Meter read and billing frequency rule change

Submission to the Australian Energy Market Commission

Energy Consumers Australia

Summary

Energy Consumers Australia (ECA) welcomes the opportunity to make a submission in response to the Australian Energy Market Commission's (AEMC) draft rule determination on meter read and billing frequency.

ECA does not support the proposed 'more preferable' rule. The rule change should not to be progressed, both to avoid the very real risk of the intervention having unintended consequences, and to allow the networks and the other market participants to find a more innovative and market-based solution to these issues.

In evaluating this draft rule determination, we have had regard to how it might promote the long term interests of consumers (LTIC): the principle objective of the Australian Energy Markets Agreement (AEMA) and the basis of the rule making tests for changes to the National Energy Retail Law (NERL) and National Energy Retail Rules (NERR). Promoting the LTIC, in particular for residential and small business customers, is also the objective specified for ECA in its constitution.[1]

Background

Ergon Energy Queensland (Ergon) argues that there is an inconsistency between its strict obligation as a retailer under Rule 24(1) of the NERR to issue a bill every three months, and that of Meter Data Providers (MDP), who under the Australian Energy Market Operator (AEMO) National Metrology Procedures (AEMP Procedures), are required only to use *reasonable endeavours* to ensure the metering data upon which those bills are calculated is collected and provided to them within the same three-month period.

Ergon has traditionally dealt with instances where the MDP hasn't supplied it with a read by day 90 by requesting an estimated read and issuing a bill to the customer based on that estimation within the three-month window. Ergon argues that a change to Meter Data Process Requirements in May 2015 has removed this option, meaning it could find itself in breach through no fault of its own. That is, Ergon's position is that it faces a compliance risk it cannot

---

[1] See ECA Constitution, Section 4.1(a) "To promote the long term interests of Consumers of Energy with respect to the price, quality, safety, reliability and security of supply of Energy services by providing and enabling strong, coordinated, collegiate evidence based consumer advocacy on National Energy Market matters of strategic importance or material consequence for Energy Consumers, in particular for Residential Customers and Small Business Customers."

manage for a small number of customers that it is not in a position to bill before the end of the three-month billing window.[2]

In its 15 September 2015 rule change request, Ergon proposed to deal with this problem by making two changes to the NERR. Firstly, by amending Rule 24(1) of the NERR to replace the strict obligation to issue a bill within the three-month window with a *best endeavours* obligation. Secondly, by clarifying that retailers are permitted to issue an estimated bill where the metering data hasn't been provided in accordance with the AEMO Procedures. Ergon also proposed that a new backstop protection be created to ensure that the longest a consumer would wait for a bill, even if for one based on an estimation, would be 120 days.

The AEMC has considered Ergon's rule change request and proposes in its draft determination a more preferable rule, that would extend the current requirement that retailers issue a bill every three-months to 100 days. This is a more limited change than Ergon's original proposal. AEMC argues that its more preferable rule will do three things:

1. Facilitate the efficient use of energy services by providing accurate and timely information about the cost of energy services that would, over time, enable choice and facilitate more efficient investment in energy services
2. Enhance the customer experience
3. Provide a proportionate response to the issues

We do not believe the change will deliver these outcomes for the reasons we set out in the following section.

Assessment

We are not convinced that the NERR and MDPs under the AEMO Procedures interact in a way that presents a compliance risk for retailers. This view is supported by the AER.

The AER has stated very clearly that retailers faced with a situation where their MDP has not provided them with a read within the billing window are entitled to issue an estimated read to remain compliant. In its submission to the AEMC Consultation Paper on the rule change, the AER stated:

---

[2] See Figure 1, Ergon Rule Change Request http://www.aemc.gov.au/getattachment/57fc261a-b924-4dad-ba47-62aa965b38e0/Meter-read-and-billing-frequencyrule-change-reques.aspx

> *We consider[s] that Rules 24 and 21, when read together, permit a retailer to issue a bill based on an estimate of the customer's consumption where metering data has not been provided.*[3]

The AER went on to explain its approach to compliance with billing obligations, providing retailers with further assurance that they will not be subject to unreasonable enforcement action:

> *In administering these provisions we work constructively with businesses when breaches occur to monitor and address any potential customer detriment and compliance issues without a need to amend the rules*.[4]

Moreover, no convincing evidence has been presented to support the argument that the misalignment, to the extent that one does exist, is a cause of consumer detriment, or that either the more preferable rule or the original Ergon proposal would lead to a net reduction in consumer detriment. In neither its original rule change proposal, or its subsequent response the AEMC's consultation, did Ergon quantify the number of instances where it had delayed the issue of a bill, or issued an estimated bill, as a result of the introduction of the new Meter Data Process Requirements in May 2015. Nor did it present information showing that the *change* in the rules had caused a spike in customer complaints about estimated or late bills – either in its region or in other jurisdictions.

We believe the absence of this information undermines the case for the NERR to be changed and sets a concerning precedent for future rule change processes – particularly seeing as in the intervention is not without risk, i.e. that the new 100-day billing window becomes the industry standard.[5]

Even if there is a misalignment that needs to be corrected, the idea that this should be fixed by amending the NERR to bring it into line with the AEMO Procedures – when the former is clearly higher than the latter in the hierarchy of electricity market rules – also sets a bad precedent for the governance of the energy market.

