Australian Energy Market Commission

RULE CHANGE

RULE DETERMINATION

National Electricity Amendment (Meter Replacement Processes) Rule 2016

Rule Proponent(s)
ERM Power

10 March 2016

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Reference: ERC0182

Citation

AEMC 2016, Meter Replacement Processes, Rule Determination, 10 March 2016 , Sydney

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

The Australian Energy Market Commission (AEMC or Commission) has made a final rule, which is a more preferable rule, in relation to the Meter Replacement Processes rule change request received from ERM Power.

The final rule provides further clarity on the rights and obligations of certain parties at a connection point in respect of replacing a meter during the retail transfer process. The final rule also introduces requirements with respect to the Market Settlement and Transfer Solution (MSATS) procedures, which support a reduction in time in the period between the completion of the retail transfer process and the installation of a new meter at a connection point. It is expected that these aspects of the final rule will increase positive customer experiences in the market.

The final rule amends certain provisions in Chapter 7 of the National Electricity Rules (NER) with effect from 1 December 2017. The commencement of these amendments aligns with the implementation of the new framework for metering services under the final rule of the expanding competition in metering and related services ("competition in metering") rule change.[1]

Rule change request

ERM Power submitted a rule change request proposing amendments to the NER to clarify rights and obligations of certain parties during the meter replacement process.

Specifically, the rule change request proposed to clarify that an incoming retailer can arrange for a metering installation to be changed at a connection point prior to the retail transfer process being completed (ie, prior to the incoming retailer becoming financially responsible for the relevant connection point). In order to give effect to this, ERM Power proposed that "prospective" metering roles should be introduced into the NER. For example, the new role of prospective metering provider would be introduced with this role having the right to change the metering installation at a connection point prior to the retail transfer being completed. ERM Power noted that this would enable incoming retailers to be able to provide retail customers with their chosen product or service on the day that the retail transfer is completed.

Commission's analysis and conclusions

The Commission considers that there is a trade-off to make between having alignment of the meter churn and retail transfer, with the administrative complexity and transaction costs involved in achieving this alignment.

The Commission considers that the final rule strikes a balance of supporting earlier meter churn compared to existing arrangements, while still maintaining clear rights

1 See http://www.aemc.gov.au/Rule-Changes/Expanding-competition-in-metering-and-related-serv

and obligations, as well as having low implementation costs. The amendments made under the final rule support positive customer experiences in the retail market. Indeed, allowing an incoming retailer to change a meter prior to becoming financially responsible for energy at the relevant connection point may actually result in a worse experience for the customer (than the chosen service not commencing on time) if the transfer falls through, particularly if the old meter cannot be restored quickly.

There are a number of other events or market developments that are currently underway that may improve and affect the process and timing for retail transfers and meter churn. For example, the new framework for competition in metering services, which will become effective on 1 December 2017, will provide incentives for parties to innovate, and potentially facilitate more efficient meter churn and retail transfers. This is the case in New Zealand, where there is also a delay between the completion of the retail transfer and the meter change. But, in New Zealand, retailers wear any costs of having a mismatch in revenue related to the period prior to the commencement of the new tariff.

Accordingly, the final rule seeks to clarify the arrangements relating to meter churn, as well as introduce amendments to the NER (as amended under the final rule for competition in metering) that support the reduction in the time of the process to change the meter when a retail transfer occurs. This will benefit the long-term interests of consumers.

Overview of the final rule

The final rule is a more preferable rule and its key features are:

- it requires that the MSATS procedures[2] include provisions that enable:
  - an Incoming Retailer[3] to nominate a metering coordinator, metering provider or metering data provider to be appointed at a connection point in respect of which it is the Incoming Retailer, and for those appointments to be recorded as being effective on or, where requested by an Incoming Retailer, after the day that the market load at the connection point transfers to the Incoming Retailer as the new financially responsible market participant; and

2 MSATS procedures are the procedures published by AEMO under clause 7.2.8 of the current NER, which include those governing the recording of financial responsibility for energy flows at a connection point, the transfer of that responsibility between Market Participants and the recording of energy flows at a connection point

3 An "Incoming Retailer" is a defined term introduced as part of the new framework for metering services under the final rule for competition in metering rule change. Under the final rule, an Incoming Retailer is a retailer that has a contract with a customer at a connection point and has initiated the retail transfer process, but which is not yet the financially responsible market participant at that connection point.

- the installation of a new or replacement metering installation at a connection point as soon as practicable after the transfer of a market load at that connection point has been effected by AEMO;

- it clarifies that where a change in metering coodinator at a connection point is effected due to a retail transfer, the new metering coordinator becomes responsible for the metering installation at that connection point on the day that the retail transfer is completed; and

- it introduces transitional arrangements requiring AEMO to amend (where required) certain procedures by 1 September 2016 to take into account the changes to the NER referred to above.[4]

The final rule differs from the draft rule in that:

- The final rule provides that the MSATS procedures must enable nominations of metering roles by an Incoming Retailer prior to the retail transfer completing, but for the appointment of those roles to be recorded as being effective on or after the day the retail transfer occurs. The draft rule set out that the appointments would commence on the day the retail transfer is completed. This change was in response to stakeholder feedback, and provides requisite flexibility in respect of how these arrangements would work.

- The final rule provides that the MSATS procedures must enable the installation of a new or replacement metering installation "as soon as practicable" after the retail transfer has been effected by AEMO, as compared to facilitating the installation on "the same day" as the retail transfer as specified in the draft rule. This change was also made in response to stakeholder feedback about the functionality of the current MSATS system.

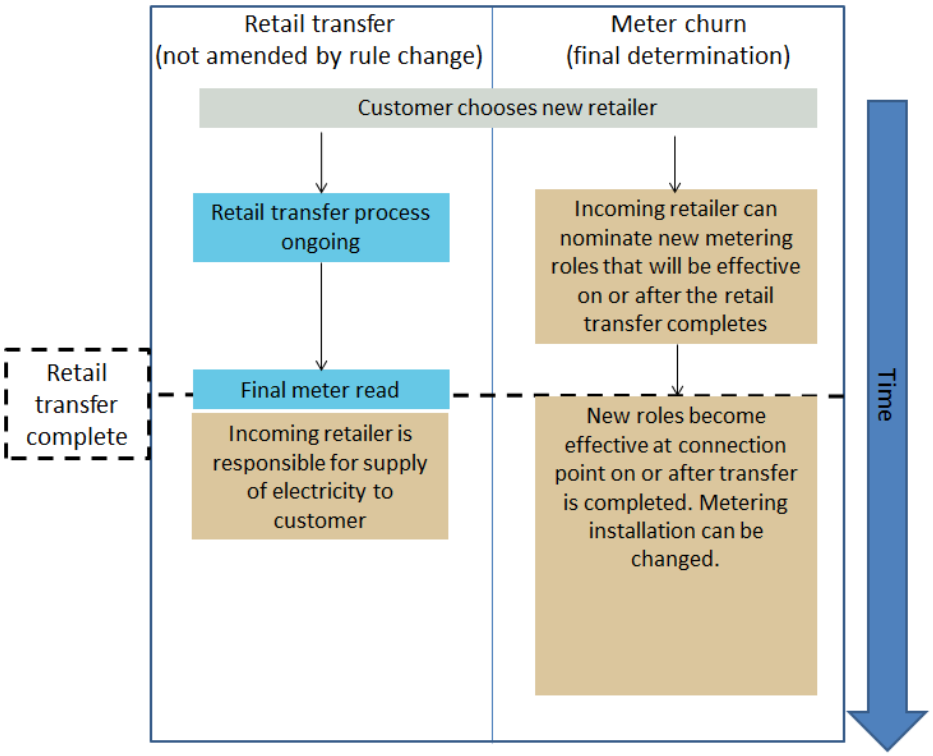
Table 1 provides a summary of changes to the NER under the final rule, compared to current arrangements, the rule change proposal and the draft rule.

The final rule affords AEMO a level of discretion with regard to how the MSATS procedures (and other procedures maintained by AEMO relating to meter churn, metrology and the retail transfer process) give effect to the nomination of metering roles and subsequent recording of appointment of such roles at a connection point and the exact timing and process for meter churn following a retail transfer. This discretion is important because the manner in which these processes are given effect is driven by the capability of AEMO's and market participant's systems and interactions with other procedures and processes, which are governed by AEMO.

Figure 1 provides an overview of key features of the meter churn process under the final rule, alongside the current retail transfer process.

4 See rule 11.88 of the final rule.

Figure 1 **Current retail transfer process and meter churn process under final rule**



The final rule supports a reduction in time in the meter churn process when this happens alongside a retail transfer. The rule also provides clarity on the rights and obligations of parties in respect of the relevant connection point at all times during the meter churn and retail transfer processes.

The Commission considers that final rule will provide greater certainty for consumers, retailers and metering businesses when meter churn occurs. Also, the reduction of time in the meter churn process, subject to other processes determined by AEMO under the NER and procedures authorised under the NER, should lead to improved outcomes for consumers, since they would be able to access services associated with their desired meter faster.

Table 1 Summary of changes to the NER

Topic	Current arrangements under NER and AEMO procedures[5]	Rule change proposal	Draft rule	Final rule
Appointment of metering roles at a connection point.	Under the current NER and procedures, the metering roles can only be nominated and appointed at a connection point after the retail transfer is complete.	Incoming retailer can appoint parties to "prospective" metering roles before the retail transfer is complete. Parties undertaking prospective roles would have certain rights and obligations at the connection point during the retail transfer process but the incumbent parties would also retain certain rights and obligations.	Before the retail transfer process is complete Incoming Retailers would be able to nominate parties to be appointed to metering roles. The appointment of such parties would not be effective until the day of the retail transfer.	Before the retail transfer process is complete Incoming Retailers would be able to nominate parties to be appointed to metering roles. The appointment of such parties will be recorded in MSATS as being effective on or after the day the transfer has occurred.
Changing the meter before the retail transfer is complete.	Not provided for. The incoming retailer can only effect a change in meter once new metering roles have been appointed at the relevant connection point (ie, retail transfer has been completed).	Prospective roles would have the ability to arrange change in the meter before completion of retail transfer.	Incoming retailer is not able to effect a change in meter before the retail transfer has completed. However, the meter could be changed under certain commercial arrangements with agreement of incumbent parties.	Incoming retailer is not able to effect a change in meter before the retail transfer has completed. However, the meter could be changed under certain commercial arrangements with agreement of incumbent parties.

5 This describes the arrangements under the NER and AEMO procedures as in force as at the date of this final determination.

Topic	Current arrangements under NER and AEMO procedures[5]	Rule change proposal	Draft rule	Final rule
Alignment of meter churn and retail transfer	NER and procedures allow for certain arrangements to effect a change in meter prior to transfer, however in practice this may be difficult to effect.	Alignment of meter churn and retail transfer is not expressly referred to in the rule change request as prospective roles could change the meter.	AEMO must develop MSATS procedures that facilitate alignment of retailer churn and meter churn, on same day.	AEMO must develop MSATS procedures that enable the meter churn as soon as practicable after the retailer transfer has been completed. Alignment could be achieved under certain commercial arrangements with agreement of incumbent parties.

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1 ERM Power's Rule Change Request

1.1 The rule change request

On 19 January 2015, ERM Power Limited (the proponent or ERM Power) submitted a rule change request to the Australian Energy Market Commission (AEMC or Commission) proposing changes to the National Electricity Rules (NER or rules) to clarify the rights and obligations of certain parties in relation to the process of replacing a meter at a connection point during a change in retailer. More specifically, the rule change request proposed to introduce into the NER new "prospective" roles in relation to metering at a connection point.[6] Parties undertaking these "prospective" metering roles would have certain rights and obligations in relation to a connection point, including being able to change the metering installation at the request of the retailer that will become, subject to completion of the retail transfer process, the retailer at the connection point.

The rule change request originated from concerns about the ability to change a meter at a large customer's connection point during the retail transfer process under changes made to AEMO's Meter Churn Procedure. However, the changes proposed in the rule change request would also have implications for metering at small customer connection points given the new framework for competitive metering services being introduced under the final rule for the expanding competition in metering and related services rule change (competition in metering).[7]

1.2 Current arrangements

Where retail competition has been introduced, customers are able to choose which retailer they receive supply of electricity from. The way in which customers switch (or "transfer") to a retailer of their choice, occurs through what is known as the "retail transfer process". This process commences at the point at which a customer initiates the process to switch retailer, and involves the incoming retailer initiating the retail transfer process in the Market Settlement and Transfer Solution (MSATS) system, which is administered by AEMO. The transfer is completed following a meter read[8] at the relevant connection point and the subsequent recording in MSATS of the incoming retailer becoming the Financially Responsible Market Participant (FRMP) for that connection point.

Under the NER, once a retailer becomes the FRMP at a connection point it has certain rights and obligations relating to the metering at that customer's connection point.[9]

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6 For example, a prospective Responsible Person and prospective Financially Responsible Market Participant.

7 http://www.aemc.gov.au/Rule-Changes/Expanding-competition-in-metering-and-related-serv

8 This meter read could be a scheduled meter read, or special read.

9 For example, a retailer (in its capacity as the FRMP at a connection point) must ensure that there is a metering installation installed at the connection point of its retail customer. See clause 7.1.2 of the

Certain rights and obligations of retailers and other parties in relation to metering at a connection point will change when the new framework for metering services under the final rule for competition in metering is effective on 1 December 2017.[10] For example, a retailer will need to make sure that there is a Metering Coordinator (MC) appointed at a connection point in respect of which it is the FRMP.

Under the current version of AEMO's Meter Churn Procedures, which came into force on 1 September 2015, the process of changing a metering installation at a connection point cannot be commenced by an incoming retailer until the incoming retailer has become the FRMP at the relevant connection point (ie, not until the retail transfer process has been completed in respect of the connection point).

Consequently, when a customer changes retailer, the incoming retailer may wish to effect a change to the metering installation at the customer's connection point (eg, to install an interval meter that would allow the customer to have a particular pricing option). The process of changing a metering installation at a connection point (known as "meter churn") cannot be commenced until the incoming retailer has become financially responsible for the site. The process of changing a metering installation during a retail transfer is the subject of this rule change request.

The retail transfer and meter churn processes, and how these interact, are described in more detail in appendix C. Appendix C also outlines the roles of the different parties at a connection point, both under the current NER, and following changes to the NER on 1 December 2017 under the final rule for competition in metering.

1.3 Rationale for the Rule Change Request

The proponent considers that the NER is internally inconsistent with regard to whether an incoming retailer can arrange for parties to be assigned to certain roles (such as the Responsible Person (RP),[11] Metering Provider (MP) and Metering Data Provider (MDP)) and, in turn, arrange for the metering installation to be changed at a connection point, prior to becoming the FRMP at that connection point. The proponent considers that certain provisions in the rules, most notably clauses 7.1.2(a) and 7.2.5(e) of the current NER, imply that certain incoming parties can begin metering roles at a connection point before the retail transfer is complete.[12]

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current NER and clause 7.2.1 under the final rule for competition in metering (the latter clause takes effect on 1 December 2017, when the new framework for competition in metering is introduced).

10 For further information on metering roles that are created and amended through these changes, refer to Appendix C.1.

11 The final rule for the competition in metering rule change introduces the role of the Metering Coordinator (MC) into the NER, with effect from 1 December 2017. The MC will have the role and responsibilities of the existing RP. See appendix C for further details regarding the role of the MC.

12 ERM Power, Rule Change Request: Facilitating an efficient meter replacement process, 2015, pp. 9-10. These provisions will change on 1 December 2017 under the final rule for the competition in metering rule change – notably, current clauses 7.1.2 and 7.2.5(e) of the NER will become clauses 7.2.1 and 7.6.2(i), respectively, inclusive of requisite changes to address the introduction of the Metering Coordinator role.

