

7 April 2009

Mr Chris Pattas
General Manager
Network Regulation South
Australian Energy Regulator
GPO Box 520
MELBOURNE VIC 3001

Dear Mr Pattas

Re: Interval Meter Reassignment Requirements: Draft Decision

Thank you for the opportunity to comment on the Australian Energy Regulator's (AER's) *Draft Decision: Interval Meter Reassignment Requirements* (the 'Draft Decision').

In making comments on the AER's Draft Decision, the chief consideration that the Energy and Water Ombudsman (Victoria) has in mind is the potential for complaints to retailers, distributors and EWOV. We want to see that potential minimised. Complaints are likely to occur if people are confused, if they feel something has been taken away from them, if they are inconvenienced or if they cannot follow explanations given to them. Regretfully, we believe the approach put forward in the Draft Decision will not contribute to the minimisation of complaints.

This submission argues the following main points:

- the assumption that meter changeover and network tariff reassignment will take place at the same time is questionable and this has serious implications for the workability of the Draft Decision;
- the Draft Decision gives no sustainable basis for reducing the information requirements in the Essential Services Commission's (ESC's) consultation paper. EWOV regarded those requirements as inadequate so is dismayed that they have been further reduced.

Assumptions in the Draft Decision

We note that two assumptions have been made about the rollout of interval meters in the Draft Decision:

- the meters will be read as interval meters as soon as they are installed
- distributors will move customers to a network Time of Use (TOU) tariff immediately a meter is installed.

Both of these assumptions may need further consideration. The meters will not be remotely read until 2012, so that manual reading of them will be initially required. This may be either as an interval meter or as an accumulation meter. If the former, there is a danger of substituted data and estimated bills, which may lead customers to challenge the basis of the TOU tariff and to complain. If the latter, the assumption fails altogether.

EWOV is uncertain about the basis of the second assumption. We have not heard from distributors that they intend to do this from the moment of installation and we suggest that the rollout itself is such a major challenge for them that they may not pay attention to network tariff reassignment until a later stage. That is supported by the quotation from the CitiPower/Powercor submission to the Essential Services Commission's (ESC's) consultation paper of May 2008 on page 10 of the Draft Decision. That quotation is suggesting that there is an immediate need for a TOU tariff where customers are losing access to controlled load off-peak as a result of the installation of the meter. It follows there is not an immediate need to move customers on an all-peak tariff to a TOU tariff at the time of installation.

The time that it will take to make the suggested amendments to the *Energy Retail Code* and the *Distribution Code* further suggests that it is unlikely that the distributors will be ready to reassign network tariffs at the start of the rollout or for some time thereafter.

If the meter changeover is not accompanied by a reassignment of network tariff, the Draft Decision is left in limbo because it ties those two things together. EWOV respectfully suggests that this is a serious flaw of the Draft Decision.

While we appreciate, and agree with, the reasons the AER has put forward for communicating with customers via the retailers, the approach may actually work better if the network tariff reassignment is done at a different time from the installation of the interval meter. Around the time of installation, customers will be receiving information from the Department of Primary Industries and from distributors. It will be confusing for them also to receive information from retailers about a network tariff reassignment at the same time, and may generate complaints. EWOV sees advantages for customer response to separating the two events, especially since the change of network tariff may not lead to a change in the retail tariff.

Definition of TOU tariff

EWOV disagrees with the Draft Decision's position that there is no need to clarify what is meant by a TOU tariff. The notion that a customer could be put onto a tariff that includes Critical Peak Pricing (CPP) with only a notification that they may be assigned to a network TOU tariff is unacceptable. TOU tariffs should be defined clearly to exclude CPP. Customers must be given ample opportunity to understand CPP and to exercise choice about it. Otherwise, many complaints will be generated and distributors can be seen to have acted in an unreasonable and unfair way. EWOV is surprised that the AER could think it acceptable to move people to a network CPP tariff with so little information, let alone consultation.

