AEMC

RULE

Australian Energy Market Commission

## DRAFT RULE DETERMINATION

# NATIONAL ELECTRICITY AMENDMENT (METER INSTALLATION - ADVANCED METER COMMUNICATIONS) RULE 2019

**PROPONENT**

Australian Energy Council

20 DECEMBER 2018

## INQUIRIES

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

E aemc@aemc.gov.au
T (02) 8296 7800
F (02) 8296 7899

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## ABOUT THE AEMC

The AEMC reports to the Council of Australian Governments (COAG) through the COAG Energy Council. We have two functions. We make and amend the national electricity, gas and energy retail rules and conduct independent reviews for the COAG Energy Council.

# SUMMARY

1 In 2015 the Australian Energy Market Commission (AEMC, or the Commission) introduced significant reforms to metering services in the National Electricity Market (NEM) through the *Expanding Competition in metering and related services* final rule (Competition in Metering Rule). This involved significant amendments to the National Electricity Rules (NER) and the National Energy Retail Rules (NERR). The new rules commenced on 1 December 2017. They introduced competition in the provision of metering services and sought to facilitate the market-led deployment of advanced electricity meters. The Commission anticipated that consumers would drive the uptake of advanced meters, and industry innovation, by choosing the new products and services that the meters facilitate.

2 The reforms require that only a type 4 advanced meter (type 4 meter) be installed for any new or replacement meter. A type 4 meter is a remotely-read advanced meter. The only other meter that may be installed in certain circumstances is a type 4A advanced meter (type 4A meter), which is an advanced meter with its remote communications disabled such that it must be read manually.

3 This current draft rule determination addresses one specific aspect of these metering reforms. It aims to allow metering coordinators to deactivate the remote communications capability of an installed type 4 meter, where a small customer objects to their continued use. The deactivation of the meter's communications creates a type 4A meter. The draft rule has been made in relation to the rule change request made by the Australian Energy Council (AEC).

4 The draft rule is likely to contribute to the national electricity objective (NEO) by providing better outcomes for consumers in the longer term in relation to price, by lowering costs and more closely reflecting the value some consumers place on certain metering services. Specifically the draft rule, if made as a final rule, is expected to:

- Decrease costs to the individual customer for the provision of a type 4A meter by allowing an installed type 4 meter at a small customer's premises to be converted into a type 4A meter. This has been estimated by the proponent to be three to five times lower than the current process of a meter exchange.
- Provide cost savings to metering coordinators, retailers and jurisdictional ombudsmen by reducing the likelihood of small customer complaints.
- Facilitate the efficient provision of a type 4A meter where a customer refuses the continued use of a type 4 meter and is prepared to pay potential additional costs, such as the cost of manual meter readings.

5 The draft rule is a more preferable draft rule. In response to feedback from stakeholders, the draft rule requires that small customers are informed of the cost and practical implications of having a type 4A meter before a metering coordinator may accept their request.

6 The draft rule:

- Adopts the core element of the proposed AEC rule change — allowing metering coordinators to deactivate the communications on an installed type 4 meter when a small

customer objects to its continued use, and that refusal is acted on (accepted) by the metering coordinator.

- Clarifies the intent of the existing clause — the way the rule is currently expressed in clauses 7.8.4(d)-(i) of the NER means the relevant policy position from the Competition in Metering Rule may not be clear to all parties in their interpretation of these provisions. Consequently, in this draft rule the Commission has clarified the policy position in the relevant clauses as they relate to the rule change proposal.[1]
- Imposes an information provision obligation on metering coordinators as a precondition to acceptance of a customer refusal of a type 4A meter — prior to accepting their refusal a small customer must be informed of the differences between a type 4 and a type 4A meter and the upfront costs and indicative ongoing expenses associated with a type 4A meter.

7 The draft rule extends the existing circumstances under the NER in which a metering coordinator can use their discretion to install a type 4A meter — but not any other meter type — when a customer refuses the installation of a type 4 meter.[2]

8 The Commission welcomes submissions on this draft determination and the draft rule by **Thursday, 7 February 2019**.

1 Refer to AEMC, *Expanding competition in metering and related services,* Final Determination, AEMC, 2015, Sydney, pp. 320-321 for the original policy intent of clause 7.8.4 of the NER.

2 Clause 7.8.4(h) of the NER.

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# 1 AUSTRALIAN ENERGY COUNCIL'S RULE CHANGE REQUEST

This section of the draft determination sets out the:

- rule change request
- current arrangements
- rationale for the rule change request
- solution proposed in the rule change request
- rule making process
- consultation on the draft determination.

## 1.1 The rule change request

On 20 July 2018, the Australian Energy Council (AEC or the proponent) made a request to the AEMC to make a rule regarding type 4A meter installations in the national energy market (NEM), by amending clause 7.8.4 of the National Electricity Rules (NER).

According to the proponent, the primary objective of the rule change is to allow metering coordinators to deactivate the remote communications capability on an *already installed* type 4 meter, if a small customer objects to its continued use. That is, the proposed rule would expand the circumstances in which a metering coordinator would be able to provide small customers with a type 4A meter without being in breach of the NER.[3]

The rule change request includes a proposed rule. A copy of the rule change request may be found on the AEMC website, www.aemc.gov.au.[4]

## 1.2 Current arrangements

Currently, a metering coordinator must ensure that all new and replacement meters installed at the connection point of small customers are type 4 meters,[5] subject to two exemptions, where a type 4A meter may be installed.[6]

**Table 1.1: Types of advanced meters**

| TYPE 4 METER | TYPE 4A METER |
|---|---|
| To be classified as an advanced meter, the device must be capable of providing the services set out in the minimum services specification set out under the NER. | |
| Type 4 meters record are two-way digital communication systems that automatically | A type 4A meter is a meter that is capable of providing the services in the minimum |

3 This requirement is in clause 7.8.3(a) of the NER. It is a civil penalty provision.

4 AEC, Meter communications rule change proposal, rule change request, 20 July 2018. See: https://www.aemc.gov.au/rule-changes/meter-installation-advanced-meter-communications.

5 See clause 7.8.3(a) of the NER.

6 See clause 7.8.4 of the NER.

| TYPE 4 METER | TYPE 4A METER |
|---|---|
| send usage data to the required parties through their remote communications function. This automated communication ends the need for manual meter reads and give customers greater control over their electricity usage and billing arrangements, and a choice of services. | services specification but has its communications deactivated and therefore cannot be remotely read and/or managed. The Competition in Metering Rule provides that a type 4A meter can be installed in place of a type 4 meter in certain circumstances. |

Note: See Appendix A for more information regarding the relevant background for this rule change.

### 1.2.1 Exemption to the requirement to install a type 4 meter

A metering coordinator can install a type 4A meter either where:

1. The metering coordinator demonstrates to the Australian Energy Market Operator's (AEMO) reasonable satisfaction that there is no existing telecommunications network which enables remote access to the meter at the small customer's connection point.[7]
2. In the metering coordinator's reasonable opinion, the small customer has communicated their refusal to the installation of a type 4 meter (with the communications enabled).[8]

In either of the above circumstances a metering coordinator may deactivate the communications on a type 4 meter, creating a type 4A meter, at the time the meter is installed.

The second exemption to the metering coordinator's obligation to install a type 4 meter is the focus of this rule change.

