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Australian Energy Market Commission
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Submission on the Proposed Rule Changes on Metering Installation Timeframes

Introduction

1. This is Vector Limited's (Vector) submission on the Australian Energy Market Commission's (AEMC) consultation paper, dated 31 May 2018, on the proposed *National Electricity Amendment (Metering Installation Timeframes) Rule 2018* and *National Energy Retail Amendment (Metering Installation Timeframes) Rule 2018*.
2. Vector's metering business (Advanced Metering Services – VAMS) is an accredited Metering Provider (MP) and Metering Data Provider (MDP), and a registered Metering Coordinator (MC) in the National Electricity Market (NEM). We have started deploying advanced or 'smart' meters in New South Wales, Queensland, South Australia, and the Australian Capital Territory, and are exploring market opportunities in other jurisdictions.
3. In our view, mandating a metering installation timeframe is not warranted only six months into the introduction of competitive metering arrangements in the NEM under the *Power of Choice* reforms. Our advanced metering deployment is progressing well, and there is continuous improvement rather than deterioration. Imposing greater prescription at this early stage of the reform to resolve what we consider to be transitional issues will put a brake on the momentum of deployment, and the development of energy markets. In particular, it will stifle the discovery of better approaches in the installation of advanced meters.
4. We encourage the AEMC to focus instead on removing existing barriers, including complex and unnecessary processes, to facilitate the deployment of advanced meters to more and more consumers in the NEM.
5. We discuss our views below.
6. We are providing public and confidential versions of this submission. The confidential version contains commercially sensitive information and must not be published.
7. Vector's contact person for this submission is:

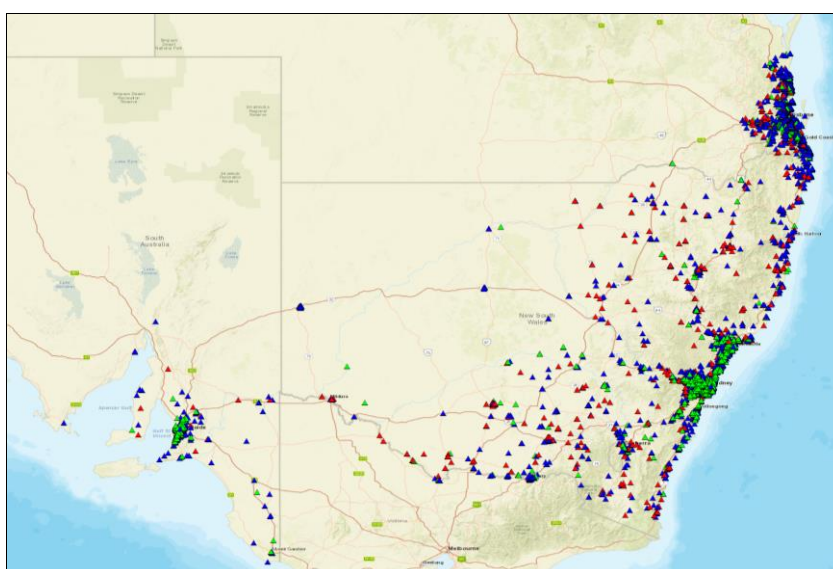
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Mandating a metering installation timeframe is not warranted

8. The benefits of smart metering are now well recognised internationally, and have been thoroughly discussed by industry participants during the AEMC's consultation processes leading to the introduction of the *Expanding competition in metering and related services* final rule (*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”;
 - better retail services enabled by remote capability 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.
9. Vector has been consistent in its view that the benefits of advanced meters are best delivered through a competitive market. Consumers benefit from the competitive delivery of advanced metering services 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.
10. In a competitive market, small consumers have a choice. They can switch retailers if they are dissatisfied with their current provider.¹ The ability of consumers to switch and increasing competitive pressure provide strong incentives for retailers to deliver better services to their customers, which they also require from their metering service providers. Consumers benefit from greater choice from a wider range of improved offerings in the market.
11. We do not support measures that would compromise the emergence of competition in metering under the *Power of Choice* reforms, or delay its full implementation. A prescriptive metering installation timeframe could frustrate the emergence of arrangements that could result in reduced timeframes (in cases where consumers prefer it), and frustrate innovation that results in more efficient practices.

Figure 1. Geographical coverage of Vector’s smart metering installations in the NEM as at March 2018



¹ We note that market procedures currently make it cumbersome for a customer to switch before a new connection is completed; however, an AEMO procedure consultation that is about to commence is expected to address this.

