

The AEMC's ~~Power~~ **PRICE** of Choice

Dr Martin Gill

The Australian Energy Market Commission's (AEMC's) Power of Choice meter reforms force all Australian consumers to install an expensive smart meter. After installing the expensive smart meter the AEMC is considering allowing retailers to charge consumers even more to deactivate the communications turning the meter back into the dumb meter it replaced!

Introduction

The Australian Energy Market Commission's (AEMC's) Power of Choice reforms were supposed to empower consumers. Specifically the AEMC claimed the reforms would:

“promote [...] investment in advanced meters that deliver services valued by consumers at a price they are willing to pay”

The AEMC considers their reforms to be a huge success. In the first year the reforms have forced 600,000 consumers to install a smart meter.

The AEMC is far less vocal describing the 'services valued by consumers' delivered by their meters. The reason is because their rollout gives consumers ONE choice. The ONE choice allows consumers to request the smart meter not be fitted with communications (turning it into a dumb meter).

The AEMC even managed to get this ONE choice wrong. Currently the AEMC only allows consumers to make this one choice when the meter is first installed. Specifically should a concerned consumer move into a new house then the AEMC explicitly forbids the consumer from deactivating the communications fitted to any existing smart meter.

The AEMC is now modifying the rules to give consumers this ONE choice at *any time*. The catch is the AEMC believes consumers will value this new service so feel consumers should pay for it.

Deactivating communications with the smart meter turns the expensive smart meter back into the dumb meter it replaced. Deactivating communications then forces retailers to resume labour intensive manual meter reading. Ultimately cost sharing forces all consumers to pay more for the expensive smart meter even though it now delivers minimal benefits.

Summary of Article

The AEMC is required to make all rule changes 'in the long term interests of consumers' however this rule change fails this test. Specifically the latest rule change:

- Encourages retailers to charge consumers for a service which was previously free
- Fails to provide the data privacy consumers think they are paying for
- Fails to ensure the 'service' consumers are being charged for is actually being delivered
- Forces retailers to provide information intended to discourage consumers from making this choice

Overseas consumers have successfully challenged fees charged to opt-out of smart meter deployments. This suggests Australian retailers will not be able to recover the cost of AEMC smart meters leading directly to higher electricity prices. The rule change is not in the long term interest of consumers.

How much will it cost?

A critical question for consumers is how much will they be charged should they choose to request deactivation of the meter communications?

Historically prices charged by meter providers were tightly regulated. The AEMC's Power of Choice removed this price regulation. The AEMC allows retailers to charge whatever they want.

Based on the previously regulated cost of special meter reads Dr Gill estimates consumers choosing to disable their smart meter communications should expect to pay an annual fee of \$250.

While the figure seems high it is actually less than the regulated cost in many USA States. In these states the local utility is allowed to charge consumers refusing the installation of a smart meter. The following table shows yearly costs in a number of USA States:

USA Region	Yearly Cost (AU\$) ¹
Texas (San Antonio)	\$340
Texas (Denton County)	\$430
Oklahoma	\$480
Ohio (Duke)	\$514
Oregon	\$875

So after the AEMC's Power of Choice forced consumers to install an expensive smart meter they can expect to pay at least \$250 a year more to turn it into the dumb meter it replaced. To the AEMC this is somehow a cheaper option than not installing a smart meter in the first place?

Legal challenge to charging for this service

Dr Gill's submission on this rule change suggested it would result in higher electricity prices for all consumers. The identified problem was retailers would not pass on the real cost of deactivating the smart meter communications. Higher prices arise as retailers smear the manual service costs and lost benefits across all consumers. The AEMC ignored this concern. *Should they?*

Electricity regulators in California (USA) were among the first to require the installation of domestic smart meters. They were also one of the first to offer consumers the right to Opt-Out.

In 2012 the California Public Utilities Commission allowed consumers to request an analogue meter be installed in place of a smart meter. Consumers only needed to contact the electricity company and "pay the required monthly Opt-Out fee".

Some USA consumers challenged the Opt-Out fee:

[In the September 12, 2015 case of Nice Customer versus Plumas-Sierra Rural Cooperative, Los Altos County Judge Judy Booty ruled that Opt-Out fees violate state discrimination laws. Plaintiff claimed she suffers and is disabled from electromagnetic hypersensitivity, and Defendant cut off her electricity for not paying Opt-Out fees.](#)

While the AEMC hopes retailers will charge consumers more to deactivate the smart meter communications, this appears unlikely. Firstly it looks bad to charge for not providing something. Secondly it is only a matter

¹ Assuming an exchange rate of AU\$1 = US\$0.70 (it is acknowledged most of the USA figures are based on 6 manual reads a year not 4)

of time before consumers challenge the fees. The USA result suggests a legal challenge could be successful.

Why would consumers want this service?

Consumers requesting the deactivation of smart meter communications fall broadly into two categories. Consumer concerns about:

- how the smart meter breaches their privacy
- the effect of long term exposure to electromagnetic radiation

These are considered in the following sections.

