

20 March 2009

National Energy Market Branch
Energy and Environment Division
Ministerial Council on Energy
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Thank you for the opportunity to comment on the Consultation Draft of the *Smart Meter Consumer Impact: Initial Analysis Report*.

The Energy & Water Ombudsman NSW (EWON) investigates and resolves complaints from customers of electricity and gas providers in NSW, and some water providers.

EWON welcomes the work being done by the MCE and its consultants to review the potential consumer impacts arising from exposure to time related tariffs.

For ease of reference we have adopted the same numbering as the *Smart Meter Consumer Impact: Initial Analysis Report*.

1.3 Limitations of the Study

We note the constraints on the conduct of this study as outlined in 1.3 of the Report, in particular, concerns about drawing conclusions from this data arising from the fact that:

- both Integral Energy and EnergyAustralia had conducted the research for their own internal purposes, so there was no consistency in approach
- in particular the sampling of the customer groups appears to have been quite different, and the tariff and information options available to these customers was quite different
- the surveys were also conducted in different years – EnergyAustralia in 2006/07 and Integral Energy in 2007/08, and it appears that neither of these years could be described as typical
- neither study was longitudinal, so they were not able to compare consumers' behaviour before and after the installation of the meters.

In view of these constraints, there would appear to be only limited validity in any conclusions drawn regarding customer characteristics. We are therefore viewing this analysis as providing some initial indications of some likely trends and impacts, and note the comments in the Report of the potential for further trials and studies to collect information targeted at resolving particular issues.

3.3.2 Published results of the Integral Energy study

It appears that the highest decrease in demand of 35- 40% was obtained by the samples in the Integral Energy survey that were part of the Demand Peak Pricing trial. These customers had been provided with a web interface to monitor their use online, with a subset of these customers being provided with an in-home display. These customers were given prior notification of a dynamic peak pricing event, so had the opportunity to adapt their usage.

This result implies that it is the provision of information about usage and cost, in conjunction with the provision of the smart meter that is a vital part of the process in changing consumer behaviour.

I would like to repeat the comment from EWON's original submission on this topic, dated 7 November 2007:

“EWON firmly believes that the capability of smart meters to communicate with an in-home display is a crucial and essential functionality, particularly if customers are to be empowered to monitor their own electricity usage adequately, alter their usage patterns where necessary and possible, and understand the cost of the electricity they use. Each customer whose premise is fitted with a smart meter should be given the opportunity of being provided with an in home display if they feel it would be of benefit to them.

Arming customers in this way with real-time information about how much electricity they are consuming and how much it is costing them not only treats them as an equal partner in their relationship with their retailer and distributor, but may help to reduce the demands on networks during peak periods and reduce the need to invest in new distribution and generation assets.”

Since this submission in 2007 our support for in-house display for smart meters has been reinforced by complaints from customers who have had a time of use meter installed at their premises. Feedback from these customers strongly confirms their need for direct communication about the costs, time bands, and options associated with smart meters. We suggest that much of the benefit of sophisticated metering will be lost or reduced unless customers are directly involved and informed by way of accessible and user-friendly in-house display mechanisms.

6.8 Summary of Key Findings: General Consumer Impacts

(i) Disadvantaged customers

EWON notes that among the groups of consumers identified by the Report as not being able to avoid the impact of higher peak tariff charges, are those who are largely at home during weekdays.

In EWON's experience, many customers who are in receipt of Centrelink benefits, either because they are elderly, unemployed, caring for small children, or on a disability pension spend more time in their own homes. These vulnerable customers have fewer discretionary appliances, and fewer options to rearrange their usage according to the time bands, so often cannot avoid the peak pricing.

The current peak pricing time band used by EnergyAustralia, from 2pm- 8pm on weekdays, significantly disadvantages this group, who still need to heat or cool their homes during this period depending on the weather conditions. EWON is concerned to avoid the situation where these consumers feel unable to use their appliances during these periods, and may suffer health consequences, for example by under-heating because of cost concerns. EWON would therefore like to see a significant concession framework developed to assist these consumers.

(ii) Impact of high quarterly bills

EWON notes that the data on which the analysis has been based appears to be based on annual figures. It is EWON's experience that customers may only receive one unusually high bill per year – either the winter bill through extended use of heating appliances, or the summer bill through extended use of cooling appliances – but the effect of one unusually high quarterly bill can have far-reaching effects on consumers already in a hardship situation. This can include additional fees and disconnection of supply, with its attendant ongoing effects of food spoilage and safety risks. Even after supply is reconnected, there will be increased stress on the ongoing household budget while this high bill is gradually paid off over time.

As it is these vulnerable consumers who are more likely to be home all day, so less able to avoid the higher peak tariff charges, they are also the ones who are more exposed to the risk of receiving an unusually high quarterly bill. While some retailers offer a “bill smoothing” option to spread the usage charges evenly across the year without seasonal variations, these programs are not without problems of their own. A particular issue is that unexpected high usage charges may not be picked up until up to 12 months later when a reconciliation of the account is conducted. This means that consumers are not receiving the appropriate feedback from the pricing signals in a timely manner, so have

no opportunity to make any adjustments to their usage to minimise their next bill. They will also receive an unusually high 'catch-up bill' following the account reconciliation.

EWON believes that the impact on vulnerable consumers of receiving a high quarterly bill, as opposed to the more general analysis on annual figures, was not canvassed by the initial analysis. It is possible that the impact of the higher tariffs in the peak period may have been under-estimated.

If you would like to discuss this matter further, please contact me or Prue McLennan, Investigations Policy Officer on 8218 5250.

Yours sincerely



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