In addition, ERM Power has identified a number of issues resulting from an incoming retailer not being able to effect a change in meter before becoming a FRMP (such as the potential for the metering installation to be non-compliant with volume limits for a metering installation type) and has identified a number of benefits that could occur if its proposed solution was implemented. To achieve these, ERM Power proposed that an incoming retailer have the ability to effect a change in the metering installation at a connection point before becoming the FRMP at the connection point, as set out below. A number of the suggested benefits of this change are outlined in section 3.1.

1.4 Solution proposed in the Rule Change Request

To address the issues identified in its rule change request, the proponent has requested that the NER be amended to allow for an incoming retailer to appoint parties to "prospective" metering roles. Parties appointed to prospective metering roles would have certain rights at the connection point before the retail transfer process completes. These rights would include the ability to change the metering installation at the request of the incoming retailer prior to the incoming retailer becoming the FRMP at the connection point. However, parties performing the incumbent metering roles (eg, the MP and MDP appointed by the FRMP at the relevant connection point) would retain their obligations in respect of the connection point until the completion of the retail transfer process.

ERM Power's proposal is set out in more detail in section 3.1. ERM Power did not provide a proposed rule with the rule change request.

1.5 Commencement of rule making process

On 21 May 2015, the Commission published a notice under section 95 of the National Electricity Law (NEL) advising of its intention to commence the rule making process and the first round of consultation in respect of the rule change request. A consultation paper identifying specific issues or questions for consultation was also published with the notice. Submissions closed on 2 July 2015.

The Commission received 17 submissions on the rule change request as part of the first round of consultation. They are available on the AEMC website.[13] A summary of the issues raised in submissions and the Commission's response to each issue is contained in Appendix A.1.

1.6 Extensions of time and publication of Directions Paper

On 10 September 2015 the Commission extended the time to make a draft rule determination under section 107 of the NEL. The extension was necessary due to the complexities and difficulties in assessing the rule change and publishing a draft rule determination prior to any changes to Chapter 7 of the NER being determined under the final rule determination for the competition in metering rule change.

Alongside the extension, the Commission published a Directions Paper for consultation that set out the Commission's initial considerations in assessing the rule change proposal from ERM Power. There were 17 submissions to this Directions Paper. They are available on the AEMC website.[14] A summary of the issues raised in submissions and the Commission's response to each issue is contained in Appendix A.2.

1.7 Publication of draft rule determination and draft rule

On 17 December 2015, the Commission published a notice under section 99 of the NEL and a draft rule determination in relation to the rule change request (draft rule determination). The draft rule determination included a draft rule (draft rule).

Submissions on the draft rule determination closed on 28 January 2015. The Commission received 16 submissions on the draft rule determination. They are available on the AEMC website.[15] A summary of the issues raised in submissions, and the Commission's response to each issue, is contained in Appendix A.3.

1.8 Structure of paper

The structure of the remainder of this paper is as follows:

- chapter 2 provides an overview of the final rule determination;
- chapter 3 discusses the ability to change a meter, on or before the day of retail transfer;
- chapter 4 discusses the treatment of large and small customers;
- chapter 5 discusses commercial arrangements;
- chapter 6 discusses implementation;
- appendix A provides a summary of additional issues raised in submissions;
- appendix B sets out the legal requirements under the NER; and
- appendix C sets out background to the rule change.

13 www.aemc.gov.au

14 www.aemc.gov.au

15 www.aemc.gov.au

2 Final Rule Determination

The Commission has determined to make a final rule, which is a more preferable rule (final rule). This chapter outlines:

- the Commission's rule making test for changes to the NER;
- the Commission's assessment framework for considering the rule change request; and
- the Commission's consideration of the final rule against the National Electricity Objective (NEO).

Further information on the legal requirements for making this final rule determination is set out in appendix B.

2.1 Rule making test

Under section 88(1) of 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. This is the decision making framework that the Commission must apply.

The NEO is:[16]

> "The objective of this Law is 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 Commission considers that the relevant aspects of the NEO in the context of this rule change are the promotion of efficient investment in, and operation and use of, metering services for the long term interests of consumers with respect to price, reliability and security of supply.

The Commission can make a rule that is different from the proposed rule if it is satisfied that, having regard to the relevant issues in the rule change request, the more preferable rule will or is likely to better contribute to the NEO.[17]

2.2 Assessment framework

In assessing the rule change request against the NEO the Commission has considered:

16 See section 7 of the NEL.

17 See section 91A of the NEL.

- **Consumer engagement and customer satisfaction.** Generally, in well-functioning competitive markets, consumers have a range of products available to them and have choices about what products and services to consume. Consumer choice and ability to obtain products and services in a timely manner impact on consumer satisfaction in both the short-term as well as the long-term. In assessing the rule change request, consideration has been given to the effects of the timing of meter churn on the ability of retailers to provide customers with their chosen products and services. Such outcomes influence the ability of consumers to positively engage with the retail market.

- **Efficiency in market for metering services.** In assessing the rule change request, consideration has been given as to whether there is potential to lower any barriers to entry for meter service providers, as well as the effects this would have on the wider market. The capacity to improve the ability of retailers to source and contract with meter service providers that match the retailers' needs was also examined.

- **Regulatory transparency and certainty.** Regulatory certainty promotes confidence from consumers, market participants and their metering service providers in the market. Addressing any potential inconsistences in the rules and so improving regulatory certainty for market participants is important in improving the functioning of the market. The regulatory framework should maintain certainty for all parties, including consumers, of their respective rights and obligations.

- **Transaction costs.** Changes to the rules should not create any unnecessary compliance and administrative burden for market participants. A change that is complex to administer, difficult for market participants to understand, or imposes unnecessary risks, is less likely to achieve its intended purpose or will do so at a higher cost.

2.3 Summary of reasons

The final rule is attached to and published with this final rule determination. As described in more detail in chapter 6, the final rule amends certain clauses in Chapter 7 of the NER with effect from 1 December 2017. This delay in commencement is to ensure that the implementation of amendments to Chapter 7 of the NER under the final rule are aligned with the introduction of the new framework for metering services under the final rule for the competition in metering rule change.[18] However, certain transitional arrangements under the final rule will commence immediately.[19]

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18 An indicative, consolidated version of Chapter 7 of the NER that will apply from 1 December 2017 can be found on the AEMC's website. These indicative consolidated amendments are provided for information only. The relevant final rules referred to in the indicative version should be consulted for complete and accurate details of the amendments and relevant commencement dates. See: http://www.aemc.gov.au/Energy-Rules/National-electricity-rules/Chapter-7-from-1-December-2017

19 See Chapter 6 of this final determination and Schedule 2 of the final rule for further details.

The key features of the final rule are:

- it amends clause 7.8.9 of the NER (as amended by the final rule for competition in metering) to provide that MSATS procedures[20] must include provisions that enable:
  - an Incoming Retailer[21] to nominate a MC, MP or MDP to be appointed at a connection point in respect of which it is the Incoming Retailer, and for those appointments to be recorded as being effective on or, where requested by an Incoming Retailer, after the day that the market load at the connection point transfers to the Incoming Retailer as the new FRMP; and
  - the installation of a new or replacement metering installation at a connection point as soon as practicable after the transfer of a market load at that connection point has been effected by AEMO (ie, after the change in FRMP has been effected at the relevant connection point);
- it amends clause 7.6.2(c) of the NER (as amended by the final rule for the competition in metering rule change) to clarify that where a change in MC at a connection point is effected due to retail transfer, the new MC becomes responsible for the metering installation at the connection point on the day that the retail transfer is completed; and
- it introduces transitional arrangements requiring AEMO to amend (where required) certain procedures by 1 September 2016 to take into account the final rule.[22]

The final rule affords AEMO a level of discretion with regard to how the MSATS procedures (and other procedures maintained by AEMO relating to meter churn, metrology and the retail transfer process) give effect to the nomination of metering roles and subsequent recording of appointment of such roles at a connection point and the exact timing and process for meter churn following a retail transfer. This discretion is important because the manner in which these processes are given effect is driven by the capability of AEMO's and market participant's systems and interactions with other procedures and processes, which are governed by AEMO. The Commission considers that this discretion is appropriately placed with AEMO, since:

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20 MSATS procedures are the procedures published by AEMO under clause 7.2.8 of the current NER, which include those governing the recording of financial responsibility for energy flows at a connection point, the transfer of that responsibility between Market Participants and the recording of energy flows at a connection point. See definition of Market Settlement of Transfer Solution Procedures under Chapter 10 of current NER.

21 An "Incoming Retailer" is a defined term introduced in Chapter 10 of the NER as part of the new framework for metering services under the final rule for competition in metering rule change – see schedule 4 of that final rule for complete details of the commencement date of the new term. Under the final rule, an Incoming Retailer is a retailer that has a contract with a customer at a connection point and has initiated the retail transfer process in accordance with MSATS procedures, but which is not yet the FRMP at that connection point.

22 See rule 11.88 of the final rule.

- AEMO is responsible for the administration, and development of the MSATS system, under the NER;

- given this responsibility, AEMO is intimately aware of how the system operates, and what changes to the system and related processes may be required to support the final rule;

- the nature of procedures that enable the installation of a metering installation as soon as practicable after a retail transfer has been completed, and the manner in which nominations for roles are processed, is dependent on the capability of AEMO's and market participants' systems and processes, of which AEMO has significant knowledge;

- the nature of procedure changes required to support the final rule is also dependent on interactions with other procedures and processes, which are also governed by AEMO (eg, the implementation of procedure changes to support the competition in metering rules).

Further detail on the final rule can be found in chapters 3 to 5 of this final determination.

The Commission is satisfied that the final rule will, or is likely to, contribute to the achievement of the NEO because:

- **Improves clarity of rule obligations.** The rule clarifies the rights and obligations of MCs during the meter churn and retail transfer processes under the new framework being introduced under the final rule for competition in metering. Greater clarity in respect of these rights and obligations provides greater certainty for consumers, retailers and metering businesses when meter churn and retail transfer occurs.

- **Reduction in time for meter churn alongside retail transfer.** The rule requires that MSATS procedures enable Incoming Retailers to nominate during the retail transfer period the parties to be appointed as MC, MP and MDP at a connection point. This should, subject to other processes determined by AEMO under the NER and procedures authorised under the NER,[23] support a reduction in time between the retail transfer and change in meter. This reduction in time could lead to more positive consumer experiences when an Incoming Retailer is changing a meter at a connection point.

Having regard to the issues raised by the rule change request, the Commission is satisfied that the final rule will, or is likely to, better contribute to the NEO than the rule proposed in the proponent's rule change request for the following reasons:

- **Certainty of obligations.** The prospective roles proposed by ERM Power would have been overly complex to implement. This could have potentially led to lack

23 For example, the objection periods in relation to the assignment of MC, MP and MDP roles at a connection point.

of clarity regarding the rights and obligations of certain market participants at a given point in time during the meter churn and retailer transfer processes. Any misalignment of obligations and rights could lead to costs being borne by consumers due to confusion or disputes between parties at a connection point. On the other hand, under the final rule, all relevant parties will have clearly defined rights and obligations at the connection point at all times.

- **Lower transaction costs.** The introduction of prospective metering roles would necessitate complex and substantial changes to the rules and AEMO procedures. In addition, changes to participant and market systems would also be likely if such roles were introduced. The Commission considers that the complexity involved in introducing such roles is disproportionate to the potential benefits and the issues to be addressed. The final rule achieves the benefits outlined above, through less substantial changes to existing processes.

3 Ability to change meter on or before day of retail transfer

3.1 ERM Power's rule change request

3.1.1 ERM Power's view

In its rule change request, ERM Power:

- examined the potential benefits of allowing a change in the meter by an Incoming Retailer before the retail transfer is complete; and
- proposed the introduction of prospective roles in the NER that would allow for the meter change to be effected by an Incoming Retailer prior to the retail transfer being complete.

Potential benefits for allowing change of meter before retail transfer is completed

ERM Power considered that not being allowed to change the meter prior to the retail transfer completing could lead to a number of negative outcomes, such as:[24]

- **Non-compliance with meter accuracy requirements.** If the existing metering installation at a connection point does not satisfy the requirement for the customer's level of consumption, the new RP[25] would be in breach of the rules when it became responsible for the metering installation at the connection point until such time as the metering installation was changed in order to be made compliant.
- **Late start in application of new tariffs and demand side participation.** Consumers could be confused since retailers may not be able to provide the agreed tariff until a new meter is installed. Under this scenario, the first bill may not meet customers' expectations since the bill would be based on a different tariff.
- **Complications with arranging metering services at a connection point.** Retailers may be forced to contract with the incumbent parties undertaking the metering roles to allow timely change in metering installations. This could possibly lead to increased costs for retailers and reduced competition in metering services.
- **Confusion in multi-site retail contracts.** A retailer with a large customer with sites spread geographically may not be able to properly provide the agreed services until all metering installations are replaced across all sites. Since an

24 ERM Power, Rule Change Request: Facilitating an efficient meter replacement process, 2015, pp. 12-13.

25 The rule change request was written in reference to the existing rules and referred to the responsibility of the RP. From 1 December 2017, the existing responsibilities of the RP will be performed by the MC.

Incoming Retailer cannot begin changing the metering installation until the retail transfer is complete, this could mean that the agreed services for the large customer may not start for all the sites at the same time, or that this would have to be managed by the customer having different tariffs for different sites.

- **Inability to manage peak replacement periods.** At certain times of the year there is an increase in meter churn. Forcing retailers to wait for the retail transfer to be complete would reduce flexibility to spread out workload during these peak periods.

Method for allowing change of meter before transfer

To address the issues identified in its rule change request, the proponent requested that the NER be amended to:

- clarify that meter churn by an Incoming Retailer could occur before the retail transfer is complete;
- separate the meter replacement process from the retail transfer process;
- create new categories of "prospective" FRMP, RP, MP and MDP roles that are performed before the retail transfer is complete and have limited rights and obligations;
- clarify that the incumbent RP, MP and MDP's rights and obligations in respect of the relevant connection point cease on the earlier of midnight on the day of the metering installation being changed and the retail transfer process completing; and
- strengthen requirements for cooperation between incumbent and prospective metering roles.

The proponent did not include a proposed rule with the rule change request.

