Hi Steph,

Thank you for the discussion last Thursday on the treatment of network costs in the draft DMO determination. We wanted to provide some additional context on the question of whether retailers could mitigate under-recovery risk by accelerating smart meter deployment, including by prioritising standing offer / DMO customers.

We would like to reiterate that the risks to retailers arising from the proposed approach in the draft determination extend beyond standing offer customers, noting that the DMO also serves as an anchor price for market offers. However, even if accelerated meter deployment were considered for standing offer customers, in practice there are several constraints that mean this approach is unlikely to be feasible or cost-effective. Selective acceleration is not simply a matter of "doing the same work sooner for fewer customers". It would require material changes to approved delivery plans, is likely to increase per-meter costs, and would still leave retailers exposed to timing risk until the rollout is largely complete.

Feasibility and operational constraints

The legacy deployment plan was jointly developed with metering coordinators (MCs), DNSPs and retailers, and approved through established governance processes. Delivery models, resourcing and route planning are built around that plan, with deployments scheduled on a geographic and operational basis (including route density, safety requirements and shared-fuse scenarios), rather than by customer cohort.

Attempting to prioritise standing offer customers would cut across efficient routing, stretch limited field resources, and materially increase truck rolls and repeat visits. Many sites also require coordinated customer appointments, repeat visits for no-access, and multi-party industry coordination. Reprioritising volumes away from an approved plan is likely to increase failed visits and elongate overall timelines and may place compliance with the AER-approved LMRP at risk. The LMRP was agreed based on technician availability over a multi-year period, particularly in remote and regional areas, and shifting priorities could have adverse implications for those communities.

Cost and efficiency impacts

Prioritising a subset of the rollout does not deliver proportional cost savings. Mobilisation, scheduling overheads and field workforce costs are largely fixed, while selective acceleration reduces route density and drives higher travel time, repeat visits, after-hours or expedited work, and increased call-centre and customer communications. In practice, this could result in a cost premium for early deployment to standing offer customers, while the remaining rollout still needs to be completed under the base plan with reduced efficiency due to disrupted sequencing.

Contractual and commercial constraints

From the introduction of the LMRPs, meter deployments are structured around the AER-approved rollout schedule (including volumes, sequencing, workforce ramp-up and access windows). Material reprioritisation to the annual work program requires the agreement of the contract parties. Even with accelerated efforts, non-completion rates are likely to persist, with around 10–20% of sites affected by long-standing defects likely to remain unresolved and stay on basic meters.

Delivery would also become more reliant on distributor field support, particularly where isolation works are required. This is a material constraint in NSW and QLD, where such sites represent close to 30% of the population, making the Essential Energy and Energex footprints especially challenging. At the same time, retailers must continue to meet minimum compliance under the approved LMRP, with any activity beyond mandated volumes placing additional pressure on resources. As a result, a sizeable number of sites are likely to remain on basic meters due to access issues, unresolved defects or customer refusal.

Residual timing risk

Finally, accelerating deployment for only the standing offer cohort would not eliminate timing risk. Any delays or constraints in field delivery mean retailers remain exposed until rollout is substantially complete. At best, partial acceleration may reduce exposure at the margin, but it does not address the underlying risk and is likely to do so at a disproportionate incremental cost, while potentially increasing customer disruption through additional appointment attempts, repeat visits and complaints.

Please contact me if you would like to discuss these matters in further detail.

Regards

Sean

Sean Greenup
Group Manager – Retail Regulatory Policy

T [redacted] **M** [redacted] **E** [redacted]
originenergy.com.au