



HOUSING INDUSTRY ASSOCIATION



# Housing Australians



## Reforming Building & Planning Laws

Submission to the Independent Pricing and Regulatory Tribunal (IPART)

**IPART Review of electricity retailer's metering practices in NSW**

3 August 2018

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## ABOUT THE HOUSING INDUSTRY ASSOCIATION

The Housing Industry Association (HIA) is Australia's only national industry association representing the interests of the residential building industry, including new home builders, renovators, trade contractors, land developers, related building professionals, and suppliers and manufacturers of building products.

As the voice of the industry, HIA represents some 40,000 member businesses throughout Australia. The residential building industry includes land development, detached home construction, home renovations, low/medium-density housing, high-rise apartment buildings and building product manufacturing.

HIA members comprise a diversity of residential builders, including the Housing 100 volume builders, small to medium builders and renovators, residential developers, trade contractors, major building product manufacturers and suppliers and consultants to the industry. HIA members construct over 85 per cent of the nation's new building stock.

HIA exists to service the businesses it represents, lobby for the best possible business environment for the building industry and to encourage a responsible and quality driven, affordable residential building development industry. HIA's mission is to:

*"promote policies and provide services which enhance our members' business practices, products and profitability, consistent with the highest standards of professional and commercial conduct."*

The residential building industry is one of Australia's most dynamic, innovative and efficient service industries and is a key driver of the Australian economy. The residential building industry has a wide reach into manufacturing, supply, and retail sectors.

The aggregate residential industry contribution to the Australian economy is over \$150 billion per annum, with over one million employees in building and construction, tens of thousands of small businesses, and over 200,000 sub-contractors reliant on the industry for their livelihood.

HIA develops and advocates policy on behalf of members to further advance new home building and renovating, enabling members to provide affordable and appropriate housing to the growing Australian population. New policy is generated through a grassroots process that starts with local and regional committees before progressing to the National Policy Congress by which time it has passed through almost 1,000 sets of hands.

Policy development is supported by an ongoing process of collecting and analysing data, forecasting, and providing industry data and insights for members, the general public and on a contract basis.

The association operates offices in 23 centres around the nation providing a wide range of advocacy, business support including services and products to members, technical and compliance advice, training services, contracts and stationary, industry awards for excellence, and member only discounts on goods and services.

## 1.0 INTRODUCTION

The Housing Industry Association (HIA) welcomes the opportunity to provide a submission to the Independent Pricing and Regulatory Tribunal (IPART) regarding this review. Many of our members across New South Wales (NSW) have been significantly impacted by the contestable metering (Power of Choice) reforms that were introduced in December last year.

The introduction of these new requirements has meant that builders and owners of newly constructed homes have faced significant delays in getting power provided to site and meters connected. In some instances members have experienced delays upwards of 16 weeks but more commonly 8-12 weeks for a process that previously took on average 1-2 weeks.

In many situations members have completed new homes ready for handover to homeowners however, homeowners have not been able to move in due to the delay in connecting the new smart (advanced) meters. This has occurred despite requests for meters being placed with retailers at the commencement of the building project.

Further to this HIA is aware of situations where homeowners have moved into newly constructed homes relying on temporary generators or power poles whilst waiting for a meter to be installed at their home.

We are also aware of a small number of instances where builders have either been required to pay liquidated damages to home owners due to a project running over time and where builders have had to pay additional rent for a homebuyer or assist with temporary accommodation as a result of these delays.

Conservatively we have estimated these costs alone adding a minimum of \$2,000 to the construction of a new home. To multiply these costs across the number of new home built in affected parts of NSW over the last 6 months, and predicted to be built in the next 6 months, is a significant amount.

Any assistance to resolve these problems arising from the review by IPART and subsequent action taken by the NSW Government will be very welcome to the home construction industry. The long delays which are being experienced by builders and homeowners in regional areas of NSW have caused and will continue to cause significant disruption to the industry. It is important that an expedited resolution to these issues faced by builders, electrical contractors and ultimately, homeowners is found.