3.1.2 Stakeholder's views in response to rule change request

Impact of allowing meter change before completion of retail transfer

A number of retailers and the Energy Retailers Association of Australia (ERAA) in their submissions to the Consultation Paper agreed with the issues raised by ERM Power in the rule change request.[26] For example, EnergyAustralia commented that

26 ERAA, Submission to Consultation Paper, pp. 1-2; Momentum, Submission to Consultation Paper, p. 1; Red Energy, Submission to Consultation Paper, p. 1; Lumo Energy, Submission to Consultation Paper, p. 1; AGL, Submission to Consultation Paper, p. 4.

consumers already struggle with the complexity of the market and delaying metering churn would make the experience confusing for the consumer.[27]

Non-compliance with meter accuracy requirements

In addition to the issues raised by ERM Power, Momentum noted that retailers may have problems in undertaking the retail transfer of a site which has non-compliant metering. In this situation, the retailer could face objections to the retail transfer as the existing metering installation would not comply with requirements. However, the retailer may not be able to make the metering comply to allow the transfer since it would have no role at the site until the retail transfer is complete.[28]

Late start in application of new tariffs and demand side participation

AGL stated that in order for a new retailer to provide the contracted services to the customer from the transfer date, the appropriate metering infrastructure must be in place. It states that "requiring the customer to be delayed in receiving the benefits of a new contract with a retailer until the required metering can be installed does not meet the objectives of efficient investment for the long-term interests of consumers with respect to price."[29]

On the other hand, the NSW DNSPs considered that it is unlikely that delays of up to twenty-six days between retail transfer and meter churn will eventuate under the amended meter churn procedures as the retailer would have close connections with the parties it appointed to metering roles after the retail transfer.[30]

Some stakeholders considered the late start in application of tariffs can be managed through communication with the consumer. The Energy Networks Association (ENA) and United Energy considered that it is the responsibility of the Incoming Retailer to manage consumers' expectations.[31]

Origin noted that consumers are used to multiple tariffs on their bill, for example when applying solar tariffs. Origin also considered it unlikely that many customers will change retailers to gain a new product or service that requires a change of meter.[32]

Complications with arranging metering services at a connection point

Both ERM Power and AGL noted that under the current NER multiple site visits may be necessary to undertake the retail transfer and churn the meter. AGL noted that it

27 EnergyAustralia, Submission to Consultation Paper, p. 2.

28 Momentum, Submission to Consultation Paper, p. 3.

29 AGL, Submission to Consultation Paper, p. 4.

30 NSW DNSPs, Submission to Consultation Paper, p. 3.

31 ENA, Submission to Consultation Paper, p. 8.

32 Origin, Submission to Consultation Paper, p. 3.

would be beneficial and simple if small customers could have the meter change date and the retail transfer date aligned.[33]

Confusion in multi-site retail contracts

AGL stated that with multi-site contracts it is generally necessary or at least preferable to have all metering installed before the new contracts can "take effect completely". AGL stated that in these instances "the customer can only receive the benefits of the new contract proportionally to the number of installations that are upgraded (or possibly no benefits until all sites are upgraded)". It further noted that multi-site contracts are difficult to coordinate without changing all the customer's meters across all sites.[34]

Regulatory certainty

Many stakeholders indicated that the arrangements that came into force under the revised Meter Churn Procedures on 1 September 2015 (ie, where meter churn cannot occur until the retail transfer completes, for further detail see appendix C.5) provides certainty to participants in relation to which parties have rights and obligations at a connection point. These stakeholders considered that the recent amendment to the Meter Churn Procedures made an improvement in the operation of the market for this reason.[35]

AusNet Services noted that the superseded Meter Churn Procedures relied on cooperation and manual system adjustments between parties. Such an arrangement may have operated satisfactorily to handle meter changes for the low volume of large customers who transferred retailers historically, but may result in problems as more small customers transfer retailers and have advanced meters installed under the framework for competition in metering.[36]

Views on method proposed by ERM Power

Most submissions to the rule change request raised concerns about the complexity of the proposal.[37] For example, the ENA considered that the proposal "involves a level of complexity and uncertainty in roles, responsibilities, obligations, service delivery,

33 AGL, Submission to Consultation Paper, p. 5.

34 AGL, Submission to Consultation Paper, p. 4.

35 Ergon, Submission to Consultation Paper, p. 1; NSW DNSPs, Submission to Consultation Paper, p. 1; Vector, Submission to Consultation Paper, p. 3; ENA, Submission to Consultation Paper, p. 7; AusNet Services, Submission to Consultation Paper, p. 6.

36 AusNet Services, Submission to Consultation Paper, p. 6.

37 Vector, Submission to Consultation Paper, p. 2; United Energy, Submission to Consultation Paper, p. 9; Origin, Submission to Consultation Paper, p. 5; Energex, Submission to Consultation Paper, p. 1; Active Stream, Submission to Consultation Paper, p. 1. EnergyAustralia also noted in its submission that any solution offered to resolve the issues identified would likely be complex.

compliance and penalties".[38] AusNet Services noted that implementing prospective roles would likely lead to extensive procedure and system changes being necessary.[39]

Origin noted that the proposed rule may result in unintended and negative outcomes for small customers when changes under the competition in metering final rule become effective.[40] Further, Origin is not convinced the benefits of altering meters prior to or on the day of retail transfer are material.

ENA and United Energy noted that it is possible that meters may be changed before a retail transfer has taken place, and that the retail transfer may subsequently not be completed. In this situation, the previous meter must be re-installed to operate in a way that meets the incumbent parties' specification. ERM Power considered that this is a commercial risk that the Incoming Retailer faces through changing the meter.[41] United Energy noted that if a type 5-6 metering installation has been upgraded to a type 1-4 metering installation, it may not be possible to restore the metering installation to its original state under provisions of the draft rule for expanding competition in metering and related services rule change.[42]

Vector raised concerns that the introduction of prospective roles could result in work arounds being developed which may undermine the ongoing attempt to reduce the length of retail transfer times.[43]

United Energy raised concerns about move in customers at a connection point. For example, the party performing the prospective role may be able to change the meter to meet the needs of the incoming customer, prior to the old customer moving out. The new meter may not be consistent with what the old customer values.[44]

In its submission to the rule change request, ERM Power made certain clarifications to the amendments to the NER it proposed in its rule change request. This includes clarifying that the rule change would not apply to move in customers. ERM Power also noted that: the prospective MC, MP and MDP should be assigned as the MC, MP and MDP at the connection point on the midnight before retail transfer which makes for easier transfer of data. Furthermore the retail transfer date would be changed to retrospectively match the meter churn date.[45]

38 ENA, Submission to Consultation Paper, p. 1.

39 AusNet Services, Submission to Consultation Paper, pp. 8-9.

40 Origin, Submission to Consultation Paper, p. 1.

41 ERM Power, Submission to Consultation Paper, p. 3.

42 United Energy, Submission to Consultation Paper, pp. 8-9.

43 Vector, Submission to Consultation Paper, p. 2.

44 United Energy, Submission to Consultation Paper, p. 6.

45 AusNet Services, Submission to Consultation Paper, pp. 5-8.

3.2 Directions Paper

3.2.1 AEMC proposed policy position in Directions Paper

Impact of allowing meter change before completion of retail transfer

The Commission set out in the Directions Paper that there would be benefits of an Incoming Retailer being able to have its preferred metering installation ready for the customer on the day the retail transfer is completed. Any situation that may cause sub-optimal experiences for consumers is concerning. The current Meter Churn Procedures (ie, those in effect from 1 September 2015) may potentially lead to consumers having to wait for a period of up to twenty-six business days, or potentially longer, from a retail transfer before receiving a meter that is capable of providing them with the services that they desire.

In the Directions Paper, the Commission agreed with the concerns raised by ERM Power and other retailers that this may lead to consumers not having the best possible experience with the market. Such negative experiences have the potential to increase and, more broadly, could undermine confidence in the retail market over time. However, the new framework under the competition in metering rule change would allow a large customer to appoint its own MC, who can undertake the change in a metering installation entirely independently of the retail transfer timelines.

Method proposed by ERM Power

Complexity of Proposal

The Directions Paper set out that the Commission's view was that the creation of prospective roles, as proposed by ERM Power, would most likely involve extensive and complex changes to the rules and AEMO's procedures. Four new roles would need to be introduced. The precise nature and scope of the rights and obligations of all roles, both incumbent and prospective at the relevant connection point, at all stages of the retail transfer and meter churn process would need to be specified in the rules or procedures.

Even though the creation of the prospective roles may allow certain rights and obligations to be allocated to incoming parties at a connection point (eg, an Incoming Retailer), certain rights and obligations would have to be retained by the incumbent parties. The existing rights and obligations of FRMPs, MCs, MPs and MDPs at a connection point include obligations with respect to provision, installation and maintenance of metering installations and collection and provision of metering data.

Creating a clear delineation between the rights and obligations of incumbent and prospective roles throughout the meter replacement process would require complex and expansive changes to the existing framework. In practice, it may also result in confusion for parties as to their roles and obligations at certain points in the meter replacement process.

Allocation of obligations

The Directions Paper set out that the Commission's view was that amending rules and procedures, with the aim of creating rights and obligations for new roles, may result in greater complexity and confusion for participants than if such rights and obligations were simply allocated to existing parties.

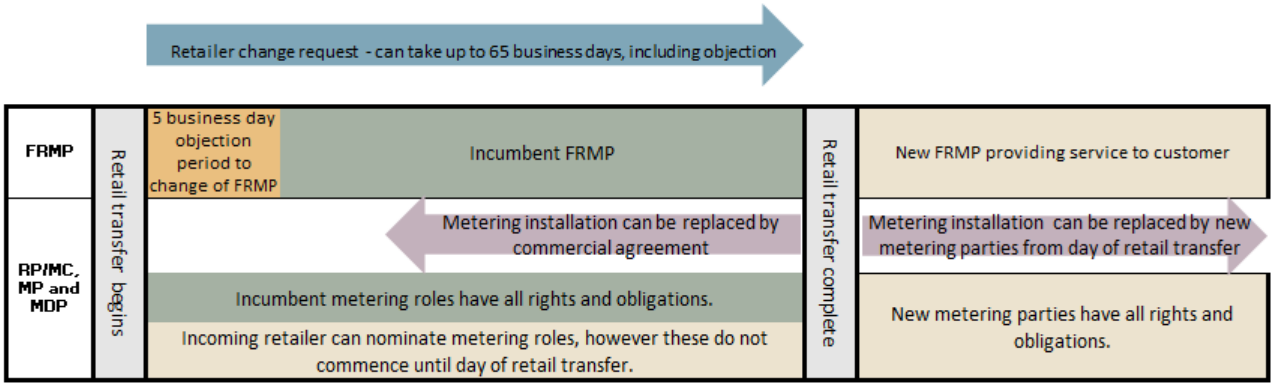
AEMC proposed policy

Figure 3.1 outlines the Commission's proposed policy position as set out in the Direction Paper, which was as follows:

- amend the NER to clarify that an Incoming Retailer cannot effect a change in a metering installation until after the retail transfer is complete. That is, the meter change cannot be initiated by the incoming parties until after the retailer has become the FRMP at the relevant connection point;
- amend the NER to provide that during the retail transfer period an Incoming Retailer may *nominate* parties such as the MP and MDP to undertake roles at a connection point, but that such nominated parties cannot commence these roles until the day the retail transfer is completed; and
- permit commercial arrangements between incumbent and incoming metering parties to facilitate a change in metering installations during the retail transfer period.

Note that some aspects of this diagram, such as the objection period, are determined under AEMO's procedures.

Figure 3.1 AEMC proposed process



3.2.2 Stakeholder views in response to Directions Paper

Stakeholder submissions received were generally in support of the proposed policy set out by the AEMC in the Directions Paper.[46] Red Energy and Lumo Energy stated that "reducing any inconsistencies in the rules and ensuring the roles and responsibilities are clearly articulated without adding further complexity in a transactional sense will provide an ideal outcome."[47]

A number of submissions noted that under the policy set out in the Directions Paper it would still be possible for a customer to transfer retailers without the meter being churned. A number of stakeholders considered that the rules should therefore allow the Incoming Retailer to request that the retail transfer be aligned with the meter churn.[48] As outlined by Metropolis Metering "[t]he difference here is the triggering event: the physical work of installing a meter, or the logical work of the retail transfer."[49]

Active Stream and AGL considered that such a change to the policy position will make commercial arrangements between incoming and incumbent parties unnecessary. As Incoming Retailers would be able to organise a change of meters in advance of the retail transfer, there would be no need to have any commercial relationship between parties.[50]

On the other hand, Origin reiterated that it considers that the costs of not being able to change a small customer's meter on the day of, or before, retail transfer are not likely to be material.[51]

Simply Energy noted concerns about the process followed for multi-site small customers, or large customers which have not appointed their MC. Simply Energy considered that a change to the metering installation should be allowed on the day before the completion of the retail transfer.[52]

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46 United Energy , Submission to the Directions Paper, p. 1; ENA , Submission to the Directions Paper, p. 2; NSW DNSPs , Submission to the Directions Paper, p. 2; Ergon Energy , Submission to the Directions Paper, p. 1; AusNet Services, Submission to the Directions Paper, p. 1; Energex, Submission to the Directions Paper, p. 1; Vector , Submission to the Directions Paper, p. 1; CitiPower and Powercor , Submission to the Directions Paper, p. 1.

47 Red Energy and Lumo Energy, Submission to the Directions Paper, p. 1.

48 ERM Power, Submission to Directions Paper, p. 5; EnergyAustralia, Submission to Directions Paper, pp. 1- 2; AGL, Submission to the Directions Paper, p. 8.

49 Metropolis Metering, Submission to Directions Paper, p. 2.

50 Active Stream, Submission to the Directions Paper, p. 2; AGL Submission to the Directions Paper, p. 5.

51 Origin, Submission to Directions Paper, p. 2.

52 Simply Energy, Submission to Directions Paper, p. 1.

3.3 Draft determination and draft rule

3.3.1 Commission's view

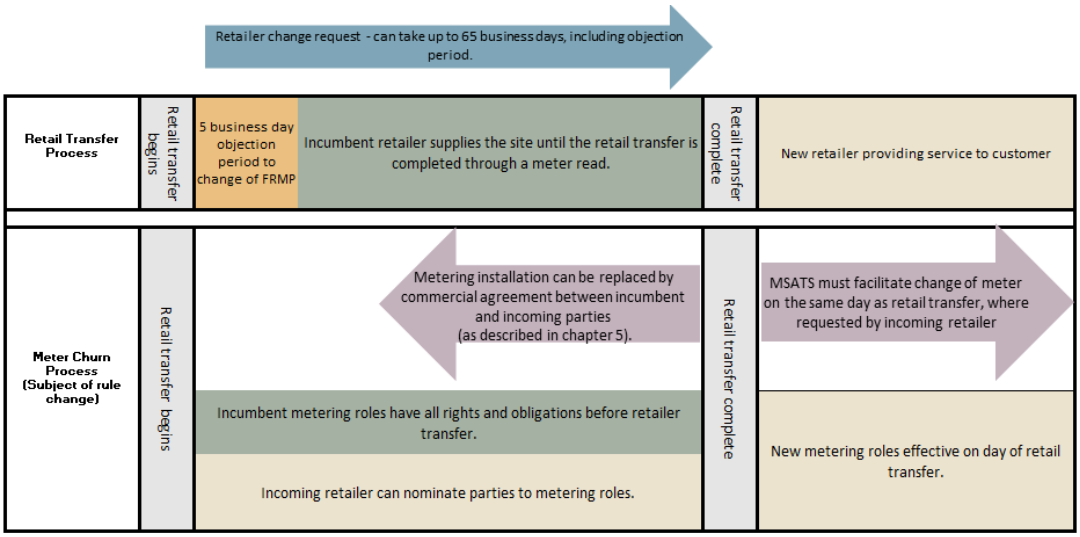
Draft rule

The draft rule, provided for certain amendments to Chapter 7 of the NER (as amended by the final rule for competition in metering):

- require MSATS procedures to permit an Incoming Retailer at a connection point to nominate the MC, MP and MDP to be appointed at that connection point before the retail transfer process is completed, with such appointments commencing on the day the retail transfer is completed;[53]
- clarify that where the change in MC at a connection point is effected due to retail transfer, the new MC becomes responsible for the metering installation at the connection point on the day that the retail transfer is completed;[54] and
- requires MSATS procedures to facilitate alignment of meter churn with retailer churn, where requested by the Incoming Retailer.[55]

The draft determination set out that this should, subject to other processes determined by AEMO under the NER and changes to procedures authorised under the NER, lead to a reduction in time between the retail transfer and change in meter and potentially for these to occur on the same day. Figure 3.2 provides greater detail on the operation of the draft rule.

Figure 3.2 Meter Churn process under draft determination



53 See clause 7.8.9(e)(1) of the draft rule.

54 See clause 7.6.2(c) of the draft rule.

55 See clause 7.8.9(e)(2) of the draft rule.

Specifically:

- the top section shows a high level outline of the retail transfer process, which was not the subject of any change under the draft rule. The retail transfer process is initiated after the customer requests to change retailer. The retail transfer completes once a meter read has occurred and this data has been entered into AEMO's systems. Responsibility for supplying the customer is transferred to the Incoming Retailer, with this retailer being financially responsible for supply of energy to the customer from this point on; and

- the bottom section provides an overview of the process for undertaking the change in metering installation under the draft rule. Under the draft rule, the MSATS procedures must allow Incoming Retailers to nominate parties to be appointed to certain metering roles at a connection point prior to the retail transfer process completing, with such appointments becoming effective once the retail transfer has been completed. In other words, of particular relevance to this rule change request, the MC, MP and MDP would be responsible for the connection point from that point onwards.

