

VCOSS
**Submission to the Essential
Services Commission Draft
Decision Regulatory Review of
Smart Meters**

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VCOSS response to the Essential Services Commission Draft Decision Regulatory Review of Smart Meters

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The Victorian Council of Social Service (VCOSS) is the peak body of the social and community sector in Victoria. VCOSS raises awareness of the existence, causes and effects of poverty and inequality and advocates for the development of a sustainable, fair and equitable society.. VCOSS members range from large charities, sector peak organisations, small community services, advocacy groups and individuals involved in social policy debates.

Introduction

VCOSS welcomes the opportunity to comment on the *Essential Services Commission Draft Decision: Regulatory Review of Smart Meters* (the draft decision). As noted in VCOSS submission to the initial issues paper, the draft decision addresses only those pressing regulatory issues for which problems are currently apparent. VCOSS continues to urge the ESC to identify areas and directions for future regulatory review, such as parameters and safety requirements for direct load control and critical peak pricing products, the use of and marketing through the Home Area Network (HAN) and other issues to ensure that there is public confidence in both the regulator and the smart meter roll out. While VCOSS supports much of the draft decision, there remain some significant areas of concern, primarily the use and regulation of supply capacity control products. These issues are addressed further below.

1. Assisting vulnerable customers

Supply capacity and direct load control

The draft decision proposal to amend Guideline 21 to not allow retailers to offer supply capacity control products to households participating in a retailer's hardship program does not address the risks and issues raised by either supply capacity control or direct load control products. It is important to define and differentiate between supply capacity control and direct load control as these products have different implications for consumers.

Direct load control allows a third party (usually a distributor) to control individual household appliances to reduce energy use; for example, cycling air conditioners at 15 minute intervals to maintain indoor air temperature with lower energy use or controlling the time in which pool pumps or other appliances are used.

With the appropriate regulation (around what types of appliances and proportion of appliances can be controlled and how) direct load control products may be appropriate for households experiencing financial hardship and should not be disallowed as proposed in the draft decision.

By contrast, supply capacity control allows for a distributor or a retailer to reduce the flow of electricity to a household. This can be used by distributors in times of generation shortage as an alternative to rolling blackouts and, more broadly, as a system management tool. It could also potentially be used by retailers as a product where consumers pay a set monthly/quarterly amount, for a certain level of supply. This may operate similarly to internet plans where internet speed is reduced once a set threshold of usage is reached or where a lower quantity of energy is supplied throughout the month.

The draft decision fails to address the real risk of consumer detriment that supply capacity control retail offers may cause. The households that take these offers may experience very real detriment but never come to be on a retailer's hardship program.

A retail offer, with a set monthly amount, may allow households to manage their payments and budget (and thus not experience the financial and bill payment difficulties required for entry into a hardship program), however the trade-off is that they experience reduced access to this essential service, and reduced amenity. For example, they may not be able to meet their basic household needs such as running refrigeration, lighting and heating.

Supply capacity control products effectively ration household energy use. They provide a two tiered level of service based on capacity to pay for what is an essential service, where all households in the community must be able to access an adequate supply to meet their needs, regardless of their capacity to pay.

This is not an appropriate product for an essential service and VCOSS strongly believes that the use of supply capacity control as a retail product should be prohibited.

Amendments to hardship program requirements

Smart metering allows for a range of different tariff arrangements to be offered to customers. As energy products become increasingly complex, it is fair to assume that the assistance provided to consumers experiencing hardship may need to be more intensive to address this complexity.

The draft decision proposals to review the current tariff of a customer participating in a hardship program are necessary to ensure that consumers do not remain on a tariff that does not suit their consumption patterns and increases their costs. This proposal is also consistent with the hardship program requirements outlined in the Second Exposure Draft of the National Energy Customer Framework.

However, some clarification may be required around the recommendation to ensure people are provided with the most cost effective tariff and monitoring and review requirements.

Ongoing monitoring to ensure that consumers' bills are not escalating while participating in hardship programs is extremely important. However, the current drafting of the proposed change implies that the only method by which to ensure a tariff is cost effective is switching. There may be other assistance, such as household energy audits or information provision, which may be as effective.

2. Verifying the accuracy of bills

VCOSS supports the draft decision on provision of information on consumption and accumulated meter reads but is concerned with the suggestion that this recommendation may not be implemented until 1 January 2012. As complaints to the Energy and Water Ombudsman indicate, the lack of adequate consumption information provided to consumers with smart meters is currently causing significant concern and has been recognised by the ESC as a problem for some time. This recommendation should be implemented without delay.

3. Estimated and substituted data

Estimations

VCOSS maintains that consumers should be notified if their bill is based on estimated data.

In addition VCOSS is concerned that the reconciliation process of estimated interval data is significantly more complicated than the reconciliation of estimated accumulation data.

To reconcile an estimation of an accumulation read, you simply deduct the estimated read from the actual figure to know how much to refund or to bill a customer.

It is unclear how estimated interval data will be reconciled with real interval data. Presumably energy consumed in a given interval is tallied against what was estimated for that interval and all such intervals are then reconciled to provide a final figure. This process is obviously more complicated and provides more room for error in reconciliation. VCOSS suggests that the ESC investigate this matter in order to determine the materiality threshold. We would suggest that 5% or 218 estimated intervals is too high and increases the risk of reconciliation error.

Substitutions

Where a customer is charged on a basis other than actual energy used they should be made aware of the basis of their charges.

Given that substitutions are only likely to occur in the case of meter failure, notifying customers of a substitution is unlikely to drive substantial call centre contact.

Under/over charging

VCOSS encourages the commission to commence a review of under and overcharging provisions by 1 January 2012.

4. Graphical information on bill

VCOSS supports the draft decision proposal to include graphical consumption information on a bill as it will aid consumer understanding of their costs and consumption patterns.

5. Notification of tariff variations

VCOSS supports the draft decision's recommendation to ensure that consumers are notified of any proposed tariff change at least one month before that change is to take place.

6. Shopping around for a better offer

VCOSS supports the draft decision's proposal for the ESC to review Guideline 19: Price and Product information statements commencing January 2011. This review should set out standard information requirements and terminology. Currently different retailers can, and do, refer to the exact same elements of their tariff using different terminology¹. This makes it extremely difficult for people to compare offers or understand if the information that they have received is actually comparable.

7. Enabling access to billing and metering data

VCOSS supports the draft decision to define access to meter and billing data separately. Existing provisions for billing data should continue to provide sufficient information to households to review their billing history with the introduction of smart metering.

Meter data however may be more comprehensive and complicated than billing data. Meter data may be required by consumers to assess electricity different offers, monitor their consumption patterns, or determine what energy saving products may save them money.

This information should be available free of charge and in a format that is most appropriate to the consumer's needs in terms of level of detail and format.

While for many customers this may be via an internet portal or information provided electronically, there are still many Victorian households (approximately 35 per cent) without access to the internet². On request this information must be made available to these household at a similar standard, level and frequency as is available to those with access to the internet.

8. Facilitating prompt connection, disconnection and reconnection

VCOSS maintains that remote disconnection removes a level of customer protection that currently exists with physical disconnection processes. Given the increased ease of disconnection it is imperative that existing requirements remain around disconnection due to an incapacity to pay, and that the Wrongful Disconnection Payment continues.

Contact details

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References

¹ Mauseth-Johnson M, *Victorian Energy Prices*, St Vincent De Paul Society, Melbourne, July 2010

² Australian Bureau of Statistics, *2006 Census Tables: Victoria* accessed <http://www.censusdata.abs.gov.au/>