

28 May 2024

Mr Ben Barr
Chief Executive Officer
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2000

Submitted online via the AEMC's submissions portal.

Dear Mr Barr,

ERC0378 – Accelerating Smart Meter Deployment Draft Rule Determination

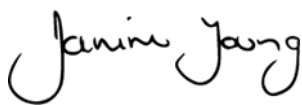
Thank you for the opportunity to comment on the Draft Rule Determination.

The comments contained in this submission reflect the views of the Energy & Water Ombudsman NSW (EWON), Energy & Water Ombudsman Queensland (EWOQ) and Energy & Water Ombudsman South Australia (EWOSA). We are the industry-based external dispute resolution schemes for the energy and water industries in New South Wales, Queensland and South Australia.

We have collectively reviewed the Draft Rule Determination and generally support accelerating the rollout of smart meters, along with many aspects of the enhanced customer protections proposed in the Draft Rules. There are, however, a few areas of concern with the proposed customer protections, including the temporary nature of some of them, the timing and content of retailer notifications and customers with site remediation issues. These concerns, along with some other issues, such as the testing of legacy meters and customer switching, are discussed in detail below.

If you require any further information regarding our submission, please contact Dr Rory Campbell, Manager Policy and Systemic Issues (EWON) on 02 8218 5266, Mr Jeremy Inglis, Manager Policy and Research (EWOQ) on 07 3212 0630 or Mr Antony Clarke, Policy and Governance Lead (EWOSA) on 08 8216 1861.

Yours sincerely



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Accelerating the rollout of smart meters is a critical electricity market reform – progress towards 2030 emissions reduction targets cannot be achieved without smart metering. Smart meters provide numerous benefits for consumers, including an improved ability to monitor their electricity usage and change their consumption patterns to reduce their bills. Monthly billing will also be helpful for some customers, particularly those struggling to pay their bills. Smart meters facilitate the adoption of Consumer Energy Resources. Some of these benefits depend in part on consumers receiving the right information at the right time and being able to adjust their own behaviour to take advantage of changing tariff structures, particularly time-of-use (ToU) tariffs. Broader electricity system-wide benefits include improved reliability and security, as well as scope for Distribution Network Service Providers (DNSPs) to better manage their network with the assistance of more data, reducing the need for investment and placing downward pressure on electricity prices going forward.

We believe that the approach to accelerate the rollout of smart meters through requiring DNSPs to develop a Legacy Meter Replacement Plan (LMRP), and for retailers to implement them through coordination with their metering coordinators and providers is a sensible one. We also support the Shared Fusing Meter Replacement Procedure, which will minimise multi-site supply interruptions.

However, we note the exclusion of customers of embedded network operators from the draft rule, which places these consumers at a further disadvantage compared to “on-market” electricity consumers.

The Draft Rule Determination proposes important enhancements to customer protections to ensure the above benefits are realised, including:

- retailer notifications to customers about when their accumulation meter will be replaced by a smart meter
- retailer information to customers about changes to tariff structures
- site remediation to facilitate the installation of a smart meter not being enforced on customers
- a prohibition on upfront costs and exit fees being imposed on customers for the installation of a smart meter.

While these customer protections are welcomed, there are some aspects of these proposed customer protections that raise concerns which need to be addressed.

Customer Protections

An issue which cuts across many of the customer protections is the cessation of the protection at the end of December 2030. Electricity consumers who don't have their accumulation meter replaced by the end of 2030, for whatever reason, may be required to:

- pay upfront costs or exit fees;
- may not receive a notification about the installation of a smart meter; and
- may not receive information about changes to tariff structures, if they subsequently have their accumulation meter replaced by a smart meter.

We recognise that this is aimed at customers who may be refusing to have a smart installed in circumstances where vulnerability does not exist, ie personal choice.

However, it is very likely to also impact other customers including:

- those unable to remediate their site to have a smart meter installed, such as renters or experiencing financial vulnerability;
- those who, through no fault of their own, were customers of a retailer that did not complete the requirements of the relevant DNSPs LMRP; and
- those located in (likely older) embedded networks, if a retailer subsequently becomes the seller to that customer or group of customers and wants to upgrade the meter(s) or if possible subsequent rule changes or changes to Australian Energy Regulator guidelines require embedded network operators to replace accumulation meters with smart meters.

