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**Submission on MCE-SCO release of the Smart Meter Review of Customer Protection and Safety – Draft Policy Paper One**

Jemena appreciates the opportunity to provide comments on the MCE-SCO's draft policy paper on the Smart Meter Review of Customer Protection and Safety and to attend the SCO's public forum on 15 September 2009 to discuss the MCO-SCO proposals. Our comments are provided in the attachment.

Jemena directly owns Jemena Electricity Networks (Vic) Ltd (**JEN**), one of five distributors in Victoria, with approximately 320,000 connections. Through its asset management business, Jemena also provides asset management services to other gas and electricity businesses in Australia.

We recognise that the advent of smart metering may raise some customer protection issues, particularly on the retail side, and there is a need to consider whether the National Energy Customer Framework (**NECF**) needs to be modified at this stage to address these issues. Upon consideration of the issues raised in the draft policy paper, our view is that SCO's and the industry's understanding of the issues is at a preliminary level and modifications to the NECF now are premature.

Our attached submission set out our thinking in more detail.

Should you wish to discuss this submission please contact Sandra Gamble, Group Manager Regulatory, on (02) 92704512 or email: [sandra.gamble@jemena.com.au](mailto:sandra.gamble@jemena.com.au).

**Yours sincerely**

A handwritten signature in black ink that reads "Sandra Gamble".

Sandra Gamble  
**Group Manager Regulatory**

## **ATTACHMENT:**

### **Jemena comments on MCE-SCO release of the Smart Meter Review of Customer Protection and Safety – draft Policy Paper One**

#### **Keys points**

- Upon consideration of the issues raised in the draft policy paper, Jemena's view is that SCO's and the industry's understanding of the issues is at a preliminary level and modifications to the NECF now are premature.
- Within the National Smart Metering program, the NSSC will be examining in detail the specifications, processes and procedures necessary to implement SMI and the services it enables. As the Victorian AMI program has done, it will be grappling with many of the issues the SCO has raised with close regard to the benefits to, and impacts on customers, retailers and distributors.
- When the NSSC's work is more advanced, the SCO will be in a better position to determine whether additional regulation through the NECF is warranted.
- The Energy Network Association has also lodged a submission on this topic and Jemena fully endorses it.

#### **Introduction**

The SCO's draft policy paper identifies where there is policy overlap between the NECF and smart meters and proposes possible future amendments to the NECF:

- distributional impacts of time-related pricing
- customer billing
- direct load control (**DLC**)
- supply capacity control
- remote de-energisation
- retailer marketing through the use of in-home displays
- prepayment metering
- embedded generation.

Jemena's comments below note all the policy positions stated in the draft paper, but focus more on those where change is recommended, or where consumer representatives have expressed major concerns to SCO.

### **Draft policy position 1:**

**SCO does not propose any smart meter-related changes to the draft NECF hardship provisions at this stage.**

The SCO's draft policy paper identifies that the unwinding of cross-subsidies under time of use (TOU) pricing can create or worsen hardship situations and that customers may lack flexibility to respond to it. However, SCO considers that the hardship provisions in the exposure draft NECF are flexible enough to cover this transition.

Jemena supports the SCO's proposed policy position.

At the SCO's 15 September forum, consumer advocates noted that there were no mandatory requirements for retailers to offer a TOU retail tariff. However, Victorian distributors may reassign customers to TOU in accordance with a recent AER decision<sup>1</sup>. Consumer advocates' common theme was that customers should be given as much information as possible, including historical consumption data, to enable customers to make informed decisions whether to opt for a TOU tariff market contract or a flat tariff.

Our view is that the substantial cost to distributors (and ultimately customers) of providing historical information to retailers and then to customers needs to be balanced against its usefulness. Through the National Smart Metering Program, we would welcome the opportunity to work through this complex issue with retailers and customer groups to determine how best to meet the market's needs.