## 2.0 LEGISLATIVE CHANGES

The current situation regarding smart meters has come about as a result of implementation of the Power of Choice reforms by the Commonwealth Government under broader reforms of the national electricity market. These changes do not affect NSW alone, there are also problems occurring in Queensland, ACT, Victoria and South Australia.

In NSW new legislation was enacted in March 2016 to introduce the new arrangements. The **Electricity Supply (Advanced Meters) Bill 2016** introduced into the NSW Parliament aimed at delivering a voluntary, market-led roll out of smart meters across NSW. A media release issued by the then Minister for Industry, Resources and Energy stated *“the Bill also allows retailers and meter providers to compete for customers”*.

An additional benefit of the legislation was to be “*the pool of available meter installers increase significantly from 2,000 to potentially around 35,000 qualified electricians*”. The then Minister for Innovation and Better Regulation indicated that “strict installation safety standards, which exist in NSW, continue to apply”.

In terms of chronology, the legislation passed both Houses of the NSW Parliament on 22 March 2016 and Royal Assent was received on 6 April 2016. Commencement of the legislation was notified by Proclamation signed 29 June 2016 and began on 1 July 2016. It was not until 1 December 2017 when the new ‘Power of Choice’ regulations commenced in NSW.

After 1 December 2017, the previous arrangements for installation of meters no longer applied and retailers became responsible for this service.

HIA recognises the background to the Power of Choice reforms and the potential benefits they are hoped to provide homeowners including greater choice, more accurate billing and potential bill savings. Whilst well-intentioned, the implementation on the ground of the rollout of smart meter connections to new homes has been and continues to be extremely problematic.

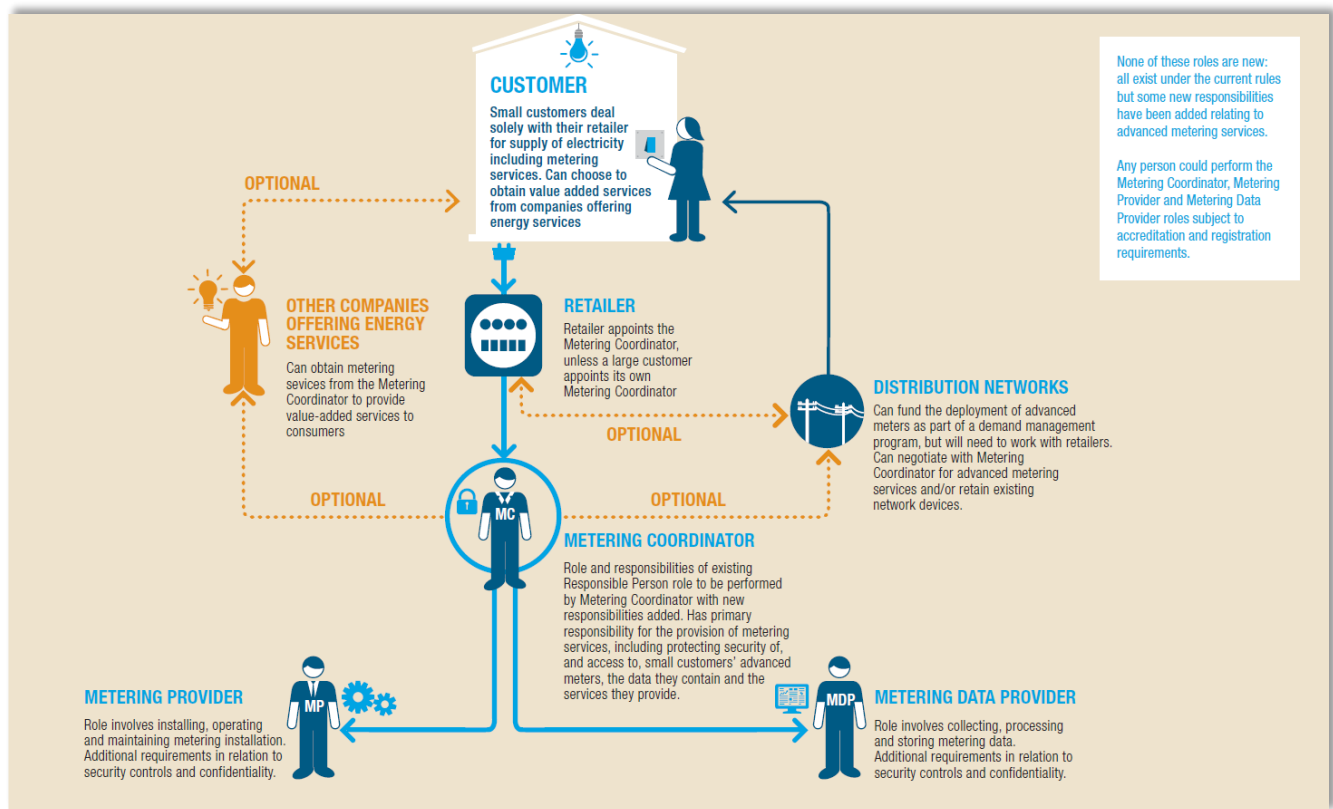
IPART should be aware that this issue has been acknowledged by the Commonwealth Government and the Minister for the Environment and Energy has asked the Australian Energy Market Commission (AEMC) to consider a rule change that improves the meter installation process for customers. A consultation paper on the proposed rule change was released in May 2018 and submissions on the proposal were invited. HIA made a submission on the proposal and a copy of HIA’s response is attached to this submission.

