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Regulatory Review – Smart Meters
Essential Services Commission
Level 2 35 Spring Street
Melbourne Vic 3000

By Email: smatrmeters@esc.vic.gov.au

Dear Wendy Heath,

Thank you for the opportunity to provide further submissions to the draft decision regulatory review of instruments in the emerging environment of Smart Meters and the additional technology that subsequently becomes available as a result.

Lumo Energy is a supporter of the Smart Meter program in principle and believes that the program holds long term benefits for both the Electricity Market and Consumers by providing enhanced information in a shorter period of time to the current network capability. Although Lumo Energy supports the program, it also understands that some of the technology features are not as desirable as anticipated causing some public concern and apprehension towards the program.

There are a number of items that, in the short term, may require a simple undertaking verses a full regulatory change in the lead up to the National Energy Customer Framework (NECF) and question the motivation behind adding additional regulation to the Victorian framework in sight of the NECF.

1. Assisting Vulnerable Customers (section 3)

Lumo Energy have concerns with regards to the manner in which the draft decision has been worded such as the terms 'cost-effective' and 'monitor participants' behaviour'. While the intention may not be to impose additional regulatory burden on retailers' hardship policies and resources, the implication is that participation will mean one on one personalised care at a cheap rate.

While the draft states that the participants are required to 'agree to the most cost-effective tariff' that tariff may not be the most appropriate for their consumption pattern and implies that any tariff that a participant no must be less than an equivalent consumer.

Lumo Energy also notes that this expands upon the requirements of the NECF that are being proposed and will possibly 'gold plate' the existing hardship requirements. This expansion will complicate the transition from a jurisdictional to national regulatory framework.

Although discussed at the public forum and in a number of submissions supply capacity control is unlikely to be offered as a credit management product however caution against banning it altogether especially where a consumer elects to take advantage of the technology. Additionally consumers will have the ability to purchase In Home Displays (IHD) and controllers that will enable them to take advantage of such features however could not enable that technology where it



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has been restricted. As these features are designed to be beneficial to consumers the logic of restricting the technology for the protection of a small number of consumers appears to be a reaction to increased public scrutiny.

Lumo Energy support's the restriction of its use to consumers that are not in financial hardship however consider that there may also be a number of parties external to retailers that may suggest it is enabled.

2. Verifying the Accuracy of the Bill (section 4.2.1)

Retailers and distributors within their submissions have expanded on the technical and theoretical aspects of total accumulation readings being displayed on invoices and while the Commission has acknowledged those concerns Lumo do not believe that the matter has been adequately assessed.

Additional functionality would take a considerable amount of time to develop and or restructure to accommodate. Lumo Energy, currently, could not advise of the system development costs and or limitations as this is a new requirement and subsequently has not been included in any system development scope or program.

Lumo, in researching the topic, has identified that there are no standard delivery requirements for an accumulation read and or even a consistent approach by all distributors to how and when the reads will be obtained and delivered to retailers.

In principle, this concept is designed to ensure consumers could validate their bills yet the validation of a figure that can almost never be consistent will, in Lumo's opinion, cause further dissatisfaction and distrust in the industry as a whole.

Having considered that there are no consistent obligations on distributors to provide the information from a specified time and or deliver it to a retailer by a specified time, a consistent method should be developed that consumers can understand.

If the accumulation read is obtained even as little as an hour before or after the interval data is gathered there will be a discrepancy per month of approximately 30 hours. This extrapolated out over the span of a year could be anything from 15 - 30 days discrepancy which will have an obvious impact the bill.

Couple the discrepancy with the choice to either remove or display substituted readings, it is unlikely that there will ever be a consistent accumulation value that a consumer can use to validate their bill.

If required to be provided with the above discrepancies, consumers will need to be educated about the inherent inaccuracy and retailers will, in attempting to prevent additional complaints, almost require disclaimers on their invoices regarding the variation between their accumulated reading on their bill and the reading at their meter.



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3. Estimated and Substituted data on Bills

Lumo Energy, as previously advised, will not amend the current systems to enable the inclusion of a 5 per cent threshold for estimated and or substituted meter data, as it believes that the current system capabilities more than cover the suggested requirements.

Lumo Energy do have concerns that the elimination of substituted and estimated readings, as detailed under amendment (b), could have negative impacts on billing and system requirements along with implications for retailers in determining back billing limitations.

If retailers do not receive all the meter data for a 24 hour period, the risk is that the systems may not be able to generate an invoice with gaps. Where, hypothetically, the system is capable of producing an invoice. The risk is that where those gaps exist they may potentially be rectified in the subsequent billing periods impacted further by a retailers ability to recover any variation in charges between the consumer and distributor.

