



28 February 2013

Smart Meter Taskforce
Resources and Energy
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Thank you for the opportunity to comment on the *NSW Smart Meter Task Force Discussion Paper*.

The Energy & Water Ombudsman NSW (EWON) investigates and resolves complaints from customers of electricity and gas providers in NSW, and some water providers.

EWON agrees that smart meters are useful tools that have advantages for consumers, retailers and networks.

They can assist consumers in various ways, including better understanding of their energy usage and more flexible billing. The price signals enabled by their time of day pricing functionality may contribute to a reduction in usage in peak periods, which may reduce the need for additional investment in network and generation infrastructure.

We are however concerned to minimise any additional costs customers may incur in relation to the adoption of smart meters, particularly in the context of the recent significant energy price rises in NSW. We would particularly like to see protections in place for those customers who are unable to take advantage of the benefits smart meters may offer.

We have provided responses to a selection of the questions posed by the Smart Meter Taskforce. If you would like to discuss this matter further, please contact me or Emma Keene, Manager Policy, on 8218 5225.

Yours sincerely

A handwritten signature in black ink that reads "Clare Petre".

Clare Petre
Energy & Water Ombudsman NSW



Question

How can the level of understanding about smart meter technology be increased in the community, and who are the key players who can contribute to this understanding?

Customer confidence is a key factor here. A recent “*Trust in Industries*” survey¹ had the following results for power companies:

A lot of trust	1%
Some trust	18%
Not much trust	37%
No trust at all	31%
Don't know	4%

With 68% of respondents giving a negative response, significant customer resistance to any moves to introduce smart meters in NSW could be expected, particularly given the initially very negative nationwide media coverage arising from the smart meter roll-out in Victoria. EWON has received a number of complaints and queries from customers about an actual or impending change in their electricity meter, arising from concerns including pricing and health issues.

If a market led approach to a smart meter roll-out is the model to be followed in NSW, the retailers would appear to be the appropriate source of information for their customers. However many customers already receive a constant supply of marketing and other information from retailers, and may not be initially receptive to smart meter information.

As the smart meter program has the backing of the Council of Australian Governments, it seems appropriate that some responsibility for communicating the benefits to the public should lie with the NSW Government. If the aim is to achieve a significant percentage of households with smart meters, the government will need to develop strategies to reach these customers, via grass roots engagement as well as by mass media. A general public communication campaign from the government may be viewed as independent and credible, and may be a necessary prerequisite before retailers start their individual approaches to customers.

¹ Essential Report: <http://essentialvision.com.au/trust-in-industries>



Benefits to consumers in terms of potential cost savings would appear to be the main message to achieve customer engagement, and these benefits must be seen to outweigh any possible cost outlay required.

As well as potential benefits, there are some perceptions which any public education would need to address. These include:

- **cost of installation:** if it is retailers who will be instigating the installation, and they will potentially benefit from reduced network costs and operational efficiencies such as moving to monthly billing, it would assist customer acceptance of the smart meters if they could be provided without increased cost to the customer
- **cost of removal of the old meter:** it needs to be clarified whether the network that owns the customer's old meter will charge a fee to remove it
- **health:** clear information about smart meters needs to be provided to address customer concerns, eg about emissions from smart meters
- **safety:** the functionality that allows for remote re-energisation following a disconnection raises some safety concerns, eg appliances turning back on without warning following remote de-energisation
- **life support:** although customers on life support cannot be disconnected by law, they may have concerns about the potential risks from remote de-energisation
- **privacy and security:** customers can be concerned that meters recording their usage in a time-based format can provide information to others about the time of day the house is vacant, increasing the risk of burglary
- **tariff changes:** while the installation of a smart meter does not automatically result in a tariff change, it is the tool which enables this. Customers need to be given clear information about their rights and options about tariff changes enabled by the smart meter.



Question

What will encourage the community to respond to the “price signals” that smart meters can deliver?

Customers with smart meters should receive sufficient information to enable them to have confidence in the technology, and to understand the implications of the usage data presented to them. As a minimum, any price signal intended to influence customers should be clearly explained to them on their energy bills.

It is when they receive their quarterly bill that customers can be most ready to engage with pricing information. Customers have complained to EWON when they feel the necessary information is lacking. In particular, customers who have interval meters with time of use pricing have complained to EWON that they now have less confidence in the accuracy of their bills.

With accumulation meters, electricity invoices show the previous meter reading and the current meter reading, with the usage for that period being the difference between these reads. If a customer questions the amount of a bill and suspects there could be a meter reading error, they can read the total on their accumulation meter, which should have only moved forward slightly from the current read recorded on their invoice.

With interval meters however, the customer does not see a current read on their bill – they are simply told how much they have used in that quarter. They cannot check this against anything they can see on the meter. Interval meters record an accumulation total, as well as the half hourly usage in time bands. Customers can perform their own basic checks if these accumulation reads are included on bills.

