



**Let's be smart about this:**

**PIAC submission to the NSW Smart Meter Task Force  
*Discussion Paper***

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# Introduction

## The Public Interest Advocacy Centre

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit law and policy organisation that works for a fair, just and democratic society, empowering citizens, consumers and communities by taking strategic action on public interest issues.

PIAC identifies public interest issues and, where possible and appropriate, works co-operatively with other organisations to advocate for individuals and groups affected. PIAC seeks to:

- expose and redress unjust or unsafe practices, deficient laws or policies;
- promote accountable, transparent and responsive government;
- encourage, influence and inform public debate on issues affecting legal and democratic rights; and
- promote the development of law that reflects the public interest;
- develop and assist community organisations with a public interest focus to pursue the interests of the communities they represent;
- develop models to respond to unmet legal need; and
- maintain an effective and sustainable organisation.

Established in July 1982 as an initiative of the (then) Law Foundation of New South Wales, with support from the NSW Legal Aid Commission, PIAC was the first, and remains the only broadly based public interest legal centre in Australia. Financial support for PIAC comes primarily from the NSW Public Purpose Fund and the Commonwealth and State Community Legal Services Program. PIAC also receives funding from the Trade and Investment, Regional Infrastructure and Services NSW for its work on energy and water, and from Allens for its Indigenous Justice Program. PIAC also generates income from project and case grants, seminars, consultancy fees, donations and recovery of costs in legal actions.

## Energy + Water Consumers' Advocacy Program

This Program was established at PIAC as the Utilities Consumers' Advocacy Program in 1998 with NSW Government funding. The aim of the program is to develop policy and advocate in the interests of low-income and other residential consumers in the NSW energy and water markets. PIAC receives policy input to the program from a community-based reference group whose members include:

- Council of Social Service of NSW (NCOSS);
- Combined Pensioners and Superannuants Association of NSW;
- Park and Village Service;
- Ethnic Communities Council NSW;
- Rural and remote consumers;
- Retirement Villages Residents Association;
- Physical Disability Council NSW; and
- Affiliated Residential Park Residents Association.

# 1. Introduction

This submission responds to the Discussion Paper released by the NSW Government's Smart Meter Task Force in November 2012 (the Discussion Paper). PIAC's CEO, Edward Santow, was a member of the Task Force.

PIAC supports the introduction of smart meters, provided consumers are given the opportunity to make an informed choice whether to have a smart meter installed. That choice should be based on clear, simple and accurate information about the true cost of the investment and the scope the consumer has to benefit from having such a device. Potential problems associated with costs are PIAC's major concern regarding the rollout of smart meters. It has been widely argued that infrastructure costs are the main driver of increasing electricity bills. It is important that the rollout of smart meters not make electricity less affordable or reduce the ability of consumers, especially low-income and vulnerable consumers, to access this essential service by increasing costs. On the contrary, the benefits of smart meters—in terms of increased efficiencies, better management of electricity demand, etc—should be shared fairly between consumers and industry.

A smart meter rollout will also require a comprehensive consumer education campaign. PIAC recommends that such a campaign should be undertaken by the NSW Government, in order to be independent of retailers. Public acceptance of smart meters will be vital to the success of any rollout, particularly under a market-led model. The information and education campaign will be vital in avoiding the public backlash that has characterised at least the early stages of the Victorian rollout.

One of the key capabilities of smart meters is in facilitating the imposition of time of use (TOU) pricing of electricity consumption. TOU pricing arrangements aim to send price signals to customers to reduce consumption at peak times, which in turn reduces the need to build more generation, transmission and distribution infrastructure. However, PIAC believes that there is a strong risk that TOU pricing will also leave some consumer groups, who cannot shift their use away from peak periods, considerably worse off. The discussion paper acknowledges that TOU pricing may disadvantage some groups<sup>1</sup>, and recommends that 'the wider introduction of smart meters need not automatically be linked to the introduction of retail or network time of use prices in NSW'.<sup>2</sup> Nonetheless, PIAC makes a number of comments in this submission concerning consumer protections related to the introduction of TOU pricing. PIAC submits that it would be prudent for these protections to be put in place as smart meters are rolled out, rather than waiting until foreseeable problems are encountered by electricity consumers.

PIAC makes the following comments in response to the questions posed by the task Force in the Discussion Paper.

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<sup>1</sup> NSW Government Smart Meter Task Force, *Discussion paper*, (2012), 10.