### **Draft policy position 2:**

**SCO proposes that all customers with smart meters should be able to check that their meter is working correctly, and reconcile their bills against their meter with a reasonable degree of certainty.**

The SCO's draft policy paper notes that smart meters should be able to display some form of consumption total to which the customer can refer. This could be a rolling accumulated total for the meter.

Jemena recognises that customers are entitled to have reasonable confidence that their bills are based on accurate measurements. Given the advanced features of smart metering and the processing power that stands behind them, it can be difficult for customers to gain this confidence from the meter itself. As part of its work to develop specifications, process and procedures the National Smart Metering Program is positioned best to provide a solution that balances the needs of customers with cost. The solution could involve a number of things, such as features of the meter and/or proposed metrology procedures. Stakeholders involved in the program can provide input on what information would be most useful and how best to achieve the aim of providing customers with the confidence they need.

As part of the solution, Jemena is supportive of the retailer making available website access to the base half hourly data, or a build up of the customer's retail tariff from this data.

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<sup>1</sup> AER Final Decision, *Interval Meter Reassignment Requirements*, 26 May 2009. Notification about potential network tariff reassignment is to be provided via the distributors' meter exchange letters, which will directly notify customers that their electricity meter will be changed as part of the AMI rollout and that their future network tariffs may be set on the basis of time of use charging.

### **Draft policy position 3:**

**SCO proposes that retailers provide customers on time related tariffs with consumption data for each tariff segment (e.g. peak, off-peak, shoulder) on their bill to enable them to reconcile their bill charges.**

Jemena supports the SCO's proposed policy position.

### **Draft policy position 4:**

**SCO proposes in situations where meter data is permanently lost in a DPP event that substitutions not be based on historical data. SCO proposes that customers should be charged for estimated electricity consumed at a non-DPP price.**

### **Draft policy position 5:**

**SCO does not propose any smart meter related changes to overcharging or undercharging provisions in the draft NECF.**

We understand concerns expressed in the draft paper that in the rare but possible case that a dynamic peak pricing (DPP) event corresponds with an unrecoverable meter reading for the period, there are challenges to reasonably estimating a customer's actual demand.

SCO's proposed solution is that customers be charged for estimated electricity at a non-DPP price. Where data is temporarily lost and later recovered the customer should be charged consistent with the relevant provisions in the draft NECF.

Jemena supports the application of a comprehensive and consistent estimation algorithm within a metrology procedure to estimate all lost data including that associated with a DPP event. It believes that the imposition of special substitution rules for DPP events during which data is lost is not necessary.

Jemena also supports the SCO's proposed policy position that no smart meter related changes to overcharging or undercharging provisions be made to the draft NECF.

The National Smart Metering Program and the Australian Energy Market Operator (AEMO) are considering the issues of data accuracy and substitution and metrology procedures for the implementation of smart meters. These procedures will be able to address the issue of substitutions where data is permanently or temporary lost under a range of scenarios. Jemena supports this work and recommends that SCO let it run its course before imposing special requirements for DPP events.

### **Draft policy position 6:**

**SCO proposes that retailers be required to inform customers with smart meters of the scope of any estimation on their bill.**

The SCO's draft policy paper suggests a number of ways that estimations could be described to customers; for example, as a percentage of total reads, or in literal terms or in monetary terms. At the public forum, there was considerable discussion of what an acceptable level of data estimation should be.

Jemena urges SCO to not set any limit, given that a limit would be both arbitrary and difficult to implement.

#### **Draft policy position 7:**

**As proposed in draft policy position 3, SCO proposes that retailers provide customers on a time-related tariff with consumption data for each segment rate (e.g. peak, off-peak, shoulder) on their bill.**

Jemena supports the SCO's proposed policy position.

#### **Draft policy position 8:**

**SCO proposes that the draft NECF define 'historical billing data' so that it is clear that retailers must be able to provide:**

- **the full set of metering data on which the bill was based; and**
- **a summary of the meter data on which the bill was based.**

**SCO proposes that it be at the customer's discretion as to which of these levels of detail they require.**

Jemena supports the SCO's proposed policy position.

