REPORT

Prepared for:

Consumer Utilities Advocacy Centre (CUAC)

Level 2, 172 Flinders Street

Melbourne VIC 3000

Smart Meters Regulatory Review

Prepared by:

Etrog Consulting Pty Ltd

Melbourne

Australia

+61 403 444141

etrogconsulting@tesco.net

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Author(s): David Prins

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The views expressed in this document do not necessarily reflect the views of the Consumer Advocacy Panel or the Australian Energy Market Commission.

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1. INTRODUCTION

This report has been prepared by Etrog Consulting Pty Ltd for the Consumer Utilities Advocacy Centre Ltd (CUAC). It comments on an Issues Paper[1] that has been released by the Essential Services Commission Victoria (ESC) for public consultation.

This report is being provided to CUAC with the understanding that CUAC is intending to include this report in its submission to the ESC on the Issues Paper.

1.1. BACKGROUND

1.1.1. The ESC's smart meters regulatory review

The ESC has launched a smart meters regulatory review:[2]

> *Smart meters are being rolled out to all Victorian households and small businesses over the next 4 years, commencing September 2009. The new smart meters will provide two-way communication between customers' electricity meters and their power company. This will allow customers to access accurate electricity meter readings, which will be updated every 30 minutes. Smart meters also will make it easier for power to be connected and disconnected when customers move house, and for outages to be identified and power restored more quickly.*
>
> *This new metering technology will require some changes to the regulations which currently protect domestic and small business customers in Victoria. The existing regulations, which are overseen by the Commission, are designed for an energy market where meters are manually read and information about their electricity use is provided to most customers on their quarterly bills.*
>
> *The Commission therefore is reviewing its customer protection and energy market regulations to ensure they are appropriate for the commencement of the operation of smart meters.*

The ESC has published the following documents:

- An open letter (12 February 2010), with submissions from 14 stakeholders;
- A review scope (19 March 2010); and

1 *Regulatory Review – Smart Meters*, Issues Paper, ESC, April 2010

2 See www.esc.vic.gov.au/public/Energy/Consultations/Smart+meters+regulatory+review.htm

- An Issues Paper (27 April 2010), which is open for comment, together with two background papers:

    1. Victorian energy regulations relevant to smart meter rollout; and

    2. Review of relevant regulations in other jurisdictions.

1.1.2. The scope of the ESC's review

The review will concentrate on those regulatory obligations which directly impact on the relationships between distributors and their customers, retailers and their customers and distributors and retailers.

The regulations in the following instruments will be reviewed:

- Distribution and retail licences;
- Use of System Agreement;
- Electricity Customer Metering Code;
- Electricity Customer Transfer Code;
- Electricity Distribution Code;
- Energy Retail Code;
- Code of Conduct for Marketing Retail Energy in Victoria; and
- Guideline No 19: Energy Industry – Energy Price and Product Disclosure – offer summary requirements.

The review will also consider approaches in other jurisdictions. Regulatory frameworks in Texas, Ontario and California will be examined for lessons learnt and regulatory approaches which could be considered for adoption in Victoria. These jurisdictions were selected because of their similarity to Victoria, including the scope and level of retail competition, the mandated or voluntary rollout of smart meters and the application of TOU pricing.

The ESC will also take account of the outcomes of the customer trials implemented by EnergyAustralia in New South Wales.

As a general point, we note that the ESC Issues Paper states:[3]

> *The Commission is aware that the national regulatory framework will ultimately include protections for customers with smart meters. To avoid unnecessary duplication, the review therefore will focus on the regulatory amendments, to promote the interests of customers and to facilitate the efficiency of the market, which are essential to support the imminent operation of smart meters in Victoria.*
>
> *Consumer advocates want to ensure that the regulation is robust to facilitate customers benefiting when smart meters are fully operational.*

We agree with this position. The ESC should not need to focus on regulatory amendments that are being developed nationally and that will be in position in time to support the imminent operation of smart meters in Victoria. However, it is unclear which items are excluded from the ESC review because they will be in position in a national regulatory framework in time to support the imminent operation of smart meters in Victoria, and we believe the ESC should have clarified in its Issues Paper which those are.

We also note that many issues associated with smart metering have been excluded from consideration in the development of the National Energy Customer Framework (NECF) currently being considered by the Ministerial Council on Energy (MCE).[4]

The scope of the ESC review specifically *excludes*:

- The distributional impacts of time-of-use tariffs on customers as this is being considered by the Victorian Minister for Energy and Resources' Customer Consultation Working Group;
- Possible regulatory approaches to new technology designed to enhance the operation of smart meters, for example, demand management technology and supply capacity control. This is because these developments have not sufficiently progressed for appropriate regulatory responses to be considered; and
- Pricing and tariff issues, beyond the notification, information and billing requirements of the regulatory framework, particularly the Energy Retail Code and the Code of Conduct for Marketing Retail Energy in Victoria, for which the Commission is responsible.

3 In section 1.3 – *Why review the electricity regulation now?* – pages 2-3

4 As discussed in the Explanatory Material which accompanied the NECF Second Exposure Draft, November 2009

We understand that distributional impacts of time-of-use tariffs on customers are excluded from this review because they are being considered by another named Victorian Working Group. We also understand that the ESC cannot review pricing and tariff issues that are outside the remit of the regulatory framework for which the ESC is responsible. However, we are concerned that this review does not include regulatory approaches to new technology designed to enhance the operation of smart meters, since these seem to us to be integral to the achievements of key objectives of smart metering. This exclusion is discussed further in section 2.2.1 below in regard to giving customers access to half-hourly metering data.

1.1.3. Issues for consultation

While also seeking comment on other issues that may be within the scope of the review, the ESC Issues Paper seeks comment specifically in regard to:

- Vulnerable customers;
- Information and informed consent;
- Remote disconnection and reconnection; and
- Frequency of network billing of retailers by distributors.

1.2. SCOPE OF THIS REPORT

CUAC has asked Etrog Consulting for assistance in a submission to the ESC's current consultation, in regard to some aspects of the issues for consultation. As requested by CUAC, this report addresses the following issues from the perspective of consumers:

- *Access to historical billing data* and *Access to metering data* at the end of section 3.2.2 on pages 23-25 of the ESC Issues Paper.
- Remote connection and disconnection (section 3.3 of the ESC Issues Paper):
  - Prompt reconnection and disconnection service;
  - Customer protection under disconnection;
  - Information to customers; and
  - Safety considerations.
- Frequency of network billing of retailers by distributors (section 3.4 of the ESC Issues Paper).

This report does not address:

- Vulnerable customers (section 3.1 of the ESC Issues Paper);

- Information and informed consent (section 3.2 of the ESC Issues Paper), other than the sections on *Access to historical billing data* and *Access to metering data* at the end of section 3.2.2 on pages 23-25, as delineated above.