There is no justification to treat consumers in these situations differently from those who have their accumulation meter replaced by a smart meter during the “acceleration period” and we strongly recommend that these protections be extended beyond 2030 to customers in these circumstances.

Alternatively, customers in these positions should receive government or industry funded support before 2030 to gain smart metering benefits that they would benefit from but cannot currently afford.

While we understand that the need to remove customer opt-out provisions for receiving a smart meter is necessary for the rollout of smart meters to be achieved, it should be noted that Energy and Water Ombudsman (EWO) schemes receive complaints from customers who do not want a smart meter and these are likely to increase during the rollout. We will provide these customers with advice about the benefits of smart metering, and information about their rights and responsibilities.

We also support the proposed change to the rules which enable customers to request a smart meter from their retailer for any reason and require retailers to abide by that request.

Retailer Notification of a Smart Meter Installation

There were a number of problems when metering contestability was introduced in late 2017, which manifested in poor outcomes for some customers, including delays in the provision of meters at new connections, delays in the provision of replacement meters and solar meters and problems with meter testing. In some cases, interruptions to electricity supply because of the delays resulted in customers needing to find alternative accommodation and paying rent or motel expenses. These issues resulted in substantially higher metering related complaints to EWO schemes in 2018. The consequential introduction of the Metering Installation Timeframes rule in December 2018 to resolve some of the initial problems evidenced the need of co-design of appropriate customer protections with regulatory change.

A repeat of these events must be avoided.

Reducing the number of customer notices ahead of a smart meter installation from two to one may not provide good outcomes for all customers and particularly, shortening the notification period to customers of a meter replacement to as little as four business days could create some of the problems experienced in 2018.

A notice of four business days may not provide customers with enough time to assess their options or prepare themselves for the meter change, given that they will have their electricity supply interrupted. There is likely to be situations where a customer goes on holiday or requires a hospital stay and returns home to suddenly find that their electricity meter has been replaced. This will result in consumer dissatisfaction and complaints about the smart metering rollout.

If there is only going to be one notification to customers of a change in their meter, we believe that it should be at least 30 business days – partly to give customers enough time to prepare for the change and partly because this aligns with the proposed information and notice requirements on retailers to inform customers about changes to their tariff structures.

This would provide retailers with the option to provide both notifications at the same time, which would reduce costs for retailers and most likely reduce confusion for customers. Consistency between the two notification timeframes would also reduce the likelihood of backbilling, which is a significant source of customer dissatisfaction and complaints.

The information that retailers must include in their notice to customers in the Draft Rule – outlined in Box 8 – is supported. But this information should also be the minimum and retailers should be encouraged to provide additional information, even if it is the same information expected to be provided to customers about changes to tariff structures.

Retailer Information to Customers on Changes to Tariff Structures

We support the enhanced requirements on retailers to provide:

- at least 30 business days' notice to customers about changes to their tariff structures
- information to customers to help them understand the changes
- customers with the option to request an estimate of what their historical bill would have been under the changed tariff structure.

The details of what information is provided to customers is vitally important. Many consumers who are shifted onto ToU tariffs and sometimes demand tariffs, are unable to change their electricity usage patterns or are unsure about how the new tariffs will impact them, leaving some of them, including already customers experiencing vulnerability, worse off. “Bill shock” can be a major stress for these customers. These issues are already an important driver of complaints to EWO schemes. These complaints are sometimes about being placed on ToU or demand tariffs without the ability to opt-out or not having received sufficient information about the impact or implications of such tariffs when the change occurs. Other complaints often include higher than expected bills after being placed on ToU or demand tariffs or the incorrect application of these tariffs.

According to the Draft Rule Determination, information to customers to help them understand the tariff structure changes largely includes ways to monitor, understand and manage their usage. We note the word generic in brackets on page 22 of the Draft Rule Determination, and we are concerned that this might not be enough. Guidance from the Australian Energy Regulator in late April, as well as recent media, suggests that others share these concerns.

