# Realising the benefits of smart meters for consumers and industry

## ERAA smart meter Working Paper 1


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# Realising the benefits of smart meters for consumers and industry

Energy Retailers Association of Australia (ERAA) smart meter Working Paper 1

Energy retailers are enthusiastic about the new ways the industry can meet consumers' needs via smart meters, particularly in the current environment of rising energy costs. Smart meters are replacing technology that is many decades old, and they will enable a long term digital evolution of consumer choice in the energy sector. Smart meters and associated communications technology provide a foundation for a new suite of retail energy products and services which enable real demand side participation in the energy market. This allows consumers to choose different pricing packages to suit their lifestyles, become better informed about their consumption and drive further innovation in energy service lines.

The benefits from smart meters and associated technology are not solely related to retail energy services, they will have a positive impact across the whole energy value chain. This includes allowing for better network planning, where distributors can work with retailers to develop energy products that reduce the burden on the network at peak times. Consequently, network augmentation can be delayed or reduced, thus reducing the impact of network charges on consumers' energy bills.

This paper provides an introduction to the benefits of smart meters, proposing several policy matters that the ERAA believes should be addressed if these benefits are to be realised. This paper is also the first in a series of papers released by the ERAA on smart meter policy issues, with further papers discussing:

- managing smart meter rollouts and meter ownership to maximise competitive pressure and responsiveness to consumer needs (*Working Paper 2*);
- competitive neutrality and the importance of ring-fencing monopolistic services from competitive services to ensure consumer benefit (*Working Paper 3*);
- privacy of personal information and how appropriate use and disclosure of smart meter data can be provided for (*Working Paper 4*); and
- third party and distributor sale of energy management services, and the regulatory changes required to ensure a consistent consumer protections regime and experience across different service providers, allow for consumer recourse in the event of any problems (*Working Paper 5*).

## Consumer benefits from smart meters

Conventional electricity accumulation meters are usually read every three months, providing a consumer's retailer with one value for the previous 90 days' electricity consumption, which is generally charged on a flat rate. Remotely read interval meters (smart meters) change the availability of electricity consumption data from one value per 90 days to closer to 4,320 values in 90 days, as the meter stores the consumer's consumption data per half-hour. The availability of near real-time consumption data provides significant value to consumers and industry, as the information obtained allows consumer preferences to be better understood, and met, by retailers' products and services. As consumers learn about the cost of their energy

consumption in near real-time, they can change their consumption patterns to reduce their energy bills. This may include responding to cheaper times of day to use energy, or using load control products or targeted energy efficiency measures. Remote reading through wireless technology creates further benefit by improving bill accuracy and timeliness (and reduces consequential costs) through the elimination of estimated readings that sometimes occur with physically-read meters when the meter reader cannot obtain access to a property. Also, the cost to the consumer will be reduced by removing the need to have physical, on-site meter reading.

As energy consumers learn more about managing their energy use, they will change their expectations of the energy industry and will be proactive in demanding more from their energy service providers. Cost of living pressures, awareness of carbon costs, and increased use of digital technology will provide impetus for consumers to investigate and take up new products that help them understand and control their energy use. In the short term this might be limited to information only about household usage via devices such as in-home displays or Internet web portals, but in the medium to long term might lead to extensive use of time-of-use tariffs, load control products (where an energy service provider might cycle or turn off appliances in the home at peak times) and a greater uptake of small scale generation alternatives such as solar energy, and eventually battery power via products such as electric vehicles. In the longer term, the use of smart meters and new technologies will ultimately concentrate the power of choice on the consumer and empower them to control when, how and how much energy they want to consume, and which supplier or suppliers they want to source it from.

Looking to the future, we can expect energy consumers in ten years' time to be quite different from those today, with a focus on sustainability and energy-conscious lifestyle decisions:

> *The average Gen Y, Mr. and Mrs. Consumer will be in the middle of building their energy efficient house. Such a build will include insulation and design to maximize warmth during winter and minimize heat during summer. It will include at least two forms of self-generating renewable energy sources, with extra capacity-receiving grid input tariffs that neutralize all energy consumption costs. The home also will include smart devices that talk to the smart meter or Internet, and these devices will understand the time-of-use (TOU) consumption and feed-in tariffs that Mr. and Mrs. Consumer have heavily negotiated with their retailer. Using predetermined policies, and TOU tariffs, the devices will regulate energy consumption to minimize costs. They set and forget the daily management of these devices and instead rely on an energy portal that alerts them when normal energy levels are being exceeded and provides intelligence to suggest policy changes, different tariff structures or a different retailer.*[1]

It should be noted that vulnerable consumers will not be left out of the smart meter product suite: there is a real opportunity for all consumers to be better informed about their energy use and benefit from smart metering. Studies have shown that benefit from flexible or time-of-use products is not limited to specific consumer groups, and a study for the Victorian government that used actual consumer data found that vulnerable consumer groups have almost the same potential to benefit as the average electricity consumer.[2]

In the event that a consumer does not want or cannot benefit from a flexible tariff, smart meters enable clear consumption feedback and end the days of the "bill shock" that comes from an unanticipated high bill for the past quarter's use. Retailers also already have hardship policies in place and work with consumers to provide assistance via payment plans and energy efficiency advice and assistance. The availability of

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[1] IBM, (2011) *The Future in Delivering Energy to the "Smart" Consumer*, Andrew Weekes, at http://public.dhe.ibm.com/common/ssi/ecm/en/euw03046usen/EUW03046USEN.PDF

[2] Deloitte (2011) *Advanced metering infrastructure customer impact study: Final report*, for the Victorian Department of Primary Industries, 18 October. See http://www.dpi.vic.gov.au/smart-meters/publications/reports-and-consultations.

comprehensive data on consumption can only help retailers' processes to assist consumers in need and help target more appropriate means of supporting a consumer.

In summary, smart meters and associated technology provides near real-time feedback to consumers about their energy use. This opens up a new range of options for consumers to manage their energy costs and their overall energy consumption and should result in savings compared to basic accumulation meters. Studies have shown that smart meter programmes (with communications technology that provides clear feedback to consumers) have delivered energy savings of 5 to 15 per cent and sometimes even as high as 20 per cent.[3]

## Industry benefits from smart meters

Smart meters not only deliver consumer benefits, they also benefit energy retailers and the energy industry as a whole. It is inaccurate to say that retailers only want to maximise consumption and so do not support smart meter technology and products. Retailers have moved well beyond such a characterisation, with several retailers selling solar systems (thus reducing consumption from the grid), and many more actively engaged in energy efficiency initiatives with their consumers. It should be recognised that there is value to a retailer in offering these products that can offset the lost value from lower consumption. Further, the financial gains to a retailer are more around how it manages its trading and contracts in the wholesale market than in the absolute units of energy sold.

In fact, the shift from once per quarter to half-hourly readings provides significant value for retailers, as they develop the right products and information resources needed to meet consumer choice, manage risk and debt more effectively. Further, the technology allows retailers to partner with distributors to offer consumers demand side management contracts for services such as direct load control. Accuracy of bills is also another benefit to industry as well as to the consumer. Estimated bills are problematic for retailers as they lead to bill inaccuracies and consumer dissatisfaction, which can also lead to complaints, as well as an unclear picture of a retailer's overall debt position. This unnecessary cost will be reduced when meters can be remotely read.

## Realising the benefits: ERAA policy positions

Retailers support smart meters and are keen to explore new opportunities with consumers and distributors to share the benefits that flow from smart meter programmes. However, these benefits are not guaranteed: there can be a range of outcomes depending on the way that a smart meter rollout is introduced and the nature of the communications with consumers before, during and after a rollout. Given the often significant investment by the community in smart meter projects, the ERAA sees it as incumbent on policy-makers and the industry to maximise these benefits through best policy and practice. The following principles should be employed if this is to occur, where the detail of these positions forms the basis for the ERAA's further smart meter policy papers.

[3] European Smart Metering Industry Group (ESMIG)(2009) *Empowering people for a better environment: A Guide to Smart Metering.*

### *1. Smart meter rollouts should be consumer-focussed and retailer-led*

The full expression of consumer preferences in the smart meter space will take time to develop, which is reasonable given the paradigm shift required of consumers in understanding the changes and engaging with the industry. It is particularly important that consumers are at all times the focus of smart meter programmes through clear education and consumer-focussed product development. This means that smart meter rollouts cannot be seen as technical or infrastructure exercises only.

Reporting on findings from a comprehensive analysis of smart meter programmes and pilots covering over 450,000 residential consumers, industry expert VaasaETT says "The central difference we found between pilot success and failure is the ability of the program designers to meet consumer needs through the demand side program". Success was not purely a technology matter, the technology was there to support to consumer engagement. As stated by the President of United States power company PG&E after the company undertook a smart meter pilot project in 2010:

> *"We thought we were undertaking an infrastructure project but it turned out to be a consumer project".*[4]

Experience to date clearly shows that if consumers are not engaged, and if a smart meter rollout is perceived as purely a costly imposition, the consumer benefits are unlikely to be fully realised.