<sup>2</sup> *Ibid*, 11.

***Is the Task Force correct to recommend a market-led rollout of smart meters with a level of Government support as the best possible option?***

***How could the benefits to consumers from the wider introduction of smart meters be quantified?***

***Would a slow take-up of smart meters undermine any impact smart meters would have on the cost of supply?***

## **2. Costs and benefits of smart meters**

### **2.1 The most appropriate model for a smart meter rollout**

PIAC's preferred option is for a market-based rollout of smart meters, with consumers having the final say on whether or not a smart meter is installed at their home. PIAC acknowledges that there are potential benefits to smart meters, including providing consumers with important information about their electricity usage. However, PIAC is concerned that the lag between immediate cost and long-term benefits may leave some consumers disadvantaged. Similarly, while infrastructure costs can often be smeared over a large customer base, benefits are not always equitably spread—for example, consumers with low levels of discretionary use may miss out (such consumers are discussed further below, under section 5.2). The costs of the smart meter rollout must not be allowed to dilute or outweigh the possible benefits of the technology.

The NSW Independent Pricing and Regulatory Tribunal (IPART) recently highlighted that distribution network service providers (DNSPs) have little incentive to ensure that their installation of new smart meters is cost effective. This is because the devices form part of their regulatory asset base, the cost of which is recovered from all electricity consumers through the network cost component of bills.<sup>3</sup> These costs are met by consumers regardless of whether smart meters deliver benefits to consumers in the form of lower electricity costs. In the case of Victorian DNSPs, the Australian Energy Regulator approved cost recovery in 2011 of between \$543.36 and \$879.19 per meter over five years.<sup>4</sup>

To provide for a more cost-effective deployment of smart meters, IPART advocates a rollout at the discretion of customers, who can judge their ability to benefit from smart meters (and TOU pricing), or retailers, who may be able to 'manage the demand of their overall customer base through programs targeted at individual customers or groups of customers'.<sup>5</sup> The Australian Energy Market Commission (AEMC) also supports a model that allows market participants to choose whether or not to install a smart meter. The Final Report of the of the AEMC's *Power of Choice* review noted that under such a model, 'ultimately, it will be up to consumers to make choices based on the net benefits that end use services provide'.<sup>6</sup>

PIAC notes that the *Power of Choice* review recommended that the option for a government-mandated rollout of smart meters should be removed from the National Electricity Law (NEL), in

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<sup>3</sup> IPART, *Changes in regulated electricity retail prices from 1 July 2012—Final report*, (2012), 85.

<sup>4</sup> AER, *Victorian Advanced Metering Infrastructure Review 2012–15 budget and charges applications*, (2011), 8.

<sup>5</sup> IPART, above n 3, 85.

<sup>6</sup> AEMC, *Power of choice review—Final report*, (2012), 69.

order to provide the market with certainty about proceeding with investment under a market-based model.<sup>7</sup> PIAC supports this amendment to the NEL.

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### ***Recommendation 1***

*PIAC recommends smart meters be rolled out in NSW under a market-based approach, with consumers having a choice about whether or not they have a smart meter installed at their home.*

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### ***Recommendation 2***

*PIAC recommends that the National Electricity Law be amended to remove the option of a government-mandated rollout of smart meters.*

## **2.2 Possible complications to the electricity system**

The success, and public acceptance, of any smart meter rollout will, in part, depend on the costs and benefits being shared between the whole consumer base, as well as electricity retailers and networks. PIAC submits that it would not be equitable for consumers to disproportionately bear the costs of the smart meter rollout.

PIAC, further, wishes to emphasise that due consideration must be given to all the ways that the installation of smart meters could increase the cost of electricity for residential consumers in NSW. These costs could become an issue if, for example, the installation of a smart meter made repairs at a particular residence or working on the network more complicated and, therefore, more expensive. This issue has arisen following the extremely high take up of solar panels in NSW under the Solar Bonus Scheme (SBS). That scheme has imposed significant costs on electricity consumers for a number of reasons, including that it has resulted in increased costs in servicing the network.

PIAC submits that the indirect costs of smart meters must be weighed against the indirect costs of current metering infrastructure when assessing the cost of smart meter installation. Another relevant issue to consider, therefore, would be the comparative lifespans of smart meters (generally considered to be seven to 10 years) and conventional accumulation meters (approximately 40 years). Any mooted savings enabled by smart meters would need to be considered in light of such medium-term cost impacts.

