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Ms Wendy Heath
Regulatory Review – Smart Meters
Essential Services Commission
Level 2, 35 Spring Street
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Dear Wendy

Regulatory Review Smart Meters, Draft Decision

United Energy Distribution appreciates the opportunity to respond to the ESC Draft Decision, Regulatory Review Smart Meters.

In the response we have limited our comments to the ESC Draft Decision items and will look forward to consultation on the more detailed drafting of the instruments.

Assisting Vulnerable Customers

The ESC sought views on whether there were any enhancements required to the current regulation which are necessary for vulnerable customers arising from the implementation of smart meters.

Draft Decision

For customers on a smart meter tariff in retailers' hardship programs, 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 2013.²⁶

These obligations will be included in Guideline No 21: Energy Industry – Energy Retailers' Financial Hardship Policies.

The amendments will take effect from 1 January 2011 as they involve minimal process and system changes

UED understand from the ESC smart metering forum held on 27 July that the term 'participants' is a reference to end use customers. UED consider that it may also be useful to clarify the term 'smart metering tariff'. There is no such thing as a smart meter tariff and therefore reference to this terminology is not helpful. If the ESC is referring to time of use tariffs then that should be

explicitly stated and explained. Some network tariffs that are applied to smart meters are also applied to basic meters – basic accumulation meters or interval meters.

It may be useful to clarify what might be expected in terms of frequency of monitoring of the customer's behaviour and consumption. Where a smart meter or interval meter has recently been installed, there will be little customer profile data across the day on which to base 'most effective tariff' decisions.

Verifying the Accuracy of a Bill

Current regulations require the current and previous meter readings on a customer's bill for an accumulation meter. The ESC considers it is important for customers to be able to verify their bill where it is based on interval data and have proposed the following in the Draft Decision.

Draft Decision

The following must be shown on all customers' bills derived from interval data:

- the total accumulated consumption read corresponding to the end of the billing period
- the consumption by tariff segment, price for each tariff segment and the total consumption for the period.

Retailers can determine their own format for this information, but it must be clear, understandable and not confuse customers.

Retailers will be required explain the new bill formats based on interval data from smart meters to customers, including but not limited to, the change from beginning and end reads to total accumulated consumption and the consumption by tariff segment, total consumption for the period and tariffs.

The ESC consultation has centred on this issue in relation to the smart meter roll out and small customer protections. UED is able to support the ESC Draft Decision for smart meters operating on the new IT systems.

If the ESC draft the regulatory instruments in relation to bills derived from interval data then:

- This implies an obligation on retailers to provide a total accumulated read on any interval metering bills derived from type1-4 interval metering installations. There is no corresponding obligation in the meter data file format requirements to collect/provide this information to retailers.
- In UED legacy systems for type 5 interval meters, the total accumulated read is not collected into our meter data management system and hence is not available to provide in the meter data file to retailers. If the drafting requires the distributor to collect the total accumulated register read for all 'old' type 5 meters this would be inefficient spend on legacy systems and would require at least 4-6 months lead time to implement.

UED confirm that we are providing the total accumulated register read daily to retailers in interval meter data files where the data captured is from the new smart meters. This read is captured at midnight in the meter memory, regardless of when we actually collect it from the meter eg 1am or 3am.

Estimated and Substituted data on Bills

Current regulations require retailers to advise when a bill is based on estimated data as opposed to actual meter readings so this highlights to the customer that their bill has been estimated and reminds customers of their obligation to provide access to the meter.

For bills based on interval metering data, several half hour periods could have estimated or substituted data. The Issues Paper canvassed options on how customers could be advised that their bills contain some estimated or substituted data.

Draft Decision

Clause 5 of the ERC will be amended so that:

- retailers must indicate that the bill is estimated when more than 5 per cent 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 the bill, the retailer must either:

(a) indicate on the bill that the bill is substituted and the extent of the substitutes; or

(b) not charge in the bill for energy consumption for each interval that is substituted.

The Commission currently collects data on the number and proportion of estimated bills issued by retailers. The performance indicators will be expanded to include the number and proportion of bills issued with substituted data.

The Commission will recommend to the Australian Energy Regulator (AER) that the extent to which the distributors substitute data in the interval data provided to the retailers is also monitored.