We understand that CUAC is to address those issues separately, independent of our areas of advice.

Proposed advocacy positions in this report are in text boxes like this one.

2. ACCESS TO HISTORICAL BILLING DATA AND METERING DATA

This report section addresses *Access to historical billing data* and *Access to metering data* at the end of section 3.2.2 on pages 23-25 of the ESC Issues Paper.

2.1. ACCESS TO HISTORICAL BILLING DATA

As stated in the Issues Paper, clause 27 of the Energy Retail Code requires retailers to provide customers (including former customers) with historical billing data held by the retailer. This right of access includes one free request per year for data within the last two years. Retailers are required to use their best endeavours to provide the data within ten business days.

Essentially, this covers the case where a customer may have mislaid a previous bill, or may never have received a previous bill. Clause 27 of the Energy Retail Code could be fulfilled by the retailer sending the customer copies of the missing customer bills, or sending the customer the data that would be on the bill, in another format. A key point here is that historically, before the advent of interval metering and hence interval data, the only historical consumption or billing data that the retailer could provide was the data that was on the bill. There was no other data available to provide.

However, with interval metering, there is now much more data, specifically half-hourly interval data, which would not typically appear on the bill, but which the retailer could and should provide on request.

The ESC Issues Paper lists as an issue for comment in regard to *access to historical billing data* the question: “Will the regulation of the provision of billing level data continue to meet the needs of customers to allow them to reconstruct their historical bills in a smart metering environment for ad-hoc or occasional purposes?”

If the purpose of the provision of *historical billing data* remains effectively the provision of data to cover the case of a mislaid or never received bill, then almost by definition the answer to this question must be “yes”. To replace an absent bill, no more data should be required than would have been provided on the original bill that is now absent.

The ESC also states in its Issues Paper that “the use of the term ‘historical billing data’ needs to be more clearly defined”.

The term "historical billing data" is currently undefined in the Energy Retail Code.

- "Historical" in this context may not need definition. It is already delimited as an obligation that relates to data from within the last two years.
- "Billing data" should be defined to be the same whether it covers "billing data" on an actual bill when it is issued, or "billing data" in the form of "historical billing data" when data is provided to cover the case of a missing bill.

The obligation on the retailer should be to provide the *historical billing data* in the same format as the original *billing data*. For example, if the original billing data was presented electronically, then the historical billing data should also be provided electronically.

This ongoing requirement should continue to meet the needs of consumers to replace mislaid bills or in the case of bills that were never received, on an ad-hoc or occasional basis. It is consistent with the existing regulation in clause 27 of the Energy Retail Code, and should be retained as such.

Appendix A of the Issues paper states that clause 27.2 of the Energy Retail Code is a key issue for review.

Clause 27.2 of the Energy Retail Code can remain unchanged in regard to *historical billing data*, but the Energy Retail Code will require enhancing in regard to access to half-hourly metering data, as discussed below.

However, this ongoing provision does not come anywhere near meeting the requirements and expectations of consumers with interval metering (whether that is manually read interval metering or smart metering), where much more granular data is available to the distributor and retailer, and should be made available to consumers. We discuss those additional data requirements in the next section of this report, section 2.2 below, entitled *Access to metering data*.

Our policy proposals in regard to customers' access to historical billing data and half-hourly metering data are consistent with those of the MCE Standing Committee of Officials (SCO). However, SCO has taken a slightly different approach to the definition of "historical billing data" in its Draft Policy Paper issued in August 2009, which states:[5]

5 *Smart Meter Customer Protection and Safety Review – Draft Policy Paper One*, Ministerial Council on Energy Standing Committee of Officials, August 2009

Draft policy position 8: *SCO proposes that the draft NECF define 'historical billing data' so that it is clear that retailers must be able to provide:*

- *The full set of metering data on which the bill was based; and*
- *A summary of the meter data on which the bill was based.*

SCO proposes that it be at the customer's discretion as to which of these levels of detail they require.

This appears to amount to the same as we are proposing, but using different definitions:

- SCO proposes that retailers must be able to provide a summary of the data on which the bill was based. This data is what is currently called "historical billing data", and we propose that it should continue to be called "historical billing data".
- SCO proposes that retailers must also be able to provide the full set of metering data on which the bill was based, and that this should also be included within the definition of "historical billing data". As discussed in section 2.2 below, we agree that retailers must be able to provide that data as well, but we prefer a separate definition for that data, such as "customers' half-hourly data" or similar. We believe that if half-hourly data is collected from a customer's meter, it should always be made available to the customer, even if the customer remains on a single-rate tariff, and even if the half-hourly data is not used for billing purposes.

2.2. ACCESS TO METERING DATA

2.2.1. Giving customers access to half-hourly metering data

The requirement for consumers to have full access to their half-hourly data

As stated in the Issues Paper: "Smart meters will record consumption each half hour and this data may be much more useful to customers in analysing usage patterns than data that just corresponds to the billing period – whether that billing period is monthly or quarterly."

The ESC should put in place the regulatory framework that gives consumers full access to the half-hourly data that will enable them to gain a much better understanding of their electricity use, and to help consumers to be empowered and educated when they participate in the retail energy market. This is something that the ESC's current regulatory review should be seeking to achieve; one of the guiding principles in section 2.1 of the ESC Issues Paper is that "the regulatory framework assists customers to benefit from smart meters, by ensuring that consumption and pricing information is transparent, timely and useful".

Consumers should have access to high quality data that is presented to them in a timely fashion and in a format that is meaningful to them. We agree with the ESC's comment that for the data to be useful it must be able to be provided soon after the consumption was recorded, and in a form that enables easy analysis.

As discussed in section 2.2.1 above, our policy proposal here is consistent with SCO's draft policy position.

The ESC should differentiate between raw data that is obtained directly from the meter or through a home area network on site, as against bill-ready data that is obtained through the retailer. The former has the advantage of being available in "real time", and can assist the customer in "real time" management of their energy use. But the latter is what is used for billing purposes, and may differ. The latter is likely to be more easily captured and retained given the current technology roll-out, and the latter is the data that a consumer may want to use to reconcile aggregated bills against underlying half-hourly consumption.

Consumer access to data via in-house displays and home area networks

The ESC Issues Paper refers to consumers obtaining meter data via in-house displays. We note that the term "in-house display" is used to cover a very wide range of devices. They range from devices that are already on the market and in-use which have sensors that clip on to existing wires even in the absence of interval metering, through to much more sophisticated devices that are intended to communicate directly with the Advanced Metering Infrastructure (AMI) that is being rolled out in Victoria. An in-house display may be portable, and placed somewhere that household members can easily access it, such as a kitchen bench. Alternatively, it may be a fixed display on a wall. No doubt some would prefer to use an existing in-house display such as a computer screen or a television screen, or a mobile device such as a mobile phone or PDA.

