



8 July 2011

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

By email: khayen.prentice@esc.vic.gov.au

Dear Ms Prentice

RE: SMART METERS REGULATORY REVIEW - CAPACITY CONTROL & VERIFYING BILLS

Thank you for the opportunity to provide input to the Commission's Draft Decision *Smart Meters Regulatory Review - Capacity Control and Verifying Bills*.

Origin will be commenting only on the proposal for a start index read on customer bills. We have some concerns about how this issue has been treated by the Commission, and particularly how issues related to data provision have been understood and managed.

First, we ask that the Commission addresses if meter data providers will be able to reliably provide the required information to retailers. As we stated in our previous submission on this issue, the Commission needs to be highly confident that this will happen as required before mandating this information to be on retail bills. This has not been addressed by the Commission in its Draft Decision. Distributors have no obligation to include the start read index in the data files provided to retailers.

This raises the question of a retailer potentially having to create an index read if they do not have the information, and how this may happen. As we have noted before, any retailer construction of an index read will mean that there will be no ability to transfer retailers with this information, and potentially no consistency in how retailers make these calculations. We do not support this approach.

Second, the Commission has said in its Draft Decision that it believes that consumers are likely to be confused and more likely to complain if they find that there is no longer a start index read on their bills when a smart meter replaces the basic meter. However, there is no evidence provided to support this statement or to compare this perceived confusion with the confusion that retailers have explained will occur because of the mismatch between the data the customer is billed on and the reading on the meter. We would expect a more comprehensive analysis.

On this point of mismatched information, we note that the Commission says:

The Commission is not persuaded by the issues raised in industry submissions as currently customers' bills are not based entirely on the meter reads, but may be based on substitutes and estimates. As substitution and estimation are already occurring with basic meters, the Commission cannot see how requiring retailers to include a start read on the bills would increase confusion and complaints. (p.14)

These statements seem to show that our explanations of how index reads, estimates and substitutes work have not been understood by the Commission. Given that we have been



participating in consultation on this issue in one form or another for over a year, and that the Commission has now implemented index reads as a regulatory requirement for smart metered bills, this is a highly concerning.

To explain: while current basic metered bills do have estimates (the primary form of non-actual reads with basic meters), these are consistent with how the customer is billed. The customer is billed quarterly on the difference between one manually read (or estimated) index read and another manually read (or estimated) index read. Adjustments for estimations occur but not in the one bill, and the bill will be reconciled with the meter once an actual read occurs. To reiterate, with current basic meters the customer's total accumulated use as per the index reads on the bill is exactly what the customer is billed for. The value of the customer checking an index read from the bill is that they can expect that a bill should reconcile against the meter, except perhaps for a small and reasonably consistent amount reflecting the bill processing and mailing time. The reading on the meter is the primary data source for all parties.

With remotely read interval meters this changes significantly, as the presence of substitutes (the primary form of non-actual reads for smart meters) means that the meter's index read is not consistent with how the customer is billed and these numbers will never reconcile. Some of the reads may drop out for a range of technical reasons, and they will not show up on the meter's index read but they will be accounted for on the bill via substitution procedures carried out by the meter data provider according to the requirements of the Metrology Procedure. The customer bill is thus comprised of the actual readings per half hour across the billing period (what the meter provides) plus any substitutes subsequently calculated.

It is not clear how great the discrepancies are likely to be between the index read on the bill and the index read on the meter, but we do know they will increase over time due to the cumulative effect of any substitutes. Customers who are specifically seeking to check for differences will assume there has been an error in billing, and we can expect that index reads for smart metered customers will cause more confusion than anything else, particularly over time. We have discussed this issue in detail in our previous submissions.

These problems are the same for an index read either at the start or the end of a billing period, but we can expect that providing an index read for the start of a bill as well as the end will only further highlight the discrepancies discussed above.

Third, we think it is worth reiterating that regulating provision of index reads makes the mistake of embedding the old way of doing things when better sources of information will be present and customers can also be educated to look for different information. With smart meters, customers can review the accuracy of their bill by requesting from the retailer their detailed half hourly consumption data. As we have stated previously:¹

This is a new avenue for information that arises from the use of the interval meter. The challenge for the industry...is to develop with customers a consumer-friendly and secure view of how they can best access and digest this information. This will be a focus of customer education and of consumer research about preferences. Once we have established this as a customer expectation it will provide a level of assurance of billing far more appropriate to the 'new world' than the putative index read. Therefore it is thus more a matter of educating customers that this new data is a much better source of information.

¹ See Origin (2010) *Regulatory Review - Smart Meters Issues Paper: Submission of Origin*, May, p. 11.



We can expect new information sources to develop, and Origin has already announced a pilot for its own self-serve platform for customers to better engage with and understand their energy use.

Even in the absence of new channels for customer usage information, there is a more practical way of giving customers the chance to verify their bills against the meter. This would be to educate customers to read their meter at each scheduled read date, and compare the difference in index reads to their total billed usage per billing period. This approach does not eliminate the effect of any substitutes within one billing period, but will remove the problem of the cumulative substitutes prior to that bill.

As a final point, the changes proposed by the Commission will require systems changes, and representations we have previously made to the Commission on compliance dates will apply for a start index read as well.

I would be happy to discuss any aspect of this submission further with the Commission, and at your convenience. If you have any queries about this submission please contact me on the number below.

Yours sincerely

[signed]

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