The new tariff rates, as well as when they are to be applied and how they compare to the customer’s previous rates, need to be made as clear as possible to customers, so they can change their usage behaviour accordingly and reduce their bills, or at the very least, not be left worse off. This may even require graphic representation, showing when peak, off-peak and other tariff rates apply during the day and night, to make it easier for some consumers to understand.

While outside the scope of this rule change, we note and support the Australian Competition and Consumer Commission recommendation from the Retail Electricity Pricing Inquiry report that retailers be required to offer the choice of a single flat-rate tariff to smart meter customers. This would provide an important customer protection and is even more pertinent now than when the recommendation was made, given cost-of-living pressures, the accelerated rollout of smart meters and the removal of the opt-out ability for customers who do not want a smart meter.

Customers and Site Remediation

We generally support the approach to site remediation in the Draft Rule and acknowledge that it includes positive changes to improve defect notification and tracking processes. Not enforcing site remediation on customers is appropriate, particularly those who experience financial or other vulnerability, given the possible high cost.

However, it does leave those customers who do not have their accumulation meter replaced by a smart meter during the “acceleration period” in limbo and potentially facing upfront costs and exit fees if they subsequently have the site remediated and their meter changed. It is important that the issue of site remediation costs is not lost after 2030.

We note the AEMC’s Review of the Regulatory Framework for Metering Services recommended that governments consider ways to support customers, especially those experiencing vulnerability, who need to carry out site remediation to have their meter replaced. We support this recommendation and while this is outside the scope of the rule change, we believe consideration should be given to providing support to these customers through some of the energy efficiency and similar schemes that are administered by State-based regulators. One example is the Retailer Energy Productivity Scheme in South Australia.

Without clear pathways for government assistance, there are some customers who may never get a smart meter, including:

- residential and small business renters whose landlords decline to complete remediation work
- customers with affordability difficulties who are unable to afford the cost of remediation work.

The Draft Rule Determination does not fully explore the consumer impacts and risks of these scenarios, which include that:

- if a meter exchange is required due to a meter fault or the remediation issues impact the meter’s accessibility, the customer may receive estimated bills (see Case Study 1 at the end of the submission)

- customers with site remediation requirements with a safety and/or access aspect, such as asbestos in the meter board, could technically be at risk of disconnection of their energy supply under Rule 113 (2) of the National Energy Retail Rules (NERR), which allows a retailer to arrange de-energisation if the customer does not provide the retailer or its representatives safe access for a range of purposes, including replacing meters (see Case Study 2)
- customers who have a plug-in meter, usually located in a unit or apartment block, which might not be easily replaced by a smart meter. We understand that some retailers do not provide smart meters that are compatible with replacing plug-in meters and this would result in large costs to remediate the meter/switch board or require the customer to switch retailers. While this data is old, there were around 24,000 plug-in meters in South Australia in June 2018.

Other Issues

Testing and Inspecting Legacy Meters

We note that the Draft Rule proposes exempting Metering Coordinators from testing and inspecting legacy meters during the “acceleration period”. There is a lack of detail about any situations in which testing may still be required. If it is a blanket exemption, this will cause problems for EWO schemes when they are trying to investigate a complaint that might involve a faulty accumulation meter, which would require a test to determine if the meter is faulty and then needs subsequent bill analysis.

There are also situations where EWO receive complaints after a basic meter has been replaced by a smart meter and the electricity consumption recorded at the premise changes substantially. This often requires a test of the removed meter and if the old meter is discarded, such a test cannot happen. It may be necessary to require retailers or Metering Coordinators to retain removed accumulation meters for a period of time to ensure such tests can be made and these complaints received by EWO can be resolved.

An alternative that worked during the roll out of smart meters in Victoria, was to require retailers to adjust the first smart meter reading to the same level as the previous bill and to inform the customer that the old meter may have been running slowly and therefore the next reading based on the smart meter would confirm whether billing was consistent and accurate.

We recommend that the AEMC revisit this aspect of the Draft Rule Determination and change the rule so that it provides a list of circumstances when Metering Coordinators would be required to conduct tests of and inspect legacy meters, including when there is a complaint lodged with an EWO that requires a meter test for the complaint to be appropriately investigated and resolved.

