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Regulatory review – Smart Meters – Issues Paper, April 2010

Dear Wendy

Thank you for providing Jemena Electricity Networks (JEN) an opportunity to comment on the above mentioned Issue Paper. JEN welcomes the Commissions' review of regulatory instruments to ensure customers benefit from smart meters.

In summary JEN supports:

- including the 'total accumulation consumption' reading on the bill date and at the previous bill date;
- showing the materiality of estimates and substitutes (if any) that is included in the total consumption;
- showing the energy consumption for each tariff segments including graphical information;
- showing fixed and variable costs separately on a bill;
- requirements on retailers that their disconnection warning to customers must include information that the disconnection may be performed remotely;
- monthly billing of all customers who are on quarterly billing cycle, unless the customer chooses to 'opt-out';
- removal of the regulatory requirement in the Retail Energy Code requiring retailers to obtain a customer's explicit informed consent to change their billing cycle; and
- amendment to the Use of System Agreement to enable distributors to monthly bill network charges to retailers.

JEN does not support:

- any default tariff arrangements impacting distributors, retailers and customers when bills are estimated;
- obligations placed on distributors to provide metering data directly to customers (customers should obtain the data from retailers);

- any further regulation that requires distributors to disconnect and reconnect premises more quicker (performance standards are already in the AMI service level specification);
- provision of information on how to go about finding a retailer by placing a sticker in the meter box; and
- the proposed amendment to amend clause 13.3 of the Retail Energy Code in relation to denying access to smart meter

JEN's detail response to the issues presented in the Issues Paper is set out below.

Verifying the accuracy of a bill

Under the National Measurement Act there is a requirement that customers must have enough information to verify their bill and for electricity meters this equates to the total accumulation register that the customer can see on the meter.

Customers with interval meters can currently do that by reading the total accumulation register at the time of each meter reading/billing period (i.e. usually quarterly for domestic customers). The customer can then subtract one reading from the other and this should roughly equate to the consumption on their bill.

JEN is supportive of including the 'total accumulation consumption' reading on the bill date and at the previous bill date. By showing the 'total accumulation consumption' reading on a bill, a customer can at least go to the meter to give themselves confidence that the reads used to bill them come from that meter.

The difference between the current and previous readings of a smart meter may not necessarily equate to the total energy consumption shown on the bill. This may be due estimation and substitution data. Notwithstanding, the difference between the readings would roughly indicate the total energy consumed for the billing period.

Customers need be educated on how to use the 'total accumulation consumption' reading shown on a smart meter, including why sometimes it is necessary to use substituted or estimated consumption data.

Estimated and substituted data on bills

JEN does not support proposals to disallow the use of estimates for billing. JEN contends that there is still a need to estimate energy consumption – for example, in cases of theft ('meter by-pass'), meter failure, or extended period of outage of AMI communication at the end of a billing period. Extended AMI communication outages due to weather or vandalism are real possibilities. Such outages are beyond the control of distributors.

JEN believes there is value in showing the extent of estimates and substitutes used for billing and the materiality of the estimates or substitutes expressed as a percentage of either the energy (or alternatively the number of half-hour intervals) for the period. This information would assist the customer understand the divergence (if any) of the energy consumption they are billed and the difference between the current and previous readings of a smart meter.

JEN does not support having some default tariff arrangements impacting distributors, retailers and customers when bills are estimated. There should only be one tariff on which to base an invoice. Multiple tariffs will confuse customers in understanding how their bill was calculated. The way forward would be to develop a good

estimation and substitution methodology that would closely replicate the likely amount of consumption.

Managing daily consumption and costs

(a) Customer billing cycle

In order to effectively manage their daily consumption and costs, customers will require regular feedback regarding their usage in each pricing period. This essential requirement can be achieved initially by shortening the billing period from quarterly to monthly billing. In-house displays that accesses data directly from the meter is still a developing technology. It will be sometime before these devices are deployed widely. Therefore, JEN proposes the billing period be shortened to monthly billing for all those customers who are on quarterly billing cycle, unless the customer chooses to 'opt-out'.

JEN considers that the current regulation that customers on deemed or standing offer contracts must be billed at least every three months, unless explicit informed consent for a different contractual arrangement or billing cycle is given, is a barrier to retailers who want to quickly transition customers from quarterly to monthly billing. Removal of this regulatory requirement in the Retail Energy Code will significantly assist retailers. In its place, there can be a requirement that a retailer must provide written notification to customers before changing the billing cycle.

Monthly billing should be encouraged as there are many advantages. For example, monthly billing will enable customers to smooth their payments instead of having to pay lumpy quarterly bills and retailers will benefit by having lower bad debts.

(b) Information a bill

In the short to medium term, it is expected that most tariffs offered to customers will be time-of-use tariffs. In those situations, customers will benefit if their bill shows the energy consumption for each tariff segments including a description of the tariff segment and graphical information as shown in Figures 1 and 2 of the Issues Paper respectively. It will make it easier for customers to understand their tariff structure, and will greatly assist them manage their daily consumption and costs.

Unbundling tariffs and charges on the bills

JEN is of the view that customers would benefit from greater transparency of information on their bill and supports some level unbundling. However, too much unbundling of tariffs and charges may make it difficult for customers to understand the structure of their bill. For example, showing fixed and variable costs separately on the bill may assist customers shop around for a better retail offer. However, unbundling distribution and energy charges may overwhelm the customers with too much of information.

