14 June 2018

Mr John Pierce
Chairman
Australian Energy Market Commission (AEMC)
PO Box A2449
Sydney South NSW 1235

Dear Mr Pierce,

RE: AEMC Consultation Paper – *National Electricity Amendment (Estimated meter reads) Rule 2018* (Reference ERC0241)

Endeavour Energy appreciates the opportunity to provide feedback to the AEMC's consultation paper – *National Electricity Amendment (Estimating meter reads) Rule 2018*. A rule change request was made by the COAG Energy Council and two individuals regarding the use and accuracy of estimated meter reads used for billing purposes.

The rule change proponents are concerned with the impact of inaccurate estimated meter reads on customers. A number of solutions are proposed, specifically:

- Civil penalties: requiring retailers to not use a "grossly inaccurate" meter estimate as the basis for a customer's bill;
- Customer self reads: requiring retailers to use a customer provided meter read as the basis for an estimated bill, or to adjust an estimated bill, in certain circumstances;
- Prohibition: requiring that actual meter reads occur every three months and prohibiting the use of estimated reads; and
- Methodology for embedded generation: requiring estimates for households with solar panels should be based on data of energy generated by similar sized panels within similar latitudes along with previous year billings to generate an estimate.

As a Distribution Network Service Provider (DNSP) we are still the responsible party for the majority of metering customers in our network area and act as the Metering Provider (MP) and Metering Data Provider (MDP). Following the introduction of metering contestability under the Power of Choice reforms (introduced 1 December 2017) our role will gradually reduce over time as customers transition to competitively provided metering with minimum 'smart' functionality.

Currently, we use estimated meter reads typically for defective meters (through failure or tampering) or in the case of access issues. Obtaining actual meter reads in these circumstances can be impossible or unduly expensive. When estimating usage; a transparent and accurate method is used as prescribed by AEMO's metrology procedures. We have previously reviewed the accuracy of estimated meter reads for a statistically significant number of sites (over 750), and found these reads were 96% accurate when compared to the actual reads.

Based on this we do not consider increasing civil penalties or barring estimated reads would be effective or practicable solutions. A successful meter read involves the meter, MP, MDP and customer (i.e. access). There are legitimate reasons why estimated meter reads are occasionally required. We are not aware of market participants excessively relying on estimated meter reads. In our role as MP and MDP we have only estimated an average of 3.5% of meter reads per cycle over the last 12 months.

Given the accuracy of AEMO's estimation methodology and the rarity of estimations we do not consider it would be in customers' interests to eliminate estimated meter reads. Doing so would increase costs, require access and provide no alternative in the case of failed metering equipment.

However, we understand that retailers may elect to rely on their own estimated reads which are not subject to AEMO's estimation methodology and validation procedure. We do not have visibility of the accuracy and frequency at which retailer substitution occurs, although we would expect it to be rare given the Meter Read and Billing Frequency rule change (2016). This rule change requires retailers to issue a bill to a small customer on a standard retail contract at least once every 100 days, rather than the previous requirement of three months. Ergon Energy predicted this additional time would ensure that 99% of customers will receive a bill on actual consumption data.

If this is a recurrent issue, it may be appropriate to require retailers to also comply with AEMO's estimation methodology to provide customers greater confidence regarding the generation and validation of substitute data. This would be preferable to allowing customers to provide self meter reads or to dispute bills on the basis of them for the following reasons:

- it is unlikely customers will be able to reliably read meters, particularly clock dial meters and cycle through digital meters, that are currently read by qualified staff;
- customers would not be able to identify unsafe situations (including meter tampering and theft) or use appropriate equipment (e.g. gloves and volt stick)
- a significant number of customers would not be able to access their meter, e.g. meters are contained in secured rooms in apartments; and
- it would increase validation and processing costs. We previously managed self reads for 4,000 customer sites which cost approximately $0.6m p.a.

Instead, the existing dispute resolution procedures in the NERR provide appropriate customer protections in the case of estimation errors. Also, in a well-functioning competitive market retailers should have an incentive to avoid relying on grossly inaccurate meter reads that result in bill shock and customer dissatisfaction.