### 3.0 NATIONAL METER IDENTIFICATION (NMI)

HIA has received feedback from a large number of members dissatisfied with the lack of efficiency and customer service being delivered by electricity retailers under the new arrangements. In order to try and attempt understanding the current roles and responsibilities to pin point a cause or reason for the increasing delays and poor service HIA tried to find a flow chart that shows who has responsibility for each step in the new process.

The AEMC released an information note dated 26 November 2015 titled “*Competition in metering services*”. This note included a flow chart that was intended to show how the changes would work once implemented. It is relevant to point out that despite the significance of the changes made on December last year, they did not create any new roles. The roles all existed under the previous rules but simply added some new responsibilities in respect of advanced metering services. A copy of the information note can be found here: <https://www.aemc.gov.au/sites/default/files/content/87a49036-707f-446b-92fb-b333543da21b/Information-sheet-overview.PDF>

## Roles and Responsibilities



Source: AEMC (November 2015)

The majority of the issues now being encountered by builders appear to be the result of the splitting of duties between retailers and network providers and their contractors under the National Energy Laws. What was previously a very simple task that involved a simple call made by the builder or the builder's electrical contractor to the electricity distributor has become complex to the extreme. The transition to the new arrangements have been poorly managed, the new system appears convoluted and no one knows who is directly responsible for that step in the process.

Based on information provided by HIA members, it is understood the first step in the process of arranging a new electricity connection for a detached house is to apply for a NMI number from an electricity retailer. The application process for an NMI usually requires using an online portal on the electricity retailer's website. Information provided by retailers indicates that this process should take between 2 and 5 working days.

Members have reported this process sometimes taking several weeks to be completed. Because communication between the home builder and the electricity retailer is managed using the online portal, complaints about poor service and long delays have to be reported in the same way. Members have expressed frustration with this process and lack of transparency and communication with their customers. Improvement in the communication process between those applying for a NMI number and the electricity retailer should be a desired outcome from the IPART review.

The process of obtaining a NMI number becomes much more difficult if the land is unregistered and does not have a formal street address. In NSW many homes in greenfield areas are constructed before the subdivision plan has been registered with the Registrar-General. This is quite a normal situation during the early stages of

construction in new land release areas. Were this is the case, the builder is unable to commence the electricity connection process and must wait until subdivision registration has been completed and Title issued for the subject lot.