Communications-Enabled Smart Meters

EWO schemes sometimes receive complaints from customers with a smart meter where the communications function of the smart meter does not work or works sporadically due to coverage issues with the telecommunications provider. This is very likely to happen in rural and remote areas.

To maximise the potential benefits of the accelerating smart meter deployment rule change, we believe the AEMC should consider requiring Metering Providers to ensure they have adequate contracts or other arrangements with telecommunications providers such that the communications function of the smart meter is operational.

Customer Switching

Complaints received by EWO schemes indicate that customers with basic meters are not always getting clear switching information, including:

- that they might be transferred based on an estimated meter read, or on an actual meter read dated up to 65 business days before they made the transfer request
- the implications of these switching options, such as how fixed term benefit period application timeframes and cooling off periods are impacted when the transfer date is before the contract date.

Retailers have the flexibility to choose how customers transfer to them, based on the circumstances of each customer. Some retailers are offering their customers a choice of when to switch and providing them with sufficient switching information. These retailers are ensuring a smooth transfer process for customers. This approach needs to be adopted by all retailers.

The rollout of smart meters will take until at least 2030, meaning there is still six years during which customers with basic meters may continue to encounter these switching issues depending on where they fall in the LMRP. The switching issues could also continue to impact customers beyond 2030, particularly those customers who still have a basic meter due to being unable to address site remediation issues.

There is an opportunity for the AEMC to address these switching issues for basic meters and improve the customer experience whilst improving consumer trust and engagement. We recommend that the AEMC consider additional changes to the rules that require retailers to:

- discuss different switching options with a customer
- provide information to a customer that they might be transferred on an estimated meter read and/or up to 65 business days before they made the transfer request.

Further information on these issues (including case studies) is available in “EWON Spotlight On – Challenges in the new world of switching energy providers”

<https://www.ewon.com.au/page/publications-and-submissions/reports/spotlight-on/challenges-in-the-new-world-of-switching-energy-providers>

Case study 1 – Customer receiving estimated bills and unable to afford site remediation costs

A customer and her retailer agreed that she should install a smart meter as she was receiving estimated bills. Her retailer said the meter technician could not complete the installation because of safety concerns. The meter box was above door height, which was unsafe for the technician to access and not compliant with meter box positioning requirements. The retailer said this was also why her meter reads were regularly estimated as the network was unable to safely obtain meter reads.

The customer contacted her electrician for a quote to relocate the meter box and found that it would be very costly, as they would need to move it to a different wall and modify the power line from the street. She could not afford the high cost and was concerned that she would have to keep receiving estimated bills indefinitely.

The customer had not spoken to the retailer since obtaining the electrician's quote, so EWON referred the customer to the retailer's specialist team to further discuss her options. EWON invited her to return to EWON for further discussion if required.

Case study 2 – Retailer tells small business customer they are at risk of disconnection while trying to resolve site remediation issues with landlord *

A small business customer received an email from her retailer advising that the electricity meter was due for a compulsory upgrade. A metering provider attended the property on behalf of the retailer in February 2024 to exchange the meter. The metering provider advised that it was not able to exchange the meter as that there was a structure built around the meter board obstructing access to the back of the board to complete the work. She spoke to the retailer and it advised that the meter was not faulty, but that it must be changed or her energy supply could be at risk of disconnection for non-compliance in the future. The customer was in a difficult position as she rented the property and the owner declined to bear the cost or give approval to remove the obstructing structures. The customer contacted EWON as she was getting confusing information from the retailer, especially about why the exchange was compulsory if the meter was not faulty. EWON initially referred the complaint to the retailer to try to resolve the issue with the customer directly.

The customer returned to EWON as the matter was unresolved. EWON obtained information from the retailer that the meter exchange was prompted by a family failure notification from the network. The

retailer also confirmed the customer's advice that it had previously advised the customer she may be at risk of disconnection if the obstructing structures were not removed to allow the meter exchange.

The customer decided to pay for the required works out of her own pocket without official approval from her landlord, which caused her a great deal of stress. The meter exchange then went ahead successfully in April 2024. Discussions between EWON and the retailer are ongoing regarding the customer's dissatisfaction with the retailer's customer service, the cost of the remediation work and the overall meter exchange experience.

* Note – this investigation is still underway.