Currently retailers are allowed to recover between 9-12 months of undercharging. When smart meters are more fully operational and monthly billing of customers more prevalent, the Commission will review clause 6.2 of the Energy Retail Code to determine if a shorter period should be introduced.

UED raised a number of valid reasons why data may be estimated or substituted in our last response. UED also raised a number of control processes that are in place to ensure compliance with NEM processes or to minimise estimated data that may form part of a customer's bill. UED re-iterate that estimates and substitutes are a valid part of the metering data processes in the market today, including for any small customers with type 4 or type 5 metering today.

AEMO already review the levels of substituted data in the market and UED already monitor the daily level of substituted data from the overnight reads for smart meters. UED recommend that more consideration be given to the need for further additional reporting requirements.

It may be inefficient to create more reporting requirements in addition to the current monitoring/reporting already undertaken.

Graphical information on the Bill

The ESC considers that customers should be provided with basic information on a bill showing time of use tariff consumption over a monthly period and daily costs.

Draft Decision

Clause 4.4 will be amended to include the requirement that retailers show on the consumption graph:

- the customer's consumption for each monthly period over the past 12 months; and
- the average daily cost for each smart meter tariff over the billing period.

UED is supportive of the additional graphical information on customer's bills. This provides a visual representation of usage and therefore enables customers to understand their consumption patterns better in order to make a more informed choice in relation to TOU pricing.

There may be customers on time of use tariffs where the meters are read quarterly during the month which may make the provision of monthly graphs more difficult e.g. if the read period covers mid March to mid May. In addition, any new smart meter that is installed would not be able to show the last 12 months of monthly interval data. Changes in tariff or staging of tariff introduction could also make the graphs more confusing over a 12 month period where the consumption by tariff segment is provided.

Unbundling Tariffs and Charges on the Bills

The ESC considers that greater transparency through information to customers is desirable for customers to benefit. The Issues Paper sought input from stakeholders on whether bill unbundling would be helpful for customers or not. Due to possible customer confusion, additional retail costs and possible constraints on retail tariff innovation, the ESC in its Draft Decision has remained with the current approach where the discretion to unbundle remains with the retailer.

Draft Decision

We will retain the current requirement that it is the retailer's decision as to whether to show the network charges on the bill.

That is, under clause 4.2(i), if the retailer directly passes through a network charge to the customer, the separate amount of the network charge must be shown on the bill. This charge must replicate the regulated charge.

UED supports the ESC position not to mandate the unbundling of network charges on the customer's bill.

The ESC Draft Decision intends to retain the Energy Retail Code clause 4.2 (i) which allows the retailer choice of whether they unbundle the network charges. The Draft Decision also notes that the unbundled charge must replicate the network charge.

Clause 4.2(i) below, does not require the passed through network charge to replicate the regulated charge:

'if the **retailer** directly passes through a network charge to the **customer**, the separate amount of the network charge;'

Notification of variations to tariffs

The Issues Paper sought input from stakeholders on whether the ESC should make changes to regulation relating to any tariff notifications at this time or whether they should wait for the outcomes of the Victorian Government's deliberations. The ESC considers that it is a requirement that customers are notified of any tariff variations prior to them taking effect.

Draft Decision

Clause 26.4(b) of the ERC will be amended to require retailers to notify the customer of any variation to the retailer's tariffs at least one month prior to the date of effect. This notification must be separate to the customer's bill. The notification will apply to existing tariffs and any new smart meter tariffs.

Clause 9.8 of the default Use of System Agreement will be redrafted to ensure that the distributors advise the retailers of the network tariff changes in a timely manner, so that the retailers can meet their new obligations.

The ESC Draft Decision intends to amend the Energy Retail Code to require retailers to provide at least one months notice to a customer prior to a tariff change taking effect. UED understands from the discussion at the ESC information forum that the proposed drafting only

relates to retailer's market contracts. The deemed and standing offers are already gazetted one month prior to any increased tariff rates taking effect and the gazettal is understood to meet these notification requirements.