This means that smart meter rollouts need to provide clear and consumer-focussed information and be as gradual as necessary to manage consumer concerns and provide time for customers to adjust. Best practices reveal that consumer education should start before smart meter deployment using a staged messaging strategy, leveraging internal education and community outreach to promote awareness and acceptance.[5]

Given retailers in the Australian energy industry are responsible for managing the consumer relationship, the ERAA is of the view that retailers are best positioned to manage consumer engagement. This is the only way to ensure that a smart meter rollout is not just an infrastructure project and have it meet consumers' expectations and needs. International evidence shows that energy providers need to consider multiple channels when educating consumers about smart meters and associated products, attempting to influence consumers across all demographics in an informed and targeted way.[6] Retailers are the only parties that can achieve this. Leading from this, the ERAA believes that market-led smart meter rollouts have the best opportunity to meet smart meter policy objectives, as we discuss further in *Working Paper 2.*

It is also important that the appropriate provisions are in place to separate services provided by the competitive market from services provided by monopolies and funded through regulated revenue. This is the fundamental premise of National Competition Policy and the energy market development to date, but it may need reinforcement in the smart meter environment, as discussed in *Working Paper 3.* Consumer benefit largely depends on the cost efficiencies and innovation from competitive tension in service provision, and this benefit will not be fully realised where monopolistic infrastructure businesses manage or control a smart meter rollout.

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[4] VaasaETT (2011) *The potential of smart meter enabled programs to increase energy and systems efficiency: a mass pilot comparison*, Short name: Empower Demand, page 3.

[5] 2012 State of the Consumer Report, Smart Grid Consumer Collaborative (USA) January 23, 2012, page 8.

[6] IBM (2011) *The Future in Delivering Energy to the "Smart" Consumer*, Andrew Weekes, at http://public.dhe.ibm.com/common/ssi/ecm/en/euw03046usen/EUW03046USEN.PDF.

### 2. *Consumers should have a consistent experience and be covered equally by consumer protections and privacy law*

Smart meters and associated technologies have opened up perceived opportunities to businesses seeking to enter the household energy market, and a range of new service models have been proposed where third parties access consumer meter data and even provide battery (or electric vehicle) charging or load control services. A number of distributors are also suggesting that they should be able to compete to provide these services.

While retailers welcome the opportunity for further competition, ERAA members are concerned that the current regulatory framework is no longer appropriate for these new services. The National Energy Customer Framework and other state licensing frameworks only cover the distribution and sale of energy, not the provision of energy management services, which means that providers of these other services are not covered by this regulation and neither are their customers. For example, a customer of a licensed or authorised energy retailer providing electric vehicle charging will have recourse to the industry Ombudsman and a range of other rights in how they are contracted with, but that customer's neighbour under contract with a third party providing the same service will not. Retailers are concerned about the implications of this situation, as it does not promote equal treatment of consumers or of market participants.

Working Paper 5 addresses the issue of third parties and distributors in the new environment, recommending that the National Energy Customer Framework and other state licensing frameworks are amended to provide specific authorisations for certain service provider types. The ERAA proposes that the overriding consumer protection principle should remain, which is that regulatory frameworks should reflect community expectations about how consumers are supplied with an essential service.

Similarly, we note that there is inconsistency in how privacy regulation covers providers of these currently unregulated energy management services. The National Privacy Principles (NPPs) apply to all existing retailers and distributors, but they do not apply to businesses with an annual turnover of less than $3 million. What this means is that there could be a range of parties seeking to use or disclose consumer information that will have access but not be held to the same standard as existing industry participants. This is likely to be of concern to the community as well, and it can be expected that privacy concerns will escalate as consumers become more knowledgeable about the capacity of smart meters and associated technologies and products. Working Paper 4 addresses privacy issues, leading to an ERAA position that all businesses handling consumer meter data should be subject to the NPPs, regardless of size, and this must be provided for by relevant governments.

**About the Energy Retailers' Association of Australia**

The ERAA is the peak industry body which represents the core of Australia's energy retail organisations. Membership is comprised of businesses operating in the electricity and gas markets in most Australian states and territories. Collectively, our members provide electricity to more than 98 per cent of customers in the national energy markets and are the first point of contact for customers of both electricity and gas.

# Enabling a market-driven smart meter rollout

## ERAA smart meter Working Paper 2


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# Enabling a market-driven smart meter rollout

Energy Retailers Association of Australia (ERAA) smart meter Working Paper 2

## Introduction

This paper sets out how retailers could lead a rollout of smart metering to small customers without the need for government intervention, while operating in a competitive market and maintaining customer choice. The paper works through some scenarios to show how such a market-driven rollout could work and addresses some of the perceived issues and commonly asked questions from a competitive metering and services model.

The "market-driven" rollout model presented in this paper is very different to other rollouts experienced in Australia, particularly Victoria. The rollout is commercially led rather than due to a mandated or regulated undertaking. The model assumes that anyone could make a decision that installing a smart meter would result in benefits — customers; retailers; distributors; meter providers; third party service providers. However, the retailer as the Financially Responsible Participant for a premise is the party that coordinates the installation of the meter and the provision of meter services, such as meter reading. It is important for the prudential stability of the electricity market that retailers are ultimately responsible for the metering arrangements at a premise. A meter does not just determine the customer bills but settlement between the retailer and the market, and the commercial arrangements between the retailer and the network. Determining who is responsible for, and who can own, the meter is important to the operation of the market and to innovations that benefit customers.

The key advantage of the model is that competitive metering means better outcomes for customers, such as lower costs and better services without a requirement for a government mandate. As a result, it reduces the political risk to government.

## ERAA's policy position — smart technology in the energy retail market

The ERAA and its members support the implementation of smart metering and consider that smart meters have an important role to play.[1] Some of the benefits that the ERAA and its members see in smart metering include:

- The ability to provide customers with more accurate and timely bills;
- Reducing customers' exposure to 'bill shock' by increasing customer billing cycles;
- Helping customers better manage and understand their energy consumption and costs; and
- Allowing customers to choose new and innovative products and services.

[1] Energy Retailers' Association of Australia 2012 Smart Technology in the Energy Market, Position Paper, January 2012, www.eraa.com.au

However, the ERAA believes that any decision of policy makers to support exclusive control of smart metering (for example, by distributors in Victoria) is inconsistent with the original principles of electricity reform and national competition policy and that this approach poses a significant risk to competition in energy retail markets.

Retailers are well-placed to deliver smart metering to customers, including residential and small business customers. Competition between retailers underpins the incentives that retailers have to roll out smart meters to their customers and to deliver the range of services and products that customer want at a price they are willing to pay. As it is delivered through a competitive market, a market-driven roll out of smart meters avoids the inherent difficulties and imperfections of network price regulation.

A market-driven rollout also ensures that the meter specifications are based on the smart metering services that customers want and provide the flexibility for retailers to develop new products and services for their customers. Distributor-led roll outs are typically focussed on the needs of the distributor and not necessarily about the enabling technology that delivers what the customer wants. Mandated distributor-led rollouts creates the potential for customer needs to be secondary to industry needs, alienating the customer, and making the customer feel as though they are paying for something they did not ask for (as has occurred in Victoria).

## Drivers of a market-driven rollout

Competition and the ability to reduce operational costs and inefficiencies are the key incentives that retailers have to roll out smart meters to customers, including residential and small business customers. The potential to offer customers the benefits of smart meters can provide a retailer with a competitive advantage. A retailer that rolls out smart meters first can offer new and existing customers a range of energy information and management services. As a result of the first retailer's initiative, other retailers will be incentivised to offer the benefits of smart meters to new and existing customers to protect market share and also grow market share at the expense of retailers that are not so willing to innovate.

The other incentive that retailers have is that smart meters allow retailers to access significant internal operational efficiencies that can assist the internal business case on the rollout of smart meters. These efficiencies can include:

- Reduced exposure to wholesale and settlement risk as wholesale positions are more aligned to actual rather than net system load profiles;
- The automatic delivery of consumption data to retail operations allowing for more accurate reconciliation, settlement and billing capabilities;
- Better consumer analytics to assist in the development of new products;
- Lower meter reading costs as remote reads replace manual meter reads (including special reads);
- Lower disconnection/reconnection costs as remote de-energisation and re-energisation replace manual disconnections and reconnections;
- More accurate meter reads resulting in reduced back office costs;
- The potential to bill customers monthly and with actual rather than estimated meter reads reducing 'bill shock', bad debt write offs and associated ombudsman and customers complaints; and

- Assisting to reduce working capital requirements as cash flows improve as the time gap between when wholesale and network bills are settled and when customers' bills are paid is reduced.

