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21 May, 2010

Dr Ron Ben-David
Chairperson
Essential Services Commission
Level 2, 35 Spring Street
Melbourne VIC 3000

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

Dear Dr Ben-David

Regulatory Review – Smart Meters Issues Paper

CitiPower and Powercor Australia (**the Businesses**) welcome the opportunity to comment on the Essential Services Commission (**Commission**) Regulatory Review – Smart Meters Issues Paper (**Issues Paper**).

The Businesses' support the Commissions review of regulations to take account of the operation of advanced metering infrastructure in Victoria and offer the following comments for your consideration:

- Comments in relation to the Issues for Comment from the Issues Paper are set out in Attachment A
- Comments in relation to the Issues Paper Appendix A, Summary Review of Regulatory Instruments, are set out in Attachment B

Should you have any further questions in relation to this submission, please do not hesitate to contact me on (03) 9683 4282 or at rherrmann@powercor.com.

Yours sincerely

Rolf Herrmann
MANAGER REGULATION

Attachment A

Essential Services Commission Regulatory Review – Smart Meters Issues Paper, April 2010

Issues for Comment	CitiPower and Powercor Comments
<p>2.1 Guiding Principles</p> <p>Are there other guiding principles to which the Commission should give consideration in this review?</p>	<p>CitiPower and Powercor believe that an additional guiding principle should be considered:</p> <ul style="list-style-type: none"> • the regulatory framework will have regard to costs and promote the efficient operation of the electricity industry.
<p>3.1 Vulnerable customers</p> <p>Are there enhancements to the current regulations which are necessary for vulnerable customers arising from the implementation of smart meters?</p>	<p>CitiPower and Powercor offer no comment.</p>
<p>3.2 Information and informed consent</p>	
<p>3.2.1 Reviewing the bill</p> <p>Will the proposed approach to including the consumption by tariff segment, total consumption and tariffs for the billing period ensure customers maintain their ability to confirm the accuracy of the bill?</p> <p>What are the implications for cost, feasibility and information value to customers of the options for the meter's total accumulated consumption on the bill?</p>	<p>CitiPower and Powercor currently collect the accumulation index reading from interval meters and provide that reading to retailers together with the interval data.</p> <p>Whilst the accumulation index reading will not align perfectly with the interval data over a billing period, particularly if substitutions are necessary, it may be of limited use as a reference for those customers that wish to approximately reconcile the total bill consumption with a register on the meter.</p>

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	<p>Customers should be educated and encouraged to move away from reliance on an accumulation reading on the bill. Customers with concerns about the accuracy, or other aspects, of their bill also have access to the interval data and also have recourse to meter testing if necessary. It seems likely that the market will provide services from people able to provide interval data analysis for customers.</p>
<p>Comments are sought on when customers should be advised that their bill is estimated.</p> <p>Comments are also sought on whether there should be some default tariff arrangements impacting distributors, retailers and customers when bills are estimated.</p>	<p>CitiPower and Powercor agree that the need for estimated bills should be minimal with the full implementation of advanced Metering Infrastructure.</p> <p>A threshold on the level of estimated data requiring notification to customers would seem to be a reasonable balance. It avoids customers becoming concerned that their bill is based on estimated data when only a very small fraction of the data is affected.</p> <p>The proposal to apply a default tariff to any estimated portion of a bill is poorly conceived. Whilst no details are provided about the proposal it would appear to create a significant administrative burden and potential for confusion over the inclusion of multiple tariffs on the same bill without any supporting benefits.</p>
<p>The proposal is to retain the current requirement that customers be notified that any part of a bill is based on substituted data.</p>	<p>A threshold on the level of interval data substitution requiring notification to customers should be considered to avoid customers becoming concerned that their bill is based on substituted data where only a very small fraction of the data is affected.</p>