12. A competitive framework has enabled our advanced metering business to deploy meters across the NEM, as illustrated in Figure 1. We consider it to be a critical driver of our future success in the timely delivery of the benefits of advanced metering to more and more consumers.
13. We believe the role of the AEMC and other regulators is to enable an environment where innovative commercial solutions can emerge and be sustained. We encourage the AEMC to focus instead on removing existing barriers to complex and unnecessary installation processes, some of which we identify in this submission. This will enable the fledgling competitive metering market in the NEM to evolve and truly promote the competition objectives of the *Power of Choice* reforms.

Responses to selected consultation questions

Q1.1 What are the benefits to customers of imposing installation timeframes in new and replacement situations?

14. Vector does not see any overriding benefits to consumers from the imposition of a metering installation timeframe, at present. Contestability for mass market metering has only been in operation for six months. Retailers and competitive metering service providers already face strong incentives to respond to customer requests as quickly as possible. We have observed strong evidence of continuous improvement across the industry. The number of our installations is growing at robust rates of 20% to 30% per month (see Figure 2). We expect this improvement to continue as the issues responsible for delays experienced early in 2018 are addressed.

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

Redacted – contains commercially sensitive information

15. It is our view that reported delays have been the result of:
 - adjustments required within retailers' and metering service providers' businesses as they take on new market roles, and deal with greater complexity introduced by the new metering processes;
 - the need for retailers and competitive metering service providers to 'scale' to be able to respond to customer requests from a 'standing start' of 1 December 2017; and

- other stakeholders (e.g. electricians, builders and customers) going through the learning process of the practical implications of the reform on their operations.
16. It is our view that imposing greater prescription is not necessary at this stage of market development. There is strong evidence of continuous improvement across the industry, especially when further improvements are reasonably expected as the market matures over the next six to 12 months. Mandating an installation timeframe will impact existing commercial agreements, require additional changes to business systems and processes, and require resources to be diverted from ongoing work on improving the overall installation process.
 17. Changes to the rules at this stage are likely to stall investment in business initiatives until the implications of the outcome of this consultation process is well understood.
 18. Vector has assessed available information and determined that it was responsible for less than 1.0% of the number of consumer complaints associated with the meters we have deployed, so far. We take all complaints seriously. However, we do not consider the incidence of complaints to be disproportionate to the number of meters installed and, in the bigger scheme of things, a driver for materially changing the metering rules at this stage. To do so would be a disproportionate response to transitional issues, which should not be mistaken as fundamental problems that require a re-design of the compliance framework.
 19. We suggest that the AEMC look into the nature of complaints about installation delays. It would be helpful to know whether the complaints are systemic or specific to particular service providers. Our experience to date indicates that competitive pressure is working as customers in charge of many NMIs (e.g. builders, ASPs) choose retailers and MCs that have streamlined their processes of delivering advanced metering services to the market.
 20. We are strongly of the view that the AEMC should allow the reform in the metering market to take its course, and for market participants to deal with issues related to delivery timeframes. We consider a fundamental change in the rules at this stage to be pre-mature and would result in the unintended consequences mentioned above. It could halt the 'momentum' of the advanced metering rollout, and delay or frustrate the emergence of new energy markets that benefit consumers.
 21. The *Competition in Metering Rule* provides for a review of the metering market three years after the introduction of competitive metering arrangements. We believe that is the appropriate time for such a review, when the market is more mature and can provide more meaningful information for further improvements.

Q1.2 What are the expected costs of imposing installation timeframes?

22. A mandated installation timeframe will increase the cost to service providers and consumers. This is due to the need for service providers to introduce some inefficiencies into the supply chain to meet the required timeframe.
23. As advanced metering deployment requires scale to minimise cost, areas that are outside population centres will invariably have lower demand for metering works. Servicing these areas requires a careful balance between timeliness and cost. Mandating a fixed installation timeframe, as proposed in this consultation, will alter this balance.
24. Service providers will establish capacity based on commercial agreements with retailers. Some retailers have a larger customer base in some areas than others, and the service provider will establish field force capability accordingly. A mandated timeframe is likely to require service providers to establish resource capacity in order to meet a timeframe which may otherwise not be required if timeframes were not mandated. Requiring businesses to deliver a uniform service across all regions will ultimately stifle innovation to the detriment of

consumers. We therefore believe a framework that allows the customer and retailer to agree the timeframe for installation is more appropriate.

25. We note that the telecommunication industry has a three-tier model that mandates different service timeframes based on large, medium, and small population centres.² We encourage the AEMC to consider a similar model should it determine that a mandated installation timeframe is necessary.
26. The monitoring and compliance costs of a mandated installation timeframe are expected to be material, which will vary subject to the final design of any new or amended rules. This is because there are many circumstances where the 'clock' may be running but situations outside the control of the service provider requires 'clock' stoppage. These include, for example, the need to engage other parties to isolate sites, comply with safety regulations, and meet national electricity rules (e.g. notification periods), and compliance issues at the site that the customer must address, e.g. congestion problems on the metering board. To accurately track when the mandated timeframe applies to a job, and when a job is exempt, will be complex and will increase costs for the relevant parties.