UED supports prior notification to customers of retail tariff changes, however, any drafting amendments to the Energy Retail Code need to make it clear;

- that this does not include customer requested changes to metering or tariffs e.g. the provision of co-generation metering and the change of metering configuration which may involve a network tariff change and/or the provision of feed in tariff credits, meter upgrades etc; and
- that the retailer's ability to provide at least one months notice may be limited by the timeframes that the AER approves the distributor's tariff submissions and the final network charges that distributors are able to provide to the retailers.

UED also note that there may be consequential issues created by such an obligation in relation to the roll out of AMI. Any complex sites which need to be visited once the tariff moratorium is lifted will need to have significantly longer lead and planning timeframes in order to provide the necessary notice. This means that the advice to customers of metering and tariff changes may need to occur 6-8 weeks in advance of a meter exchange. This longer lead time could result in the customer forgetting the date of the meter exchange, more exceptions and appointment management etc.

Obligations on distributors to notify customers and retailers of network tariff changes, almost seems to be predicated on a mandated network tariff approach vs a customer choice or opt in approach. If customers have choice of network tariff, at what point in the process and timings is it appropriate for the distributor to notify the retailer?

Distributors also have the obligation to develop a tariff report each year which advises the market its intentions of new network tariffs and closure of existing network tariffs to customers not already taking supply on that tariff, how network tariffs are applied, and the network tariffs/prices. This report is submitted to the AER in late October and the AER approves the tariffs in late November or December for price increases that apply on 1 January the following year. These approved network tariffs feed in to retailer's deemed and standing offers and also market contracts.

As a flow on from this process, retailers also increase their prices on 1 January and are required under law to gazette a month earlier, ie 1 December. Some retailers may also increase prices mid year.

It is impractical to advise the retailers with more than one months notice so that they are able to meet these proposed obligations of one months notice to customers where the changes in the network tariffs are not approved in sufficient time.

UED re-iterate our earlier response – any regulatory arrangement needs to be operationally practical and reflect that other drivers may require a timely change of network tariff. The ESC has given no indication of how the UoSA might be redrafted.

UED consider this needs to be discussed further and the implications with the DPI tariff transition plans assessed before any redrafting of the UoSA occurs. UED would welcome the opportunity to discuss the process and drafting with the ESC and DPI. At the least, any drafting changes to the Energy Retail Code need to reflect a timely manner requirement on retailers as opposed to the one months notice requirement due to the practical implications listed above.

Shopping around for a better offer

In the Issues Paper, the ESC sought views on whether a standard approach should be required in some retail product offerings or whether certain customer profile characteristics applied to tariff offers would enable customers to compare offerings more easily.

Access to historical billing and metering data

The ESC considered there was a need to review customer access to metering data and privacy considerations in line with the adoption of smart meters and various technology options for gaining access to the metering data.

Draft Decision

The provision of historical billing data will continue to be regulated under clause 27 of the Energy Retail Code.

Retailers should provide metering data to existing (and former) customers. Clause 27 will be amended in the Energy Retail Code to enable customers to access their metering data as follows:

- if requested by a customer with a smart meter, retailers will be required to provide the interval data electronically, or by some other form, in a way which makes the information understandable and accessible to the customer.
- retain and provide this information to existing and former customers with the same obligations as under clause 27.2.

In connection with In Home Displays (IHDs), the Commission will incorporate new provisions in the relevant regulations to require:

- both retailers and distributors to establish a set of privacy principles for the dissemination of consumption information through IHDs, before they are utilised;
- retailers, in providing IHDs to their customers, to provide information to the customers setting out how the consumption and cost information displayed on the IHD compares to the consumption and cost details on the customer's bill.

UED is committed to protecting the security and privacy of personally identifiable consumer information. We have already demonstrated a strong commitment to applying best practice security principles to our AMI program with our ISO 27001 certification.

The ZigBee Home Area Network technology prescribed by the Victorian AMI Minimum Functional Specification has security features built-in that ensure an In-Home-Display is bound to the desired smart meter and that neighbours and passer-bys cannot access private information via the Home Area Network.

Processes related to protecting consumers' private information around moving in and moving out events are currently being formulated within the National Smart Metering Program, with our AMI representatives involved in those discussions such that the principles can be applied to the introduction of IHDs in Victoria. UED recognise that there may be a timing issue, however our preference is to align these customer privacy measures nationally.