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Issues for Comment	CitiPower and Powercor Comments
<p>3.2.2 Managing daily consumption and costs</p> <p>The current regulations for explicit informed consent may be seen to be acting as a barrier to customers accessing more timely information upon which they could better manage their costs. Views are sought on:</p> <ul style="list-style-type: none"> • Whether an ‘opt-out’ approach to monthly billing for deemed or standing offer customers is appropriate? • What are the implications for the costs and timing of the current collection cycle if customers move to monthly billing? <p>How should any changes to the customers’ current billing cycles be implemented?</p>	<p>CitiPower and Powercor support the idea that with the introduction of AMI the default customer billing cycle should become monthly. The constraints, such as manual meter reading costs, that historically set the default quarterly billing cycle for small customers are largely removed under AMI. The “opt out” option would be dependent on retailers offering a product with a longer billing cycle.</p> <p>The implementation could be linked with the AMI rollout. The installation of AMI at the customers premises will trigger an opportunity to re-assign the customer to a new network time of use tariff. The same trigger should apply to the retail tariff, including the change to monthly billing.</p>
<p>The proposal is to require retailers to provide customers with a graph similar to that used by EnergyAustralia or Ontario Energy Board when time-of-use tariffs are introduced for customers with smart meters.</p> <p>What are the implications for incremental costs or barriers to innovation of this approach?</p> <p>Given the customer feedback from overseas pricing pilots, and the potential move to monthly billing, mandating daily periods may also be beneficial for customers. Comments are invited on this approach.</p>	<p>CitiPower and Powercor offer no comment.</p>
<p>Greater transparency through information to customers is a prerequisite for customers to benefit from the introduction of</p>	<p>The customer’s bill should clearly explain all of the charges the customer is required to pay. CitiPower and Powercor have no objection to unbundling of</p>

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<p>smart metering and unbundling could be considered to deliver part of this information. However, some key questions are:</p> <ul style="list-style-type: none"> • Would customers gain any information from unbundling of the distribution charges if the retailer does not base its tariff on the distributor's tariff structure? • Would it be helpful or not for customers to have some charges unbundled, but not others? • Does unbundling of network charges and tariff alignment have the potential to reduce retailer flexibility in tariff offerings? <p>What are the costs, benefits and feasibility of greater unbundling? Should regulation go beyond requiring the unbundling of retailer and distribution cost sub-components of wholesale and metering costs?</p>	<p>network charges on customers retail bills per se. However, unless the network tariffs are a direct pass through information on the bill which unbundles network tariffs from retail tariffs is likely to be confusing rather than helpful to the majority of small customers. Customers should be expected to respond to the pricing signals in the actual price they pay, which is the retail price. It is expected that customers would have two primary objectives in mind when considering pricing signals:-</p> <ul style="list-style-type: none"> • what is the cheapest price on offer from retailers for their specific consumption patterns; • what can they do to modify their consumption in response to the pricing signals. <p>Both of these issues require analysis and comparison of retail prices rather than unbundled charges.</p> <p>Even if the network tariff is a straight pass through, it may be more useful to provide the unbundling information only at the time it is relevant, i.e. when the customer is advised of the price increase and its reason.</p> <p>Customers who wish to carry out further analysis of the costs underpinning their electricity charges have ready access to distributors approved tariffs.</p>
<p>The Commission considers that any changes to the regulation on the notification of tariff variations should wait for the outcomes of the Victorian Government's deliberations, so that there is consistency between</p>	<p>CitiPower and Powercor offer no comment.</p>

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Issues for Comment	CitiPower and Powercor Comments
<p>customers on market contracts and those on standing contracts.</p> <p>Nevertheless, interested parties may wish to submit their comments in regard to this matter.</p>	
<p>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?</p>	<p>CitiPower and Powercor believe that it isn't clear that "historical billing data" would include interval data as it progressively becomes available for small customers.</p>
<p>The Commission considers 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 customer privacy.</p> <p>Comments are sought on:</p> <ul style="list-style-type: none"> • whether distributors as well as retailers should be obliged to provide metering data sets to customers • how distributors or retailers can provide interval data from smart meters securely to customers • how would the cost of such a service be assessed? <p>What other information and information sharing issues should be considered by the Commission in reviewing the regulations?</p>	<p>CitiPower and Powercor believe that existing regulation is sufficient to ensure that customers can access metering data or energy data and that the data is kept confidential. See clause 7 of the Electricity Customer Metering Code.</p>

