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Via email: [aer inquiry@ aer.gov.au](mailto:aer inquiry@ aer.gov.au)

## **Re: Interval Meter Reassignment Requirements**

AGL Energy Limited (**AGL**)<sup>1</sup> welcomes the opportunity to comment on the "Interval Meter Reassignment Requirements Draft Decision" issued by the Australian Energy Regulator (***The Draft Decision***).

### **General Comments**

AGL believes that the proposed new obligations in the Draft Decision should be reviewed in light of the industry-agreed AMI implementation process and the existing industry process and obligations. It is generally acknowledged that the mass rollout of AMI is a complex logistical exercise that requires a whole of industry approach to achieve cost and process efficiency. To this end, the retailers, distributors and NEMMCO have been working with the Victorian project office to develop plan and process for the rollout program, which is in its advanced stage of readiness for the impending rollout from the second half of calendar year 2009.

The provision and communication of information between retailers, distributors, NEMMCO and customers is a key element of this planning and process development. Due to the large volume of transactions, the provision of information is necessarily comprehensive and detailed at NMI level to ensure that the IT systems can process them accurately and in timely manner.

However, these information transfer processes are subject to various physical rollout scenarios and readiness of system that affects the timing and content of notifications, either between distributors and retailers, or with the customers. These scenarios lead to the possibility that not all exchanges would result in changes in distribution tariff and that not all changes in distribution tariff would entail a change in retailer tariff.

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<sup>1</sup> AGL is Australia's largest retailer of gas and electricity with around 4 million customer accounts in New South Wales, Victoria, South Australia and Queensland (including ActewAGL). AGL has significant investments in upstream energy markets. We own and operate 645 MW of hydroelectric power generation assets, the 1280 MW Torrens Island Power Station and the Somerton gas-fired power stations. AGL also has a 32.5% equity investment in the Loy Yang A power station.

In light of this, AGL strongly recommends that the following factors are considered in the setting of interval meter reassignment requirements (**IMRR**):

1. Communication requirements between distributors and retailers on network tariff reassignment; retailers and customers on retail tariff change; and distributors and customers on AMI meter exchanges are considered separately and consistent with the relevant industry processes;
2. Provision of general information and transactional advice to customers are separately addressed and consistent with the relevant industry processes; and
3. Requirements are applied equally to all customers consuming less than 160 MWh of electricity per year.

## **Specific Comments**

### Regulatory Framework for the Draft Decision (Section 1.2)

AGL acknowledges that clauses 2.1.22(iii) and 3.1.14(iii) of the price determination stipulates that a distributor is not permitted to reassign a customer to a TOU distribution or transmission tariff if their consumption is less than 20 MWh per annum unless the IMRR requirements have been published by ESCV.

AGL further notes that clauses 2.1.21 and 2.1.22 (i) and (ii) of the price determination permit a distributor to reassign a customer to TOU tariff whose consumption is greater than 20 MWh per annum subject to prescribed timing and provision of information.

AGL is concerned that these provisions may lead to two different sets of tariff reassignment and customer notification requirements when there is no real need for doing so. At the time of price determination in 2005, a full and accelerated rollout of AMI meters across Victoria was not contemplated. That has changed under the current Order In Council for AMI meters that now mandates the replacement of all sub-20MWh meters with AMI meters. Hence, the interpretation of the clauses on tariff reassignment and customer notifications should necessarily reflect the shift in the intent of policy and legislative requirements of AMI meters.

Further, it should also be pointed out that clause 2.1.20 of the price determination has envisaged that the distributors may reassign a customer to a different distribution tariff if they believe that there is a change of load or connection characteristic such that the existing tariff is no longer appropriate. AGL believes that this clause applies to all customers irrespective of whether they consume greater or less than 20 MWh of electricity. This change of load and/or connection characteristic can be expected as distributors introduce TOU tariffs and customers become aware of the benefits of changing their load consumption profile.

AGL strongly encourages the AER to determine a single set of regulatory requirements for tariff reassignment and customer notifications for all customers consuming less than 160 MWh of electricity per annum.

### Circumstances in which customers can be reassigned to a TOU network tariff (Section 2.1.1)

AGL agrees with the AER's view that a distributor is permitted to reassign a customer to a TOU tariff only when interval data is available at a connection point.

However, in determining the customer notification timing and information requirements, it is necessary to recognise the implementation strategy and the practicality of AMI meter exchange process that can influence the sequence and timing of network tariff reassignment for each NMI.

An important consideration is that the installation of an AMI meter may or may not result in a change in network tariff. AGL understands that distributors are at varying stages of system readiness (for example billing system) and may not be introducing TOU tariff as part of the meter exchange process. This implies that while interval data may be collected by the new AMI meters

and is capable of supporting a TOU tariff, the distributors may choose to defer the reassignment of TOU tariff at a later time after the completion of AMI meter exchange.

This planning and implementation uncertainty suggests that the timing for the notification of tariff change may be independent of the meter exchange process and the availability of interval data. It highlights the potential risk of creating customer confusion when the timing of meter exchange, tariff reassignment and customer notifications is closely linked, which AGL believes is an apparent assumption in the AER's proposed IMRR.

To recognise and minimise this risk, it is strongly recommended that the timing of customer notification on tariff reassignment be defined as two independent obligations: one between the distributor and the retailer that is based on an industry agreed notification process; and a separate one that is based on the existing retailer obligation to notify customer of retail tariff change. This approach is elaborated in the next few sections.