The draft rule provided that the MSATS procedures must facilitate, at the request of the Incoming Retailer, the installation of a new or replacement metering installation at a connection point on the same day as the transfer of a market load at that connection point (ie, a change in FRMP).[56] This was introduced to require AEMO to amend MSATS procedures to allow for an alignment of meter churn and retailer churn on the same day, where requested by the Incoming Retailer. The exact timing of the meter churn and the retailer churn, and the circumstances under which such alignment could occur, would be left to AEMO's systems and procedures to specify.

However, as discussed below, an Incoming Retailer cannot appoint a MC to effect a change in the meter at a site until the Incoming Retailer is responsible for that site (ie, they are the FRMP at the connection point). Therefore, the retailer churn would still have to occur prior to the meter churn in circumstances where the metering installation is being installed by the Incoming Retailer's appointed MC.

The intent of this draft rule, and the changes to MSATS was that the meter could potentially be changed on the same day as the retail transfer completes. However, there was the potential that there could be a period of time (eg, a day) between the completion of the retail transfer and the physical change of the meter. In this instance, the Incoming Retailer would arrange for the existing meter to remain until the installation of the new meter can occur, as is the case currently. If this occurred, the Commission expects that retailers would communicate this to the customer.

The draft also permitted an Incoming Retailer and incumbent metering parties at a connection point to reach a commercial agreement to effect a meter churn prior to the completion of the retail transfer process and does support the potential for such meter

56 See clause 7.8.9(e)(2) of the draft rule.

churn to trigger the completion of the retail transfer. This is discussed further in chapter 5.

Alternative option

The draft determination also set out, at a high level, an alternative option for resolving the issues identified by the proponent and other stakeholders. This option was identified while investigating the ways that the physical change of the meter could be the trigger for the retail transfer. The Commission determined not to implement this option as part of the draft determination since it did not consider that on balance this option is worth pursuing, but sought stakeholder feedback on whether this option should be developed in more detail.

The key features of this alternative proposal were as follows:

- An Incoming Retailer would have a right to appoint a MC at a connection point for a *limited* time prior to the retail transfer being completed (ie, for a period during which the Incoming Retailer is not the FRMP for the relevant connection point).
- The Incoming Retailer's ability to appoint a MC prior to the retailer transfer process being completed would only be for the purposes of installing a new or replacement metering installation at the connection point and where the installation is intended to immediately precede the completion of the retail transfer process (ie, there would be no time, or there would only be a limited period of time, between the change in meter and when the Incoming Retailer became responsible for the site). Such appointment would also terminate if the retail transfer is not completed within a specified period of time.
- AEMO would be required to develop procedures that:
    - specify any requirements that the Incoming Retailer must satisfy prior to appointing the MC;
    - permit an Incoming Retailer to nominate the day on which the MC will become responsible for the metering installation at the relevant connection point;
    - permit an Incoming Retailer to nominate the MC, MP and MDP to be appointed to the connection point, with such appointments becoming effective when the Incoming Retailer's appointment of the MC is effective;
    - facilitate the installation of a new or replacement metering installation by the Incoming Retailer's appointed MC on the day the Incoming Retailer's appointed MC becomes responsible for the metering installation and the alignment of the installation of the meter with the day on which the retail transfer occurs (ie, the day on which the Incoming Retailer becomes the FRMP).

This option could allow for a meter to be changed prior to the retail transfer occurring, which may result in improved outcomes for consumers. Consistent with the draft rule, this option would still leave discretion to AEMO (subject to other processes determined by AEMO under the NER and changes to procedures authorised under the NER) as to how this would be put in place, and whether (and, if so, in what circumstances) the trigger for a retail transfer would be the meter churn.

However, the Commission identified other aspects of the alternative option that may impact negatively on regulatory or commercial certainty. For example, under this approach, the outgoing retailer may have no relationship with the Incoming Retailer or the new MC, which could undermine an incumbent retailer's ability to perform its obligations as FRMP at the connection point and access services from the metering installation during the period when it is still the FRMP but the Incoming Retailer's MC is responsible at the connection point. The Commission considered that retailers may be uncomfortable with this approach from a practical point of view.

The Commission also recognised that this option would require significantly more time and effort to develop. There may also be higher transaction costs in terms of implementing this option into the market. The Commission did not consider that on balance that this option was worth pursuing, and so made a draft rule as set out above. However, this option would potentially allow the meter churn to be the trigger for a retail transfer and so stakeholder views' were sought on whether they considered the benefits from this option would outweigh the implementation cost and time.

3.3.2 Stakeholder submissions to draft determination

Summary

The majority of stakeholders broadly supported the draft rule, which required the MSATS procedures to be modified to allow Incoming Retailers to nominate metering service providers prior to the retail transfer completing.[57] Reasons given included that:

- the draft rule provided certainty around the obligations and rights of all parties during the meter churn process;[58]
- the draft rule supported a reduction in the time taken between when a retail transfer occurs and a meter is replaced, so that customers would be able to benefit from new tariffs and product offerings in a timelier manner;[59] and
- the AEMC's solution is proportional to the issue identified.[60]

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57 Ausgrid, Submission to Draft Determination, p. 1; Endeavour Energy, Submission to Draft Determination, p. 1; Vector, Submission to Draft Determination, p. 1; AusNet Services, Submission to Draft Determination, p. 4; Energex, Submission to Draft Determination, p. 1; United Energy, Submission to Draft Determination, p. 1.

58 Endeavour Energy, Submission to Draft Determination, p. 2; Vector, Submission to Draft Determination, p. 2; Ausgrid, Submission to Draft Determination, p. 3..

59 Ausgrid, Submission to Draft Determination, p. 3.

In contrast, a few stakeholders did not support the draft rule.[61] Reasons given included:

- Metropolis considered that the draft rule would reduce the meter installation delay, but would fail to address other issues such as a long delay in retail churn, complexities in the customer's first bill and the cost associated with setting up the customer's metering for both basic and interval meters. Another scenario that Metropolis thought was possible under the draft rule was that the Incoming Retailer may use the old MC to arrange a meter exchange to trigger the retail churn, which would support an efficient process but would have significant detrimental impacts on the contestable market (since it may inhibit the Incoming Retailer engaging a new MC), ie, impact competition in the market for metering services.[62]

- AGL considered that the delay between when a retail transfer occurs, and when an Incoming Retailer is notified of the transfer and so can change the meter may impact negatively on a customer.[63]

- ERM Power considered that there will be significant customer frustration and confusion resulting from a customer's inability to access its chosen tariff and advanced products and services from the date the retailer is responsible for the supply of energy to the customer.[64]

Alignment of meter churn and retail transfer processes

Numerous submissions queried the practical effects of the draft rule, given the current functionality of MSATS and current processes. Specifically:

- MSATS is a historical process (ie, it is not a "real time" system) and so only processes information (such as a meter read), after data has been uploaded and a notification has been sent at the end of each day. As such, a true alignment of meter churn and retail transfer on the same day cannot be possible because the incoming parties in respect of a connection point will only know that they have become responsible for the connection point (ie, changed from being "nominated" parties to being responsible for metering at the connection point) on the next business day following completion of the retail transfer, once notifications have been generated in MSATS;[65]

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60 Endeavour Energy, Submission to Draft Determination, p. 1.

61 Active Stream, Submission to Draft Determination, p. 2; Metropolis, Submission to Draft Determination, p. 2.

62 Metropolis also noted that they agreed with the objective proposed by ERM Power in the rule change request, but that the solution proposed was overly complex. Metropolis, Submission to Draft Determination, pp. 2, 5.

63 AGL, Submission to Draft Determination, p. 4.

64 ERM Power, Submission to Draft Determination, p. 2.

65 Active Stream, Submission to Draft Determination, p. 2.

- Further, the retail transfer process currently requires a read to complete. Typically, the retailer will order the transfer process to happen "on the next scheduled meter read". The retailer may not know when this will occur. There is a target next scheduled read date, which is maintained by the distributor, however the actual read event is allowed to be plus or minus two days of this date.[66] Given this, it is not possible to provide assurance that a meter install will occur on a specific date; and

- Delays in uploading the data into MSATS, and so there may be some uncertainty about when a retail transfer would occur.[67] AGL consider that this requires the customer to continue with a tariff which the existing metering installation can accommodate. It also requires the incoming retailer to contract with the existing MC – who has no incentive to assist the incoming retailer or offer appropriate terms and conditions.

Several stakeholders considered that the draft rule should be modified to expressly state that an Incoming Retailer should not be able to remove a meter at a connection point *before* a retail transfer has completed in MSATS, unless there is a commercial arrangement in place between the outgoing and incoming parties.[68]

Nominations and appointments

Numerous submissions raised specific concerns about the commencement of roles:

- AusGrid and ENA both considered that it should be clearly set out that the MDP and MP roles only commence on the day that the meter is changed (as opposed to the day the retail transfer takes effect, in circumstances where the meter churn and retail transfer are not aligned on the same day).[69]

- Red Energy/Lumo Energy considered that it should be clarified that the transfer date does not have to be the meter churn date.[70]

- United Energy considered that clause 7.8.9(e) of the draft rule should reflect that the CATS Procedures must only allow an Incoming Retailer to use the specific change request to nominate an MC, MP and MDP where the meter exchange occurs on the same day as the retail transfer. If the meter is not being changed on the day of the retail transfer, the retailer should not be able to nominate and have the nomination for all three roles take effect on the retailer transfer date. United Energy considered that the "drafting in 7.8.9(e) (2) should be stronger than

66 Metropolis, Submission to Draft Determination, p. 3; AGL, Submission to Draft Determination, p. 2

67 AGL, Submission to Draft Determination, p. 3.

68 AusGrid, Submission to Draft Determination, p. 4; Endeavour Energy, Submission to Draft Determination, p. 1; ENA, Submission to Draft Determination, p. 2; Ergon Energy, Submission to Draft Determination, p. 1; United Energy, Submission to Draft Determination, p. 1; AusNet Services, Submission to Draft Determination, p. 1.

69 AusGrid, Submission to Draft Determination, p. 5; ENA, Submission to Draft Determination, p. 3.

70 Red Energy/Lumo Energy, Submission to Draft Determination, p. 1.

facilitate the alignment of meter exchanges and retail transfer date, they must be aligned in the case of all three roles changing."[71]

- ERM Power considered that "current MSATS Procedures already enable the Incoming Retailer to nominate the MC, MP and MDP via the use of a 'Change Retailer' change request (CR 1000). The problem is that the current NER does not allow this transaction to be used for this purpose, because only the Financially Responsible Market Participant for a small customer site may appoint the MC, and only the MC may appoint the MP and MDP. If it is the Commission's intent to allow advance nomination, amendment to rules 7.6.2 (3)(i), 7.3.2(a)(1) and 7.3.2(d) would also be required".[72]

Alternative Option

Most stakeholders supported the AEMC's decision not to progress the alternative option, since:[73]

- this option would be complex;[74]
- terminating the appointment of a MC if the retail transfer is not completed would be problematic in terms of reappointing the previous MC and restoring the previous meter;[75]
- the customer "cannot revert, as per the recent competition in metering rule changes, to their type 5 or 6 meter";[76]
- the need to develop new procedures, processes and systems requires higher transaction costs, and is likely to create complexity and disruption, potentially delaying the transition to a competitive metering market and the benefits to consumers associated with this;[77] and
- the benefits from this option, do not outweigh the costs.[78]

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71 United Energy, Submission to Draft Determination, p. 2.

72 ERM Power, Submission to Draft Determination, p. 5.

73 AusGrid, Submission to Draft Determination, p. 7; ENA, Submission to Draft Determination, p. 4; Ergon Energy, Submission to Draft Determination, p. 2; Vector, Submission to Draft Determination, p. 2; AusNet Services, Submission to Draft Determination, p. 3.

74 Endeavour Energy, Submission to Draft Determination, p. 2; AusNet Services, Submission to Draft Determination, p. 3; ENA, Submission to Draft Determination, p. 4

75 Endeavour Energy, Submission to Draft Determination, p. 2; AusNet Services, Submission to Draft Determination, p. 3; ENA, Draft Determination, p. 4.

76 Endeavour Energy, Submission to Draft Determination, p. 2; AusNet Services, Submission to Draft Determination, p. 3; ENA, Draft Determination, p. 4.

77 Vector, Submission to Draft Determination, p. 2.

78 Simply Energy, Submission to Draft Determination, pp. 2-3.

In contrast, Active Stream, Metropolis and ERM Power all supported pursuing the alternative option.[79] These stakeholders advocated that a simpler way of achieving this alternative option is to allow the incoming metering provider to take a meter reading on the "old" meter and replace it on the scheduled retail transfer date. Here, the meter churn read would be taken by the incoming metering provider, and would be used as the transfer read. AGL noted that given that there is a cost to change the metering installation and an outage for the customer, AGL considered that it is far more likely that the customer will take action to cancel a transfer prior to a metering installation being changed, rather than waiting until after the metering installation is changed.[80]

Vector considered that if the AEMC decide to reconsider this alternative option it should only do so after the market has transitioned to competitive arrangements for metering at the end of 2017; and where there are indications that the alternative option will delivery significantly greater benefits than what the emerging competitive market is capable of delivering. Vector considered that a competitive metering market should provide incentives for the resolution of issues, including meter replacement, through market mechanisms.[81]

3.4 Final determination

The Commission has determined not to pursue the alternative option. Instead, the Commission has maintained the policy intent of the draft determination, but made changes to the draft rule in order to address certain issues raised in stakeholder submissions, and following further analysis.

3.4.1 Alternative option

In relation to the alternative option, this would allow the installation of a meter prior to, or on, the date the retail transfer process is completed. However, the Commission considers that on balance, it is not worth pursuing.

The Commission agrees with the concerns raised by some stakeholders that if there is a delay between when the retail transfer is completed, and when the meter change can occur, consumers could face a delay in their chosen product and service offering commencing. However, the Commission considers that there is a trade-off to make between allowing a meter to be installed by a prospective party, with the administrative complexity and transaction costs involved in achieving this alignment.

79 Active Stream, Submission to Draft Determination, p. 3; Metropolis, Submission to Draft Determination, p. 2; ERM Power, Submission to Draft Determination, p. 5. AGL also expressed the view that the incoming retailer should be able to initiate a change to the metering installation, which, as the Commission set out in the draft determination, could be achieved through the alternative option. AGL, Submission to Draft Determination, p. 4.

80 AGL, Submission to Draft Determination, p. 6.

81 Vector, Submission to Draft Determination, p. 3.

The Commission considers that the final rule strikes a balance of supporting earlier meter churn compared to existing arrangements, while still maintaining clear rights and obligations as well as having low implementation costs. Indeed, allowing an incoming retailer to change a meter prior to becoming financially responsible for energy at the relevant connection point may actually result in a worse experience for the customer (than the chosen service not commencing on time) if the transfer falls through, particularly if the old meter cannot be restored quickly.

Further, the Commission also considers that the new framework for competition in metering services, which will become effective on 1 December 2017, will provide incentives for parties to innovate, and potentially facilitate more efficient meter churn and retail transfers. This is the case in New Zealand, where there is also a delay between the completion of the retail transfer and the meter change. But, in New Zealand, retailers wear any costs of having a mismatch in revenue related to the period prior to the commencement of the new tariff.

