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15 September 2015

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Dear Mr Pierce

Ergon Energy Queensland ('the Proponent') submits this Rule Change Request to the Australian Energy Market Commission in line with the requirements of Part 10 Division 4 of the National Energy Retail Law.

The Rule Change Request proposes amendment of the National Energy Retail Rules (NERR), Division 4 - Customer retail contracts - billing, in particular, amendment/s to Rule 21 (1)(c) and Rule 24 (1).

The intent of this Rule Change Request is that there should be consistent obligations incumbent on all market parties (distributors, Meter Data Providers and retailers) relating to their individual roles in the provision of meter data and the subsequent issuing of a bill to a small customer. EEQ proposes that the application of the obligations should facilitate the use of actual meter data for the basis of customer bills and thereby limit, to the extent possible, the circumstances in which a retailer must issue estimated accounts to customers.

The attached Rule Change Request including a description of the issues and possible solutions are attached for your consideration.

Should you have any questions in relation to this proposal, please contact Michelle Norris, Manager, Retail Regulatory Affairs at michelle.norris@ergon.com.au

Yours sincerely

Mike Henwood

GM Retail Commercial Services
Ergon Energy Retail

Aligning the retailer requirement to issue a bill to a small customer every three months with National Metrology Procedures

Rule Change Request proposed by Ergon Energy Queensland

15 September 2015

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Ian McLeod
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Subject matter of the Rule change request falls within the matters on which the AEMC is permitted to make Rules

The National Energy Retail Law (NERL) Part 10, Division 4 outlines the procedures that the Australian Energy Market Commission (AEMC) should follow to make or modify Rule.

As such, Ergon Energy Queensland Pty Ltd (EEQ) requests that AEMC modify a Rule.

Background

Rule 24 (1) of the National Energy Retail Rules (NERR) requires that a retailer must issue a bill to a small customer at least once every three months. Enquiries by EEQ to the Australian Energy Regulator (AER) have established a strict interpretation should be applied that three months is equivalent to no more than 92 days. Whilst this period can be varied under a Market Retail Contract with the explicit informed consent of a customer, EEQ is legislatively prevented from offering Market Retail Contracts to any of its customers under (sections 64(C) and 19(C)(1) and 19(C)(4) of the National Energy Retail Law (Queensland) Act 2014).

The National Metrology Procedures (Service Level Procedure: Section 6.4.1c) requires a Meter Data Provider (MDP) to use <u>reasonable endeavours</u> to ensure that metering data is collected at a frequency which is at least once every three months.

EEQ contends that the if the MDP adheres to its 'reasonable endeavours' obligations and a retailer follows its requirements under the current Metrology Procedures that in many instances, these timelines are inconsistent with Rule 24 to issue a bill to a small customer every three months (92 calendar days). There are also scenarios where actions taken to avoid one breach could result in a separate breach.

The Australian Energy Market Operator (AEMO) conducts six monthly compliance audits on Ergon Energy Corporation Limited (EECL) (EEQ's parent company) relating to its adherence with the National Metrology Procedures. EECL manages the Service Level Agreement (SLA) with the MDP on behalf of EEQ. This SLA states that 98 per cent of meter reads are to be scheduled between 89 and 94 days from the last meter reading, with 98 per cent of meter reads to occur within two business days of the scheduled meter reading date. In developing its SLA, EECL benchmarked its metrics against that of Energex in south-east Queensland and SA Power in South Australia. Its benchmarks are based on real conditions in Ergon Energy's geographical area taking into account isolated networks, self-read and weather related impacts.

AEMO in its operational reporting and audit processes has not raised any non-compliance concerns relating to EECL meeting its metrology obligations.

Based on EECL's SLA with its MDP and the lack of audit issues identified by AEMO, it has been considered that the timeframes for meter reading that are detailed in the SLA are appropriate (reasonable). EECLs MDP is generally meeting or exceeding its benchmarks.

Statement of Issues

The intent of this Rule Change Proposal is that there should be consistent obligations incumbent on all market parties (distributors, MDPs and retailers) relating to their individual roles in the provision of meter data and the subsequent issuing of a bill to a small customer. The application of the obligations should facilitate the use of actual meter data for the basis of customer bills and thereby limit, to the extent possible, the circumstances in which a retailer must issue estimated accounts to customers.

