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COMMERCIAL-IN-CONFIDENCE

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Regulatory Review – Smart Meters
Essential Services Commission
Level 2, 35 Spring Street
MELBOURNE, VIC 3000

By Email: smartmeters@esc.vic.gov.au

Essential Services Commission Regulatory Review – Smart Meters - Commercial in Confidence Submission by Country Energy

Country Energy welcomes the opportunity to respond to the Essential Services Commission draft decision on regulatory changes required to facilitate the Victorian smart meter program.

Country Energy is a leading Australian energy business owned by the NSW Government serving more than 700,000 customers across the National Energy Market, including Victoria.

However, as the Essential Services Commission (ESC) is aware, the NSW Government is in the process of completing the sale of the retail arms of the Government owned organisation in Country Energy, Energy Australia and Integral Energy.

The NSW Treasurer, Eric Roosendaal recently clarified the future timelines for the energy reform process, announcing that potential purchasers must have their bidding bid in by 1 November 2010 - and the sale process is to be completed by the end of 2010. It is important to note that transitional service agreements will be in place following the sale to transition customers to the new owner.

Based on the current timetable detailed in the ESC's draft decision, any regulatory amendments arising from the final decision will take effect from 1 April 2011 (unless otherwise stated).

Therefore if both timetables hold true the regulatory changes are unlikely to cause substantial issues for Country Energy. However if the reform process does slip from its current timetable, Country Energy would like to seek a temporary exemption from specific parts of the regulatory amendments as detailed below.

Draft Decision 1 - Assisting vulnerable customers (section 3)

For customers in retailers' hardship programs on a smart meter tariff, retailers will be required to:

- *Agree with participants the most cost-effective tariff based on their behaviour and circumstances known at the time of entry to the program*
- *Monitor participants' behaviour and consumption during the program to ensure that they continue on the most cost-effective tariff and facilitate a change if necessary*
- *Not offer supply capacity control products until 31 December 2013*

Country Energy is a strong advocate of programs to support customers in hardship and we look to ensure that they are on a program that allows them flexible and understanding payment options to suit their individual circumstances. However the obligation for retailers to determine the most cost-effective tariff based on hardship customers behaviour will take time for retailers to develop and adapt.

To implement this obligation from 1 January 2011 will not allow the market to test and understand customer's response to the smart meter price signals - especially because hardship customers circumstances are so unique. Country Energy's preference would be that given the program is still in its infancy that this particular aspect would not be regulated until market knowledge is better informed to assist hardship customers.

Draft decision 2 - Verifying the accuracy of the bill

Clause 4.2 will be amended so that the following is shown on all customers' bills derived from interval data

- *the total accumulation consumption reading corresponding to the end of the billing period*
- *the consumption by tariff segment, the actual tariffs and total consumption for the period.*

Country Energy currently displays on the customer's bill the total consumption for each tariff. As such Country Energy can comply with part two of this decision.

However, Country Energy's billing system is currently set up to process cumulative manual readings or interval readings. To provide the accumulation consumption reading on the customers account would require system and billing changes for Country Energy.

To change these systems in the middle of a retail reform process would not be cost effective for the customer especially given our resource constraints to meet the timeframes of the reform project.

To implement this decision would require Country Energy to engage external consultants. This would increase the implementation costs to comply with this regulatory amendment for only a short period of compliance. In addition it is likely that Country Energy's purchaser will have already completed the system changes in order to comply with this regulatory amendment.

Therefore Country Energy respectfully requests a temporary exemption from this facet of the regulatory changes until transition arrangements have been completed so that customers do not face a double up of implementation costs.

Draft Decision 3 - Estimated and substituted data on the bills (section 4.2.2)

- *Retailers must indicate that the bill is estimated when more than 5% of the interval metering data that is used to determine the billed energy consumption are not actual readings from the smart meter*
- *When any interval metering data from a smart meter is required to be substituted to determine the energy consumption in a bill, the retailer must either:*
 - (a) indicate on the bill that the bill is substituted and the extent of the substitution: or*
 - (b) not charge in the bill for energy consumption for each interval that is substituted.*

In relation to part 1 of this decision, Country Energy is able to flag the bill as estimated if more than 5 percent of data has been estimated. At the moment, Country Energy's Meter Data Agency is not transferring data to billing through the automated process unless all data that is received during the period is "actual" or a "final substitution".

Country Energy would like to request greater clarification on part 2 of this decision. Is the requirement under 2 (a) to provide the percentage or number of intervals that are substituted or the percentage or value of energy that is substituted?

While Country Energy can understand that this provides the customer additional information - this information could make understanding the bill more complicated. The extent of substitution of consumption does not directly correlate financially to the bill value as it depends on the tariff offering the customer is on and the time period at which the substitutions occur. A percentage of substitutions during a peak period will have a vast difference to outcomes of bill calculations versus substitutions during an off peak period.

Systems changes would be required to enable the provision, on the customer's bill, of the extent of substitutions included within the account. This change is also likely to have significant performance issues on billing processes as it requires further processing of interval data at the time of bill production.

In relation to part 2 (b) Country Energy does not support 'not charging' for substituted intervals as a viable option as this increases risk to the retail business in an already tight margin environment.

Country Energy respectively requests an exemption from this clause as this would require a significant change to the billing engine to provide the proportion of substitution information at time of bill production.

Draft Decision4 - Graphical information on the bill (section 4.3.1)

Retailers will be required to show on the consumption graph for customers with smart meter tariffs:

- *The customer's consumption for each monthly period over the past 12 months;*
and

- *The average daily cost for each smart meter tariff component over the billing period*

The information required under this draft decision will require changes to Country Energy's billing system. Country Energy's systems internally aggregates interval data for billing purposes and this aggregation aligns with the customers billing period which at present is quarterly.

Changes would be required to our systems to also cater for monthly aggregated consumption for use in production of consumptions graphs.

This would not represent a prudent investment in the current retail reform environment. Again Country Energy respectfully requests a temporary exemption from this draft decision until the retail reform process is complete and customers have transitioned to the new purchaser.

Draft Decision 5 - Unbundling charges and tariffs on the bill (section 4.3.2)

Clause 4.2(i) remains. It is the retailer's decision as to whether to show the network charges on the bill.

Country Energy supports the ESC decision to allow retailer discretion for unbundling tariffs on customer's bills.

If you have any questions in relation to this submission, please contact me on 02 6338 3410.

Yours sincerely

[submitted electronically]

Gerard Lang
Manager Regulatory Policy