



24 May 2010

Dr Ron Ben-David
Chairperson
Essential Services Commission Victoria
Level 2, 35 Spring Street
Melbourne 3000

By email: smartmeters@esc.vic.gov.au

Re: Regulatory Review – Smart Meters Issues Paper

Dear Dr Ben-David,

Victoria Electricity Pty Ltd, (VE), thanks the Essential Services Commission for this opportunity to make submissions on the issues paper for the Smart Meter Regulatory Review.

Whilst supportive of the need for the review, VE would express strong concern in drawing conclusions too soon on complex matters that require further research to completely understand consumer needs.

At the outset it appears that we're seeking to inform a select group of consumers rather than catering to all customers. We would propose that further research is undertaken into the requirements/needs of a broad cross section of consumers whilst balancing against maintaining a competitive market.

To date the roll out of smart meters has seen an increase in complaint volumes across the industry driven somewhat by inconsistent and incorrect information to consumers.

In our opinion, the proposed regulatory changes will only further muddy the waters and the current climate doesn't support regulatory changes to items that are detailed on invoices. We recommend that the following items be deferred from the current regulatory review in lieu of further research:

- Un-Bundled Pricing
- Structure & Design of Graphs on Bills
- Standardised Pricing Terminology

Items to be deferred:

Un-Bundled Pricing

Victoria Electricity, having been asked to test the new templates for the YourChoice Website, noted that there has been the inclusion of separate supply and metering charges within the template. This implies that the decision has already been made and the un-bundling of prices is a foregone conclusion.

The inclusion of separate charges on the template, which inevitably will be reflected in the website, demonstrates that the consultation process has been limited.

The impact of un-bundling of prices needs to be quantified measuring the increases to retailer call volumes and complaints. As evidenced at the beginning of the year with Origin the unbundling drove negative media and complaint volumes.

Structure & Design of Graphs on Bills



This would be seen as a significant point of difference between retailers and with the future national requirement for Bill Benchmarking would add significant costs to retailers and consumers with twice the development time required.

In our opinion the regulation of the design and content of graphs should be reduced to the requirement to have a graph that is reflective of that customer's usage for whatever tariff structure that customer has.

Standardised Pricing Terminology

Pricing terminology and structure will be the most significant variations between retailers moving forward as retailers will have sufficient information to tailor products to a variety of people that suit their needs and the standardisation of the terminology will hinder the creativity of those products.

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

Vulnerable customers

As detailed in the issues paper vulnerable customers have a number of protections in place with current regulations. We would caution the Commission on further enhancement which will impact and drive further price increases across all consumers.

Information and informed consent

The Commission is of the view that most tariffs offered to customers will be time of use tariffs however VE would challenge the validity of this assumption. With the introduction of time of use tariffs, opportunities arise to tailor offers directly to consumer needs well outside the traditional view of the existing tariff structures. By regulating this, innovation and product diversity is stifled.

Index Readings on Bills

Retailers understand a consumers need to review their bills and validate whether it is accurate, however also recognise that the regulation of index reads on bills is simply going to cause customer confusion and or dissatisfaction due to the inherent inaccuracy.

Index readings are a total accumulation of all consumption recorded through the meter however not directly linked to a customers 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 invoices to be able to verify whether their consumption is accurate.

Additionally, index reads are not taken from the meters at the same time that the data for each interval is communicated, therefore will never match with 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 we are cautious about agreeing to regulation that has a significant potential to increase complaints.



Estimated Data

With data potentially being estimated in individual half hour intervals it would be inappropriate to use a default tariff arrangement, such as an off peak tariff, for an estimated period due to the complexity and system changes that would be required.

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 would impose, on either distributors or retailers, additional working capital requirements for system changes and potentially increase a distributor's need for credit support. Retailers believe that any change to either retail billing and or UoSA network billing frequencies would prove to be a serious inequity for one or both parties therefore suggests that no change be made.

Privacy and access to data

Following some further research on the matter, the Privacy Commission have 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 frequent basis, provide customers with their meter data imposing further costs on retailers of which are currently not accounted for.

Victoria Electricity realise the potential benefits that smart meters bring to the industry yet recognise that their full potential will not be realised in the initial stages. For this reason we recommend that the immediate focus be on structural changes to UoSA to ensure equity between distributors and retailers to creating a strong foundation for enabling the functionality that will benefit customers in the long term whilst not limiting the level of competition that makes the Victorian Market one of the world leaders.

Please direct questions about this submission to Ross Evans on 03 8680 6426.

Yours sincerely,

Aneta Graham,
General Manager Regulatory Affairs and Compliance