### 1.2.2 Small customer refusal exemption

The 2015 *Expanding competition in metering and related services* final rule (Competition in Metering Rule)[9] set out the Commission's reasons for the exemption to the obligation on metering coordinators to install a type 4 meter when a small customer refuses the type 4 meter. The Commission acknowledged in the final determination that there was likely to be a minority of small customers who would seek to prevent or refuse the installation of a type 4 meter, or have one removed.[10] An example cited by the Commission as to why this refusal would be given was the concern that some consumers could have about the ability for the meter to be read or managed remotely via a telecommunications network.[11]

The Commission noted that, without an exemption, in these circumstances the only recourse that would be available to a retailer would be to estimate the customer's energy consumption

7 Clause 7.8.4 (a)-(c) of the NER.
8 Clause 7.8.4 (d)-(i) of the NER.
9 For more information see: AEMC, *Expanding compeitition in metering and related services,* Final Determination, 26 November 2015, Sydney.
10 AEMC, *Expanding competition in metering and related services*, Final Determination, 26 November 2015, Sydney, p. 320.
11 Ibid.

for the purposes of billing and settlement. Eventually the customer's premises would be de-energised if access to install a type 4 meter continued to be denied by the small customer.[12]

As this would have been a poor outcome for consumers, an exemption to the metering coordinators' obligation to install a type 4 meter was provided.[13] That is, the final Competition in Metering Rule provided that the metering coordinator is not in breach of the NER if it installs a type 4A meter where a customer refuses the installation of a type 4 meter.

The Commission stated in the Competition in Metering Rule final determination:[14]

> "Rather than providing customers with an express right to opt out of the installation of a meter that meets the minimum services specification in the case of faults, maintenance replacements or new connections, clause 7.8.4 of the final rule operates as a qualification to the metering coordinator's obligation to install a meter that meets the minimum services specifications at the relevant site."

In terms of a small customer refusal, the Competition in Metering Rule set out:[15]

- how a customer may communicate a refusal[16]
- that a retailer and metering provider must notify the metering coordinator and provide details of a refusal[17]
- a requirement for the metering coordinator to maintain a written record of the refusal for a period of at least seven years.

Therefore, the intention is for the exemption in NER clauses 7.8.4(d)-(i) is to allow (rather than require) a metering coordinator to install a type 4A meter if the customer refuses a type 4 meter. This means that the metering coordinator has discretion to act on a small customer refusal (that is, 'accept' a small customer's refusal). Similarly, the small customer can change retailers (or metering coordinators) to find the metering services that meets their needs. Further background on the Competition in Metering Rule is set out in Appendix C.

## 1.3 Rationale for the rule change request

In the rule change request the AEC sought to resolve the issue that there is no provision in the NER that enables the metering coordinator to deactivate the communications on a type 4 meter if a customer does not wish to retain the remote communications on an already installed type 4 meter, for example where a customer moves into a house that already has a type 4 meter installed.

In its rule change request, the AEC detailed its rationale for the rule change. The key points raised by the AEC in their proposal were that:

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12 Under Rule 113 of the NERR.

13 Under Section 7.8.3 of the NER a metering coordinator must install a meter that meets the minimum services specifications which is classified as a type 4 meter.

14 AEMC, *Expanding competition in metering and related services*, Final Determination, 26 November 2015, Sydney, pp. 320-321.

15 Clause 7.8.4 (e)-(g) of the NER.

16 A small customer may communicate their refusal verbally, in writing or by conduct.

17 Failing to do so is a civil penalty provision.

- The costs associated with deactivating meter communications on an installed type 4 meter is three to five times lower than replacing the meter entirely (as currently occurs with a meter exchange).
- In most cases, should the rule change be made, the deactivation of the type 4 meter communications will not require any interruption to the customer's supply of electricity (in comparison to meter exchanges, which may require supply to be interrupted).
- There will likely be a reduction in the cost and time retailers, customers and state ombudsmen spend on complaints regarding metering.

## 1.4 Solution proposed in the rule change request

The AEC sought to resolve the issues discussed above by proposing a rule (proposed rule) to provide the metering coordinator with the ability to deactivate the communications on an already installed type 4 meter (converting the installed type 4 meter to a type 4A meter). The rule would expand the ability of a metering coordinator to respond to a customer's refusal of a type 4 meter to cover more circumstances than is currently possible under the NER.

The rule change request states that:

> "Once a small customer refusal has been registered, the relevant metering coordinator and retailer may then choose the most cost-effective and efficient manner to convert the type 4 meter to a type 4A meter, which may or may not involve a meter replacement."

The AEC recommended that the NER be amended to expand the current exemption to the obligation for metering coordinators when installing type 4 meters for new and replacement meters for customer refusals. That is, the NER would be amended to allow metering coordinators to deactivate communications on an existing type 4 meter where a customer has expressed that they do not want the communications to remain enabled.

## 1.5 The rule making process

On 11 October 2018, the Commission published a notice advising of its commencement of the rule making process and consultation in respect of the rule change request.[18] A consultation paper identifying specific issues for consultation was also published. Submissions closed on 8 November 2018.

The Commission received 11 submissions as part of the first round of consultation. The Commission considered all issues raised by stakeholders in submissions. Issues raised in submissions are discussed and responded to throughout this draft rule determination.

Issues that are not addressed in the body of this document are set out and addressed in Appendix A.

18 This notice was published under section 95 of the National Electricity Law (NEL).

## 1.6 Consultation on draft rule determination

The Commission invites submissions on this draft rule determination, including a draft rule, by **Thursday, 7 February 2019**.

Any person or body may request that the Commission hold a hearing in relation to the draft rule determination. Any request for a hearing must be made in writing and must be received by the Commission no later than Thursday, 3 January 2019.

Submissions and requests for a hearing should quote project number ERC0246 and may be lodged online at www.aemc.gov.au.

# 2 DRAFT RULE DETERMINATION

The Commission's draft rule determination is to make a more preferable draft rule. As contemplated by the AEC, the draft rule permits a metering coordinator to deactivate the communications on an installed type 4 meter when a small customer objects to its continued use. The rule is more preferable as, when a metering coordinator exercises its discretion, they are subject to an information provision obligation to inform the customer of the cost and practical implications of their decision. Additional drafting changes have been made to clarify the intent of the Competition in Metering rule.

This chapter outlines:

- The rule making test for changes to the NER, including:
  - achieving the national electricity objective (NEO)
  - the more preferable rule test
  - applicability of the draft rule.
- The amended assessment framework.
- The Commission's summary of reasons, including:
  - key features of the draft rule
  - reasons for making the draft rule.

## 2.1 Rule making test

### 2.1.1 Achieving the NEO

Under the NEL the Commission may only make a rule if it is satisfied that the rule will, or is likely to, contribute to the achievement of the NEO.[19] This is the decision-making framework that the Commission must apply.

The NEO is:[20]

> to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to:
>
> (a) price, quality, safety, reliability and security of supply of electricity; and
>
> (b) the reliability, safety and security of the national electricity system.

The long term interest of consumers of electricity with respect to *price of the supply of electricity* is the relevant section of the NEO for consideration in regard to this rule change's decision-making framework for this rule change.

### 2.1.2 Making a more preferable rule

Under s. 91A of the NEL, the Commission may make a rule that is different (including materially different) to a proposed rule (a more preferable rule) if it is satisfied that, having

19 Section 88 of the NEL.
20 Section 7 of the NEL.

regard to the issue or issues raised in the rule change request, the more preferable rule will or is likely to better contribute to the achievement of the NEO.

In this instance, the Commission has made a more preferable rule. There were a number of other issues raised in stakeholder submissions to the consultation paper that were not addressed in the proposal put forward by the AEC in their rule change request. The Commission has taken these issues into account in making the more preferable draft rule which will, or is likely to, better contribute to the achievement of the NEO. Among these issues is a requirement that a metering coordinator must, before accepting a small customer refusal of a type 4 meter, confirm that the small customer has been informed about the cost and service implications of a type 4A meter.