Implications for customers' current contracts

We have reservations about the AER's position that network tariff reassignment need not take into account customers' current contractual obligations. We take the point that it is a matter for retailers, but it puts those retailers in a awkward position in which they must either absorb the cost of the TOU tariff (if there is a cost) or restructure the customer's tariff in such a way that it is no longer consistent with the contract, putting them in the position of having broken the contract.

Information requirements

EWOV believes that the approach the AER suggests in the Draft Decision to information provision is not workable because of the questionable assumptions discussed above. It says that the distributor must provide the information to the retailer

That the customer's meter is being changed to an AMI meter at least 45 business days from the date the notice is provided to the retailer and that this may lead to that customer being reassigned of (sic) a TOU network tariff from that date (p. 17 of the Draft Decision).

The problems with this are:

- it cuts across the now well developed industry processes that have been developed by which distributors will directly inform customers about the meter changeover, and
- as previously discussed, it assumes that the network tariff reassignment will take place at the same time as the rollout, whereas information available to EWOV through the Advanced Metering Infrastructure Project Office is that there will be a considerable lag between the two events.

Another issue with the information requirements is that they do not provide sufficient information to customers to understand what is happening. An explanation of a TOU tariff is a bare minimum requirement, as is a statement of the reason for the reassignment. We suggest that the inclusion of these details will be important for customer acceptance of the change and therefore the avoidance of complaints. We take the AER's point that customers should not be provided with excess information, but there is no material in the Draft Decision to explain why the AER thought that the minimum information requirements proposed by the ESC's consultation paper were excessive. Furthermore, it could be argued that customers will only be overwhelmed by information if the meter changeover and the network tariff reassignment happen at the same time, and, as we have said above, we believe this is improbable. Customer complaints are highly likely to be generated by this minimal information, causing expense and diversion of resources for those bodies to which complaints are directed.

Thank you for citing the comment from our earlier submission to the ESC's consultation paper about the appeals process allowed for in the Price Determination (p. 17). However, the Draft Decision does not discuss this provision of the Price Determination, nor does it refute the point we made. If there is to be no appeal against a network tariff reassignment, the AER should make that point explicit. If there is to be an appeals process, customers should be told about it in the interests of natural justice. EWOV is disappointed by the omission of any discussion of this in the Draft Decision and would like to see this matter rectified in the Final Decision.

Comments on the Draft Decision itself (p. 18 of the Draft Decision)

By way of summary of the points made in this submission, EWOV provides the following comments on the actual Draft Decision:

- no comments on the first two paragraphs. We agree with the statements. However the need to have the TOU tariffs approved by the AER is a further reason why meter changeovers and network tariff reassignments may happen at different times;
- first point: this is correct. It is worth noting that network tariff reassignment may depend on the communications facilities of the meters and the distributors and these facilities will not be available for a substantial period after meter changeovers have begun;
- second point: EWOV can see some point in the communication to customers going via the retailer, especially in view of the opportunity this gives the retailer to indicate whether retail tariffs are also changing. However, we note that it may mean that complaints are made to retailers that would be better addressed to the distributors;
- third point: as we have stated above, we believe it is both factually wrong and logistically complex to tie the network tariff reassignment to the meter changeover. They are unlikely to be happening at the same time. Secondly, to inform customers that ‘this may lead to that customer being reassigned to a TOU network tariff from that date’ is inadequate. The information is contingent (‘may’), there is no requirement to explain the what a TOU tariff is and there is no requirement to give information about what it means in dollar terms. Further, as we argued in our earlier submission, we do not believe ‘advice to the customer about how they can obtain more information on interval meter tariffs’ is sufficient. People should be told *where* they *can* get more information and that ought to be from the distributor, the party in whose interest the network tariff reassignment is; and
- final point: no comment.

Thank you for the opportunity to make comments about the Draft Decision. If you would like to discuss them or have any queries, please contact Frances Wood, Acting Manager Public Affairs and Policy on (03) 9649 7599 or at frances.wood@ewov.com.au.

Yours sincerely

Fiona McLeod
Energy and Water Ombudsman (Victoria)