

# **VCOSS Submission to Essential Services Commission regulatory review – Smart Meters**

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The Victorian Council of Social Service (VCOSS) is the peak body of the social and community sector in Victoria. VCOSS works to ensure that all Victorians have access to and a fair share of the community's resources and services, through advocating for the development of a sustainable, fair and equitable society. VCOSS members reflect a wide diversity of the community sector, ranging from large charities, sector peak organisations, small community services, advocacy groups and individuals involved in social policy debates.

## **1. Introduction and scope**

VCOSS welcomes the Essential Services Commission's (ESC) regulatory review for the introduction of smart meters. While VCOSS understands the ESC has concentrated on urgent matters which must be addressed in order to ensure consumers are not disadvantaged in the initial months of the smart meter roll out, there remain a number of complex issues that have not been addressed in this issues paper.

While the minimum functionalities of the meter to be enabled during the interval meter roll out are: half hourly reads, remote reading, remote connection and disconnection<sup>1</sup>, it is important that the relevant regulations required for these functions be finalised as a priority. However, other functionalities of the meters may be enabled during this time and, in order to address these issues, VCOSS requests that the ESC's draft decision sets out a program for considering all the functionalities that smart meters have, above the four specified for the current roll out. This will assist to avoid the confusion and panic that's characterised the smart meter roll out so far.

Other issues for consideration would include the use of supply capacity control, regulation for market offers such as critical peak pricing and direct load control and the Home Area Network.

Regulation should not only protect customers but help them realise the benefits of these expensive new meters.

## **2. Guiding principles**

While broadly supportive of the guiding principles that the ESC has adopted for this review, VCOSS considers that it should also address any regulation required to ensure that consumers are provided with any benefits that the AML program provides.

The provision of timely and transparent information ought be a guiding principle in and of itself, as should the realisation of any benefits that this new technology may provide.

Therefore, VCOSS suggests that the second principle be divided into the two following principles:

1. The regulatory framework assists in the delivery of the benefits of smart meter technology to customers, and
2. Customers are provided with timely, transparent, useful and accurate information.

VCOSS believes that the ESC refers to consumer protections in the third principle in order to ensure they are not diminished by the introduction of smart meters. However

the phrasing of this principle merely suggests that the current framework will continue. VCOSS does not consider this is adequate in a smart metering environment and believes that the principle should ensure that consumers will continue to be afforded a level of protection that allows them to access electricity on a fair and reasonable basis, consistent with the nature of this essential service. As such we suggest the following elaboration of this principle:

*That customers, particularly those who are vulnerable, will continue to have the same level and quality of consumer protection under the regulatory framework.*

### **3. Vulnerable customers**

The entire regulatory framework, from billing and payment times to information provision, should be designed to protect all customers, including those who may be more vulnerable. Where these other provisions fail, hardship assistance should be provided and we have suggested recommendations to the hardship provision below.

#### **Hardship**

Because of the complex nature of some of the dynamic pricing products that may become available with smart metering, there is potential to fall into hardship for a household which has not fully understood the contract, or which has experienced a change in life circumstances since entering the contract. VCOSS believes that the introduction of smart metering warrants an addition to hardship policies which would require retailers to conduct an assessment of the customer's current product/plan, its appropriateness and cost effectiveness, and provide the option for the households to switch to the retailer's cheapest tariff available for that household without penalty.

## **Information and informed consent**

### **4. Reviewing the bill**

The objective of providing an accumulation read on a bill is to assist consumers in reconciling their bills against their meter with a reasonable degree of confidence, if not precisely. Where interval meters are read as accumulation meters and billed on a flat tariff the provision of an accumulation read will continue to provide this verification and, as such, should continue to be provided for any customer billed on a flat tariff.

Where a consumer is billed on a 'time of use' (TOU) tariff, they should be able to reconcile their consumption for each tariff block with their total accumulated consumption over that period. This means that, at a minimum, consumers must be given information about the total consumption for each tariff segment and the applicable tariff, as well as the total accumulated consumption figure. We have provided suggestions as to how this may be presented in Appendix A. We also suggest that tariff blocks identified as low, medium and high tariffs may make more sense to consumers than off-peak, shoulder and peak.

VCOSS understands that the variation of the accumulation read over time, due to estimations and substitutions, should not be significant enough to greatly affect the accuracy of this read. The provision of an accumulation read is to assist customers in

assessing the veracity of their bill, not to reconcile it entirely. Retailers could address this anomaly by advising customers that there may be a small discrepancy between what they see on their meter and the reading provided on the bill.