The key features of the draft rule are set out in section 2.3.1.

### 2.1.3 Applicability of the draft rule

**Applicability of the draft rule in the Northern Territory**

From 1 July 2016, the NER, as amended from time to time, apply in the Northern Territory, subject to derogations set out in regulations made under the Northern Territory legislation adopting the NEL. Under those regulations, only certain parts of the NER have been adopted in the Northern Territory.[21]

The draft rule would not apply in the Northern Territory, if made final, as it relates to parts of the NER which have not been adopted in the Northern Territory.

**Applicability of the draft rule in Victoria**

The Victorian government has made significant derogations from the metering provisions in the NER. As a result key changes of the Competition in Metering Rule do not currently apply in Victoria and metering services continue to be provided by distributors as a regulated monopoly service.

The draft rule would not have any immediate effect in Victoria, if made as a final rule, as it relates to a part of Chapter 7 of the NER that does not currently apply in Victoria as a result of a Victorian Ministerial Order.[22]

## 2.2 Assessment framework

In assessing the rule change request against the NEO with respect to price, the Commission is evaluating the AEC proposal against the following criteria:

- **Cost:** The ability of the draft rule to lower the cost of providing a customer with a type 4A meter, compared to the cost of current arrangements, where a customer requests the communications of an installed type 4 meter be deactivated. This cost reduction should lead to lower prices for this deactivation service through reduced compliance processes

21 See the AEMC website for the NER that apply in the NT. The NT legislation adopting the NEL is the *National Electricity (Northern Territory) (National Uniform Legislation) Act* 2015.

22 Pursuant to clause 5 of the *National Electricity (Victoria) Act 2005* - 2017 Ministerial Order under Section 16BA, (Victorian Government Gazette, No. S 346, 12 October 2017).

(such as planned interruption notices) for consumers. The magnitude of these cost reductions and any additional benefits will be critical to assessing the proposal.

- **Consumer-reflective value for metering services:** The extent to which the draft rule promotes metering options for customers, within the principles established by the Competition in Metering Rule, thereby allowing customers to select a meter type consistent with their optimum level of service (that is, reflecting characteristics they value most).

The competition criteria in the assessment framework set out in the consultation paper has been removed[23] on the basis that the draft rule is unlikely to have any material impact on competition.[24]

## 2.3 Summary of reasons

This section sets out the key features of the draft rule and then the reasons for making the draft rule.

### 2.3.1 Key features of the draft rule

As outlined earlier, the Commission has determined to make a more preferable draft rule to address the issues identified by the AEC in their rule change request. While the Commission's draft rule is a more preferable rule, it addresses the issue raised in the AEC's rule change proposal. The draft rule made by the Commission is attached to and published with this draft rule determination.

The proposed implementation date of the rule is 21 March 2019, the same day as the publication of the final rule.

The draft rule contains three key features:

1. expanding the circumstances under which a metering coordinator may install a type 4A meter, without compromising the roll-out of advanced meters
2. clarifying the original policy intent of the NER in relation to a small customer refusal of a type 4 meter
3. imposing an information provision obligation on metering coordinators as a precondition to acceptance of a customer refusal.

**1. Expanding the circumstances under which a metering coordinator may install a type 4A meter**

The draft rule allows metering coordinators to deactivate the communications on an installed type 4 meter thereby creating a type 4A meter, using their discretion when a small customer objects to the continued use of a type 4 meter (expressed within the draft rule as clause 7.8.4(h1)).

Further to this change, clauses 7.8.4(d)-(i) of the existing NER that prescribe:

23 See AEMC, *Meter installation - advanced meter communications*, consultation paper, 11 October 2018, p.9.

24 EnergyAustralia, submission to the consultation paper, pp. 1-2.

- how a customer may communicate a refusal
- the notification requirements on the metering provider or financially responsible market participant to inform the metering coordinator of the refusal
- that a metering coordinator must maintain a written record of refusals
- that a metering coordinator must only install a type 4A meter and not any other type of meter where the small customer refusal is accepted
- that a metering coordinator may activate the communications on a metering installation at any time with the consent of the small customer

have been updated to apply specifically where a small customer objects to the continued use of an installed type 4 meter.

As is currently the case when a small customer refuses a new or replacement type 4 meter, the draft rule does not allow a metering coordinator to install a type 5 or 6 meter if a customer refuses the use of an already installed type 4 meter. Limiting meter installations, replacements and modifications to either a type 4 or a 4A meters furthers the achievement of the goals of the Competition in Metering Rule and does not compromise the roll-out of advanced meters.

Hence, if the draft rule is made as a final rule the Commission intends to recommend to the COAG Energy Council, jointly with the Australian Energy Regulator (AER), for clause 7.8.4 (h1) to be made a civil penalty provision to provide consistency with the current arrangements for new and existing meters.[25] The Commission considers that the new clause should be a civil penalty provision to ensure that the only type of meter that is installed (or provided through conversion of a type 4 meter) is a type 4A meter (being an advanced meter that has the capability, if its remote communications are activated, of providing the minimum services specification as set out in S7.5.1.1 of the NER).

The time period that the metering coordinator must retain written record of refusals has also been changed from seven years to two years as a consequential change under the draft rule. This does not mean that the small customer refusal (accepted by the metering coordinator) ceases to exist after two years. Rather. metering coordinators must hold the written record for a minimum of two years. An accepted refusal will continue to exist until such time as the customer for the relevant premises provides consent for the meter communications to be activated or reactivated (as applicable). This change is to provide a consistent approach to the period of time that customer information records must be retained (across the NER and the NERR). For instance, on commencement of the *Metering installation timeframes* rule on 1 February 2019, retailers and distributors will need to retain evidence of customer consent to an agreed date or date range for a planned interruption for two years.[26]

It is noted that there are other record keeping timing obligations imposed on metering Coordinators, metering data providers and the AEMO in Chapter 7 of the NER that will remain

25 Clause 7.8.4(h) of the NER which contains the existing obligation on a metering coordinator to ensure that only a type 4A is installed where a small customer refusal to the installation of a type 4 meter is accepted by the metering coordinator is currently classified as a civil penalty.

26 AEMC, Metering Installation Timeframes, Rule determination, p. 60, 6 December 2018.

as seven years as they relate to retention of consumer data and not customer information records.[27]

**2. Clarifying the intent of the NER in relation to a small customer refusal of a type 4 meter**

It has been suggested that the position from the Competition in Metering Rule may not be clear to all parties in their interpretation of the provisions of clause 7.8.4 of the NER as currently expressed. That is, that clause 7.8.4 of the NER does not provide customers with an express right to opt out of the installation of a meter that meets the minimum services specification in the case of faults, maintenance replacements or new connections.[28]

Accordingly, clause 7.8.4(d) of the NER is amended in the draft rule to clarify that accepting a small customer refusal of a type 4 meter is at the discretion of the metering coordinator provided that they have met the conditions set out in the clause.[29] Additionally, the obligations on a metering coordinator to retain written records has been clarified to apply only to accepted small customer refusals.

**3. Imposing an information provision obligation on metering coordinators as a precondition to acceptance of a customer refusal**

When a customer objects to the continued use of an installed type 4 meter, the draft rule requires metering coordinators to confirm the customer has been provided with information on the:

- Upfront costs and indicative ongoing expenses associated with a type 4A meter that will be payable by the customer (i.e. the cost implications for a customer with a type 4A meter installation).
- Differences between a type 4 and a type 4A meter (i.e. the services that a type 4A meter installation can not provide or support on account of the communications on the meter not being activated).