The incentives that retailers have to roll out smart meters means that any roll out can be achieved without the need for regulatory or Government intervention. A market driven rollout will, by definition, occurs in response to consumers being ready and willing to have their meters upgraded in order to access better products. This means that the political risk to governments will be greatly reduced relative to larger scale mandated rollouts. Unlike a mandated roll out, as witnessed in Victoria, customer support for smart meters is shaped through the marketing of the smart meter services and the customer's explicit informed consent to a product choice that they see as reflecting benefit to themselves. If a product, or service, is forced upon a customer then the competitive nature of the market means that they will churn away to another provider. This is not possible in a distributor-led rollout where the distributor faces no risk of losing the customer.

## Why retailers have not sought to undertake such rollouts in the past given the incentives that exist to do so

The barriers have been the regulation of manually read metering as a monopoly service provided by distributors and the bundling of metering charges in network charges.

At the inception of full retail contestability, regulating metering as a monopoly service was deemed to provide more efficient outcomes given the relative cost, volume and the local presence of distributors for small customers. However, exclusivity for the provision of metering services was originally introduced as a transitional measure to address issues of cost and complexity which would have arisen had competition for metering services been introduced simultaneously with full retail competition. It was anticipated at the time that exclusivity would expire at the end of the transitionary period because of the view that metering competition would facilitate innovation both in terms of the type of meter installed and the way in which meters were read.[2]

Despite most retail markets now being fully contestable, many jurisdictions have not acted to remove the artificial barriers that prevent retailers from providing small customers with competitive metering services. Jurisdictions have extended exclusivity provisions beyond the point where the retail market has become contestable and, most importantly, metering charges for manually read metering have remained bundled in network charges.[3]

The bundling of metering charges in network charges is a significant barrier to retailers rolling out competitive metering services, including smart metering. If a retailer had replaced a householder's manually read meter with a smart meter, the retailer would still need to pay the bundled network charge. In other words, the network charge would not be reduced as a result of the distributor's meter being removed from

[2] Essential Services Commission (Victoria), Essential Services Commission of South Australia, Independent Competition and Regulatory Commission (ACT), Independent Pricing and Regulatory Tribunal (NSW), Office of the Tasmanian Energy Regulator, Queensland Competition Authority, 2004 *Joint Jurisdictional Review of Metrology Procedures: Final Report*, p. 41

[3] It is worth noting that Essential Services Commission (Victoria) was the only state regulator to implement the recommendations of the *Joint Jurisdictional Review of Metrology Procedures* — that distributors should only have exclusivity for manually read metering and that metering charges be unbundled from network charges. However, the Victorian Government's decision to mandate a rollout of smart meters undermined the ESC's decision because retailers did not have time to take advantage of that decision before new regulatory barriers were created.

the premises and the retailer ends up paying for a service they no longer use. This materially impacts the business case retailers may have to rollout smart meters.

To address these regulatory failures, all remaining exclusivity provisions (including those in Victoria) must end and metering charges must be unbundled from network charges so that the cost of the existing meter can be identified and avoided if the customer chooses to take up a retailer's offer of smart metering services.[4]

## How a market-driven rollout would work

To demonstrate how a market-driven smart meter rollout would work, we have set up some scenarios to show how smart meters can be managed in a competitive market.

In the scenarios, there is no government mandate to roll out smart meters — the decision to provide a householder with a smart meter is left to the competitive market to deliver through a market-driven rollout.[5]

### Scenario 1: Suburban home without a smart meter

The *Householder* is a typical suburban residential customer who currently has a retail contract with *Retailer A*[6] for the supply of electricity. The home has a manually read meter with all appliances in and around the home being supplied through that meter.

To take advantage of the market-driven drivers set out above, *Retailer A* approves an internal business case to replace the *Householder's* manually read meter with a remotely read smart meter.[7] *Retailer A* engages with the following external providers:

- A *Meter Provider* to install the smart meter.
- A *Meter Data Provider* to manage the meter reading and deliver meter reads to the retailer, the LNSP and AEMO for settlement and billing purposes.

[4] One issue that policy makers will need to address in dealing with these regulatory failures is the imposition of exit fees by distributors for the removal of the existing meter. Exit fees should be aligned with the early termination fee principles established by the National Energy Consumer Framework where early termination fees can be no more than a reasonable estimate of costs resulting from early termination. In terms of early termination fees for metering assets, this should be no more that the depreciated value of the remaining life of the asset and not replacement cost as the distributor is not being required to replace the asset.

[5] This is the New Zealand model, comprising a retailer-led rollout within the context of a very highly competitive market.

[6] *Retailer A* is a fictitious Energy Retailer for the purpose of demonstrating the role and activities of a Retailer in this scenario

[7] For the purposes of these scenarios, the ERAA has assumed that it is the retailer that makes the decision that there is a benefit that can be obtained from rolling out smart meters. However, the market participant that takes this decision could also be a distributor, a meter provider or a third party service provider. For example, a distributor may wish to initiate a rollout of smart meters in its territory. The difference with a market-driven rollout is that the distributor would approach retailers in its area to manage and coordinate the rollout. This would include if a distributor wishes to replace an ageing accumulation meter with a smart meter — a distributor would need to engage with the retailer as the Responsible Person for the site to organise for this happen so that competition and innovation in smart metering is maintained.

The contract that *Retailer A* establishes with the *Meter Provider* and the *Meter Data Provider* requires the following:

- Both the *Meter Provider* and the *Meter Data Provider* retain accreditation with AEMO throughout the life of their contracts;
- The installed metering infrastructure and meter readings meet all technical and service level requirements in accordance with the National Electricity Rules (NER); and
- The *Meter Provider* and *Meter Data Provider* comply with any extra conditions that may be stipulated in their commercial contracts with *Retailer A*.

The *Meter Provider* carries out the meter change, allowing the *Meter Data Provider* commencement of remote meter reading and services as agreed under the commercial contract with *Retailer A*.

In this scenario, the *Householder* is still on their existing market contract with *Retailer A*, paying the same flat rate or two part tariff that they were paying prior to the meter change. However, the *Householder* benefits from additional services such as a sharp reduction in estimated reads (a primary driver of customer dissatisfaction), more timely billing and remote re-energisation and de-energisation, or perhaps the choice of an alternative flexible tariff facilitated by the new metering.

*How has the meter change been paid for?*

The costs to *Retailer A* of contracting with the *Meter Provider* to install the meter and the *Meter Data Provider* to read the meter will be offset to some extent (maybe even fully offset) by lower network charges that exclude distributor-provided metering and by the operational efficiencies from having the smart meter in place (as set out above in *Drivers of a market-driven rollout*). *Retailer A* may also factor in the additional earnings that it could make by selling the customer additional smart metering services.[8]

In rolling out a smart meter to the *Householder*, *Retailer A* will also naturally consider the competitive response of its rivals and the response of its customers. *Retailer A* will seek to provide the meter at least cost to the *Householder*. It would help the retailer's customer retention if a meter were provided without increasing costs to its customers. The driver — the need to maximise customer value or risk losing customers — is a key differentiator between a contestable retail market and the provision by a monopoly distributor

- *Retailer A's* decision to provide the *Householder* with a smart meter and the potential for the new smart meter services it can offer the *Householder* may pose a potential competitive threat to other retailers who may decide to undertake similar roll outs to their own customers, or start to offer new services that compete with *Retailer A* using the new smart meter. *Retailer A* will seek to undertake its roll out at least cost to the *Householder* as a protection against new competitive entry into the smart metering services market.
- Alternatively, *Retailer A* may have overstated its business case for smart meters and the *Householder* may not be as attracted to smart metering services as *Retailer A* anticipated. If *Retailer A* increases prices to the Householder to recover the cost of the smart meter but cannot retain the *Householder* through the sale of associated services, then there is a very high likelihood that *Retailer A* will lose that customer to another retailer.

[8] In developing a business case, a retailer will market test customers' willingness to pay for any new services and products the retailer may be able to offer, inclusive of any distributor benefits that the retailer may negotiate with the relevant distributor. If there is a positive willingness to pay, then this will assist the retailer in generating a positive business case for changing the metering arrangements in a premise.

The *Householder's* willingness to pay for smart metering services and the reactions of its competitors drives *Retailer A* to find the means to pay for the roll out while trying to minimise any cost increases for customers.

In summary, internal operational efficiencies combined with external competitive pressure are the drivers for retailers to minimise the costs of deploying smart meters. At the same time, the customer is better off because there are significant benefits available to the customer. For example, *Retailer A*, as a result of the smart meter deployment, can now routinely bill the householder on a monthly basis, and always with actual data – thus assisting the *Householder* with cash flow management, and greatly reducing the incidence and severity of "bill shock". Given that the *Householder* was previously only billed on a quarterly basis, and sometimes on estimated data, this could be a significant enhancement to their customer experience.