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### ***Recommendation 3***

*PIAC recommends that the NSW Government consider the indirect costs of smart meters compared to current metering technology when assessing the costs and benefits of a smart meter rollout.*

## **2.3 The need for new appliances to benefit from smart meters**

PIAC notes that in some instances, the installation of a smart meter will only be the first step in a consumer being able to benefit from the technology and time of use pricing. Accessing the

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<sup>7</sup> Ibid, 68.

benefits of smart meters may be contingent on having a ‘smart’ washing machine or other appliances with internal timers. Where consumers cannot afford the necessary capital investment to purchase such appliances, they may receive limited benefit from a smart meter that they have paid to install.

## **2.4 Quantifying the possible benefits of smart meters**

The most important benefit that smart meters can potentially deliver to consumers is to reduce their electricity bills. In some instances, such benefits are easily quantifiable—most electricity bills display information about the current cost compared to that of recent bills. However, where prices have increased for reasons that are not necessarily related to smart meters (such as through the process of price regulation that sees prices adjusted on 1 July each year), the ‘before and after’ situation regarding bills may be less clear. Under such circumstances, it may be necessary to provide consumers with a comparison of the cost of their usage under the existing flat or inclining-block tariff compared to the TOU pricing arrangement they have entered in to. This approach is discussed further in point 3.2 below.

Any decreases in bills, including relative increases below what bills may have been when price rises are factored in, could be realised as a result of the extra information smart meters provide to consumers, giving them a greater opportunity to understand, and reduce, their energy consumption. In order to constitute a benefit, electricity costs will need to be reduced by more than the cost of the smart meter that the consumer pays.

In addition, as previously stated, some consumers will also be able to respond to TOU pricing in order to reduce their consumption. These consumers have the ability to benefit significantly from smart meters through reduced bills. At the same time, any consumers who enter into TOU supply contracts and see their bills increase (because they are unable or unwilling to load shift their use away from peak periods) will be quantifiably worse off as a result of the introduction of smart meters. This issue is discussed in greater detail in section 5 below.

While smart meters have the potential to reduce peak demand—and therefore the infrastructure investment that is needed to meet peak demand—quantifying this benefit in monetary terms will not be a simple task. In recent times, there has been significant investment in infrastructure to meet peak demand, meaning such costs have been ‘sunk’ for some time. In addition, PIAC anticipates that the reduction in peak demand will not result in bills going down, but will rather act to moderate their increase over time.

The effect that smart meters have on reducing peak demand could also be potentially moderated by a slow take up of the technology. If the level of smart meter use necessary to reduce peak demand is not reached, further investment in generation and distribution infrastructure will be needed. This cost will, in turn, flow through to electricity bills. However, PIAC wishes to emphasise that this is not an argument in favour of a mandated rollout, and customer choice should remain as the more important outcome.

***How can the level of understanding about smart meter technology be increased in the community, and who are the key players who can contribute to this understanding?***

***What will encourage the community to respond to the 'price signals' that smart meters can deliver?***

***What is the appropriate role of Government in the introduction of smart meters to ensure the most successful outcomes for the electricity consumers?***

***Is there sufficient community awareness/confidence in smart meters to facilitate a market-based approach?***

### **3. Consumer information**

#### **3.1 Smart-meter education campaign**

Because smart meters are a new technology, with which most NSW consumers are not familiar, there is a need for a comprehensive consumer education campaign to accompany their introduction. Such a campaign is necessary in order to inform consumers about how they can derive the benefits of smart meters and allay consumer concerns about their introduction. PIAC understands from partner organisations in Victoria that the lack of information about the Victorian program was one reason why the introduction of smart meters in that state met with considerable public opposition. If the NSW Government elects to use a market-based approach to rollout smart meters, consumer attitudes towards the technology will be key to the effectiveness of that approach. Assuming consumers are able to elect whether or not to have a smart meter installed, hostility towards the new technology would hamper their widespread adoption.

The most effective way to overcome, or guard against, consumer hostility towards smart meters is through an independent and effective consumer information campaign. The campaign should cover a broad range of issues associated with smart meters and their broader rollout in NSW, including:

- the individual benefits that consumers may stand to gain from having a smart meter installed;
- the overall benefits to all electricity consumers that may flow from the increasing use of smart meters;
- an explanation of TOU pricing, including the fact that having a smart meter does not automatically mean consumers will be placed on a TOU contract; and
- the extra consumption information smart meters can provide, including addressing privacy concerns.