This information must be provided to the customer before the metering coordinator may accept that refusal and arrange a type 4A meter installation.[30] This obligation was included due to submissions from consumer groups and jurisdictional ombudsmen.

This information provision obligation on metering coordinators in the draft rule will apply both to a customer's refusal of the installation of a new or replacement type 4 meter (under clause 7.8.4 (h) as amended by the draft rule) and also the replacement of an installed type 4 meter with a type 4A meter, which may be achieved by deactivating the remote communications of the meter(clause 7.8.4 (h1) of the draft rule).

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27 Relevant clauses include, cl 7.9.5(b), cl 7.10.2(a)(ii), cl 7.11.1(e) and (h) of the NER.

28 Refer to *Expanding competition in metering and related services*, Final Determination, AEMC 2015, Sydney, pp. 320-321 for the Commission's policy intention of clause 7.8.4 of the NER.

29 This is distinct from the ability of a customer to opt out of a retailer's new meter deployment for small customers. A new meter deployment is the replacement of an existing electricity meter which is arranged by the retailer, where the replacement is not: at the request of the customer to enable the provision of a product or service; a maintenance replacement; or as a result of a metering malfunction. The requirement on retailers to notify customers of a new meter deployment is set out in rule 59A of the NERR.

30 See clause 7.8.4(d)(2) of the draft rule.

This consequential change to the existing arrangements creates consistency with the metering coordinator's approach to small customer refusals of advanced meter communications. It is an important consumer protection which should apply in both scenarios.

It should also be noted that clause 7.8.4(d)(2) of the draft rule is not a blanket information requirement but only applies when the metering coordinator intends to accept the customer's request (in which case the metering coordinator is not required to comply with clause 7.8.3(a) of the NER to install a type 4 meter with its communications enabled). While the draft rule does not prescribe how a metering coordinator must record compliance with the information provision obligation, it would be prudent for a metering coordinator who accepts a small customer refusal to keep a record of its communication with the customer providing the information, or the confirmation from the relevant retailer (as applicable) to establish that it has complied with the requirements of clause 7.8.4(d)(2) of the draft rule into the future.

Further detail on the draft rule can be found in chapter 3 and chapter 4 below. Further information on the legal requirements for making this draft rule determination is set out in Appendix B.

### 2.3.2 Reasons for making the draft rule

The Commission has assessed whether the proposed rule change will, or is likely to, contribute to the achievement of the NEO and has evaluated the draft rule against the assessment framework set out above. The Commission is of the view that the draft rule is likely to contribute to better outcomes for consumers in the longer term with respect to price by reducing costs and reflecting the value some consumers place of certain metering services, as follows.

- **Cost:** The draft rule will allow metering coordinators to deactivate the communications on installed type 4 meters without being in breach of the NER. This is likely to reduce costs which, if passed onto consumers, would lead to consumers paying less than under the current arrangements. The proposed changes will be an alternative to the existing more complex and costly meter exchange process and allow for the simpler and cheaper process of the deactivation of meter communications.
    - Decrease costs to the individual customer for the provision of a type 4A meter by allowing an installed type 4 meter at a small customer's premises to be converted into a type 4A meter. This has been estimated by the proponent to be three to five times lower than the current process of a meter exchange.
    - Provide cost savings for metering coordinators, retailers and jurisdictional ombudsmen by reducing the likelihood of small customer complaints. This reduction in complaints is expected to occur as the draft rule replaces currently complex and inflexible requirements to deal with customer refusals of an installed type 4 meter, through a meter exchange process, with a simpler, clearer and more flexible process. These cost savings are in addition to time and cost savings for the individual customer.

- **Consumer-reflective value for metering services:** the draft rule allows a customer to object to the continued use of a type 4 meter communications and pay the higher upfront and ongoing costs of a type 4A meter where doing so aligns with their desired level of service. That is, the draft rule facilitates the efficient provision of a type 4A meter which best reflects the characteristics a small customer values most where they have refused the continued use of a type 4 meter.
    - The draft rule upholds the policy principles of the original rule that enacted clause 7.8.4 of the NER which focused on enabling choice. The Competition in Metering Rule final determination sought to embed a framework which should lead to the investment in advanced meters that deliver services valued by consumers at a price they are willing to pay. The draft rule facilitates an individual customer deciding the level of service they desire at a price they are willing to pay (including paying a premium for manual meter readings) as well as continuing to support investment in advanced meters. The Commission also is of the view that the draft rule reinforces the original policy intent of clause 7.8.4 of the NER that the consumer choice is subject to the metering coordinator's discretion to accept the refusal.

# 3 THE AEC PROPOSAL

This chapter outlines the case for a rule change which has led to the Commission making the draft rule, including:

- the AEC's rule change proposal
- various stakeholder's views on the rule change
- the Commission's analysis and conclusion.

## 3.1 Australian Energy Council's view

This section sets out the proponent's view, as put forward in their rule change request and submission to the consultation paper. It addresses:

- the issue raised in the rule change request
- the proposed solution in the rule change request.

### 3.1.1 The issue raised in the rule change request

In their rule change request the AEC identified that there was an issue with the provision of type 4A meters to customers who already have a type 4 meter installed. The AEC was concerned that when a customer objects to the continued use of an installed type 4 meter's communications, there is no mechanism for the metering coordinator or retailer to comply with the request by disabling the communications on the type 4 meter. As an example, the need for such a mechanism could arise when a customer (who does not wish to have remote communications) moves into or rents a property which already has a type 4 meter installed.

The only option available for the metering coordinator to address the customer's concerns and remain compliant with the NER under the current arrangements is to carry out a costly and complex meter exchange process to provide the customer with a type 4A meter.[31]

### 3.1.2 The proposed solution in the rule change request

The AEC argued that a type 4A meter can be provided to the customer at a lower cost by amending clause 7.8.4 of the NER to allow metering coordinators to be able to deactivate the communications on an installed type 4 meter.[32]

The proposed solution sought to expand the circumstances under which a type 4A meter could be provided to a small customer. Specifically, the circumstances would expand — from being solely prior to the installation of a new or replacement type 4 meter — to include potential provision of a type 4A meter after installation. The AEC's proposal would result in a small customer being able to object to the continued use of meter communications on their installed type 4 meter and, subject to the metering coordinator's discretion, be provided with a type 4A meter by the metering coordinator deactivating the communications of their existing meter.

31 AEC, *Meter installation — advanced meter communications* rule change request, p. 1.
32 ibid, p. 2.

The AEC stated that the cost of deactivating meter communications on an installed type 4 meter to be "three to five times lower" compared to replacing it through the meter exchange process under the current arrangements.[33] The AEC also highlighted that their proposal had the additional benefit of not requiring an interruption to the customer's supply of electricity in most cases.[34] The AEC also anticipated their proposal would reduce complaints to retailers and jurisdictional ombudsmen, therefore reducing administrative costs whilst simultaneously improving customer's experience.[35]

## 3.2 Stakeholder views

This section sets out the views of stakeholders, as put forward in the respective submissions to the consultation paper on the AEC's rule change request, regarding:

- the issue raised by the AEC
- the solution proposed by the AEC.

### 3.2.1 The issue raised by the AEC

The majority of stakeholders agreed with the AEC that there was an issue with the current arrangements for a small cohort of customers who have an installed type 4 meter and who object to the continued use of their meter communications.