Consumer access to data via third party applications

Some customers may desire to have their data made available to them through third party applications such as Google PowerMeter or Microsoft Hohm. Others may want to receive simple raw Comma Separated Value (CSV) files that they can put into a spreadsheet program such as Microsoft Excel or other applications that will no doubt be developed for these purposes. In the business consumer market, Testing & Certification Australia (TCA) already provides an online application, called WebGraphs, for businesses to access, monitor and manage their usage data and view it in graphical formats.[6] We expect that similar applications will be developed for the residential consumer market.

Consumer access to impulse output from meters

In Appendix A of the ESC Issues Paper, in regard to clause 2.4 of the Electricity Customer Metering Code, the ESC proposes drafting and a definition of a smart meter to cover the issue of customer access to impulse output from a meter once a smart meter is installed. Elsewhere in the Appendix, the ESC proposes drafting using the term "smart metering", which is then left undefined.

> It is too early to propose drafting, and we are concerned that a definition of a smart meter, which would be far-reaching in its application, is being proposed in an Appendix to the Issues Paper in regard to a specific feature such as consumer access to impulse output from meters. This definition requires wider and open consultation before it is adopted.

Consumer preferences for data presentation

The ESC Issues Paper states: "Some customers may not want to use the newly available information". While it is true that some consumers may never want to use the data, we believe that in the vast majority of cases, consumers are not yet sufficiently aware of the value of the data that will become available.

> It is far too early to ask customers whether they want to use the data from smart metering. Rather it is important first to educate consumers regarding the use that they can make of the data, and to ensure that the data is made available to consumers to give them the opportunities to use the data to the full to maximise its value to them.

6 See https://www.webgraphs.com.au/help/user/index.html.

There will be a variety of means of providing the data, and different consumers will prefer different methods. Consider as a different example how customers obtain data on the balance of their bank account. Some customers value Internet access to their bank balances. Some would value text messages at set intervals or on demand, or the use of other messaging systems. Some use telephone banking to hear their balances, and there again there is differentiation between those who use automated systems and those who prefer speaking to a human. Some use ATM machines. Some rely on statements in the mail. Some prefer to go in person to a bank branch.

There is no "one size fits all", and different access methods to metering data will evolve over time. At this stage, it is too early to back winners. Any or all of the above may turn out to be what consumers want. We cannot predict now exactly what customers will want, and that will anyway change over time as consumers gain more experience in the new smart metering environment.

Besides usage data, other simple tools will provide benefits to consumers. For example, in other jurisdictions, consumers have appreciated and used information on different tariff rates that is easily accessible to them on a refrigerator magnet.

The Issues Paper states: "The use of the internet to provide this data directly to customers raises significant issues of privacy and data security."

Much banking detail and other private information is available online, with appropriate security. The resolution of privacy and data security issues in regard to the provision of metering data should also not be insurmountable.

The need for regulatory approaches to new technology designed to enhance the operation of smart meters

The ESC Issues Paper states (page 24):

> *There is newly developing technology to assist customers. In-house displays accessing data directly from the meter via a wireless link means that information will be provided at relatively low cost and very short notice to enable customers to better understand and manage their electricity consumption.*

Footnote 41 in the ESC Issues Paper states:

> *Retailers (and distributors?) should also be required to facilitate customer access to the Home Area Network (HAN) once technical specifications and access arrangements are agreed within the industry. However, it is too early to consider regulations around the HAN given the current lack of industry arrangements.*

This is very important matter, which we believe should have been given prominence in the body of section 3 of the ESC Issues Paper, and not just relegated to a footnote. This point also relates to our comments in section 1.1.2 above in regard to the scope of the ESC's review, and our concern that the ESC's review excludes regulatory approaches to new technology designed to enhance the operation of smart meters.

Essentially, the combined effect of the footnote, the other quote above regarding newly developing technology to assist customers, and the exclusion of regulatory approaches to new technology designed to enhance the operation of smart meters, is that it appears from the ESC Issues Paper that smart metering is being rolled out in Victoria with neither industry agreement nor a regulatory approach to new technology that will provide consumers with their metering data at the very low cost and short notice that the smart metering should be facilitating. Nor does the Issues Paper provide any indication of when industry agreement will be reached and regulatory approaches will be considered. This is not a position that consumers would be happy to accept.

> Regulatory issues regarding new technology, data ownership, and data access should be addressed by the ESC as a matter of urgency, to meet the objectives of smart metering, and to be consistent with the ESC's own guiding principles for this review.

A National Stakeholder Steering Committee (NSSC) and National Smart Metering Program (NSMP) were established in 2008 to lead the development of the technical and operational aspects of the smart metering framework on a national level. The scope of work for the NSSC includes developing and recommending technical specifications, service standards and performance requirements, developing the technical and operational aspects of the national regulatory framework for smart metering, and reviewing access to and protection of smart meter data. This program includes, among others, working groups on the subject of Business Requirements, Business Process & Procedures, and Regulation.[7]

We suggest that the ESC Issues Paper should have discussed the NSMP progress. Given that Victoria is well ahead of all other Australian jurisdictions in the rollout of AMI, it would be useful for consumers (and for industry) if the ESC were to prepare an analysis that considered:

- What progress has been made to date in the NSMP (or elsewhere) on industry arrangements regarding new technology;
- When new national arrangements are likely to be delivered;

7 Full information on the NSSC and NSMP and its work to date can be found at http://share.aemo.com.au/smartmetering/default.aspx

- What gaps there are between what is being delivered nationally and what is required now or imminently to support consumers' expectations (and the expectations of industry and Government) from the Victorian rollout; and
- What the ESC can and should do to eliminate or at least reduce those gaps in regard to the regulatory framework for which the ESC is responsible.

> The ESC should play a role in ensuring that the regulatory framework is in place to give consumers access to the tools that will allow them to make their own informed decisions about how they use and pay for electricity.

Finally in this sub-section, we are concerned that Appendix A of the ESC Issues Paper proposes drafting in regard to clause 7.1 of the Electricity Customer Metering Code to remove the right of customers to electronic access to data stored in metering equipment where the customer has a smart meter. This may have wide implications and it is unwise to attempt to provide drafting of this nature before the details of customers' access to data from their meter is resolved.

The need for consumer access to data read by the distributor from the meter

Given the lack of industry arrangements in regard to new technology as set out in the ESC Issues Paper, given that the rollout of AMI does not include a HAN or an in-house display, and given that some in-house displays will be expected to feed off the HAN rather than communicate directly with the meter, these types of in-home arrangements will not be available to consumers at least in the short term, and other methods of providing data to the consumer that is based on the distributor's reading of the meter will be required in the short term as well as longer term. Indeed it seems that consumers will be relying on that stream of data for some time to come.