The Commission notes that Metropolis raised that the draft rule may create some issues in relation to competition in the market for metering services. Metropolis have raised similar concerns in the context of other rule changes relating to metering, such as competition in metering, with these concerns being considered through these rule change processes. These concerns are not specific to this rule change request, which considers roles and responsibilities in the meter churn process. Therefore, the Commission has not considered these concerns further here.

3.4.2 Alignment of meter churn and retail transfer processes

The draft rule provided that the MSATS procedures must facilitate the installation of a new or replacement metering installation on the same day as the completion of the retail transfer process, where the Incoming Retailer has requested such alignment. In submissions to the draft determination, stakeholders set out detailed explanations of how the MSATS system works.[82]

This has implications for how MSATS could facilitate the alignment of the retail transfer and meter churn. Specifically:

- Currently, given the functionality of MSATS system, alignment of the retail transfer and meter churn on the same day is not possible. Assuming everything is done as quickly as possible, and that there are no issues with access to the metering installation, the earliest the meter churn can happen is the day immediately following the day of the retail transfer.[83]

82 For example, that the system operates on a historical basis. Requests or data entry into the MSATS can be made at any point throughout the day; however, MSATS is only updated at midnight every night in respect of changes that have occurred on that day or potentially earlier (eg, MSATS may record a retail transfer as being effective from a date that is a number of days before MSATS records the transfer). See section 3.3.2.

83 For example, on Day 1 the outgoing MDP goes out and reads the meter. The outgoing MDP enters this data into MSATS later on Day 1. At midnight, MSATS updates to reflect that the transfer

- However, if the incoming and outgoing parties come to a commercial arrangement then alignment on the same day is possible. An incoming party could arrange with an outgoing party for the meter to be changed before, or alongside, the retail transfer. We discuss commercial arrangements in more detail in chapter 5.

The Commission considers that unless there is a commercial agreement in place, there currently cannot be an alignment of the retail transfer and meter churn on the same day and that the draft rule should be modified to reflect this. However, systems and processes relating to these aspects of the market may evolve over time (eg, the MSATS system may undergo change that allows more "real-time" processing of changes at a connection point). Therefore, the rules should not prohibit alignment occurring on the same day and risk embedding historical practice or systems in place.

The final rule provides that the MSATS procedures must enable the installation of a new or replacement metering installation at a connection point *as soon as practicable* after the transfer of a market load at the relevant connection point has been effected by AEMO.[84] This change from the requirement proposed in clause 7.8.9(e)(2) of the draft rule, which provided that MSATS procedures must facilitate an alignment of the retail transfer and meter churn processes on the same day, has been made in order to accommodate the current system impediments to both processes completing on the same day and responds to stakeholders concerns about how this could operate.

However, the final rule still introduces a requirement that the MSATS procedures enable the meter churn process to complete as soon as practicable after AEMO has effected the retail transfer in MSATS. This revised drafting accommodates current system functionality, and commercial arrangements, as well as accommodating potential system or policy developments over time, since these may result in better alignment of the meter churn and retail transfer.

3.4.3 Nominations and appointments

Clause 7.8.9(e)(1) of the draft rule provided that MSATS procedures must permit an Incoming Retailer to nominate the MC, MP and MDP to be appointed at a connection point in respect of which it is the Incoming Retailer, with such appointments to become effective on the day that the market load at the connection point transfers to the Incoming Retailer as the new FRMP. This aspect of the draft rule was proposed to make it clear that the incoming parties undertaking metering roles would be responsible for the connection point from the time the transfers occurs (and no earlier) and to allow the meter to be changed as soon as the transfer has completed.

Certain stakeholders made submissions in respect of clause 7.8.9(e)(1) of the draft rule identifying potential limitations of the clause. For example, network businesses

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occurred at the previous midnight. The Incoming Retailer receives notification from MSATS that it is now the retailer on Day 2, has the incoming MP on standby, the new MP goes out and changes the meter.

84 See clause 7.8.9(e)(2) of the final rule.

considered that the appointments should not take effect on the day of the transfer, but rather should be effective on the date of meter churn. This is because the new parties will be responsible for a meter they do not own or not accredited to manage. Following further analysis, the Commission has concluded that clause 7.8.9(e)(1) of the draft rule requires clarification in respect of when the appointment of a "nominated" MC, MP and MDP becomes effective.

The Commission understands that under the current MSATS systems, an incumbent MDP at a connection point will perform a meter read to give effect to a retail transfer and that the incumbent MDP may then arrange for the data from that read to be provided to appropriate parties on or after the date of the meter read. In addition, the date on which the retail transfer is subsequently recorded as being effective in MSATS will be the day the incumbent MDP undertook, and was responsible for, the meter read and may potentially be a day that is prior to when the MDP provided the data to the market (ie, where the data is provided to the market after the day of the meter read, the incumbent MDP will have been responsible for metering data services at the connection point after the date the retail transfer completed).

The Commission acknowledges that in light of this relationship between the timing of the retail transfer and when the incumbent MDP is responsible for metering data services at the connection point, there will be circumstances where the appointment of a nominated MC, MP or MDP cannot take effect until after the retail transfer date. The Commission has therefore made changes between the draft and final rules in respect of clause 7.8.9(e). In particular, clause 7.8.9(e)(1) of the final rule provides that the MSATS procedures must include provisions that enable an Incoming Retailer to nominate a MC, MP or MDP to be appointed at a connection point in respect of which it is the Incoming Retailer, and for those appointments to be recorded as being effective on or, where requested by an Incoming Retailer, after the day that the market load at the connection point transfers to the Incoming Retailer as the new FRMP.

This provision provides flexibility for MSATS procedures to enable an Incoming Retailer to nominate a date (other than the transfer date) as the date when the appointment of a MC, MDP or MP are recorded as being effective in MSATS, while avoiding embedding in the rules current MSATS system capabilities. It also affords AEMO a level of discretion in determining in what circumstances MSATS systems will record a nominated person's appointment as being effective (eg, it may be the case that MSATS procedures only enable the appointment to be recorded as being effective on the date of transfer in circumstances where the incumbent MDP is being nominated and appointed for the connection point).

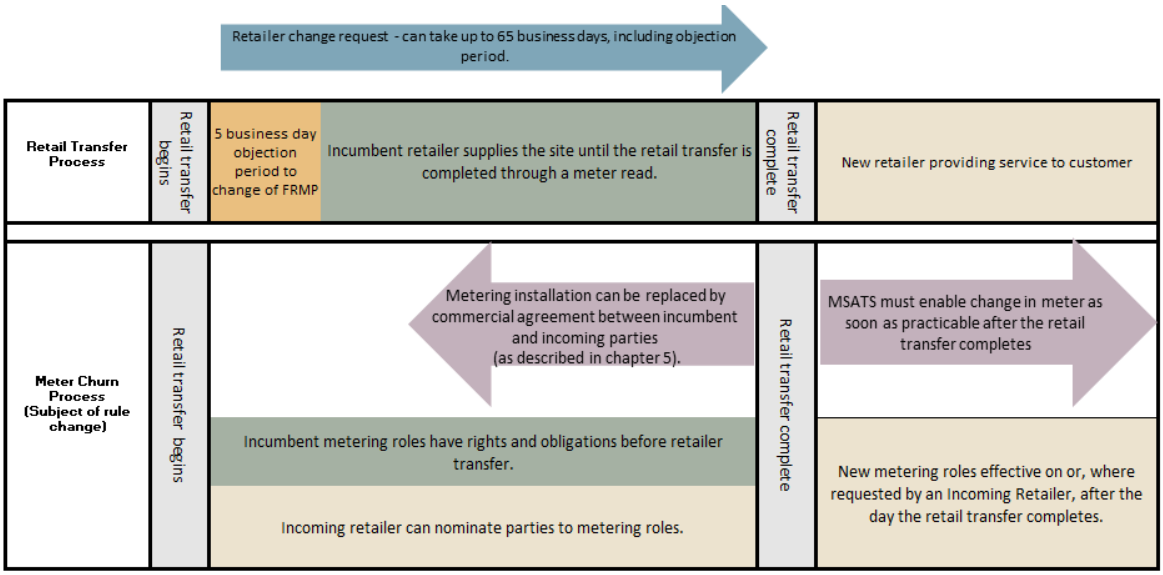
The Commission notes ERM Power's submission that the NER (as amended by the final rule for competition in metering) sets out that only the FRMP for a small customer site may appoint the MC, and only the MC may appoint the MP and MDP, and so for the appointments to happen as intended in the draft determination, the NER would need to be modified. In this regard, the Commission notes that the appointment of an MC, MP and MDP under the NER (as amended by the final rule for competition in

metering)[85] is distinct from the process of the recording of those appointments in MSATS systems. For the purposes of clarifying this distinction in the final rule, the Commission has included an express reference in clause 7.8.9(e)(1) to when the appointments are "recorded" as being effective in MSATS.[86]

3.4.4 Operation of final rule

Figure 3.3 sets out how the meter churn process would work, under the final rule.

Figure 3.3 Meter churn processes, under the final rule



The top section shows the high-level outline of aspects of the retail transfer process, which is not being amended by the rule. The bottom section provides an overview of the process for undertaking the change in metering installation under the final rule.

The Commission has not changed clause 7.6.2(c) between the draft and final rules, in response to stakeholders' requests that there should be an explicit clause that sets out when a meter can be changed. Clause 7.6.2(c) of the final rule clearly operates to prohibit an Incoming Retailer's nominated MC from effecting a change in the metering installation prior to the Incoming Retailer becoming the FRMP at the connection point.[87] Consistent with the draft rule, the final rule amends clause 7.8.9(e) (as made by the final rule for competition in metering), by adding the word "otherwise". That is, where there is a retail transfer and a change in MC as a result of that transfer, the change in MC becomes effective on the day the retail transfer completes, but *otherwise*,

85 See rules 7.2 and 7.6 of the NER under the final rule for competition in metering, regarding the appointment of MCs, MPs and MDPs.

86 The Commission, however, notes that the date that the appointment of the MP, MDP and MC takes effect should be the same date as recorded in the MSATS system.

87 See section 3.3.2, which set out that some stakeholders wanted the old provision to be retained in the NER.

the MC can change on any other day. The addition of the word *otherwise* improves clarity over the current rules.

The final rule requires MSATS procedures to enable meter churn and retail transfer to occur as closely as practicable. However, the retailer churn must still occur prior to the meter churn except in circumstances where a commercial arrangement has been entered into by the incoming and incumbent parties at the connection point (see chapter 5 for further details of such commercial arrangements). Given the current functionality of MSATS, there may still be a period of time (at least a day) between when the retail transfer is completed, and when the meter change can happen. If this occurs, the Commission expects that retailers would communicate this to the customer.

The final rule affords AEMO a level of discretion with regard to how the MSATS procedures (and other procedures maintained by AEMO relating to meter churn, metrology and the retail transfer process) give effect to the nomination of metering roles and subsequent recording of appointment of such roles at a connection point and the exact timing and process for meter churn following a retail transfer. This discretion is important because the manner in which these processes are given effect is driven by the capability of AEMO's and market participants' systems and interactions with other procedures and processes, which are governed by AEMO.

Finally, the Commission notes that a number of stakeholders have made comments about current industry practice relating to meter churn and the inconsistency or otherwise of such practices with either MSATS or the rules. Whether these practices are consistent with the rules is not relevant to this rule change request, which relates to when parties have the right to change a meter or not. Industry practice will need to evolve under the new framework for competition in metering, and so the Commission would expect that meter churn practice will also need to evolve.

3.4.5 Other relevant processes

The Commission considers that the most likely scenario that this rule change will relate to is small customers changing from type 5/6 to type 4 metering installations.[88] The exact number of customers is difficult to quantify, but this process may become more common from 1 December 2017, when the final rule in competition in metering becomes effective.

The Commission notes that there are a number of other events or market developments that are currently underway that may improve and affect the process and timing for retail transfers and meter churn, specifically:

- AEMO is expected to undertake a review of the MSATS system, in response to a request from the COAG Energy Council, following the AEMC's recommendations in the Review of Customer Switching.[89] Changes made as

88 Metropolis expressed similar views in their submission.

89 See: http://www.aemc.gov.au/Markets-Reviews-Advice/Review-of-Electricity-Customer-Switching

part of this review may also facilitate meter churn closer to the time of retail churn.

- AEMO is also about to commence its process to make changes to several procedures in order to implement the competition in metering rule changes.[90] AEMO will be consulting with stakeholders (in accordance with the rules consultation procedures), as part of this process. AEMO must amend and publish the procedures (which include, amongst others, the MSATS procedures, metrology procedures and meter churn procedures) by 1 September 2016.

- The Commission is about to commence a rule change on retail transfers on the basis of estimated reads.[91] The use of estimated reads for transfers could allow retailers to be more certain about when a transfer would occur, and so to be more confident about scheduling a meter change.

- The Australian Energy Regulator (AER) is in the process of consulting on and preparing distribution ring fencing guidelines. The AER must publish the guidelines by 1 December 2016.[92] The guidelines may have an impact on the role of DNSPs during the meter churn process where the DNSP is metering coordinator, and the meter is being churned from a type 5 or 6 metering installation to a type 4 metering installation at small customer connection points.

- The Commission has recently made a final rule to introduce a framework for competitive metering services into the NEM.[93] However, the framework will not be effective until December 2017, with requisite amendments to procedures to give effect to this framework currently being developed. Current industry practice will need to evolve as a result of implementing this new framework. As part of this final determination, the Commission also recommended that the ability of small customers to appoint their own MC is reviewed three years after the commencement of the framework.

The Commission noted above that it does not consider the issues raised by stakeholders at this point in time material enough to pursue the alternative option. However, it notes that the above processes are underway, which have the potential to better align the retail transfer and meter churn processes.

90 See clause 11.86.6 of the NER.

91 See: http://www.aemc.gov.au/Rule-Changes/Using-estimated-reads-for-customer-transfers

92 See clause 11.86.8 of the NER.

93 See: http://www.aemc.gov.au/Rule-Changes/Expanding-competition-in-metering-and-related-serv

4 Treatment of large and small customers

4.1 ERM Power's rule change request

4.1.1 ERM Power's view

In the rule change request ERM Power observed that under the rules currently in force "[m]eter replacement is much more common in the large customer segment".[94] However, ERM Power noted that a new framework for competition in metering services under the competition in metering rule change would be likely to result in an increase in advanced meters at small customer connection points.[95]

4.1.2 Stakeholder views in response to rule change request

The Energy Networks Association (ENA) noted that issues relating to the meter replacement process currently relate mostly to large customers with type 1-4 metering installations, but with the introduction of competition in metering, will increasingly impact small customers.[96]

4.2 Directions Paper

4.2.1 Commission's proposed policy position in Directions Paper

In the Directions Paper the Commission noted that under the draft rule for competition in metering, large customers would have the ability to appoint their own MC. This would result in the ability for the meter to be changed prior to the large customer's new retailer suppling energy at the premises when the customer is changing retailers. This is because the large customer would be able to appoint its own MC, prior to the retail transfer completing, who would have the ability to effect a change to the metering installation and so change the meter prior to the retail transfer occurring. This appointment of a MC would occur independently from the retail transfer period.

Therefore, if a large customer valued receiving a new meter by a certain date it would be able to appoint an MC to undertake this task regardless of the date the retail transfer is expected to take place. Therefore, the Commission considered that the issue identified in the rule change request would no longer be an issue to the extent that large customers are willing to appoint an MC to effect change in the meter prior to the retail transfer completing.

On the other hand, absent any changes to the competition in metering framework, an Incoming Retailer for a small customer would need to wait until the retail transfer is

94 ERM Power, Rule Change Request, p. 5.

95 ERM Power, Rule Change Request, p. 5.

96 ENA, Submission to Consultation Paper, p. 1.

completed before having the right to appoint an MC at the relevant connection point to arrange a change in the metering installation. In the Directions Paper the Commission proposed that Incoming Retailers be permitted to nominate parties such as the MP and MDP to undertake certain roles at a connection point, but that these nominated parties would not commence these roles until the day the retail transfer is completed (as discussed in chapter 3).

