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Regulatory Review – Smart Meters
Essential Services Commission, Victoria
Level 2, 35 Spring Street
Melbourne VIC 3000

By email: smartmeters@esc.vic.gov.au

Attention: Wendy Heath

Regulatory Review - Smart Meters Draft Decision

Simply Energy welcomes the opportunity to comment on the Commission's Regulatory Review - Smart Meters Draft Decision, released on 14 July 2010. Simply Energy appreciates the Commission's consideration of the appropriateness of the regulatory regime in light of the current widespread deployment of smart meters. This review provides an opportunity to make staged changes to the regulatory framework to support progressive deployment of smart meters, as well as identifying issues on which there is a need for education and information programs for the 2.2 million Victorian electricity customers impacted by the rollout.

Assisting vulnerable customers

The current regulatory framework requires retailers to implement programs for assisting customers experiencing financial hardship, in particular for the hardship policies to include:

- Equitable access to the options appropriate to the customer's individual circumstances;
- Details of options that will be provided and how customers will be assisted to maintain their participation in instalment plans or any other option offered to them;
- Details of the processes the retailer will use to work with the domestic customer and where appropriate a financial counsellor to assess the appropriate options to be provided by the retailer.

Simply Energy believes that the current obligations are readily adaptable to widespread deployment of smart meters. Rather than providing an opportunity for the introduction of new hardship provisions, smart meter technology provides the granularity of information enabling a retailer to better meet the current obligations. However, in the early stages of the roll out the number of customers for which this information is available is minimal, and for those that the data is available, the period for which it is available is limited. As such, it is difficult for an assessment to be made as to the most cost-effective tariff when basing the assessment on limited data set that for example, does not take into account seasonality. Given the immature stage of the roll out, obliging retailers beyond advising customers of the most appropriate options would be premature.

The suggestion of 'the most cost-effective tariff' also assumes there is more than one tariff available to the customer which may not always be the case. In Simply Energy's view, this framework of obligations and any pricing impacts of smart metering (i.e. changes to customers bills) should be addressed through government concessions programs.

Simply Energy has consulted with its system provider and has been advised that should the proposed amendments be reflected in the Final Decision (due for publication on the 30th of September), development to ensure a customer is on the most 'cost-effective' tariff will take 6 months to implement.

Verifying the accuracy of the bill

Simply Energy supports the Commission's proposal in the draft decision that the consumption by tariff segment, the actual tariffs and the total consumption for the period should be displayed on a customer's bill. However, as previously presented to the Commission, Simply Energy is concerned that the display of the total accumulated consumption reading corresponding to the end of the billing period does not provide customers with reliable information upon which they can verify the accuracy of their bill. Simply Energy believes that the most effective way to provide customers with the information required for them to understand the impacts of the roll out is through a coordinated education and awareness program driven by Government through the Communication Integration Working Group.

There are various reasons that the provision of the index read on the bill will confuse the customer, rather than inform them. The index read does not take into account any estimated data upon which the bill may be based, therefore there will be a discrepancy between the consumption on the bill compared with the index read displayed on the meter. The availability of interval data is intended to provide a more accurate indication of consumption and usage patterns, rather than a 'thereabouts' that the index read would provide. In addition, index reads do not follow the same read cycle as the reads upon which billing are based. As a result, the reads will always be out of alignment. Any information provided to customers that is unclear will only result in increased costs to retailers through increased call centre and Ombudsman activity.

Distributors are not obliged to deliver interval data on a daily basis until the 1st of January 2012. Placing an obligation on retailers that comes into effect prior to this date would be putting retailers in a position where it is out of their control whether or not they can in fact meet the requirements. As such, should the final decision reflect the proposal in the draft decision, the obligation should not come into effect until retailers have reliable access to the information required, 1 January 2012.

Estimated and substituted data on bills

Simply Energy supports the proposed requirement for retailers to indicate when a percentage of the bill is estimated and agrees that 5 percent is an appropriate threshold; however, is concerned that the implementation timeframe is not achievable given the service levels contained in the Minimum AMI Service Levels Specification do not come into effect until the 1st of January 2012.

The service levels are detailed below:

- no less than 95% being actual data from meters, (with the remainder substituted), to be available by 6am the following day;
- no less than 99% of actual data within 24 hours of the time in previous point; and
- no less than 99.9% of actual data within ten business days from the day the consumption occurred.

Given that retailers billing is generally based on data provided by distributors, it is unreasonable to place an obligation on retailers prior to the above service levels coming into effect for distributors. Retailers will only have the information required to meet this obligation on a reliable basis after the 1st of January 2012, not before.

Simply Energy acknowledges the intent of the requirement for retailers to indicate when a percentage of the bill is substituted; but is unclear as the benefit to the customer of disclosing this information and questions the appropriateness of this requirement if *any interval* is substituted rather than the application of a threshold.

The use of a substitute in the metrology procedures is an indication that there is an expectation that no actual data will be obtained from the meter. Given the applicability of substitute data in wholesale and network

settlements, use of substituted data is required. The benefit of disclosing this to a customer is questionable as a resultant customer enquiry can merely confirm to the customer that no actual data can be derived from the meter; it will not change the basis upon which the bill was created.