The importance of consumers being able to verify the accuracy of their bill cannot be overstated. Currently, if consumers are unsure whether a bill is accurate, they are able to obtain independent information (via the meter) as to the likelihood that there has been a problem. They can see that the figures on the meter do or do not match those on the bill, and can assess whether or not to pursue a complaint with their retailer. Where a householder is not able to make that assessment, and there has been an error, they may be discouraged from addressing this with the retailer. Conversely, some customers may be encouraged to contact their retailer and EWOV more frequently when their bill fluctuates as they are unable to verify their consumption, whether there has been an error or not.

VCOSS believes that, without the opportunity to independently check the usage, the complex complaints process will impact negatively on both consumers and retailers. Currently billing complaints to the Energy and Water Ombudsman make up 45 per cent of total electricity complaints, with most relating to billing in error<sup>2</sup>. Billing already causes significant community concerns.

As with any information technology, there may be errors and malfunctions with the interval meter data and systems over time and it is important that consumers are able to have confidence in their billing system.

In addition to providing both the accumulation read and the total consumption for each tariff block, customers should be advised of the opportunity to request billing data on their bills.

The current requirement for Ombudsman contact details to be listed on disconnection notices only is insufficient in the smart metering environment where verification of a bill, even with the above information readily available, is much more complex. Contact details for the Energy and Water Ombudsman should be provided on all bills.

VCOSS also supports the ESC's recommendation that all bills should be based on a meter reading.

### **Substitutions and estimations**

Smart meters should avoid the need for the use of estimated data for billing purposes. While small intervals may be estimated when data is collected daily, these estimates should be replaced by actual reads after full recovery and reconciliation of the data. If consumers are billed quarterly or monthly this should allow sufficient time for the reconciliation of estimates.

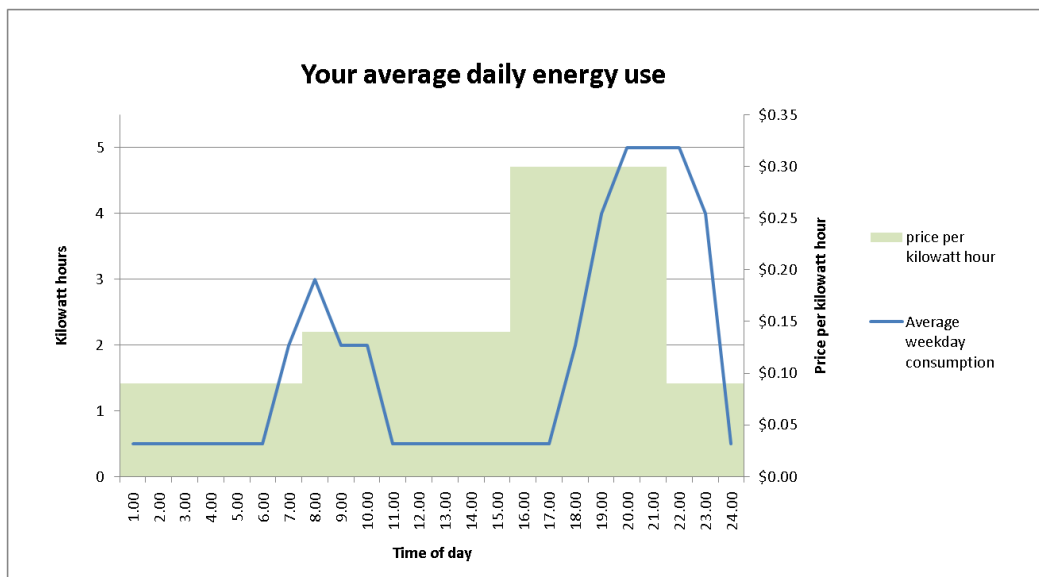
Given this, it is unclear why bills based on estimates should be allowed where interval meters are installed. VCOSS acknowledges that the use of estimated data may occur in the transition period, however this period should be defined and limited. In this case a retailer must advise a consumer that estimated data has been used, and in the case of a TOU customer, the periods in which this estimate has been made.

If critical peak products are introduced during the transition period, and estimations are made during a critical peak period, these should be charged at the normal peak rate.

