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Khayen Prentice
Regulatory Review – Smart Meters
Essential Services Commission
Level 2 35 Spring Street
Melbourne Vic 3000

By Email: Khayen.prentice@esc.vic.gov.au

Dear Ms Prentice,

Thank you for the opportunity to provide further submissions to the review of regulatory instruments and how they interact with the Advanced Meter Infrastructure (AMI) Project currently being undertaken by the Department of Primary Industries (DPI).

Lumo supports the AMI Project in principle and in practice as it provides for a more timely and accurate measurement of usage. The project has significant potential to reduce the overall cost of electricity through quantified behavioural, technological and infrastructure savings as well as enabling more targeted energy efficiency products and potentially reducing emissions.

Supply Capacity and Load Control:

Lumo argue that the use of Supply Capacity Control (SCC) products, although potentially difficult to understand, is the equivalent of de-energisation/ disconnection under clause 13.5 of the Energy Retail Code (ERC). In principle the SCC becomes a disconnection and must meet the existing requirements of the ERC for both non-payment and at a customers request requiring no further regulatory change to ensure consumer protection.

Unlike Load Control (LC), SCC opens the mains connector turning off all supply to the home at the meter, whereas, LC requires a Home Area Network (HAN) and appliances that are either wired or wirelessly connection directly to it and compatible with the HAN interface controls.

In principle the LC functionality is designed to allow a consumer greater control over their usage, costs and provide infrastructure to enable greater network security and a more effective management of network load. Lumo questions whether the LC functionality, where available, would be considered a disconnection under the provisions of the code or even the purpose of the Electricity Industry Act 2000 being...“to regulate the electricity supply industry”.

In both instances the request is simply being made on behalf of a customer through their contractual arrangement and the benefits realised in the network augmentation and subsequent tariff stability. The agreement reached between the retailer and the customer would be enforceable as a market contract and for the life of the contract otherwise the agreed price would need to factor in such limitations and potentially see no real benefit.

The setting of limitations to the frequency, capacity, restoration periods and duration further complicate the realisation of the augmentation benefits by creating regulatory limitations to behavioural measures that cannot be quantified. Any limitations imposed may unfairly force consumers to pay for electricity that they have not agreed to through their contract.



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Where a consumer has agreed to cycle off their air conditioner for a period of time, for example, Monday to Friday between 2:00pm and 6:00pm, because they are likely to be at work they shouldn't be charged for the usage on that appliance because they had agreed not to use it through their contract. However if the limitation is set under the ERC for two hour intervals with a guaranteed period on supply of one hour between on and off cycles, the usage recorded during that period has been accrued in contravention of that consumers consent. The theory, as stated above, appears to unfairly impose costs that the consumer may have knowingly chosen to avoid through their contract and nomination of times and frequency of those cycles.

Likewise capacity, if measured in a kWh used per day and governed by reaching an agreed cap, is more than likely to be reached on a weekend during summer than a week day during autumn because of the behavioural aspects. Meaning, augmentation will still be required during peak load times and will be redundant during other times.

Customers on Life Support and participating in the retailer's hardship program were anticipated to be excluded from the use of such services however, excluding life support, where a customer has entered into an agreement for SCC and subsequently falls into hardship is covered by the recent amendments to the ERC (Jan 2011) 13.2 (a) and (b) restricting the de-energisation of a property where the customer lacks sufficient income. Lumo's view is that the existing regulations apply equally for SCC and standard disconnection.

The only exclusion to the above would be LC where the customer is participating in the retailer hardship program as supply is not disconnected and there may be no material disadvantage if, for example, an air conditioner is cycled off for a period of time and the risk of a full outage is minimised. This could be an effective form of budgeting costs verses inconvenience of being without air conditioning for a period of time.

The assumption made by the Commission, detailed in the issues for comment, is that the use of these products will constitute a material disadvantage to consumers however this has not adequately been explored. The implication is that retailers not only have to test the understanding of the contract but be aware of the intended use of these functions prior and, where these functions are limited by regulation in either time or frequency, ignore the intention, whether or not aware of it, in order to remain compliant with code obligations.

Lumo believe that these types of agreements must fundamentally be Market Contracts due to the complexity of the agreement required and the detail required in scheduling the capacity limits and appropriate pricing models. These agreements would also require a significant awareness of the right to cancel the agreement and the consequences of doing so.

In consideration of the complexity of the contracts and the level of certainty, the Commission may need to reconsider the limitations on Early Termination Fees (EFT) as prescribed under the Energy Retail Code. The current EFT settings are based on hedging imbalance for wholesale purchases however retailers when signing customers to these products will be basing wholesale purchases on a higher level of certainty meaning that the return to normal usage will pose a greater risk to a retailer once the agreement is cancelled.