We note that the recent inclusion of clause 24 (2) (f3) (ii) to the *Electricity Supply (General) Regulation 2001* requires a start and end read for interval meters provided “the required metering data is reasonably available”. This proviso has allowed for the continued exclusion of accumulation totals on customers’ bills.

To assist customers, we suggest that any billing based on time of use pricing should contain an explanation of the time bands. A review of a selection of invoices from several NSW retailers shows that the time band information is generally not provided. A customer is unlikely to receive a relevant price signal about switching their usage away from the peak band if they are not informed of the relevant time-frames for the peak band. They may have received the time band information separately when the meter was installed, but it is when the customer receives their bill that they are likely to be most receptive to this information.



We agree that usage information provided via in-home displays and web portals would be beneficial for some customers, but as a minimum, the information that appears on every customer's bill should aim to be as relevant as possible.

Having more complete information on bills also contributes to the level of trust a customer feels in relation to their supplier. As noted previously, it has been reported that lack of public trust in the power industry is currently quite significant, and this needs to be addressed if the roll-out of new technology is to gain wide public acceptance.

Questions

Are the principles that the Task Force will recommend to the NSW Government appropriate?

Are there any additional policy principles that the Task Force should consider recommending to the NSW Government?

The four principles listed in the Discussion Paper are:

- consumers should not pay higher charges for smart meters
- a Government mandated roll-out should be avoided
- the Government has a role in promoting consumer acceptance
- the roll-out of smart meters and time of use prices are not in themselves sufficient to drive significant demand reductions

EWON supports these broad principles.

We would suggest a variation on the third principle, ie:

- as the 'end user', consumer acceptance and understanding is crucial to the realisation of the benefits of smart meters. The Government has a role in promoting consumer acceptance and understanding.

Question

Is the Task Force correct to recommend a market-led roll-out of smart meters with a level of Government support as the best possible option?

Clarification of the role of additional participants

The Discussion Paper describes a market led approach as "*likely to be led by a private investor or retailer*". We presume that any additional participants will require

a financial return in the chain of relationships between the customer's meter and the retailer.

We understand that under a market led approach, the smart meter will be 'owned' by the retailer, and the retailer will employ their own meter data agent who would collect the data and send it on to the retailer, the distributor and AEMO.

We query whether these additional participants might put pressure on the first principle in the Discussion Paper, that *'consumers should not pay higher charges for smart meters.'*

We note that under EWON's Charter², *"a Member is responsible for the conduct of its employees, contractors and agents as if the Member carried out that conduct"*. Any customer complaints about the conduct of the retailer's meter data agent or other participant in the relationship would be dealt with by EWON as a complaint against the retailer that engaged them.

Opt in or opt out

Sufficient public awareness of the benefits of smart meters could result in a significant voluntary take-up.

Customers who regularly receive estimated bills due to locked gates or the presence of dogs will benefit from the remote reading capability, as their billing can be based on actual reads. This same functionality should also streamline the move-in and move-out procedure, and the transfer from one retailer to another.

Informed and motivated customers may also see the benefits of the remote control of some of their appliances enabled by the smart meter technology, and the availability of on-time information via their smart phones or web portals.

Smart meters would enable retailers to bill customers more regularly with smaller amounts. We consider that the traditional quarterly bill in arrears is now anachronistic and to the disadvantage of many customers for the following reasons:

- it can lead to 'bill shock', where customers receive a bill of hundreds of dollars all at once
- there is a 'disconnect' between usage and cost, as the customer may have used heating or cooling for a short but intensive period, then forgotten

² Available at www.ewon.com.au



about this by the time they receive their higher than expected bill weeks or months later

- the electricity bill is usually the first signal that there might be a problem in the customer's home, or that a new appliance uses more power than expected. Without a timely bill the high usage may continue longer than necessary.

We consider that a move to more frequent and smaller billing through the enablement of smart meters would assist many customers to better manage their budgets and to receive more timely information about energy usage in their home.

It may be however that an opt-in model does not achieve the market penetration required to achieve some of the community-wide benefits expected from the introduction of smart meters. There may be a significant number of consumers who would remain resistant or unengaged in the process.

An opt-out model, where the default is a smart meter but the customer can choose not to have one may be a more effective way to achieve higher penetration. We consider that this model would require additional consumer safeguards to ensure the customer was clearly advised of their right to opt out, and was provided with sufficient information on which to base this decision.

Costs to customers

We have suggested that if the meter is provided by retailers at no additional cost to the customer, this will assist community acceptance and take up of smart meters. However if the retailer charges customers for their installation, we query whether the price of a smart meter would be one of the factors included on a price comparator service (either IPART or the AER) so customers have a basis for comparing prices.

