

PUBLIC VERSION

# Submission on the IPART Review of Electricity Retailers' Metering Practices in NSW

29 JUNE 2018





# Introduction

This is Vector Limited's (Vector) submission on the Independent Pricing and Regulatory Tribunal's (IPART) consultation document on its review of electricity retailers' metering practices in New South Wales (NSW), dated 29 May 2018. We are submitting confidential and public versions of this submission.

Vector is one of New Zealand's largest listed companies and provides energy and technology services across the country. It is the largest provider of electricity and gas distribution network services in New Zealand, and the country's leading provider of smart metering solutions. It also provides fibre optic broadband communications network services, solar PV, energy storage, home energy solutions, and electric vehicle recharging services.

Our metering business (Vector Advanced Metering Services – VAMS) provides a cost effective end-to-end suite of energy metering and control services to energy retailers, distributors, and consumers. VAMS is an accredited Metering Provider and Metering Data Provider, and a registered Metering Coordinator in Australia's National Electricity Market (NEM).

Vector has started deploying smart (or advanced) meters in NSW, Queensland, South Australia, and the Australian Capital Territory. We are also exploring commercial opportunities and partnerships in other jurisdictions.

In our view, imposing greater prescription on NSW retailers' metering practices, possibly including prescribed installation timeframes for smart meters, only six months into the introduction of competitive metering arrangements in the NEM is not warranted. Our deployment of smart meters in NSW is progressing well. More prescriptive arrangements would add to the complexity and costs of the transition to smart metering, and frustrate the ongoing process of discovering opportunities to improve the overall installation process, which benefit consumers. We identify these opportunities on page 7.

We encourage IPART and other NSW regulators to focus instead on removing existing barriers to complex and unnecessary processes in the installation of smart meters, and allow the fledgling competitive metering market in NSW to evolve and truly promote the competition objectives of the *Competition in Metering Rule* under the *Power of Choice reforms*.