2.2.2. Issues for comment in regard to access to metering data

The issues for comment in this area in the ESC Issues Paper also seem to relate to data collected by the distributor. Our responses to the specific issues for comment raised by the ESC in this area are as below.

The need for regulation

> We agree that there is a need for regulation to require customer access to metering data that will be available on a daily basis through secure communication methods capable of protecting consumer privacy. We would include in the regulation provision for the consumer to nominate a third party, which may be a solutions provider, to receive the data on their behalf. This will require all data to be appropriately labelled to ensure that a third party that is receiving many consumers' data can distinguish between data that belongs to different consumers. The regulation might also allow the consumer to nominate a less frequent data flow than daily.

Who should be obliged to provide metering data to customers

We agree that retailers should be obliged to provide metering data to customers. They are the primary party with a relationship to the customer.

The ESC also asks whether distributors should also be obliged to provide metering data to customers. We note that the latest drafting of the NECF envisages distributors having a direct contractual relationship with customers, alongside retailers, and this could be complementary to a data provision obligation.

On the one hand, we support the ability of consumers to obtain data from both the retailer and distributor. Potentially, over the longer term, the retailer and the distributor could compete on price and service in the provision of added value data services to consumers, and this could provide substantial consumer and societal benefit.

On the other hand, concerns have been raised that distributors, unlike retailers, do not currently always have up-to-date information on the identity of the customer at a given location at any given time, and there would therefore be concerns about data being provided to parties other than the rightful owner. For example, data may be given relating to a previous occupant. These issues may be resolved by distributors implementing new customer relationship management (CRM) systems.

Distributors operate in a highly regulated environment, in which the services they are required to offer are tightly defined and the prices that they charge for those services are determined by the AER. Therefore, if distributors are required to incur substantial costs to implement major new systems, we would expect them to be able to recover those costs in regulatory decisions. We have not undertaken a cost-benefit analysis, but we doubt that it would be cost-effective for distributors to make substantial investments in new CRM systems simply to be able to provide consumers with data that they can anyway obtain from their retailer. However, it is also possible that distributors are going to be required to make those investments for other reasons – perhaps to meet other obligations under the NECF. If that is the case, the additional marginal cost of distributors providing data to consumers should then be quite low, and it would then potentially be efficient for distributors as well as retailers to be able to provide data directly to consumers.

We also note here an extract from consumer advocates' submissions in February 2010 to the MCE consultation on the second exposure draft of the NECF:

Distributors often do not have access to their customers' personal (that is; names, telephone contact etc) information. Often the distributor is only aware of a customer's NMI. This makes it difficult for them to distinguish between the current customer's consumption and that of any previous customers. As a result they may not be able to pass on accurate information to a current customer. This is one of the reasons that we advocate for distributors to be able to hold the relevant particulars of their customers with appropriate privacy protections in place. It is important that the customer retains ownership of their data and it is only provided to distributors to improve the quality of service and relationship between customers and distributors. Such personal information provided to the distributor must not be used for any other purpose than to improve customer service standards.

There are complex issues at stake that should be resolved before a conclusion is reached on whether it is efficient to oblige distributors as well as retailers to provide metering data to consumers.

The ESC Issues Paper notes that in overseas jurisdictions "most data is provided to customers directly by the distributors". While this may be true of some jurisdictions, particularly in North America, it is not true of all jurisdictions. In North America, the relationship between consumers and distributors is generally quite different from Victoria, with distributors often already issuing bills directly to consumers, and hence already having in place the CRM systems which we discussed above.

For example, the ESC's Background Paper 2 quotes from the Ontario Retail Settlement Code that a distributor shall have the ability to accommodate three billing options:

1. Retailer-consolidating billing;

2. Distributor-consolidated billing; and

3. Split billing.

In fact, there are currently no retailers in Ontario using the retailer-consolidated billing approach. A couple of retailers did start that way, but they switched to distributor-consolidated billing, so the collection responsibility stays with the distributor. Split billing was never implemented.

In regard to distributor-consolidated billing, the ESC's Background Paper 2 again quotes from the Ontario Retail Settlement Code, as follows:

Two forms of distributor consolidated billing are possible; bill-ready and rate-ready. Under bill-ready billing, the portion of the bill covering competitive electricity services for each consumer is calculated by a retailer and the information is transmitted to the distributor for inclusion on the consumer's bill. Under rate-ready billing, a distributor calculates the portion of the bill covering competitive services based on the price and terms provided by the retailer.

Our research in Ontario tells us that the "rate ready" model was never implemented. For customers enrolled with a retailer, the distributor sends the energy consumption for the billing period to the retailer, who returns a dollar amount to the distributor to place on the bill. The distributor has no view as to what that charge amount covers.

This is a very different model from the one in operation here in Victoria.

The Texas model for smart metering rollout is quite similar to the Ontario model, though in earlier stages of development. It must also be borne in mind that in both Texas and California there is a mix of privately owned utilities such as PG&E and SoCal Edison, and public utilities – municipally owned or cooperatives. The rules for public vs. private utilities tend to be different.

In contrast, Victoria has to date followed closer to the Great Britain model (England, Wales and Scotland), where we would not expect distributors to provide data directly to consumers when smart metering is rolled out in coming years. We do not think there is any significant implication for Victoria from the ESC's observation that in some North American jurisdictions distributors provide data directly to consumers.

How distributors or retailers can provide interval data from smart meters securely to customers

As discussed above, there is data that can be provided directly from the meter or through a HAN, and there is data that is provided after it has been collected by the distributor. The ESC Issues Paper itself alludes to this distinction, in referring to overseas jurisdictions where "access is provided locally on a near-real time basis" as well as "online on a day delayed basis".

> The security of data that is provided on site would be ensured through technical specifications and access arrangements in the metering, IHD and HAN interface definitions.

In regard to data that is provided after it has been collected by the distributor, the Issues Paper has already noted: "Ensuring the privacy and security of customer data may be achieved by a number of ways including the use of a secure website or web based service, or via encrypted email." We have also noted above that much banking detail and other private information is available online, with appropriate security. The resolution of privacy and data security issues in regard to the provision of metering data should also not be insurmountable.

Not all consumers have Internet access, and access to metering data should not be limited to those with such access. As with our banking analogy above, different consumers will have different preferences for data access, and we believe that these need to be explored further through relevant consumer stakeholder groups. Added value services may include data analysis as well as presentation of raw data.

