National Smart Meter Consumer Protections and Pricing Draft Policy Paper Two

March 2012
Introduction

This submission

This submission is in response to the Standing Council on Energy and Resources (SCER) Energy Market Reform Working Group (EMRWG) December 2011 National Smart Meter Consumer Protection – Draft Policy Paper Two (Draft Policy Paper Two). At the outset, the Consumer Utilities Advocacy Centre Ltd. (CUAC) would like to thank the SCER EMRWG for the opportunity to provide input to this paper. It is important that community views are considered appropriately in the determining any roll out of smart meters across the jurisdictions.

This submission will respond to the specific issues raised in the Draft Policy Paper Two. CUAC has not responded to all of the questions raised but rather has focused on areas with which we have particular concern or appropriate expertise.

About CUAC

The Consumer Utilities Advocacy Centre Ltd (CUAC) is a specialist consumer organisation established in 2002 to represent Victorian consumers of energy and water in policy and regulatory processes. Since that time, CUAC has been active in energy and water reform in Victoria and at a national level. CUAC is unique in that it is the only consumer organisation in Australia specifically focussed on energy and water issues. Consequently, CUAC has valuable knowledge about the impact of reforms to energy and water policy. CUAC’s work is informed by its reference group, comprised of Victorian community, business and consumer organisations, and through regular contact with community members and organisations.
CUAC’s work on smart meters

This submission will draw from our experience with the roll out of smart meters in Victoria and our research.

CUAC has had extensive involvement in the Victorian smart meter roll out from its inception. We have actively advocated for Victorian consumer interests to the Victorian government, the Essential Services Commission (ESC) and to the businesses involved in the roll out. CUAC was the only consumer representative on the Advanced Metering Infrastructure Industry Steering Committee that was responsible for governance of the roll out from October 2007 to end of 2009. CUAC’s advocacy was instrumental in the previous government’s decision to conduct further policy and regulatory reviews of the roll out and introduce a moratorium on the mandatory reassignment of customers to time of use tariffs. Subsequently we have been active in the multi-sector smart meter governance process administered by the Department of Primary Industries (DPI).

CUAC has been particularly active in raising concerns over:

- the potential equity implications of time of use pricing;
- data privacy issues associated with the vast quantities of data generated by smart meters; and
- the information needs of Victorian consumers in relation to smart meters.

On the final point, CUAC was commissioned by the DPI to undertake a research project on information needs. The research paper was completed in October 2010. Key findings of this work found that Victorians were ill informed about smart meters and their potential implications and that they were ill equipped to take advantage of any benefits. In response, it was recommended that initiatives be undertaken to inform and educate consumers about smart meters.

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1 The Department of Primary Industries (DPI) transferred the AMI project governance to the Victorian electricity industry in October 2007 through an Industry Steering Committee (ISC) which has an independent chair. There were changes to the governance structure of the AMI program after the Auditor-General’s report, Towards a ‘smart grid’ - the roll out of Advanced Metering Infrastructure (November 2009).

This would include broad awareness raising activities as well as targeted engagement through community organisations. The research paper also highlighted the importance of consumers being empowered as quickly as possible, to start using the consumer centric functions of the smart meter, such as the home area network (HAN), and of addressing the access and equity issues for low income consumers.

The findings and recommendations from this research paper are of direct relevance to the questions posed in Draft Policy Paper Two, particularly the section on “Consumer Access and Engagement”, and should be considered by the SCER EMRWG in their entirety. CUAC would like this report considered as a constituent part of its submission. (The research paper is attached to this submission for your reference.)

**CUAC’s overarching policy principles on smart meters**

In conducting our advocacy on utility related issues, CUAC always maintains a reference to the principles of affordability, accessibility and fairness. At a broad level, CUAC maintains that consumer interests should be a primary consideration in the development and implementation of energy and water policy. With this in mind, CUAC has consistently argued for robust consumer protections in the energy market to ensure that customers feel confident and secure participating in energy and water markets. CUAC has consistently highlighted the importance of information and education for consumers to help them participate and to ensure that they are aware of their rights and responsibilities as consumers.

In addition to this, energy and water are essential for social participation, health and wellbeing. An inability to pay for and access these services can reinforce social exclusion and result in families being trapped in poverty. CUAC has consistently advocated for protections and support to be put in place to protect the most vulnerable energy and water consumers in society. CUAC has been a strong advocate for:
• the development of well administered hardship programs;
• well targeted energy and water efficiency programs, and
• adequate financial support including concessions for vulnerable consumers to maintain their energy and water supply.

In informing our policy principles, CUAC often finds it useful to refer to the UN guidelines on consumer protection. It is appropriate that the SCER EMRWG also considers these guidelines closely in the determining the future policy direction of smart metering in Australia. You can find a summary of these principles in the box below.

**Box 1: UN Guidelines on Consumer Protection**

The UN General Principles set out the legitimate needs of consumers as follows:

- the protection of consumers from hazards to their health and safety;
- the promotion and protection of the economic interests of consumers;
- consumer access to adequate information to enable making informed choices according to individual wishes and needs;
- consumer education, including education on the environmental, social and economic impacts of consumer choice;
- the availability of effective consumer redress;
- freedom to form consumer and other relevant groups or organisations and the opportunity for such organisations to present their views in decision-making processes affecting them; and
- the promotion of sustainable consumption patterns.

In relation to smart meters, CUAC has taken a position consistent with our overarching principles for energy and water consumers. Some policy principles that we have espoused throughout the roll out of smart meters in Victoria, and which are equally applicable to Draft Policy Paper Two, are outlined below.