We note the possibility of customers being charged twice for metering services if they continue to be required to pay for their old meter via the regulated network charges after it has been removed.

We are aware of the current AER Discussion Paper on metering classification which may result in the metering charges being unbundled from other network charges. This would seem to be a necessary step to prevent double charging of customers.



Question

What interventions should the Task Force consider recommending to minimise potential adverse impacts on vulnerable customers?

There are some customers who are unable to respond to price signals by avoiding usage in the more highly priced peak periods. These include the elderly, parents at home with small children, and people with an illness or disability who are at home on weekdays between 2-8pm. In addition, many customers on low incomes have very little discretionary usage (such as pool pumps) which can be shifted outside these peak periods.

EnergyAustralia has responded to their customers who raise these issues by returning them to a flat tariff if they request this. This has been very helpful, particularly where the customer has the option of the standard tariff as regulated by IPART.

We would support a requirement for all retailers to offer customers with a smart meter a flat tariff if this suits their needs. However, we have concerns that in the absence of price regulation, the resulting flat tariff a retailer may offer may be set at a significantly higher rate than the rate the customer was on with their old accumulation meter.

While some of these customers may be receiving a government energy rebate, this would not necessarily be the case for all customers in this situation: for example families not on benefits but on low incomes with dependants at home, or self-funded retirees. The concessions framework may not be the appropriate mechanism to address the disadvantage these customers might experience through being exposed to the much higher peak tariff.

We suggest that a discussion of relevant stakeholders to explore the most effective method of ameliorating the disadvantage to these customers would be helpful.

Questions

The Task Force recommends that the wider introduction of smart meters need not automatically be linked to the introduction of a mandatory retail or network time of use prices in NSW. Will this minimise adverse social impacts or will it remove an important pricing reform available to consumers to manage their electricity use?

How could the benefits for consumers of the wider introduction of smart meters be quantified?



The pricing reform that can be enabled by the interval pricing functionality of smart meters may have widespread community benefits if it drives a reduction in peak demand and results in reduced network costs.

We understand that the smart meter is just an enabler, and the addition of time of use pricing is not automatic. However time of use pricing has the potential to deliver savings to customers, particularly those who can allocate or shift their main usage to the cheaper time bands.

Most customers are not in a position to appreciate these potential savings unless they can see a side-by-side comparison of how their usage for a billing period would be billed under a flat tariff and a “time of use” tariff. We consider that this is an area for discussion with retailers and other relevant stakeholders to identify ways of making this comparative information available to customers so that they can make informed choices about time of use pricing or a standard tariff to best suit their needs.

Question

Can a mandated roll-out strike the right balance between urgent reforms that may reduce the pressure of peak demand while protecting consumers from regulatory charges for meter installation?

This question appears to run counter to the previous question which states that *‘The Task Force recommends that the wider introduction of smart meters need not automatically be linked to the introduction of mandatory retail or network time of use prices in NSW’*.

Pressure of peak demand can only be reduced through consumers reducing their electricity usage in peak periods. This reduction would primarily be achieved through pricing signals from time of use pricing. As noted previously, there are other benefits for customers from smart meters.

A mandated roll-out could be done if the following factors were addressed:

- the smart meter was installed and offered to customers as an ‘enabling’ tool, without any connection to time of use pricing unless separately agreed to by customers
- a community awareness campaign that informed customers about the various advantages of smart meters, including time of use pricing for many households. Customers who might not benefit from time of use pricing might still benefit from more frequent billing to help them avoid bill shock,



better manage their electricity bills, and receive more timely information about their usage

- customers did not have to bear the cost of the meters.

Question

Is there sufficient community awareness/confidence in smart meters to facilitate a market-based approach?

For a market based approach to be successful, there needs to be effective public education to create an environment where enough customers are sufficiently informed to take advantage of the offers from retailers.

EWON's recent experience of dealing with customer complaints following the installation of interval meters has been that many customers object to having the meter installed without what they considered to be sufficient consultation or information. This has particularly been the case recently in some NSW network areas where an interval meter can be automatically installed at a property when the customer applies to have a solar generator connected to the network, or where an old accumulation meter needs to be replaced.

EWON generally advises customers that s 29 of the *Electricity Supply Act* empowers the distributor to determine the type of meter to be installed at a property, such as it considers necessary "to ascertain the quantity of electricity supplied to or received from a customer". Many customers express particular dissatisfaction that this decision was made by the network and they had no choice in the matter.

Once relevant information was provided about the time of use pricing, most customers could evaluate whether the stated advantages would actually apply in their situation, and adapt their usage patterns to take advantage of this. As previously mentioned, if the customer cannot benefit from the time of use pricing, we consider they should have the option to be billed on a flat tariff if this better suits their situation.