Provision should be made for consumers to appoint other parties as their agents to receive data for them. These may be financial counsellors or energy auditors, or trusted family or friends who will be able to help the consumer to analyse their data. Alternatively, consumers may ask for their data to be provided directly to third party applications, as discussed above.

Consumers will need to give explicit informed consent to authorise their data to be provided to a third party. There will need to be a standard means of achieving this. Consideration should be given to whether the authorisation will need to be renewed when the consumer moves between premises or moves between retailers, or whether prior authorisation will automatically carry forward.

Several other regulatory issues will also need to be resolved:

- Will the data provider (retailer or distributor) or the ESC have a role in vetting the security and privacy arrangements of the data receiver? Will there be an accreditation procedure or policy for commercial organisations that offer to provide services based on receipt of consumers' data? Will it be appropriate for retailers or distributors to refuse to hand data to third parties that are not accredited?

- Given that the data receiver will likely not be an entity licensed by the ESC, what safeguards will there be to maintain the security and privacy of the consumer's data once it has been provided to a third party? Will the National Privacy Principles apply to metering data? What safeguards are there if the data is taken offshore? Will consumers be warned if there are security or privacy issues with handing their data to a third party?

How would the cost of such a service be assessed

The issue is here is not so much how much the service costs the retailer or distributor to provide the service, but rather how consumers should be charged those costs:

- Should charges be levied only on those that choose to use the service or should they be shared across all consumers?

- Should charges to individual consumers be regulated?

- If charges are regulated, what should be the basis of the regulation?

Consumer advocates' submissions in February 2010 to the MCE consultation on the second exposure draft of the NECF stated in regard to proposed drafting on access to information:

This provision allows distributors to charge a reasonable fee for the provision to consumers of consumption and time of use data. We strongly reject this provision and believe that consumers must be able to access their consumption data free of charge. With increasingly automated supply and data systems, this will become relatively cheap and easy to provide.

If distributors are obliged to provide half-hourly data to consumers, we would expect their charges to be regulated. We would expect a basic service to be provided free of charge to individual consumers, i.e. the cost would be spread across all users, and determined by the AER in the same way that it determines the charges that are applicable to other services that are provided by distributors. It is possible that additional discretionary services could be provided and charged individually based on a tariff approved by the AER, as is currently the case for optional additional services such as special meter reads, out-of-hours service, etc.

If distributors are providing services free of charge or based on published charges, then it may not be necessary to regulate what retailers charge for the same or similar services. Provided that consumers are informed as to what services they can obtain from their distributor, and those services comprise a comprehensive range of the services that consumers are likely to want, the consumers should then be free in the competitive retail market to choose which optional services they then purchase instead or as well from retailers, and the charges that they are prepared to pay for those services.

The more interesting case is where distributors are not providing the service, and the consumer can only procure the service from their current retailer. In that case, we also believe that a basic service should be provided “free of charge” to consumers, i.e. the cost to the retailer would effectively be spread across all users in overall tariff levels which are not price-regulated in Victoria. If this was not the case, and all charges were levied on an as-used basis, the danger is that consumers would not take up the services, and would not ever get the opportunity to see the value of the services. That would then fail to meet objectives of AMI rollout of empowering and informing consumers regarding their energy use.

Retailers may then charge consumers for additional services. If those services can also be provided by third parties, that should be encouraged. For example, the retailer might provide raw data, and the retailer can then compete against other third parties to provide added value data analysis services that are not price regulated.

Should there be regulatory oversight of additional services that only the consumer’s current retailer can provide? It might be argued that consumers can make informed decisions on the overall package that they purchase from competitive retailers, whose services are not price regulated, and the price-service offerings of data provision can be part of the consumer’s decision-making processes.

On the other hand, consumers do not have experience of valuing additional data provision services, and this will make it difficult for them to make informed decisions in the short term. Consumers may already be locked into a multi-year fixed term retail contract (with early termination fees), and thus not have the opportunity to take into account data provision service charges until they next shop around for a competitive retailer. On this basis, a case could be made for regulatory oversight of those additional services that only the consumer's current retailer can provide.

It is not known at the moment which additional services will be provided by retailers, and which of those or other services will be offered by third parties. Competitive markets in the provision of additional data services may not emerge. This is something over which the ESC might maintain a watching brief, to test the effectiveness of competition in data services, as it has in the past analysed from time to time the effectiveness of retail competition itself.

The ESC should consider, in conjunction with consumer and industry stakeholders, what additional data services consumers should expect to be offered, and who might provide those services. From this, we expect views will emerge on what aspects of the provision of these services and the charges that are levied may need to be regulated to ensure that the services are available to consumers at fair and reasonable cost.

As the market develops, and as data services become better defined and standard product offerings emerge, a good regulatory analogy might be made with the case of retailers' terms and conditions for feed-in tariffs. Consumers who install renewable generation at their premises may not have taken into account retailers' charges for administering the feed-in tariff payments to the consumer when entering into the overall retail supply contract. For this or other reasons, the legislative framework does not specifically disallow retailers to charge consumers feed-in tariff an administration fee, but does allow the Minister to refer such fees (and other provisions of the retailer's feed-in tariff contract) to the ESC to review whether they are fair and reasonable. The ESC has recently undertaken such a review.[8]

In the future, this could provide a model of regulation of retailers' data provision charges for additional services. As competition in these services emerges, it may similarly be possible to let the competitive market set the charges, but with provision for regulatory review of fairness and reasonableness, with appropriate assessment criteria set in advance.

8 For further information on this review, see www.esc.vic.gov.au/public/Energy/Regulation+and+Compliance/Reports+and+Investigations/Assessment+of+referred+feed-in+tariff+terms+and+condition.htm.

3. REMOTE CONNECTION AND DISCONNECTION

This report section addresses remote connection and disconnection (section 3.3 of the ESC Issues Paper):

- Prompt reconnection and disconnection service;
- Customer protection under disconnection;
- Information to customers; and
- Safety considerations.

Smart meters allow new approaches to the disconnection and reconnection of customers.[9] They will be able to perform these functions remotely using a facility that is built into the meter. This means that a visit to the premises will not be necessary; the service could be performed much quicker and simply and at lower cost.

Currently, the services provided by the distributor in disconnecting and reconnecting premises are provided manually, on-site using the service fuse.

With smart meters, it may still be necessary sometimes for the premises to be visited to disconnect and reconnect the service fuse, but the majority of situations will involve remote disconnection and corresponding reconnection via the smart meter.

The ESC's review is concerned only with the implications for remote disconnections and reconnections under the operation of smart meters, as it is not intended that the regulation will change for manual services.

9 De-energisation and energisation are also terms used to describe making the power available to premises where the premises is already connected to the distributor's mains. A consistent approach is required across several Codes for these definitions to take into account smart meter based services. For its Issues Paper, the ESC continues to use the terms reconnection and disconnection interchangeably with energisation and de-energisation, and therefore no distinction is made in this report either.