Overall, we consider the concerns of the rule change proponents are best addressed by metering contestability based on our experience as an MP and MDP. The Power of Choice reforms will ensure customers move to more advanced metering that will increase the frequency of actual meter reads at a lower cost. The enhanced functionality offered by smart meters should act as an incentive to customers dissatisfied with their existing metering service to electively churn their existing basic meter. The contestable market for residential metering should be given time to develop and provide a market based solution to estimated meter reads.

Attachment 1 provides our responses to the questions raised in the consultation paper. If you have any queries or wish to discuss this matter further please contact Patrick Duffy, Regulatory Strategy Manager at Endeavour Energy on (02) 9853 4375 or via email at patrick.duffy@endeavourenergy.com.au.

Yours sincerely,

Jon Hocking
Manager Network Regulation
Endeavour Energy

ATTACHMENT 1: RESPONSE TO THE CONSULTATION PAPER QUESTIONS

Consultation questions on the issues to be addressed

1. **Do stakeholders agree with the characterisation of the issues with estimated meter reads to be addressed?**

Yes

Consultation questions on prohibiting estimated reads

1. **What are the costs and benefits of requiring that all customer bills must be based on actual meter reads? Should this option be considered further?**

This option should not be considered further as it would be both costly and impracticable.

The benefits are that actual meter reads are more accurate than estimates and therefore reduce bill volatility. However, it is unlikely that additional benefits can be accrued relative to existing practices. This is because there are numerous, legitimate reasons why an actual meter read may not be obtainable at a reasonable cost (or at all). Some of the more common reasons would be where a meter has failed or the meter is not accessible.

As a result we estimate meter data sparingly, on average only 3.5% of sites over the last 12 months, and we comply with AEMO's estimation and validation procedures. We found that our approach was 96% accurate when testing our estimates against actual reads across 750 customers.

We note that retailers may also rely on their own estimated data in certain circumstances. We would expect this to be limited given the outcomes of the Meter Read and Billing Frequency rule change (2016). This rule change requires retailers to issue a bill to a small customer on a standard retail contract at least once every 100 days, rather than the previous requirement of three months. Ergon Energy predicted this additional time would ensure that 99% of customers will receive a bill on actual consumption data.

It is not practicable or efficient to negotiate individually with customers to schedule special meter reads where access issues prevented a meter read. The customer may be unwilling or unduly inconvenienced and the MDP will incur additional administrative and meter reading costs. In our view, estimated meter reads provide an efficient cost alternative that customers would prefer as opposed to increased metering costs.

Given this, mandating actual reads is unlikely to significantly increase the number of bills being issued on actual data. This is because all of the legitimate reasons why estimates are required would still exist. Instead, mandating actual reads would simply mean less bills would be issued as there would be no data on which a retailer could provide a bill. This will result in bill shock when an actual read is subsequently obtained and it may also create perverse incentives for customers to restrict access to meters.

Consultation questions on prohibiting bills based on grossly inaccurate meter reads

1. **To what extent does the option address the issues with estimated meter reads? What are the benefits?**
2. **How would the option be implemented by industry and what are the costs involved?**

In our view this requirement is unhelpful. as it is unclear what "grossly inaccurate" would be and whether this is an existing issue that needs to be addressed. Our estimation methodology and validation procedure is prescribed by AEMO and therefore highly unlikely to produce a grossly inaccurate estimate.

In a competitive market for retail services we would expect retailers would have a commercial incentive to avoid relying on grossly inaccurate meter data. This would result in bill shock and a negative experience for customers that would increase the likelihood of a customer switching their retailer.

In light of the Power of Choice reforms we would expect the issues associated with manually read meters will subside over time as customers' transition to smart metering. In a competitive market for metering services we would expect the pace of this transition would increase as customers who value accuracy and/or privacy (given manual reads are conducted on site) would voluntarily transfer to 'smart' metering.

However, if the AEMC considers this is a material issue then a more tangible or clearer solution would be appropriate. For instance, requiring retailers to comply with AEMO's estimation and validation procedures. Although we note this may be difficult for retailers who do not have an extensive history with the customer upon which to base an estimate.

