

24 May 2010

Dr Ron Ben-David  
Regulatory Review – Smart Meters  
Essential Services Commission  
Level 2, Spring Street  
Melbourne VIC 3000

By email: [smartmeters@esc.vic.gov.au](mailto:smartmeters@esc.vic.gov.au)

Dear Dr Ben-David

**Re: Essential Services Commission Regulatory Review- Smart Meters**

Thank you for the opportunity to comment on the Essential Services Commission (ESC)'s Issues Paper on *Regulatory Review – Smart Meters* (the Issues Paper).

The Energy and Water Ombudsman (Victoria) (EWOV)'s interest in providing comments is based on its extensive experience in handling customer complaints. EWOV has recorded complaints relating to manually read interval meters and smart meters since July 2006 and July 2009 respectively. In the period from July 2009 to December 2009, EWOV received 73 cases involving smart meters. This compares to 442 smart meter related cases received from January 2010 to April 2010. Given the media attention the smart meter rollout is currently receiving, it is unlikely that enquiries and complaints to distributors, retailers and EWOV will decrease in the near future.

Acknowledging the limitations of the review, EWOV supports the guiding principles the ESC has set out, in particular the aim to ensure that consumption and pricing information is transparent, timely and useful for customers and that customers will continue to be protected by Victoria's regulatory framework.

For ease of reference, we have used the same headings as in the Issues Paper in our submission.

**Vulnerable customers**

EWOV acknowledges the ESC's comments regarding vulnerable customers. We note that there are issues that need to be addressed such as the effect of time-of-use tariffs on customers who are unable to shift their load, however, we also acknowledge that these issues do not form part of the current regulatory review. We are looking forward to a future opportunity to discuss such issues further.

## Information and informed consent

Information about consumption will be important for customers. They need to understand what they are being charged for. Customers further need to be able to manage consumption and compare different retail offers and available tariff structures. It is vital that the same information is provided to all customers. It should also not be forgotten that for some of these customers, English is not their first language. Thus, information needs to be presented in a way that is as easy to understand as possible. The difficulty lies in striking the right balance between necessary information and too much information which may lead to customer disengagement and confusion.

### *Verification of the accuracy of the bill*

In the financial year 2008/2009, billing complaints constituted 44% of all complaints EWOV received. This trend continued in the second half of 2009 where billing again was the most common issue raised by customers. For customers with manually read interval meters, the most common issue in July 2009 to December 2009 was the receipt of a higher than expected bill.

EWOV agrees with the ESC that it is important that customers with a smart meter are able to verify their usage against their bill. If customers are unable to verify their usage, they are more likely to query their bill and this may lead to increased complaint numbers. EWOV supports the ESC's suggestion that consumption on the bill is set out by tariff segment, total consumption and tariffs for the billing period. However, in EWOV's experience, customers do also have an interest in being able to compare their bill content with their meter displays. This provides them with some degree of certainty that their meter is working correctly. The inability to do so can create lack of confidence in the accuracy of the smart meter and this in turn can likely lead to complaints. A recent international example is the class action filed against the *Pacific Gas and Electricity Company* in California. This lawsuit focuses on Californian customers with smart meters who have questioned the accuracy of their meters after receiving higher than expected bills<sup>1</sup>.

Customers will still be able to get a reading from their smart meter, showing the total accumulation consumption since installation of the meter. On page 14 of the Issues Paper it is suggested that distributors do not have to provide this data to retailers but it can be 'readily obtained'. However, there is also some concern that the use of estimations and substitutions may lead to a discrepancy between the accumulation consumption on the meter and the cumulative consumption figure calculated by the retailer.

EWOV is not in a position to comment on the cost and feasibility of the options for showing a smart meter's total accumulated consumption on the bill as set out in the Issues Paper. As for the information value to customers, this will to some extent depend on how serious the issue of discrepancy due to estimations and substitutions is. Given that the main reason for estimations currently is lack of access to the meter, it is EWOV's understanding that the remote reading capabilities of smart meters should reduce the use of estimations significantly. From July 2009 to December 2009, 35 customers with manually read interval meters lodged complaints with EWOV

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<sup>1</sup> <http://www.smartmeters.com/the-news/682-lawsuit-filed-against-pgae-for-smart-meter-overcharges.html>

because of problems with meter reads. Issues included lack of meter read on their bills and lack of customer understanding of how to read their meter. This indicates that customers currently have an expectation that they will be able to reconcile consumption on their bill with consumption on their meter. EWOV is of the view that accumulated consumption should be included on the bill if it is technically possible to address the discrepancy issue and feasible in terms of cost.

#### *Estimated and substituted data on bills*

In EWOV's view it is important that customers know when their bills are based on estimates and substitutes. Customers should be advised that their bill is estimated when a certain percentage of the data is estimated. As it is not clear how the example of a materiality threshold of two per cent was determined, a further explanation would be welcome before a decision about the appropriate materiality threshold is made.

If estimations are to be used once smart meters are remotely read, EWOV suggests that a default tariff arrangement could be helpful to address customer concerns about estimations.

As previously stated in our comments on the Ministerial Council on Energy (MCE) Standing Committee of Official (SCO)'s *Smart Meter Customer Protection and Safety Review- Draft Policy Paper One*, EWOV supports the removal of all substituted data where smart meters have been remotely read<sup>2</sup>. However, if substituted data is to be used, EWOV agrees with the ESC's recommendation that the current requirements for substitute bills remain and that customers be notified that any part of a bill is based on substituted data. EWOV is, however, seeking clarification why the ESC has not addressed the question of default tariffs for bills based on substituted data.