The Energy and Water Ombudsman of New South Wales (EWON) noted in their submission that they receive complaints from customers who have installed type 4 meters and object to the continued use of the meter's communications capability.[36] Four retailers and a metering coordinator also noted that they have each received a small number (up to 50) requests of this kind since the introduction of the competitive metering framework on 1 December 2017.[37]

The Public Interest Advocacy Centre (PIAC) questioned whether the proposal established a significant need and consumer benefit, such that this rule change would be warranted.[38] PIAC recommended that any decision to proceed with the rule change should be based on evidence that a significant number of consumers have expressed concern regarding installed type 4 meter communications.[39]

Most stakeholders agreed that where a customer has objected to the continued use of an installed type 4 meter with its communications activated, the customer could be provided a type 4A meter through a simpler, lower cost process than the current arrangement of a meter

33 ibid, p. 3 and AEC, submission on the consultation paper, p. 2.
34 ibid.
35 ibid.
36 EWON, submission to the consultation paper, p. 1.
37 Submissions to the consultation paper: AGL, p. 2; Vector, p. 1; EnergyAustralia, p.1; Energy Queensland, p.2.
38 PIAC, submission to consultation paper, p.2.
39 ibid.

exchange.[40] Those submissions that expressed this view agreed that the issue could be remedied by a rule change to amend clause 7.8.4 of the NER.

### 3.2.2 The solution proposed by AEC

The majority of stakeholders supported the solution the AEC proposed in the rule change.[41] Stakeholders considered the proposed solution to be a cost effective, practical alternative to the current arrangements in the case where metering coordinators choose to provide consumers with a type 4A meter.

Several stakeholders expressed qualified support for the AEC's proposal. They were in favour of the AEC proposal on the basis that the Commission address certain issues in the amendment of clause 7.8.4 of the NER.

Red Energy and Lumo Energy stated that the rule should not be prescriptive of how a customer's meter moves from type 4 to type 4A.[42] This is, the rule should not specify if the communications are to be removed completely, remotely deactivated, or the sim card is to be removed. Red Energy and Lumo Energy considered consumers should be able to choose this process in discussion with their retailer.

Energy Queensland stated that there should be no onerous timeframe placed on the metering coordinator to provide the customer with a type 4A should they accept the small customer's refusal.[43]

Several stakeholders addressed the issue of who should bear the costs of the deactivation of communications. Energy Queensland's view is that all the costs associated with the meter communications deactivation (both upfront and ongoing) should be met by the individual customer who requested the type 4A meter.[44]

Dr Martin Gill and PIAC were not supportive of the proposal.[45] They, respectively, did not think that there was sufficient need or reasonable grounds established by the rule change request for the Commission to proceed with a rule change. However, both stakeholders stated that, should the rule change proceed, a user-pay concept be applied to make the small customer that refused a type 4 meter be liable for the upfront and ongoing costs associated with the installation of a type 4A meter.[46] PIAC specifically stated the costs associated with the deactivation of meter communications should be correctly signalled to the individual customer who has requested the deactivation of their meter communications, and not smeared across the customer base of that retailer or metering coordinator. They went on to state that these costs should reflect only the efficient cost imposed on metering coordinators for both the upfront and ongoing services.

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40 Submissions to the consultation paper: Vector, p.1; SA Government, p. 1; AGL, p.1; Red Energy and Lumo Energy, p. 1; Origin Energy, p. 1; EnergyAustralia, p. 1; Energy Queensland, p.1; EWON, p. 1.

41 ibid.

42 Red Energy and Lumo Energy, submission to the consultation paper, p. 1.

43 Energy Queensland, submission to the consultation paper, p. 3.

44 Energy Queensland submission to the consultation paper, pp 2 - 4.

45 Submissions to the consultation paper: PIAC, p. 2; Dr Martin Gill, pp. 1-4.

46 ibid.

Other elements sought by stakeholders are summarised and addressed in chapter 4 (relating to information provision) or in Appendix A.

## 3.3 Analysis and conclusion

This section sets out the analysis and conclusion of the Commission in relation to:

- the issue raised by the AEC
- the solution proposed by the AEC.

### 3.3.1 The issue raised by the AEC

The Commission acknowledges that there is currently a small cohort of customers in the NEM who have objected to the continued use of their installed type 4 meters (with remote communications activated). The Commission also acknowledges that providing those customers with a type 4A meter by deactivation of the type 4 meter communications would be an efficient solution to this issue.

The Commission acknowledges the point made by AGL that the number of customer refusals may grow over time as more digital meters are rolled out across the NEM.[47] AGL considered that most type 4 meters installed to date under the competitive framework have been customer-led installations. AGL's view is that the number of customer requests to deactivate communications may rise in the future as more advanced meters are installed for other reasons, such as end of life meter replacements.

However, the Commission does not expect that this cohort of meters without communications will grow to an unsustainable number in the future and, as stated by EnergyAustralia, will not have a great impact on the network's connectivity.[48]

The Commission therefore takes a different view to that put forward by PIAC that a rule change should not be made due to the small number of customers it would assist. This is because the draft rule, if made final, provides a significant benefit to affected customers and may also have benefits for the entire customer base through reduced costs of complaints and continuing the successful deployment of advanced meters.

The Commission recognises that there is a small cohort of customers who hold very strong views regarding the use of advanced meter communications at their premises, which leads them to want the remote communications deactivated. Under the current rules deactivation can only be achieved at the "coordinator's" discretion and through a meter exchange. As such, it is consistent with the NEO to provide a lower cost method of addressing those consumer preferences, than is currently permitted under the existing rules.

The issue raised by the AEC looks to simplify the current process by which a consumer can be provided a type 4A meter. The current process, being a meter exchange, includes the metering coordinator having to provide the customer with a disconnection notice, disrupting their electricity connection, and removing a working meter. This uninstalled but working

47 AGL, submission to the consultation paper, p. 2.

48 EnergyAustralia, submission to the consultation paper, p. 2.

meter may not be able to be installed elsewhere in the NEM due to safety and technical requirements for electrical meters under the NER, jurisdictional regulations and Australian Standards.

After discussion with stakeholders and analysis of their submissions, it is the Commission's view that the meter exchange process is not suitable in the circumstances when providing a type 4A meter to a customer who has an installed type 4 meter due to the high cost and complexity of such an arrangement. It is therefore the conclusion of the Commission that small customer refusals of the continued use of an installed type 4 meter communications, as raised by the AEC, is relevant and should be remedied by a rule change.

### 3.3.2 The solution proposed by the AEC

The AEC put forward a solution that would replace the need for a meter exchange when the customer objecting to the use of a type 4 meter communications already has an installed type 4 meter. The AEC proposed that if a customer with an installed type 4 meter objects to the continued use of the meters communications, subject to the metering coordinators discretion, the metering coordinator can deactivate the communications on the meter rather than replacing the entire metering unit.

This solution will likely result in the customer being provided with a type 4A meter at a lower cost. The solution also offers the benefits of potentially not having to interrupt the customer's supply of electricity and in a faster timeframe than the current arrangements.

The Commission agrees with Red Energy and Lumo Energy's view that the method of deactivation should be determined through discussion between the customer and the retailer. The Commission has therefore not prescribed the method of meter deactivation in the draft rule.

The Commission also agrees with Energy Queensland's proposition that there should not be a timeframe associated with the provision of a type 4A meter to a customer so this work can be carried out in a manner that is most efficient for the relevant metering coordinator.

The Commission also sees value in the views of PIAC, Energy Queensland and Dr Martin Gill that a user-pays concept should be applied by metering coordinators if the AEC's proposed rule change was made. The efficient costs of both the initial deactivation of meter communications and the consequential, ongoing manual meter reading cost should be accurately signalled to the individual customer who requested the type 4A meter. This has not been prescribed in the draft rule because retail pricing matters are not regulated under the NER. However, the draft rule does require the metering coordinator to disclose (or be aware that the financially responsible Market Participant has disclosed) the cost implications of a type 4A meter to the small customer before they can accept (and act on) the small customer refusal.