To achieve this intent, consideration may be required of the National Metrology Procedures/Meter Data Processes in addition to review of the National Energy Retail Rules (NERR).

Table 1 provides an overview of the current obligations required of market participants by the different legislation, market procedures and the small customer Standard Retail Contract which influence the timing of the issue of a bill to a small customer every three months (or every 92 days as interpreted by the AER).

Table 1 Procedural elements impacting meter reading frequency and issuing of bills to small customers

Procedural Elements (Legislation, National Metrology Procedures, Standard Retail Contract)	Obligation
National Energy Retail Rules - Rule 24 Frequency of Bills. A retailer must issue a bill to small customers at least once every three months - NERR Rule 24 (1). This obligation is specific to small customers and can be varied where the retailer obtains the customers explicit informed consent - NERR Rule 24(2).	A retailer MUST issue a bill to a customer at least every 92 days. *Comment – From an operational perspective it is not viable to individually contact all EEQ customers to obtain their consent to vary the billing cycle. Note: all of EEQ's customers are on Standard Retail Contracts. EEQ is legislatively prevented from offering a Market Retail Contract.*

Procedural Elements (Legislation, National Metrology Procedures, Standard Retail Contract)	Obligation
National Energy Retail Rules - Rule 20 Basis for Bills (SRC and MRC). 1) A retailer must base a small customer's bill for the customer's consumption of: (a) electricity: (i) on metering data provided for the relevant meter at the customer's premises provided by the responsible person and determined in accordance with the metering rules and rule 21; or (ii) on any other method agreed by the retailer and the small customer.	A retailer must base a small customer's bill (consumption of electricity) based on metering data provided by the MDP determined in accordance with the metering rules.
National Energy Retail Rules – Rule 20(2) – Basis for Bills. A retailer must use its best endeavours to ensure that actual readings of the meter are carried out as frequently as is required to prepare its bills consistently with the metering rules and in any event at least once every 12 months.	Retailer has a best endeavours obligation to ensure that meter reads are carried out as frequently as required to prepare its bills consistently with the metering rules.
AEMO Service Level Procedure - Metering Data Provider Services Categories D & C for Metering Installation Types 1, 2, 3, 4, 5, 6 & 7 6.4.1 (c) the MDP must use <u>reasonable endeavours</u> to ensure that metering data is collected at a frequency which is at least once every three months. 6.4.1 (e) the Metering Data Provider must use reasonable endeavours to ensure that the metering data is collected within two business days prior to or two business days subsequent to the scheduled reading date	The MDP has a 'reasonable endeavours' obligation to collect data at least every 3 months. The MDP has a 'window' of 5 days around the scheduled read date to collect metering data.

Procedural Elements (Legislation, National Metrology Procedures, Standard Retail Contract)	Obligation
B2B Procedure Meter Data Process Sect.3 Timing Requirements. 3.2.3. Timing Requirement for Provide Meter Data Request. a. A Participant must not issue a Provide Meter Data Request relating to a scheduled reading event until: 1. The Fourth Business Day following the read event for type 1, 2, 3 and 4 Metering Installations; 2. The Sixth Business Day following the published Next Scheduled Read Date for type 5 and 6 Metering Installations; and 3. The Seventh Business Day of the calendar month for the previous month's MDFF Data, for type 7 Metering Installations	A retailer is not able to issue a *Provide Meter Data Request* (for type 5 and 6 metering installations) until the sixth business day following published next scheduled read date. *Comment – this process means that EEQ will not receive either actual meter data or an estimate from the MDP until well beyond the 92 day billing period allowable under the NERR.*
Standard Retail Contract (small customer) Section 9 – Billing 9.1 General We will send a bill to you as soon as possible after the end of each billing cycle	A billing cycle is defined as *the regular recurrent period for which you receive a bill from us [a retailer]*

Based on the information presented in Table 1, the conflicting obligations (reasonable endeavours on behalf of the MDP vs a strict requirement for the retailer) around time frames for issue of bills, meter reads, meter data and B2B transactions all impact a retailer's ability to meet the strict timeframes of Rule 24(1). Importantly, the MDP does not have visibility on the billing timelines of retailers, rather only the meter reading scheduling and completion dates. This means that any potential change to the existing rules should take into consideration market participant roles and access to information.

