

Giving Consumers No Power of Choice

Submission by Dr Martin Gill

The AEMC's Power of Choice review promised to empower consumers. Disappointingly the metering reforms the AEMC then introduced give consumers no choice.

Summary of Submission

The Power of Choice review promised to empower consumers. The final rules fail to do so.

- Retailers are taking too long to install smart meters – The AEMC should regulate the maximum time to complete the installation (with penalties applied for failing to meet the timeframe)
- The rules fail to give consumers the right to request a new smart meter – The AEMC should ensure consumers can request the installation of a smart meter with retailers obliged to provide a meter.
- The Power of Choice promised consumers could choose the metering services they valued, but currently retailers are giving consumers no choice. The AEMC should give consumers the right to request the installation of smart meters supporting the services valued by consumers, not just services valued by retailers.
- The Power of Choice promised to give consumers the right to choose the meter services and meter provider. Instead retailers were given a monopoly to choose who, when and what consumers were given. The market should be opened to competition by allowing consumers to appoint their own meter provider.

The AEMC smart meter rollout officially commenced on 1st Dec 2017.
What benefits can the 500,000 consumers with a smart meter now access?
None.

Introduction

The Australian Energy Market Commission (AEMC) have undertaken a major package of reforms as part of their Power of Choice review. The reforms promised to empower consumers to participate in the emerging energy market. Evidence suggests far from empowering consumers the reforms have reduced consumer rights.

The cornerstone of the AEMC's Power of Choice reforms is the AEMC's smart meter rollout. The reforms ensure over coming years every Australian consumer will receive a smart meter. The AEMC claim better information provided by smart meters should lead to lower electricity. The AEMC also claim smart meters support the installation of domestic solar and battery storage systems. Analysis shows the AEMC smart meter rollout fails to deliver these claimed benefits. Specifically:

- Retailers are often delaying the installation of customer smart meters
- Consumers are given no right to request a smart meter from their retailer
- Consumers are unable to choose the services provided by the smart meter

These points are discussed in greater detail in this submission.

Installing a solar system

An increasing number of consumers are choosing to protect themselves from rapidly rising electricity prices in Australia's failed electricity market by installing solar systems. To maximise financial benefits consumers need to install a new electricity meter.

Installing a solar system reduces the amount of electricity consumers purchase from the network. In the middle of the day solar system output is likely to exceed consumer electricity needs with the excess solar generated electricity flowing to the network. To receive credits for this excess solar generation consumers must install a new electricity meter capable of measuring electricity flowing both from and to the network.

In the past the consumer simply rang their local distributor who would come and install the new meter. The consumer was charged a regulated fee for this meter. The regulations gave the distributor 10 days to complete the new meter installation.

The AEMC smart meter rollout no longer allows local distributors to install new electricity meters. Instead it is the customer's retailer who must install the new smart meter. The consumer contacts their retailer who is required to provide a new smart meter. The problem is the AEMC failed to specify a timeframe for the meter installation. It is not difficult to find stories of consumers who have installed a solar system who are waiting months for their smart meter to be installed. While consumers are waiting for their new smart meter they are not benefitting from their solar system.

A minimum timeframe to complete the meter installation should be imposed on retailers. It is also emphasised these amended rules should offer consumers compensation should the retailer fail to install the meter within the specified timeframe (or retailers will continue to delay meter installations). As a starting point for discussions of suitable penalties it is suggested the consumer is offered free electricity until the smart meter is installed.

No Power to Choose the Meter Provider

The Power of Choice review promised to give consumers the right to choose who installed their smart meter. Without explanation the AEMC decided to give the customer's retailer exclusive rights to install the smart meter. This decision denied consumer rights to choose the installer. Significant consumer advantages have been lost from this decision.

A significant advantage has already been discussed. After installing a solar system consumers are currently waiting months for their retailer to organise the installation of a suitable meter. Waiting times would be reduced significantly if consumers were allowed to appoint their own metering provider. This is not the only problem.

Retailers only choose to install the cheapest meter required to calculate the customer's tariff. Since Australian solar systems are net metered retailers are choosing to install a net meter. Net meters do not measure the output of the solar system, so system performance cannot be checked or monitored. As a result many consumers are unaware their solar system is performing poorly and maintenance/repair is required.

Service providers are offering to fill the gap. These service providers install additional metering and charge consumers (up to) an additional \$15 per month. This additional metering could be added to the AEMC smart meter for less than \$1 a month. The AEMC has denied consumers the right to choose this solution.

It is not only consumers who need to see the actual output of domestic solar systems. The Australian Energy Market Operator (AEMO) is concerned they have no visibility of the amount of electricity generated by domestic solar systems. To rectify the problem they have asked the AEMC to allow them to create a massive register listing all solar systems installed in Australia. The cost to implement and maintain this register is borne by all electricity consumers. Overseas network operators recognise measurement is the only reliable way to achieve the required outcome. Direct measurement of solar output is readily available and can be added to the list of AEMC smart meter services at minimal cost. Instead all Australian consumers will end up paying for the inferior register with the AEMC's decision also penalising the 80% of consumers without a solar system.