Therefore, the Commission's concludes that the process can be simplified by using the core principles set out by the AEC's rule change request to amend clause 7.8.4 of the NER, which are reflected in the draft rule.

# 4 OTHER ISSUES RAISED IN CONSULTATION

This chapter sets out the Commissions views on issues that were not addressed in the AEC's rule change request but were raised in stakeholder submission to the consultation paper. These relate to:

- **Information provision** — requiring retailers and/or metering coordinators to provide consumers with information regarding:
  - the initial and ongoing cost of deactivating an installed type 4 meter
  - the differences between the services that each meter type provides and supports.
- **Reactivating communications** — how a type 4A meter's communication capabilities are reactivated once the customer who refused their use leaves those premises.

## 4.1 Information provision

The need for an information provision obligation was a common theme throughout stakeholders' submissions to the consultation paper. This section sets out stakeholder views expressed in their submissions and the Commission's analysis and conclusions on an information provision obligation in the draft rule.

### 4.1.1 Stakeholder views

Energy Queensland, EWON and PIAC have stated the concerns of some customers objecting to the use of meter communications could be addressed through better information provision.[49] Stakeholder submissions advocated for two types of information being provided to customers under the rule; information about type 4A meters compared with type 4 meters, and information about their cost.

1. **Differences between services type 4 and type 4A meters provide and support:**
   - Energy Queensland's preference is for customers to be referred to a fact sheet on type 4 and type 4A meters. The fact sheet should explain what each meter type means for the customer, such that the customer can make an informed decision about the meter that they need installed at their premises.[50]
   - PIAC advocated for clearer information about smart meters and how they are used, including information addressing questions about potential health concerns.[51]
2. **Initial and ongoing costs:**
   - PIAC stated that customers who refuse a type 4 meter should be required by the rule to be fully informed of the costs, both those incurred in the deactivation process and the ongoing costs of manual meter reading for billing.[52]

49 Submissions to the consultation paper: Energy Queensland, p. 4; EWON, p. 1; PIAC, pp. 2-3.
50 Energy Queensland, submission to the consultation paper, p. 4.
51 PIAC, submission to the consultation paper, pp. 2-3.
52 ibid.

- EWON strongly recommended that the retailer be required to inform the customer of any initial costs (associated with the conversion or replacement of the type 4 meter) and the ongoing cost of manual meter reading.[53]

### 4.1.2 Analysis and conclusion

The Commission agrees with the submissions made by PIAC, Energy Queensland and EWON that customers should be provided with sufficient information to make an informed decision regarding the deactivation of their installed type 4 meter.

It is the view of the Commission that providing this information is a sensible measure so that the:

- Customer is informed of the costs and service level implications of refusing a type 4 meter before the deactivation of meter communications.
- Cohort of customers with a type 4A meter in the NEM due to *small customer refusals* is limited to the number of customers that have made an informed decision to refuse a type 4 meter.

Therefore, the draft rule requires metering coordinators to confirm that a customer has been given information on the differences between a type 4 and type 4A meter, and the cost implications for the customer of a type 4A meter installation. This information is to be provided before a metering coordinator may exercise their discretion to accept the customer refusal of a type 4 meter.

The draft rule does not prescribe the level, type or method of information provision as the Commission believes these factors will vary with each customer's situation and specific concerns and are best determined by the metering coordinator and retailer with each individual customer.

## 4.2 Reactivation of meter communications

This section sets out the issue of the reactivation of meter communications, the Commission's analysis and conclusions on the issue in relation to the draft rule.

### 4.2.1 The issue

Stakeholder discussions and the Commission's analysis has highlighted the need to consider how a meter's remote communications would be reactivated when a small customer refusal of a specific 4A meter ceases. This could occur when a customer who objected to the meter communications moves out of particular premises, or when a customer changes their minds and voluntarily removes their refusal.

The number of type 4A meters could grow unnecessarily if meter communications are not reactivated after the small customer refusal ceases. This would be compounded if that customer relocated to another premises and requested the deactivation of meter communications on the meter at that premises. As such, how meter communications

53 EWON, submission to the consultation paper, p. 1.

reactivation would occur is key to ensuring that the cohort of type 4A meter customers present in the NEM is maintained at a sustainable level.

### 4.2.2 Analysis and conclusion

The Commission's view is that the efficiencies gained from active meter communications, and the additional services that an advanced meter can provide to retailers and consumers, sufficiently incentivise metering coordinators and retailers to reactivate meter communications whenever possible. This incentive should also outweigh the need for the metering coordinator to charge for the reactivation of the meter communications to the new customer who has inherited the type 4A meter.

The draft rule continues to allow metering coordinators to reactivate meter communications at any time with the customer's consent (as provided already under clause 7.8.4(i) of the NER). This mechanism, together with the economic incentives on metering coordinators and retailers, will limit the cohort of type 4A meters in the NEM (due to small customer refusals) to those small customers who have a current objection to the use of remote communications on type 4 meters. It is anticipated that meters communications will be reactivated as soon as possible by metering coordinators where there is no longer any customer refusal.

The Commission urges metering coordinators and retailers to be proactive in their dialogue with customers who have type 4A meters. The metering coordinator and/or retailers should do so to understand the customer's needs, if the meter communications refusal is still in place, and if not, to reactivate the meter communications in the most efficient way as possible. For example, being aware of when the small customer is moving out of the relevant premises and reconnecting the meters communications when carrying out the final read of the customer's type 4A meter (subject, as applicable, to first obtaining consent as required by clause 7.8.4(i) of the NER).

# ABBREVIATIONS

| | |
|---|---|
| AEC | Australian Energy Council |
| AEMC | Australian Energy Market Commission |
| AEMO | Australian Energy Market Operator |
| AER | Australian Energy Regulator |
| Commission | See AEMC |
| DNSP | Distribution network service provider |
| MCE | Ministerial Council on Energy |
| NEL | National Electricity Law |
| NEO | National electricity objective |
| NER | National Electricity Rules |
| NERR | National Energy Retail Rules |
| NERL | National Energy Retail Law |
| NERO | National energy retail objective |
| PIAC | Public Interest Advisory Centre |

# A SUMMARY OF OTHER ISSUES RAISED IN SUBMISSIONS

This appendix sets out the issues raised in the first round of consultation on this rule change request and the AEMC's response to each issue. If an issue raised in a submission has been discussed in the main body of this document, it has not been included in this table.