In this context, EWOV supports the suggested amendment to clause 5.1. of the *Energy Retail Code* to require retailers to use best endeavours to ensure that customers with smart meters have every bill based on a reading of the meter.

### **Managing daily consumption and costs**

#### *Customer billing cycle*

EWOV is not opposed to monthly billing by retailers as long as customers have a choice, for example through an 'opt-out' mechanism, and the collection cycle and clause 14 of the *Energy Retail Code* remain unchanged. Monthly billing based on actual data may also allow retailers to identify customers experiencing payment difficulties earlier.

If the billing cycle is changed to monthly intervals, it makes sense for a review of a bill smoothing arrangement under clause 5.3 of the *Energy Retail Code* to take place after three months rather than six because the earlier any discrepancy is detected, the better for all parties involved as it will prevent arrears from accruing.

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<sup>2</sup> See [www.ewov.com.au](http://www.ewov.com.au)  
>policy and research > submissions 2009

### *Graphical information in the bill*

EWOV agrees with the ESC's proposal that retailers provide customers with a graph similar to those in the examples provided from the Ontario Energy Board and EnergyAustralia. Daily periods could be helpful to give customers a clearer understanding of how they are using electricity.

### *Unbundling tariffs and charges on the bills*

One of the main things customers need to understand is which charges are influenced by their behavior (either by reducing consumption, shifting load or choosing a retail offer more suited to their needs) and which charges are fixed. Unbundling in greater detail may, however, lead to confusion unless it is combined with additional customer education.

### *Access to historical billing data*

EWOV supports the MCE SCO's proposal to offer customers a choice between a full set of billing data and a summary of the data on which the bill was based. Given the volume of data available for one billing period, it would also be helpful to prescribe in what form this information should be made available to customers.

### *Access to metering data*

EWOV supports the ESC's view that there is a need to regulate customer access to metering data that will be available on a daily basis through secure communication methods. While it appears that distributors might be better placed to provide some of the data to customers, it could create customer confusion when they have to liaise with two different entities to obtain different information. Consumers at the ESC's Public Forum held on 13 May 2010 expressed strong views about wanting to be able to deal with just the one entity. Retailers' call centres are already set up to deal with billing enquiries or other customer service issues. If customers are supposed to contact distributors directly it will require distributors to expand their call centres and we imagine the cost for this would ultimately be passed through to customers.

## **Shopping around for a better offer**

The information on the bill and an understanding how they use electricity will be the starting point for customers when comparing different offers. A European Union Working Group recently suggested "an option to consider to improve market transparency and comparability of offers is the inclusion of key elements in a „Comparability Box“. This box would include all necessary information for consumers about their energy company, tariff and contract...base price and price €cent (or other currencies) /KWh, including any variable tariffs and any min/max price variations, other discounts"<sup>3</sup>. Providing indicative charges for a standard set of customer profiles could be helpful for some customers, however it is difficult for EWOV to comment on what the best approach for standardised information is while it is not quite clear what type of tariffs will be offered. EWOV suggests that the usefulness of any model chosen should be reviewed after a period of time to see if it has assisted customers when choosing retail offers. Given the complexity of the tariffs it is likely that many

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<sup>3</sup> Billing - Good Practice [http://ec.europa.eu/energy/gas\\_electricity/forum\\_citizen\\_energy\\_en.htm](http://ec.europa.eu/energy/gas_electricity/forum_citizen_energy_en.htm)

customers will use comparison websites rather than looking at individual retailers' websites. As privately run websites do not always show all offers, it is important that the ESC as the independent regulator continues to offer such a comparison service.

### **Remote disconnection and reconnection**

As stated previously<sup>4</sup>, EWOV is concerned that the appropriate process for disconnection of customers is not always followed under the current system. The possibility of remote disconnection has more potential for errors and the checks suggested by the ESC on page 28 of the Issues Paper seem helpful to ensure disconnection of the correct customer. EWOV welcomes the ESC's suggestion that the disconnection warning should alert customers to the fact that the disconnection may be carried out remotely.

EWOV agrees that a sticker should be placed in the meter box to provide information to customers taking possession of vacated and disconnected premises to ensure they know who to contact for energisation.

### **Appendix A-Summary Review of Regulatory Instruments**

#### *Code of Conduct for Marketing Retail Energy in Victoria*

EWOV acknowledges that retailer representatives will have to receive additional training about the operation of smart meters and the various new tariffs not only in order to be able to fulfill the requirements of the *Code of Conduct for Marketing Retail Energy in Victoria* but also to respond adequately to queries from existing customers. In addition to this, it was pointed out during the Public Forum on 13 May 2010 that there should be a government-run information and education campaign concerning smart meters, as the project is mandated by the government.

#### *Electricity Customer Transfer Code*

EWOV supports the ESC's view that a transfer must still be based on an actual read and the suggested addition of clause 4.1A.

We trust the above comments are helpful. Should you require further information or have any queries, please contact Kerrie Milburn-Clark, Manager Public Affairs and Policy, on (03) 9649 7599 or at [Kerrie.Milburn-Clark@ewov.com.au](mailto:Kerrie.Milburn-Clark@ewov.com.au).

Yours sincerely



**Fiona McLeod**  
**Energy and Water Ombudsman (Victoria)**

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<sup>4</sup> Comments on MCE SCO Smart Meter Customer Protection and Safety Review Policy Paper One at [www.ewov.com.au](http://www.ewov.com.au) under Policy and Research > submissions.