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Our Ref:

Dear Dr Ben-David.

Review of customer protection and energy market regulations in the context of the Advanced Metering Infrastructure roll-out

The Victorian Department of Primary Industries (DPI) welcomes the opportunity to make a submission in response to the Issues Paper published by the Essential Services Commission (ESC) in April 2010 which considers what changes may be required to ensure the customer protection and energy market regulations are appropriate for the initial period of the introduction of Advanced Metering Infrastructure (AMI).

DPI supports the Issues Paper's comprehensive consideration of relevant customer protection and energy market protection regulations in light of the AMI roll-out. Following are comments on certain of the matters raised in the Issues Paper.

Notification and consent to time-of-use (TOU) tariffs

Pursuant to current regulations, whilst customers on market contracts must provide consent to a change in tariff, the requirement in relation to customers on standing contracts is only that the customer be notified of a change in tariff as soon as practicable after the change and, at the latest, in the customer's next bill. The Issues Paper queries whether these rules are suitable in the context of potential new TOU pricing offers.

Consistent with the position of the Victorian Government that customers have a choice as to whether they move to a TOU tariff, the ESC's review should contemplate both an opt-in and an opt-out scenario.

In circumstances where the TOU tariff is entered into pursuant to a market contract, the current rules requiring consent to a change to the tariff may need to be enhanced in order to provide adequate protection to a customer.

In circumstances where a TOU tariff may be able to be offered by a retailer to discharge its statutory "obligation to offer", a more robust framework is required. At



a minimum, the ESC should envisage a requirement for retailers to notify customers of the availability of, and any subsequent change to, a TOU tariff before that introduction or change takes place (either in the customer's preceding bill or by a separate notification). Specifically, the ESC should envisage a requirement for customers to opt-in to, or opt-out of, a TOU tariff, rather than requiring prior notification alone.

Access to, and ownership of, information

The ESC contemplates amending the Electricity Metering Code to exclude customers with a smart meter from the information access provisions relating to historical data (clause 7).

Notwithstanding that a customer may have alternative means of accessing metering data (e.g. through an in-home display or web-portal), DPI considers the residual rights contained in the information access provisions to be of on-going relevance to customers with a smart meter. This is especially so considering it will take some time to build-up historical data, and that there is merit in these provisions enabling the customer to nominate an alternative retailer or a third party to access the metering information.

Billing verification, estimation and substitution

Notwithstanding that smart meters are capable of taking a meter reading every half-hour, DPI understands that there may be occasions on which half-hour readings will not be available. However, DPI also understands that the incidence of this occurring is very low (that is, smart meters are unlikely to miss any more than several of the 4320 half-hour readings within a 90 day billing cycle).

Nevertheless, the result is a discrepancy between the previous and current "index" (accumulated) meter reads and the aggregate of the period volumes stated on a customer's bill. DPI considers that it will be important to require a retailer to indicate on a bill the incidence of any material discrepancies in this data. An appropriate materiality threshold should be examined by the review.

This, or a similar requirement, should assist customers in the reconciliation of bills.

Provision for monthly billing

The ESC should ensure the regulations provide for a future scenario where retailer and customer agree to a monthly billing cycle.

Unbundling of charges

DPI sees no immediate value in requiring the unbundling of charges on a customer's bill beyond the current minimum requirement. If further unbundling of charges were to be pursued, the Government would advocate a requirement that the nature and quantum of any such charges (particularly where they are regulated) should be fully described and fully replicable. Given the more detailed information which will

appear on customers' bills in the event of the introduction of TOU tariffs, there is a risk that further unbundling will provide unwarranted and unhelpful bill complexity at this stage.

Facilitation of competition

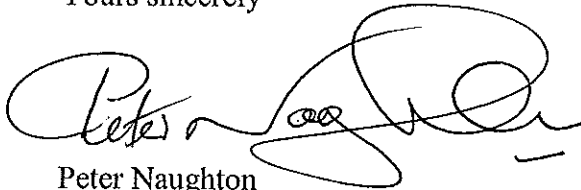
DPI strongly supports the ESC considering the facilitation of competition throughout the current review. Mechanics to ensure customers are readily able to compare and take-up offers from competing retailers will be important to ensure the competitive environment is optimised. Thus a framework which ensures some form of consistency in the presentation of data and pricing structures is supported. However it is equally important that retailers not be overly constrained in the development of innovative pricing plans and ancillary product offerings.

Use-of-System Agreement and the (monthly) network billing cycle

DPI considers that a commercial resolution of this issue between retailers and distributors would be optimal at this stage. In the event that such resolution is not possible in all cases, it is desirable that the ESC establish an appropriate default condition in the Use-of-System Agreement instrument. The Government is keen to ensure that there are no material regulatory impediments to a monthly retailer-customer billing cycle being offered in the market place.

We look forward to the ESC's Draft Decision on proposed regulatory amendments.

Yours sincerely



Peter Naughton
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