If data is lost, which will only occur through a meter fault, the lost data can be substituted. Under the metrology rules, distributors must fix a metering fault within 10 days. Thus the maximum amount of substituted data for which a customer is likely to be billed is 10 days. Because there is no way of verifying the time of use if that usage data is lost, any lost data should be billed at a flat rate.

## 5. Managing daily consumption and costs

In order for consumers to manage their costs under TOU pricing, consumers must be provided with sufficient information about their energy usage patterns. Information on daily usage patterns would particularly help as it can identify energy usage habits that may be adapted. This could be presented in the manner outlined below.



### Monthly billing

As a general principle VCOSS does not believe that changes to contractual arrangements should be made without a customer's explicit informed consent. However, because monthly billing would allow for smaller, more regular bills and assist in the prevention of large debts, VCOSS would support the introduction of monthly billing with an opt out approach, provided that there was no change to the collection cycle, adequate notice of the transition (i.e. on two bills prior to the change), advice on how to opt out and no opt out time limit.

Retention of the current collection cycle is crucial to ensure that customers are provided adequate time to pay. Even with smaller bills, the ratio of a monthly electricity bill to fortnightly income for households on Centrelink payments remains high. If monthly billing is introduced, the provision for a shortened collection cycle should be repealed, as monthly billing provides a shortened collection cycle by default.

While we acknowledge that monthly billing may involve increased costs to the retailer, customers should not be charged to receive a bill monthly, particularly if they have been shifted to monthly billing without their consent.

### **Transparency in bills**

While greater transparency in billing may not be directly related to the introduction of smart meters, the complexity that smart metering introduces means that it is more important than ever for customers to know what they are being billed for, particularly where retail tariffs may diverge from the network tariff shape.

Providing consumers with greater transparency, by unbundling charges on their bills, will allow greater scrutiny of costs and drive competition by allowing customers to know what costs are regulated, and which are subject to competition. We do not believe that unbundling distribution and transmission costs would hamper a retailer's ability to offer flexible tariff offerings. In fact, they simply allow consumers to more accurately compare different offers. Please see Appendix A for our suggestion on how to present this on a bill.

### **Notification of tariff variation**

Given the significant change that a variation from a flat tariff to a TOU tariff entails, customers should get adequate notification prior to the change occurring.

Because TOU pricing will have an impact on customer bills that is subject to their usage behaviours, they should be given information - prior to being transferred to a TOU tariff - on their historical consumption patterns and a comparison between their bills on a time of use tariff and their previous flat tariff.

### **Access to historical billing data**

Smart meter technology will allow near real time consumption and billing information to be made available through a variety of sources, however it is likely that all of these sources will require access to the internet, or an in-home display.

For the 36<sup>3</sup> per cent of Victorians who do not have access to the internet, and may not be able to afford to purchase an in-home display, a similar level of access to their data should be provided. Therefore regulations around access to historical billing data should be revised to allow more frequent access to hard copy billing data on request and free of charge.

The form in which information is provided in this scenario must also be addressed. Raw interval data will be of little use to most consumers. VCOSS believes that the ESC should work with distributors to determine the appropriate form of information provision and ensure that consumers have choice in whether they access their full data set, or a summary, and in what format that is provided.

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

Many low income and disadvantaged households regularly experience door to door marketing of electricity and gas. Reports from VCOSS members advise us that the

information provided is often misleading, inaccurate or inadequate, yet leads to households being switched multiple times.

By proscribing the form in which written information must be delivered, and requiring door to door marketers to pass that information on to customers, the ESC can help protect consumers from misleading practices and uninformed switching.

VCOSS considers that the introduction of interval meters and TOU pricing will lead to much more confusion and misleading conduct by energy marketers. For consumers to make informed choices in a TOU environment, they must be aware of their daily usage patterns and consumption.

The complexity of developing a unit price for TOU or other dynamic tariffs, means that the range of assumptions around usage and behaviour which underlie the unit price may well undermine its accuracy and usefulness as a tool to compare products.

It may be more useful for the ESC to establish a standard set of customer characteristics and load profiles against which retailers must present their offers. A similar approach has been suggested by the Australian Energy Regulator in its issues paper on the Pricing Information Guideline.

Faster customer transfer may also assist in avoiding the confusion caused when customers receive two bills after switching. Regulations required to enable this should be considered.

