



Energy Retailers Association  
of Australia Limited

25 May 2010

Regulatory Review – Smart Meters  
Essential Services Commission Victoria  
Level 2, 35 Spring St  
Melbourne 3000

By email: [smartmeters@esc.vic.gov.au](mailto:smartmeters@esc.vic.gov.au)

**Re: Regulatory Review – Smart Meters Issues Paper**

The ERAA welcomes the opportunity to comment on the Essential Services Commission (ESC) of Victoria's issues paper: Regulatory Review – Smart Meters.

The ERAA is the peak body representing the core of Australia's energy retail organisations. Membership is comprised of businesses operating in the electricity and gas markets throughout the National Electricity Market (NEM), as well as the Northern Territory and Western Australia. These businesses collectively provide electricity to over 98% of customers in the NEM and are the first point of contact for end-use customers of both electricity and gas.

The ERAA believes that many of the issues raised in the issues paper are already sufficiently addressed by existing regulations. Other issues raised in this paper are out of scope of the review as they are not smart meter specific; for example, unbundling of charges on customer bills and protections for vulnerable customers.

It is important that regulations are not put in place before smart meters are more fully developed in the market. As noted in the issues paper, only 25% of customers are to have smart meters installed by 30 June 2011. It is essential therefore that any rules are transitional until all parties gain a better understanding and experience of smart meters in the market.

There should be no new or enhanced regulations until there is sufficient research into what customers actually want. Through its working groups, the DPI is considering customer information and education requirements. The ESC should not regulate new requirements before this research determines what actual customer information needs need addressing. Then, if there is an apparent need for changes in the regulations, these changes should be based on strong rationale and evidence.

The remainder of this submission addresses some of the issues raised in the issues paper.

## **Vulnerable customers**

Any enhancements to current regulations deemed necessary for vulnerable customers will affect all customers in Victoria, not just vulnerable customers. While the ERAA contends that vulnerable customers could potentially face additional issues of hardship as a result of the smart meter rollout, it is important to note that any regulations will impact on all customers, including customers who are likely to otherwise benefit from the introduction of smart meters. The pricing impacts from the rollout of smart meters on vulnerable customers are therefore most appropriately addressed through government programs that directly deal with smart meter associated hardship.

## **Information and informed consent**

### *Information*

The case for new or enhanced regulations has not been made clear in the issues paper. If there are gaps in information, then there *could* be the need for changes in the existing regulations. However, perhaps because the rollout of smart meters is still in its early stages, there is no evidence that regulations are needed in order to address certain information issues.

The ERAA does not support bills being regulated. Retailers offer energy products in innovative ways and it should be up to a retailer how they list information on bills. With the introduction of time of use pricing come opportunities to cater offers directly to customer needs well outside the traditional view of the existing tariff structures. By regulating this, innovation and product diversity is stifled.

Currently, there is not a sufficient level of research to identify what customers want in regards to information on their bills; in particular, whether consumers would benefit from: unbundling pricing, a certain structure and design of graphs on bills, and standardised pricing terminology. Until there is a better understanding of what consumers want, any decision on this should not be final and it should be delayed until more is known.

### *Index Readings on Bills*

Retailers understand customers need to review their bills and validate whether they are accurate. However, regulating index reads on bills is going to cause customer confusion and/or dissatisfaction due to their inherent inaccuracy.

To illustrate this, index reads are a total accumulation of all consumption recorded through the meter, and not directly linked to a customer's tariff or supply requirements. This means that a customer that has a three part tariff with the total accumulated consumption for each part would need to add up all parts of all the invoices to be able to verify whether their consumption is accurate. Additionally, index reads are not taken from meters at the same time that the data for

each interval is communicated and therefore they will never match what appears on a retailer's bill.

This is a considerable step change in knowledge and information that has not yet been addressed with consumers and as such retailers are cautious about agreeing to regulations that have a significant potential to increase complaints.