4. Graphical Information on the Bill (section 4.3.1)

Lumo Energy supports the inclusion of greater detail in the billing graphs however would seek to clarify the terms 'each smart meter tariff component' as these terms have not specified whether that the smart meter tariff component is based on the distributors' structure of the meter or the retailers structure of the tariff.

If the meter tariff component is limited to what the distributor details in the network tariff, innovative products, catered to consumer needs, will potentially be avoided due to the confusion caused between the graphical information and the detailed structure.

In the current market distributors hold a significant amount of control over what consumers supply requirements are however don't hold the direct relationship to cater product information to suit.

5. Unbundling Charges and Tariffs on the Bill (section 4.3.2)

Lumo Energy strongly supports the Commissions position on this although believes that without proper research and education regarding what each component means this will only confuse and anger consumers.

Currently, as a result of Origin's separation of Metering Charges at the beginning of the year consumers are constantly asking why they have to pay for a meter that is 'theirs' which, while part of the industry as a whole, has never been properly explained.

In Lumo's experience a number of these consumers were never aware that they paid, through the service to property charges, for the meter which has lead to a significant increase in complaints and cost increases to manage those complaints.



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6. Notification of Tariff Variations (section 4.4)

Lumo Energy is concerned that such a new obligation has not been adequately explored by the Commission, canvassed with stakeholders and or considered in previous consultations. While Lumo is not adverse to the concept, the risk posed to both retailers and consumers is significant.

The proposed amendments to the default Use of System Agreements to ensure that the information is provided in a 'timely manner' fall considerably short of the retail equivalent of 'at least one month prior to the date of effect'. The variation between the distributor and retailer obligations make compliance with the proposed amendment considerably burdensome on the retailer only as the distributor may only provide the information within a 'timely manner'.

Lumo is eager to see further thought placed on an equitable time from for the flow of information, about tariff changes, from the distributors to the retailers that can be monitored and or measured to ensure compliance at both ends.

Lumo note that the AMI Program Office is currently working on a process solution. Lumo would support the second option as a more transparent and practical process. This option has however raised some concerns that where a tariff exchange is not like for like consent would be required prior to the exchange of which retailers would be required to obtain on behalf of the distributors.

If in the event that this does occur, retailers would be issued with another regulatory burden to obtain consent for a tariff change that is being undertaken externally and are forced to either absorb the change or attempt to get consent again.

7. Shopping around for a Better Offer (section 4.4)

Lumo supports the Commissions view that a consumer's ability shop around for better offers is excluded from this review as competition is not stifled by the installation of smart meters.

In Lumo's opinion, consumers will benefit from the additional features and innovative products retailers will be able to offer to consumers some of which include tailored pricing structures, extensive information about consumption patterns on request or even online and expedited connection and disconnection processes.

Conversely, shopping around for a better deal where consumers are on market contracts may cause early termination fees to be applied, of which consumers need to be educated about.



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8. Enabling Access to Billing and Metering Data (section5)

Lumo supports the provision of information to consumers regarding consumption and billing data however caution against the use of terminology such as 'understandable' where the interpretation would vary between a wide range of consumers.

The regulation of In Home Displays (IHD) or Home Area Network (HAN) and the information collected from and provided too, appears to, in Lumo's opinion, reach beyond the Commissions role in regulating retail and distribution functions.

Lumo is concerned that the information that can be contained in the HAN and IHD, which are both beyond the meter, is expected to be maintained by the retailer when they may not have provided the device and or have a sufficient interface access to the particular providers systems to enable maintenance of the information.

Imposing obligations on retailers as to what information is maintained in the HAN and IHD then explaining how that information relates back to the bills is extremely burdensome on retailers and may require commercial agreements with all third party providers and distributors for the communication of the information required.

Additionally, where consumers transfer between retailers how will the retailer be aware of the existence of the HAN and IHD or the subsequent requirement to maintain the information. With a significant number of third party providers in the market, how is the Commission anticipating that information regarding which consumers have such devices be made available.

Lumo strongly believe that, like other features offered with Market Contracts, the IHD and HAN devices would be additional features to the sale and supply of energy and as such are contractually based offerings. Like a games console or a DVD player, devices used within the home can not be regulated by the Commission in relation to how they are used and the information that is contained within them.

Much like Internet Service Providers (ISP) have been challenged recently regarding ISP's allowing access to Bit Torrent or movie pirating sites through their networks, Lumo believes that regulating how a device are used within a home and or by a person is almost impossible. Where these devices are programmable and or provided by a third party, enforcement of such obligations would be unrealistic.

If, in the event that, a consumer changes retailer then disputes their invoice not corresponding to their IHD because the consumer or third party did not program in the correct new pricing, how would the new or previous retailer be responsible where there is no database of IHD's and it is not currently provide for within the market database.