#### **Draft policy position 9:**

**SCO does not propose any changes to the draft NECF at this stage to regulate direct load control.**

SCO considers that direct load control should be expressly agreed to by customers before distributors and/or retailers are able to apply it under contractual arrangements with customers. SCO will propose any necessary changes to the NECF to accommodate DLC upon completion of the NSSC's work on service levels and service standards.

Jemena notes that the distribution industry has operated direct load control successfully throughout Australia without the need for customer protection regulation. We agree that the SCO should take account of the NSSC's work before the SCO considers to imposition of any additional regulation.

#### **Draft policy position 10 (supply capacity control):**

**SCO does not propose any changes to the draft NECF related to interruption of supply at this stage to regulate involuntary use of supply capacity control to manage emergency situations.**

The SCO's draft policy paper confirms that supply capacity control provides an opportunity to maintain a customer's connection to essential electricity supply in a situation where they may otherwise have been de-energised. SCO has indicated its intention to consider minimum terms and conditions for supply capacity control following completion of the NSSC's work. The terms and conditions are likely to include a minimum capacity limit that could be applied to any customer's premise. SCO would expect that this limit would not prevent customers from running basic appliances.

Jemena agrees that no changes to the NECF to regulated supply capacity control are required at this stage.

Given its importance to network security, substantial additional consideration should be given to the complex concept of supply capacity control before any policy position is formed as to what, if any, new regulation should apply to it. Jemena would welcome participating in that conversation.

**Draft policy position 11 (supply capacity control):**

**SCO proposes that the National Energy Marketing Rules be extended to include distributors or third parties acting on behalf of distributors.**

Jemena considers that it is premature to consider extending the national energy marketing rules (**NEMR**) to distributors on the grounds of distributors' potential misuse of supply capacity control (and direct load control).

The proposed extension of the NEMR implies that distribution businesses will engage in inappropriate behaviour and intentionally mislead customers for the purposes of marketing load curtailment initiatives. There is no evidence that distributors have engaged in such behaviour in the past and that extra regulation is therefore warranted.

Jemena considers that if, in the future, distributors do market to customers, the threat of imposing rules should be sufficient incentive for distributors to refrain from engaging in misleading or deceptive conduct.

**Draft policy position 12:**

**SCO proposes that the draft NECF be amended to include de-energisation notification requirements to require retailers to inform customers with smart meters that de-energisation of their electricity supply may occur remotely rather than manually.**

SCO understands that the NSSC will review the appropriate checking mechanisms for remote de-energisations to ensure the correct premise is de-energised.

Jemena notes that the draft NECF contains provisions outlining the circumstances under which a retailer or distributor may de-energise premises relating to specific scenarios, customer types or times when de-energisation may not occur. Given these tight restrictions and cost implications, Jemena sees little need for specific provisions to cover smart meters.

**Draft policy position 13 (retailer marketing of in-home displays):**

**As proposed in draft policy position 11, SCO proposes that the National Energy Marketing Rules be extended to include distributors or third parties acting on behalf of distributors.**

Please see Jemena's comments on draft policy position 11.

The draft paper notes that SCO will consider advice on the regulation of third party material sent through an in-home display, which will be informed by the NSSC's work on the HAN.

**Draft policy position 14:**

**SCO does not propose any changes to prepayment provisions in the draft NECF at this stage.**

Jemena offers no comment.

**Draft policy position 15:**

**SCO does not propose any changes to the draft NECF in relation to de-energisation where an embedded generation system is in place.**

The SCO's draft policy paper notes that de-energisation of customer supply removes the ability for a photovoltaic system to feed back into the grid, and raises a legal issue as to whether this restrains trade. While this is not an issue specific to smart meters, the draft paper

puts the view that the future NECF provisions for embedded generation will take precedence over other legal instruments.

Jemena reserves comment on this matter until the second exposure draft of the NECF is made available.