- Vulnerable consumers should be provided with support to manage the initial costs of any roll out, and the impacts of any reassignment to time variant pricing.

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Additionally, they should be supported to access the consumer centric functions of smart meters including the home area network (HAN). Income should not be a barrier to accessing the range of services made available through smart meters, particularly if these functions will support vulnerable consumers manage consumption and energy costs.

- Consumers need to be empowered to use smart meters for their benefit through the provision of a range of tools including information and education as well as access to consumer centric functions of the meters including the HAN.

- Strong regulatory protections should accompany the introduction of smart meters to ensure the consumer interest is advanced. Consumers need to feel that their interests are protected in energy markets. In particular, the privacy of customer data needs to be guaranteed; supply capacity control must not be used as a debt management tool; appropriate safeguards must be in place to ensure that remote disconnection and reconnection is safe and that vulnerable customers are protected; the need for a regulatory framework around smart meter enabled products and services if these are to be introduced.

- Consumers should have a right to access their own personal consumption data from their smart meter on demand and in formats that can be understood.

- There are some consumers who will be disadvantaged by time variant pricing or alternatively do not wish to engage with highly complex product and service offerings. It is unlikely that network benefits from reduced peak demand will be realised by requiring these customers to be subject to time of use pricing. CUAC maintains that such customers should continue to be able to access flat (non-time variant) and flatter tariff options.

**Smart meter draft consumer policy principles**

CUAC also commends to the EMRWG, the draft consumer policy principles which have been developed by consumer organisations in Victoria, in relation to smart meters. They add to and build on CUAC’s policy principles mentioned above. We suggest that the draft consumer policy principles inform the development of the National Smart Meter Consumer Protections and Pricing framework. As a few principles are Victorian specific or apply in a
mandated roll out (which we understand no other jurisdiction is considering), we have deleted them from Box 2.

**Box 2: Smart Meter - Draft Consumer Policy Principles**

**Universal protections**

In pursuing the use of smart meter products and services (including Home Area Networks), Government bodies, Energy Regulators, Energy Retailers and Distributors should have regard for the following universal principles

1. All consumers (including low income and vulnerable consumers) have a right to access electricity with regard to its nature as an essential service.

2. All consumers must be able to access a supply to meet their full household needs. Technology should not allow for essential services to be rationed, or penalise households experiencing financial difficulties.

3. All information in relation to tariff and smart meter enabled products and services should be accessible and easily understandable for all consumers.

4. Governments must ensure that robust measures addressing privacy, data security and data access and use are in place to guarantee consumer information is protected.

5. Protocols of standardisation in use in other aspects of energy regulation, should also be adopted in relation to smart meters

6. These principles apply to all market participants.

**Consumer rights**

7. Regulators must ensure businesses gain explicit informed consent in a time variant pricing environment.

8. Consumers should be able to access their consumption information free of charge, easily and securely; at an appropriate level of granularity; and in a format suitable to the needs of different energy users.

9. Consumers must be provided with information which facilitates an understanding of their individual consumption patterns, and the options available to them, prior to making a decision to enter into a time of use tariff contract.

10. The explicit informed consent of a consumer is required at the time of entering a new contract in relation to energy supply.

11. Consumers must be provided with assistance to ensure they have the capability to utilise the functionalities of smart meters. In particular, support such as financial assistance and education should be given to vulnerable and disadvantaged consumers.

12. Subject to Principle 1, consumers should be able to choose how their consumption data is used and by whom.
Responding to community concerns

CUAC also thinks it is of crucial importance to acknowledge legitimate community concerns about the implications of smart metering. It is clear that there is widespread antipathy to smart meters in the Victorian community. To date, there is no doubt that communication with the community on smart meters has been poor. In this context, it is understandable that consumers are voicing concerns over issues varying from health implications to economic consequences of smart meters. It is of crucial importance that in

13. The National Energy Retail Law and Rules must include provisions that ensure consumer interests are prioritised in relation to smart meter functionality.

14. Social protections (e.g. concession arrangements, social security, income support, consumer protections) must adequately address changes to energy use, costs and services due to the introduction of time variant tariffs and smart meter enabled products and services.

15. Regulators must ensure that retailer products and services (i.e. market offers) maximise benefits for consumers, minimising split incentives.

16. Retailers must ensure that consumers are not unduly penalised for any re-assignment of tariffs.

Products and Services

17. Before new functionalities are operationalised, appropriate consumer protections must be developed and in place, e.g. direct load control.

18. Basic standing offers must be universal, comparable and easy to understand.

19. The HAN must have open standards and protocols and be technology neutral.

20. Retailers must recognise and register all HAN devices, unless an exemption is granted from the regulator.

21. Any messaging via the HAN must be opt in only, with the exception of those messages from emergency services (in relation to an emergency event), and disconnection warning messages (note that this is not in lieu of other regulatory requirements in relation to disconnection warnings).

22. Where a consumer has previously opted in, no barriers should exist for timely resolution of instances where they have subsequently chosen to opt out.
a smart meter roll out, governments engage honestly with the community on these issues and, provide, clear and reliable information in response to the concerns of the community.

Response Template

Please refer to the attached template (Appendix A) for CUAC’s response to the Draft Policy Paper Two.

Thank you for the opportunity to participate in this consultation. If you have any queries on this submission, please do not hesitate to contact us at (03) 9639 7600.

Yours sincerely,

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