3.1. PROMPT RECONNECTION AND DISCONNECTION SERVICE

3.1.1. Lead-time for energisation

Currently, the regulations require the distributor to use its best endeavours to energise a customer's connection within one business day of a request being made by the customer's retailer.[10] Regulation was not concerned about the method for the disconnection and reconnection as a visit to the customer's premises was usually necessary to insert or remove the fuse (on the assumption that most premises were physically disconnected).

The smart meter specification requires that 90% of remote connections and disconnections are to be able to be performed within ten minutes, 99% within one hour, and 99.9% within 6 hours. The total number of connect/disconnect commands to individual meters in any 24 hour period can be up to 2% of the installed, operational AMI meter population.[11]

The ESC considers that it will be in customers' interests to have these services performed more promptly and in less than a business day, and asks as an issue for comment whether the regulation should require the distributors to disconnect and reconnect premises more quickly if the smart meter functions are available.

We agree with the ESC that it will generally be in consumers' interests to have remote connections and disconnections at the customer's request performed more promptly than previously. We see no reason why the regulation should not hold the distributors to the published service level requirements: 90% of remote connections and disconnections are to be able to be performed within ten minutes, 99% within one hour, and 99.9% within 6 hours. The regulation should require the distributor to report its performance against this standard. The distributors should be required to report their performance against all published performance level requirements, and not just this performance level. As a catch-all, the existing requirement for the distributor to use its best endeavours to energise a customer's connection within one business day should also be retained.

10 See Electricity Distribution Code clause 2.5. The Electricity Distribution Code also sets out in clause 2.3 that if the customer is a market customer in the wholesale market the customer can make the request directly to the distributor, but in all other cases the customer's request must go through a retailer. The customers who are included in the smart meter rollout are not market customers in the wholesale market, and therefore the case of customers directly requesting the distributor to energise their connection is not relevant to the current ESC review.

11 *Advanced Metering Infrastructure, Minimum AMI Functionality Specification (Victoria)*, release 1.1, September 2008, section 4.3, available at http://new.dpi.vic.gov.au/__data/assets/pdf_file/0014/13109/Minimum-AMI-Functionality-Specification-Victoria.pdf

We note and concur with the comment in Appendix A of the ESC Issues Paper in regard to clause 2.5 of the Electricity Distribution Code that energisation through a smart meter may be a new service that can be carried out in less than one day. Similarly, clause 6.3 of the standard Use of System Agreement may require amendment in regard to the time allowed for a distributor to effect disconnection at the request of a retailer.

3.1.2. Length of time for which the customer is responsible for energy consumed after giving the retailer notice of vacating the supply address

We also note that in Appendix A to its Issues Paper, the ESC discusses clause 7.6 of the Energy Retail Code, which can require a customer to pay for energy for up to three business days after the customer gives the retailer notice that the customer is vacating the supply address. The Code does not apparently explain the reason for this period of time, but we expect it is to allow sufficient time for the retailer to request the distributor to send personnel to the site to disconnect the supply. In Appendix A, the ESC states:

> *This clause is considered quite fair in relation to customer payment. Stakeholder views are sought as to whether changes are required because of the review of smart meters.*

The distributor's ability to undertake remote disconnection reduces the elapsed time required between a customer requesting disconnection and actual disconnection occurring, and the maximum time for the customer to be responsible to pay for energy at the premises that they are vacating should correspondingly be reduced.

3.1.3. Times when retailers cannot disconnect

Clause 14 of the Energy Retail Code states that a retailer may not disconnect a customer unless otherwise requested by that customer:

- After 2 pm (for a domestic customer) or 3 pm (for a business customer) on a weekday; or
- On a Friday, on a weekend, on a public holiday or on the day before a public holiday.

In Appendix A of the Issues Paper, the ESC states that these times could be subject to new prompt disconnection and reconnection services being available that utilise the smart meter. We note that analogous wording appears in clause 12.6.1 of the Electricity Distribution Code in regard to when a distributor may not disconnect a customer.

We have seen no basis for changing the times when a retailer or distributor cannot disconnect a customer.

In Appendix A of the Issues Paper, in regard to clause 15 of the Energy Retail Code, the ESC notes that circumstances and timing for a customer's right of reconnection are an issue for review. Clause 15.2 of the Energy Retail Code states that if a customer makes a request for reconnection under clause 15.1 of the Code:

- Before 3 pm on a business day, the retailer must reconnect the customer on the day of the request; or
- After 3 pm on a business day, the retailer must reconnect the customer on the next business day or, if the request also is made before 9 pm and the customer pays any applicable additional after hours reconnection charge, on the day requested by the customer.

Analogous wording appears in clause 13.1.2 of the Electricity Distribution Code.

Remote reconnection that is facilitated by smart metering should allow for expediting reconnection timeframes as compared to those that are currently set out in clause 15.2 of the Energy Retail Code and clause 13.1.2 of the Electricity Distribution Code.

3.2. CUSTOMER PROTECTION UNDER DISCONNECTION

Where disconnection is performed without the distributor visiting the site, the ESC wants to ensure that it is always the correct customer that is being disconnected and that customers understand that the disconnection may take place remotely.

When this service is performed manually, there is the opportunity for the technician to ascertain whether the premises are the correct premises and whether someone will be continuing to occupy the premises and under what circumstances. None of these checks will be possible with remote disconnection.

The Issues Paper notes that there are some options which may be considered:

- Ensuring that a customer on site is not already a new occupier when carrying out a disconnection.
- Ensuring that there is not a corresponding reconnection request when programming a disconnection.
- Undertaking service visits if the customer is a life-support customer.

The ESC intends to amend the regulations so that the retailer's disconnection warning to customers indicates that the disconnection may be performed remotely without a visit to the property. The St Vincent De Paul proposal goes further and advocates that retailers make two attempts within a 24 hour period to contact all customers prior to the remote disconnection, as remote disconnections make the process more expedient and impersonal, and thus create a health and safety risk to customers. Currently the regulation only requires additional steps for customers experiencing hardship.

The ESC Issues Paper sets out the following issues for comment:

- What steps could be taken by the distributors and/or the retailers to ensure that the wrong customer is not disconnected with smart meters?
- Should retailers take additional steps prior to disconnecting all customers, as well as noting on the disconnection warning that the disconnection may be carried out remotely?

Our responses to these specific issues for comment raised by the ESC in this area are set out below.

3.2.1. Steps that should be taken to ensure that the wrong customer is not disconnected

It is of course important to ensure that the wrong customer is not disconnected. Disconnecting the wrong customer can cause significant unforseen adverse consequences to the wrongly disconnected customer and their family or business. Unfortunately, mistakes can occur, even with the current site visit regime, let alone with remote disconnection.

