



PO Box 4136
East Richmond VIC 3121
T 131 806
F 1300 661 086
W redenergy.com.au

PO Box 632
Collins St West VIC 8007
T 1300 115 866
F 1300 136 891
W lumoenergy.com.au



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Energy Policy and Programs Branch
Department of Environment, Land, Water and Planning
1 Spring Street
Melbourne VIC 3000

Submitted electronically to: metering.competition@delwp.vic.gov.au

Dear Sir/Madam

Re: Transition to Metering Competition in Victoria: Options Paper

Red Energy (Red) and Lumo Energy (Lumo) welcome the opportunity to make a submission to the Department of Environment, Land, Water and Planning (the Department) on the Transition to Metering Competition in Victoria: Options Paper (the Options Paper).

We are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail gas and electricity in Victoria and New South Wales and electricity in South Australia and Queensland to over 1 million customers.

Red and Lumo strongly support the introduction of metering competition in Victoria consistent with the national framework as described in option 1.

The Options Paper identifies that there are alternative approaches in the transition to metering competition, however, without the adoption of the national metering specification there will continue to be uncertainty in the market and investment decisions will be prolonged. In practice, we expect there will be a smooth transition under the selection of option 1 as only new and replacement metering, consistent with the national metering specification will be installed until the cost recovery Order in Council expires.

The recommendations in the report by the Victorian Auditor-Generals Office (VAGO) focus on delivering benefits from the AMI program to Victorian consumers. We understand that preserving the benefits of the AMI program is necessary and realising the remaining benefits is of the utmost importance.

The best way to achieve this is through the full adoption of the national framework with the national meter specification. This will continue to allow Victorian distributors to derive network efficiencies and benefits, whilst providing certainty to the market allowing retailers to work with metering service providers to innovate and provide a variety of offers to Victorian consumers.

On the most part, the recommendations focus on retail product and service offerings and varying tariff structures to maximise benefits across the electricity supply chain. The national metering specification does not preclude Victorian consumers accessing their energy consumption, monitoring their peak demand and facilitating the implementation of network tariff reform.

We consider that the implementation of the national metering specification is more likely to deliver the consumer benefits recommended in the VAGO report as technology changes could enable communication between appliances and the consumer in order to manage their electricity consumption and demand.

Red and Lumo urge the Department to consider the adoption of the national metering specification as it provides certainty to the market and choice to Victorian consumers. It will allow the market to innovate and accommodate changes in metering technology.

The Victorian metering specification and AMI approach was implemented when the meter was the centre of the communications into the home. However, with advances in technology and the internet of things, the meter is only one of homes connected devices. We consider that Victoria will continue to fall behind as there will be no investment certainty without a clear path to transition to the national framework with the national metering specification. This will substantially reduce the ability for retailers to provide services and products to consumers that will meet their expectations.

Zigbee 1.0 is an example where the Victorian metering specification will inhibit Victorian consumers in the future. The Victorian metering specification mandates the use of Zigbee 1.0, largely redundant technology. To mitigate this redundancy, Red and Lumo are currently working with a number of metering service providers to determine the most beneficial communication modules to include in meters we install. This module would be installed in place of Zigbee, and enable customers better access to smart services and products in the home. Mandating the Victorian metering specification will prevent this product being available to Victorian consumers.

We agree that there are a number of implementation matters that must be dealt with in the Victorian regulations to ensure a smooth transition to metering contestability in Victoria. Red and Lumo would appreciate the opportunity to work with the Department to ensure that the option selected is implemented effectively with little disruption to systems and processes.

This submission provides answers to each of the questions raised in the Options Paper below. Should you have any further enquiries regarding this submission, please call Stefanie Macri, Manager - Regulatory Affairs on 03 9976 5604.

Yours sincerely

A handwritten signature in black ink, appearing to read "Ramy Soussou". The signature is stylized with loops and a long horizontal stroke at the end.

Ramy Soussou
General Manager Regulatory Affairs & Stakeholder Relations
Red Energy Pty Ltd
Lumo Energy Australia Pty Ltd

Responses to the questions raised in the Options Paper

Q1: Do you support implementing metering competition in Victoria so that the current Victorian meter specification and/or the minimum service levels are retained?