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Issues for Comment	CitiPower and Powercor Comments
<p>3.2.3 Shopping around for a better offer Comments are sought on these, or alternative, options for ensuring customers are able to compare competing retail offers when time-of-use tariffs and more complex tariffs are introduced.</p>	<p>CitiPower and Powercor offer no comment.</p>
<p>3.3 Remote disconnection and reconnection</p>	
<p>3.3.1 Prompt reconnection and disconnection service Should the regulation require the distributors to disconnect and reconnect premises more quickly if the smart meter functions are available?</p>	<p>CitiPower and Powercor anticipate that customers will be connected and disconnected more quickly where AMI is installed. CitiPower and Powercor note that the service level for remote connection/disconnection will be prescribed in National Regulatory Procedures and further regulation, at least of the distributors service levels, is unnecessary.</p>
<p>3.3.2 Customer protection under disconnection 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</p>	<p>The vast majority of disconnections and reconnections are carried out at the direction of retailers since they have the primary commercial relationship with customers. it is unclear what role distributors could play in ensuring that the wrong customers are not disconnected. CitiPower and Powercor note that the Victorian AMI Process Model version 3</p>

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Issues for Comment	CitiPower and Powercor Comments
all customers, as well as noting on the disconnection warning that the disconnection may be carried out remotely?	addresses this issue adequately.
<p>3.3.3 Information to new customers after remote disconnection</p> <p>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?</p>	<p>The proposal to provide information pertaining to retailers via a sticker in the meter box is not likely to be effective. Firstly, it isn't obvious that customers would reasonably seek to find such information in the meter box and secondly the information may not be current, particularly over time.</p> <p>It is generally recognised that considerable customer education is required in relation to smart meters. This would this also present an opportunity to improve customers understand of the procedures, particularly the retailers role, in being re-connected and leave it to the customers resources to progress the matter through normal channels, e.g. with reference to the yellow pages or Google.</p> <p>It is also worth noting that, according to information published by AEMO, almost 3.8 million customers have switched retailer in Victoria so there should be a maturing understanding of full retail competition.</p>
<p>3.3.4 Safety considerations</p> <p>The regulatory proposals set out above do not appear to be impacted by these developments. However the Commission welcomes comments on this view.</p>	CitiPower and Powercor agree with the Commissions view.

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Issues for Comment	CitiPower and Powercor Comments
<p>3.4 Frequency of network billing of retailers by distributors</p>	
<p>The Use of System Agreements are amended to provide for monthly network billing of customers with smart meters, but in the period until 1 January 2012 (or some other agreed future date) the payment terms for such network bills be extended if the retailer is billing the customer quarterly. UoSAs currently provide that retailers must pay network bills within 14 days. This would be extended to a number of days that produced an equivalent outcome to their current level and pattern of payments.</p> <p>Under this amendment, distributors could implement their new billing systems, generate monthly network bills and all of the distributors' objectives in the AMI Process Model would be attained. For retailers, while data and bills would begin to flow to them more frequently, there would be no acceleration of their payments to distributors, no mismatch between receipts from customers and outgoings to distributors, and therefore no increased working capital required. Distributors' working capital positions would be unchanged from their present state, rather than being "immaterially" advantaged.</p> <p>Comments are invited on whether such a solution is supported, whether it can be achieved by negotiation, or whether the Commission should amend default UoSAs to bring about this outcome.</p>	<p>CitiPower and Powercor strongly support the amendment of the Use of System Agreement to allow monthly network billing for customers where AMI has been installed.</p> <p>CitiPower and Powercor note that if the transition to monthly network billing coincides with a similar transition in retail billing then the retailers concerns regarding working capital are largely reconciled and the need to extend payment terms is avoided.</p> <p>CitiPower and Powercor also note the evidence presented in support of the customer benefits of monthly retail billing including the key finding from the Ontario study that "customers believed that a monthly bill was essential for effectively managing their electricity costs". To facilitate the co-incident changes to monthly network and monthly retail billing CitiPower and Powercor support changes necessary to clause 10.1 of the Energy Retail Code to provide a transition to make monthly retail billing the default cycle. The progressive nature of the rollout provides time for retailers to progressively adjust their working capital where they offer the customer an opportunity to opt-out of a default monthly billing cycle.</p> <p>The proposal to extend payments terms is problematic because distributors do</p>