Solar Power Purchase Agreements

The Power of Choice was supposed to support new energy service providers. For example several companies are now offering consumers solar systems with no upfront fees. After installing the solar system the consumer agrees to buy generated electricity via a solar Power Purchase Agreement (PPA). The PPA requires a meter measuring both net energy and gross measurements (as noted above these smart meters are readily available at minimal cost). The AEMC's decision to give the customer's retailer the exclusive right to dictate which smart meter is installed is proving a significant barrier for these new energy service providers. In truth far from supporting new energy service providers the AEMC's rules enable incumbent retailers to stifle the very innovation they hoped to support.

Solutions are available, however they all increase the cost for consumers and energy service providers.

The first solution requires the energy service provider install a separate electricity meter making the measurements required by the PPA. This additional measurements could have been made by the retailer meter. It is a clear example of the AEMC's metering reforms increasing costs for consumers wishing to participate in emerging energy markets.

Alternatively the new energy service provider can register as a retailer. Then as a retailer they can choose the metering solution. As a small retailer the energy service provider is unable to negotiate energy contracts increasing the cost of electricity they must purchase from the national market. The energy service provider passes these higher costs directly to the consumer. So the current restrictions imposed by the AEMC metering reforms reduce financial benefits for both consumers and new energy service providers.

These barriers could be easily reduced if the AEMC allowed consumers to choose their meter installer. After agreeing to the solar PPA the consumer appoints their own meter installer. They choose a meter making the measurements required to support the PPA. The consumer is free to choose any retailer and can even change retailer with no risk the meter will be replaced. Existing rules ensure the consumer's chosen retailer is provided with the net meter data allowing them to calculate the bill. The customer appointed meter installer also sends the gross meter data to the energy service provider so they can calculate fees associated with the solar PPA.

Similar impediments to innovative energy applications apply to apartment complexes trying to install a solar system. The current metering restrictions ensure the solar system can only be used to offset electricity use in common areas, significantly reducing the financial benefits. Allowing others to select the smart metering installer and metering services would remove these impediments.

The AEMC's failure to honour its promise to give consumers the power to choose the meter installer is inhibiting the energy services market the metering reforms were supposed to be enabling.

Should I install a solar system?

For most consumers the decision to install a solar system remains a large long term financial commitment. Alarmingly most consumers are forced to make this financial commitment without any analysis. It is asserted more consumers would probably choose to install a solar system if such analysis was readily available.

Accurate financial analysis starts with the consumer's electricity use. The critical value is the amount of electricity they use in the middle of the day, a value not shown on consumer electricity bills. In fact the value is not measured by the majority of consumer electricity meters.

Smart meters make the required measurements, so if the consumer could request the installation of a smart meter they could then use the data the meter provides to estimate the financial returns from installing a solar system. Except ... the AEMC decided not to require retailers install a smart meter even if one is requested by the consumer.

The AEMC smart meter rollout only requires retailers install a smart meter after the solar system has been installed. Then, as discussed above, the rules fail to specify a sensible timeframe in for the retailer to install the meter and consumers can't specify the services the meter provides (even when those additional services are of benefit).

The AEMC needs to ensure if a consumer requests a smart meter then their retailer must provide one. Similar timeframes and penalties should apply to the provision of this meter.

Innovative Tariffs

The AEMC hopes smart meters will result in greater uptake of innovative tariffs. For example smart meters can support Time of Use tariffs. Analysis shows many consumers could reduce their energy costs by 10 to 20% if they changed to a Time of Use tariff.

This is definitely a "chicken or egg" scenario. Retailers only want to provide smart meters to consumers choosing new tariffs, but consumers only want to accept new tariffs if they reduce their energy costs.

One solution is for consumers to ask their retailer for a new smart meter. As discussed above the AEMC failed to require retailers to comply with the consumer's request. This should be addressed.

Unfortunately even if the consumer is given a smart meter the AEMC has failed to honour other promises made in their Power of Choice review.

Trials of smart meter technology have consistently shown smart meters do not deliver consumer benefits. Benefits are delivered by education programs showing consumers how to use smart meters to lower their energy costs. The AEMC have failed to ensure retailers provide consumer smart meter education.

While the AEMC *hope* smart meters will result in greater uptake of innovative tariffs they have failed to provide a single tool able to accurately compare available tariffs. The Government's independent tariff comparison website, Energy Made Easy, does not support the innovative tariffs the AEMC is promoting.

The AEMC needs to ensure Energy Made Easy is immediately upgraded to support the innovative tariffs it is promoting. This has become an urgent requirement with several retailers already offering innovative tariffs to consumers despite consumers having no way to assess if they will benefit from accepting these new tariffs.

Consumer Right to choose Smart meter services

Smart meter rollouts typically support services designed to provide consumer benefits. For example when the NSW Energy Minister announced his support for the AEMC smart meter rollout he was pictured with a tablet computer communicating with the smart meter. The tablet computer even allowed him to turn appliances on and off, with the tablet immediately showing how this affected energy consumption. **None** of these services are supported by the AEMC smart meter rollout.

