



Energy Retailers Association
of Australia Limited

13 August 2010

Ms Wendy Heath
Regulatory Review – Smart Meters
Essential Services Commission
Level 2, 35 Spring St
Melbourne VIC 3000

By email: smartmeters@esc.vic.gov.au

Dear Wendy

Re: Regulatory Review – Smart Meters Draft Decision July 2010

The ERAA welcomes the opportunity to comment on the Essential Services Commission (ESC) of Victoria's draft decision for the Regulatory Review into Smart Meters.

The ERAA is the peak body representing the core of Australia's energy retail organisations. Membership is comprised of businesses operating in the electricity and gas markets throughout the National Electricity Market (NEM), as well as the Northern Territory and Western Australia. These businesses collectively provide electricity to over 98% of customers in the NEM and are the first point of contact for end-use customers of both electricity and gas.

As smart meters are rolled out across Victoria, consumers need to be educated and informed. This is crucial to achieving the policy objective of smart meters. Energy retailers are the first point of contact for customers and are therefore placed in a difficult position if a lack of information results in an increased number of customer complaints. The ERAA sees the ESC, Department of Primary Industries (DPI) and Victorian Government as having a key role in educating consumers.

The ERAA is concerned that the administrative costs and burden that will result from these regulations has not been fully taken into consideration by the ESC in drafting these decisions. Energy retailers have systems set up to manage billing; any changes to existing regulations come at a significant cost to retailers if they have to change and update their systems. The ERAA sees that there could be value added in synthesising the objectives of the ESC with knowledge of these systems. Energy retailers have expressed a willingness to engage with the ESC on how their systems work and the ERAA encourages the ESC to take up any such offers from retailers if they should arise.

A number of the draft decisions to come out of this review are considered to be out of the scope of a *Regulatory Review of Smart Meters*. For example, issues of disconnection, unbundling charges and shopping around for better offers, are all matters that are not specific to smart meters and therefore do not need to be considered in this review. Energy retailers are happy to have these discussions in the future but do not see them as in scope for this particular process.



The ERAA maintains that it is too early on in the smart meters rollout to be trying to set regulations for a future Victorian market which will one day consist entirely of smart meters. There also appears to be sufficient regulations in place for this stage of the rollout. Retailers, distributors and customers all need time to adapt and develop, and the future regulations that will be required cannot currently be known. The ERAA encourages the ESC to first investigate what customers want and need in terms of smart meter regulations and then to conduct consultations accordingly.

The remainder of the submission refers to directly to the draft decisions. Should you wish to discuss the details of this submission further, please contact me on (02) 9241 6556 and I can facilitate such discussions with ERAA member companies.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Cameron O'Reilly'. The signature is fluid and cursive, with a large loop at the end.

Cameron O'Reilly
Executive Director
Energy Retailers Association of Australia

1. Assisting vulnerable customers

It has long been the ERAA's policy that energy retailers have a direct role to play in assisting customers facing hardship difficulties. Energy retailers assist vulnerable customers by offering support services, repayment plans, energy saving advice and other services catered to customers facing different forms of hardship.

As smart meters are rolled out across Victoria, there are likely to be new challenges and difficulties that emerge for all customers, including vulnerable customers. As the rollout is in its early stages however these issues are for the most part not yet known, and so the ERAA contends that a less heavy handed approach should be taken in setting the regulations.

The ERAA sees placing these obligations on retailers as unnecessary and onerous; energy retailers will offer products to suit hardship customers with or without a formal obligation included in the Guideline.

The use of 'cost-effective' could be left open to interpretation however, and the ERAA would therefore like some definition around what is meant by 'cost-effective', or otherwise, 'appropriate' should be used rather than 'cost-effective'.

This decision assumes that it is known by all parties which smart meter tariff is most appropriate for hardship customers. As the Victorian rollout is still in the early stages it could take some time before this is known. The ERAA therefore would prefer if this was not regulated before more experience has been gained in the market, otherwise there will almost definitely need to be revisions made on the regulations as the rollout progresses.

