



AGL Energy Limited  
T 02 9921 2999 Level 24, 200 George St  
F 02 9921 2552 Sydney NSW 2000  
agl.com.au Locked Bag 1837  
ABN: 74 115 061 375 St Leonards NSW 2065

## Australian Energy Market Commission

Submitted online

**ERC0241**

---

14 June 2018

### **AEMC Consultation - National Energy Retail Amendment (Estimated meter reads) Rule 2018**

AGL Energy (AGL) welcomes the opportunity to comment on the National Energy Retail Amendment (Estimated meter reads) Rule 2018 consultation paper.

AGL support the principle of allowing customers to provide their own meter read to a retailer and AGL is already providing this service to our customers. Therefore, we do not consider the AEMC should make a Rule to give effect to this requirement.

First and foremost, AGL consider that the market is already responding appropriately, with retailers already offering self-reads. The AEMC should seek to regulate where there is a market failure in consumer protection, and in this case, while the rule change may improve customer satisfaction, it will not necessarily improve customer protections. Making the Rule could potentially impair competition and take competitive advantage away from retailers that already offer the service as a value add to attract and retain customers.

Additionally, AGL's own experience since we began offering this service across all our channels in July 2017 has seen that self-service meter reads (SSMR) does not have a significant impact on the overall number of estimates used. What SSMR does create however, is an opportunity to start a conversation with customers to understand billing, usage and estimations and can help reduce customer confusion and dissatisfaction.

AGL recommend that the AEMC does not need to regulate as the market is already responding to this service offering. However, if the AEMC determines the rule change should be progressed, then the AEMC should consider:

- Adopting a flexible, light-touch regulatory approach to allowing customers to provide SSMR, particularly as some retailers are already offering this in different ways. For example, how SSMRs are submitted should not be prescribed as this allows retailers to offer solutions that suit their customers and their processes.
- Be cognisant of both the flow of meter data across wholesale, network and retail processes and the roles estimates play within those processes. Specifically, create a category for customer reads that sits between an actual and an estimate in the read



hierarchy as well as ensuring distributors are required to accept and validate the read and use them for network billing,

The following information includes a table that outlines AGL's position on the AEMC consultation questions, other matters for AEMC consideration and information regarding the use of estimates. AGL has also included a confidential attachment to highlight our SSMR process. This is commercially sensitive, and we request it remain confidential.

Should you have any questions or comments, please contact Kathryn Burela on [REDACTED] or [REDACTED].

Regards

Elizabeth Molyneux

General Manager Energy Markets Regulation



## Consultation responses table

AEMC considerations	AGL response
<p><b>Accepting self-meter reads</b></p>	<p>AGL support customers being able to submit their own meter reads in place of the use of an estimate and consider there is already scope in the regulation to allow for this, given some retailers already offer the service. The market development of the process to date has also meant that retailers have been able to develop the service in a format that suits the retailer’s systems and processes, which ultimately means the services is delivered at least cost and maximum benefit to the customer.</p> <p>For example, different meters can be more difficult to read, i.e. clock-face meters. Through the market development of the service, AGL provides guidance on how to read different meter types and encourage the AEMC to consider this issue if they decide to make the regulation.</p>
<p><b>Timeframe for accepting self-meter reads</b></p>	<p>The timeframe for the submission of a self-read should be 5 business days instead of 7. This aligns with when retailers receiving actual reads from distributors within 5 business days of the next scheduled meter reads. AGL’s preference is to use an actual if available.</p>
<p><b>Adjustments to estimated bills</b></p>	<p>AGL support the adjustment of customer bills where a self-meter read has been provided by the customer within 21 days of receiving an estimated bill. AGL can make an adjustment any time up until the next bill is generated.</p>
<p><b>Bills based on grossly inaccurate meter reads</b></p>	<p>Within the energy market, the Meter Data Provider (MDP), who is generally the Distribution Network, is responsible for providing the meter data, including provision of an estimate where no actual meter read is available.</p> <p>The processes used to generate an estimated bill are mandated in the AEMO Metrology Procedures which the MDP must follow, and under which they are audited by AEMO to ensure they are following the correct procedures.</p> <p>AGL does not support the inclusion of civil penalties for ‘grossly inaccurate’ estimates. Retailers have no control on providing the customer with an actual read and the MDP will determine the estimate in accordance with the AEMO Metrology procedures.</p> <p>The only time retailers generate estimates for customer bills is where the MDPO has not provided any data or where the estimate is part of a bill smoothing process agreed with the customer, and this is done in accordance with National Energy Retail Rules (NERR) section 21 which mandates the methods which can be used to generate the estimate.</p> <p>Attaching civil penalties will not increase the accuracy of retailer estimates or alter the retailer’s ability to determine whether the customer has changed their usage or acquired new appliances which may impact the estimate/actual.</p>