Ensuring that the right customer is disconnected requires the retailer and distributor's back office databases and processes and procedures to be of top quality. Possibly as an additional safeguard it may be reasonable for disconnections to require manual checks in the distributor's office by a second person before remote disconnection is activated.

Distributors should be required to report wrongful disconnections to the ESC, with the reasons for the mistake, so that lessons can be learned and processes and procedures can be improved to prevent similar mistakes being made in the future.

Wrongful disconnection payments should apply to customers who are disconnected in error in a remote disconnection process, just as they apply now to customers who are wrongfully disconnected in a manual site visit process.

3.2.2. Additional steps prior to customer disconnection

Disconnection warning notices

We agree with the ESC's proposal to include on all disconnection warning notices a note that the disconnection may be carried out remotely.

In Appendix A of the Issues Paper, the ESC comments on clause 13.1 of the Energy Retail Code in regard to non-payment of a bill being grounds for disconnection that no changes are required to the regulations general, while there is a reference to section 3.3 of the Issues Paper regarding further information to customers who are to be disconnected remotely. Similarly in the Appendix in regard to clause 13.2 of the Energy Retail Code, the ESC refers to discussion in section 3.3 of the Issues Paper on whether there should be additional steps for customers prior to remote disconnection. We note that these maters may require amendments to clause 13 of the Energy Retail Code.

Change of occupancy that does not require disconnection and reconnection

We agree with the ESC that before disconnecting a supply, the distributor must ensure that there is not a corresponding reconnection request in the system.

In regard to ensuring that a customer on site is not already a new occupier, new occupiers need to know that when they arrive on site and find the energy connected they cannot assume that it will remain connected, as there may be a pending disconnection request. New occupiers always need to make sure they contact a retailer to take responsibility for the supply if they want to ensure the supply is not disconnected (remotely). This requires education of new occupiers; perhaps through real estate agents, conveyance agents, movers' packs, Australia Post re-direction of mail packs, and other forms of publicity.

Another issue arises where there is a change of occupancy and so no actual disconnection and reconnection occurs. Currently, a meter reader would go to site and read the meter, and that meter reading will be used for the old occupant's final bill and the new occupant's first bill. There is currently no other option, whether the meter read occurs at 9am or 5pm. With smart metering, there will be remote meter reads every half hour. Will one particular time be taken as standard (e.g. midday), or will it be possible to specify a time for change of occupant on an individual basis?

Customers who are on life-support equipment or otherwise require energy for health reasons

We agree with the ESC that at minimum special attention is required if the customer is a life-support customer. In no circumstances should such a customer be disconnected remotely.

Remote disconnection is not just an issue for life-support customers. There are others who require energy for health reasons, and not just life-support. Ideally, other people who have legitimate health reasons for continuous electricity supply reliability should also not be disconnected remotely.

We understand that CUAC and other consumer advocates have expressed support for the creation of a register of people who have legitimate health reasons for continuous electricity supply reliability. Such a register might be linked to a regulatory requirement on distributors to avoid supply withdrawal to people on that register and, should supply withdrawal be absolutely unavoidable, to ensure all necessary steps are taken to guarantee the wellbeing of any registered customer.

If such a register were to exist, then restrictions on remote disconnection of customers with life-support equipment should also apply to the customers on the wider register of people who have legitimate health reasons for continuous electricity supply reliability.

Remote disconnection may lead to increased numbers of disconnections for non-payment

We understand that currently when an energy utility representative goes to a customer site to disconnect supply for non-payment, or when a water utility goes to a customer site to restrict supply because of non-payment of previous bills, the appearance of the person on-site results in many cases in the customer immediately contacting their retailer, discussing their situation and the options open to them, and making payment arrangements. Thus the disconnection or restriction of supply is avoided. This may not now happen with disconnection being performed remotely. This may lead to increased numbers of disconnections being undertaken with the implementation of smart metering.

We support the St Vincent De Paul proposal that advocates that retailers make two attempts within a 24 hour period to contact all customers prior to remote disconnection, as remote disconnections make the process more expedient and impersonal, and thus create a health and safety risk to customers. Contacting the customer in advance of disconnection may also prompt the customer facing disconnection to take the necessary steps to avoid disconnection. This may include making a payment or entering into a payment plan or hardship programme that they had not previously considered. This is preferable to disconnection actually happening.

It may therefore be economically efficient for retailers to make those contacts to get payments even if there is no regulatory obligation for them to do so. However, this may not happen in practice in all cases. Given the harsh consequences of disconnection on consumers, a regulatory approach that requires retailers to contact consumers prior to remote disconnection would seem to be an appropriate obligation.

Further, in cases where the retailer is currently allowed to disconnect supply for non-payment, they may choose not to do so, because of the cost of on-site disconnection. However, there is concern that with remote disconnection enabled by smart metering being much less expensive, retailers will be much quicker to choose to disconnect customers for non-payment.

We do not believe there was any policy intent for smart metering to bring about an increased number of disconnections for non-payment. However, for the reasons stated above, we believe this may turn out to be an unintended consequence to which the ESC should consider a regulatory response.

3.3. INFORMATION TO CUSTOMERS

Currently, if retailers request vacant premises to be disconnected, distributors are required to leave a document at the premises providing the following information:

- To whom the occupant must address any request to connect the supply address;
- What the occupant's options are for entering into a contract for the sale of electricity with a retailer; and
- A list of current retailers.[12]

This information is likely to be left under the door or in the meter box which increases the chance that it will be available for the next occupant. Under remote disconnection, the site will not be visited and therefore it is unclear how this information will be provided.

If the premises are left energised, and the new occupant does not contact a retailer before turning on the power, the *Electricity Industry Act* assumes this customer has entered into a deemed contractual arrangement and their liability for electricity commences from the date the power is consumed.[13] Under these circumstances, the retailer financially responsible for those premises has a responsibility under its licence to provide relevant information to those customers, including their options in the competitive energy market.[14]

The ESC states in its Issues Paper that it understands that retailers usually require premises to be disconnected when customers vacate the premises. However, the ESC does not know the extent to which customers take possession of premises which are disconnected and consequently do not know who to contact for energisation.

At the least, the ESC considers it important that there is some information accessible to customers who find themselves in this situation. The ESC Issues Paper states that there do not appear to be many practical options available where there is not a visit to the premises.

12 Electricity Distribution Code, clause 9.1.13

13 *Electricity Industry Act*, section 39

14 Clause 9.3 of the electricity retail licence

The ESC suggests that an option to consider is whether a sticker should be placed in the meter box that contains an appropriate call centre number for the customers to ring to contact a retailer. This information could be provided while smart meters are being installed or while the meters are still being manually read. This would ensure that the distributor meets its current obligations.