Prior to the introduction in May 2015 of the new Meter Data Process requirements, retailers may have been able to meet the retailer obligations by requesting an estimated meter reading from the MDP by day 90 if it had not received a valid meter reading (noting that we still consider this would have led to a poor customer outcome in most circumstances, compared with waiting a small number of days to base the bill on actual metering data). This approach would also have ensured compliance with Rule 20(1) that, unless otherwise agreed with the customer, a retailer must base a bill on metering data provided for the relevant meter.

However, based on the new Meter Data Processes (AEMO version 2.2, effective May 2015), a request in relation to Type 5 and 6 meters cannot be made until the sixth business day after the meter read was scheduled. Given this process, a retailer will almost certainly be in breach of NERR 24 (1) to issue a bill at least every 92 days.

The only alternative appears to be that a retailer creates its own estimate. Rule 20 requires a retailer to base a small customer's bill for the customer's consumption of electricity on metering data provided for the relevant meter at the customer's premises provided by the responsible person and determined in accordance with the metering rules and Rule 21 (unless the customer otherwise agrees). We consider that a retailer generated read does not meet the definition of 'metering data'.

An alternative to consider is Rule 21 which allows estimation of bills, however, a conflict also potentially exists here. If, even though 92 days has passed since the customer was last billed, a retailer can still reasonably expect to receive an actual meter reading, or metering data, from the Responsible Person in accordance with the timeframes within which the Responsible Person (or MDP) is required to comply under the National Metrology Procedures, then a retailer is not able to issue an estimated bill under Rule 21 without customer consent.

The most important consideration in improving the rules is the customer outcome. Based on current experience, EEQ has found that issuing bills based on estimated consumption (unless agreed previously with the customer) generates an increase in the number of customer complaints and subsequent requests for billing adjustments based on actual meter data. Our internal complaints data indicates that estimated bills are one of the most common reasons for a customer complaint.

EEQ is of the view that issuing an increased number of estimated bills to customers in order to comply with the requirements of NERR 24(1) is not aligned with the objectives of the National Energy Retail Objectives (NERO) (section 13 of the NERL) which are to:

promote efficient investment in, and efficient operation and use of, energy services for the long term interests of consumers of energy with respect to—
(a) price, quality, safety, reliability and security of supply of energy.

Section 236 (2)(b) also requires that where relevant, that the AEMC must satisfy itself that the Rule is compatible with the development and application of consumer protections for small customers, including (but not limited to) protections in relation to hardship customers.

As discussed previously in this submission, EEQ believes that this Rule Change as proposed is focussed on a positive customer experience by ensuring that wherever possible customers receive a bill which is based on actual meter data.

In relation to hardship customers, or customers experiencing financial difficulties, retailers are required to offer payment plans to assist customers more actively manage their debt and future electricity costs. This Rule Change as proposed will not disadvantage hardship customers or those experiencing financial hardship.

Importantly, EEQ believes that retailers have the most direct customer relationship and that retailers are best placed to be able to manage customer expectations relating to billing frequency. We believe that this can be achieved by aligning the requirements of all market parties (distributors, MDPs and retailers) relating to their individual roles in the provision of meter data and the subsequent issuing of a bill to a small customer in a practical manner.