<p><b>Requiring more frequent actual meter reads or banning estimation</b></p>	<p>Estimated meter reads remain an important part of customer/energy interactions and we do not support requiring the use of more frequent actual meter reads or banning estimations. Factors often out of the retailers control can influence the availability of an actual meter read, and estimates help inform many different products and processes undertaken by AGL. Less than 4% of AGLs bills are based on estimates (either retailer calculated or distributor).</p> <p>AGL has a number of products and offerings that utilise estimation including our hardship program which uses estimations to determine a customer’s forecast usage, which indicates the delta between their customers payments and their consumption.</p>
--	--

**Other matters**

**Analogue Meter Readers** - to help improve the collection of actual reads, the AEMC should consider other options such as the installation of analogue meter readers for gas meters by gas distribution networks. Customer effort is an issue with allowing self-meter reads. We have found that some customers dislike having to do the work for the retailer/distributor. Analogue meter reads take out the effort for the customer and while simultaneously improving the quality of the reads.

To save on costs, these could be placed with relative ease when an actual meter read takes place or through a customer led program to encourage customers whose gas bills are based on an estimated because of access issues to request the technology. This would also align with the current Power of Choice metering program that allows customers to proactively request to upgrade their accumulation meter with a digital and reap the benefits of more accurate billing.

**Adjustments and forecasting** - if a retailer makes an adjustment based on a customer self-read and the network does not receive this self-read, then there is a mismatch in data that can impact forecasting systems. We have included a process map of meter data at the end of the Attachment. While we currently send Jemena Gas customer own meter read which they validate and return to us with no attached fees or charges, we have found that other distributors are less inclined to accept these submissions.

In our experience electricity distributors are resistant to this and regularly ask for a picture of the meter (with a newspaper to show the date), which is not practical for customers (i.e. there may be safety issues with trying to obtain a photo). In the market, a customer read is still considered an estimate. Creating a category specifically for customer reads that sits between an actual and an estimate in the read hierarchy and ensuring distributors are required to accept and validate the read and use them for network billing, would be beneficial.

**Customer transfers** – AGL does not support the concept of a customer transferring on an estimated or self-meter read. Given other obligations on industry for an annual actual read, this provides an opportunity to physically view the meter, which helps to ensure that the meter has not been tampered with and does not pose a danger to the customer or meter readers.



AGL also notes that if transfers on estimates or customer own reads were introduced without thoroughly addressing the above issues then we may confront a large volume of difficult billing, settlements and reconciliation issues and disputes between multiple participants, as well as potentially increasing illegal usage and reducing the capability to physically sight the meter to ensure its integrity.

**Access issues** - remain the most common cause of transfer delay, many of which result from access issues / customer acts or omissions, or historic outcomes where meters were installed inside properties. Examples of this are shown below. Although some distributors have very good appointment systems, we understand that in some regions a customer may be required to wait at home for up to 4-5 hours for a scheduled visit or scheduled appointments are not offered at all.