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9. Facilitating prompt Connection and Disconnection (section 6.1)

Lumo support the requirements that have been suggested however note that the AMI Project Office and Business Process Working Group (BPWG) have previously agreed to a scheduled time each day for de-energisation to allow for any rectification of faults and or, re-energisation, unexpected loads on meters that may be identified by the remote processes.

While the use of this functionality is significantly beneficial to consumers, retailers are aware that consumers often don't adequately follow instructions to leave their mains switch in the off position while waiting for the energisation to be completed.

This being the case, Lumo urges the Commission to consider a scheduled time for de-energisation to enable such rectification works to be identified and undertaken in a timely manner.

10. Customer protection under Disconnection (section 6.2)

Lumo support the amendment to Clause 13.1 as a reasonable approach to notification however, see the amendment to Clause 13.2 as expanding on the current Best Endeavours requirements described in the Interim Operating Procedure – Compensation for Wrongful Disconnection.

By defining non contact as 'extenuating circumstances' the burden is placed on a retailer to ensure that every conceivable method is used to contact the consumer and require an additional notice to be issued, where Best Endeavours has been met by the existing definition, to detail why the consumer need to contact their retailer when consumers have failed to respond to all the previous communications.

11. Information to New Customers After Remote Disconnection (section 6.3)

Lumo support the principle, however the detail of the sticker raises concerns about reconnections being done with a retail agreement being reached for the sale and supply.

This will, in Lumo's opinion, lead to an increase in the number of Occupier accounts and disconnections for failure to provide acceptable identification where the distributor has the access to the consumer prior to the retailer. Additionally, this may increase disputes in relation to site ownership between consumers and retailers where a consumer has previously organised connection through their chosen retailer yet could be advised by the distributor that they would need to contact the responsible retailer to arrange re-energisation.

Lumo's preference is that any sticker advises the consumer to contact their chosen retailer, like the current YourChoice pamphlet, as a first point of contact to arrange for re-energisation.



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12. Frequency of Network Billing of Retailers By Distributors (section 7)

Lumo strongly disagree with interlinking the Network Billing collections with Retail collections at a customer level. Not only is this concept burdensome for retailers to provide such information to distributors but has further reaching implications for back office functions and transfers than anticipated in the issues paper.

The complexity of making payments according to the frequency of a customer's collections cycle add significant burden to retailers back office functions that will most likely increase cost in the long term. Additionally, where there is a change to a collections cycle how is it anticipated that the distributors will change subsequent collections cycles for network bills and where consumers have not paid invoices are retailers still required to pay the network bills as a result.

Further consideration is also required for identifying what a customer's collection cycle is at the time of transfer depending on what the retail agreement is with the consumer is and how to notify the distributor of that customers collection cycle.

While Lumo disagree with the collections cycle link between customer, retailer and distributor, monthly network bills are supported subject only to the commercial agreements for payments being no less than 30 business days.

Summary

Lumo Energy is concerned that that the Commission has not adequately assessed full the impact of some of the proposed changes on retailers, the systems required to support these changes and consumer awareness.

Draft Decisions of most concern:

- Regulation of IHD and HAN systems, being beyond the scope of the Commissions role in the market and the implications of consumers shopping around and third party providers that will directly impact on a retailers ability to remain compliant with the obligations.
- Interlinking the network collections cycle with that of the retailer which will inevitably increase the burden on retailers to adequately reconcile network billing against meter data.
- The introduction of accumulation reads on bills that are, without regulatory assurance, dependant on distributors providing the adequate data for the appropriate time to ensure that it, within a certain range, corresponds to a consumers invoice.
- The inclusion of the term 'cost-effective tariff' into Guideline 21 which will be open to considerable interpretation as to what is the most cost-effective tariff for a consumer and how is the assessment to be made.



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- The inability to offer supply capacity control products until the end of 2013 for retailers however overlooking third party providers of IHD and HAN systems.
- The effect that any of the decisions may have on the NECF requirements, transitional amendments that will be required and whether they will be negated during transition.

Lumo also recognises that some of the features detailed in the draft decision contradict and expand on the provisions of the NECF which, although 18 to 24 months away from transition, will make transitioning to the NECF difficult or a perceived reduction in regulatory obligations when transitioning.

Lumo Energy agree that consumer protections will require variations moving towards a smart meter enabled future however urge the Commission to consider and clearly determine where the responsibilities of retailers and the industry as a whole ceases as far as regulatory and consumer obligations. While protections are important expanding retail obligations, in the case of IHD and HAN systems, is concerned implies a responsibility for how the energy supplied is used.

If there are any questions regarding this matter please contact Ross Evans on 03 8680 6426 or via email at Ross.Evans@lumoenergy.com.au

Regards,

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