Table A.1: **Summary of other issues raised in submissions**

| STAKEHOLDER (RELEVANT PAGE OF SUBMISSION) | ISSUE | AEMC RESPONSE |
|---|---|---|
| Origin Energy (p. 1) | "We believe that the AEMC ought to consider defining applicable reasons for a customer converting to a type 4A meter. Without this clarity, there does not appear a limit on when and whether a customer can elect to switch meters, which we feel is not consistent with the intent of the metering reforms." | The existing NER clause 7.8.4 does not give small customers the ability to elect to have a type 4A meter. Consistent with the original policy intent of the Competition in Metering rule, the draft rule leaves the decision regarding whether the customer refusal is accepted to the discretion of the metering coordinator.<br>Therefore, it is not necessary for the NER to set out the applicable reasons or permitted grounds on which a small customer might refuse a type 4 meter. Rather, this is a decision consumers make in light of their own personal circumstances and, subject to the draft rule being made as a final rule, with the assistance of their retailer and metering coordinator who will provide them with necessary information for them to make an informed decision. |
| Dr Martin Gill (pp. 2-3) | "The NEO does not consider consumer privacy or exposure to electro-magnetic radiation. The proposed rule change significantly increases costs which will be | The relevant aspect of the NEO which this rule is being assessed against by the Commission is *price.*<br>If the draft rule is made as a final rule it would likely reduce |

| STAKEHOLDER (RELEVANT PAGE OF SUBMISSION) | ISSUE | AEMC RESPONSE |
|---|---|---|
| | either directly or indirectly passed onto consumers through higher electricity prices. This does not align with the principles of the NEO." | the cost of the process by which a customer can be provided a type 4A meter and therefore the costs incurred by a small customer who objects to the continued use of the communications of an installed type 4 meter will likely also decrease. |
| PIAC (p. 2) | "Implementing this rule could potentially be seen to provide legitimacy to unfounded concerns regarding type 4 meters. Without addressing potential fears or public misconceptions regarding the health or privacy impacts of communications enabled smart-metering, the proposed rule could provide an avenue for a more widespread deactivation of the communications functions of smart-meters." | The Commission recognises that there is a small cohort of customers who hold strong views regarding the use of advanced meter communications at their premises which leads them to want the communications deactivated. As such, it is consistent with the NEO to provide a lower cost method of addressing these consumers' preferences. |
| Red Energy and Lumo Energy (p.2) | "The rules should allow customers with concerns regarding meter communications to have the ability to place their meter in a state which is the equivalent of 'flight mode' on a mobile device, and being able to organise for an *on demand* meter read service at a regular interval of their choosing." | The Commission's view is that these types of services may be able to be offered under the current rules. However, changes to AEMO metering procedures may be required. AEMO may consider changes to its procedures if it considers them necessary. |
| Dr Martin Gill (p. 4) | "Rather than permanently deactivate communications should the AEMC consider allowing consumers to choose if their smart meter supports 'Read Meter Status'? Those consumers choosing to disable the | |

| STAKEHOLDER<br><br>(RELEVANT PAGE OF SUBMISSION) | ISSUE | AEMC RESPONSE |
|---|---|---|
| | service significantly lower their exposure to electro-magnetic radiation. Unlike the current proposal virtually all smart meter efficiency benefits are retained, including remote reading and maintenance." | |

# B LEGAL REQUIREMENTS UNDER THE NEL

This appendix sets out the relevant legal requirements under the NEL for the AEMC to make this draft rule determination.

## B.1 Draft rule determination

In accordance with s. 99 of the NEL the Commission has made this draft rule determination in relation to the rule proposed by the AEC.

The Commission's reasons for making this draft rule determination are set out in Chapter 2.

The Commission's draft determination is to make a more preferable draft rule under the NEL. A copy of the draft rule is attached to and published with this draft rule determination. Its key features are described in Chapter 2.

## B.2 Power to make the rule

The Commission is satisfied that the draft rule falls within the subject matter about which the Commission may make rules. The draft rule falls within s. 34 of the NEL as it relates to facilitating and supporting the provision of services to retail customers (s. 34(1)(aa) of the NEL).

Further, the draft rule falls within the matters set out in Schedule 1 to the NEL as it relates to as it relates to item 29 (of Schedule1 to the NEL) because it relates to the regulation of persons providing metering services relating to the metering of electricity.

## B.3 Commission's considerations

In assessing the rule change request the Commission considered:

- its powers under the NEL to make the rule
- the rule change request
- the fact that there is no relevant Ministerial Council on Energy (MCE) statement of policy principles for this rule change request[54]
- submissions received during first round consultation
- the Commission's analysis as to the ways in which the proposed rule will or is likely to, contribute to the NEO.

The Commission may only make a rule that has effect with respect to an adoptive jurisdiction if satisfied that the proposed rule is compatible with the proper performance of Australian Energy Market Operator (AEMO)'s declared network functions.[55] The draft rule is compatible

54 Under s. 33 of the NEL the AEMC must have regard to any relevant MCE statement of policy principles in making a rule. The MCE is referenced in the AEMC's governing legislation and is a legally enduring body comprising the Federal, State and Territory Ministers responsible for energy. On 1 July 2011, the MCE was amalgamated with the Ministerial Council on Mineral and Petroleum Resources. The amalgamated council is now called the COAG Energy Council.

55 Section 91(8) of the NEL.

with AEMO's declared network functions because it does not relate to the AEMO's declared network functions.

## B.4 Civil penalties

The Commission cannot create new civil penalty provisions. However, it may recommend to the COAG Energy Council that new or existing provisions of the NER be classified as civil penalty provisions.

The Commission's draft rule amends clause 7.8.4(h) of the NER. This clause is currently classified as a civil penalty provision under Schedule 1 of the National Electricity (South Australia) Regulations. The clause requires that a metering coordinator ensure that it only install a type 4A meter (and not any other type of meter) where clause 7.8.4(d) of the draft rule applies and a small customer refusal to the installation of a type 4 meter is accepted by the metering coordinator. The draft rule amends clause 7.8.4(h) to maintain the obligation for new or replacement meter installations, excluding the situation where the small customer refusal is in relation to the continued use of an installed type 4 meter (which is instead dealt with in a new provision under clause 7.8.4(h1) of the draft rule, discussed below).

The Commission considers that clause 7.8.4(h) should continue to be classified as a civil penalty provision and therefore does not propose to recommend any change to its classification to the COAG Energy Council.

The Commission's draft rule includes the addition of clause 7.8.4(h1) into the NER which mirrors the obligation imposed on a metering coordinator in clause 7.8.4(h) of the NER but applied in relation to the circumstances where a metering coordinator accepts a small customer refusal to the continued use of an installed type 4 meter, in which case the metering coordinator must ensure a type 4A meter is installed at the customer's premises (and not any other type of meter). The Commission intends to recommend to the COAG Energy Council, jointly with the AER, for clause 7.8.4 (h1) to be classified as a civil penalty provision as the obligation imposed on the metering coordinator to ensure a type 4A metering installation is installed at the customer's premises, if clause 7.8.4(d) of the draft rule applies and the customer refusal to the continued use of an installed type 4 meter is accepted, is key to the effective operation of the NEM. This is consistent with the existing classification of clause 7.8.4(h) of the NER as a civil penalty provision.

## B.5 Conduct provisions

The Commission cannot create new conduct provisions. However, it may recommend to the COAG Energy Council that new or existing provisions of the NER be classified as conduct provisions.

The draft rule does not amend any rules that are currently classified as conduct provisions under the NEL or National Electricity (South Australia) Regulations. The Commission does not propose to recommend to the COAG Energy Council that any of the proposed amendments made by the draft rule be classified as conduct provisions.

# C RELEVANT BACKGROUND — COMPETITION IN METERING RULE

In 2015 the Commission made the Competition in Metering Rule which involved significant amendments to the NER and the National Energy Retail Rules (NERR).[56] The new rules commenced on 1 December 2017 and introduced a competitive framework for metering services in the NEM.

The rule facilitates the market-led deployment of advanced electricity meters. The Commission anticipated that consumers would drive the uptake of advanced meters, and industry innovation, by choosing the new products and services that the meters facilitate. The rule allows retailers to roll out advanced meters where they see service benefits and efficiencies, for example, through possible cost savings achieved by remote meter reading.