## 4.0 RESIDENTIAL ELECTRICITY CONNECTIONS

Before December 2017, responsibility for residential electricity connections in NSW rested with the electricity distributor (eg. Ausgrid, Endeavour Energy and Essential Energy). With the commencement of the recent legislative changes, the electricity retailer has taken over responsibility for residential electricity connections and metering services.

HIA members in metropolitan Sydney have not reported any disruption in service since the arrangements changed. This has not been the case outside Sydney. Feedback from HIA's regional members indicates that there are widespread service issues with most of the electricity retailers operating in NSW. Some smaller retailers have been unable to complete connections in regional NSW and have informed our members that they would be cancelling their applications and NMI numbers.

HIA has been in contact with other building industry and electrical contractor associations who share our concerns regarding these reforms and the significant delays in meter connections being faced by the industry.

Members have indicated that the retailer's delay in delivering an electricity connection to building sites has forced builders to resort to the use of diesel generators. These in most cases have to be hired by the builder so they become another cost incurred and passed onto the homebuyer. Generators are noisy to operate and produce unpleasant fumes/odours for residents nearby. Builders also have reported complaints of damage to power tools used with generators. It is important that electricity connection is provided on the work site from the commencement of building work.

Conservatively we have estimated the costs of the changes to have added a minimum of \$2,000 to the construction of a home. To multiply those costs across the new homes built in those parts of NSW where the implementation of the changes has been poorly managed over the last 6 months and the predicted homes to be built in the next 6 months, is a significant amount.

Examples of these additional costs include the hire of portable fuel generators for builders to use on-site for the period of construction, which adds significant new cost to the builder through hire fees and fuel for running of the generator. The use of generators has also seen some nuisance claims (for noise impacts) against builders, particularly those engaged in the construction of new homes in established areas.

## 5.0 SMART METER INSTALLATIONS

Responsibility for supply and installing smart meters has been shifted from the distribution company to the retailer. Members have informed HIA that the supply process varies from retailer to retailer. In the case of AGL, a member advised that the meter was supplied within 10 days because it keeps the new meters stored in a wholesale store and meters can be picked up by the electrician. On the other hand Origin Energy has been known to take up to 6 months to supply a new meter. Members have reported Origin Energy sending new meters out to the client using the postal service. This becomes a problem if the wrong one is sent out and it cannot be used.

As part of this review, IPART should look into the training and accreditation processes followed by the electricity retailers. The current industry training qualification for electrical work are set out in the scheme rules for accreditation of providers of contestable network services under Part 3 of the *Electricity Supply Act 1995*. Since 1 December 2017 it has not been possible for a level 2 ASP to install a basic meter under the National Electricity Rules. The undertaking of metering work involving smart meters now requires an appropriately qualified, trained and licenced electrician.

It is understood that each metering provider has its own training and accreditation process that is unique to their own specific type of smart meter. It is understood that for an electrician to install Acumen meters (used by Origin Energy) they must obtain prior accreditation from Acumen involving a 1-2 day training course involving theoretical and practical components. Active Stream is another large provider of metering (used by AGL) which also has its own accreditation process for the installation of its own smart meters.

Our members have told us that many electricians working in regional areas have so much work on at present that they do not have time to undertake this training at their own expense (2 days lost work) when they have their own businesses to run. The requirement to undertake different training sessions with each meter provider is a significant deterrent for electricians obtaining accreditation with multiple meter providers.

## 6.0 CONCLUSION

The decision for IPART to get involved with this issue is welcomed. At some point in the implementation of the new arrangements there has been a failure between the electricity retailers and the regulator to ensure a continued level of service.

HIA is ultimately seeking to have the outcome of the new arrangements be identical to the outcome that was possible before December last year. That is, a builder, home owner or the builder's electrical contractor, must be able to place a call to a single entity and within a maximum period of 2 weeks have a new smart meter installed, the site connected for power and be available to be used for either the construction phase of the project or by the time the home is completed, whichever the client wishes.