## Estimations

### Why do estimations occur?

Bills are estimated when an actual read is not available on a customer's scheduled bill date, there are three main reasons this can occur:

1. The distributor is unable to obtain an actual read from the customers property, this could be due to access issues (locked gate, dog on property etc), or if the distributor does not have capacity to complete all scheduled reads in required time frame. In this case the distributor will send AGL an estimated read
2. The distributor does not provide AGL with a read for the customers property. Once all avenues to obtain a read have been exhausted (including proactively requesting an SSMR) we will utilise an AGL estimate to ensure the customer's bill is not delayed
3. The customer is on AGL's Monthly Billing product and does not have a smart/digital meter. Reads for basic meters are predominantly taken quarterly, so an actual read from the distributor is not available to use for billing every month. In this case there are two options for generating the bill on the customers selected date:
  - Proactively request an SSMR to bill the customer on. Current results show ~10% of customers contacted are providing reads to be billed on.
  - Utilises an internally calculated estimation to generate the customer's bill.

In all cases when an actual read is received from the distributor we will validate the reads used for billing and make any necessary adjustments which will be applied to the customers following bill.



### **Why estimations are important**

The majority of AGL customers have basic meters, for which it is critical to have accurate estimation capability. Power of Choice mandates all new Electricity meters, and replacements need to be digital, but it will take many years to remove basic meters from our industry. There are presently no plans to allow for Gas digital smart meters to be installed.

As retailers are required to issue a customer bill every 100 days, and the NRR requires the bill to be based on some mechanism to determine usage (as dictated by NRR clause 21), retailers are obliged to use estimates where no actual read is provided.

The proposed rule has not dealt with network charges and networks would continue to estimate customer usage and charge the retailers based on this estimate. This leads to a mismatch between what the network can charge the retailer and what the retailer can charge the customer.

Further, as shown in our diagram of meter data flows below, there are multiple processes and participants impacted by the use of meter data. When reviewing the use of meter data, it cannot be done in isolation to the retailer billing component, as the same meter data is used in wholesale settlements, forecasting, network and AEMO fees etc.

It would quickly become uneconomical to remove estimations where an actual read cannot be obtained. Monthly Billing with a basic meter could no longer be offered unless customer committed to consistently provide SSMR monthly before their scheduled bill date

### **Using estimates**



The main issue with accuracy is for new customers where we have no historical consumptions for their site to base the estimation on, in these cases average consumption for the state/fuel is used. While SSMR is an excellent tool to avoid an estimate, very few customers are regularly providing SSMR's to avoid estimations.



### **Ensuring accuracy of estimations**

We have a number of processes that are in place to determine if we believe the read the customer is to be billed on (regardless of quality) is accurate, and in line with previous billing. The exception processes include:



### **Volume of estimations by reason**





Most customers who receive an estimate are aware that their bill will be estimated as they have chosen to sign up to AGL's Monthly Billing product.

██████	██████	██████
██████	██████	██████
██████	██████	██████
██████	██████	██████

In Victoria, with the roll out of the Advanced Metering Infrastructure, for customers with smart meters over a month we billed ██████.

The estimated bill figure is not the full bill, it is a portion of the bill, even where only one interval read is missing.

### Calculating estimations

Meter Data Providers are required to use the Metrology Procedures as prescribed by AEMO when calculating an estimate. These are the market approved methodologies which these parties are obliged to use when producing an estimate. This methodology can often result in bills being underestimated.

AGL have various algorithms that are used to calculate consumption when actual meter data is not available to bill a customer.



### Changing estimation rules

Increasing the frequency for which an actual meter read must take place (i.e. every 6 months or 3 months) will not reduce the number of estimates as most estimates that occur are due to matters outside of a retailer or distributors control including:

- Customer act or omission (i.e. locked gate, dog in yard)
- Overgrown vegetation
- No access issues
- Safety issues.



Estimations are an integral part of the energy industry, and the energy settlement process administered by AEMO. Therefore, our recommendation is not to pursue “zero estimations” but instead focus on reducing the cause of the estimations and errors which can occur in the estimation process.





### Metering data flow diagram