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	<p>not know which retail billing cycle a customer is on. It is also unnecessary if the co-incident change is made to provide monthly retail billing as the default position.</p> <p>For the parties to the Use of System Agreement to negotiate payment terms along the lines proposed if the changes to retail and network billing cycles cannot be coincidental is likely to be difficult, but should be achievable. Operational and administrative difficulties could also arise if such negotiations lead to different payment terms for each retailer. These arrangements should only apply for a transitional period and would seem to be an inferior solution to the co-incident change to monthly retail and network billing proposed above which would also appear to be in the best interests of the customers.</p> <p>See also drafting suggestions under the Use of System Agreement in Attachment 2 below.</p>

Attachment B

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ENERGY RETAIL CODE Clause	Summary of Obligation	Issue for operation of smart meters	ESC preliminary view	CitiPower/Powercor Comments
10.1 Customer's rights to negotiate a shorter billing cycle		This provision requires an electricity customer to give explicit informed consent for a billing cycle to be reduced from 3 months.		This provision should be amended to remove the constraint on retailers billing more frequently. At the very least the retailer should be given a once off opportunity to switch to a shorter billing cycle, without the customers explicit informed consent, in association with the installation of an advanced interval meter.
13.3 Denying access to meter	Obligations which apply when customer's meter is not accessible for reading	Clause 13.3 could be clarified that this applies to manually read meters and to ensure that it is clear that access does not imply the customer providing or not electronic access to the meter.	<p>Minor drafting amendment proposed: Propose the following amendment; A retailer may disconnect a customer other than a customer with a smart meter if, due to acts or omissions on the part of the customer, the customer's meter is not accessible for the purpose of a reading for three consecutive bills in the customer's billing cycle but only if:</p>	This amendment is not appropriate. Whilst access problems should be dramatically reduced with AMI, the right for disconnection should be retained if, due to the acts or omissions of a customer, the smart meter readings cannot be obtained.

ELECTRICITY DISTRIBUTION CODE Clause	Summary of Obligation	Issue for operation of smart meters	ESC preliminary view	CitiPower/Powercor Comments
2.5 Previous connection	That the distributors must use best endeavours to energise a customer's supply within one business day	Energisation by smart meter may be new service that can be carried out is less than one day.	Refer discussion in section 3.3	Refer comments at 3.3.1
9 Provision of information Clause 9.1.13	When disconnecting supply the distributor must leave information at the site about reconnection including a list of retailers	Under remote deenergisation the site will not be visited hence it is unclear how this information currently provided under clause 9.1.13 would be provided under remote reenergisation.	Refer to discussion in section 3.3.	This provision should not apply to remote disconnection. Refer comments at 3.3.3
Clause 9.1.14 9 Provision of information	This clause sets out the advice that the distributor must given the customers when a smart meter is to be installed.	This clause was especially inserted so that customers would know when a smart meter was to be installed under the rollout	Clause 9.1.14 has been operational for a few months and this review is an opportunity in the light of experience to review this clause. The Commission seeks views on the operation of clause 9.1.14.	CitiPower and Powercor believe that clause 9.1.14 should be redrafted to make it specific only to the installation of AMI. Currently it is drafted to apply to any meter exchange.

ELECTRICITY CUSTOMER METERING CODE Clause	Summary of Obligation	Issue for operation of smart meters	ESC preliminary view	CitiPower/Powercor Comments
2.6 Information for CustoeMrs	Requires information to be left with the customer showing how the meter can be read by the customer from the accessible display. Currently this clause only applies to type 5 meters (interval meters that are manually read)	Smart meters can display more information than accumulation meters and it is important that customers are able to read the meter display.	The requirement that information about accessing the meter display be provided should be now extended to include smart meters. Due to the major change-over program the Commission considers that this requirement should be extended to include the provision of this information at a customer's request. Proposed drafting: "A distributor, retailer or responsible person must provide sufficient written information to the customer so that the customer can access, at a minimum, the cumulative total energy measured by an interval meter or smart meter at the customer's premises when; <ul style="list-style-type: none"> • the meter is installed at a customer's premises, and • requested by the customer."	The Commission may wish to review the drafting. The current drafting could be interpreted such that the information would only be left at the time of installation if requested by the customer. It would be more appropriate for the information to be left at the time of meter installation and any other time at the request of the customer.