PIAC recommends that the NSW Government undertake this campaign, as creating a public perception of independence will be important in the message being accepted. PIAC further recommends that the public information campaign be developed in consultation with a wide range of stakeholders, including community groups who have expertise in reaching particularly vulnerable consumer groups, such as those with a disability and people from culturally and linguistically-diverse (CALD) communities.

The consumer information campaign should also seek to address privacy concerns surrounding the smart meters. The Consumer Action Law Centre has identified a number of issues related to smart meters and privacy. These issues include unauthorised access to the smart meter communications network, the security of consumer data and businesses knowing when consumers are home based on real-time consumption information.<sup>8</sup>

#### ***Recommendation 4***

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*PIAC recommends that the NSW Government conduct a comprehensive public education campaign about smart meters. The campaign should be developed in consultation with stakeholder organisations, including those with expertise in communicating with particularly vulnerable consumer groups, such as people with a physical disability and CALD communities.*

### **3.2 Customer information from smart meters**

Smart meters have the potential to collect significant amounts of information about a consumer's consumption. PIAC believes that people should have access to information about their electricity consumption, even where they are not on a TOU contract, so they can make informed decisions about whether time-variant pricing will allow them to make savings while maintaining the level of consumption they need for a dignified life. This information should be provided directly to consumers in an easy to understand format, on bills and via a digital communications device such as an in-home display, smart phone or computer.

The goal of supplying information on bills is to provide a risk-free and direct way for consumers who have remained on a flat retail tariff to understand the impact time-variant pricing would have had on their bill, and where there are opportunities to save with behaviour change.

For example, a household on a flat tariff could receive a bill outlining use at a flat rate.<sup>9</sup> The bill could also include:

- a) data charting consumption across peak, shoulder and off-peak times and the amount the consumer would have paid if they had been on a TOU tariff;<sup>10</sup> and
- b) a message telling people how much they could have saved if they were able to shift some consumption away from peak and shoulder rates.

Providing this kind of information directly to consumers would assist them to make informed choices about tariffs that suit their circumstances, as well as to see the effect of changing their consumption pattern without risking financial penalty. It also allows people to participate in reducing peak demand through behaviour change—even if they choose to remain on flat tariffs.

#### ***Recommendation 5***

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*PIAC recommends that customers with smart meters—but not on TOU contracts—be provided with information about their electricity usage, including advice about what their consumption*

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<sup>8</sup> Consumer Action Law Centre, *Submission to the Department of Finance and Treasury Review of advanced metering infrastructure program*, (2011), 7.

<sup>9</sup> This example assumes the household has an interval meter.

<sup>10</sup> Including any service availability charges.

would have cost on a TOU contract and how they would have to vary consumption to make savings under such an arrangement.

***What interventions should the Task Force consider recommending to minimise potential adverse impacts on vulnerable consumers? (Note: This question is also addressed in point 5 of this submission)***

## **4. Competition in metering services and dispute resolution**

The AEMC's *Power of Choice* review recommended that the National Electricity Rules be amended to allow 'competition in metering and data services for residential and small business consumers'.<sup>11</sup> The AEMC proposes that a consumer would be able to receive their metering and data services from a supplier accredited by the Australian Energy Market Operator (AEMO).<sup>12</sup>

In PIAC's view, if metering services are provided by third parties (not retailers or networks), it is important that effective dispute resolution arrangements be put in place for residential consumers. Some NSW residential consumers faced difficulty in accessing effective dispute resolution in relation to the Solar Bonus Scheme (SBS). The Energy and Water Ombudsman of NSW (EWON) continues to receive complaints regarding the SBS, which are complicated by the fact that the disputes involve companies both within and outside EWON's jurisdiction. This has forced some consumers to deal with EWON, the NSW Office of Fair Trading and the Clean Energy Council in order to resolve a single dispute.

PIAC recommends that arrangements should be put in place to resolve potential disputes between consumers and third party providers of metering services from a single point of access, ideally EWON. These arrangements should be put in place proactively, not as a reaction to a growing number of complaints. Part of this process would be early engagement with EWON to develop an appropriate method of cost recovery.

PIAC also notes that EWON has the capacity to collect data on complaints that can be used to provide an evidence base for the development of consumer protections that may become necessary. Having such evidence to inform policy development will benefit all participants in the market.