*How does the customer get access to the additional services provided by smart metering?*

With the smart meter in place, *Retailer A* has an incentive and the ability to offer the *Householder* a range of new services and products enabled by the smart meter. These new services and products could include In Home Displays, smart-phone or tablet apps, web portals, demand management and a range of other services that assist the *Householder* manage their energy bill.

To obtain these new services, the *Householder* consents to enter into a new market contract with *Retailer A* for the delivery of energy and access to a range of new services and products after having considered the optimal mix of services they want and the price they are prepared to pay for those additional services. Of course, the *Householder* may elect to purchase no additional services over and above their basic energy contract – the challenge for *Retailer A*, as with any retailer in any competitive market, is to develop a product and service offering that its customers will be willing to pay for.

**Scenario 2: Suburban home with a smart meter but customer switches retailer**

This scenario builds on Scenario 1 by having the *Householder* deciding to change retailer, some time after the initial retailer (*Retailer A*) has already provided a smart meter to the *Householder*. The assumptions in this scenario are as follows:

- There is no government mandate for a rollout of smart meters.
- As a result of Scenario 1, the *Householder* now has a smart meter on the house. The meter is owned by the existing *Meter Provider* and the services from the meter are provided by the *Meter Data Provider* to *Retailer A*. These arrangements are based on a contractual arrangement between these two parties.
- The *Householder* has a market contract with *Retailer A* for the supply of energy and perhaps a range of additional services that they have consented to through the use of the functionality provided from their smart meter (such as access to a web portal and some use of load control services).

After some time (perhaps a year) on the new market contract with *Retailer A*, the *Householder* decides that *Retailer B* is offering a better deal and exercises their right to switch retailers. At this point, one of the customer benefits of the smart meter becomes apparent — the smart meter with its remote and on-demand reading capability enables the transfer between retailers to take place very quickly. This is because the final read before the transfer occurs can be performed at any time: there is no need to arrange (and pay) for a special on-site read or for the customer to wait for the next scheduled manual read date.

Further, in this scenario, the existing smart meter at the property supports all the services that *Retailer B* has to offer and thus there is no need to churn the meter.

*How does the market manage this situation?*

To manage the metering arrangements at the *Householder's* premises, *Retailer B* establishes its own contract with the existing *Meter Provider* to retain the smart meter provided by the existing *Meter Provider*. Again, this contract will require the *Meter Provider* to comply with the requirements in the Rules and to meet all relevant technical and service level specifications. (Note that *Retailer B* may already have a contract with the existing *Meter Provider* for the service of other premises and thus no new contract need be established. Instead, the existing *Meter Provider* is providing and managing the meter on behalf of *Retailer B* rather than *Retailer A*). *Retailer B* thus takes on the cost of metering at the property from *Retailer A* so that, in effect, the meter and meter services contract has shifted from *Retailer A* to *Retailer B*.

*Retailer B* has an incentive **not** to replace a technically functioning meter already installed at the house, because *Retailer B* would incur additional costs from doing so.

- Passing this cost on to the *Householder*, with the associated inconvenience of a technically unnecessary meter change, would make *Retailer B's* offer to the *Householder* less attractive and the *Householder* may naturally decide to stay with *Retailer A*.
- Even if *Retailer B* could absorb the costs of installing another meter, it would not make good business practice to do so because the existing meter already has the functionality that the *Householder* wants to use. It is cheaper for *Retailer B* to enter into a contract with the existing *Meter Provider* rather than replace the meter.

In 2005, the Australian Competition and Consumer Commission (ACCC) recognised that concerns that retailers would need to churn meters as customers churned were overstated:

> *The ACCC considers that concerns that meters will be removed in circumstances where it is inefficient to do so may be overstated, and that avoiding metering churn is not of itself sufficient reason to continue the metering derogations. The ACCC further considers that such concerns assume that retailers will tend to replace meters, irrespective of whether this is a commercially beneficial decision. It is likely that a rational retailer (that does not wish to create barriers to switching) will only choose to replace meters when it is efficient to do so. … The ACCC considers that meter churn can also be a by-product of the adoption of innovative forms of metering and tariffs.*[9]

## Scenario 3: Suburban home with a smart meter but customer switches retailer and churns meter

In this scenario, after a year with *Retailer B*, the *Householder* decides to switch retailers again. This time, the *Householder* wants to contract with *Retailer C* who has demonstrated to the *Householder* that it has a range of new products and services that *Retailer A* and *Retailer B* cannot provide, perhaps due to the technical limitations of the existing meter. *Retailer C* is seeking to gain a competitive advantage over *Retailer A* and *B* by innovating and developing new products and services that it believes will be of value to the customer and the customer will be willing to pay for.

However, to access these new services, *Retailer C* must replace the existing smart meter with a meter that supports the new services being offered.[10] This requires *Retailer C* to engage with an accredited Meter

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[9] Australian Competition and Consumer Commission 2005 *Applications for Authorisation: Amendments to the National Electricity Code*, Victorian Metering Derogations, P. 26

[10] The ability to replace the meter for new services requested by consumers is important for innovation as customers move from a spectrum of being "uninformed" to "informed". Restricting flexibility in meter replacement will impede the market and constrain product and services development enabled by smart meter technology."

Provider that supports the new services the *Householder* wants. This could be the existing *Meter Provider* or another Meter Provider.

*How does the market manage this?*

- Now that Retailer B has lost the Householder, the contract with the existing Meter Provider will no longer apply. The existing Meter Provider does not lose any value from a stranded asset because meter providers incorporate the risk of stranding into the original prices that it agreed with Retailer B. It is also possible that Meter Provider may be able to re-use the asset in another premise, (e.g. another retailer may have won a new customer in a new housing estate and thus contracted with the Meter Provider to install the smart meter into the new customer's house).
- The cost of the new meter from Retailer C would be incorporated into the market contract to which the Householder would need to give explicit informed consent to enter into. Thus, the Householder must either be willing to pay for the additional functionality built into the new meter, or Retailer C must absorb these costs. If neither of these conditions holds, then the Householder has the option of remaining with Retailer B receiving the smart meter services the Householder was previously receiving (or indeed switch to a different retailer entirely). In this case, Retailer C will need to re-consider its proposition and business model because the market is telling Retailer C that customers are not willing to pay for its product – this is the reality of a competitive retail market.
- The cost of Retailer C's new meter would reflect the Meter Provider's view of the life of that meter. Thus the additional charge the Householder would pay would be an annualised cost of the meter. The Meter Provider would be likely to approach other retailers and market participants to promote its new meter, reduce the risk of it becoming stranded and improving its pricing and helping increase the take up of Retailer C's new offer requiring the meter. It is also possible that Retailer C may absorb at least some of this cost in order to acquire the new customer and make their product more appealing in the market place. This is a marketing and pricing decision for Retailer C.

*What happens if the Householder decides it no longer wants the additional services provided by Retailer C and wants to switch back to the product it was previously on with Retailer B?*

In this scenario, it would again make no economic sense for *Retailer B* to want to churn the meter unnecessarily.[11] The sophisticated metering that is at the premises is more than capable of delivering the services that customer now wants. Thus, as with scenario 2, *Retailer B* will contract with the relevant meter provider and meter data provider to meet its meter provision and data reading responsibilities under the Rules.

[11] The market could also accommodate a situation where the customer did not want to continue paying the annualised amortised cost of the smarter meter installed by *Retailer C* when the *Householder* switched back to *Retailer B*. *Retailer B* could organise with its *Meter Provider* to replace the smarter meter with the smart meter that was previously at the property. Thus, the customer would likely pay a lower amortised cost for the meter reflecting the lower technical capability of the metering device. However, as discussed later in this paper, the ERAA proposes that retailers agree to a no-reversion policy where this makes economic sense.

**Scenario 4: Suburban home with a smart meter and services provided by a third party supplier**

In this Scenario, the *Householder* has a market contract with *Retailer C* but has heard about the services offered by *Electric Vehicles*. *Electric Vehicles* is able to offer the *Householder* an electrical vehicle product and associated services. The *Householder* has a smart meter and enters into a contract for the services supplied by *Electric Vehicles*.

It is important to note that there is no need for any over-engineered 'solutions' to the metering arrangements at the house — there is no need for a second meter, a child meter or second NMI at the premises. As a result, the costs to the *Householder* of obtaining services from third parties such as *Electric Vehicles* is lower than if new or additional metering arrangements were put in place. This in turn can widen the appeal of these sorts of services to the customers.

*How does the market manage this situation?*

- As *Retailer C* is still supplying energy and smart metering services to the Householder, the contract between *Retailer C* and the *Householder* still applies
- The contract between *Retailer C* and the existing *Meter Provider* still applies
- The multiple registers contained in *Retailer C's* smart meter already installed at the premises allow different loads to be measured separately and billed separately:[12]
    - Register 1 is used to measure the general load the *Householder* uses and is billed by *Retailer C*.
    - Register 2 is used to measure the load going to the electric vehicle and is billed by *Electric Vehicles*.

