



10 February 2011

Ms Khayen Prentice
Regulatory Review – Smart Meters
Essential Services Commission
Level 2, 35 Spring Street
MELBOURNE VIC 3000

By email: khayen.prentice@esc.vic.gov.au

Dear Ms Prentice

Re: Essential Services Commission Smart Meter Regulatory Review - Capacity Control and Meter Reads

Thank you for the opportunity to comment on the Essential Services Commission (ESC)'s 2010, *Smart meters regulatory review – Capacity control and meter reads*. The Energy and Water Ombudsman (Victoria) (EWOV) supports the ESC's view that consumers need to be more informed about electricity supply and usage to negotiate supply control contract options. EWOV refers to previous submissions made during the Advance Metering Infrastructure (AMI) public consultation process, and maintains that further research and clarity is required on how load restriction and/or the disconnection of supply will affect consumers.

2. Supply capacity control and load control

EWOV supports the ESC's decision to defer the use of supply capacity products for credit management purposes until December 2013. EWOV maintains its position that supply capacity products should not be used for the purpose of credit management. EWOV also maintains that the disconnection of a customer's supply must be considered a last resort when managing load shedding events on a large network scale. However, EWOV considers that load reduction may be an appropriate tool for large network supply management. Given this, EWOV comments in response to the Issue Paper will only relate to the reduction of load for large network supply management.

EWOV is concerned with the potential impact of load reduction for customers and their appliances. As such EWOV is in support of notification to both minimise inconvenience and potential damage to a customer's appliances. EWOV acknowledges that, in time, load control

may be activated via a 'Home Area Network' feature on smart meters, to allow specific appliance supply control.

EWOV supports the ESC's suggestion that controlling non-essential appliances with the agreement of the customer would be an effective method to manage supply to the network. EWOV also agrees that this would be the preferred method of network management in comparison to total supply control and ultimate mass disconnection. However, EWOV also notes that this would require customers to install a 'Home Area Network' or other devices to control particular appliances, presumably at an additional out-of-pocket expense to the customer.

Notification of load reduction

EWOV suggests a system of notification and warning of imminent reduction in supply to enable customers to take immediate counter measures. EWOV understands that such a notification can occur via the 'Home Area Network', SMS or email to provide immediate warning prior to a supply reduction and to confirm normal supply has resumed. When a reduction of supply occurs the period of reduction should be as short as possible.

Terms of the agreement

EWOV understands that customers currently experience confusion in understanding and entering into market contracts. This is demonstrated by a 14 per cent increase in EWOV case numbers in 2010 compared to 2009, for complaints relating to misleading and deceptive marketing, pressure sales and transfers without consent. Given the increase in marketing cases to EWOV, there is concern that the added level of complexity of a load control agreement will further negatively impact on the ability of customers to understand this type of market agreement. This is also likely to result in increased dissatisfaction with retailers and increased complaint numbers to EWOV.

EWOV believes that reducing a customer's supply can have varying impacts depending on a customer's individual circumstances. EWOV therefore believes that information about the terms of any agreement is crucial for customers to know. Retailers should also be expected to provide important information about the potential consequences that, reducing supply for a household can cause. Additionally, EWOV believes that customers need to be able to compare market contracts, and that prior to any agreement being entered into, the customer is:

- clearly informed about the terms and conditions
- aware of the impact and potential consequences
- entering into an agreement with explicit and informed consent

- only considered eligible for such an agreement if there are no life support or critical appliances (for health and safety) at the property.

EWOV always encourages retailers to obtain explicit and informed consent when entering customers into any market contract, and does not believe that customers will be able to provide this level of consent when entering into a deemed contract.

EWOV notes that English is not always the first language of Victorian energy customers. Thus, information needs to be presented in a way that is easy to understand. We urge this to be a priority when drafting the terms of any contractual arrangement.

3. Verifying bills

In 2010, EWOV received a total of 1,868 cases about smart meters. Of these cases billing complaints constituted 47 per cent. For customers with smart meters, common issues reported during this period included the receipt of a higher than expected bill and the lack of a meter read on their bill. This suggests that customers have an expectation that they will be able to reconcile consumption on their bill with consumption on their meter.

It is EWOV's view that being able to verify billed consumption with metered usage empowers customers to actively understand their billing. In order to increase this understanding, EWOV encourages the use of 'start/check' readings (or index reads) when an account is established, finalised and annually. If customers are unable to verify their usage, they are more likely to query their bill. This may lead to increased dissatisfaction with their retailer and cause an influx in complaints to EWOV.

We trust the above comments are helpful. Should you require further information or have any queries, please contact Belinda Crivelli, Senior Research and Communications Officer, on (03) 9672 4460 or at Belinda.Crivelli@ewov.com.au.

Yours sincerely



Fiona McLeod
Energy and Water Ombudsman (Victoria)