



AUSTRALIA & NEW ZEALAND  
ENERGY AND WATER  
OMBUDSMAN NETWORK

8 May 2008

Manager – MCE Secretariat  
Department of Industry, Tourism and Resources  
GPO Box 9839  
CANBERRA ACT 2601

By email: [MCETMarketReform@ret.gov.au](mailto:MCETMarketReform@ret.gov.au)

Dear Madam/Sir

**Re: Cost-Benefit Analysis of Options for a National Smart Meter Roll-Out (Phase Two – Regional and Detailed Analyses): Regulatory Impact Statement (April 2008)**

Thank you for the opportunity to comment on the Regulatory Impact Statement (RIS) about Phase 2 of the Cost-Benefit Analysis of Options for a National Smart Meter Roll-Out. In this submission, the Australia & New Zealand Energy and Water Ombudsman Network (ANZEWON) will comment on only a few of the questions listed in Appendix A of the RIS (at pages 103-4), which we believe are relevant to consumer impacts<sup>1</sup>.

ANZEWON is a network of energy and water Ombudsman schemes in Australia and New Zealand. Our core business is resolving disputes between customers and electricity and gas companies and (in some cases) water companies. As billing issues are the most common cause of electricity complaints to our offices, we have an interest in electricity meters working effectively and accurately. We have already had several years' experience of the issues that interval meters (mostly manually read ones) raise for customers and industry.

The key points we are making in this submission relate to:

1. the 'split-benefits' problem. We agree that it does impede a purely commercial roll-out of meters and therefore we support a mandated roll-out, if there is to be a roll-out at all (question 1).

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<sup>1</sup> Please note the Energy and Water Ombudsman (Victoria) made a submission on 25 October 2007 in relation to Phase One of the Cost-Benefit Analysis: see [www.ewov.com.au](http://www.ewov.com.au)

2. the inclusion of the Home Area Network in the minimum national functionality. We strongly support this (question 2).
3. the necessity for trials and pilots (question 21)
4. the necessity for a public education campaign (question 24).

### **1. The ‘Split-benefits’ problem (Question 1 on page 103 of the RIS)**

ANZEWON agrees that the benefits of a smart meter roll-out are split between distributors and retailers (and customers). It is true that this means neither party accrues sufficient benefit to be motivated to roll out smart meters on their own behalf. Furthermore, such a decentralised roll-out would produce non-compatible equipment between distributors and associated retailers and that would be a disincentive to customers moving between retailers, thereby impeding competition.

ANZEWON believes that the ‘split-benefits’ problem is one of the considerations making it vital that any roll-out, if there is to be one, is mandated nationally and co-ordinated through the Ministerial Council on Energy (MCE).

### **2. The Home Area Network (Question 2 on page 103 of the RIS)**

ANZEWON strongly supports the consultants’ recommendation to include the Home Area Network (HAN) in the national minimum functionality. Reasons for this are:

- without it, fewer customers will take up time-of-use tariffs. This will have a direct impact on the achievement of the primary objective of any roll-out, the reduction of peak demand
- as a matter of principle, customers are entitled to information about their electricity consumption. An in-home display, attached to the HAN, is one way of achieving this. With accumulation meters, customers can at least check the reading on their meter against the reading in the bill. It would be ironic if a roll-out of smart meters meant consumers were less able to obtain information than they currently can. (ANZEWON acknowledges that consumers can in theory scroll through registers, but we suggest that to be of benefit to most consumers, information about electricity consumption should be as accessible and straightforward as possible. This will need to be covered in public education campaigns.)

### **3. Pilots and trials (Question 21 on page 104 of the RIS)**

We note that the cost-benefit analysis has led to the conclusion that there is a positive case for the roll-out of smart meters in a number of jurisdictions. However, we also note that the range between minimum and maximum net benefits is very wide, so that there is a large area of uncertainty about the size of the positive benefits. This may make decision-making about roll-outs very difficult for the MCE.

Pilots and trials are of great importance in reducing the level of uncertainty, in particular, about the likely take-up by consumers of time-of-use tariffs and energy saving initiatives.

Further, ANZEWON believes that business efficiencies and avoided costs (set out on pages 40 -42 of the RIS) are an insufficient basis on which to undertake something as significant as a roll-out of smart meters. A roll-out also needs to be demonstrably capable of reducing peak demand, and enabling consumers to make informed choices and better manage their energy use and greenhouse gas emissions. Pilots and trials are of utmost importance in determining whether a roll-out is going to achieve those objectives as well.

Pilots and trials need to be focused on pricing and consumer response, as well as technical matters such as the most suitable means for communications. Question 21 at page 104 of the RIS asks about resourcing for these pilots and trials. If the roll-out itself is too important to be left to commercial imperatives, so are the pilots and trials. We suggest that they need to be co-operative ventures between the MCE and its individual members and distributors and retailers.

A valuable outcome of trials and pilots could be to refine what information about smart meters should be disseminated through a public education campaign.

#### **4. Public Education** (Question 24 on page 104 of the RIS)

The best point of intervention for education about smart meters will be when they are installed. It needs to be mandatory for clear information to be provided for the consumer at that point. ANZEWON would suggest that the material is subject to some co-ordinating oversight, even though it will be badged according to who installs the meter. The information at this point should be about:

- how the consumer can get information from the meter, that is, the different registers and how to access them
- the end of physical meter reading and what will be done instead.

Distributors may derive some benefit from providing this information, via a reduced call volume to their call centres following installation, but the direct benefits to the distributors of informing customers about how the meters work is not great, suggesting that there needs to be some government involvement in this point of the public education campaign.

Another fruitful point of intervention is the first bill consumers receive after having had a meter installed. Where distributors and retailers are separate entities, this will require cooperation and coordination. This is a point at which retailers can introduce the concept of time-of-use tariffs and, where they are offering these tariffs, invite consumers to seek more information or take up the tariffs. There are direct benefits for retailers in doing this, and they may want to introduce the concept and the option of time-of-use tariffs in their own way, so that this part of the public education campaign may not require as much government intervention.

There will also need to be jurisdictionally-based campaigns of more general information, particularly focusing on the point of why the roll-out has taken place, given that it appears that the costs of the roll-out will be passed to consumers over time. Here, the

social benefits of the meters can be emphasised, especially the possibility of reducing greenhouse emissions. This is clearly a government responsibility.

The schemes that comprise ANZEWON will also undertake information campaigns about smart meters in our various jurisdictions. We typically circulate material to community agencies and to the consumers and customers who contact our schemes. We would be pleased to contribute to any working group looking at public education about smart meters.

Yours sincerely



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