Red and Lumo strongly support the implementation of the national framework, consistent with option 1 as described in the Options Paper. We strongly oppose the retention of the Victorian meter specification as it is costly and has redundant specifications.

As outlined above, we consider that the implementation of the national framework in its entirety is the optimum outcome for Victorian consumers.

During the development of metering competition, the Australian Energy Market Commission (AEMC) consulted widely on whether to mandate a functional specification (equivalent to the Victorian approach) or take a consumer view on the services that they would expect from a metering installation. Red and Lumo supported the view that the regulatory framework should not be picking technologies or functionalities, as these can change over time. However, the regulatory framework should outline services that consumers can expect, such as a remote re-energisation service when they move into their house instead of prescribing the specific standards of the energisation. We recommend that the Department consider the extensive consultation on meter specifications and reflect the outcome in the Victorian arrangements.

In relation to the service levels, we consider that it is appropriate to grandfather them for all AMI meters. Consistent with the national arrangements, we are comfortable that contractual arrangements apply for all non-regulated meters that are installed in Victoria. We are confident that Victorian consumers will not experience any reduced service from retailers on the basis of the minimum service levels not being mandated.

Q2: Should other considerations about the respective capability of the meters and service levels be taken into account?

Meter capabilities should be best determined by the party that is making the investment.

The national framework implements a set of minimum services that provide maximum value to the majority of consumers at a relatively low cost. The party that is investing in the meter will evolve the capability of the meters to ensure that their meter is not displaced by a higher functioning meter. As such, the meter that is installed is likely to provide services that are above the minimum to safeguard their investment. While it may not be specified that safety monitoring is included in the regulated specifications, it is in the interests of the metering provider to ensure that their asset is safe, secure and tamper free.

Q3: Do you have any comments or views on Options 1, 3 or 4?

As stated above, Red and Lumo strongly support the introduction of option 1. We consider that national consistency is the best outcome for Victorian consumers as it reduces additional costs that are likely to be borne under option 2. For example, retailers will need to maintain two meter fleets, two sets of information for consumers, and two product innovation streams to account for the differences in metering technology.

It is likely that a transition to a nationally-harmonised metering competition under option 1 occurs as described in option 3. We expect that all new and replacement metering will meet the national metering specification and that the size of the exit fees detracts from displacing AMI meters until the end of the cost recovery Order in Council. At that time it may be cost efficient to replace meters where customers are opting into a retail product offering that requires a different meter. However, we expect that the AMI meters are likely to remain until such time that they are considered end of life and require replacement. As such, this transition would be smooth for both consumers and industry.

We are strongly opposed to opting out of the national framework as described in option 4. Not only would this require an administratively burdensome regulatory framework for Victoria, it would not assist in delivering any value or benefits to Victorian consumers.

Q4: Under Option 2, what additional measures should be considered in relation to meter installation and wiring safety, the safety associated with the use of the remote reconnection service enabled by smart meters, and community safety?

Safety is of utmost importance for Red and Lumo.

We note that Standards Australia is currently reviewing the safety standards to support smart meter deployment, and we expect that any changes in standard will be reflected in the jurisdictional regulations.

Irrespective of the option implemented, we recommend that the Department, in conjunction with Energy Safe Victoria, engage with industry to ensure that there are adequate protections in place for the installation and maintenance of metering installations. Further, we consider that obligations are placed on those parties who are best placed to manage the risk and outcome.

Q5: Under Option 2, which party or parties should be responsible for communicating the changes to metering arrangements to consumers, and should there be any communication role for the Victorian Government?

Governments always have a role in communicating policy changes to the community and constituents. However, specifically for the change in metering arrangements, retailers are best placed to communicate this to the affected consumers. As not all consumers will be impacted by the policy change at the same time, particularly as we expect that meter contestability will transition through new and replacement metering, retailers can explain any pertinent information to their customers at that time.

However, in order to realise some of the benefits when implementing the VAGO recommendations, such as network tariff reform, there may be a greater role for the Victorian Government to communicate directly to consumers.

Q6: Under Option 2, would the introduction of access regulation for metering services in Victoria provide greater benefits than costs to Victorian households and small business?

