



Tasmanian Council of Social Service

Submission to the
Ministerial Council on Energy
on
Cost Benefit Analysis of Smart Metering and
Direct Load Control

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Introduction

The Tasmanian Council of Social Service (TasCOSS) is the peak body for the community service sector in Tasmania. Its membership comprises individuals and organisations active in the provision of community services to low income, vulnerable and disadvantaged Tasmanians. TasCOSS represents the interests of its members and their clients to government, the public, the private sector and to the media.

We welcome the opportunity to comment on the consultation papers from the *Cost Benefit Analysis of Smart Metering and Direct Load Control* (the *CBA*). While we will obviously not comment on all details of the substantial papers that comprise the *CBA*, we will provide some comments on issues raised in the *CBA* that are relevant to our constituency.

We have organised our comments according to particular issues of concern.

Rationale for Smart Metering and Direct Load Control

The primary rationale for undertaking a mandated national roll-out of smart metering and direct load control technology remains unclear to us. We have therefore found it difficult to address those aspects of the *CBA* relevant to our constituents and to draw definitive conclusions. If the priority is for more effective network management, then it appears that a business case may be made. However, if the primary priority is for the enhancement of demand side participation, that is: demand management, the provision of customer information, and a reduction in greenhouse gas emissions from electricity use, the results appear much less clear.

We therefore address our concerns to issues that will potentially affect households in Tasmania, and in particular, low income and disadvantaged households which are those most vulnerable to hardship resulting from increases in the costs of electricity supply.

Costs

The major issue for our constituency arising from the *CBA* is the likely increased cost to consumers of a smart meter roll-out – and the apparent absence of guaranteed, clear-cut and timely net benefits.

This is of particular concern to consumers in Tasmania since, as detailed in the *CBA* (Work Stream 4: Consumer Impacts, p80), Tasmanian residential consumers not only have the highest electricity consumption in the country, but also receive the lowest household incomes. In addition, the absence of widespread access to natural gas in the State means that Tasmanians have few energy options relative to other jurisdictions. Tasmania also has a cooler climate than most other jurisdictions. Tasmanian consumers are therefore very sensitive to price increases.

A recent State electricity distribution and retail price determination saw a 15.7% price increase introduced in January 2008, and foreshadowed additional increases of 3.9% and 3.8% in July '08 and July '09 respectively. Further price increases are also likely in the

near future when a national carbon emissions trading scheme is introduced. In this context, additional costs due to the introduction smart metering technology in Tasmania would certainly not be welcome.

It is both unclear and uncertain whether (and when) cost savings made by network companies (through remote metering function capacity provided by smart meters) would be passed on to consumers in lower network prices. It is, however, certain that the costs of smart meters and their installation will be too high for low income households and their already over-stretched household budgets.

Benefits

From our reading of the *CBA*, the benefits of smart meter technology appear to accrue primarily to distribution network companies in avoided meter costs, that is, through savings in meter reading, connections/disconnections, and in the location and diagnosis of faults.

The *CBA* assumes that these benefits will be passed on to consumers in lower network prices – while this may be true, it is not certain. It is likely that distributors will seek to recoup the costs of meters and installation in the first price re-set after the meters have been rolled out and could delay passing on the savings to consumers until these savings were actually realised (after the subsequent re-set/price determination at the earliest). In fact, savings may not be passed on to consumers in order to encourage changes in consumer behaviour (resulting from time of use and/or critical peak pricing tariffs).

In addition, the benefits of time of use (ToU) tariffs and/or critical peak pricing (CPP) that might be enjoyed by some consumers (such as those who are in the workforce and at work in peak consumption/cost periods) will be a cost to others who cannot adjust their electricity usage. Such consumers include people who tend to be at home during the day, such as elderly people, people with severe disabilities, families with very young children, the chronically ill, and others not in the workforce. In Tasmania, almost 32% of the population rely on Commonwealth pensions and allowances for their major source of income – the majority of these people would have difficulty taking advantage of ToU pricing.

Of course, tariffs can be structured to protect and benefit the majority of low income households with the costs of network enhancements, such as smart meters, being loaded onto higher tariff blocks in an inclining block tariff system. This would benefit low income households which tend to use less electricity. In fact, modelling done locally by the Tasmanian Energy Regulator found that households receiving energy concessions (that is, Pension and Health Care Card holders), consumed roughly 14% less energy than the average.

As demonstrated in the *CBA*, the nature of Tasmania's network load (being based on winter peak demand driven by electric heating) does not lend itself to CPP, direct load control, or to significant demand response benefits. It therefore appears that there is little overall demand side benefit in a smart meter roll-out in Tasmania. Benefits accrue instead

to the network company (currently a single state-owned company in the case of Tasmania).

Consumer protection and hardship

TasCOSS shares the concerns of *NERA Economic Consulting* that smart meters usage will raise additional consumer protection concerns, particularly for vulnerable households (Overview, xxii and pp 149-152).

A not uncommon example would be the capacity to remotely disconnect households from electricity supply for failure to pay an account. This will remove the opportunity which currently exists for face-to-face human interaction in the process of disconnection. In the experience of our members who work with people experiencing hardship, this interaction can result in avoiding disconnection and alternative solutions being found for outstanding debts. It also offers the possibility of assessing individual circumstances and the discovery of particular consumer characteristics that may have contributed to the accumulation of debt, such as language or literacy difficulties and physical or cognitive difficulties or disabilities. Remote disconnection will preclude these possibilities and in so doing may exacerbate the effects of hardship.

As mentioned above, many households will not be in a position to benefit from ToU and/or CPP tariffs and could be significantly worse off with such tariffs. Exemptions from these tariffs must therefore be offered and measures taken to ensure that those remaining on flat (or other) tariffs are not penalised. We also agree with NERA's concern that opportunities must be provided to permit households to switch between tariffs without penalty if they find themselves worse off under a new smart meter assisted tariff.

The capacity provided by smart meters for pre-payment functions must also be matched – and preceded – by robust regulation. The use of pre-payment meters in Tasmania has proliferated over the last decade and remained largely unregulated until last year. This should not happen nationally.

In addition, we agree that prior to any roll-out of the new technology, information must be provided to consumers about smart metering and associated tariffs.

In general, we are concerned that any introduction of smart metering technology and related tariff offerings will necessitate the introduction of appropriate consumer protection and assistance measures and hardship arrangements. It must be remembered that household electricity supply is an essential service and is fundamental to individual health, well-being and social participation.

A national rollout?

While the *CBA* indicates a net positive benefit nationally, it is not so for several of the smaller Australian jurisdictions, including for Tasmania. We agree with the statement in the Overview report that the 'results suggest that a national mandatory smart metering rollout may not be justified in all jurisdictions' (xix).

Australia is a very large country with a wide range of climatic and social conditions, as well as existing energy infrastructure. What is problematic in some jurisdictions – for instance, meeting summer peak demand in the more populous states – is not in others. A one-size-fits-all approach or solution to a problem not shared by all does not seem logical.

Tasmanian consumers have different problems, the major problem is the continued affordability of household electricity. TasCOSS believes that there are better solutions for Tasmanian consumers than a large-scale roll-out of smart meters, and we believe that the *CBA* demonstrates that consumers in Tasmania do not stand to benefit greatly, if at all, from a national smart meter roll-out.

Local solutions must be addressed to local problems, and solutions for Tasmanian households include the widespread retro-fitting of dwellings for thermal efficiency, access to energy efficient appliances and other measures that reduce reliance on energy and allow savings to be made.