## C.1 Types of electricity meters

Different electricity meter types measure usage in different ways.[57]

There are three electricity meter types generally used by small customers in the NEM classified under the NER.[58] They are:

- **Type 6 accumulation meters** — Currently most small customers use these meters. They record the total amount of energy used since the meter was installed, and must be read manually. Customers are billed on the additional usage since the last meter reading, which usually occur every three months. Customers with this basic meter are limited to simple retail tariff structures and are restricted in their ability to understand or manage their energy usage in order to reduce their electricity bills.
- **Type 5 interval meters** — Interval meters measure electricity usage every 30 minutes and this data is stored on the meter until it can be collected manually.[59] These meters can support some services for customers, such as different tariff arrangements, but they cannot be remotely read and controlled. As such, there is limited ability for customers with interval meters to understand and manage their electricity usage in real time.
- **Type 4 (advanced) meters** — Type 4 meters record electricity usage in intervals of 30 minutes or less. They are two-way digital communication systems that automatically send usage data to the required parties through their remote communications function. This automated communication ends the need for manual meter reads and give customers greater control over their electricity usage and billing arrangements, and a choice of services.

56 See: AEMC, *Expanding compeitition in metering and related services,* Final Determination, 26 November 2015, Sydney.

57 For electricity, there are seven different types of metering services classified under the NER. Large customers have advanced meters that are capable of capturing large volumes of electricity flow. That is, type 1, 2, 3 or 4 metering installations.

58 Large customers have metering installations that allow electricity flows above 0.75 GWh per annum. Some large customers have current transformer meters, which measure a fraction of the current passing through the connection, with a multiplier applied to reflect the actual usage.

59 In Victoria, type 5 interval meters can often be remotely read.

From 1 December 2017 every new meter installed — and all replacement meters — for small customers must be a type 4 meter (subject to two exemptions discussed below).[60] To be classified as this type of meter, the device must be capable of providing the services set out in the minimum services specification set out under the NER.

- **Type 4A advanced meters (with deactivated communications)** — a type 4A meter is a meter that is capable of providing the services in the minimum services specification but has its communications deactivated and therefore cannot be remotely read and/or managed.

  The Competition in Metering Rule provides that a type 4A meter can be installed in place of a type 4 meter in certain circumstances. Type 4A meters can be used in two situations. Firstly, where there are no telecommunications networks that enable remote reading of the meter. Secondly, where the small customer refuses to have a new or replacement meter with active remote communications installed.

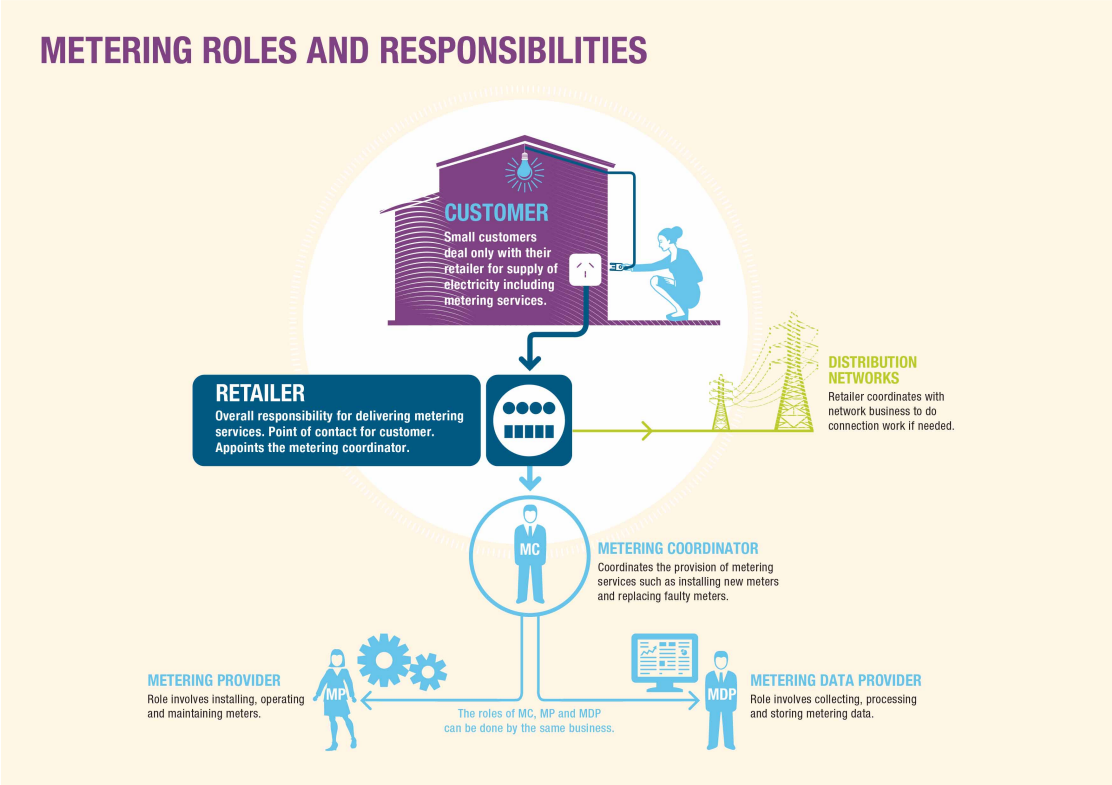
## C.2 Metering roles and responsibilities

The parties responsible for looking after small customers' meters also changed from 1 December 2017. Prior to the commencement of the Competition in Metering Rule, the Distribution Network Service Provider (DNSP) was responsible for providing, installing and maintaining a small customer's meter in its role as the 'responsible person'. They also collected and delivered metering data to the customer's retailer as part of performing the roles of the metering provider and metering data provider.

In making the Competition in Metering Rule, the Commission considered that the metering services can be more effectively provided by entities operating competitively with each other. The rule therefore ended the effective monopoly of DNSPs over the provision of metering services for small customers. The metering services responsibility was moved from the DNSP to a 'metering coordinator' (a new type of registered participant that took over the previous responsibilities of the responsible person). Figure 1.1 shows the new arrangements.

60 NER clause 7.8.3(a).

**Figure C.1: Metering roles and responsibilities**




### C.2.1 Retailers

Retailers are typically responsible for arranging metering services for their residential and small business customers.[61]

A retailer must appoint a metering coordinator for each of its customers' connection points.[62] In general, the retailer provides instructions to the metering coordinator for any metering work needed by the customer.

### C.2.2 Metering coordinator, metering provider and metering data provider

A metering coordinator has overall responsibility for all issues related to the metering installations for which it has been appointed.

61 Under the competitive framework, the entity responsible for arranging metering services is the financially responsible market participant (FRMP). For small customers the FRMP is typically their retailer.

62 Clause 7.2.1(a) of the NER. Under clause 7.6.2(a)(3) a large customer may appoint its own metering coordinator. For small customers, a retailer must also obtain a national metering identifier (NMI) for each meter. This involves applying to the distributor for a NMI and providing it to the metering coordinator within five business days of receiving it.Clause 7.8.2(c)(1) of the NER.

The metering coordinator is responsible for installing and maintaining the meter, and collecting, processing and delivering the customer's metering data.[63] They also hold additional responsibilities regarding the security of, and access to, advanced meters.

To undertake these functions, a metering coordinator appoints:

- a metering provider to install and maintain the metering installation[64]
- a metering data provider to collect and process metering data.[65]

Any person can perform one or more of these three metering roles provided that they are registered and accredited by AEMO for the relevant roles. In practice, most metering coordinator businesses are also registered and accredited as metering providers and metering data providers.

63 These are all of the roles that were previously completed by the responsible person. Under the NER prior to 1 December 2017, the responsible person was the respective DNSP for that area.

64 For each connection point. Clause 7.3.2(a) and 7.8.1(c) of the NER.

65 NER clause 7.3.2(d).