# Vector's smart metering footprint in the NEM

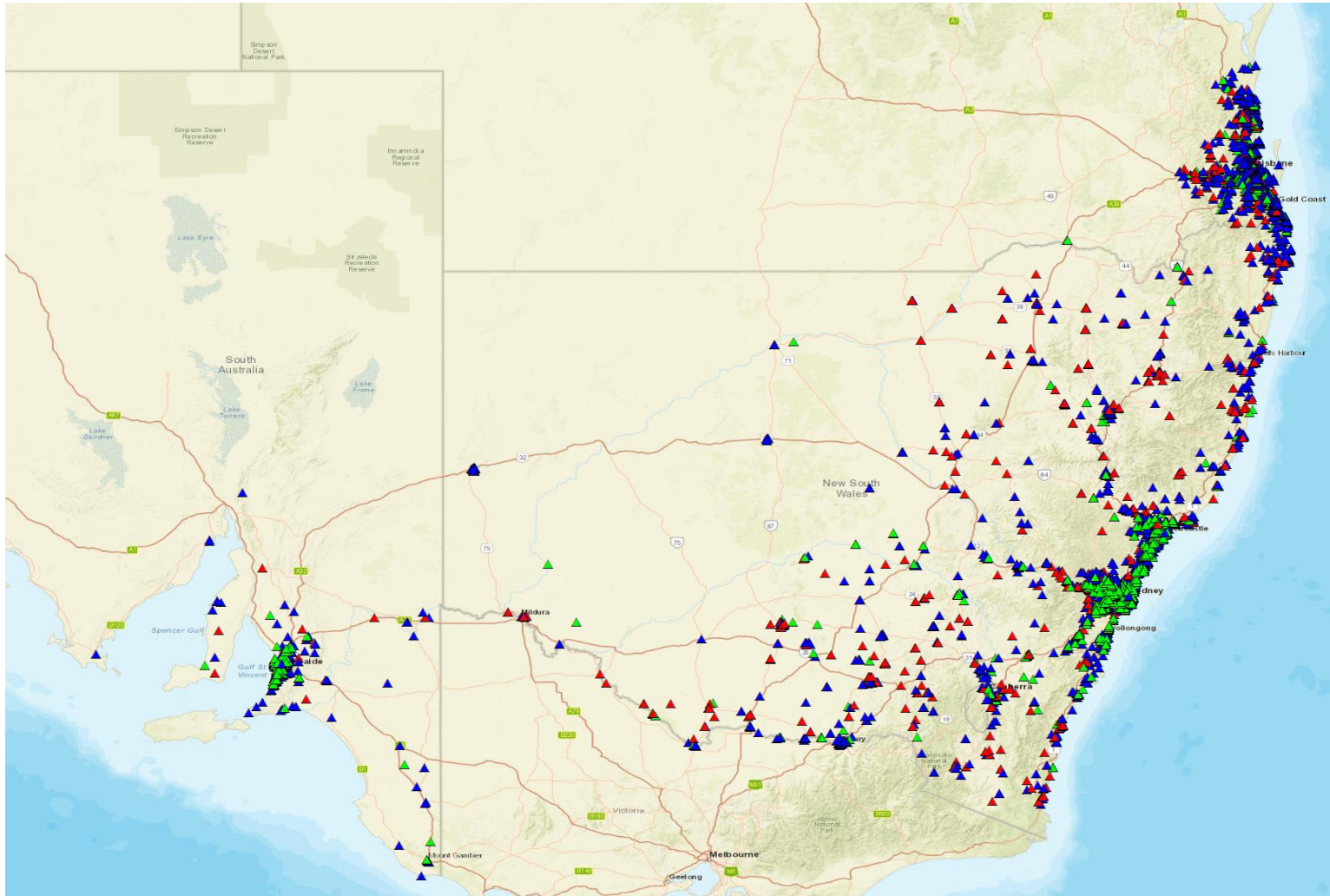


Figure 1. Geographical coverage of Vector's smart metering installations as at March 2018

# Vector's smart metering deployment in NSW is progressing well...

The transition to a competitive market and new regulatory arrangements for metering, enabled by new technologies and business models, is not costless. This requires new engagements and greater coordination between an increasing number of market participants. Despite its costs, this process is necessary if the electricity industry is to fully transition into the digital age, and reap the benefits the digital economy has to offer to NSW consumers.

It has only been six months since competition in metering commenced in the NEM, including NSW, under the *Power of Choice* reforms. During that period, the relevant market participants have come to better understand the new market roles and processes. As one of those participants, we view issues associated during this transition as a one-off hurdle (e.g. for clearing backlogs) towards a more dynamic smart metering market that will benefit consumers.

Figure 2 shows the number of smart meters Vector has installed for NSW since market competition was introduced in December 2017. It shows a deployment process that is progressing well, reflecting growth rates of 20% to 30% per month. We are concerned that more prescriptive measures could unnecessarily disrupt the continuing progress of smart metering deployment in NSW. We are happy to provide IPART more detailed information on our deployment.

Redacted - contains commercially sensitive information.

Figure 2. Vector's smart metering deployment in NSW, December 2017 to May 2018

# There is continuous improvement rather than deterioration...

In Vector's view, NSW regulators should allow the *Power of Choice* reform in metering to take its course, and the smart metering market in NSW to evolve. Imposing greater prescription during the initial period of the reform, where there is strong evidence of continuous improvement across the industry, could result in unintended consequences. Changes to the rules at this stage will introduce uncertainty which is likely to stall investment on business initiatives to improve the efficiency of metering installation processes. This could cost more than any incremental consumer benefits, and stifle service and process innovation.

## Incidence and nature of complaints

Vector has reviewed available information and determined that it was responsible for only 0.6% (or less than 1.0%) of the number of consumer complaints associated with the meters we deployed in NSW, which is reflected in Figure 2. While we take all complaints seriously, we do not consider the number of complaints to be disproportionate to the number of meters installed and, in the bigger scheme of things, a driver for a change to metering rules at this point of market development. To do so would be a disproportionate response to transitional issues. Such issues should not be mistaken as fundamental problems that require re-designing the compliance framework at this point.

We suggest that IPART look into the nature of complaints about installation timeframes and other metering processes, i.e. whether they are mainly from small consumers or from third parties such as developers, ASPs, and electricians.