Wholesale price of electricity generally rises during peak demand and so does network costs. There is a high probability of alignment of the periods where energy and distribution charges are highest and lowest during a day or season. After all customers are generally interested in knowing the total energy charge at a given time in a day so that they can manage their energy costs.

JEN is not supportive of any mandate that requires retailers to unbundle tariffs because we believe it would make it difficult for retailers to offer innovative products to customers.

Access to metering data

JEN does not believe that distributors should be obliged to provide metering data directly to customers; rather they should request the data from retailers. JEN does not hold sufficient customer details and will not be able to readily verify the identity of the customer.

At a recent forum on smart meters held at the Commission's offices, a number of customer advocates indicated that customers generally prefer to deal with one party – not the distributor and the retailer. Metering data are matters that relate to customers bills and the retailers are best placed to provide the metering data.

In-house displays that accesses metering data directly from the meter is the most efficient way for customers to access their metering data. Customers should wait for this technology to be developed, as it may be the most cost efficient solution in gaining access to metering data.

Prompt disconnection

The performance level for remote disconnect and reconnect are specified in the Advanced Metering Infrastructure Minimum AMI Service Level Specification (Victoria) September 2008. JEN does not believe there is a need to further introduce regulation to require the distributors to disconnect and reconnect premises more quickly if the smart meter functions are available.

Customer protection under disconnection

The issues here are that customers need to understand that the disconnection may take place remotely and that customers are not disconnected incorrectly.

JEN is supportive of amendment to regulations that requires the retailer's disconnection warning to customers indicate that the disconnection may be performed remotely without a visit to the property.

In relation to the possibility of incorrect disconnection, JEN wish to advise that its current process for manual disconnection involves checking that the disconnection address is not registered as a life-support customer address. Additionally, JEN checks to make sure there is not a corresponding reconnection request before a service order is dispatch.

Human error or incorrect labelling of service fuses (the disconnection point) in grouped metering situations (e.g. multi occupancy sites) is generally the cause of incorrect disconnection. Human error will always remain a possible cause of incorrect disconnection even if they are done remotely. JEN believes that there will be less error when disconnection is carried out remotely.

Information to new customers after remote disconnection

The Commission is concerned that customers who take possession of premises which are disconnected may not know who to contact for energisation. An option canvassed by the Commission is to place a sticker that contains an appropriate call centre number for customers to ring to get connected to a retailer. Alternatively, the sticker could contain information that directs a customer to a website. The DPI website or telephone number is a possible contact point. Moreover, JEN believes most customers who move into premises that are disconnected will have the contact details of retailer from their previous place of residency.

It is worth noting that there is a risk going down this track. The information will become out of date over time and will only serve to confuse customers in the future. Therefore, JEN does not support the Commission's proposal to require distributors to provide information by a sticker placed in the meter box for reasons given above.

The last sentence in section 3.3.3 states: "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."

JEN contends the statement is incorrect because there are no savings to off-set the cost to distributors. JEN has submitted prices for remote disconnection and reconnection services to the AER in its regulatory price review submission and there is no allowance for site visit in the cost build-up of the services.

Frequency of network billing of retailers by distributors

JEN has built billing systems for smart meters that bills retailers on a monthly basis for each smart meter customer. JEN's decision was based on the industry decision¹ to adopt monthly billing to retailers, which was made following consultation with retailers and on the expectation that the regulatory framework will be amended to allow retailers to move to monthly billing.

JEN understands that the retailers working capital cost would increase if monthly billing is introduced immediately before retailers have the opportunity to transition their customers from quarterly to monthly billing cycle. JEN is currently making every endeavour to negotiate with retailers to extend the payment terms such that the outcome is neutral to their current level of payments. The extended payment terms offered are until the earlier of 1 January 2012 or when the regulatory framework is amended to allow retailers to move to monthly billing.

In the intervening period, JEN urges the Commission to amend the Use of System Agreement to enable distributors to monthly bill network charges to retailers; and the Retail Energy Code to enable retailers to transition customers easily to monthly billing cycle by removing the requirement for retailers to obtain a customer's explicit informed consent to change their billing cycle.

Retail Distribution Code – Clause 13.3 Denying access to the meter

The Commission proposes to amend clause 13.3 (as shown below) by excluding disconnection of smart meter due to customer denying access to the smart meter for the purposes of reading the meter.

¹ The Victorian AMI Process Model (version 1.0) was approved by the Industry Steering Committee in April 2009. This was used as the baseline development of systems and processes

“A *retailer* may disconnect a *customer* other than a customer with a smart meter if, due to acts or... “

The proposed amendment sets a precedent of not requiring the customer to give access to a smart meter. This is not welcomed by JEN. Whilst the clause 13.3 specifically relates to meter reading, it is sending the wrong message to the customer as the distributor still may need access to manually read the smart meter if there is a problem with communications at a particular site. Additionally, distributors require unhindered access for testing programs, fault replacement and any other investigations that are required with the meter.

Should you wish to follow up on any of the matters discussed above, please contact me on (03) 8422 9442.

Yours sincerely

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Manager Network Regulation and Compliance