure.

Consumer engagement

Consumers ignorant of metering issues are vulnerable to poor market outcomes due to lack of understanding. For example, not understanding whether or not they need a new meter for the retail offer they are choosing. Relying on retailer marketing alone for consumer information about this change is not in the interests of consumers, as retailers' interest in contestable metering is in gaining and retaining customers, and safeguarding (and increasing) their margins.

This is especially pertinent for consumers who are facing an immediate decision for a meter when moving into a new property or having a meter replaced due to a fault.

If metering contestability is introduced, Victorian consumers will need to understand:

- why it is being introduced;
- how the new system works;
- what the technology offers;
- who the new parties are and what their obligations are;
- what customer protections apply; and
- what options they have when they move or churn, what costs apply, whether these costs are regulated, and when and how they must pay.

If a successful consumer education campaign is run, we could face another issue where consumers are confused about how it relates to the AMI rollout they have just experienced (and paid for). It's not clear how we can explain to customers that the AMI meters that were supposed to offer so much are suddenly being replaced.

Service standards

Currently service standards for metering-related services are covered by the GSL regime for distributors and the AMI service standards. It's unclear what services standards will apply under a contestable framework. Meter replacement due to a fault may be an uncommon occurrence but it still happens to thousands of households per year. The 10 days (??) MCs are given to replace meters is far too long for a consumer to be off supply.