Protecting the privacy of consumer information may involve clearing or filtering of data in the meter, and/or reconfiguration of the meter. Care will need to be taken to ensure any measures to protect privacy are made with due consideration for established metrology procedures and business procedures.

The National Smart Metering Program needs to assess these processes and the integrity of the data and develop a nationally consistent process. The principles of these processes for IHD's

should also apply to other methods of access to consumption information eg internet access, web portals, Google, I-phone application arrangements, other HAN devices etc.

Prompt connection, disconnection and reconnection service

The ESC considers that remote services can be extended into after hours periods and involve a shorter time period to perform the services. The ESC in its Draft Decision has proposed that, subject to safety considerations, customers should be able to be energised and de-energised within 2 hours.

Draft Decision

To amend the relevant clauses in the Energy Retail Code and Electricity Distribution Code to:

- require that where a remote connection, disconnection or reconnection is to be carried out, that the distributor uses its best endeavours to perform the service within two hours of a valid request from a retailer or customer, and
- clarify the terms associated with connection and energisation taking into account smart meters to remove any ambiguity.

The ESC Draft Decision states;

‘The Minimum AMI Functionality Specification (Victoria) published by the Victorian Government requires, in effect, that distributors perform these services remotely, where it can be done safely, in preference to manually. This means that the services will become more efficient.’

UED recommend that any amendment to the Electricity Distribution Code should refer to ‘where the service can be performed safely by remote means’. UED has sought approval from the Energy Safety Regulator to use the remote de-energisation and energisation services and is awaiting a response.

In addition, distributors do not take energisation, de-energisation requests from customers as we do not manage customer information to the extent of keeping personal information in order to verify the customer as being correctly linked to the premise. It is important that customers seek energisation from retailers and agree to the contractual terms and conditions offered. This ensures that customers are aware of their retailer and retail tariffs and that the retailer makes the request on the customer’s behalf.

In addition the agreed industry Victorian AMI process model considered the timing of de-energisation and re-energisation and decided that it would be appropriate to try to control remote servicing in business hours (customer move in/out energisations and also retailer de-energisation for non payment).

As a consequence of this process, industry agreed that distributors would not re-energise before 7am local time. That is, distributors will not attempt to remotely re-energise a NMI before 7am either on or after the Scheduled Date as specified on the retailer’s re-energisation request.¹

Industry also agreed that distributors would not de-energise before 9 am on or after the scheduled date on the service order request, or de-energise for non payment before 10 am on

¹ Victorian AMI Process Model, Process 7. – Re-energisation, 7.2.9, page 43

or after the scheduled date on the service order request². This means that customers will have electricity first thing in the morning.

These processes provide an opportunity for the retailer to clearly communicate to the customer the likely times that the actions will occur and also means that the customer has a greater opportunity of being awake should any appliances/lights need to be turned off. It also provides the opportunity for a customer to correct a de-energisation for non payment during business hours with the retailer so that they may be re-energised later the same day. UED consider that the industry process allows the clear communication of the actions the ESC is proposing under Clause 13.2 of the Energy Retail Code.

Unless a move in customer has specifically forgotten to arrange for re-energisation and needs re-energisation to ensure that they are back on supply by close of business/ nightfall, UED is quite comfortable with the industry agreed approach where customers will not be de-energised at times that may be inconvenient to the customer. The ESC may like to consider the 2 hours service being limited to re-energisation whilst still regulating more business hour de-energisation requests initially.

Information to New Customers after remote disconnection

Currently when sites are de-energised, distributors are required to leave a brochure at the premise advising the next occupant the list of current retailers and how they may request supply. The remote provision of this service means that there is no site visit and to the extent that customers need assistance finding a retailer to be able to be connected, the ESC is proposing the distributors add a sticker in the meter box for the remainder of the smart meter roll out.

Draft Decision

Clause 9.1.13 of the Electricity Distribution Code will be amended to require distributors to include a sticker on all smart meters installed in customers' premises from 1 January 2011. This sticker must include the relevant distributor's call centre number advising customers to contact this number if their premises are disconnected.

UED already provide a sticker on all UED provided meters to meet the obligations in the Electricity Metering Code, clause 2.6, to provide a customer with a type 5 interval meter 'sufficient written information to the **customer** about the **meter** so that the **customer** can access, at a minimum, the cumulative total **energy** measured by that **metering installation**.' As part of this sticker on the meter face, the UED name and faults number is also provided.