Ergon Energy Queensland's experiences

Until 1 July 2015, retailers in Queensland operated based on obligations and requirements set out in the Electricity Industry Code (the EIC) which was made under the (Queensland) Electricity Act 1994. Whilst the requirements within the EIC generally aligned with those of the NERL and the NERR, there were a small number of areas in which there were differences. The obligation relating to billing for small customers which applied in Queensland prior to 1 July 2015 was:

Section 4.9.1 Obligation to bill quarterly

(a) A retail entity must use its **best endeavours** *to issue a bill to a small customer at least quarterly.*

(b) *Nothing in paragraph (a) will prevent a retail entity from issuing a bill more frequently than quarterly to a business customer.*
(c) *Nothing in paragraph (a) will prevent a retail entity from issuing a bill more frequently than quarterly to a residential customer where the retail entity has obtained a residential customer's explicit informed consent to issue bills on that basis.*

(Note that these clauses were able to be varied in a negotiated retail contract)

These requirements within the EIC were consistent with the obligation incumbent on the MDP within the AEMO Service Level Procedures (6.4.1) which states that *the MDP must use **reasonable endeavours** to ensure that metering data is collected at a frequency which is at least once every three months*.

Based on these requirements, EEQ generally waited for valid meter data before issuing a bill to a small customer.

In order to ascertain the potential impact on our residential customers if changes were made the NERR, EEQ undertook analysis to determine the number of days between bills being issued for its residential customers on quarterly billing for the period January – July 2015 (**Figure 1**). This analysis showed that[1]:

- Approximately 95 per cent of residential bills were issued on day 95 or before;
- By day 100, around 98.8 per cent of residential bills were issued; and
- By day 120 (approximately four months), 99.92 per cent of quarterly issued residential bills had been generated.

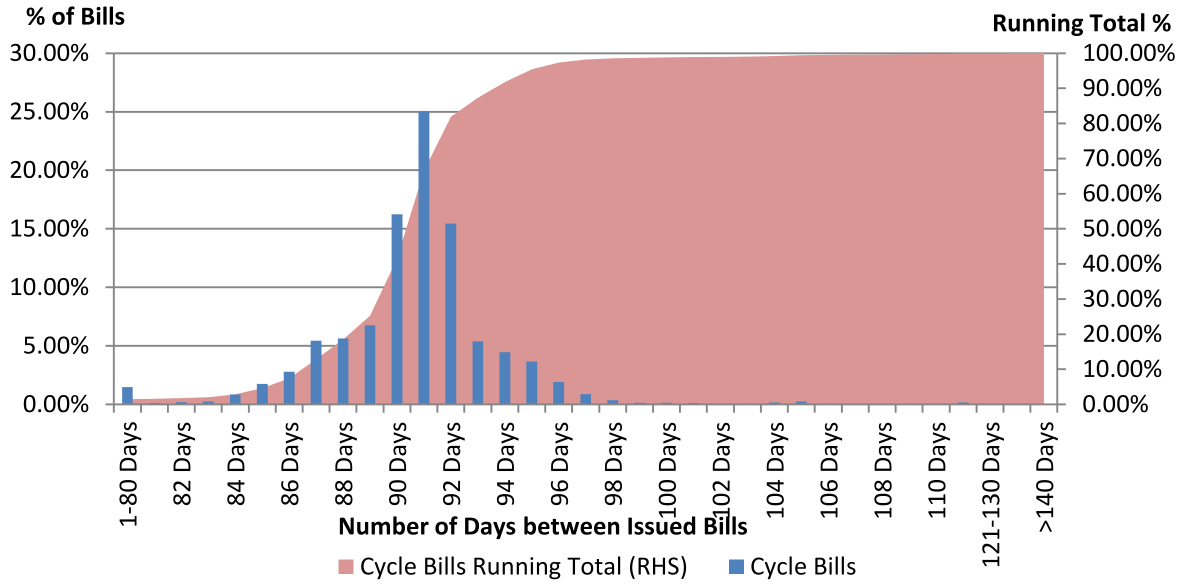

Figure 1 – EEQ data January to July 2015 residential billing – days between bill issue

[1] Note that EEQ identifies customers who have not received a bill by around day 98 using an 'unbilled report'. Those customers during the Jan-July 2015 analysis period who had not received a bill by day 120 represent a small proportion of customers for whom EEQ is aware of the circumstances e.g. during the Declared Weather Event of Tropical Cyclone Marcia, EEQ suspended the issuing of bills to customers in the declared zone. This impacted the bill frequency for a small number of customers.

In total, the data represent more than 1.2 million bills for EEQ's residential customers on quarterly billing cycles.