Q1.3 *Should there be different requirements for different types of installation scenarios?*

27. Yes, Vector believes customer requested work (new connections and metering upgrades) should be treated differently to work that is initiated by other parties (i.e. by the MC in the case of a family failure replacement, or the retailer in the case of a new deployment). Should AEMC determine that a mandated timeframe is necessary, it is our view that this timeframe should only apply to customer requested work. Delays to deploying meters for a malfunctioning meter or a retailer initiated new deployment do not usually have a negative customer impact.
28. Rather than treating types of work differently, i.e. New Connection vs Meter Exchanges, we believe it is more important to clearly define the pre-requisites that must be met before measurement against a mandated timeframe can take place. This list includes but is not limited to the following circumstances:

Customer has not agreed to another timeframe
Customer request has been accepted by the service provider
Customer contact can be established
Supply is connected
Safe access to the site is available
Wiring is declared as ready for the meter
Notification requirements have been met
Market roles' assignment requirements have been met
Third parties have completed their work to enable metering works to proceed

29. It should be noted that while these are pre-requisites for metering works to proceed, in many cases, it is only when the MP attends to the site that it can be determined that these are met. This would need to be taken into consideration when developing new requirements.
30. Should a mandated installation timeframe be applied, it is important that locational variations be taken into consideration. See our response to Q1.2.

² *Telecommunications (Customer Service Guarantee) Standard 2011* specifies service levels that take into account location - <https://www.legislation.gov.au/Details/F2011C00791>.

Q1.4 *Should the current timeframe in the NER for the replacement of malfunctioning meters be amended? If so, what is the appropriate timeframe?*

31. Yes, the timeframe for the replacement of malfunctioning meters where supply is not cut off should be amended. We support the Australian Energy Council's (AEC) proposal to change the period to repair or replace a malfunctioning meter from 10 business days to 25 business days in recognition of the processes involved, and to reduce administrative burden. The customer is protected by existing mechanisms in the mass market where supply is not turned off.

Q1.5 *If a timeframe was imposed for new and replacement situations, at what point should the 'clock' start? That is to say, what preconditions would need to be met before the relevant timeframes should commence for each of the different types of installation scenarios?*

32. Should an installation timeframe be imposed, the 'clock' should start when the MC determines that the site is ready for metering installation and all pre-requisites have been met, including any notifications or regulatory requirements. See our response to Q1.3.

Q2.1 *For each of the options to minimise process timeframes above (planned interruption notices and the customer notification process):*

- (a) *What are the benefits of the proposal?*
- (b) *What costs and risks for participants and consumers would be involved in implementing the proposal? How could these costs and risks be managed, for example through limitations in the NER on the circumstances in which: planned interruption timeframes could be reduced; or new meter deployment notices could be waived?*
- (c) *Is there any new information that is now available following implementation of the competition in metering rules that should change how the Commission considered these issues in the final rule determination?*

33. Vector supports the AEC's proposal 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 waive the notification process in a retailer led deployment.
34. In our view, the customer's agreement to the shorter timeframe should be able to be secured through a phone call, or a signature on an electronic device, or in a form collected at the customer's doorstep. Record of this agreement can be kept for later validation. Any agreement would be between the retailer and the customer, but could be obtained by the service provider.
35. From time to time, a scheduled meter exchange will not be able to be performed on the day indicated to the customer. In these cases, good customer service dictates that the service provider should contact the customer to advise of the delay. Varying the notification periods allows the service provider to offer the customer a revisit the next day, and the customer the ability to agree to any changes.
36. Any changes to the notifications process should not affect the process for life support customers. Life support customers will still receive interruption notifications in writing, as required by the *National Electricity Retail Rules*. On the other hand, this could mean that life support customers will not be able to take advantage of more streamlined processes proposed above.

37. In addition to allowing the customer to reduce the notification period, as proposed by the AEC, we believe that for customer initiated work, retailers and customers should be able to agree to a short window (e.g. 10 days) in which a meter exchange will be performed. Where this window is scheduled close to the date of the customer's request (e.g. scheduled to commence within 2 days of receiving the request), a formal interruption notice should not be required.
38. We believe that removing the need for a formal interruption notice (with the agreement of the customer) will significantly improve the rate at which meters can be installed. This approach provides greater flexibility for service providers to complete jobs quickly when more field resources become available, and reflects the reality that, in most cases, there is no requirement for a customer to be present for the exchange. Based on our experience, it would be fair to say that many customers have no preference exactly when a meter installation should be performed.
39. We further believe that obligation to inform other stakeholders, such as networks, of the interruption can still be met with a shorter notice period, i.e. 24-48 hours' notice.
40. The changes to the notification period proposed by the AEC and our proposal provide better customer outcomes in the sense that the installation will occur at the customer's greatest convenience. It reduces cost for that customer and the service provider as neither party must wait longer than necessary for the installation to commence.

