

11 February 2019

Ms Jackie Biro
Director
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235
Submitted via email



Dear Ms Biro,

Metering installations – Advanced meter communications draft determination

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit legal centre based in New South Wales. Established in 1982, PIAC tackles systemic issues that have a significant impact on people who are marginalised and facing disadvantage. We ensure basic rights are enjoyed across the community through litigation, public policy development, communication and training. The Energy + Water Consumers' Advocacy Program represents the interests of low-income and other residential consumers, developing policy and advocating in energy and water markets.

PIAC welcomes the opportunity to respond to the AEMC meter installations - advanced meter communications draft determination.

PIAC supports the draft determination's recognition of the importance of improved information provision in relation to consumer decisions regarding metering technology, and the cost and potential service implications that are involved with their metering choices. However, we remain concerned that the draft determination does not sufficiently establish a justified need for the proposed rule to be implemented at all. Further, it is possible that the draft rule will actually lead to an increase in costs to retailers and consumers, and potentially result in a number of unintended consequences for retail competition and efficiency, without any significant overall benefit to consumers.

Justification for the rule

The draft determination establishes reduced costs for consumers, retailers and metering co-ordinators, as the primary justification for the rule. This 'reduced cost' is assessed relative to the cost of the full replacement of a meter, along with the potential cost of complaints and customer service. PIAC considers that this is not the correct measure to use. A more accurate assessment is the cost of the proposed change (deactivation of metering communication) compared to the cost of not deactivating the communications, and retaining a meter that meets the standards set out in the rules.

As it stands retailers and metering co-ordinators have no explicit mechanism by which to respond to a consumer request to deactivate the communications on an existing Type 4 meter. Instead, retailers and metering co-ordinators must liaise with the consumer and, if no other satisfactory solution can be found, undertake a full meter replacement. This process involves both time and cost, a fact which PIAC does not dispute. However, we contend that while imperfect, the current arrangements are an appropriate response to the issue, with any costs being able to be more easily contained to the consumer involved. Better customer service processes and better provision of accurate information to the consumer would be a more efficient means of responding to the identified issues with the current arrangements, which result primarily from incomplete or

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incorrect consumer information and understanding of metering technology and practice.

Improved information provision should include:

- Clear explanation of the relative capabilities of both type 4 and type 4a meters
- Clear explanation of what are both the differences, and similarities in the use of type 4 and type 4a meters (i.e.: what will change and what will remain the same regardless, such as the retailer access to detailer usage data)
- The upfront cost involved in making any meter exchange, as well as any potential ongoing costs.

Should a consumer wish to undertake a meter replacement at this stage, this choice can be made, with the costs contained to that consumer (consistent with a 'causer-pays' principle). PIAC considers it unlikely that with appropriate customer service, and the provision of more complete information, a significant number of consumers would wish to undertake a meter exchange, at their own cost.

PIAC again notes that the imperative for the existing rule allowing installation of a type 4a meter, rather than a type 4 meter, at the point of new connection or replacement was to ensure that customers were not left without a meter for an extended period (either due to their refusal of a type 4 and any dispute that may be involved, or because supporting communications network coverage did not exist). This was a rational and expedient measure to promote the smoother uptake of interval metering.

This imperative does not exist in the circumstances where the current draft rule proposal applies, where consumers already having an existing type 4 meter. While any consumers' concerns are relevant, in this case the potential concerns related to type 4 meters can be more effectively and appropriately addressed with improved customer communication and information, while meter exchange at the consumer's cost is retained as a last resort.

Potential consequences of implementing the draft rule

In considering any regulatory response, the cost or consequences of any regulation must be weighed against the harms or costs they seek to protect against, and the benefit they seek to facilitate. PIAC highlights the following issues and potential consequences with the draft rule:

- There is likely to be no practical means by which a consumer can verify that the remote communications function of their Type 4 meter has been deactivated. This is particularly relevant when the deactivation of communications is in response to consumer concerns about potential health and privacy impacts.
- Implementing this rule could potentially mislead consumers in relation to their concerns regarding Type 4 meters. For instance, a consumer may seek a metering communications deactivation on the basis of concerns regarding their privacy and access to their information by retailers and third parties. The draft rule will not address these concerns in any way (though will involve increased costs), with the same information being collected and the same information protection provisions applying.
- The rule as drafted provides an avenue for individual consumers to make decisions regarding metering that impose system costs (related to the deactivation, reading and reactivation of interval meters) that are nearly impossible to contain to the responsible consumer. As a result, it is likely that retailers will not seek to directly recover the full cost of these decisions from the responsible consumers, and will simply smear all or part of them across their larger consumer base as an increased retail cost. For example, while a consumer deciding to deactivate the communications function of their meter could potentially be made responsible for the cost of that deactivation, and the ongoing increased costs associated with having to read their meters manually, it is almost impossible to

apportion any reactivation costs to them (particularly as reactivation may end up being the responsibility of a different retailer or metering coordinator).

- Without addressing potential fears or public misconceptions regarding the health or privacy impacts of communications enabled smart-metering, the proposed rule could provide an avenue for a more widespread deactivation of the communications functions of smart-meters, significantly undermining the efficiency and service benefits they are intended to facilitate.
- In light of the recently completed estimated meter reads rule change, deactivation of the communications functions of type 4 meters would result in the affected customer being unable to submit their own self-reads, leaving them reliant upon manual reads by the metering co-ordinator or estimates as a basis for their billing.
- The draft rule would facilitate metering co-ordinator and retailer deactivation of the remote communications capabilities of a Type 4 meter, and by providing an easier avenue through which deactivation or replacement can occur, effectively 'lowers the bar'. It is arguable that this could actually lead to an increase the instances of deactivation; where meters could be altered multiple times within their efficient product-life, with ongoing cost implications for consumers (that are difficult to limit to the causer of those costs).

Accordingly, should the proposal proceed, retailers and metering co-ordinators must be specifically limited as a last resort to the most cost-effective, non-permanent solution, such as deactivation of the external communications functions of the meter.

- There may also be potential competition implications, particularly if the rule change helps to facilitate a wider uptake of Type 4A meters. Improved retail service efficiency, particularly for many smaller retailers without the efficiencies of operations at scale, is improved by the remote reading capabilities of smart meters. Should this proposal result in a greater proportion of meters requiring manual monitoring (or communications reactivation), it could impede the ability of smaller retailers to compete effectively, particularly if it results in an ongoing process of activation and deactivation (or worse, multiple meter replacements). Whilst PIAC understands that this proposal responds to a very small number of consumers (at this stage), it is crucial to consider the wider, ongoing implications, particularly if the draft rule has potential to increase the number of consumers affected.

In light of these concerns, PIAC reiterates that a rule change is not the most effective and appropriate response at this time, and that alternative responses should be explored.

Further engagement

PIAC would welcome the opportunity to meet with the AEMC and other stakeholders to discuss these issues in more depth. Please do not hesitate to contact Douglas McCloskey on (02) 8898 6534 or dmccloskey@piac.asn.au

Yours sincerely,

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