



3 February 2011

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

Email: khayen.prentice@esc.vic.gov.au

Dear Ms Prentice,

**RE: SMART METERS REGULATORY REVIEW – CAPACITY CONTROL
AND VERIFYING BILLS**

CitiPower and Powercor Australia (**the Businesses**) refer to the Essential Services Commission's (**the Commission**) Issues Paper entitled *Smart Meters Regulatory Review – Capacity Control and Verifying Bills* dated December 2010 (**the Issues Paper**).

The Businesses appreciate the opportunity to comment on the Issues Papers and make the following submissions for the Commission's consideration.

Use of supply and load capacity control by distributors

The Businesses note the Commission's intention to consider the use of supply and load capacity control products by distributors for purposes other than credit management. The Businesses advise that a form of capacity control is currently implemented by distributors and is governed by the *Service and Installation Rules (SIR)*. The SIR mandates supply capacity controls to be installed for customers with loads above 100 Amps: see clause 6.7.1 of the SIR. For customers with loads of less than 100 Amps, the distributor may request that a supply capacity control device be installed.

The purpose of the SIR provisions on supply capacity control is to facilitate cost effective network management whilst ensuring the safety, reliability and quality of supply. Supply capacity control is therefore utilised by distributors for network management only, and not for credit management purposes. This is reinforced by the fact that retailers are liable to pay all network charges properly invoiced by the distributor.

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Typically, supply capacity control arrangements are discussed and negotiated with customers, with circuit breakers being the preferred method of control. Once a customer exceeds the agreed level of supply, restoration of supply must be performed manually by the customer. The SIR does not allow for automatic restoration of power by supply capacity control devices. Supply capacity control arrangements may be varied or terminated in accordance with the provisions of the relevant connection agreement.

The Businesses propose that, with the introduction of smart meters, supply and load capacity can be controlled through the use of the overload function of the meters. The meter can be set to the desired level of supply which obviates the need for the customer to have a circuit breaker installed. The meter also has the ability to automatically restore a customer's supply after a set amount of time.

The Businesses do not recommend that supply be guaranteed once it has been restored, nor that limits be imposed on the frequency or number of outages. Such policies would defeat the purpose for which supply capacity control is exercised in the network context, which is that customers under such arrangements must reduce consumption before power can be restored. The Businesses advise that supply capacity is set at levels which minimise potential damage to the distribution system and ensure safe and reliable quality of supply to all customers. Where a greater load capacity is required by customers, this may be negotiated with the distributor, who will assess options available to the customer to increase capacity at the customer's premises.

The ability to vary load capacity at the customer's request ensures that customers with special needs or circumstances can be appropriately serviced. The Businesses submit that health and safety concerns, particularly with respect to customers on life support, are therefore adequately addressed in terms of supply capacity control. The Businesses highlight that the issue of supply capacity control should not be confused with the issue of reliability of supply. The Businesses remind the Commission that reliability of supply for customers with special needs are currently addressed under the *Electricity Distribution Code (Code)*. Under clause 12.6.2 of the Code, distributors must not disconnect supply where a customer is a registered life support supply address, or where disconnection would immediately endanger the health or safety of any person.

Use of supply capacity control and load control by retailers

The Businesses note that the Commission propose to offer capacity control and load control to retailers. The Businesses advise that this issue is being considered in the National Smart Metering Program (NSMP). Given that the rollout of smart meters is scheduled for completion in 2013, issues related to smart meters are most appropriately addressed under this framework and should not be expedited through a single jurisdictional consultation process.

The NSMP was established to allow all stakeholders, including consumers, to participate in an effective and meaningful way. Working groups within the NSMP, including the National Stakeholder Steering Committee (NSSC), are currently considering issues with respect to access and contestability of metering services,

including the costs and benefits of contestability to customers and the introduction of a customer functions service provider.

In particular, working groups are also considering the development of a protocol for load management and network security for the purposes of determining processes for load and supply control. The Businesses submit that it would be unwise for the Commission to pre-empt decisions of the NSSC and working groups under the NSMP, as the Commission's consultation process will be unlikely to adequately accommodate concerns of all stakeholders and address the technical issues that arise as advanced metering infrastructure is progressively rolled out across Victoria.

While the Businesses do not wish to engage in unnecessary repetition of issues raised under the NSMP forum, the Businesses submit that the use of control measures by retailers would not be workable or practical without the establishment of clear protocols. This is because the purposes for which distributors and retailers would use supply capacity and load control are different and may, at times, be conflicting.

While distributors utilise such control measures to manage the network's capacity to ensure reliability of supply over the network's working life, retailers will seek to manage load control on the basis of expected and actual market prices of electricity, and any financial hedging arrangements. While there may be times at which both retailers' and distributors' interests are aligned, there may be other times when this will not be the case.

For example, there may be times when it will be in a retailer's interest to allow consumption to continue unabated, for which it is in the distributor's interest to limit consumption to ensure the reliability and quality of supply to all customers on the network. The Businesses advise that actions which test the limits of a network's capacity lead to increased frequency in maintenance and earlier replacement of assets. While the regulatory framework is such that it is in a distributor's interest to ensure that these costs are effectively and safely managed, the Commission's proposal may create external cost pressures which may ultimately lead to higher distribution prices for consumers in the long term.

It is not possible to identify in advance situations or periods in which such conflicts of interest may arise. This is because, hedging positions differ across retailers and across time, and likewise network capacity issues will be unique to each distributor. These issues, amongst others, are currently being addressed under the NSMP framework, and the Businesses reiterate their support for the holistic and comprehensive approach taken by working groups and the NSSC in seeking to resolve these problems.

Readings at meter changeover

The Businesses note the Commission's proposals to allow customers to verify bills by requiring distributors to leave a final reading at the premises at the time of a meter changeover, or to issue letters to customers that installation of a new meter is imminent and that the customer should take the opportunity to note the current reading on the basic meter.

Firstly, the Businesses submit that meter readings conducted by customers may be fraught with error, and are an unnecessary inconvenience for customers given that meter technicians are currently recording final readings at the time of the meter exchange. Therefore the Businesses do not consider customers should be directed to take final readings for the purposes of verification.

Secondly, while the Businesses are supportive of policies which allow customers to be more informed, such policies may not ultimately allow customers to accurately verify the reading with their next bill. This is because meter readings may be different from readings cited on a customer's bill due to the substitution and validation of data by distributors.

Distributors are permitted to validate and substitute data to ensure that metering data is of an expected magnitude and profile for a customer type. The way in which data may be substituted and validated is governed by complex metrology procedures produced by the Australian Energy Market Operator (**AEMO**). Substitution may occur for a number of reasons, for example:

1. where the remote or manual metering data collection system has failed or is faulty;
2. where the metering installation for a connection point has failed or is removed from service;
3. to enable timely provision of metering data to AEMO for settlements purposes;
4. where metering data has been irretrievably lost;
5. where the metering data obtained is found to be erroneous or incomplete; or
6. where metering data has failed or has not completed the validation process.

Therefore, final readings may not be identical to readings cited on a customer's final bill. Unless customers are familiar with the substitution and validation of data processes set out in the metrology procedure, a final reading would serve only to confuse customers. The Businesses therefore propose that letters issued to customers informing them of a meter changeover include a provision stating that readings on the bill are subject to variation in accordance with the metrology procedure.

If you have any questions, please contact Vivienne Pham on (03) 9683 2023 or by email at vpham@powercor.com.au.

Yours sincerely,



Brent Cleeve
MANAGER REGULATION