Red and Lumo do not support the introduction of an access regime.

We consider that the costs for establishing, funding and maintaining the regime far outweigh any benefits that may be espoused by parties. It is not appropriate for Victorian

consumers to bear the costs associated with an access regime when it can be achieved via contractual arrangements.

The AEMC has recommended a review of the national framework for metering competition 3 years after it commences. If they identify a major issue or consequence that results in the need for access regulation or an access regime, reconsideration of this position would be beneficial.

Q7: Under Option 2, will the introduction of access regulation for metering services in Victoria assist in preserving unrealised projected benefits attributed to the Victorian smart meter rollout?

No, it will not assist in achieving or preserving any unrealised and projected benefits.

Q8: Under Option 2, are there services that Metering Coordinators will not be able to provide that are currently being provided by electricity distributors? If so, what information and/or services will the electricity distributors need to obtain from Metering Coordinated in order to continue to realise these benefits?

Metering Coordinators, under the national framework, are incentivised to provide services to retailers, distributors and any other party (e.g. third party service provider).

Red and Lumo would appreciate the opportunity to meet with the Department and discuss the services that we expect of our Metering Coordinators.

We consider that the national framework for metering contestability provides the scope for electricity distributors to access information and services. The framework provides for the distributors entering contracts where they can quantify the benefits that they will receive for the service requested and that the provision of the service is commercially viable.

Q9: If an access regime is introduced, who would be the responsible regulator and how should it be funded?

Red and Lumo do not support the introduction of an access regime.

Q10: What is the role for the Victorian Government in ensuring that the potential and benefits of energy data are unlocked through this process, including ensuring electricity distributors have appropriate access? Are there other mechanisms, other than the 'traditional' access regime model, that could be utilised?

We do not consider that the Victorian Government has a role in managing access to energy data.

The national framework specifies who has access to energy data and in what circumstances. In the interests of competitive neutrality, electricity distributors, like all other market participants, must enter into commercial arrangements for advanced access to energy data.

Q11: Should Victoria vary its current policy position that smart meters are mandatory and allow households and small business to opt-out of having a communicating smart meter?

Red and Lumo support the national arrangements applying in Victoria, inclusive of the ability for customers to choose not to have a communicating smart meter. We consider that the Type 4A arrangements will accommodate Victorian consumers who have concerns with the telecommunications module. This allows retailers to provide a service equivalent to their customer's needs, whilst also obtaining more metering data to provide Victorian consumers with alternate retail product offerings.

Q12: Do you support setting the small customer threshold at 160MWh per annum rather than 40MWh per annum as suggested by the AEMC? If not, please provide a reason.

Under the national framework, all new and replacement metering must be supported by a Type 4 national metering specification meter. From a metrology perspective, we support the X and Y values being amended so that all meters installed from the commencement of the national framework meeting the national metering specification.

There are some implementation matters than need to be considered with a change to the threshold. We do not believe that the Victorian government needs to amend the small and large customer thresholds but only the metrology arrangements. We are happy to work with the Department to ensure that ensuring that all customers receive a national metering specification meter does not have unintended consequences on other parts of the regulatory framework.

Q13: What regulatory changes would needed to implement Option 2, and what considerations attach to these changes?

Irrespective of the option selected by the Department, regulatory instruments outlined in the Options Paper will all require amendment. While Red and Lumo strongly support option 1, we are keen to work with the Department on ensuring that the implementation is seamless for retailers and distributors such that Victorian consumers are not negatively impacted by the change.

We consider that the implementation process by the Department should also include Energy Safe Victoria, to encompass any amendments required in the safety regulation.

Q14: With metering competition commencing on 1 December 2017, what timing issues does the Victorian Government need to be aware of, and how might these be managed?

The Department needs to take into account the AEMO and IEC Procedure timeframes. Consistent with the timeframes for AEMO, we would expect that all regulatory framework changes are understood by early March 2017 to allow for any amendments to be included in business systems and processes.

Q15: Are there any other factors or conditions that should be considered to successfully implementation metering competition in Victoria?

Red and Lumo would appreciate the opportunity to have a discussion with the Department relating to specific factors that need to be considered in order to successfully implement metering competition in Victoria.