
SMART METERS REGULATORY REVIEW – CAPACITY CONTROL AND VERIFYING BILLS DRAFT DECISION

July 2011

VCOSS Submission



ABOUT VCOSS

The Victorian Council of Social Service (VCOSS) is the peak body of the social and community sector in Victoria. VCOSS members reflect the diversity of the sector and include large charities, peak organisations, small community services, advocacy groups, and individuals interested in social policy. In addition to supporting the sector, VCOSS represents the interests of vulnerable and disadvantaged Victorians in policy debates and advocates for the development of a sustainable, fair and equitable society.

VCOSS respects the land we live in, recognises its Indigenous custodians, and is committed to reconciling all injustices with Indigenous Australians.

VCOSS is committed to social equity and justice, and envisages a society that:

- ❑ sees social wellbeing as a national priority;
- ❑ ensures everyone has access to a fair share of community resources and services;
- ❑ involves all people as equals, without discrimination; and
- ❑ values and encourages people's participation in decision-making about their own lives and their community.

Authorised by:

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SUMMARY

- ❑ VCOSS **supports** the Commission's decision to continue the prohibition on retailers using supply capacity control for credit management purposes until 31 December 2013. We believe the prohibition should be permanent.
- ❑ VCOSS **does not support** the Commission's decision to effectively allow retailers to use supply capacity control for "non-credit management" purposes. We do not believe there is any reason for retailers to offer such products except for credit management purposes, whether this is explicit or not. We believe it should be prohibited unless a marketable product not targeted at disadvantaged, vulnerable or otherwise low-income households can be demonstrated.
- ❑ VCOSS **supports** the Commission's decision to allow distributors to use supply capacity control in emergencies to avoid outages.
- ❑ VCOSS **did not**, as reported in the Draft Decision, propose in our submission to the original issues paper that distributors advise customers to take a reading from their accumulation meter prior to replacement with a smart meter.
- ❑ VCOSS **does not oppose** the Commission's decision to not require distributors to leave a card with the final reading when replacing a meter with a smart meter. However, especially considering the information vacuum that has characterised the AMI roll-out, we consider it good practice.
- ❑ VCOSS **supports** the Commission's decision to require that a start index read be provided on smart meter bills.

CAPACITY CONTROL PRODUCTS

VCOSS **supports** the Commission's decision to continue the prohibition on retailers using supply capacity control for credit management purposes until 31 December 2013. We believe the prohibition should be permanent.

VCOSS **does not support** the Commission's decision to effectively allow retailers to use supply capacity control for "non-credit management" purposes. We do not believe there is any reason for retailers to offer such products except for de facto credit management purposes.

VCOSS **supports** the Commission's decision to allow distributors to use supply capacity control in emergencies to avoid outages.

Retailers' use of Supply Capacity Control

VCOSS has not seen any international evidence of supply capacity control products being used for non-credit management purposes, and we remain unconvinced that there is any value for consumers in such a product – or any value for retailers outside of credit management. We cannot agree with the Commission's decision to fail to regulate supply capacity and load control simply because such products are not yet being offered – as surely a pre-existing regulatory framework will give certainty to retailers developing products, and ensure that consumers are adequately protected from their commencement.

The assertion (on page 7 of the Draft Decision) that "retailers may offer capacity control products so customers can manage their electricity usage, and their bills, when the cost of electricity is very high" is reminiscent of the supposed rationale (long discredited) for prepayment meters – rightfully banned in Victoria for many years. There are already tools to help vulnerable consumers manage energy usage and unaffordable bills – including flexible payment options, bill smoothing, Centrepay, hardship programs, energy efficiency audits, and (for some) appliance replacement – and these methods safeguard (and sometimes enhance) quality of life while dealing with affordability problems. A self-disconnection regime – whether via prepayment or supply capacity control – does neither.

The statement (on page 8) that "if there is no demand for such services... it is unlikely that retailers would offer [them]" runs counter to the widespread recognition that in a market characterised by low consumer engagement, churn rates remain high due in part to aggressive marketing practices. Indeed, one of our concerns is that door-to-door salespeople will promote such contracts as cheaper electricity without ensuring that customers understand that they are agreeing to a supply capacity limit. We believe that a prudent regulatory approach is to anticipate the potential harm of these products being sold to inappropriate (i.e. vulnerable) or unwilling customers and regulate accordingly.

We note that during discussion of supply capacity control products at the Commission's Customer Consultative Committee meeting on 17 March 2011 the Commission agreed to investigate international examples of supply capacity control used for non-credit management purposes. Reporting back at the 16 June meeting, all examples given were in fact specifically targeting customers who were either currently experiencing or had a history of affordability problems. This reinforces our understanding that such products promise only to diminish Victorian consumers' entitlement to affordable access to essential energy, and leads us to recommend that the Commission prohibit all retailer use of supply

capacity control permanently (and at a minimum prohibit it until 31 December 2013) and that this should only be reassessed if a retailer can demonstrate a product that is clearly not aimed at customers in or with a history of hardship or affordability problems.

Distributors' use of Supply Capacity Control

VCOSS believes there is great value in distributors' use of supply capacity control as an alternative to rolling blackouts in times of supply constraint due to atypically high demand or emergency situations; thus we support the Commission's decision to allow this in these situations.

VERIFYING BILLS

VCOSS **did not**, as reported in the Draft Decision, propose that distributors advise customers to take a reading from their accumulation meter prior to replacement with a smart meter.

VCOSS **does not oppose** the Commission's decision to not require distributors to leave a card with the final reading when replacing a meter with a smart meter. However we consider it good practice.

VCOSS **supports** the Commission's decision to require that a start index read be provided on smart meter bills.

Readings at meter changeover

On page 10 of the Draft Decision the Commission incorrectly reports that VCOSS "believed that, prior to meter exchange, distributors should remind customers to take a final read from the accumulation meter". In fact we instead noted that such a practice would be potentially misleading (because the reading would be inaccurate) and beyond the capacity of some customers.

We still believe that it would be good practice for distributors to leave a card with the final accumulation meter reading at the premises when the smart meter is installed – especially given the paucity of information around the AMI roll-out and program, that has left many consumers uncertain and some fearful. However, because the requirement for an end read to be given on the subsequent bill remains, we are comfortable with the decision to not require the information to be left at the premises at time of meter changeover.

Start readings on smart meter bills

VCOSS agrees with the Commission that including both a start and end meter read on smart meter bills is desirable. Fundamentally, this represents maintenance of the existing level of information provision. Significantly, it is likely that many customers will continually to be billed via a flat tariff even after time-of-use tariffs become more common – for these customers, the start and end read will remain the most relevant consumption information on their bill. Like the Commission, we are not convinced by retailers' arguments that including this information will somehow confuse customers or lead to higher billing costs. As we stated in our submission on the original issues paper: in an era where consumers are

being encouraged to be more attentive to their energy use, it would be counterproductive to diminish the consumption information on their bill.

CONTACT DETAILS

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