4.2.2 Stakeholder views in response to Directions Paper

Stakeholders noted in submissions to the Directions Paper that the ability of a large customer to appoint its own MC, and thus be in a position to request a meter change outside of the retail transfer process, resolved many of the issues raised by ERM Power relating to large customers. However, AGL and the ERAA noted that the Commission did not define what was meant by the phrase "large customer" in the Directions Paper and requested clarification.[97] ERM Power and the ERAA raised concerns that the definition of large customer under the draft rule for the competition in metering rule change could potentially exclude large customers in Victoria.[98]

In addition, some stakeholders considered that there should be a capacity for multi-site customers to be aggregated for the purpose of metering.[99] There are some multi-site customers where each connection point draws a level of energy below the threshold to be defined as a large customer, as defined in each jurisdiction. However, if the total energy of the sites could be aggregated, then this would enough for the customer to be classified as a large customer, and thus allow it to appoint an MC.

EnergyAustralia also noted that rule 5 of the National Energy Retail Rules (NERR) may allow aggregation of multi-site small customers and that such aggregated customers should be able to appoint their own MC.[100]

4.3 Draft Determination

4.3.1 Commission's draft analysis and conclusion

Definition of a large customer

In the draft determination for this rule change, the Commission noted that a definition for "large customer" was introduced in the NER under the final rule for the competition in metering rule change. This definition formed part of the amendments to the NER as set out in Schedule 1 of that final rule, which commenced on 26 November 2015.

97 ERAA, Submission to Directions Paper, pp.1-2; ERM Power, Submission to Directions Paper, p.2; AGL, Submission to the Directions Paper, pp. 6.

98 ERM Power, Submission to Directions Paper, p.3; ERAA, Submission to Directions Paper, p. 1; AGL, Submission to the Directions Paper, pp. 6,10

99 ERM Power, Submission to Directions Paper, p.3, AGL, Submission to the Directions Paper, p. 7.

100 EnergyAustralia, Submission to Directions Paper, p. 2.

The definition of large customer introduced by the final rule for competition in metering is as follows:

> ***large customer***
>
> (a) In a *participating jurisdiction* where the *National Energy Retail Law* applies as a law of that *participating jurisdiction*, has the meaning given in the *National Energy Retail Law*.
>
> (b) Otherwise, has the meaning given in *jurisdictional electricity legislation*

Under the above definition, business customers who consume at or above the upper consumption threshold are classified as large customers under section 5(b) of the National Energy Retail Law.[101]

In the final determination of the competition in metering the Commission considered that large customers are likely to have sufficient bargaining power to negotiate terms and conditions, and resolve any disputes, with their appointed MC. Therefore, the Commission determined that contractual relationships between a large customer and its appointed MC would be on commercial terms and be largely unregulated.

In the draft determination for this rule change, the Commission recognised the concerns raised by stakeholders with respect to the definition of large customer. However, the Commission noted that the definition of 'large customer' had subsequently been amended under the final rule for Embedded Networks to clarify that the term includes "a retail customer that is not a small customer".[102] Accordingly, the Commission concluded that the amended definition addressed the concerns raised by certain stakeholders as it operates to capture retail customers in Victoria that are not small customers.

Aggregation of small customers to form a large customer

The Commission also noted that the provisions of the NERR identified by EnergyAustralia specify circumstances where multi-site small customers can be treated as large customers, if the customer agrees. The Commission concluded that these arrangements for aggregating small customers do not apply to the framework for provision of metering services under the NER (as amended by the final rule for competition in metering) and, as such, do not allow a retailer to aggregate a multi-site small customer to allow the customer to appoint the MC at the site.

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101 The National Energy Retail Regulations sets this upper consumption threshold at 100 MWh per annum, which has been adopted by the ACT, Queensland and NSW. Varying thresholds have been set in the other jurisdictions. There is an upper threshold of 160 MWh per annum in South Australia and 150 MWh per annum in Tasmania. The equivalent threshold in Victoria is 40 MWh per annum.

102 More detail on the embedded network rule change can be found here: http://www.aemc.gov.au/Rule-Changes/Embedded-Networks

The ability to aggregate multi-site small customers to form a large customer, as proposed by EnergyAustralia, did not form part of the framework for metering services introduced under the final rule in competition in metering nor was it identified in the proponent's rule change request for this rule change.

The Commission noted that a retail customer's classification as either a large or small customer has an impact on a number of different aspects of the customer's interaction with the energy market. Being classified as a large customer could change the customer's tariff and affect the application of consumer protections to the customer, in addition to allowing the customer to appoint the MC at the connection point. Therefore, the introduction of an ability to aggregate multi-site small customers to become a single large customer for the purposes of metering services has wider implications than just altering the process of churning meters during retail transfer, and in light of these matters and the proponents rule change request is considered out of scope for this rule change.

4.3.2 Stakeholder views in response to Draft Determination

Definition of a large customer

All submissions that commented on this issue agreed with the Commission's view that meter replacement issues for large customers will largely be resolved when the framework for competition in metering come into effect in 2017, since under this framework a large customer can appoint its own MC and so arrange for its meter to be replaced at any time.[103]

Aggregation of small customers to form a large customer

ERM Power considered that the draft rule did not sufficiently address their concerns relating to meter churn for customers with "multi-site retail contracts".[104]

ERM Power acknowledged that the existing NERR provisions for small customer aggregation do not extend to the framework for metering services under the NER, and that there may be material flow-on implications if aggregation arrangements were expanded to apply to the provision of metering services. However, ERM Power considered that this provision provides a precedent generally for groups of small business customers to provide consent to opt-out of certain small customer arrangements, and that a new clause relating to aggregation for the purposes of metering should be added to the NER.

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103 Metropolis, Submission to Draft Determination, p. 2; Energex, Submission to Draft Determination, p. 1; ERM Power, Submission to Draft Determination, p. 1; Origin Energy, Submission to Draft Determination, p. 2.

104 ERM Power, Submission to Draft Determination, p. 3.

4.4 Final Determination

4.4.1 Definition of a large customer

The Commission notes that certain stakeholders agreed in submissions that the amendments made to the NER (ie, introducing a definition of large customers) under the recent competition in metering and embedded network rule changes largely resolve any issues associated with meter replacement for large customers. Accordingly, the final rule - consistent with the draft rule - does not introduce any amendments to the definition of large customers.

4.4.2 Aggregation of small customers to form a large customer

While ERM Power consider that a new provision should be inserted into the NER to allow small customer aggregation for metering purposes, the Commission does not consider that this is within scope of this rule change request given the issues identified in the rule change request and the broader implications of expanding aggregation arrangements to the provision of metering services.

In the final determination for competition in metering, the Commission noted that it considered that large customers would be likely to have sufficient bargaining power to negotiate terms and conditions and resolve any disputes with a MC - and so should be allowed to appoint their own MC. However, small customers would deal solely with their retailer with respect to the sale and supply of energy including metering services and will not be permitted or required to appoint their own MC. This approach was adopted so that the arrangements are simple and practical from a small customer's perspective.

The Commission recommended that the ability of small customers to appoint their own MC be reviewed three years after the commencement of the new framework for competition in metering under the final rule. In light of the Commission’s reasons for limiting the right to appoint an MC to large customers and the broader implications of introducing a right to appoint an MC for small customers, the Commission considers that its recommended review would be an appropriate means for considering whether aggregation of small customers is appropriate.

Accordingly, the final rule makes no amendments to allow aggregation of small customers to form a large customer for the purposes of appointing an MC at a connection point.

5 Commercial arrangements

5.1 Rule change request

5.1.1 ERM Power's view

The rule change request did not expressly refer to commercial arrangements between incoming parties and the incumbent parties at a connection point being used to facilitate meter churn by an Incoming Retailer on or before the retail transfer process is complete.

5.1.2 Stakeholder views in response to the rule change request

The ENA, NSW DNSPs and Citipower and Powercor proposed that retailers should be able to enter into commercial arrangements to change meters before the retail transfer was completed, however that these meter changes should occur only if "agreed between the parties".[105] The ENA considered this should only apply for large customers.[106]

5.2 Directions Paper

5.2.1 Commission's proposed policy position

The Commission set out in the Directions Paper that commercial arrangements between incumbent and incoming metering parties should be allowed to facilitate a change in meters during the retail transfer period. Permitting such commercial arrangements would allow a change in meter before the retail transfer is complete. As described below, the Commission acknowledge that this is most likely to occur in the case of large customers where it will be administratively easier to implement. This is in-line with a proposal from a number of DNSPs as described above. Incumbent parties at a connection point would still have the same existing rights, and be subject to the same existing obligations, at the connection point under the NER in circumstances where a commercial arrangement has been used to effect the meter churn.[107]

A commercial arrangement between incumbent and Incoming Retailers may be difficult to achieve for small customer connection points under the new framework for metering services being introduced under the final rule for competition in metering. More specifically, under that final rule:

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105 Citipower and Powercor, Submission to Consultation Paper, p. 1; NSW DNSPs, Submission to Consultation Paper, p. 8.

106 NSW DNSPs, Submission to Consultation Paper, p. 1.

107 For example, the incumbent MC would still be responsible for the provision, installation and maintenance of the metering installation at a connection point.

- The DNSP that is the MC for a type 5 or 6 metering installation at a connection point immediately before changes to Chapter 7 of the NER commence on 1 December 2017, must be appointed as the MC for that connection point by the FRMP.[108]

- The AER must develop and publish Distribution Ring-Fencing Guidelines[109] under clause 6.17.2 of the NER by 1 December 2016.[110]

Given the above aspects of that final rule, it is likely that the initial MC at a small customer connection point will be the DNSP as most small customers currently have type 5 or type 6 metering installations. Further, the incumbent retailer may not be able to upgrade the meter to a type 4 metering installation at the Incoming Retailer's request in circumstances where the metering installation at the connection is a type 5 or 6 metering installation and the MC is the DNSP, without first appointing a new MC at the connection point for the short interim period until the retail transfer is completed. This is because the AER's Distribution Ring-Fencing Guidelines may require DNSPs to ring-fence metering services classified as direct control services from those metering services that are unregulated (eg, by establishing a separate legal entity in order to provide unregulated metering services).

Consequently, a commercial arrangement to change a small customer's meter could involve up to three successive MCs at the connection point in a short time period, and thus would be administratively burdensome.

One issue raised by ERM Power in its proposal is that for multi-site customers, retailers typically need all meters changed before the contract can commence. Allowing for commercial arrangements does not necessarily resolve the issue, but does mitigate it as the Incoming Retailer may be able to enter into commercial arrangements with incumbents, under which the incumbent changes the meters at some or all of the sites before the retail transfer.

5.2.2 Stakeholder views in response to Directions Paper

Some stakeholders raised concerns about the operation of the commercial agreements between parties. AGL noted that "[c]ommercial negotiations are founded on the principles that both parties seek something of value". However, AGL was concerned that the providers of the service to the incumbent customer, would have no reason to enter into negotiations with incoming parties. Active Stream also considered that there would be minimal commercial interactions between incoming and incumbent parties at a connection point.[111] ERM Power noted that the incoming party and the consumer

108 See clause 11.86.7 of the current NER.

109 The Distribution Ring-Fencing Guidelines are guidelines developed by the AER under clause 6.17.2 of the NER for the accounting and functional separation of the provision of direct control services by DNSPs from the provision of other services by DNSPs.

110 See clause 11.86.8 of the current NER.

111 Active Stream, Submission to Directions Paper, p. 2.

would receive all the benefits of a commercial arrangement, thus making a commercial negotiation difficult.[112]

Consequently, AGL proposed that the rule change include a "good faith" requirement that would apply to negotiations between incoming and incumbent parties at the connection point. This would require incumbent parties to negotiate outcomes with the incoming parties.[113]

ERM Power noted that the commercial arrangements could take one of two forms. It could either be incumbent parties installing the meter by agreement or the incoming parties acting on behalf of the incumbents at the connection point.

In addition, ERM Power was concerned that the usage of the phrase "commercial agreement" could imply legal contract between the parties. Instead, arrangements between differing meter parties should be given effect through MSATS.

5.3 Draft Determination

5.3.1 Commission's draft analysis and conclusions

The draft rule permitted commercial arrangements to be entered into in order for the meter to be churned prior to the retail transfer being completed.

The draft rule provided that MSATS must facilitate, at the request of the Incoming Retailer, the transfer of a market load at a connection point (ie, a change in FRMP) on the same day that a new meter is installed at a connection point. This was introduced to require AEMO to amend MSATS to facilitate an alignment of meter churn and retailer churn on the same day.

This clause (along with other provisions in the draft rule) also supported the use of commercial agreements to enable the meter to be changed prior to the retail transfer. For example, the Incoming Retailer could enter into a commercial agreement with the incumbent MC to install a meter of the Incoming Retailer's choice on or prior to the day of the retail transfer.

If such a commercial agreement was entered into then the meter could be changed prior to the Incoming Retailer becoming the FRMP at that connection point. In MSATS, all existing rights and obligations in respect of the connection point would remain with the incumbent parties, until the retail transfer had been completed.

The draft rule did not include any prescription regarding the form of such commercial arrangements. In response to the Directions Paper, some stakeholders considered that the Commission should introduce a definition prescribing the form of such commercial arrangements, or provide a framework for regulating the negotiation process for such arrangements (eg, introducing a requirement that parties negotiate in good faith).

112 ERM Power, Submission to Directions Paper, p. 7.

113 AGL, Submissions to Directions Paper, pp. 4-5.

However, it would be inappropriate to regulate specific commercial interactions among different parties. It is the Commission's intent that the NER not prohibit the ability of parties to enter into such commercial arrangements. There is little benefit in specifying, potentially onerous, restrictions on interactions between businesses.

5.3.2 Stakeholder views to Draft Determination

Some stakeholders considered that the NER should explicitly state that commercial arrangements for meter churn are permitted under the NER.[114] AusGrid also considered that the NER should set out that these arrangements are only allowed for the replacement or removal of type 1 to 4 metering.[115] Stakeholders considered that since commercial arrangements are not expressly referred to in the draft rule, it creates ambiguity as to whether such arrangements are permissible - or what parties could enter into such arrangements.[116] Including such provisions in the NER would provide regulatory certainty to market participants and provide high-level guidance on how participants may enter into such arrangements

ERM Power did not consider that commercial agreements between incumbent and incoming parties are generally feasible, given the "asymmetric benefits of such arrangements".[117] ERM Power considered that there may be circumstances where it would be possible to enter into arrangements with the incumbent MC, where this was a business that was providing a contestable metering service and such business values relationships for the purpose of future business opportunities. However, the majority of small customer sites in the short to medium term will be managed by a distribution network's MC business, and so may not have sufficient incentives to enter into arrangements with an Incoming Retailer. ERM Power considered that agreement between incumbent and incoming parties could be facilitated through the objection process associated with a change request transaction (for the retail transfer or new role assignment) in MSATS.

5.4 Commission's final determination analysis and conclusions

The Commission notes stakeholders concerns that the NER should explicitly refer to commercial arrangements for meter churn being permitted under the rules. However, the Commission does not consider that it is appropriate for such prescription to be included in the NER.

These commercial arrangements could take a number of forms and could be entered into by a number of different parties – for example, just the Incoming Retailer and incumbent retailer or a combination of incoming and incumbent parties at the site. Given the potential variety of arrangements, the Commission does not consider it

114 For example, AusGrid, Submission to Draft Determination, p. 1; Red Energy and Lumo Energy, Submission to Draft Determination, p. 1.