#### *Estimated data*

Estimating data for bills is not guessing, and the ERAA does not see why a default tariff would therefore be necessary in estimated bills. Moving towards setting a default tariff would constitute a re-regulation of retail prices in a way not specified in the *Electricity Industry Act 2000*. Furthermore, with data potentially being estimated in individual half hour intervals, it would be inappropriate to use a default tariff, such as an off-peak tariff arrangement, for an estimated period due to the complexity and system changes that would be required.

As pointed out in the issues paper, it is too early to decide whether estimates be allowed in a smart meter environment because their full capabilities are not yet known.

#### *Customer billing cycles*

Retailers ideally would like to have the flexibility to invoice customers at a frequency suitable to their offers. However, following the suggested Use of System Agreement (UoSA) amendments – which impose additional working capital requirements on either distributors or retailers for system changes and potential increases in credit support – retailers believe that any change to either retail billing and/or UoSA network billing frequencies would prove to be a serious inequity. The ERAA therefore suggests that no change be made.

#### *Shopping around for a better offer*

There is an endless amount of information, graphs and figures that *could* be supplied to customers in order for them to make an informed choice between retailers and offers. However, too much information is likely to be overwhelming for customers and not necessarily conducive to them being able to differentiate between retailers.

The ERAA recommends that a website is established to help customers compare retailer offers. The website should allow individuals to input their average energy consumption patterns and other characteristics in order to see the various available offers. Unit pricing would be the most practical way to compare offers, whereas, comparing annual estimated consumption would not work.

It should be noted however that unit pricing does not contain all discounts and offers that retailers include in their products. For example, discounts for paying by a certain date. Unit pricing cannot therefore be used as the sole means to compare retailers.

As with other issues raised in this paper, there needs to be further research done into this so that the outcome can be robust and based upon evidence.

### **Remote disconnection and reconnection**

#### *Prompt reconnection and disconnection service*

One of the benefits of smart meters is that they will allow for faster disconnections and reconnections by distributors. The ERAA does not see why then more prompt rectifications of wrongful disconnection should be regulated, as it is likely to occur anyway.

Furthermore, the ERAA stipulates that nothing has changed as a result of the introduction of smart meters that requires faster reconnections/disconnections to be regulated, compared to the current situation of accumulation meters.

#### *Customer protection under disconnection*

Following on from the previous point, there is no apparent reason why customers need to be further protected against wrongful disconnection with smart meters; compared to if the market remained on accumulation meters. There is currently sufficient protection for customers; the ERAA contends therefore that no further steps need to be taken to prevent wrongful disconnection.

### **Frequency of network billing of retailers by distribution**

As suggested in the issues paper, as the move to monthly billing occurs there should be no shortening in the payment periods made by retailers to distributors. Retailers and distributors are not intrinsically linked and they do not exchange information on customer billing cycles. For the interim (until there is sufficient opportunity for retailers to move customers to monthly billing cycles), the default assumption needs to be that all customers remain on quarterly retail billing cycle.

### **Other issues**

#### *Privacy and access to data*

Following some further research on the matter, the Privacy Commission has advised that although both retailers and distributors are obliged to provide relevant meter data on request, the distributors would not have sufficient information to be able to verify that the person making the request is in fact entitled to access that information.

Given the above advice, retailers would be required to, on a frequent basis, provide customers with their meter data, imposing further costs on retailers which are not currently accounted for.

*Customer complaints*

If not carefully managed, the ESC's proposed changes have the potential to increase complaints to retailers. It is important that the customers are aware what retailers are trying to achieve, and that these changes have been implemented as a result of changes to regulations. A heightened level of consumer awareness and information is needed to mitigate these complaints. EWOV should not be the channel for these additional customer complaints and neither should retailers.

Should you wish to discuss the details of this submission further, please contact me on (02) 9241 6556 and I can facilitate such discussions with my member companies.

Yours sincerely



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**Energy Retailers Association of Australia**