



THE UNIVERSITY OF  
MELBOURNE

24<sup>th</sup> February 2010.

**Re: Social Justice Initiative Submission to Regulatory Review – Smart Meters, Call for Submissions**

Dear sir/madam,

Following the announcement of the Essential Services Commission's Regulatory Review of Smart Meters, I would like to take this opportunity to draw to the Commission's attention some of the concerns identified in our research into the impact of the smart meter rollout and time-of-use pricing on low-income and disadvantaged households. In particular, I would encourage the Commission to examine the following:

- *Shape of the Standing Offer:* whether standing offers with a flat (or inclining) tariff shape will continue to be offered by retailers following the rollout of smart meters and given the deregulation of the retail market in Victoria. Our research together with analysis of time-of-use pricing by St Vincent de Paul Society suggests that pensioners, single parents with dependent children, the unemployed and people with disabilities and chronic illnesses (particularly MS) are likely to be significantly disadvantaged under time-of-use pricing (in some cases more than \$150 worse off per year not taking into account increases in supply charges; see pp.12-14 and pp. 39-54 of attached report). At the same time, we are concerned that retailers will have no economic incentive to offer consumers flat tariff structures in the absence of a regulatory requirement to do so because once the shape of the network tariff is a time-of-use tariff and the use of deemed load profiles for wholesale market settlement is ended (see pp.54-56 of attached report)
- *Implications for the service to property concession charge:* many pensioner and health cardholders receive a discount on their supply charge because of the low-volume of their consumption (currently reflected by the low cost of their electricity usage). Eligible households that keep the costs of their electricity usage below the supply charge have their supply charge capped at the cost of their consumption. Our concern is that the price impacts of time-of-use pricing structures on concession cardholders could lead to many concession cardholders no longer receiving the service to property concession charge (see p.60 of attached report)
- *The use of supply capacity control limits:* it has been proposed that this function of smart meters could be used to enable more equitable load shedding in emergency situations and to offer retail products to consumers at risk of financial hardship. However, different households have different electricity needs so the setting of suitable supply capacity control limits will not to be approached with



THE UNIVERSITY OF  
MELBOURNE

delicacy and complexity if access to essential electricity use is to be protected. I would encourage the Commission to examine how both retailers and distributors intend to use supply capacity control limits and to consider whether sufficient safeguards are in place to ensure that the needs of individual households are given adequate consideration and that essential electricity use is protected, especially for those reliant on electricity use for life-support and for the operational of medical devices (see Appendix B of attached report)

- *The provision of consumer information about the implications of being put on a supply capacity limit:* in the focus groups conducted for our research consumers frequently commented that they need better information about the electricity consumption of their appliances so that they can respond to price signals and to being put on supply capacity limits. Telling a household that their power will be interrupted if they use more than 10 kWh over the next 8 hours may mean nothing to them. If households are to be put on supply capacity limits—either as part of a load shedding strategy or as a retail product—they need to be provided with information explaining the sort of appliances that they can run, and for how long, under given limits (see Appendix B of attached report)

I have attached a copy of the Social Justice Initiative's report on the potential impacts of the smart meter rollout on low-income and disadvantaged households for the Commission's consideration. I am happy to respond to any questions that the Commission may have about this report or about this submission.

Regards,

Dr Michael McGann  
Research Fellow  
Social Justice Initiative  
University of Melbourne  
Parkville 3010  
T: (03) 83443203  
E: [mmcgann@unimelb.edu.au](mailto:mmcgann@unimelb.edu.au)