Should the final decision include an obligation that retailers must disclose the use of substitute data as a basis for a customer's bill, Simply Energy would encourage the Commission to review the possibility of applying a threshold, similar to the proposal for the use of estimations. As per the suggested timeframe for implementation of the obligation regarding estimates, the timeframe for implementation of any obligation relating to the use of substitutes should be the 1st of January, 2012 for the reasons noted above.

Graphical information on the bill

Simply Energy is supportive of the proposal in the draft decision for the consumption for each monthly period over the last 12 months to be displayed on the bill. It should be noted; however, that customer's may not be on a calendar month billing cycle. Clarification is required as to whether the expectation of the Commission is that only month's for which a full data set is available are displayed. It would be misleading to a customer to display consumption for a month where only part of the month's consumption information has been received by the retailer.

The draft decision proposes that the average daily cost of each smart meter tariff component for the billing period be displayed on the bill. Simply Energy questions the relevance of this information when presented independent of a benchmark or other data to which reference or comparison can be made.

Notification of tariff variations

Simply Energy acknowledges the intent of the proposed obligation for retailers to notify a customer in advance of tariff variations and supports this requirement in relation to initial tariff changes subsequent to the installation of an AMI meter. Customer education and awareness is a vital key to the success of the roll out and any information that can be provided to customers will assist in achieving this.

However, Simply Energy does not consider that widening the scope of this obligation to include all tariff changes is appropriate given that the scope of the regulatory review is limited to smart meters. Further, a prescriptive obligation on retailers requires a prescriptive obligation on distributors to assist the retailers to meet their obligations. Simply Energy considers that reviewing the default Use of System Agreement to include an obligation on distributors that they advise retailers of a tariff change in a 'timely manner' is open to interpretation and does not provide an appropriate level of support to assist retailers in meeting their obligations.

Simply Energy has consulted with its system provider and has been advised that should the proposed amendments be reflected in the Final Decision (due for publication on the 30th of September), development to ensure a customer notified in advance of any tariff variations will take 9 months to implement.

Enabling access to billing and metering data

Simply Energy does not believe the current provisions in the retail code relating to historical billing information require change to accommodate the introduction of smart meters. Currently retailers are obliged to provide historical billing data to customers upon request. It is appreciated that the provision of interval data may be more complex than that of basic data; however, regulation of the manner in which the data is provided is unnecessary. As a customer service provider, it is in retailers interests to ensure that when this data is provided it is able to be understood by the customer.

Facilitating prompt connection, disconnection and reconnection

As proposed in the draft decision, there is an opportunity for the distributors to perform remote reconnect and disconnect services more promptly, which Simply Energy is supportive of both as a customer service deliverable and as a means to realise the benefits of the roll out sooner rather than later.

Customer protection under disconnection

The draft decision proposes that retailers state on all disconnection warnings that the disconnection could occur remotely. Simply Energy supports this proposal as both a safety message to consumers and also a means through which the awareness of the benefits of smart meters can be communicated in support of the wider customer education and awareness program.

Simply Energy also acknowledges and supports that hardship customers be treated with sensitivity; however, questions whether the introduction of remote technology for disconnection warrants the introduction of more onerous disconnection procedures to be followed. Whilst the presence of a technician on site provided the opportunity for information regarding the site and the customer to be verified, it did not provide for an opportunity for payment status and arrangements to be discussed or negotiated. At the point of disconnection, the decision to disconnect has been made and the method through which the function will be performed has no bearing on that decision or the process that has been followed arrive at that decision.

Information to new customers after remote disconnection

In a mature contestable market, Simply Energy questions whether the provision of reconnection information to customers is still relevant or required. However, should an obligation be placed on distributors to place a sticker on the meter, the information contained therein should not direct a customer to the distributor, rather an independent source of information to obtain advice as to how to get their service reconnected.

Customer billing cycle

Retaining quarterly billing for customers with smart meters blunts the price signals that are a key policy driver for the rollout, denies customers the benefits of more actively monitoring and adjusting their energy consumption, and imposes working capital costs on retailers where distributors move to monthly network billing (an issue that is addressed elsewhere in this submission).

As stated previously, we believe that retailers, as part of the smart meter project, should be entitled to move customers from quarterly to monthly billing without explicit informed consent; absent such a provision in the regulatory framework, retailers will not have the opportunity to offset higher costs associated with greater billing frequency with lower working capital costs. This will ultimately raise prices for consumers.

The collection cycle must also adjust with the billing cycle; without these being linked, retailers will confront additional administrative and billing complexity, increased working capital costs and more difficulty in managing outstanding debt.

Given the above issues, and the moves being taken by distributors now to implement monthly network billing, we consider the Commission should modify the Energy Retail Code in the short-term to provide an explicit option for retailers to move customers to monthly billing in an orderly way, and adjust the collection cycle to fit both current quarterly billing arrangements and future monthly-billing arrangements: There may be potential to phase-out both the minimum quarterly billing cycle and the associated collection cycle over time.



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Please feel free to contact me if you would like to discuss this submission further.

Yours sincerely

A handwritten signature in black ink, appearing to read "Fiona", written in a cursive style.

Fiona Savage
Regulatory Manager – Industry Operations