115 AusGrid, Submission to Draft Determination, p. 4.

116 AusGrid, Submission to Draft Determination, p. 3.

117 ERM Power, Submission to Draft Determination, p. 4.

appropriate, or possible without imposing a high degree of complexity, to define these arrangements in the rules. Doing so may also have the unintended consequence of limiting the potential scope or form of such arrangements. In circumstances where such arrangement exist, it will still be the case that the incumbent parties at the connection point (ie, those parties that are recorded in MSATS as being the FRMP, MC, MP and MDP at the connection point) will remain responsible for the connection point under the rules. The Commission does not consider it appropriate to regulate the form of commercial arrangements that govern arrangements outside the rights and obligations of parties under the rules.

An analogous example is that under the NER, network businesses have an obligation to operate and maintain distribution networks in accordance with specified reliability standards. However, some network businesses may sub-contract out maintenance works. These sub-contractual agreements are not referred to, or referenced in the NER.

The Commission does agree that the NER should not preclude these commercial arrangements from occurring and considers that the final rule provides sufficient support for the entry into such arrangements. Finally, the Commission notes that some stakeholders do not consider that commercial agreements are generally feasible. However, concerns about the level of competition present in the market after the competition in metering framework has been implemented were explicitly considered and addressed in the final determination for that rule change.

6 Implementation

This section of the determination sets out the timing and implementation of arrangements under the draft determination.

6.1 ERM Power's rule change request

6.1.1 ERM Power's view

ERM Power considered that the Commission should make a rule in response to the rule change proposal to come into force alongside the introduction of the competition in metering and related service rule change.[118] ERM Power considered that in the interim, there should be a no action letter from the AER so that participants do not need to comply with the current procedures.[119]

6.1.2 Stakeholder views in response to rule change request

A number of stakeholders agreed with the proposed implementation timeframes by ERM Power. Most stakeholders note that this rule change should be implemented alongside the competition in metering rule change.[120]

Energex noted that the implementation of this rule change must not delay the implementation of the competition in metering rule change. Additionally, Citipower and Powercor considered that the competition in metering rule change timetable should take a higher priority than the meter replacement processes rule change.[121]

In response to the Directions Paper, stakeholders were in support of the proposed timeline of implementation.[122] The ENA considered that the proposed timeline is potentially optimistic.[123] United Energy notes that the final rule would likely not be ready until March 2016, and considered that the procedure changes from the competition in metering rule change should not be delayed for the meter replacement processes rule change.[124]

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118 ERM Power, Rule Change Request; p. 20.

119 The AER has decided not to make a statement of No Action for non-compliance with the revised Meter Churn Procedures.

120 Lumo Energy, Submission to Consultation Paper, p. 1; Red Energy, Submission to Consultation Paper, p. 1 ERAA, Submission to Consultation Paper, p. 2; Ergon Energy, Submission to Consultation Paper, p. 5; Origin, Submission to Consultation Paper, p. 6; Active Stream, Submission to Consultation Paper, p. 2.

121 Citipower and Powercor, Submission to Consultation Paper, p. 2.

122 Ergon, Submission to Directions Paper, p. 2; Origin, Submission to Directions Paper, p. 2; Energex, Submission to Directions Paper, p. 2.

123 Red Energy and Lumo Energy, Submission to the Directions Paper, p. 2.

124 United Energy, Submission to the Directions Paper, p. 1;

6.2 Draft Determination

6.2.1 Commission's analysis and conclusion

The draft rule proposed that changes to Chapter 7 of the NER would commence on 1 December 2017. The draft rule also included transitional arrangements, which would take effect before 1 December 2017. Under these transitional arrangements, AEMO must amend and publish specific procedures by 1 September 2016 to take account changes made to Chapter 7 under the draft rule.

6.2.2 Stakeholder views on Draft Determination

The majority of network businesses considered that the implementation timetable proposed for this rule change may be difficult to achieve in the time proposed.[125] These stakeholders consider it would be preferable if this rule change was deferred until six months after implementation of the final rule in competition in metering, and so propose for the commencement date to be approximately May 2018.

ERM Power considered that AEMO should be free to amend their procedures as required to manage its program schedule for procedure amendment under its Power of Choice project, to meet an effective date of 1 December 2017.[126]

6.3 Commission's final analysis and conclusion

Consistent with the draft rule, the final rule provides that the amendments to Chapter 7 of the NER will commence on 1 December 2017, consistent with the planned commencement of:

- the competition in metering rule change; and
- the embedded networks rule change.

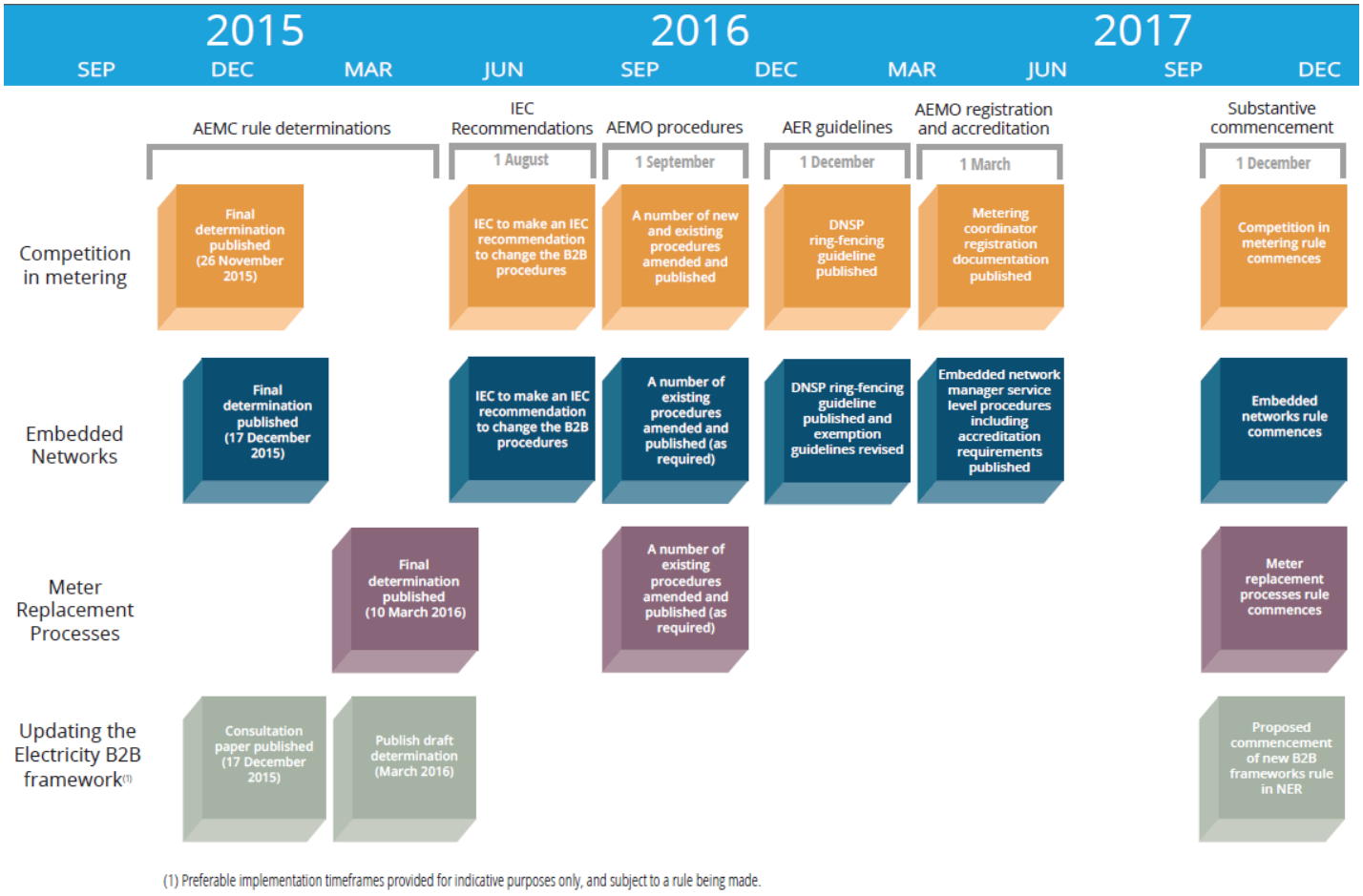
The Commission notes that stakeholders consider the timeframe for implementing these changes is ambitious. However, the Commission understands from AEMO that it considered the changes under the draft rule to be relatively small to implement, and so would be achievable in this timeframe. The Commission considers that the changes under the final rule would be of a similar nature. The Commission also considers that it is preferable to align the related metering changes to all commence at the same time, and so the final rule specifies that these amendments will come into effect on 1 December 2017.

125 Endeavour Energy, Submission to Draft Determination, p. 2; ENA, Submission to Draft Determination, p. 5; Energex, Submission to Draft Determination, p. 1; United Energy, Submission to Draft Determination, p. 2; AusNet Services, Submission to Draft Determination, p. 4.

126 ERM Power, Submission to Draft Determination, p. 2.

Figure 6.1 displays the implementation schedule for these projects. The diagram also displays how the timeframes are being co-ordinated to streamline implementation across all four projects.

Figure 6.1 Project timelines



(1) Preferable implementation timeframes provided for indicative purposes only, and subject to a rule being made.

The final rule also includes transitional arrangements, which commence on 10 March 2016. Under these transitional arrangements, AEMO must amend and publish the following procedures, as required, by 1 September 2016[127] to take into account changes made to Chapter 7 under the final rule:

- the MSATS Procedures;
- the Meter Churn Procedures;
- the Metrology Procedures; and
- the Service Level Procedures.

127 This also aligns the publication of these procedures with when the amended procedures to take account of the final rule for competition in metering must be published.

Abbreviations

AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
ENA	Energy Networks Association
ERAA	Energy Retailers Association of Australia
LNSP	Local Network Service Provider
MC	Metering Coordinator
MCE	Ministerial Council on Energy
MDP	Metering Data Provider
MP	Metering Provider
MSATS	Market Settlement and Transfer Solution
NEL	National Electricity Law
NEO	National Electricity Objective
NER	National Electricity Rules
NERR	National Energy Retail Rules
RP	Responsible Person

A Summary of additional issues raised in submissions

A.1 Submissions to the Consultation Paper

Issue	Stakeholder	AEMC Response
Issues identified in the rule change request could best be resolved through the competition in metering rule change.	AGL, p. 9.	The Meter Replacement Processes rule change arrived late in the rule change process for competition in metering and therefore was not able to be consolidated with that rule change.
Retail transfer takes too long.	EnergyAustralia, p. 2.	This is out of scope for this rule change. However, the Commission completed a review into electricity consumer switching timeframes in April 2015. The review made several recommendations to the COAG Energy Council on how the consumer transfer process can be made more timely and accurate.
The Australian Energy Regulator (AER) should make a statement of no action until the completion of the rule change process.	ERAA, p. 2; Momentum, p. 1.	The AER has decided not to make a statement of No Action for non-compliance with the revised Meter Churn Procedures.[128]
There are likely to be issues relating to safety and access in the replacement of meters for small customers.	ERM Power, p. 4; United Energy pp. 6-7.	Noted. This is out of scope for this rule change.
There is no monitoring for compliance processes in relation to meter churn. Formal processes should be created.	Ergon, p.6.	The AER is the body responsible for enforcing compliance with the rules associated with meter churn.

128 AER, Quarterly Compliance Report: National Electricity and Gas Laws April – June 2015, p. 5.

A.2 Submissions to the Directions Paper

Issue	Stakeholder	AEMC Response
Note that details from AEMO Procedures would need to be moved to the NER	Origin, p. 1.	The specific operational processes on meter churn and retail transfer should continue to be governed by AEMO Procedures. Flexibility for AEMO in determining such processes is important since the nature of such processes is driven by the capability of AEMO's and market participants' systems and interactions with other procedures and processes, which are governed by AEMO.
This rule change is only an administrative correction and the full rule change process should not be followed.	Metropolis, p. 4.	Under the NEL, the AEMC must complete the full statutory process for this rule change request. The AEMC is of the view that the rule change request does raise substantial matters for consideration.
Definitions of meter types for different consumption levels in the *National Measurement Act* are not aligned with the definition of large customers in the NERR.	AGL, p. 6.	This issue is out of scope for this rule change as it relates to interaction between the NERR and the *National Measurement Act.* Participants are welcome to submit a rule change to the NERR to examine this issue.
The rules should specify the outcome where a large customer has a manually read meter and is with the first tier retailer, so it must change its meter before the load can be transferred.	United Energy, pp. 1-2.	In this situation the customer can directly appoint a MC, to undertake the change in meter prior to the retail transfer occurring.
Delayed batch processing in MSATS may make meter churn on the day of retail transfer difficult.	EnergyAustralia, p. 1.	It is the responsibility of AEMO to operate MSATS in compliance with the rules. The operation of batch processing is an operational matter for AEMO.
If incumbent metering parties for franchise customers, classified as small customers, were not afforded the protections proposed in the Directions Paper, then all deemed DNSP MCs would need to make costly system and process changes to handle this overly complicated replacement arrangement. This could lead to very complicated outcomes.	AusNet Services, p.2.	Since the volumes of franchise customer churn are low, the Commission does not consider this a priority. AusNet Services also considers that if a solution is not specified that "the Commission's proposed alternative process would be the next most efficient outcome."

A.3 Submissions to the Draft Determination

Issue	Stakeholder	AEMC response
The rule should require AEMO to monitor and enforce compliance with the meter churn provisions.	Ausgrid, p. 9.	Clause 7.8.9(a) of the NER (as amended by the final rule for competition in metering) provides that any alteration or replacement of a metering installation under Chapter 7 of the NER must be managed in accordance with the Meter Churn Procedures. Under the NEL, it is the AER's function to monitor the compliance of Registered Participants and other parties with the NER and, where necessary, to take enforcement action for breaches of the NER. Therefore, the Commission considers that there is already appropriate monitoring and enforcement arrangements in respect of the Meter Churn Procedures. The Commission also notes that under the final rule for competition in metering, AEMO may deregister an MC, MP and MDP if they are in breach of the rules, or procedures authorised under the rules, in certain circumstances.
Delays between when a meter is changed, and when this is entered into MSATS, can create issues for network billing.	Ausgrid, p. 7; ENA, p. 2	The NER, and procedures authorised under the NER, provide for clear requirements on the accuracy, collection and provision of metering data in the NEM. The Commission acknowledges that delays between a retail transfer and when a meter is churned may give rise to issues for participants. However, the Commission considers that arrangements under the NER and procedures with respect to the collection and provision of data are appropriate in circumstances where there is a delay between retail transfer and meter churn. The issue of delay between when a meter is changed at a site and when the change is updated in MSATS is not within the scope of this rule change.
The nominations rights process should be implemented in a way that makes it effective in achieving the aim of customers and retailers being able to get required metering in place as soon as possible and in a coordinated way at the start of a new retail contract.	Simply Energy, p. 2	See section 2.3.

Issue	Stakeholder	AEMC response
As Simply Energy noted in its submission to the directions paper for this project, any new rules will be implemented by the Australian Energy Market Operator (AEMO) developing procedures changes. Experience suggests that AEMO needs to be given comprehensive direction by the AEMC to ensure that the intent of rule changes flows through in full to the final procedures. Simply Energy recommends that the AEMC closely monitors the procedures development process to ensure this rule change, if made, is correctly reflected in the AEMO procedures.	Simply Energy, p. 2.	
The transitional rule arrangements under the draft rule should be widened so that any procedures that need to be modified to implement the draft rule are also amended.	AGL, p. 7.	The Commission considers that the scope of the transitional arrangements in the final rule is appropriate as AEMO must amend and publish (as is necessary) all procedures that may require amendment as a consequence of changes being to Chapter 7 under the final rule (namely, the MSATS procedures, meter churn procedures, metrology procedures and service level procedures).
The proposed subclauses in 7.8.9(e) should be "separate obligations and should not apply in a move in situation".	Red Energy/Lumo Energy, p. 1.	The Commission considers that the Rules should set out general requirements governing the nature and scope of procedures authorised under the Rules. The Commission considers that the final rule provides sufficient flexibility for procedures to be developed to appropriately deal with move in situations.