We also suggest that IPART look into whether complaints are systemic in nature or specific to particular service providers (i.e. the exceptions rather than the rule) prior to making decisions that could have a profound impact on the momentum of smart metering deployment in NSW.

## Protection for small consumers

It is important that the deployment of smart meters is not significantly disrupted because the benefits from smart meters increase as more and more consumers use them owing to the 'network effect', e.g. a solar PV owner can trade with more solar PV owners through platforms enabled by smart metering data.

Small consumers can switch retailers if they are dissatisfied with their current retailer. Increasing pressure in a competitive metering market provides strong incentives for retailers and Metering Providers to deliver better services to their customers.

We believe flexible provider-to-customer arrangements should be encouraged to ensure the best possible services are offered to the market.

# Vector's deployment in the wider NEM is also progressing well...

## Strong incentives for improvement

In a competitive market, there are strong incentives to install smart meters in a timely manner as any delays would impose significant costs on Metering Providers and their contractors, retailers, and consumers. Figure 3 shows that our deployment in the wider NEM market is also progressing well.

Vector is continuing to adjust to the new market procedures, and increasing our capacity across the NEM as demand from our customers increases. We are also working with retailers to identify opportunities to improve metering installation processes. We have developed process improvements that minimise the cost to our business and our customers.

## Factors beyond Metering Providers' control

It should be noted that there are factors that can cause installation delays that are beyond the control of Metering Providers. These include, for example, the need to: engage other parties to isolate sites, comply with safety regulations, and meet national electricity rules (notification periods). Customers also need to address compliance issues at the site, e.g. congestion problems on the metering board.

Redacted - contains commercially sensitive information.

Figure 3. Vector's smart metering deployment in the National Electricity Market, December 2017 to May 2018

# Removing barriers to process improvements benefits consumers...

## Maximising the benefits of remote metering

NSW regulations can improve the efficiency and effectiveness of the installation process by removing barriers to the timely installation of new and replacement meters. Re-energisation and de-energisation are currently not permitted in NSW. We encourage the removal of these restrictions as soon as possible. These services are central to our business case and to the timely delivery of benefits to consumers.

## Supply interruption for safety purposes

We believe Metering Providers or Metering Coordinators may need to be given rights to interrupt supply for the purpose of performing metering works safely.

## Appointment of metering roles

Under current Australian Energy Market Operator (AEMO) procedures, the Metering Coordinator and Metering Provider roles are appointed sequentially. We support the Australian Energy Council's (AEC) proposal to the Australian Energy Market Commission (AEMC) to allow the nomination and appointment of these two roles at the same time (AEC letter to the AEMC on its proposed metering rule changes, 5 May 2018, <https://www.aemc.gov.au/sites/default/files/2018-05/Rule%20change%20request%20-%20AEC.pdf>, page 6).

## Planned interruption notice

We also support the AEC's proposal to the AEMC to allow the customer and retailer to agree on a planned interruption notice period that is shorter than four days, and allow the customer to agree to the installation of a new meter and waive the notification process. The AEC proposes to allow customers:

...to authorise the retailer to undertake the meter deployment and waive their right to the opt-out notification process, so long as consent is communicated in a manner that can be verified. This 'early consent' would be able to occur at any time, and as a result the retailer would not be required to comply with the notification requirements in rule 59A of the NERR.

*(AEMC Consultation Paper on Metering Installation Timeframes, 31 May 2018, [https://www.aemc.gov.au/sites/default/files/2018-05/Consultation%20paper\\_5.pdf](https://www.aemc.gov.au/sites/default/files/2018-05/Consultation%20paper_5.pdf), page 23)*

## Customer initiated work

Customer initiated work should also be exempt from the notification process, subject to certain criteria.

# The benefits of smart metering are best delivered competitively...

## The benefits of smart meters

The benefits of smart metering are now well recognised internationally, and have been thoroughly discussed by industry participants during the consultation processes leading to the introduction of the *Competition in Metering Rule* in the NEM. Broadly, these include benefits from:

- better information that enables consumers to take greater control of the cost of their electricity consumption;
- new products and services that provide greater choice for consumers;
- innovative pricing by retailers and distributors such as “peak time rebates” or PTR (see next page for a case study of PTR);
- better retail services enabled by remote services such as remote reading, resulting in more accurate billing and fewer disputes; and
- better network services from networks’ ability to detect faults in a timely manner, which also enhances public safety from more timely responses to network emergencies.