### **Remote connection and disconnection**

Currently, to disconnect a household, the distributor must send a technician to the property to physically disconnect supply. In some cases this visit functions as a last opportunity for a household which may be having payment difficulties to rectify the problem. This disconnection may take place remotely once a smart meter has been installed, taking away that possibility of last-minute resolution through the home visit.

It is unlikely that customers are currently aware of how disconnection takes place, until the technician presents to their property. While it is important that customers should be aware that disconnection may take place remotely once a smart meter has been installed, this is not a sufficient measure to replace the role that the current home visit plays.

Not only can remote disconnection be done faster, it is also cheaper than under the current system. This means that retailers will have less financial incentive to minimise disconnections. VCOSS supports the proposal by St Vincent de Paul that retailers should attempt to contact all consumers in the 24 hours prior to disconnection, when it is due to non-payment. The retention of the Wrongful Disconnection Payment is also an important consumer protection in this area.

VCOSS also supports the three additional measures proposed by the ESC, however we believe they should be undertaken as a matter of course when carrying out disconnection. Particularly where a customer is a life support customer, no disconnection action can or should be taken and an additional service visit in this scenario is redundant.

## **Frequency of network billing**

VCOSS believes network billing arrangements should support both monthly and quarterly billing as proposed by the ESC, however it is clear that this proposal is a transitional measure. The ESC must set out a plan for transition if it believes that a mandatory transition to monthly billing will occur.

## **7. Other issues**

### **Undercharging**

VCOSS believes that the undercharging provisions should be amended to reduce the time in which undercharged amounts can be recovered. Smart meters should provide more regular information and billing issues should be detected faster. To ensure that the benefits of smart metering flow on to consumers, the undercharging provisions should stipulate that where a smart meter is in place, the period for recovering amounts that are undercharged should be limited to three months. This will also encourage accurate data transfer and billing systems for what is a significant new technology.

### **Shortened collection cycle**

The introduction of monthly billing will in effect mean that customers are on a shortened collection cycle. If monthly billing is introduced the provision for a shortened collection cycle should be repealed.

### **Cooling off period**

Where TOU tariffs have been introduced, a customer requiring connection may enter into a complex contract without fully understanding the implications in order to commence supply. Consumers should have sufficient time to consider the offer and change if required. As such, VCOSS recommends that the cooling off period for customers requiring connection should be extended from five to ten days.

### **Information provision requirements for distribution businesses**

While distributors are providing customers with information on how to use and read their new interval meter as part of the roll out, some consumers may not keep or realise the relevance of this information until they check their meter. VCOSS supports the ESC's proposed change to ensure that this information is available both in installation and on request.

### **Compliance**

Finally, in ensuring that consumers continue to be protected by the regulatory framework, VCOSS would like to highlight a number of key protections that will become much more important in a smart metering environment: the wrongful disconnection payment, payment terms and conditions, and hardship assistance. Ensuring compliance with the new regulations will be key to ensuring that customers are protected and receive any benefits that smart meters can provide.



## Contact details

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## References

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<sup>1</sup> Department of Primary Industries, *ADVANCED METERING INFRASTRUCTURE Minimum AMI Service Levels Specification* (Victoria) September 2008, accessed <http://www.new.dpi.vic.gov.au/energy/projects-research-and-development/smart-meters/advanced-metering-infrastructure-minimum-ami-service-levels-specification-vic-sept-2008>

<sup>2</sup> Energy and Water Ombudsman Victoria, *Resolution 28*, May 2010

<sup>3</sup> Australian Bureau of Statistics, *Type of Internet Connection by Number of Persons Usually Resident by Household Composition – Victoria*, 2006 accessed <http://www.censusdata.abs.gov.au/>

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## Appendix A: Presentation of information

Below are examples of how energy use and price information may be presented to consumers.

### Your consumption

Tariff	Consumption	Rate	Cost
Low 11pm to 7am	1302.3 kWh	7.400c/kWh	\$96.37
Medium 7am to 12pm	2616.6 kWh	12.800 c/kWh	\$334.93
High 12pm to 11pm	1424.7 kWh	32.400 c/kWh	\$461.60
Supply charge	93 days	42.000c/day	\$39.06
<b>Total</b>	<b>5242.6kwh</b>		<b>\$931.96</b>

### Your charges are made up of:

Electricity	5242.6kwh	\$540.54
Delivery		\$372.78
Administration		\$18.63
<b>Total</b>		<b>\$931.96</b>