UED suggest that the proposed obligation is already being met and there is no requirement to amend the Electricity Distribution Code.

If the ESC does not consider that this meets the intent of the obligation then additional costs would be incurred to provide a second sticker. A four month lead time would also be needed between the ESC final instrument drafting and implementation to allow time for contracts to be altered and additional costs negotiated, a new sticker to be made etc.

The ESC should note that the AER has recently disallowed funds for fridge magnets for customers which could have provided our call centre number and our fault and emergency

² Victorian AMI Process Model, Process 8. – De-energisation, 8.2.9, page 53

number. Any additional regulatory obligation which facilitates retailer choice and customer energisation needs to be funded as part of the price review determination.

UED should not be required to list retailer's names to customers over the phone to facilitate retail competition. Customers should at most be directed to the Your Choice website or if more convenient for the customer, the current retailer for the NMI.

It is a matter for the regulator or government to ensure that customers are aware of their choice of retailer and assist to facilitate competition in the retail market. It is more appropriate that an independent party such as the Regulator advertise the Your Choice website to customers.

Frequency of network billing of retailers by distributors

The ESC has agreed that distributors may bill metering data obtained from smart meters on a monthly basis. However the payment terms to retailers need to ensure that, in the medium term, they are matched to retailer's quarterly customer billing cycles to provide a neutral outcome for retailers.

Draft Decision

The default Use of System Agreement (UoSA) will be amended to enable the distributors to issue monthly bills to the retailers, but retain the payment terms associated with the customers' current billing cycles.

Clause 7.8(a) of the UoSA will be repealed and replaced with the following:

"Subject to clause 7.9, a party must pay the amount specified in each invoice rendered to it in accordance with this agreement to the other party within the following number of business days after the day on which the invoice is received (or deemed to be received) by the first party:

- To the extent that the invoice relates to Supply Points with a remotely read internal meter [which has been installed after 28 August 2007] and the billing period relates to a period before 1 January 2012 – within # Business Days91;
- Otherwise – within 10 Business Days

Appendix Item 3 (Frequency of meter reads) will be amended to read:

"For all Supply Points connect to the Distribution System and having a remotely read internal meter – monthly.

For all other Supply Points – once every 3 months or as otherwise reasonably determined by the Distributor".

The amendments to the default Use of System Agreement will take effect from 1 October 2010, to support the distributors' commercial arrangements with the retailers.

UED support the ESC's decision to amend the UoSA and would be happy to draft changes into the UED UoSA which are consistent with the UED amending agreements that are currently in place with retailers. UED supports the ESC proposal that an ESC approved default UoSA will be available for retailers to sign by 1 October 2010. UED also supports that the extended payment terms are provided for all billing periods prior to 1 January 2012.

UED will provide an amended UoSA to the ESC over the next few weeks.

Each distributor will have different IT changes to accommodate smart metering and may require slightly different arrangements e.g. where separate payments terms are utilised there will be a need for separate invoices etc. UED consider that the drafting requirements may need to be slightly different for each distributor and the neutral position may also vary depending on the timing of the metering data captured in each invoice.

The ESC's intent is that the extended payment terms should produce an equivalent outcome for the retailers where customers that were on quarterly meter reading schedules who receive a remotely read smart meter move to monthly billing of network charges.

The drafting proposed by the ESC captures any remotely read interval meter whether it is a smart meter or a type 1-4 interval meter installed after 28 August 2007. The drafting also captures any customers who were on a monthly manual read cycle and provides them with the extended payment terms despite the fact that they are currently billed monthly on 10 business day payment terms.

The drafting should link the quarterly read sites that receive a smart meter and become remotely read to the extended payment terms so that there are no unintended consequences for types 1-4 and type 7 meter types.

The ESC proposed to make a change to the meter read frequency in item 3 of the Appendix to specify that a remotely read interval meter has a meter read frequency of monthly. Interval data is collected or acquired from a remotely read interval meter every few hours or each day. There is no scheduled read cycle as such. The interval data is billed monthly, it is not collected or read on a monthly basis.

Should you have any questions in relation to this response please do not hesitate to call 8540 7819.

Yours sincerely

Verity Watson
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