#### Coordination of customer notification (Section 2.3.1)

AGL supports the AER's proposal that the distributor would notify the retailer of any network tariff reassignment, which AGL strongly believes should apply under all circumstances during or after the meter exchange. AGL also acknowledges the AER's recognition of the role the retailer would play in subsequent customer notification and the management of the impact of network tariff may have on retailer tariff and customers.

However, AGL questions the efficacy for notifying customers on the basis of a change in network tariff as suggested in the AER's Draft Decision. As many retailers including AGL had pointed out in earlier submissions to ESCV that there may not be any change in retail tariff as a result of a reassignment in network tariff. In these cases, the reassignment of network tariff has no impact on the customers. Hence, it is meaningless and potentially confusing for the customers to be notified of a change in network tariff especially when it is bundled in the retail tariff and not discernible to the customer. In the context of tariff notification, AGL strongly recommends that customer should only be notified if there is a change in the retailer tariff as a result of a reassignment of network tariff.

AGL acknowledges that the AER is concerned with the compliance requirements in the price determination on customer notification in network tariff reassignment. AGL strongly encourages the AER to consider the possibility that such notification may be provided through the publication by the distributors of a network tariff table.

This approach has the benefits of informing both the retailers and customers in advance of the likely impact of network tariff reassignment. The retailer would be able to plan more effectively for potential retail tariff change for each individual or a group of customers. Any customer who may be concerned with the impact of AMI on their tariff could contact their retailer, either before or after the scheduled meter exchanged date, to determine the most appropriate tariff for their particular needs.<sup>4</sup> In this way, the risk arising from the meter exchange planning and implementation uncertainty including the reassignment of network tariff will be significantly

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<sup>4</sup> Under clause 4.3 of Energy Retail Code, a retailer must provide a customer with reasonable information on charges including the network charges; and under clause 26.4(a), on request, a retailer must provide a customer with reasonable information on tariff that the retailer may offer to the customer within 10 business days

mitigated for the customer notification process which should only apply to those customers whose retail tariff are affected.

Under Energy Retail Code clause 26.4(b), a retailer must give notice to a customer of any variation to the retailer's tariffs that affects the customer as soon as practicable but no later than the customer's next bill. AGL envisages that this obligation would apply to those customers whose retail tariff is affected by an AMI network tariff reassignment. As this is an existing obligation, the incremental cost of compliance would be kept to a minimum. In contrast, the AER's proposed new clause 26.8 for a 10 days notification for all customers with reassigned network tariffs would impose significant compliance cost for the retailers. AGL strongly believes that this is neither justifiable nor warranted. Hence, AGL does not support the inclusion the new clause 26.8 proposed in the Draft Decision.

#### Timeframe for providing customer notification (Section 2.3.2)

As discussed earlier, AGL expressed the view that timing for customer notification should consist of two independent notification obligations: one between distributor and retailer on network tariff reassignment; and the other between retailer and customer on retail tariff variation.

AGL strongly recommends a minimum advance notification period of 30 days, but up to 60 days, of any reassignment of network tariff by the distributor. This would ensure the retailers have sufficient time to process the request and prepare the system for the change.

As indicated earlier, this notification should be independent from the timing of meter exchange notification as tariff reassignment could take place after the AMI meter is installed and is not necessary linked to the availability of interval data.

In addition, if the proposed change of network tariff also changes the retail tariff that affects the customer, then the retailer must advise the customer in accordance to clause 26.4(b) of the Energy Retail Code as soon as practicable but no later than the next bill. AGL believes that this obligation is reasonable and provides sufficient notice to customer of any change in the retail tariff.

AGL strongly believes that this timing and notification approach is practical and cost efficient which provides customer sufficient opportunity to respond to AMI and minimises the potential risk of confusion.

#### Information required as part of the customer notification (Section 2.3.3)

AGL strongly recommends that the distributor provides the retailers with sufficient details of the network tariff reassignment for each customer and the proposed date of change. AGL is of the view that it is undesirable to provide this information as part of the AMI meter exchange as it does not necessarily correspond to the date when the distributor will exchange the meter or when the distributor would actually change the network tariff. In addition, it would greatly increase the cost for the retailers to receive extraneous B2B or email notifications from distributors regarding network tariff reassignment that may or may not actually occur within a predefined date range.

Once the installation of AMI meter is completed, the retailers must be provided with a notification on any change of network tariff for a specific NMI or group of NMIs that include the future date at which the tariff would be reassigned and the applicable network tariff.

In order for the retailers to provide reliable and timely notification or advice to customers, in terms of retail tariff and network tariff advice and its timing, AGL believes that the distributor would need to provide sufficient lead-time of between 30 to 60 days for the change of network tariffs.

## Conclusion

AGL strongly encourages AER to reconsider its proposed information provision and customer notification requirements in the Draft Decision to ensure that it is consistent with the industry AMI implementation process, existing retailer obligation on tariff notification and is efficient and cost effective for large scale meter exchange and customer notifications requirements.

Should you have any questions regarding this submission please contact Kong Min Yep on (03) 8633 6988 or [kongmin.yep@agl.com.au](mailto:kongmin.yep@agl.com.au).

Yours sincerely



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