Q2.2 Are there any other options that would help to minimise the processes and timeframes involved in meter replacement, without compromising safety or consumer protections?

Interrupting supply for the purpose of performing metering works

41. Vector believes that MCs should be given the right to interrupt supply for the purpose of performing metering works. Currently, the rules prohibit the MC from interrupting supply to a customer that has not been given at least 4 business days' notice of a supply interruption either by the retailer or the distributor.
42. A persistent issue that is impacting our ability to deploy advanced meters relates to sites that have shared fusing. This is where the physical arrangements at a site has a single isolation device (supply fuse) servicing more than one premise. When this device is operated, as it must be to allow the meter installation to proceed, all customers serviced by that single device will experience an interruption. These isolation arrangements are not known prior to the site visit and the current rules prohibit a service provider from interrupting supply to a customer that has not received the appropriate interruption notification. This means the installation cannot proceed as scheduled.
43. This issue impacts all meter exchanges and a small number of New Connections (where an existing shared meter panel is used).
44. Furthermore, the only option available to the retailer to progress work in the above circumstances is to request the network to perform a 'Temporary isolation – Group supply'. Networks have requested that retailers provide at least four to six weeks' notice for this service. This delay further frustrates the customer.
45. A data set on shared fusing sites we have gathered indicates that over 40% of sites that were not completed because of shared fusing impacted only one other customer, and over 60% of sites that were not completed impacted only 1 or 2 other customers.

46. In many cases, the customer who has requested the work has a relationship with the neighbour who is more willing to allow a short power interruption while the technician installs an individual isolation device for the site needing the meter installation.
47. Vector is currently implementing ways around this issue such as safe live isolation procedures which allow the technician to safely install an isolation device at the site without disconnecting supply. However, this requires additional resources and comes at additional costs. Obviously being able to isolate supply using an existing isolation device is preferable.
48. These techniques are subject to jurisdictional safety regulation approval which, at this stage, is only available in New South Wales. It should also be noted that electrical contractors engaged directly by the customer routinely interrupt supply at these types of premise during the course of their work, presumably with affected customers' permission.
49. The AEMC should consider allowing the MC to interrupt supply, notifying all affected customers, and providing the appropriate protections that the retailers and distributors currently provide, i.e. 4 business days' notice or waivers, to allow the metering works to proceed. This will reduce the rate of unsuccessful meter installations, speed up the meter installation timeframes, and better meet customers' expectations.

Network lead time for coordinated works

50. Despite the efforts of retailers and service providers to install meters as quickly as practical, we have experienced instances where some networks have frustrated this. Current network processes require long lead times (4 to 6 weeks) for coordinated works, and require the service provider to attend during a 15-minute window at a single fixed time per day (8am or 10am depending on the network). If the service provider is delayed, i.e. cannot make this 15-minute window, the network will abandon the job and potentially charge the retailer for the wasted truck visit.
51. In a number of instances, networks have not attended to the site or met their own schedule, and have not provided any notice of this change. Often this results in the service provider having to wait at the site until the person from the network finally arrives (or not), impacting other work schedule for that day.
52. It is our view that the network approach to coordinated works is inflexible and will ultimately constrain the installation of meters where this type of work is required. It should be noted that the volume of this type of work is expected to increase as service providers work through the meter replacements required under the failed meter families recently released to the retailers by the networks.

Concluding comments

53. Vector encourages the AEMC to adhere to the spirit and intent of the *Power of Choice* reforms. The transition to advanced metering and a competitive metering market requires flexibility that allows market participants and consumers to innovate and discover more cost effective options to ensure the timely installation of meters. Unnecessarily imposing a fixed installation timeframe only six months into this transition will be a pre-mature over-reaction..
54. We therefore believe it would be appropriate for the AEMC or the relevant regulator to review the metering market three years after the commencement of competitive arrangements, as provided for in the *Competition in Metering Rule* under the *Power of Choice* reforms. The market would be more mature at that stage, and would provide more meaningful information for further improvements.

55. We are happy to discuss with AEMC officials any aspects of this submission, and share insights from our ongoing installation of advanced meters in the NEM.

Yours sincerely
For and on behalf of Vector Limited



Richard Sharp
Head of Regulatory and Pricing

...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