Vector has always been consistent in its view that the benefits of smart meters are best delivered through a competitive market.

## Maintaining the competitive provision of smart metering

Consumers benefit from the delivery of smart metering services in a competitive market through:

- improved and more innovative services from multiple providers, providing greater choice for consumers;
- greater pricing transparency;
- investment and technology risks residing with investors, not with consumers;
- reduced costs from alignment with other jurisdictions within the NEM competitive metering framework; and
- increased investment incentives.

We therefore do not support measures that would compromise the competitive metering framework designed under the *Power of Choice* reforms or delay its full implementation. More prescriptive measures could frustrate the emergence of arrangements that could actually result in reduced installation timeframes (in cases where consumers prefer it) and frustrate innovation in more efficient practices.

We believe the role of IPART and other regulators is to enable an environment where innovative commercial solutions can emerge and be developed for the benefit of NSW consumers.



## CASE STUDY: Consumer benefits from “peak time rebates” enabled by smart meters

After experimenting with different rate designs over several years, Baltimore Gas and Electric (BGE) designed a “peak time rebate” program for all of its residential customers who have smart meters. Called Smart Energy Rewards®, the program provides 1.1 million residential customers an opportunity to earn \$1.25 per kilowatt-hour (kWh) on *Energy Savings Days*. If they are also enrolled in the Peak Rewards program, which involves providing BGE with the ability to control their central air conditioner, they may be eligible for a bigger rebate.

*Energy Savings Days* events are declared during the summer, when electricity loads are expected to be particularly high. BGE markets the program through direct mail, advertising, digital communication, social media, and community outreach efforts. To ensure awareness and engagement, BGE partners with Opower to deliver personalized, multi-channel communications before and after events using customers' preferred channel of communication (phone, email, or text).

During events, BGE typically makes 1.3 million phone calls, sends more than 1 million emails, and delivers around 50,000 SMS/text messages. These include a real-time call-to-action notification message and a personalized post-event message that reflect the kilowatt-hours saved and the bill credit earned.

Key to messaging the kilowatt-hour reductions is ready and timely access to half-hourly consumption data. Any delay affects the feedback loop, potentially weakening engagement and, ultimately, the savings achieved by customers.

Last year, on July 14, BGE called an Energy Savings Day. Its customers earned \$4.6 million by reducing their energy usage between the hours of 1 p.m. and 7 p.m. From Energy Savings Days' introduction in 2013 to the end of 2016, BGE customers have earned nearly \$40 million by reducing energy usage during periods of peak demand on hot summer days. The company estimates that about 80 percent of its customers reduce their usage on Energy Savings Days.



# Concluding comments

We encourage IPART and other NSW regulators to adhere to the spirit and intent of the *Power of Choice* reforms. The transition to smart metering and a competitive metering market in NSW requires flexibility for market participants and consumers to innovate and discover more cost effective options to ensure the timely installation of meters and delivery of benefits to consumers.

The *Competition in Metering Rule* provides for a review of the metering market three years after the commencement of competitive arrangements. We believe that is the appropriate time to review this market, which at that stage (only two and a half years away), would be more mature and would provide more meaningful information for further improvements.

In the meantime, let us 'not throw the baby with the bathwater' by unnecessarily imposing more prescriptive arrangements.

*...A regulatory strategy based only on one view of the future is unlikely to survive for long and its demise will tend to add to commercial uncertainties.*

*Good regulatory strategy, directed at a long-term aim, requires...that institutional arrangements be 'resilient' or 'robust', meaning that they can handle unpredictable and unpredicted environmental change without collapsing or giving rise to major dysfunctions...Such a regulatory approach tends to be simpler than the prescriptive alternative, because it entails devolution of more of the adaptive work to other economic agents.*

*- George Yarrow, Chairman, Regulatory Policy Institute and Emeritus Fellow, University of Oxford*



# CREATING A NEW ENERGY FUTURE

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