The Power of Choice suggested it would empower consumers by allowing consumers to choose the metering services they valued. Instead the AEMC smart meter rollout mandates a minimum list of services. These are:

- Turn power on and off at consumer premises
- Read meter energy data
- Read meter status
- Reconfigure the meter to enable new tariffs and arrangements

Retailers are choosing to install meters offering only the above minimum list of services. Retailers are not offering additional smart meter services benefitting consumers.

Two proposals are suggested.

- Consumers should be given the right to ask their retailer install a smart meter supporting additional services.
- Alternatively services benefitting consumers should be added to the minimum list of services. For example the smart meter services shown to the NSW energy minister.

As a consumer advocate it is noted the ability to remotely turn off the power at consumer premises, typically for late or non-payment of bills, is not a consumer benefit. This suggests consumers should be given the Power of Choice for all smart meter services. This includes the ability to choose to disable some meter services. It is acknowledged the consumer may have to pay additional fees (for example higher fees for manual disconnection).

Should others have the right to specify meter services?

The AEMC smart meters supports **four** services. The typical smart meter rollout supports 20 (or more) services. The four services are designed to benefit electricity retailers. The missing services provide benefits to consumers and network operators. It is suggested the AEMC's failure to ensure these additional smart meter services are available jeopardises the National Energy Objective (NEO).

The AEMC website states the NEO as

To promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to:

- price, quality, safety and reliability and security of supply of electricity
- the reliability, safety and security of the national electricity system.

The AEMC smart meter rollout does not promote the efficient operation of electricity networks. For example the Power of Choice review promised to simplify the installation of domestic solar and battery storage systems. These technologies create challenges for the quality, safety, reliability and security of supply. Failing to understand the requirements the AEMC specified their meters make largely useless network measurements. The lack of support is forcing distribution network operators to investigate more expensive additional solutions. The cost to install and manage these additional solutions could easily have been avoided by specifying the smart meters make *relevant* network measurements.

While the AEMC considers giving consumers the right to choose additional metering services, it is suggested they consider the clear advantages of allowing distribution network operators to request meters installed in their area provide additional meter services. These services can improve the quality, safety, reliability and security of supply. Avoiding the cost of additional network monitoring equipment will ultimately lower consumer electricity costs.

Consumer Right to refuse a smart meter

The AEMC smart meter rollout fails to give consumers the right to refuse a smart meter.

All consumer electricity meters will eventually reach end of life. When a consumer's electricity meter reaches end of life the AEMC smart meter rollout requires it be replaced with a smart meter. The consumer is given no rights to refuse the installation of this smart meter.

The AEMC smart meter rollout also gives consumers no option to refuse the installation of a smart meter at new premises or when changes at existing premises require a new meter. The most common reason for installing a new meter is the consumer's decision to install a solar and/or battery storage system. While the Power of Choice promised to empower consumer participation in the emerging energy market, the final rules give them no power of choice.

The AEMC's mandated smart meter rollout fails to give consumers any Power of Choice.

It is acknowledged the AEMC does allow consumers to request a smart meter with no remote communications. Two problems are identified with this option.

Firstly retailers are not notifying consumers this option is available. When retailers contact consumers about smart meters the rules should oblige the retailer to inform consumers this option is available.

Secondly the option was proposed to avoid the adverse effects of long term exposure to electro-magnetic radiation. It completely fails to achieve this aim. A consumer moving into premises already fitted with a smart meter are denied the option to have the remote communications disabled.

Conclusion

The AEMC smart meter rollout is failing to give consumers the Power of Choice.

- Retailers are taking far too long to install smart meters
- Consumers are not given the right to request a smart meter from their retailer
- Consumers are not given the right to request additional smart metering services
- Consumers are unable to appoint their own metering provider
- Other market participants benefitting from the smart meter installation also have no rights
- Consumers are not allowed to refuse a smart meter or request remote communications be disabled

The AEMC should consider all of the above failings when undertaking the proposed rule change.

About Dr Martin Gill

Dr Martin Gill is an independent consultant specialising in the provision of consumer advice based on a deep understanding of the Australian energy industry and strong analytical skills. As a consultant he has prepared advice for consumer advocates, government regulators, electricity distributors, electricity retailers, asset operators and equipment vendors.

He currently represents the interests of consumers on a range of Standards Australia committees including metering, renewable power systems, battery storage, electric vehicles and demand management.

Dr Gill is a metering expert. During the National Smart Metering Program he facilitated the development of a specification for Australian smart meters. Innovative metering products developed by his teams have been externally recognised with the Green Globe Award, NSW Government's Premier's Award and Best New Product by the Australian Electrical and Electronics Manufacturers Association.

Citation

Please accurately attribute all quotes and references to this submission. It would be appreciated if references also included the author's website drmartingill.com.au.

Comments or Questions?

The author is happy to receive comments or questions about this submission. He can be contacted at martin@drmartingill.com.au