HIA considers for an electricity retailer to be able to provide timely installations, urgent changes to the current processes are required that permit a builder's electrical contractor who has specific qualifications, to run the mains power from the pit or pole to site, hang the meter and power up the site, in a single visit.

We look forward to the outcome of IPART's review and its recommendations to the responsible Minister. If further information is required from our members, we would be happy to arrange to make members available to IPART for a hearing if hearings are proposed.



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Australian Energy Market Commission  
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Reference: ERC0236

### **AEMC 2018: Metering installation timeframes Consultation Paper**

Thank you for the opportunity to comment on the comment on the consultation paper regarding metering installation timeframes.

The Housing Industry Association's (HIA) members and homeowners in Queensland, regional NSW, the ACT, Victoria and South Australia have been significantly impacted by the introduction of the contestable metering (power of choice) reforms in December last year.

The introduction to these new requirements has meant that builders and owners of newly constructed homes have faced significant delays in getting power provided to site and meters connected. In some instances members have experienced delays upwards of 16 weeks but more commonly 8-12 weeks for a process that previously took on average 1-2 weeks.

In many situations members have completed new homes ready for handover to homeowners however, homeowners have not been able to move in due to the delay in connecting the new smart (advanced) meters. This has occurred despite requests for meters being placed with retailers at the commencement of the building project.

Further to this HIA is aware of situations where home owners have moved into newly constructed homes relying on on-site generators or temporary power poles whilst waiting for meters connection to their homes.

We are also aware of a small number of instances where builders have either been required to pay liquidated damages to home owners due to project running over time and where builders have had to pay additional rent for homeowners or assist with temporary accommodation as a result of the delays.

These added costs are further compounded as in the majority of cases builders are having to rely on on-site petrol generators for the period of construction, adding significant cost to the construction of a home through hire fees and petrol for the running of the generator. The use of generators has also seen some nuisance claims (for noise) against builders particular for construction of new home in established areas.

Conservatively we have estimated that these costs alone are adding a minimum of \$2000 to the construction of a home. To multiply these costs across the number of new homes built in the affected states over the last six months, and predicted to be built in the next 6 months is a significant amount.

This situation has been most prominent in South Australia and Queensland, but also significant delays have also been encountered in the ACT, Victoria and areas of NSW outside of Sydney. It should be noted that these are not isolated situations and rather has had widespread implications.



The majority of the issues now being encountered by builders appear to be the result of the splitting of duties between retailers and network providers and their contractors under the National Electricity Laws. What was previously a very simple task that involved a single phone call by the builder, or the builders electrician, to the power company has become complex to the extreme. The transition to the new arrangements have been poorly managed, the new system appears convoluted and no one knows how is directly responsible for what step and how to create a new streamlined and cost effective process. In speaking to numerous state and federal bodies over the last few months, each has expressed a view that they are not the cause of the problem, and generally are not the entity responsible for the solution.

This is highlighted in the Consultation paper at Figure 2.1 on metering roles and responsibilities which identifies the complexities that the introduction of the additional players in the supply chain has created, now involved metering co-ordinators, metering providers and metering data providers each of who generally outsource the service to their contractors. HIA has been receiving reports of the new smart meter connections being passed through up to 8 sets of people.

HIA recognises the background to the power of choice reforms and the potential benefits they are hoped to provide homeowners including greater choice, more accurate billing and potential bill savings. Whilst well-intentioned the implementation on the ground of the roll out of smart meter connections to new homes has been and continues to be extremely problematic.

This poor implementation is significant impacting on the successful delivery of these reforms and the customer experience and confidence in the reforms is extremely low at this point in time.

The proposed rule change could assist in having a prescribed timeframe for new metering connections and for penalties to be available where this timeframe is not met. However the long lead time for the rule change process is likely to see this change not take effect, if supported, until sometime next year. This is not considered appropriate.