  Thus the *Householder* receives two bills — one from *Retailer C* and one from *Electric Vehicles*.
- *Electric Vehicles* establishes a meter services contract with the *Meter Data Provider* for the site to deliver reads for settlement and billing purposes

This scenario can be applied in many ways. For example, the customer could have a contract for energy supply *and* a contract for electric vehicles with *Retailer C*. What is important in this scenario is that the smart metering technology is not a barrier. In fact, the smart meter is an enabler of new products and services and lifestyle choices for the *Householder*.

However, there is a requirement to develop a third party framework to ensure that there are sufficient customer protection arrangements in place to protect customers in their dealings with third party service suppliers. This could include some form of licensing/authorisation of these third party suppliers to ensure that there is adequate enforcement arrangements of the obligations to customers that these suppliers have, just as there are for electricity retailers.

Appropriate arrangements may also be required to ensure the financial integrity of the electricity market and that the operations of third parties do not undermine the financial resilience of the market.

[12] A minor change to network billing arrangements will be required to accommodate multiple registers in the meter.

## Examples of market-driven rollouts of smart meters

There are examples of successful market-driven roll outs of smart meters, such as New Zealand where a market-driven roll out of smart meters to smaller customers, including residential and small business, has occurred.

In New Zealand, Meridian (the largest retailer in the South Island) took the lead in rolling out smart meters to its retail customers in the Canterbury area. Meridian's business case was based on achieving the savings from unaccounted for energy loss, manual meter read, meter leasing, automated disconnection/ reconnection, reduced back office labour, reduced call centre volume from fewer errors and reduced non-technical losses. These savings equated to the costs of the new smart metering installation.[13]

In response to Meridian's initiative, other retailers have also commenced rolling out smart meters.

Rather than mandating a roll out, the Electricity Authority of New Zealand has focussed on ensuring that there is open and non-discriminatory third party access to metering services so that there are no barriers to competition whilst attempting to preserve the conditions for innovation among meter providers and retailers.[14]

There were initial implementation issues in NZ's market-driven rollout, primarily due to retailers rolling out meters before an appropriate supportive regulatory framework was in place. NZ found that, as has occurred under government mandates for a distributor-led rollout of smart meters in Australia, it is important that an appropriate legislative and regulatory framework is in place to support a market-driven rollout of smart meters.

Further information on New Zealand is found in Box 1.

**Box 1: Smart metering in New Zealand**

1. The New Zealand Authority determined in 2012 that the metering services market in NZ is "workably competitive", with multiple retailers, distributors and other parties obtaining metering services from competing metering owners/operators.
2. Regulatory intervention would likely hamper the efficient development and operation of the metering services market by diminishing the commercial and competitive incentives for efficient provision and procurement of metering data and services.
3. Commercial negotiations currently represent the most efficient approach for participants in the metering services market to obtain access to metering data and services for the long-term benefit of consumers.
4. Advanced Metering Services (AMS), owned by Vector, is the largest metering service provider in New Zealand, with about 42 per cent of accumulation and advanced meters. AMS is supplying 500,000 advanced meters for Genesis Energy, with about 250,000 advanced meters installed under that contract to date.
5. Meridian Energy, Mercury Energy, Trustpower and Contact obtain metering services in-house, from their own subsidiary Metering Equipment Provider (MEP) or from other MEPs. Contact agreed in late 2011 to use AMS to supply some metering services, and AMS is to deploy about 150,000 advanced meters for Contact in the North Island by 2014, starting in May 2012.
6. The Authority considers that a workably competitive market can involve duplication. MEPs that have made a poor technology choice or are unwilling to continue investing in a metering fleet should not be protected by regulation from being duplicated or displaced.

[13] VaasaETT and EEE 2010 Country Reports: New Zealand

[14] *ibid*

7. The key requirement (or barrier) for entry by a firm wanting to be an MEP or to access metering data appears to be obtaining the agreement of the consumer to install metering equipment (without interfering with other metering equipment).
8. Retailers have a clear interest in maintaining a competitive metering services market because retailers rely on MEPs to provide a good service so as to deliver the range and quality of service expected by their customers. Consequently, retailers have commercial incentives to make strategic procurement decisions so that they retain a choice of service provider. If service levels aren't maintained than an alternative MEP can be sourced. This decision relies on there being an alternative MEP able to offer the desired service at a price the purchaser is willing to pay.

Reference: http://www.ea.govt.nz

## Facilitating a market-driven smart meter roll out

As noted, a market-driven rollout of smart metering requires an appropriate regulatory framework is in place to support that rollout. A number of factors need review including:

- The unbundling of metering charges from network charges so that retailers and customers are not required to pay twice for metering services;
- The discontinuation of any legislative barriers, such as metering derogations, that give distributors exclusivity over the metering arrangements for certain customer types;
- A no-reversion policy must be established which could be an industry agreement that metering installed at a premise is not removed in favour of less technically capable metering;
- Appropriate ring-fencing arrangements around participants in the market (distributors-retailers-meter providers) so that cross-subsidisation between participants does not undermine the competitive market;
- Open access arrangements that allow multiple parties to concurrently offer services across a single party's metering infrastructure;
- Appropriate B2B arrangements to facilitate the new metering arrangements; and
- Customer protection arrangements that support customer switching in a competitive metering market and their engagement with third party service providers.

The ERAA supports the view that the existing type 4 metering framework and metrology provide a sound foundation to support a market-driven smart meter rollout. This framework provides a minimum functionality specification and outlines the minimum service levels that the smart meters would need to meet.

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# Competitive neutrality in energy service provision

## ERAA smart meter Working Paper 3


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# Competitive neutrality in energy service provision

Energy Retailers Association of Australia (ERAA) smart meter Working Paper 3

There are currently several types of business seeking to engage with consumers about smart meters and their benefits: distributors, retailers and third parties. The principle of competitive neutrality means that these service providers compete on a level playing field, where no party is able to take advantage of different or business-specific regulatory requirements. For example, distribution businesses are funded by regulated revenue and so have a natural competitive advantage. The concept of competitive neutrality demands that these parties separate what are considered contestable, market services from those that are rendered in monopoly markets. This is called 'ring-fencing', and it has been a core aspect of energy market reform as jurisdictional retail markets have opened.

The original energy market reform across the jurisdictions was carried out under the auspices of National Competition Policy, which embedded these notions of competitive neutrality and ring-fencing. However, recent industry changes seem to have neglected the principles of competitive neutrality and ring-fencing: a number of distribution businesses have argued that the paradigm change of smart meters and smart grids requires a more fluid industry position, and importantly, one that sees a reduced need for competitive neutrality and ring-fencing.

This paper explores the current debates around competitive neutrality and ring-fencing, arguing that decisions on the role of smart meter and smart grids technology that compromise these important principles compromise the long term objectives of National Competition Policy in their effect, which ultimately results in reduced market efficiencies and higher costs for consumers.

## Policy objectives for service provision enabled by smart meters

The introduction of smart meters into Australian jurisdictional energy markets must be consistent with the framework and agreements of National Competition Policy, including structural separation of natural monopolies and contestable activities, competitive neutrality and access arrangements to the regulated monopoly infrastructure. The fundamental rationale of energy market reform was that it would maximise consumer benefits in the form of efficient prices, increase choice and enhanced quality of services. This rationale has not changed with the introduction of smart meter technologies.

This means that there should always be a level playing field for providers of energy services. It will not be beneficial to consumers to grant rights to monopoly service providers that are not extended to retail competitors. It is also not reasonable to require higher service standards from some service providers and not others providing the same services.

## The current state of play

The current policy approaches to mandated smart meter implementation are not based on a cogent third party access model. This is likely to be a reflection of the fact that the policy debate has become captured by the notion that smart metering and smart grids are ends in themselves, rather than simply a means to deliver consumer benefits. The narrow focus on the role of new technology has provided the foundation for some market participants to suggest that competitive neutrality is no longer relevant, and that the roles of market participants should be changed. For example, the role of the distributors in Victoria to implement smart metering has created an impediment to market innovation, as retailers and third parties are not able to compete with distributors on a level playing field. This negatively affects the risk perceptions of parties seeking to enter the market, and may warrant the departure of some market participants. This is clearly not in the interests of consumers, nor would this pass the net public benefit test for costs involved in any smart meter infrastructure programme.

The alternative to this approach is to refresh market participants' understanding of competitive neutrality and ring-fencing, and to actively support regulators in this area. Ring-fencing is even more important in the current environment if we are to capture the benefits of the market and share these with consumers. Where distributors manage consumer meters for the market (through their contracts with meter providers), it is vital that the distributors provide access to the meter and meter data to ensure that consumers continue to benefit from competition. As discussed in *Working Paper 2*, ERAA believes that any smart meter rollout should be market-led, which means that no party will have a monopoly and the provision of all metering services are contestable.