Consultation questions on requiring the retailer to accept a customer self-read

1. **To what extent does the option address the issues with estimated meter reads? What are the benefits?**

We do not consider this solution would address the issue at a lower cost or greater benefit than the existing dispute resolution procedures. The benefit is that it may marginally reduce the number of estimated reads used. However, this is unlikely given customers will not be suitably qualified to accurately and safely read a meter. Customers will not have the equipment and skills to test whether the meter box is 'live' and may struggle to read some meter types, e.g. clock dial meter and cycle through digital meters. Further, customers in apartment buildings will not be able to access the meter room.

2. **How would the option be implemented by industry and what are the costs involved?**

The costs involved in a self-read program would clearly outweigh the benefits. We have previously administered a self-read program for 4,000 customers which cost approximately $0.6m p.a. Given the accuracy of our estimation process these costs would have outweighed the bill differences between self-read actual and estimate metering data.

Self-reads may also remove the ability for MPs to identify unsafe situations and instances of meter tampering and theft.

3. **Are there any types of metering or tariff arrangements that would make it difficult for a customer to provide a self-read?**

Yes, clock dial meters and digital meters that require users to cycle through several screens. Also, where customers have multiple meters for multiple services.

4. **What are the appropriate timeframes in which a customer should provide a self-read to a retailer to inform a bill?**

Retailers would be best placed to respond to this question.

5. **What arrangements should apply if the retailer rejects a customer self-read? For example, should the retailer be required to provide reasons to the customer and allow the customer to rectify the self-read?**

Retailers would be best placed to respond to this question.

Consultation questions on adjustments to estimated bills

1. **To what extent does the option address the issues with estimated meter reads? What are the benefits?**
2. **How would the option be implemented by industry and what are the costs involved?**
3. **What are the implications of an adjusted estimated meter read and how should these be addressed? For example, are there implications on the billing cycle?**

This solution may marginally improve the existing dispute resolution procedures in that it requires a restated bill be issued rather than the difference being settled up at the time of the next bill. This may reduce bill shock for customers. However, for the reasons outlined above this restatement should not be based on a self-read.

Instead, it may be appropriate in circumstances where an estimated bill is disputed on the basis of a special meter read or subsequently obtained actual read. The adjustment could be brought forward in circumstances where a materiality threshold is met.

Consultation questions on strengthening the requirements to carry out actual meter reads

1. **To what extent do these options address the issues with estimated meter reads? What are the benefits?**
2. **How would the options be implemented by industry and what are the costs involved?**
3. **What would be the most effective way to strengthen the requirements to carry out actual meter reads (if any)?**

For reasons outlined above we do not consider this would be effective or practicable from our perspective as an MP and MDP as we do not have full control over our ability to obtain an actual read.

We provide a high proportion of actual meter reads and follow a transparent and accurate methodology and validation procedure where estimates are required. Similar arrangements may be worth considering if retailers are estimating a material number of bills but we do not consider this to be the case given the Meter Read and Billing Frequency (2016) rule change.

Consultation questions on more accurate calculation of estimated usage

1. **To what extent does Dr Dodt's proposal address the issues with estimated meter reads? What are the costs and benefits of the proposal?**
2. **What other solutions would improve the accuracy of estimates where a premises has significantly changed its usage? Would the Minister's proposals in section 5.2.3 (customer self-reads) or 5.2.4 (adjustments to estimated bills) effectively address situations where energy usage has changed significantly?**

We do not consider this to be a wide spread issue. Our expectation would be that customers with solar PV would have interval or 'smart' metering. The circumstance described by Dr Dodt's proposal is rare. It would require a customer to acquire solar PV and for their metering (new or old) to then fail for their first billing cycle with the solar PV system active. We expect the Power of Choice reforms and cost-reflective tariff arrangements will resolve this issue by ensuring customers have 'smart' metering.

The costs involved in addressing this issue would be unreasonable given its infrequency. The party responsible for producing an estimate would have to maintain a large survey population of solar PV owners (of which they may not have visibility of) that would have to be carefully selected, reviewed and managed over time and then estimates would have to be individually calculated.

Consultation questions on civil penalties

1. **Is compliance with rule 21 of the NERR an issue, and would civil penalties help to improve compliance?**

Retailers would be best placed to respond to this question.