B Legal requirements under the NEL

This appendix sets out the relevant legal requirements under the NEL for the AEMC in making this final rule determination.

B.1 Final rule determination

In accordance with sections 102 and 103 of the NEL the Commission has made this final rule determination in relation to the rule change request by ERM Power.

The Commission's reasons for making this final rule determination are set out in section 2.3.

A copy of the final rule which is a more preferable final rule, is attached to and published with this final rule determination. Its key features are described in section 2.3.

B.2 Power to make the rule

The Commission is satisfied that the final rule falls within the subject matter about which the Commission may make rules. The final rule falls within the matters set out in s. 34 of the NEL, as it relates to "facilitating and supporting the provision of services to retail customers"[129] and "the regulation of persons (including Registered Participants) participating in the national electricity market or involved in the operation of the national electricity system."[130]

B.3 Power to make a more preferable rule

Under section 91A of the NEL, the Commission may make a rule that is different (including materially different) from a market initiated proposed rule if the Commission is satisfied that, having regard to the issue or issues that were raised by market initiated proposed rule (to which the more preferable rule relates), the more preferable rule will, or is likely to, better contribute to the achievement of the NEO.

As discussed in Chapter 2, the Commission has determined to make a more preferable final rule. The reasons for the Commission's decision are set out in section 2.3.

B.4 Commission's considerations

In assessing the rule change request the Commission considered:

- the Commission's powers under the NEL to make the rule;

129 NEL s34(1)(aa).

130 NEL s 34((1)(a)(iii).

- the rule change request;
- the fact that there is no relevant Ministerial Council on Energy (MCE) Statement of Policy Principles;[131]
- submissions received in response to the Consultation Paper, Directions Paper and Draft Rule and Draft Determination;
- comments made by stakeholders in a workshop held as part of the consultation undertaken for the rule change request;
- the recent final rule determination on competition into metering and related services;
- the recent final rule determination on embedded networks; and
- the Commission's analysis as to the ways in which the final rule will or is likely to, contribute to the NEO.

B.5 Civil penalties

The final rule does not amend any clauses that are currently classified as civil penalty provisions under the NEL. The Commission does not propose to recommend to the COAG Energy Council that any of the proposed amendments made by the final rule be classified as civil penalty provisions.

B.6 Other

Under section 91(8) of the NEL, the Commission may only make a rule that has effect with respect to an adoptive jurisdiction if it is satisfied that the rule is compatible with the proper performance of the AEMO's declared network functions. The rule is compatible with AEMO's declared network functions because it does not affect AEMO's performance of those functions.

131 Under section 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.

C Background

C.1 Roles in the provision of metering

There are a number of specific roles under the NER with respect to the provision of metering services at a connection point. Parties undertaking these roles have a number of rights and obligations set out in the NER and in a series of procedures developed and maintained by AEMO.[132]

A market participant must ensure there is a metering installation[133] at each of the connection points for which it is financially responsible and that the metering installation is registered with AEMO. This party is defined in the NER as the FRMP. At each of the these connection points, the FRMP is required to act as the RP for a type 1-4 metering installation (typically installed in a large business's premises) unless it has requested, and subsequently accepted, an offer from the Local Network Service Provider (LNSP) to take on this role. The role of RP is exclusively performed by the LNSP for type 5-7 metering installations (typically installed in household and small business premises).[134]

Under the NER, the RP is the person responsible for the provision, installation and maintenance of a metering installation at a connection point and the collection, processing and delivery of metering data.[135] The RP must engage:

- a MP to carry out the installation and maintenance of the metering installation; and
- a MDP to provide the data services between the metering installation and AEMO's metering database along with parties entitled to such data under the NER.[136]

While the same party may become registered and accredited to perform all three roles, they are all separately defined roles under the NER.

The AEMC's recent final determination for competition in metering sets out significant changes to the NER in relation to the provision of metering services.[137] These will

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132 For example the Meter Churn Procedure and the Metrology Procedure.

133 A "metering installation" is defined in the current NER as being "the assembly of components including the *instrument transformer*, if any, measurement element(s) and processes, if any, recording and display equipment, *communications interface*, if any, that are controlled for the purpose of metrology and which lie between the *metering point(s)* and the point at or near the *metering point(s)* where the *energy data* is made available for collection". A meter is defined in the rules as "a device complying with *Australian Standards* which measures and records the production or consumption of electrical *energy*." A meter forms part of a metering installation.

134 Clauses 7.2.2 and 7.2.3 of the NER.

135 Clause 7.2.1 of the NER.

136 Clauses 7.2.5(a) and 7.2.5(c1) of the NER. Under clause 7.2.5(a), an RP must (subject to the metrology procedure) allow another person to engage an MP to install the metering installation.

come into force on 1 December 2017. In particular, the rule incorporates changes to who has the overall responsibility for metering services under the NER to promote competition in metering by:

- providing for the role and responsibilities of the existing RP to be undertaken by a new type of registered participant – a MC *ie, the MC will take on the current responsibilities of the RP);[138]
- allowing any person to become a MC, subject to meeting applicable registration requirements;
- permitting large customers and Non-Market and Exempt Generators to appoint their own MCs;
- requiring the FRMP to appoint the MC, except where another party has appointed the MC;[139] and
- the MC would be responsible for appointing a MP and MDP to provide metering services in accordance with the NER. However, as is the case with RP role under the current NER provisions, the MC retains overall responsibility for metering services.

C.2 What is meter churn

The process of changing a meter at a connection point is known as meter churn. A retailer may wish to change a meter at a connection point for which it is financially responsible because it:

- allows the provision of customer service or pricing options that require the installation of a more advanced meter, eg, an in-home display or a time of use tariff;
- achieves operational efficiencies through deployment of advanced meters that are capable of being remotely read;
- is necessary as the existing metering installation is faulty or needs to be replaced due to age; or
- maintains compliance with meter accuracy requirements if the consumption level at that connection point exceeds the volume limit of the installed meter.

137 See: http://www.aemc.gov.au/Rule-Changes/-competition-in-metering-and-related-serv

138 The final rule will come into force at the same time as the commencement of the competition in metering rule change on 1 December 2017. Therefore, all discussion in this determination of the Commission's policy position refers to the operation of a MC.

139 The retailer is the FRMP for the connection points of its retail customers.

C.3 Meter Churn Procedure

Under the NER, AEMO is required to maintain and publish the Meter Churn Procedure.[140] This procedure sets out the process that must be followed by the FRMP when undertaking a change to a metering installation at a connection point. It also outlines the responsibility of the FRMP and other parties at a metering point during meter churn.

The first version of this procedure was developed in 2008. Up until the most recent amendment to the procedure, which came into force on 1 September 2015, there have only been incremental changes.

Throughout this final determination the 2012 Meter Churn Procedure,[141] is referred to as the "superseded procedure". The Meter Churn Procedure that came into force on 1 September 2015[142] is referred to as the 'amended procedure'.

Box C.1 Retail Transfer Process

When a customer changes retailer, a retail transfer process is followed. This typically occurs within 30 calendar days, but can take up to 65 business days.[143] This involves the Incoming Retailer using the largely automated Market Settlement and Transfer Solutions (MSATS) business system, operated by AEMO, to request meter reading data for the customer in order to give effect to the transfer.

Once the relevant data has been uploaded into MSATS, a series of billing and settlement processes are initiated amongst the various registered participants and AEMO. The Incoming Retailer becomes the FRMP for the customer's connection point, supplying them with electricity, and the retail transfer process is completed. The losing retailer is responsible for energy supply, billing and is the FRMP until the retail transfer is complete. This complete process (ie, the process through MSATS up until the retail transfer takes effect) is called the 'retail transfer period'.

C.4 Superseded meter churn procedures

The superseded procedure specified the meter churn process under a series of meter churn events. One of these outlined meter churn events was where a metering installation was changed while a retail transfer was underway at the same connection point. The retail transfer period is described in more detail in Box C.1.

140 Clause 7.3.4(j) of the NER.

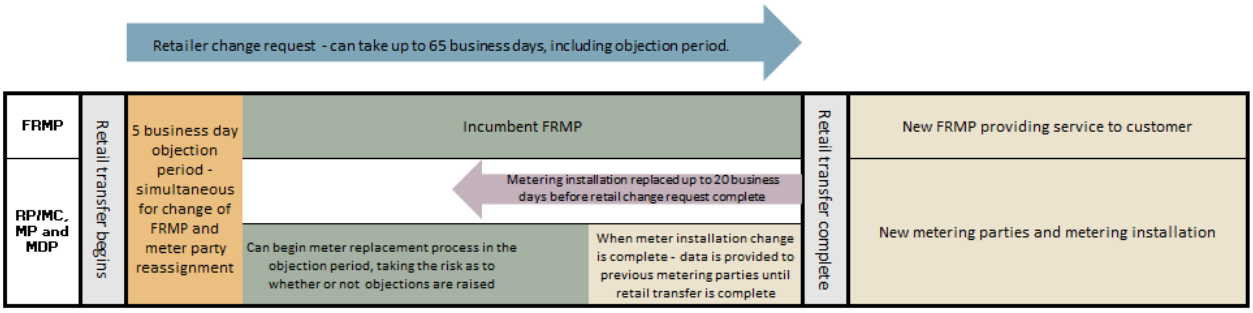
141 Version v005.

142 Version V1.0.

143 AEMC, 2014, *Review of Electricity Customer Switching* Final Report, p. i.

The superseded procedure outlined how the Incoming Retailer could change the metering installation during the retail transfer period, prior to the transfer being completed. The Incoming Retailer could arrange to have its preferred metering installation installed at the connection point before becoming responsible for the provision of energy to the customer (ie, before becoming the FRMP at the customer's connection point). This process is explained further in Figure C.1 below.

Figure C.1 Process in superseded procedure



When an Incoming Retailer entered the details of the transfer into MSATS, various parties were notified of the customer transfer by MSATS – including of any new roles or obligations that they may have in regard to the transfer. There was a five day objection period, as specified in the MSATS Procedures. Objections that can be raised largely relate to technical issues.[144]

At the same time as entering the retail transfer, if it so chooses, the Incoming Retailer could also nominate in MSATS the incoming RP, MP and MDP at the connection point. In this circumstance, the objection period to the change in metering roles occurs at the same time as the objection period to the change in retailer.

After the retail transfer request was made, the incoming FRMP was able to begin making changes to the metering installation up to twenty business days before the transfer was complete.[145] It is understood that sometimes changes were made to metering installations during the objections period. When this was done, the Incoming Retailer and metering parties (ie, the RP, MP and MDP) were taking on the risk that no valid objection would be received during this period.

If the metering installation was changed during the retail transfer period, the incumbent metering parties still retain their rights and obligations until the retail transfer is complete, even if the metering installation has been altered. The superseded procedure notes that the incoming metering parties would be required to undertake certain actions during this period. For example, the incoming MDP was required to supply data to the incumbent MDP until the retail transfer was complete.

144 For example, one objection code is "BADPARTY". This is used where the nominated MDP or MP is incorrect. This is for use by the new RP on retail transfer type transactions where the FRMP has nominated the wrong MDP or MP.

145 Procedure v005 clause 3.2.1(c).

C.5 Amended meter churn procedures

In 2013 AEMO undertook a review of the:

- Meter Churn Data Management Procedure; and
- Meter Churn Procedure for FRMPs.[146]

In the course of this review AEMO identified inconsistencies between the NER and the Meter Churn Procedure.[147] AEMO stated that it considered that:

- the Meter Churn Procedure described a series of obligations that facilitate a process to allow a FRMP, who is not the RP for the metering installation or the FRMP for the market load in MSATS, to instigate a replacement of metering devices at a metering installation; while
- clauses 7.2.1 and 7.3.4 (i) and (m) of the NER prohibited a metering installation from being altered by the FRMP until the retail transfer has been effected by AEMO.[148]

Consequently, AEMO amended the Meter Churn Procedure for FRMPs to bring it into line with the NER. The amended procedure came into effect on 1 September 2015.

The amended procedure clarifies that when a retailer gains a customer, it cannot appoint a new RP, MP or MDP until after the retail transfer period is complete. Additionally, the amended procedure has no provisions relating to incoming parties undertaking roles on behalf of the incumbent parties at a connection point. Only after the finalisation of a retail transfer at a connection point can the incoming FRMP begin the process of appointing the chosen RP, MP and MDP at that connection point.[149]

If the retailer intends to instruct the metering parties to churn the meter, this would need to start after the incoming parties have become the RP, MP and/or MDP (as the case may be).

The process for meter churn during retail transfer under the amended procedure is shown in Figure C.2.

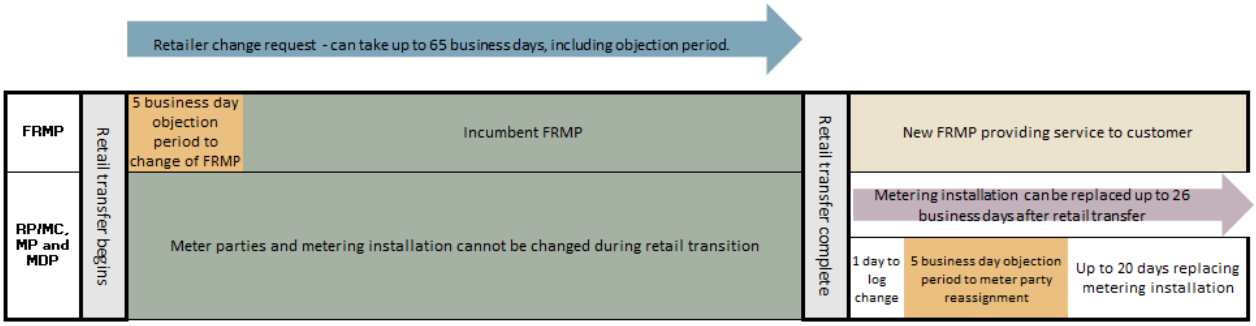
146 AEMO, Notice of first stage of consultation: Meter Churn Package, 18 September 2014, p. 1.

147 AEMO, Notice of first stage of consultation: Meter Churn Package, 18 September 2014, p. 2.

148 Ibid.

149 The amended procedure does not refer to or contemplate the role of the MC. The procedure must be amended to reflect the introduction of the MC role in Chapter 7 of the NER in accordance with the transitional arrangements in the final rule for the competition in metering rule change. See clause 11.86.6 of the NER.

Figure C.2 Process in amended procedure



At the beginning of the retail transfer process there is an objection period for the change of retailers. All the rights and obligations of the incumbent metering parties relating to the connection point are maintained until the end of the retail transfer.

After the retail transfer is complete, the new FRMP can begin the process of nominating the new parties to undertake the metering roles. When the new RP, MP and MDP for the connection point have been allocated, they are able to begin the process of changing the meter.

This means that under the amended procedure, changing the metering installation could take twenty-six business days from the day of the retail transfer. These twenty six business days include:

- one business day to log that the change in retailer is complete;
- a five business day objection period to the appointment of the RP, MP and MDP; and
- reasonable endeavours for the new MP to undertake the replacement of the metering installation within 20 business days.[150]

When the retail transfer is complete, the retailer is responsible for the provision of energy to and billing of, the customer. Therefore, there could be a period where the retailer is required to initially provide energy to the consumer using a meter that may not be able to provide the services the consumer requested to receive.

150 As set out in 4.13(a) of the Service Level Procedure: Metering provider services category B for metering installation types 1, 2, 3, 4, 5 and 6.