Customer experiences

It is EEQ's experience that where customers receive an unexpected estimated bill it is more likely to result in a negative customer experience which drives an increase in complaints and requests for re-bills using (actual) meter data. Analysis of EEQ's complaint data shows that *estimated bills* represent approximately 15 per cent of EEQ's total complaints into our business.

EEQ is of the view that the proposed Rule Change will not reduce consumer protections, but rather improve customer experience and confidence in the electricity market by producing bills based on meter data provided by the MDP wherever possible.

A further option to safeguard consumers would be to consider placing a maximum time frame on withholding a customer bill due to lack of meter data. EEQ considers that, based on Metrology Procedures, a maximum timeframe of approximately **120 calendar days, or four months** could be considered as part of the Rule change development. This would ensure that customers were still receiving regular bills from their retailer.

Description of the Proposed Rule Change

This proposed Rule Change seeks to align the obligations of retailers and MDPs and to support the long term interests of electricity consumers.

EEQ believes changes to the two National Energy Retail Rules are needed to ensure consistency within the Rule. In addition, the Rule changes should be linked to National Metrology Procedures and the Meter Data Process. In summary, the Rule changes proposed are as follows:

- Amend Rule 24 (1) and insert the words "use best endeavours to" or "use reasonable endeavours to" into the existing Rule 24(1) and reference the need to use metering data provided by the responsible person in accordance with National Metrology Procedures and Rule 21; **and**
- Amend the Rules 21(1)(c) to reflect that customer bills should be issued in accordance with the National Metrology Procedures.

Together these changes will deliver a more customer-centric outcome and relieve the current strict interpretation which would require retailers (EEQ) to issue a significant number of estimated accounts to small customer to meet the obligation to issue bills no more than 92 days from the previous bill.

Amendments to the wording of Rules 24 (1) and 21 (1) (c) are provided below.

Discussion on the proposed Rule Change

EEQ considers that this proposed Rule Change has a number of positive aspects in that the changes proposed:

- Will make the national requirements consistent with the requirements of those of the Electricity Industry Code which was operation prior to the introduction of NECF in Queensland on 1 July 2015. These obligations did not deliver adverse outcomes for customers;

- Provides a linkage to National Metrology Procedures and aligns obligations incumbent upon each market participant in accordance with their respective market roles.
- Creates obligations on the parties to which the National Electricity Rules (NER) assigns responsibility for preparing and delivering metering data to a retailer;
- Seeks to improve customer experience by ensuring retailers only create an estimated bill as a last resort, when there has been an issue with the meter reading process and the MDP has been unable to fulfil its obligations;
- Acknowledges that the MDP does not have access to a billing data, but rather the previous scheduled meter read date; and
- Considers the National Metrology Procedures and Meter Data Processes which cater for the worst case scenarios, in the event that an MDP has been unable to read a meter.

As part of the consultation of this Rule Change, consideration could be given to including an obligation that a retailer must issue a bill to a small customer within a set period after the previous bill is issued (but based on National Metrology Procedures rather than a set calendar period). This could provide an additional safeguard for small customers.

A further benefit is that when implemented, these changes mean that retailers will not rely solely on distributors to assist the retailer to meet its obligations (especially if metering competition is adopted from 2017).

Although EEQ is not a gas retailer, it may be reasonable to review Rule 20 (1)(b) relating to the basis upon which gas bills are based during the same consultation process.

Other contextual considerations relating to this Rule Change

Currently the AEMC is considering a range of Rule changes which originate from the COAG Energy Council's request relating to introducing competition in metering services to apply from 1 December 2017. This Rule Change as proposed is based on the current version of the NERR provisions.

The Rule Change processes which relate to competition in metering are currently under consideration / consultation and as such may impact consideration of specific terminology relating to this Rule Change as proposed.

This proposed Rule will need to be amended to reflect the final outcome and provide consistency with any changes to the NERR that are made as part of the competition in metering Rule Change.

Draft of the proposed amended Rules

Rule 24 Frequency of bills (SRC)

(1) A retailer must use its best endeavours to issue bills to a small customer at least once every 3 months using metering data for the relevant meter class at the customer's premises provided by the *responsible person* and determined in accordance with National Metrology Procedures and Rule 21.