The meter continues to breach consumer privacy

Paying to deactivate the smart communications does not prevent the AEMC smart meter from continuing to breach consumer privacy.

Even when the communications is deactivated, AEMC rules require the smart meter measure consumer electricity use every 5 minutes. These 5 minute measurements allow retailers (and whomever the retailers sells the data to) to determine exactly how and when consumers use electricity. Analysis can even reveal which appliances they are using.

In an earlier article Dr Gill compared consumer smart meter data rights in the UK against those in Australia. His analysis showed UK consumers can choose if and how often their smart meter collects this invasive data. The AEMC refuses to give Australian consumers similar data rights. This does not change even when a consumer pays to deactivate the smart meter communications.

[It should be clearly explained the meter remains a threat to consumer privacy even when the communications are deactivated.](#)

Will consumers receive what they are paying for?

After paying around \$250 a year, consumers have absolutely no means of verifying the retailer has deactivated the communications.

Turning off the communications significantly increases the cost to read the meter. This large cost may result in some retailers choosing *not* to deactivate the smart meter communications.

Dr Gill's original submission asked the AEMC to consider how consumers could validate the service is being delivered? *The AEMC ignored the question.*

The AEMC even fails to prescribe a penalty should a retailer be caught charging a consumer for services they do not receive. That the regulator does not ensure consumers received the service they pay for would be difficult to defend at any future Energy Royal Commission.

How do consumers know the service is available?

The AEMC does not require retailers provide any information when they install AEMC smart meters. This leads to the question “How do consumers know they can ask to deactivate the communications?”

If a consumer somehow finds out they are allowed to request deactivation of the communications, the new AEMC rules require the retailer actively try to discourage them from proceeding. Specifically the new rules require retailers provide an information pack listing the services consumers lose.

What services do consumers lose?

The following lists several services consumers will lose after paying to deactivate the communications:

- The ability for retailers to remotely disconnect them
- The potential for real-time invasion of consumer privacy
- The possibility for hackers to destabilise the grid

Most consumers will view the loss of these services as benefits (which is why retailers will not list them).

Remote Disconnection

Remote disconnection is *not* a consumer benefit. Most consumers are alarmed to hear their new AEMC smart meter allows their retailer to remotely disconnect them. This suggests many consumers will view the retailer’s inability to disconnect them remotely as a benefit.

Remote Service Check

All AEMC smart meters are required to support the innocently named “Remote Service Check”. This service is far more invasive than the 5 minute measurements AEMC meters continue to make even with communications deactivated. Retailers using Remote Service Check can determine which appliances consumers are using in real time. The service gives retailers unprecedented insights into consumer behaviour.

Consumers requesting deactivation of communications deny retailer access to “Remote Service Check”. Most will view this as a significant benefit.

Lowers the threat of cyber-attack

The AEMC requires all their smart meters support remote disconnection. This service presents a cyber-threat to electricity networks with wide scale use of remote disconnect/reconnect services having the potential to destabilise the electricity grid.

Consumers requesting deactivation of their smart meter communications could be viewed as providing a societal benefit by reducing this cyber threat.

What services consumers do not lose?

The AEMC website claims smart meters can help consumers lower their energy costs by automatically shifting some appliance electricity use to cheaper times. This smart benefit is not lost by deactivating the communications because the AEMC smart meters are not required to support this service.

Separately the AEMC has introduced other rule changes intended to ‘encourage’ greater uptake of time of use and demand tariffs. Consumers hoping to avoid these highly unpopular tariffs will be disappointed. The mandatory collection of 5 minute measurements still supports these tariffs.

Smart meter rollouts typically promise faster power restoration after blackouts. This benefit is not lost by deactivating the communications since the AEMC smart meters do not support outage notification.

The PRICE of Choice

The AEMC Power of Choice was supposed to “deliver services valued by consumers at a price they are willing to pay”. So how much are consumers paying for the AEMC metering reforms?

Regulated Smart Meter Price	\$880
AEMC Smart Meter Price	\$1570

The above figures are a simple comparison of the published price of the Victorian smart meter rollout and the recent sale of a retailer created smart metering business.

The figures suggest the AEMC smart meter rollout has a market valuation of \$15.7billion, almost double the cost of a distributor led rollout. The difference

suggests the AEMC's metering reforms have increased consumer electricity prices by \$70 a year.

This result is consistent with multiple cost benefit assessments. These assessments found societal benefits are maximised when local distribution businesses handle the rollout (e.g. Victoria). Instead, without explanation or justification, the AEMC handed responsibility for the Power of Choice smart meter rollout to retailers simultaneously increasing meter costs while decreasing delivered benefits.

Where are the "long term benefits to consumers"?

This rule change considers giving consumers the right to request deactivation of their smart meter communications, a right the AEMC originally denied. The AEMC should only change the rules to give consumers this right if it is in the long term interests of the majority of consumers.