2. Verifying the accuracy of the bill

The ERAA maintains that index reads are inherently inaccurate and likely to lead to customer confusion and complaints. The smart meter environment will provide multiple opportunities for customers to access information about their usage, and retaining this form of information when we know it will vary from other meter data (due to estimates and substitutes) would seem short-sighted. Instead, the ERAA supports the customer information programme providing customers with information about how to read their bills and the new means of accessing information. If this obligation is placed on retailers then it should not come into effect until after 1 January 2012 when distributors begin to collect and provide data to retailers daily.

3. Estimated and substituted data on bills

The ERAA questions what the public policy objective is for requiring retailers to indicate that a bill is 'estimated' when more than 5% of the interval metering data are not actual readings from the

smart meter. The ERAA appreciates that *some* customers may like to know but if there is not sufficient information given to customers about what constitutes a substitute, then there will be an increase in customer complaints to the ombudsman and call centres, all of which results in increased costs to retailers. These substitutes come from distributors and are calculated with as much accuracy as possible under the Metrology Procedure; the number and accuracy of substitutes are therefore largely outside the control of retailers, and yet retailers will face additional costs as a result of this requirement. Before Clause 5 is amended, the ERAA requests that there is more rationale behind the amendment that simply stating that *some* customers would *like to know*, and the costs and risks to retailers should be taken into account.

4. Graphical information on the bill

The specified information under this requirement will need changes to retailers' billing systems. This can come at considerable cost and can take time to update the system. Energy retailers should be given ample time to update their system before this comes into effect; I refer you to individual submissions of energy retailers for suggestions of appropriate timeframes.

5. Unbundling charges and tariffs on the bill

The ERAA thanks the ESC for taking into account the concerns and recommendations of retailers in allowing it to remain the decision of retailers to unbundle charges and on bills.

6. Notification of tariff variations

Notification of tariff variations is not a matter specific to smart meters and therefore the ERAA considers it outside the scope of this review. Energy retailers are concerned that an April 2011 start date may be unachievable. For the time being, the requirement on both retailers and distributors should be to provide notification within a timely manner.

7. Shopping around for a better offer

The ERAA considers this outside the scope of this review and therefore supports the ESC's decision to consider it in a later review.

8. Enabling access to billing and metering data

The ERAA sees that regulations around IHDs are outside the scope of this review and in any case should not be regulated. If retailers provide customers with IHDs then even without regulations they will provide customers with information regarding how consumption and costs displayed on the IHD compare with that shown on their bills. Regulating this is unnecessary and only burdensome.

If a customer acquires an IHD from a source other than the retailer, then these regulations would not apply, as the ESC does not have jurisdiction to regulate a third party. This is hardly going to provide an equitable outcome for consumers as there will be inconsistencies across customers who deal with retailers and those who do not. This also applies to the requirement for retailers to provide information; obviously each retailer would only be able to inform customers about IHDs it is providing itself.

9. Facilitating prompt connection, disconnection and reconnection

The ERAA sees this as outside the scope of this review. As mentioned in our previous submission, smart meters will allow for faster connection and disconnection; it seems pointless to try to regulate what the functional aspects of smart meters are, and what they allow DBs to do.¹⁰

Customer protection under disconnection

The ERAA prefers the use of 'best endeavours' rather than prescribing ways in which a retailer must contact a customer before disconnection. This clause should be intended to ensure that retailers are making a reasonable attempt to contact customers before remote disconnection. 'Best endeavours' is the best a retailer can ever do. Customer's interaction is also pivotal to the outcome and being prescriptive will not necessarily ensure a better outcome.

Prescribing that a retailer must first make contact in person or two phone calls, (or if this fails, by mail) may not be the most effective way to contact a customer prior to disconnection. For example, SMS or email may be more effective if a customer has agreed to be contacted in this way. The ERAA therefore requests a less prescriptive approach and asks the ESC to leave 'best endeavours' as a reasonable attempt to make contact with customers.