Note:
This sub rule is a civil penalty provision for the purposes of the Law. (See the National Regulations, clause 6 and Schedule 1.)

(2) A retailer and a small customer may agree to a billing cycle with a regular recurrent period that differs from the retailer's usual recurrent period where the retailer obtains the explicit informed consent of the small customer.

(3) Application of this rule to standard retail contracts.
This rule applies in relation to standard retail contracts.

(4) Application of this rule to market retail contracts.
This rule does not apply in relation to market retail contracts.

Rule 21 Estimation as basis for bills (SRC and MRC)

(1) A retailer may base a small customer's bill on an estimation of the customer's consumption of energy where:

(a) the customer consents to the use of estimation by the retailer; or

(b) the retailer is not able to reasonably or reliably base the bill on an actual *meter* reading; or

(c) *metering data* is not provided to the retailer by the *responsible person* in accordance with the requirements to do so under the National Metrology Procedures

(2) Where estimations are permitted to be used as the basis for a small customer's bill, the estimations may be based on:

(a) the customer's reading of the relevant *meter*; or

(b) historical *metering data* for the customer reasonably available to the retailer; or

(c) the average usage of energy by a comparable customer over the corresponding period, if there is no historical *metering data* for the customer.

(3) The retailer must inform the small customer, on the bill, that the bill is based on an estimation.

(4) Without affecting rule 20 (2), if the retailer has issued the small customer with a bill based on an estimation and the retailer subsequently issues the customer with a bill that is based on an actual *meter* reading or on *metering data*:

(a) the retailer must include an adjustment on the later bill to take account of any overcharging of the customer that has occurred; and

(b) unless the actual *meter* reading or *metering data* could not be obtained as a result of an act or omission by the customer, the retailer must, if requested to do so by the customer, offer the customer time to pay any undercharged amount by agreed instalments, over a period being no longer than:

(i) the period during which an actual *meter* reading or *metering data* was not obtained, where that period is less than 12 months; or

(ii) in any other case, 12 months.

Note:

This subrule is a civil penalty provision for the purposes of *the Law*. (See the National Regulations, clause 6 and Schedule 1.)

(5) Where an attempt to read the small customer's *meter* is unsuccessful due to an act or omission of the customer, and the customer subsequently requests a retailer to replace an estimated bill with a bill based on an actual *meter* reading,

the retailer must comply with that request but may pass through to that small customer any costs it incurs in doing so.

(6) **Application of this rule to standard retail contracts**

This rule applies in relation to standard retail contracts.

(7) **Application of this rule to market retail contracts**

This rule applies in relation to market retail contracts (other than prepayment *meter* market retail contracts), but only to the extent (if any) a contract provides for estimation as the basis for the small customer's bill.

Statement of issue identifying the nature and scope of each problem or issue with the existing Rules

Rule 24(1) places an obligation on retailers to issue a bill every 3 months. AER has provided a strict interpretation to EEQ that three months means no more than 92 days.

The intent of national rules (we believe) is to ensure bills are issued for a predictable period, and where comparable, amount. This allows customers to compare 'like' bills and better manage their budget.

A retailer's ability to issue a bill every 92 days, based on an actual meter read, is reliant on an acceptable meter read being provided by the Responsible Person within 91 days of the issue of the last bill to the customer. This process is impacted by differing time frame obligations for the local retailer, Distribution Network Service Provider, and MDPs and is further impacted by different obligations contained in the NERR, Metering Data Provider Service Level Procedure and the B2B Procedure Meter Data Process. Further the Standard Retail Contract (small customer) also contains a definition of a 'billing cycle', that being a *regular recurrent period for which you receive a bill.*

Part 5 of the National Energy Retail Rules covers the relationship between distributors and retailers. Under NERR 94 (1) "*the distributor and the retailer must give all reasonable assistance to each other, and cooperate with each other, in relation to the performance of their respective obligations and the enforcement of their respective rights in respect of the sale and supply of energy to shared customers under the Law, the Regulations these Rules and the Retail Market Procedures*".