The AEMC's Power of Choice forces retailers to install an expensive smart meter. This rule change then allows retailers to charge consumers more to turn the expensive smart meter back into the dumb meter it replaced. It is suggested the cheapest solution gives consumers the right to retain their dumb meter (as is allowed in the UK at no charge). The AEMC is not considering this solution.

Another cheaper solution directly addresses consumer concerns with smart meters. In the UK consumers have the right to limit what data the smart meter collects (privacy) and how often it uses its communications (radiation exposure). This solution is significantly cheaper than the proposed rule change, but the AEMC refuses to consider giving consumers these rights.

Instead the AEMC acknowledges deactivating communications leads directly to higher costs. The AEMC then claim this is cheaper than something consumers are currently not allowed to do. *What?*

There is a logical alternative to the AEMC's non-sequitur argument - lower electricity prices are delivered by continuing to refuse giving consumers the right to deactivate communications. This alternative is in the long term interest of the majority of consumers.

Conclusion

The AEMC Power of Choice metering reforms were supposed to allow consumers to choose the metering services they valued. In fact the metering reforms have given consumers no Power of Choice.

The proposed rules suggest the AEMC does not actually support giving consumers the right to request deactivation of their smart meter communications. The new rules force retailers to provide information intended to discourage consumers from making this choice. If that is not enough the new rules encourage retailers to charge consumers more to recover the higher costs incurred by deactivating the communications.

Ultimately the reforms fail to provide the data privacy consumers think they are paying for. Worse the rules provide no means of validation or consumer protection, so some consumers may be charged for a service which is never delivered.

While cheaper solutions are readily identified the AEMC refuses to consider them. None of this is in the long term interest of consumers.

Citation

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Comments or Questions?

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

References

Dr Martin Gill, "Comparing Consumer Rights in the AEMC and UK Smart Meter Rollouts"

Dr Martin Gill's submission to the AEMC "Turning smart meters into dumb meters"

Background to the meter prices

The Victorian smart meter rollout cost \$2.2 billion for 2.5million smart meters. This equates to \$880 a meter.

Australia's largest retailers set up dedicated metering businesses offering to install AEMC smart meters. They subsequently sold the businesses with published figures providing an insight into the value the market places on the smart meters. For example Origin sold its 170,000 meters for \$267million equating to \$1570 a meter.

The comparison is only intended to show the AEMC's Power of Choice is more expensive than a distributor lead smart meter rollout. Reasons the two figures can't be directly compared include 2013 v 2018 pricing and the Victorian meters support more services and provide greater societal benefits than the AEMC smart meters, etc.

AEMC failure to notify consumers of their rights

The AEMC has consistently failed to notify consumers of their smart meter rights. The AEMC's original Power of Choice review noted the importance of consumer education.

Effective communication and education strategies will be needed to build consumer confidence so that consumers utilise the potential of DSP [smart meter enabled] products and services

The very next paragraph in the AEMC review states

This will require action by governments, retailers, networks, consumers and community organisations and should occur before the introduction of these reforms.

So how much education has been provided? **NONE.**

This rule change highlights the AEMC always had the power to require consumers be provided with the identified education. Instead the AEMC decided to throw consumers into the totally new market they had created without a single requirement consumers receive suitable education. The result was savvy retailers exploited the nativity of most consumers. The new rules continue this failure while exploring greater immoral lows.

The AEMC's new rules require retailers provide any consumer requesting deactivation of the smart meter communications with an information pack designed to

discourage them from deactivating the communications. Specifically the AEMC requires the information pack list the services they will lose.

The AEMC's Power of Choice review identified the importance of consumer education but the AEMC did absolutely nothing about it. Now the AEMC intends to force retailers to provide negative information intended to discourage consumers from making choices. This sets a new moral low.

Examples of missed benefits

Remote disconnection benefits retailers. One way is it lowers Worker Health and Safety risks. Technicians sent to disconnect premises report they are often confronted by angry consumers. To avoid physical injury the disconnection is never undertaken. So this rule change exposes workers to physical injury negating one of the identified smart meter benefits.

Unfortunately the rule change also provides a minority of consumers with a new trick to avoid paying for electricity. They request deactivation of the communications and then ensure no access to their property thereby avoiding disconnection. Under the current AEMC rules remote disconnection is always available.

There is another problem. Once the communications has been deactivated the consumer can tamper with the meter (by-pass) confident the illegal (and highly dangerous) connection will not be detected. Distributor installed smart meters, with permanent communications, try to detect these illegal connections revealing yet another lost benefit.

Giving consumers the right to deactivate communications reduces smart meter benefits and increases the likelihood of energy theft. All these costs are ultimately passed onto all consumers through higher electricity prices. Deactivating communications is not in the long term interest of the majority of consumers.

About Dr Martin Gill

Dr Martin Gill is an independent consultant specialising in the provision of consumer advice. This advice is 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.

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.

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