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10 July 2020

Ms Rebecca Knights
Director, Energy Policy & Projects
Energy and Technical Regulation
Department for Mining and Energy
Level 8, 11 Waymouth St
Adelaide SA 5000

Submitted electronically: ETRConsultations@sa.gov.au

Dear Ms Knights,

Re: Consultation on the Proposed Smart Meter Minimum Technical Standards in South Australia

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to respond to the South Australian Government (the SA Government) on the consultation on the proposed smart meter minimum technical standards in South Australia (the consultation paper).

The SA Government is acting on advice from the Australian Energy Market Operator (AEMO) that “low demand conditions could represent a real risk of the supply of electricity being disrupted to all or part of the South Australian community.”¹ Red and Lumo are firm advocates for a national regulatory framework and in principle do not support jurisdictional specific regulation unless there is a specific need. While the need in South Australia is reported as being an urgent one, we remain concerned that this consultation is too rushed and inadequate time is being taken to consider the regulatory options, cost implications, and communication plans to ensure positive customer outcomes.

Outcome based regulation

Consistent with the current metering service specification in the National Electricity Rules (NER), Red and Lumo strongly consider that the best solution is to regulate the outcome rather than the technical solution. The SA Government should therefore place the onus on the

¹ Government of South Australia, Department for Energy and Mining, Consultation on the Proposed Smart Meter Minimum Technical Standards in South Australia, June 2020, p3

competitive market to develop metering solutions, in the most efficient and effective manner to deliver the stated goals of the regulation.

The consultation paper is seeking a mandated technical solution to control solar generation at times of heightened solar output and low consumption. Currently, the consultation paper proposes that all smart meters “installed at a connection point in South Australia must have a minimum of two elements with a contactor in each element.”² However, the desired outcome is to: *measure and control customer’s generation separately from a customer’s consumption.*

Outcome based regulation will result in retailer’s installing meters to meet this desired approach, whilst not requiring costly meters that are over specifications to be installed at sites where they are not required. Retailers and metering coordinators have commercial incentives to ensure that the meter installed suits the customer’s electricity needs. Prudent retailers will have contracts to ensure efficient cost allocation, for example refurbishing meters that have been removed from a single phase site to reinstall that same meter at a new site to avoid stranded assets. This approach will also lead to customers having lower metering costs, for example an apartment block is unlikely to have generation and therefore will not require the additional specifications and associated wiring, installation and metering costs.

This proposal as it is currently drafted will lead to a wide range of properties being installed for smart meter functionality they do not require, which will inevitably increase the overall cost to retailers and therefore consumers.

The SA Government has raised concerns that without specifying the technology, it could lead to customers having multiple meter changes. Outcome based regulation will place the commercial incentives on retailers to avoid a poor customer experience and any additional costs to be incurred by the customer

Nationally consistent regulation

The SA Government has formed a belief that there is a need for urgent, jurisdictional specific regulation as AEMO has identified an impending risk to grid stability. Red and Lumo strongly urge the SA Government to raise a rule change request to implement a revised, nationally consistent minimum metering specification. On the basis of the suggested urgency in the AEMO report, any new regulations in SA should only apply until the national framework is updated.

However, the proposed changes from the SA Government will only apply to meters installed after the regulations come into effect with all existing metering configurations grandfathered. This would mean that only a very small proportion of consumer sites would have the metering

² Ibid, p4

capable of the technical requirements that are proposed by AEMO in time for the potential summer impact of high solar generation and low grid demand. The vast majority of sites will instead be installed with the current metering configuration meaning that the number of sites with the capacity to respond to this potential risk will be negligible.

Rather than looking for a short term, high cost solution, with minimal impact, we encourage the SA Government to engage with industry stakeholders on potential alternative arrangements which may be able to be implemented in the short term while a national rule change along with a full and detailed consultation is completed.

If the SA Government believes that this metering change is crucial for system security, it should propose a change to Chapter 7 of the NER. This would allow for an appropriate national assessment of metering solutions, costs and benefits. If the SA Government insists on the urgent need for this change it should only propose any jurisdictional specific regulations as an interim measure to fill the void until national regulations are established.

Potential customer costs

The SA Government has articulated that the benefits of these suite of changes are to protect South Australian consumers from widespread blackouts as a result of excess generation and constraints in the network. While the expected benefits articulated in the consultation paper are at the market level, Red and Lumo remained concerned about the inevitable costs borne by individual customers. In particular, the consultation paper does not address increased metering costs for all customers, and where relevant reduced export from solar systems and higher consumption for customers installing solar.

While consumers will immediately be impacted with higher costs for metering installed at their property they will also face reduced revenue and a lower return on investment with their solar system stopped from exporting without their knowledge or consent on days they may have expected to generate higher exports.

A further impact on consumers' bills will be the increased consumption at their property when their solar output is remotely shut off. This measure, complemented by the new tariffs should incentivise consumers to use power during the day when their panels are generating to reduce their energy bills. If their solar generation is remotely disconnected, it will be unlikely that customers would be capable of quickly changing their behavior in response. Therefore there is an unintended consequence that consumers will face bill shock with higher consumption, lower export than anticipated.

Customer communication

Red and Lumo query how consumers will be informed of the proposed technical changes to their smart meter and the associated costs as well as the potential impact on their solar generation and feed-in tariff.

Should the SA Government elect to continue with this proposal and implement jurisdictional specific regulation, a government-led communication program for all SA customers will be imperative. This communication should cover exact details for consumers including:

- How the changes mandated by the SA Government will operate
- How the solar system generation and export for consumers will be impacted
- The potential financial impact on consumers
- The financial costs of the proposed changes on metering providers
- How their solar system will be controlled and by whom

The Energy and Water Ombudsman South Australia (EWOSA), retailers and other industry stakeholders should be able to link customers to this information published by the SA Government. It must be clear and widely available for any consumers who wish to understand whether solar is right for them, and for those who have questions regarding reduction in their solar output and any associated increase in their invoices.

About Red and Lumo

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

Red and Lumo thank the SA Government for the opportunity to respond to its consultation paper. Should you wish to discuss aspects or have any further enquiries regarding this submission, please call Stephen White, Regulatory Manager on 0404 819 143.

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