The final matter raised for consideration under the SCC and LC issues for comment, Privacy considerations, implies that the provisions of the Privacy Act (Cth) 1988 (Privacy Act) are insufficient protections in a smart metering environment.



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The Privacy Act does not discriminate between services, products or supplies on the basis that the supply can be controlled in any manner and or will contain a schedule of actions, increased information and or will be communicated via a wireless or cabled network. The intention of the National Privacy Principles (NPP) is to protect the privacy of an individual that is receiving that supply, product or service. As no personal details, other than the required Customer Site Details Notification (CSDN) from the retailer and the distributor, are communicated between retailers and the meter or HAN privacy is not compromised in any way.

Retailers are required, regardless of the context, to protect any and all information contained on a customers account. A businesses obligations under the Privacy Act is not limited in any way by the use of specific technology and or the type of data that is received by the business in the normal operations of the business.

Third party interaction for LC, currently generally available for large customers, can occur without the involvement of the retailer and, in many circumstances, occurs as a result of agreements with distributors to control the load where an extreme event occurs such as high temperatures.

Under the NSMP it is being proposed that any third party interaction with the any smart meter be conducted through a registered participant with Australian Energy Market Operator. The role will be limited to customer service functions such as LC and remote access and is likely to become the subject of an Australian Energy Markets Commission review.

Meter Changeover & Start Readings on Customer Bills

Lumo is concerned with the comments made in the Issues Paper as they imply that retailers and/or distributors are not billing based on the readings when a meter is exchanged as a final reading for that meter. The reading is generally provided with the bill that contains the period of the meter exchange. The additional requirement to provide the same reading to the customer the day of the exchange implies that the customer could not validate the meter being removed on that reading.

The fundamental premise for billing on basic meters is that usage is recorded using a simple subtraction from end to start readings providing the difference. The implementation of an accumulation value at the end of a billing period does not alter the premise however provides an inaccurate depiction of what the invoice is based on.

While consumers naturally find comfort in the ability to validate their invoices, providing a level of comfort verses the potential to mislead consumers as to the basis of their invoices has detrimental implications for industry.

Retailers will require system changes to accommodate the inclusion of start and end accumulation readings however the most considerable impact is that of call centre staff and training to develop the understanding and knowledge of how the accumulated values will differ from that of the consumption information and which record is the basis for the billing.

As accumulation readings have not been tested in practical environments with consumers, there is currently no qualitative or quantitative evidence of their value and or the exposure associated to retailers. If consumers, in reviewing and validating their bills, locate a total accumulation value at the beginning and end of the period and the subtracted difference varies from their total consumption, regardless of the reasoning, it is likely to cause complaints about the accuracy of the meters where the cause may have been a momentary communications failure.



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In summary, Lumo do not believe that there is a need to regulate further to accommodate the use of SCC and LC functionality. The relationship between the current energy regulatory framework, primarily due to the existing provisions regarding disconnection and limitations on disconnection of customers with insufficient income and life support, sufficiently provides for protection of vulnerable customers to ensure that supply is maintained where required.

Lumo do not believe any limitations regarding timing and frequency of SCC and LC can be enforceable in principle as it implies that participants know and can control a consumers use of the supply within their property. Much like having the expectation that Internet Service Providers (ISP's) are responsible for what consumers view on the internet or that Banks are responsible for the way a consumer spend money they retrieve from an ATM based on its location.

If a consumer makes the decision to turn their air conditioner off on a 35 degree day to reduce the load on the network, with the view that if the load is reduced there is less likely to be an outage, then the Commission cannot reasonably control such a choice.

Likewise if that consumer signs an agreement to make that choice on a frequent basis should the Commission force that customer not to make that decision via a regulatory obligation on the supplier?

Additionally, a consumer's choice, protections and right to privacy remain protected under the already existing provisions of the Australian Consumer Law, Privacy and Electricity Law, meaning that additional regulations are seen as a burdensome duplication of requirements under a different title, explicitly for smart meters.

The proposed requirements for additional information at the time of exchange to enable a customer to validate what is not a final bill which may contain usage for both the previous and publically depicts retailers and distributors as being dishonest and reducing the public view of the industry overall.

If there are any questions regarding this matter please contact Ross Evans on 03 8680 6426 or via email at Ross.Evans@lumoenergy.com.au

Regards,

Ross Evans
Regulatory Compliance Analyst