### ***Recommendation 6***

*PIAC recommends that arrangements be put in place to allow EWON to comprehensively resolve disputes between consumers and any third-party providers of smart metering services in NSW.*

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<sup>11</sup> AEMC, above n 6, 82.

<sup>12</sup> Ibid, 80.

***The Task Force recommends that the wider introduction of smart meters need not automatically be linked to the introduction of mandatory retail or network time of use prices in NSW. Will this minimise adverse social impacts or will it remove an important pricing reform available to consumers to manage their electricity use?***

***What interventions should the task Force consider recommending to minimise potential adverse impacts on vulnerable consumers?***

## **5. Time of use pricing**

Under a TOU pricing arrangement, customers are charged a peak, shoulder or off-peak rate for their consumption, depending on the time of day. This pricing model relies on smart meter technology to measure consumption in short intervals; for example, every half an hour. PIAC welcomes the statement that that 'the wider introduction of smart meters need not automatically be linked to the introduction of mandatory retail or network time of use prices in NSW'.<sup>13</sup> However, the Discussion Paper also is that 'it may be argued that the greatest benefit of smart meters is the possibility of reducing electricity consumption (particularly peak consumption) to avoid spending more on generators and networks'.<sup>14</sup>

Given that one of the key principles for decisions on smart meters in NSW states that 'both smart meters and time-of-use prices are necessary first steps towards achieving significant demand reductions' (though not in themselves sufficient)<sup>15</sup>, PIAC believes that it is appropriate to make the following comments regarding TOU pricing.

### **5.1 Trial periods for TOU pricing**

For an individual account holder, the transition from a standard accumulation or inclining-block tariff to TOU pricing will be as significant as any change in the retail electricity market. Given the size of the change, PIAC submits that many consumers will need a period of adjustment before they are able to realise the benefits of TOU pricing, or recognise that they are not able to change their pattern of consumption in order to reduce their electricity costs. PIAC, therefore, submits that consumers who are not already on TOU pricing should be given the option to trial TOU pricing, while retaining the security of returning to a flat or inclining-block tariff should they choose. The trial would need to give customers the full TOU experience, including receiving their usage data as a way of sending a price signal to change their behaviour. At the same time, bills should be required to include information about what costs would have been for the level of electricity consumed under a flat or inclining-block tariff.

PIAC submits that a trial over two billing periods should be sufficient to allow consumers to become familiar with TOU pricing and understand their own ability to change their behaviour to lower their energy costs or the extent to which they may be disadvantaged. This length of time would allow consumers to experience TOU pricing in either summer or winter, when space heating or cooling is a more significant issue. Consumers should not be charged exit fees if they elect not to continue on a TOU contract at the end of the trial period.

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<sup>13</sup> NSW Government Smart Meter Task Force, above n 1, 11.

<sup>14</sup> Ibid.

<sup>15</sup> Ibid, 8.

PIAC acknowledges that these trial periods will create some uncertainty for electricity retailers. However, PIAC believes that by giving consumers the option to return to their old tariff, retailers will be forced to come up with TOU price offerings that are genuinely attractive to consumers and to ensure that customers understand those offerings.

### **Recommendation 7**

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*PIAC recommends that consumers be given the option to trial TOU pricing for two billing periods, while retaining the option to return to a flat or inclining-block tariff at the end of the trial period without penalty.*

## **5.2 Consumers who may be worse off under TOU pricing**

While PIAC welcomes opportunities for consumers to reduce their electricity bills by changing their patterns of consumption, not all consumers are able to do this. The Discussion Paper acknowledges that TOU pricing has the potential to disadvantage some consumer groups.<sup>16</sup> Some consumers have low levels of discretionary use and, consequently, a reduced ability to respond to price signals about electricity pricing. PIAC is particularly concerned about the impact of TOU pricing on groups of consumers who may be older, have physical disabilities or medical conditions who are not able to shift their use away from peak periods. These consumers can be divided into two categories: those who require in-home care services and, those who require the in-home use of life support equipment or air conditioners for medical reasons. PIAC believes that, without adequate protection, there is a very real risk that these consumers would be disadvantaged by the introduction of TOU pricing.