Rule 94 places an obligation on a distributor to assist a retailer however, it does not solve the conflict around a best and/or reasonable endeavours obligation on a distributor or MDP and the strict 92 day obligation on a retailer.

Under Rule 21 of the NERR a retailer may issue a bill based on an estimate if the metering data is not provided to the retailer by the MDP. Therefore under this scenario, if meter reading data is not received by day 91, the retailer would need to automatically issue a bill based on an estimate calculated by the retailer. Whilst this process could be used to meet the strict 92 days obligation, it is considered to be a poor alternative for the customer, and is potentially in conflict with Rule 21 as described above.

Historically estimated bills have caused customer confusion and resulted in an increase of customer complaints.

This proposal will allow a retailer to use 'best endeavours' to issue a bill to a customer at least every three months, or place a requirement on the retailer to issue a bill to a small customer in accordance with the requirements in the National Metrology Procedures. Further, the proposed changes will:

1. Align retailer obligations to those of distribution entities;
2. Align retailer obligations to those of MDPs;

3. Avoid the need for a retailer to issue a significant number of estimated bills in order to comply with the Rules;
4. Improve the accuracy and timeliness of the energy settlement process;
5. Reduce customer confusion and complaints caused by estimated bills;
6. Not subject customers to further price increases due to the need to undertake more frequent meter reading or issue multiple bills; and
7. Provide a better customer experience by sending bills based on actual meter data validly received from the MDP, and not bills estimated by a retailer.

Statement of Issue describing the proposed solution for each issue identified.

The Proposed Rule Changes would remove the strict obligation on retailers to issue a bill to a customer at least every 92 days.

EEQs current Meter Reading SLA targets 100 per cent of Meter Reading Blocks being scheduled between 87 and 96 days (of these 98 per cent are targeted to occur within 89 to 94 days.) Additionally, 98 per cent of meters are targeted to be read within two business days of the scheduled reading date. Advice we have is that this is consistent with service level agreements of other retailers and metering data timeframes.

Consistent with the Meter Reading SLA EEQ internal analysis shows that allowing a reasonable period beyond 92 days would see a significant improvement in the number of bills issued based on an actual read. Of the bills exceeding 92 days for the sample period, 99.92 per cent of bills were issued by calendar day 120.

EEQ is of the view that a reasonable period beyond three months to allow a customer to be billed based on an actual read is considered a better customer outcome and is likely to reduce potential customer confusion, customer billing complaints, call volumes, call response times and retail operating costs.

A significant improvement on the number of bills being issued based on an actual meter read will also improve the accuracy of the settlement of consumption volumes through the National Electricity Market (NEM).

Analysis of how the proposed Rule (if made) will contribute or is likely contribute to the achievement of the NERO

The objectives of the NERO are focussed on the efficient investment, operation and use of energy services in the long term interests of consumers with respect to price, quality, safety, reliability and security of supply.

In particular, this proposal to make changes to remove the inconsistency between Rules 21 and 24 (1) and the National Metrology Procedures is considered by EEQ to be both a prudent and efficient mechanism from the perspective of customers.

Alternatives to the proposed Rule are discussed below.

<u>Increase in meter reading frequency</u>

The alternative to the proposed Rule Change is likely to be an increase in the frequency of metering reading in order to meet more stringent time frames where metering data is available for the purpose of producing a bill based on an actual meter read. Any requirement to increase the meter reading frequency for Type 5 and 6 meters will result in an increase in costs for the sector, which ultimately will need to flow through to customers as higher costs.

Given the significant increase in network costs which has been passed through to (small) customers over the past decade, it is unlikely that consumer representative groups would respond positively to any proposal to increase the frequency of meter reading where the costs will flow through to customers (including vulnerable customer groups).

Increase in estimated bills

The alternative to an increase in physical meter reads in order to meet the existing requirements of the Rules would be to issue a greater number of customer bills based on estimates. As previously discussed, estimated bills where customers are not expecting them are a strong source of complaints for EEQ. This approach is likely to represent a significant risk for EEQ of increasing customer dissatisfaction which may flow through to other areas of the business.