Competitive neutrality should also underpin the provision of services via smart meters. A number of parties – including some distributors – have suggested that many smart metering services could be provided by a range of different entities without further regulatory intervention, which means that parties would be competing on unequal terms. The key services discussed are those that make use of a consumer's personal meter data to customise home management products and perhaps even turn off appliances (direct load control) as per a contract with the consumer. This is not a good outcome for customers if distributors undermine competition by funding the delivery of smart metering services through their guaranteed regulated revenue stream. It will result in reduced competition, reduced customer choice over the smart metering services they have available to them and thus lower consumer benefit.

The products and services that can be delivered through smart metering technology do not possess characteristics that would define them as monopoly products and services, such as declining economies of scale. The contestability of smart metering services and products has been recognised by the ACCC and NER.[1]

[1] See page 85 of Accenture (2011) *IHD Inclusion into ESI scheme: Final Report*, for Department of Primary Industries, Victoria, December.

## ERAA position

The ERAA considers that new technology should not be regarded as an end in itself and should not be used to alter the principles of energy reform and National Competition Policy which underpin the National Electricity Market. It is important to maintain the principles of separating natural monopoly and contestable components, competitive neutrality in pricing, and third party access to meters.

Regarding products and services to consumers, retailers should be the conduit for service provision, where this includes parties authorised to sell energy services as discussed in *Working Paper 5*. This means that distributors can also participate, but only where they are appropriately ring-fenced and are competing on equal grounds. Under the current market structure, retailers have built long term relationships with their customers, which translates in retailers' ability to develop products and services that meet consumer needs.

The public benefit test as outlined in National Competition Policy should be applied as part of any consideration of mandates or other exclusive arrangements applied by governments that restrict or potentially restrict competition. Any smart metering services provided by an entity related to a distribution monopoly business must be structurally and operationally separated from the regulated "poles and wires" business. This will ensure the distribution business does not gain any commercial, functional and informational advantages over other independent smart metering businesses.

While the ERAA does not dispute that demand side participation could help alleviate rising network costs and assist distributors better utilise their assets, the ERAA questions recent policy discussions that have supported distributors developing a direct relationship with customers to deliver demand side programmes in the contestable market. In principle, the ERAA considers that distributors should be able to shed or control consumer load in the case of emergency or safety requirement. However, where distributors seek to provide non-emergency load control and other forms of demand side participation to relieve the need for network augmentation for peak load (outside the applicable regulatory mechanisms) distributors should first go to the market and engage with authorised parties to deliver mass market demand side response programmes. If the market cannot deliver the desired outcome it is fair to then provide for a distributor to manage its risk as required, which may include it embarking on its own demand side management programme within the existing regulatory framework. However, it is appropriate to ask whether this is the best and most efficient approach.

Further, there needs to be strong enforcement regime, including regulatory incentives and penalties for any breaches of ring-fencing regulations. The recent AER review (December 2011) on the need for a nationally consistent ring-fencing guidelines is necessary and was welcomed by ERAA. It is also necessary for Australian Energy Market Commission to review and clarify the application of ring-fencing rules to the provision of smart metering services and examine the efficacy of the rules for emerging markets.

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# Privacy of personal information: how to ensure appropriate use and disclosure of smart meter data

ERAA smart meter Working Paper 4


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# Privacy of personal information: how to ensure appropriate use and disclosure of smart meter data

Energy Retailers Association of Australia (ERAA) smart meter Working Paper 4

Conventional electricity accumulation meters are usually read every three months, providing a consumer's retailer with one value for the previous 90 days' electricity consumption, which is generally charged on a flat rate. Remotely read interval meters (smart meters) change the availability of electricity consumption data from one value per 90 days to closer to 4,320 values in 90 days, as the meter stores the consumer's consumption data per half-hour. This is obviously a significant increase in the volume and granularity of data about consumer energy use.

Concerns have been raised in the community about a potential risk for smart meter data to be misused, intercepted or provided to third parties without the appropriate consent of the customer. For example, fears have been expressed that unauthorised parties could intercept information from outside the wireless network, or that privacy and home security could be jeopardised by unauthorised entities knowing a family is away by the household's energy pattern.

A privacy impact assessment carried out for the Victorian Government about the Victorian smart meter programme has shown that many of these concerns are unfounded. The consultants' report found that:

> *Technically, privacy controls are relatively strong…Metering data is suitably protected in transit and at rest, and is subject to [regulatory] confidentiality provisions …The industry has adopted good information security standards and practices. The security of smart meters themselves is well designed; in particular, the wireless communications links between meters and Distribution Businesses, and between meters and Home Area Networks, appear very sound. All wireless links are encrypted, and unlike domestic wifi networks which have proven problematic for drive-by snooping, smart meter encryption cannot be disabled. There are also strong security governance practices; it is not currently possible for third parties to obtain metering data without being licensed participants, or without having commercial arrangements with e.g. a Retail Business.*[1]

However, deeper privacy impacts are still possible, such as unauthorised use by third parties or use or disclosure by any party that goes beyond the spirit of the National Privacy Principles (NPPs).

The security of consumers' personal information is a core concern for retailers, and all existing retailers prioritise compliance with the NPPs. From a retailer perspective the real privacy concerns arise where governments expect meter data to be uploaded to third party sites without the consumer's express consent required by the NPPs, or where smaller third parties are currently exempt from the NPPs because of size. This paper explores these issues.

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[1] Lockstep Consulting (2011), *PIA Report: Advanced Metering Infrastructure (AMI)*, for the Victorian Department of Primary Industries, Version 1.2, August: p. 51.

## Smart meter and privacy policy objectives

The primary objective for retail energy policy in general, and smart meter policy in particular, is to have cost-effective consumer outcomes which grant consumers choice of product and service provider but also do not force these choices on an unwilling or as-yet-unready consumer population. It is particularly important that relationships between service providers are seen as seamless and consistent and do not require significant further investment from a customer when they change their basic product and service preferences. Consumer access to privacy protections should also be consistent and should apply to all providers of energy services equally. Similarly, policy objectives should require a level playing field for providers of energy services.

On the privacy front, the NPPs require businesses that manage consumers' personal information to ensure that the appropriate measures are taken to ensure that collection, use and disclosure of personal information only occur according to a customer's reasonable expectations, and where a customer cannot be expected to assume secondary use or disclosure (or in exceptional circumstances), the business must obtain the customer's consent. The NPPs cover the following:

**Collection (NPP 1):** Describes what an organisation should do when collecting personal information, including what they can collect, collecting from third parties and, generally, what they should tell individuals about the collection.

**Use and disclosure (NPP 2):** Outlines how organisations may use and disclose individuals' personal information. If certain conditions are met, an organisation does not always need an individual's consent to use and disclose personal information. There are rules about direct marketing.

**Information quality and security (NPPs 3 and 4):** An organisation must take steps to ensure the personal information it holds is accurate and up-to-date, and is kept secure from unauthorised use or access.

**Openness (NPP 5):** An organisation must have a policy on how it manages personal information, and make it available to anyone who asks for it.

**Access and correction (NPP 6):** Gives individuals a general right of access to their personal information, and the right to have that information corrected if it is inaccurate, incomplete or out-of-date.

**Identifiers (NPP 7):** Generally prevents an organisation from adopting an Australian Government identifier for an individual (e.g. Medicare numbers) as its own.

**Anonymity (NPP 8):** Where possible, organisations must give individuals the opportunity to do business with them without the individual having to identify themselves.

**Transborder data flows (NPP 9):** Outlines how organisations should protect personal information that they transfer outside Australia.

**Sensitive information (NPP 10):** Sensitive information includes information such as health, racial or ethnic background, or criminal record. Higher standards apply to the handling of sensitive information.[2]

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[2] See http://www.privacy.gov.au/materials/types/infosheets/view/6583#npp1. The NPPs are also consistent with best practice worldwide, such as the United States Department of Homeland Security's Fair Information Practice Principles about its own dealing with personally identifiable information, which are used as a model throughout the United States and worldwide for smart meter programmes.
See http://www.dhs.gov/xlibrary/assets/privacy/privacy_policyguide_2008-01.pdf and Mulligan, D. K. and L. Wang (2011) *Final project report, Privacy in the smart grid: an information flow analysis,* Prepared for CIEE By: University of California, March, http://uc-ciee.org/downloads/Privacy_in_Smart_Grid_Final_Report.pdf.

The ERAA supports the view that the legal definition of "Personal Information" under the *Privacy Act* 1988 (Cth) can, and should be, interpreted to cover raw metering data. The definition of personal information is 'information or an opinion (including information or an opinion forming part of a database), whether true or not, and whether recorded in a material form or not, about an individual whose identity is apparent, or can reasonably be ascertained, from the information or opinion'. This means that energy service providers that collect, use or disclose consumers' meter data should be obliged to adhere to the NPPs, and the NPP legal principles need to be understood and embedded from a policy perspective.

