Electrical Trades Union of Australia
Proud to be Union

22 May 2015

Australian Energy Market Commission
Level 6, 201 Elizabeth Street
Sydney NSW 2000

(Submission Ref: ERC0169)

AEMC Metering and Related Services Draft Determination Submission

The Electrical Trades Union (ETU) traces its history back almost 100 years in Australia. Currently we represent approximately 50,000 workers in the electrical trade industry. As a major industry stakeholder we provide training, advice and advocacy across energy sector industries and welcome the opportunity to participate in consultation on the 2015 draft determination for advanced metering services.

The AER refers to the COAG Energy Council's 2012 'Power of Choice' reforms as a current priority[1] and a lists enabling technology such as advanced meters as major part of managing the future transformation of the energy sector by communicating information on household electricity consumption in real time and provide that information to both the consumer and the electricity provider for monitoring and billing purposes. This should allow consumers to have unprecedented levels of choice over when they chose to use electricity and thereby save money on power bills whilst simultaneously contributing to demand side management.

[1] AER, Submission to Energy White Paper, February 2014.

Advanced meters are an integral prerequisite for the introduction of Time of Use Tariffs and the creation of a national smart grid, and have been in place in Victoria for several years now and the results have been mixed. While they do provide excellent data on usage patterns, when it comes to costs, the reality is not living up to the promise.

Charges associated with advanced meters are billed in a similar way as equipment associated with a household's electricity supply is currently billed. Some retailers in Victoria have opted to represent the cost increase associated with smart metres as a single line item. Others, like AGL, have opted to bundle it up as part of the general service charges.

In December 2014, the AER published its decision on the Victorian distribution network service providers 2015 advanced metering infrastructure charges from 1 January to 31 December 2015[2], which allows $111.4 million of excess expenditure associated with advanced meters to be passed onto smart meter customers across three of Victoria's distributors.

[2] http://www.aer.gov.au/node/29217

Figure 1 – AER Approved Advanced Metering Expenditure Excess ($m, real 2013)

AMI expenditure excesses 2013	Jemena	United Energy	AusNet Services
Excess sought	25.7	53.7	70.2
Excess approved	21.0	43.0	47.4
Excess rejected	4.7	10.7	22.7
Excess rejected (per cent)	18	20	32

Source – AER

While not every household will be subject to an increase, those that do are estimated to be subject to additional charges of $109.40 to $226.30, plus GST, for the most common type of advance meter, depending on where consumers live.

This represents an increase of up to 28 per cent higher than the previous year.

Jemena's charge for next 2015 is $226.30, up 17 per cent, AusNet Service's charge is $205.50, up 28 per cent, and United Energy's charge is $154.50, or 9 per cent more. CitiPower's $115.90 fee is down 60c, and Powercor's $109.40 charge is 5 per cent lower.

The companies that overspent cited stalled installations caused by the then state government's project review, public resistance to the meters' introduction, shortages of installers, and the delayed introduction of time-of-use electricity tariffs as reasons for advanced meter expenditure overruns.

Overall, there seems to be a perverse outcome where advanced metering technology is actually costing consumers more than they are saving, with network companies (as usual) profiting.

In Victoria, the peak period on weekdays is no less than every hour that falls between 7am and 11pm. When a “peak period” covers what many residents would view as strangely synchronous to their own waking hours, serious questions need to be asked as to whether the ‘smart grid’ is actually being used as a tool to manage peaks in energy demand, or whether the net has been cast so wide as to capture the maximum amount of revenue possible for retailers.

Another matter of concern is the impact of fees and charges paid by consumers for installation and the general use of advanced meters. Double charging of metering could an issue and is an inherent risk of employing a market driven approach. This will require regulators to unbundle metering charges from network charges so that consumers are not paying twice for the metering services. Any new price structures and contractual terms must not burden those who do not have the capacity to access or benefit from the market driven model.

The draft determination set out plans for a market driven advanced meter roll out for commercial contestability. It is claimed that the key advantage of this model is that competitive metering means better outcomes for customers, such as lower costs, accurate billing data, help manage energy consumption and better services. However, in our view this model is problematic.