The costs to distributors of this option would be off-set by savings in not visiting the site for disconnection and leaving documentation at that time.

The ESC Issues Paper sets out the following issues for comment:

- Under remote disconnection should the Commission require that information be provided by a sticker placed in the meter box?
- What other options are available for ensuring new occupants know how to go about finding a retailer and getting reconnected?

We agree with the ESC that it is important that there is information accessible to customers who take possession of premises which are disconnected and consequently do not know who to contact for energisation.

We support the ESC's suggestion that a sticker should be placed in the meter box that contains an appropriate call centre number for a consumer to ring to contact a retailer. Some meter boxes are remote from the consumer's attention, such as the case where meters are in the basement of an apartment building. An alternative or additional suitable place for a sticker might be on or next to the consumer's main board, provided that can be accessed by the meter installer or on a subsequent visit.

We also question whose call centre number would be on the sticker. Presumably, it would be the distributor's call centre, to preserve retailers' competitive neutrality.

Other options may include providing this information through education of new occupiers; perhaps through real estate agents, conveyance agents, movers' packs, Australia Post re-direction of mail packs, and other forms of publicity.

Mail could also be sent for information to premises that are disconnected. It would need to be marked clearly as being for the attention of the "new occupant" and "not for re-direction".

Appropriate amendment may be required to clause 9.1.13 of the Electricity Distribution Code, and clauses 9.3 and 9.6 of the electricity retail licence, in regard to provision of information, as set out in Appendix A of the ESC Issues Paper.

3.4. SAFETY CONSIDERATIONS

The ESC notes in its Issues Paper that the remote reconnection of customers' premises after disconnection has safety implications which must, under the *Electricity Safety Act*, be considered in relation to the distributor's general duties to keep the public safe.

Energy Safe Victoria (ESV) is currently developing protocols that will be regulated within the framework of the Electricity Safety Management Schemes. These must be submitted by the distributors by December 2010 and then approved by ESV.

We agree with the ESC that the remote reconnection of customers' premises after disconnection may have safety implications, and we also agree that ESV is best placed to address this issue. We suggest that the ESC should liaise with ESV to ensure that these issues are adequately addressed before remote reconnection is enabled in the Victorian smart metering rollout. We do not wish to speculate here on how this issue might be resolved; we do however note the possibly analogous circumstances already exist where electricity supply is reconnected after an outage in the normal course of events. This is in contrast to the gas industry, where outages are far less frequent, and site visit is required to inspect for safety before the gas supply is reconnected after an outage.

4. FREQUENCY OF NETWORK BILLING OF RETAILERS BY DISTRIBUTORS

This report section addresses frequency of network billing of retailers by distributors (section 3.4 of the ESC Issues Paper).

A key issue for distributors and retailers is whether the default Use of System Agreements (UoSAs) or any regulatory instruments need to be amended to address the issue of the frequency of network billing of retailers by distributors.

The Commission's interest and powers in this matter stem from the licence conditions which require distributors and retailers to adopt the default UoSA provisions decided by the Commission if the parties cannot negotiate independent commercial arrangements for the use of the distribution system.[15]

The issue arises because at least some distributors have built smart meter data handling and billing systems which assume and require monthly network billing.

Currently, network billing is effectively quarterly (approximately one third of customers are billed each month). At least some retailers are concerned about the prospect of monthly network billing beginning as early as July 2010 and are not agreeable to it. Some distributors claim that the costs of now not proceeding with monthly network billing will be significant, and will prevent them meeting their near-term smart meter roll-out obligations.

Two distributors, at least, have strongly asserted that not adopting monthly network billing from July 2010 for smart meters customers will prevent the commissioning of their systems. In turn, this would require them to make system changes and maintain their project teams for considerable time, at a cost over $20 million.

It appears to the ESC that UoSAs do not currently provide for network billing to be more frequent than quarterly, except for supply points which have been connected to a distribution system for the first time after 2001 (clauses 7.4(d) and 7.5(a)).

Retailers who have made representations to the ESC are particularly concerned that they will be required to meet the distributors' monthly billing requirements before any changes to the billing cycles for customers are decided. They claim that there will be an adverse cash flow impact because of the mismatch between receipts from customers and outgoings to distributors. As a result, it is claimed that retailers' working capital requirements will be increased and the costs could be expected to be passed on to customers in the form of higher retail prices.

15 Clause 4 of the electricity distribution licence

We support what appears to be a proposal from the ESC in its "Issue for comment" box on page 32 of the ESC Issues Paper. This would appear to us to be a pragmatic solution: distributors can bill retailers monthly, but the retailers can continue to pay the distributors quarterly if their customers are still billed quarterly.

We also support the ESC's suggested approach that UoSA amendments should produce the least-cost outcome for consumers.

We strongly disagree that if retailers have to pay distributors monthly it will result in higher bills to customers. Our view is that if retailers pay distributors monthly, the distribution charges should be lower, in order to account for the benefits the distributors get from monthly network billing. These benefits would include improved cash flow, less credit risk of retailer default, and possibly other benefits. These lower distribution charges should feed through to customers.

The level of distribution prices is really an AER issue, and is related to the AER's role in undertaking distribution network regulation and approving network charges. The ESC must therefore co-ordinate with the AER any changes to the frequency at which retailers pay distributors. This is in order to ensure that the improved position of the distributors does result in lower distributors charges. We believe that this *may* be easiest to achieve at the beginning of a reset period for distribution charges, but we have not fully analysed this question.

If customers pay retailers monthly, the retailer's costs are lower, due to lower cost of working capital for the retailer, and lower credit risks of customer default. This is true whether or not the retailer pays the distributor monthly.

Some customers would benefit from monthly billing, because it would provide more timely information about their energy usage and its cost, assist in budgeting, and allow earlier identification of customers with payment difficulties. Some customers already pay monthly even if not billed monthly, through "bill smoothing" arrangements that some energy retailers have already put in place.

However, it should also be recognised that there are other customers who may experience difficulties with monthly billing. These may include customers with limited mobility or with disabilities, and those who pay their bills at Australia Post (rather than online). Some customers may find it easier to budget and pay their energy bills quarterly. The needs of customers vary.

Consumers should have the ability to choose whether they want to pay their retailer quarterly or monthly. Customers should only be moved from one billing and collection cycle to another if they give their explicit informed consent to the change in their billing and payment arrangements.

Issues also arise because with monthly billing and consumer payment there is the potential for customers to be disconnected more times per year; that is, twelve times rather than four times per year. We understand that CUAC is addressing in its response to the ESC this issue and other related matters, including the minimum level of debt for which a customer can be disconnected.