USE OF SYSTEM AGREEMENTS Clause	Summary of Obligation	Issue for operation of smart meters	ESC preliminary view	CitiPower/Powercor Comments
6.3 Disconnection at the request of the retailer	Sets out the arrangements for the retailer to notify the distributor of a disconnection, the timing of the disconnection and the distributor's associated conditions. The clause, which is subject to the electricity law, allows the distributor up to 2 business days to effect the disconnection.	Disconnection refers to deenergisation. Smart meters allow deenergisation in shorter time frames and by remote rather than on-site means. Under this clause distributor must disconnect the customer within two business days. The UoSA requirements would necessarily follow any regulatory amendments in providing for retailer requests to distributors and the service that is offered by the distributor taking into account smart meters enabled services.	Refer to discussion in section 3.3. Amendments may be required	It seems likely that service levels of this type will be regulated through the National Smart Metering regulations.
6.4 Disconnection at the request of a customer	This clause provides for the distributor to disconnect the customer in accordance with the distribution code based on a request by the customer.	For smart meters the issue is what method does the distributor use for the disconnection and is the customer given choice.	Customers should continue to be able to request a disconnection directly with a distributor, the effective operational arrangements for this would be set out in the distribution code. It may not be necessary to amend this clause.	No obvious need for amendment due to AML.
6.5 Reconnection of supply	Sets out that the distributor must reconnect supply when required to do so under the electricity law or when a proper request is received from a retailer.	The clause does not indicate times that must apply instead indicating that the reconnection (reenergisation) shall be carried out in accordance with the electricity law. It is the electricity law that will set out any new arrangements for customers with smart meters.	No change is proposed; other codes will set out any changed requirements for reenergisation for customers with smart meters.	No obvious need for amendment due to AML.
7.4 & 7.5 Invoices and Metering Data	Obligations to parties to meet their financial obligations	Key issue as the distributors are seeking monthly network billing for all customers, whereas it is quarterly currently for most customers	Refer discussion at section 3.4	Refer comments at 3.4
8.1 & 8.3 Compliance with Privacy Laws	Obligations on parties to comply with applicable Privacy Laws in relation to privacy, disclosure, use or confidentiality of information	There should not be implications because of smart meters, but there are concerns by consumer groups that information will be misused	Comments are sought on whether there is any requirement for further amendment	The concerns of the customer groups are not made clear, however, it is worth noting that metering data is confidential under the National Electricity Rules.

USE OF SYSTEM AGREEMENTS Clause	Summary of Obligation	Issue for operation of smart meters	ESC preliminary view	CitiPower/Powercor Comments
8.2 Provision of Information	Obligations on each party to ensure it provides relevant information at no cost and in a timely manner information that it needs to comply with its obligations	The operations of smart meters should not impact this obligation, but views of relevant parties are required	Comments are sought on whether there is any requirement for further amendment For	No obvious need for amendment due to AMI.
8.4 Information Exchange Protocols	Obligations to participate in B2B processes	The operations of smart meters should not impact this obligation, but views of relevant parties are required	Comments are sought on whether there is any requirement for further amendment For	No obvious need for amendment due to AMI.
8.5 & 8.6 Accuracy and changes in information	Obligations to ensure information is accurate and up-to-date	The operations of smart meters should not impact this obligation, but views of relevant parties are required	Comments are sought on whether there is any requirement for further amendment	No obvious need for amendment due to AMI.
9.4 Customer Details	Customer information to be provided by the retailer to the distributor	Obligations appear to be the same irrespective of smart meters, but views of the parties are required	Comments are sought on whether there is any requirement for further amendment	No obvious need for amendment due to AMI.
9.8 Changes in Network Tariffs or Distribution Services	Obligations and procedures in relation to changes to network tariffs	Will be critical in the operation of smart meters	Comments are sought on requirements for further amendments to these provisions	It may be necessary to consider changes following policy decisions flowing from the recommendations of the AMI Governance and Advisory Structure.
Appendix Item 3: Frequency of meter reads (clause 7.5)	Obligations regarding the frequency of meter reading.	This item may constrain monthly network billing .		This clause could be amended as follows to allow monthly network billing:- For all Supply Points connected to the Distribution System as at the Commencement Date, existing meter reading frequency will continue. For all new Customers, once every 3 calendar months or as otherwise reasonably determined by the Distributor.