## The current state of play

Energy retailers are currently provided with meter data to bill consumers for their use, where accuracy and security of information is of vital importance to both the retailer and the customer. Retailers are the only parties to have consumer name, address, billing and payment data, and functions to support billing, collections, concessions and other functions are all protected through strict customer service procedures and training regimes. Retailers are also subject to regulatory audits to ensure that the information is secured from misuse and only accessible to authorised parties. The industry mechanisms for the transfer of data between market participants are also conducted in such a manner that ensures anonymity: consumer information is not transferred on a regular basis and is not transferred in conjunction with any other information. There are circumstances in which information is required to be communicated to ensure market stability is maintained in the event of a retailer going into administration, but this is conducted in accordance with the existing national energy rules which ensure that consumers remain protected during the transition.

This being said, the significant increase in data received by retailers when a customer changes to a smart meter brings with it new challenges for maintaining and securing data. Retailers have been working on their systems to accommodate this increase in data and are confident that compliance with the NPPs will not be compromised by retailer actions. The complication for the industry is more that smart meter technology has brought with it new government and consumer expectations of how consumer data can and should be used, and these expectations may not always align with the NPPs.

For example, the federal government is currently considering mandating a consumer data repository (the "iHub") that requires retailers to upload all small consumer meter data in order to provide access for consumers and for third party service providers who will use the data for a range of purposes. ERAA members are concerned that this policy initiative is not consistent with the NPPs, and that retailers - as the licensed or authorised custodians of the consumer data - will be held liable by consumers if data is used or disclosed without consent.

A further, and related, retailer concern is that retailers will be expected to disclose meter data information to parties who are not currently covered by the NPPs at all. The current *Privacy Act* 1998 (Cth) exempts businesses with an annual turnover of less than $3 million, which means that there could be a range of parties seeking to use or disclose consumer information who will have access but not be held to the same standard as existing industry participants. This is likely to be of concern to the community as well, and it can be expected that privacy concerns will escalate as consumers become more knowledgeable about the capacity of smart meters and associated technologies and products.

## ERAA position

The use of technology to better manage the national energy market should not be at the expense of protecting customer data and information. Failures in relation to managing customer privacy will undermine consumer confidence in new technology, dampening the use of smart meter enabled devices and products and thus limit consumer benefit.

Consumers have a right to expect that their personal information will be treated according to the *Privacy Act* 1998 (Cth), where personal information cannot be used or disclosed for a secondary purpose without the consumer's consent. The ERAA believes that all businesses handling consumer meter data should be subject to the NPPs, regardless of size, and this must be provided for by relevant governments.

The ERAA also believes that initiatives such as the iHub should be compliant with the NPPs, requiring each consumer to provide their express consent to their retailer for the retailer disclose this information.

It has been shown that consumer concern about privacy issues increases significantly as their knowledge of smart meter rollouts and products increases,[3] which means that industry and government should be attentive and ensure that appropriate policy settings and industry practices are in place before any significant steps are taken to roll out smart meters. It will be important to educate consumers about smart meters and the privacy protections early in any communications campaign, and to then maintain messages and access to information about privacy as a permanent feature of a smart meter programme.

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[3] IBM, (2011) *The Future in Delivering Energy to the "Smart" Consumer*, Andrew Weekes, at http://public.dhe.ibm.com/common/ssi/ecm/en/euw03046usen/EUW03046USEN.PDF

# Third party and distributor sale of energy management services

## ERAA smart meter Working Paper 5


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# Third party and distributor sale of energy management services

Energy Retailers Association of Australia (ERAA) smart meter Working Paper 5

Smart meters and associated technologies have opened up perceived opportunities to businesses seeking to enter the household energy market, and as a result, several recent policy consultations and discussions have touched on the role of third parties in the provision of energy services to small customers. It is positive that these discussions are occurring; however they appear to be based on particular products or service provider business models rather than appropriate principles for a new energy service approach. The policy discussions thus continue in an inefficient and piecemeal fashion. This has led to significant uncertainty, to the point where even previously understood concepts such as the separation of retailer and distribution businesses have become contested.

The ERAA does not oppose the presence of third parties in the retail space; rather the problem is that third parties are by definition outside the traditional service agreement between retailers and customers, and so there is no way to capture their service offerings consistently. The service offerings are also part of a new service paradigm that the current regulatory framework did not explicitly contemplate.

How do we conceptualise third parties and distributors entering the competitive home energy market and how do we provide for a competitively neutral environment and a consistent and fair consumer experience? This paper explores these issues, arguing that all participants selling certain energy services in the competitive market should adhere to the same consumer protection regime and distributors selling these services should be appropriately ring-fenced from their regulated network businesses.

## Policy objectives for service provision enabled by smart meters

The primary objective for retail energy policy in general, and smart meter policy in particular, is to have cost-effective consumer outcomes which grant consumers choice of product and service provider but also do not force these choices on an unwilling or as-yet-unready consumer population. Smart meters and associated products should be seen as enabling consumer choice of time-sensitive energy products and services (an unmet market), and providing opportunities to engage with the market.

It is particularly important that relationships between service providers are seen as seamless and consistent and do not require significant further investment from a customer when they change their basic product and service preferences. Customer access to consumer protections should also be consistent, which means that for certain energy services all service providers have similar, if not the same, obligations.

Similarly, policy objectives should require a level playing field for providers of energy services. It will not be beneficial to consumers to grant rights to monopoly service providers that are not extended to retail competitors, and nor it is reasonable to require higher service standards and stronger obligations from some service providers and not from others providing the same services.

## The current state of play

Without changes to the existing consumer protection frameworks to account for third party activities, third parties will be entering consumer premises to retail energy services with no specific minimum standards of behaviour other than the Australian Consumer Law. Some may argue that this is appropriate, but it is worth considering the products on offer – these are products that can result in disconnection of supply, billing complexity and marketing contracts for changes to an essential service. These are the elements of energy supply that created the need for a comprehensive consumer protection framework for retail energy to date.

Policy debates to date have often characterised the new opportunities that come from smart technologies (and electric vehicles) as potentially requiring market rule changes to allow for competition at every level. Minimum standards, licensing or authorisation have been subsumed as secondary matters, if they are raised at all. There has been some effort to fit the new players and new products into the established retailer-customer contract: some parties have argued that third parties in the competitive market should be seen as agents of the retailer or customer (or customers themselves). Third parties may represent themselves as agents of consumers to access customer data, or they may consider themselves as the customer in a market sense and then on-sell to end users.

However, stretching existing definitions to fit new entities is problematic: definitions are fluid and the entity that is the agent of the customer today may tomorrow offer energy retail products in direct competition with licensed/authorised energy retailers. On-selling could mean that consumers are not covered by consumer protections unless licensing/authorisation frameworks and exemptions regimes explicitly cover the service provision in question. We have seen the above already suggested in the market to date and no doubt there are many other possibilities. The problem is that this lack of clarity risks undermining the credibility of the consumer protection framework, as consumers will find that they have no recourse against their 'agents' when things go wrong and they will find that their retailers cannot solve third party problems. It also jeopardises competitive neutrality between service providers, given that retailers already exist and are obliged to comply with a range of customer service standards in the competitive retail market.

If the consumer protection regime is not made consistent across all providers of certain energy services we can anticipate significant consumer confusion, particularly as third parties will have different and complex business models and no consistency in how they bill or communicate with the consumer. The methods that these entities use to recover debt, to manage insolvency and to address complaints will similarly be left open. As uptake of third party energy services increases, the costs of managing this environment will be felt by existing market participants who will be referred to when there are problems, and by regulatory, policy and political staff across the jurisdictions who will similarly have to solve consumer problems with no common understanding of how third parties can or should engage with the market and no clear means of meeting consumer expectations.

ERAA members believe that there is a need for a comprehensive review of third party responsibilities to consumers and an examination of how third parties can be brought under consumer protection regimes – including the National Energy Consumer Framework (NECF) – efficiently and effectively. This should involve a clearer definition in regulation of what retailing energy is, as discussed below. It also requires the NECF and other state licensing frameworks to be amended to provide specific authorisations for certain service provider types. The key questions that should drive how we assess third parties relate to how the end user sees the service relationship, what rights they would expect compared to basic energy use, and how the risks of multi-party service provisions can be best managed and minimised.

## ERAA position

The ERAA proposes that the overriding consumer protection principle should remain, which is that regulatory frameworks should reflect community expectations about how consumers are supplied with an essential service. In our view, "sale of electricity" (or energy more broadly) is no longer an adequate test of whether retail licensing or authorisation is required. The concept should instead shift to sale of *energy services*, which includes retailing energy *and* energy management service such as interruptions to energy supply (under direct load control or supply capacity control, for example), ongoing use of a consumer's meter data, as well as directly billing the consumer under contract.