Given one of the purposes of NECF is to improve the customer experience, a requirement which necessarily leads to a significant increase in the issue of bills to customers based on estimated reads is considered to be inconsistent with this objective.

EEQ is of the view that issuing an increased number of estimated bills to customers in order to comply with the requirements of NERR 24(1) is not aligned with the objectives of the National Energy Retail Objectives (NERO) (section 13 of the NERL) which are to:

promote efficient investment in, and efficient operation and use of, energy services for the long term interests of consumers of energy with respect to—
(a) price, quality, safety, reliability and security of supply of energy.

There is also the potential for state-based Energy and Water Ombudsman services to receive an increase in calls resulting from customer dissatisfaction and confusion generated by larger numbers of estimated bills (noting that it may not result in an increase in the number of investigations required). The Rule Change as proposed would reduce the likelihood of this occurring.

Competition in metering impacts

Although the COAG Energy Council has indicated that all meters installed at customer premises by 1 December 2017 will need to be capable of being upgraded to remotely read metering, it will take considerable time to deploy compliant metering to all metering stock currently in existing premises.

This effectively means that the proposed Rule Change will be in effect for several years for a large number of small customers in most states (with the exception of Victoria where smart meters have been rolled out to all customers).

As previously noted, this proposed Rule will need to be amended to be consistent with any changes to the NERR that are made as part of the competition in metering Rule Change.

Consumer protections

Section 236 (2)(b) requires that where relevant, that the AEMC must satisfy itself that the Rule is compatible with the development and application of consumer protections for small customers, including (but not limited to) protections relation to hardship customers.

As discussed previously in this submission, EEQ believes that this Rule Change as proposed is focussed on delivering a positive customer experience by ensuring that wherever possible customers receive a bill which is based on actual meter data.

With respect to hardship customers, or customers experiencing financial difficulties, retailers are required to offer payment plans to assist customers to more actively manage their debt and future electricity costs. This Rule Change as proposed will not disadvantage hardship customers or those experiencing financial hardship.

Summary of conclusions

EEQ believes that the intent of NERR Rule 24 (1) is to ensure bills are issued for a predictable period, and where comparable, a similar amount. This allows customers to compare 'like' bills and better manage their budget.
Importantly, EEQ believes that retailers have the most direct customer relationship and that retailers are best placed to be able to manage customer expectations relating to billing frequency. We believe that this Rule Change can assist in achieving these expectations by aligning the requirements of all market parties (distributors, MDPs and retailers) to their individual roles in the provision of meter data and the subsequent issuing of a bill to a small customer in a practical manner.

Expected benefits and costs of the Rule Change

The proposed approach to allow a bill to be based on an actual meter read is expected to have a beneficial impact on a customer. Consumer benefits are anticipated to include a reduction in:

- The likelihood of 'bill shock' for customers receiving a larger number of estimated bills; and
- Customer confusion generated by estimated bills, followed by either the issue of a replacement bill a short time later based on an actual meter reading, or a billing adjustment in the subsequent customer bill.

Issuing a significant number of retailer-generated estimated bills also has the potential to expose a retailer to increased cash flow and volume risks because of differences between the consumption volumes billed to customers which may vary to that settled through the National Electricity Market (NEM). This is particularly important if there are a significant volume of customers for whom the meter reading period is greater than 92 days. A short delay for receipt of an actual read would allow retailers to better manage cash flow and ensure accurate settlement of energy consumption in the NEM.

Change to Rule 24 (1) is not expected to have an impact on a Network Distribution or Metering Data Provider businesses.

Based on the information provided, this Rule Change proposal is likely to be cost neutral for a retailer when compared with current approaches, and represents a significant saving on other options including increasing the frequency of meter reads.

Additionally, the proposed approach is also designed not to result in an erosion of consumer confidence in the electricity sector which is a potential outcome of increases to billing estimations.

Glossary

AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
B2B	Business to Business
EEQ	Ergon Energy Queensland
NECF	National Energy Customer Framework
NEL	National Electricity Law
NEM	National Electricity Market
NERO	National Electricity Retail Objective
NERR	National Energy Retail Rules
MDP	Metering Data Provider