### **5.2.1 Care recipients**

Consumers who require in-home assistance with daily living tasks are able to access services under two schemes in NSW. The Home and Community Care (HACC) service is available to frail older people, people with a disability and their carers. HACC provides assistance for purposes including household tasks, health and personal care, home maintenance and modification.<sup>17</sup> The Attendant Care Program (ACP) provides assistance for people between the age of 16 and 65 who are able to live in their own home and would be ineligible/not a priority for the HACC scheme. ACP provides recipients with assistance in completing daily living tasks.<sup>18</sup>

Consumers who receive HACC or ACP services have a limited ability to shift their electricity use in response to TOU pricing. While care providers are able to offer some flexibility in the time they attend the homes of care recipients, levels of demand dictate that some services must be delivered during business hours, which are either shoulder or peak pricing periods. The care provided is a service that is available largely on a fixed schedule, which in many cases cannot be easily moved to accommodate peak electricity price periods.<sup>19</sup> Consumers receiving these

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<sup>16</sup> Ibid, 10.

<sup>17</sup> NSW Department of Community Services, Aging, Disability and Home Care, *Home and Community Care services*, <[www.adhc.nsw.gov.au/individuals/help\\_at\\_home/home\\_and\\_community\\_care\\_services](http://www.adhc.nsw.gov.au/individuals/help_at_home/home_and_community_care_services)> at 7 February 2013.

<sup>18</sup> NSW Department of Community Services, Aging, Disability and Home Care, *Attendant Care Program*, <[www.adhc.nsw.gov.au/individuals/support/everyday\\_living\\_support/attendant\\_care\\_program](http://www.adhc.nsw.gov.au/individuals/support/everyday_living_support/attendant_care_program)> at 7 February 2012.

<sup>19</sup> Hodge, C., *More power to you: electricity and people with physical disability*, (2012), Sydney: PIAC, 28.

services are therefore vulnerable to being worse off under TOU pricing and have a limited ability to respond to price signals. In addition, service appointments may be the only time people requiring care can have washing and cleaning done—making these visits times of intense energy use.

### 5.2.2 Consumers with in-home life support equipment

Some people with certain medical conditions require 24-hour use of life support equipment in their homes. Consumers who use such equipment will necessarily run it during peak periods, as well as shoulder and off-peak periods. The NSW Government acknowledges the fact that this equipment is in constant use, by offering a specific rate of the Life Support Energy Rebate to those consumers who require such equipment 24 hours per day. Under the *Ministerial direction for social programs issued to NSW electricity retailers*, a rebate for 24-hour use is available to consumers requiring positive airway pressure devices (\$0.32 per day for those requiring usage 24 hours per day) and oxygen concentrators (\$1.40 per day for those requiring usage 24 hours per day).<sup>20</sup>

The life support rebate is also available for people requiring the use of enteral feeding pumps, phototherapy equipment, home dialysis, ventilators, total parenteral nutrition pumps and external heart pumps. PIAC believes that the schedules to which these devices run are fixed by a consumer's meal times and medical considerations, including the need to use such equipment as required, regardless of the time of day. This means that their use cannot be moved to accommodate the peak electricity price periods and cannot be reduced without negative health impacts.

### 5.2.3 Use of air conditioners by consumers with certain medical conditions

Consumers with some medical conditions, including Multiple Sclerosis (MS) or upper spinal cord injuries with associated loss of sympathetic nervous system control, may be unable to effectively self-regulate their body temperature. As a result, they require the use of an air conditioner to maintain a constant temperature in their living spaces. The use of heating and cooling for medical reasons is one reason highlighted by the Productivity Commission to explain why higher than average electricity costs are a common feature amongst people with a disability.<sup>21</sup> Around 90% of Australia's 20,000 MS sufferers are sensitive to heat.<sup>22</sup>

## 5.3 Fixed charges under TOU contracts

PIAC notes that the ability of consumers to reduce their bills through TOU pricing is limited by the increased fixed charges that generally accompany such contracts. For example, Energy Australia's fixed charge for TOU contracts is 19% higher than that for its Standing Offer,<sup>23</sup> while Origin Energy customers in the Endeavour Energy network area pay a fixed charge on TOU contracts that is 30% higher than that on the Standing Offer.<sup>24</sup>

<sup>20</sup> Chris Hartcher MP, Minister for Resources and Energy, *Ministerial direction for social programs issued to NSW electricity retailers: Low Income Household Rebate; Life Support Rebate; and Medical Energy Rebate*, (2011), 11.

<sup>21</sup> Productivity Commission, *Disability Care and Support – Inquiry report, volume 1*, (2011), 235.