Further to this it is unlikely that this rule change alone will be the answer as it appears to be more of an aspirational approach as opposed to being a regulated timeframe.

HIA is ultimately seeking to have the outcome of the new arrangements be identical to the outcome that was possible before December last year. That is, a builder, home owner or the builders electrician, must be able to place a call to a single entity and within a maximum period of 2 weeks a new smart meter be installed, the site powered up and commissioned and power be available to be used for either the construction phase of the project or by the time the home is completed, whichever the client wishes.

HIA considers that for a retailer to be able to provide timely installations, urgent changes to the process are required that permit a builder's electrician or electrical contractor who has specific qualifications, to run the mains power from the pit or pole to site, hang the meter and power it up, in a single visit.

In reading the National Electricity Rules and our discussions with the various bodies involved, our understanding is that there is not legislative impediments that would restrict this outcome from being achieved.

Whilst we understand that this may present challenges given the split duties under the new legislation between the retailer and the network provider, and metering providers and metering co-ordinators, we consider this can be resolved through appropriate agreements between these parties. These matters are essentially operational issues, and the interaction for the customer to obtain the meter and power connection should be seamless.

In addition to resolving the current complex implementation process for the changes, HIA is also concerned about the future implications of the changes that appear yet to be defined. It is unclear under the new arrangements:

- Who owns the new smart meter?
- Who pays for ongoing maintenance?
- What happens if a home owner wants to change retailers – is a new meter required to be installed to facilitate a new retail service provider?

In the context of a new home these questions need to be addressed as it is highly possible that a builder will choose to use 'retailer A', yet the homeowner moves in and soon after chooses to move to 'retailer B' whether due to habit, better offers or poor service.

In this scenario:

- Would the home owner need to have their smart meter replaced for the other retailer's meter? And if so at what cost?
- Would the home owner potential face penalties for breaking contracts entered into by the builder on their behalf?
- Will homeowners be locked in to say 12 or 24 month contracts for a particular retailer?

Depending on the answers to these questions HIA is concerned about the implication this may then have for the builder?

HIA has met with relevant parties regarding the changes at state and local government level and nationally. These question have been posed to various bodies in those meetings and we are yet to get a direct answer.

HIA has also been in regular contact with other building industry and electrical contractors associations who share our concerns regarding these reforms and the significant delays in meter connections being faced by the industry.

We have also had discussions with the electrical retail and network distribution bodies in the affected states. Unfortunately, whilst some improvements had been made in recent weeks, the significant delays still remain and appear far off reaching an appropriate resolution.

Therefore the following recommendations are put forward to assist in progressing a resolution to this issue:

1. That the AEMC support the rule change proposal for retailers to provide new metering connections within six business days from the time the small customer places the request.
2. That the AEMC make this rule as a matter of urgency, using either the 'fast track' or 'expedited' process.
3. That concurrently to this rule change being enacted, that changes are implemented by each retailer and the network distributors to allow the builders contracted licenced electrician, or a contractor to them with relevant qualifications, to run the mains power from the pit or pole to site, hang the smart meter and power it up to ensure that the prescribed timeframes are achieved.
4. That the installation process be amended to ensure that the request for a metering connection from a customer (whether builder or home owner) to a retailer involves a single phone call to one entity that then handles the request through to delivery.
5. That retailers are requested to develop on their website or through a portal, a means for customers to track the progress of their job from logging it to completion. This will ensure transparency and traceability for metering connections for customers. This has already been implemented for other services and we are aware some electrical retailer have started to look at this.
6. That clarification be provided on the processes involved under the new arrangements for homeowners to change retailer where a new smart meter has been installed.

HIA would be happy to meet and discuss any of the matters in more detail and I can be contacted [REDACTED]

Yours sincerely  
**HOUSING INDUSTRY ASSOCIATION LIMITED**