Given that the making of the national market rules will govern the next phase of advanced meter rollout of home across the nation, a serious question posed is

whether there is sufficient community awareness and confidence in smart meters to facilitate a market driven approach?

In our view it not enough to simply rely on the traditional consultation processes in which it is usually only corporate energy industry insiders that participate.

Previous rollouts of advance meters has met with mixed success from consumers, and in our view a key reason for this was a lack of appropriate consumer education, engagement and consultation. As a consequence of the Victorian experience, advanced meters have a negative stigma attached to them. The challenge is to restore the consumer interest into the benefits of advanced metering technology. It is best practice to educate consumers before smart meter deployment and to manage consumer concerns such as:

- Lack of choice regarding the type of meter;
- Confusion over the ownership of the meter and the data generated from it;
- Added complexity when understanding the relationship between consumers and energy providers, with new relations with subsidiary companies set up network businesses;
- Health and safety issues.

A recent report[3] by the Energy and Water Ombudsman Victoria highlights that advanced meters continue to be a cause of confusion and complaint in Victoria. In the last quarter, 73% of the complaints regarded billing concerns. Additionally, 29%

[3] http://www.ewov.com.au/__data/assets/pdf_file/0005/14585/Solar_and_Smart-Meter_Apr_2015.pdf

of advanced meter complaints was regarding high bill and high estimated bill concerns. Some customers complained about:

- Having historically low actual bills and then high estimated bills following the advanced meter installation;
- Incorrectly wired advanced meter/s causing high bills;
- High estimated final meter reads from old analogue meters.

Metering Coordinators

The Draft Rules Change introduce a new entity, a Metering Coordinator, who will be required to take on the current metering responsibility role of the "Responsible Person" as a customer's connection point along with other responsibilities. The Metering Coordinator will be responsible for engaging a Metering Provider to carry out installation and maintence, and a Metering Data Provider to provide metering data services. It is great concern that the same entity is able to take on all three roles under the Draft Rule Change as this can impact quality and safety standards.

Customers are exposed to potential increased costs where the new proposed contestability framework establishes an unregulated monopoly at the customer location with market power. Under a single party, (the Metering Coordinator) will have the ability to remove existing network metering asset and become an un-regulated gatekeeper of metering services.

The ETU identifies two major issues regarding this:

1. A Metering coordinator can take advantage of its 'monopoly' position with respect to providing these services to network business to charge above the cost reflective price, and/or
2. There an absence of national regulatory oversight over the Metering Coordinator to maintain safety standards.

We do not believe it is appropriate and in the best interests of consumers for the national rules on smart meters to be silent on the issue of safety. Safety for both the workers who install the meters and consumers.

The draft determination also states that Small Customers will not have the power of choice to appoint their own Metering Coordinator, while large commercial customers will. In our view this is patently inequitable.

There cannot be a claim that the arrangements set out by the draft determination will drive increased competition benefits for consumers when the rules prohibit ordinary consumers from choosing who will be responsible for performing a key role in the advanced metering arrangements.

Majority of small consumers already receive metering services from their network provider, a regulated monopoly. The draft rule change would introduce competition in metering for an individual consumer. This also removes the right for network businesses, as metering customers, to choose their service. This potentially will expose all consumers to higher costs from a new unregulated private monopoly.

While Smart Meters and Time of Use tariffs and the establishment of Smart Grids have the potential to bestow numerous benefits and efficiencies, the devil is in the detail and the implementation. If such significant changes to the supply and consumption of electricity are not effectively implemented the benefits will be lost, and we are seeing examples of this currently through the current metering determinations and regulations.

In order to realise the full benefits of advanced meters, for consumers and industry stakeholders alike, we recommend the draft determination be amended to allow for:

- Small consumers be able to choose Metering Coordinators;
- Metering charges be a separate line item on residential bills;
- Installation, maintenance and replacement of advanced meters only be performed by licenced electricians;
- The installation, maintenance and replacement of advanced metering be a minimum two-person task;
- The implementation of a large national community education campaign prior to any finalisation of the draft determination.
- Opt-out provisions should be at no financial impost to consumers.
- Unbundling of meter charges from distribution charges must be performed to ensure consumers are not ‘double charged’ in any way.

[end]