<sup>22</sup> Summers, M, and Simmons, R, *Keeping cool survey: Air conditioner use by Australian with MS*, (2009), iii.

<sup>23</sup> Energy Australia, *Energy price fact sheet – NSW residential (electricity)*, (2012),

[www.energyaustralia.com.au/residential/products-services/electricity-plans](http://www.energyaustralia.com.au/residential/products-services/electricity-plans), at 27 February 2013.

<sup>24</sup> Origin Energy, *NSW residential energy price fact sheet – Standing Offer: Endeavour Energy distribution zone*, (2012), [http://www.originenergy.com.au/962/Energy-price-fact-sheets?g\[user\\_state\]=nsw](http://www.originenergy.com.au/962/Energy-price-fact-sheets?g[user_state]=nsw), at 27 February 2013.

PIAC submits that these differences in fixed charges, and the impact they have on consumers' ability to reduce their bills through behavioural change in response to time-variant pricing, must be considered when assessing the costs and benefits to consumers of TOU pricing arrangements.

## **5.4 New customer assistance measures**

Innovations in the residential retail electricity market, such as the introduction of complex tariff structures and TOU pricing, necessitate concessions and customer assistance measures that are responsive to the challenges faced by consumers today and into the future. The Discussion Paper acknowledges that the 'potential for adverse impacts or cost increases on vulnerable consumers must be considered', including where new tariffs are imposed with smart meters or the cost of the rollout is passed through before the benefits are realised.<sup>25</sup>

PIAC has been advocating for some time for a review of concessions across all Australian jurisdictions. An important aspect of any such review would be an investigation of whether flat-rate energy rebates that are uniform within a jurisdiction are effective in the face of geographically specific and TOU pricing. PIAC considers the Productivity Commission to be well placed to undertake such a review.

### ***Recommendation 8***

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*PIAC recommends that the Productivity Commission be directed to undertake a review of the effectiveness of all energy customer assistance measures in Australia, including making recommendations about a best-practice model for the delivery of rebates, concessions and other assistance measures that acknowledges the varying needs of different consumer groups.*

***Are the principles that the Task Force will recommend to the NSW Government appropriate?***

***Are there any additional policy principles that the Task Force should consider recommending to the NSW Government?***

## **6. Policy principles**

PIAC supports the principles that the Task Force proposes to recommend to the NSW Government. PIAC accepts the premise that, in the Task Force's words, there are 'potential benefits of smart meters' and that there should be principles to guide Government decision making with this in mind.<sup>26</sup> However, PIAC is also concerned about the potential for some groups of consumers to be made worse off by the introduction of smart meters. The Task Force, and the NSW Government, must make all reasonable efforts to prevent negative outcomes for all consumers, and especially low-income and vulnerable consumers, stemming from the introduction of smart meters.

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<sup>25</sup> NSW Government Smart Meter Task Force, above n 1, 10.

<sup>26</sup> Ibid 8.

PIAC therefore recommends that the Task Force include an additional principle to ‘guide the Government’s decision-making on smart meter options’.<sup>27</sup> This principle should be that vulnerable consumers must be no worse off as a result of the introduction of smart meters.

### ***Recommendation 9***

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*PIAC recommends that the NSW Government Smart Meter Taskforce include as a guiding policy principle that low income and vulnerable consumers must not be made any worse off as a result of the introduction of smart meters in NSW.*

## **7. Conclusion**

PIAC thanks the NSW Government for the opportunity to provide comment on the Discussion Paper. PIAC believes that a consumer or market-led rollout is the most appropriate model for introducing smart meters in NSW. In order to ensure an effective rollout, it is important that consumers be properly educated about smart meters and their potential benefits. The costs to consumers of a smart meter rollout must not be allowed to outweigh the benefits and increase the struggle that low-income and vulnerable consumers face in remaining connected to this essential service. PIAC believes that a guiding policy principle for the smart meter rollout should be that low-income and vulnerable consumers must not be worse off as a result.

There is potential for other positive interventions from the NSW Government to ensure an effective rollout. These include establishing effective dispute-resolution procedures in anticipation of third parties providing metering services, and supporting a comprehensive review of energy customer assistance measures.

While TOU pricing need not be introduced along with smart meters, installing such devices is a necessary precursor to introducing such tariffs. Such a development will require a further comprehensive public information campaign, as well as trial periods and specific protections for those consumers who are not in a position to change their pattern of consumption in response to TOU pricing signals.

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<sup>27</sup> Ibid.