---

[3] AER Submission on National Energy Retail Amendment (Meter Read and Billing Frequency) Rule 2016, p 2 http://www.aemc.gov.au/getattachment/d7871fd0-c282-4242-99d7-95295c0a3909/Australian-Energy-Regulator.aspx

[4] AER Submission on National Energy Retail Amendment (Meter Read and Billing Frequency) Rule 2016, p 4 http://www.aemc.gov.au/getattachment/d7871fd0-c282-4242-99d7-95295c0a3909/Australian-Energy-Regulator.aspx

[5] The risk that relaxing the billing window to cater for a small number of circumstances where the meter read had not been provided, would actually lead to a new default window was highlighted by a number of stakeholders in submission to the consultation paper, including the Ethnic Communities Council of NSW.

The justification for not pursuing the alternative approach, that is amending the AEMO Procedures to increase the meter reading frequency and bring them into line with the NERR as it currently stands, is because it would increase costs.[6] Now clearly more frequent meter reads could lead to an increase in costs; costs that would be ultimately borne by consumers. At a time when energy consumers have experienced very significant increases in their bills, any intervention that could put further upward pressure on bills needs to be considered very carefully.[7] But other than general statements from Ergon and a number of other networks that more frequent meter reading would increase costs, no meaningful attempt has been made to quantify what these costs might be, or how they might compare to the benefits that might accrue to consumers through a reduction in estimated bills or more frequent billing.[8]

ECA would have expected to see, for example, some assessment of how greater use could be made of customer self-reads – aided by the now near ubiquitous smart phone – to overcome the tyranny of distance and the limitations of the current metering infrastructure. In the absence of basic information upon which the stakeholders can weigh the costs and benefits of the various options, we do not see how this rule change can be properly evaluated.

It is also important is that we step back from the detail of this rule change process, to consider how this rule change sits within the context of broader market developments and the long term interests of energy consumers.

We are currently holding community consultations in regional centres across the NEM, and one of the things we keep hearing from consumers is their desire for much more timely and useful information about their energy use and their bills to help them make the choice that is the best fit for their household.[9] Importantly, this goes well beyond the quarterly bill that is being debated in this rule change. As IBM explained in a recent paper:

---

[6] AEMC Draft Rule Determination, page 23, under the heading 'Option two: more frequent meter reads" http://www.aemc.gov.au/getattachment/200dd1b5-8e23-4f9e-a1d8-44459d9961b9/Draft-rule-determination.aspx

[7] See figure 5.6, in the AER's State of the Energy Market Publication, https://www.aer.gov.au/system/files/State%20of%20the%20energy%20market%202015%20%28A4%20format%29%20%E2%80%93%20last%20updated%204%20February%202016.pdf

[8] On page 5 of its submission, Ausgrid estimates that more frequent meter reading could cost it $20 million per year, although it does not explain in detail how it arrived at that figure http://www.aemc.gov.au/getattachment/6a7cebd7-8711-43e5-8996-f97019da749c/Ausgrid.aspx

[9] ECA is holding a series of community consultations as part of a Regional Listening Tour. To date, events have been held in Launceston, Hobart, Traralgon and Bendigo. Further events in Victoria, South Australia, Queensland and New South Wales are being held in late May and June 2016. http://www.energyconsumersaustralia.com.au/news/join-our-regional-listening-tour

> *[U]tility customers are more demanding because they have grown accustomed to methods of engagement they enjoy in other industries such as banking, telecommunications, insurance and retail.*

IBM went on to conclude that;

> *A monthly bill in the mail or a telephone call to inquire about service interruption is not enough anymore*.[10]

Viewed through this lens, the debate about whether customers should be billed at 90, 100, or 120 days, or whether they should be prepared to trade off billing accuracy and frequency, seems out of step with market developments. ECA urges businesses to respond to their new operating environment by shifting their focus from the market rules to their customers, and ramp up their level of ambition when it comes to service innovation. Over time, we would hope that metering and billing issues such as those that have prompted this rule change can be resolved through the market.

Conclusion

ECA does not support the more preferable rule that has been proposed by the AEMC. We do not believe that sufficient evidence has been brought forward to substantiate that there is a misalignment between the NERR and AEMO Procedures that is causing consumer detriment, or indeed, that relaxing the billing window to 100 days will improve outcomes for energy consumers. In reaching this view, we have also taken into account of the fact that consumer advocates, the regulator, and a number of market participants – including other electricity retailers – lodged submissions opposing Ergon’s original rule change proposal.

Thank you for the opportunity to make this submission. Please do not hesitate to contact Chris Alexander, Director Advocacy and Communications, on 02 9220 2006 or by email at chris.alexander@energyconsumersaustralia.com.au if you would like to discuss this submission further.

[10] See page 3, *The digital customer: engage customers as individual*, IBM http://smartgridcc.org/the-digital-customer-engage-customers-as-individuals/.

Energy
Consumers
Australia

ABN: 96 603 931 326

Suite 2, Level 14, 1 Castlereagh Street
Sydney NSW 2000

02 9220 5500
@eca_advocacy
energyconsumersaustralia.com.au