More precisely, third party and distributor energy management service offerings should be judged on certain criteria, from the starting point that the third party/distributor will have access to a customer's consumption data. The criteria should be based on the core aspects of why retail contracts are currently regulated, such as the following:

1. If the product or service is marketed in competition with other services, and specific information needs to be provided at the point of sale to ensure informed consent.
2. If the consumer receives ongoing service under contract.
3. If supply to the property/appliance can be controlled or disconnected, including by charging technology.
4. If the consumer is billed or compensated directly from the service provider.

If the above activities occur in conjunction we believe that some form of retail licence or NECF authorisation is required. To avoid doubt, this means that distributors also would not be able to undertake these activities without such an authorisation, which requires ring-fencing between the retail activities and any monopoly service provision with regulated revenue streams. As a matter of competitive neutrality, distributors should not be competing in the retail space using regulated revenue; not only does this reflect competitive advantage compared with retailers but it is considered to be unlawful by the AER.[1]

The decision model in Figure 1 on the following page is a useful starting point to conceptualise the issues addressed above, and for completeness we have included criteria to assess sale of energy as well, and also incorporated the policy proposal from ERAA's *Working Paper 4* that all service providers should be subject to the National Privacy Principles (NPPs). Once this approach has been agreed it will then be important to assess the need for the current retail licensing schemes to be changed to provide for a more specific licence type, and for NECF in particular to be modified for special authorisations to be granted rather than the current one-size-fits-all version.

[1] See page 85 of Accenture (2011) *IHD Inclusion into ESI scheme: Final Report*, for Department of Primary Industries, Victoria, December.

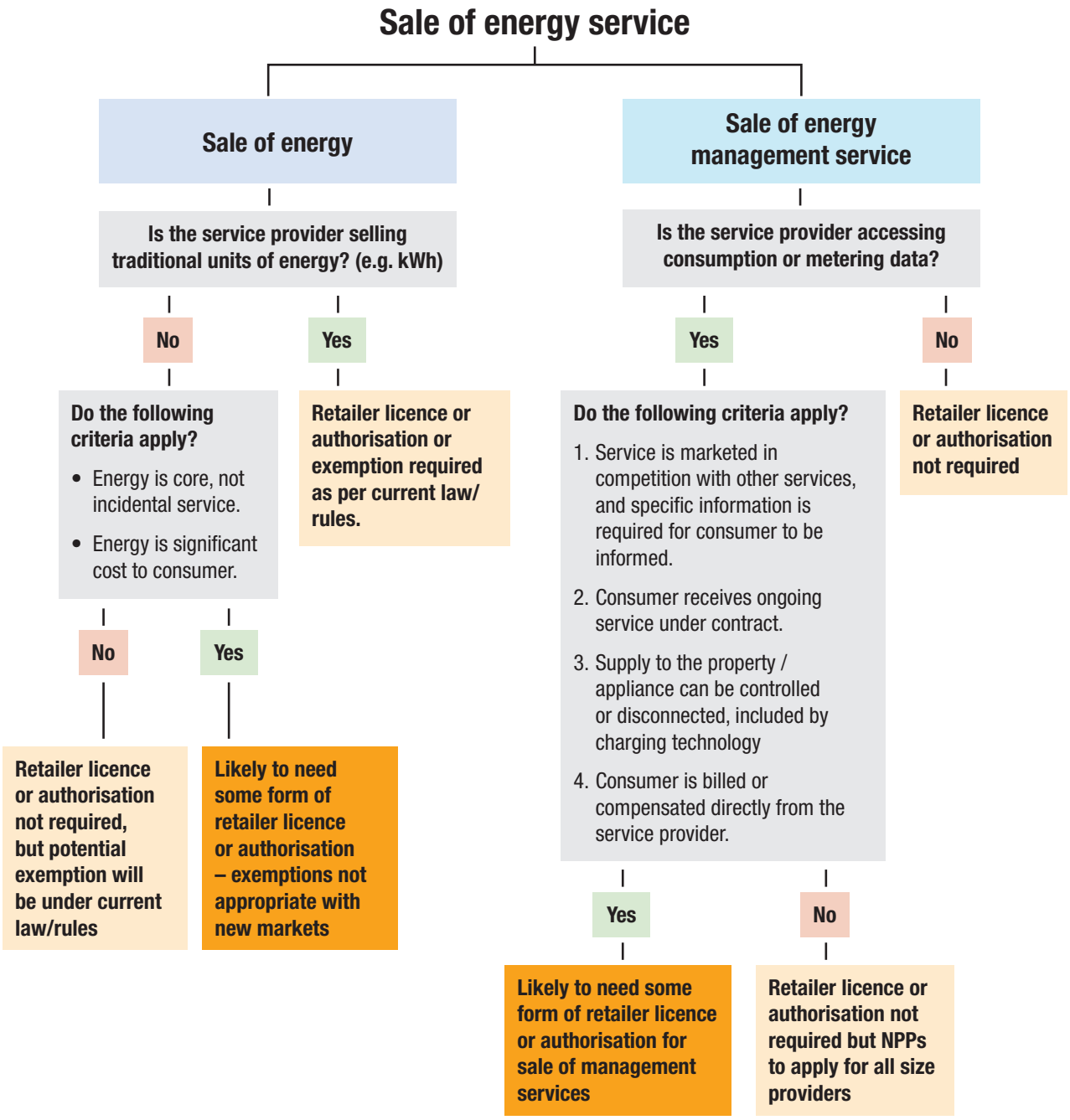


**Figure 1:** A proposed conceptual framework for new retail authorisations

### About the Energy Retailers' Association of Australia

The ERAA is the peak industry body which represents the core of Australia's energy retail organisations. Membership is comprised of businesses operating in the electricity and gas markets in most Australian states and territories. Collectively, our members provide electricity to more than 98 per cent of customers in the national energy markets and are the first point of contact for customers of both electricity and gas.

Energy Retailers Association of Australia Limited

23 March 2012

Mr Brendan Morling
Chairman
EMRWG Secretariat
Department of Resources, Energy and Tourism
GPO Box 1564
Canberra ACT 2601

By email: EMRWGSecretariat@ret.gov.au

Dear Mr Morling

**RE: National Smart Meter Consumer Protections and Pricing Draft Policy Paper Two**

The Energy Retailers Association of Australia (ERAA) welcomes the opportunity to provide comments on the National Smart Meter Consumer Protections and Pricing Draft Policy Paper Two.

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

The ERAA fully supports the Advanced Metering Infrastructure (AMI) and the National Smart Meter Program (NSMP) which have been commenced by governments. The ERAA firmly believes that new technology, when used in partnership with informed and engaged customers, can be a powerful demand management tool. The facilities enabled by the technology can also provide an improved customer experience and promote and enable consumer choice and empowerment. The key to consumers benefitting from smart meters is to have smart metering services delivered in a competitive market.

Whilst the ERAA has addressed each consultation question individually, outlined below are some of the key points from our submission:

- The ERAA is concerned that recent policy debates and decisions on the role of smart meter and smart grid technology would compromise the long term objectives of National Competition Policy (NCP) and violate the fundamental rationale of energy market reform to deliver consumer benefits - lower prices, more choice, and enhanced quality of services.
- The ERAA does not support the monitoring of new pricing arrangements. Retailers will monitor customer response and conduct research and obtain data through the natural course of business which will indicate successes and failures. From research and data collected, retailers will adapt their pricing arrangements accordingly.

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- The ERAA believes that “sale of electricity” (or energy more broadly) is no longer an adequate test of whether retail licensing or authorisation is required. The concept should instead shift to sale of *energy services*, which includes sale of energy and sale of energy management service such as interruptions to energy supply (under direct load control or supply capacity control, for example), ongoing use of a consumer’s meter data, as well as direct billing the consumer under contract.

The ERAA looks forward to further work with the Standing Council on Energy and Resources on national smart meter consumer protections. Should you wish to discuss this matter further please contact me on 02 9241 6556 and I can facilitate such discussions with ERAA member companies.

Yours sincerely

Cameron O’Reilly
Executive Director
**Energy Retailers Association of Australia**

| Box number | Policy position or consultation question | Policy positions and consultation questions | ERAA Comments |
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| Box 2 | Consultation Question 2.1 - Setting network tariffs | 2.1. Are there any changes required to the rules and regulation including the relevant sections of the distribution pricing rules in chapter 6 of the National Electricity Rules as a result of the potential new pricing arrangements enabled by smart meters? | The ERAA fully supports the Advanced Metering Infrastructure (AMI) and the National Smart Meter Program (NSMP) which have been commenced by governments. The ERAA firmly believes that new technology, when used in partnership with informed and engaged customers, can be a powerful demand management tool. The facilities enabled by the technology can also provide an improved customer experience and promote and enable consumer choice and empowerment.<br><br>The ERAA and its members have participated in the policy and other stakeholder forums that are considering the role of advanced metering infrastructure (AMI) and smart grids in the energy market for some time. We note that AMI includes smart metering infrastructure (SMI) and smart metering infrastructure services (SMIS).<br><br>The ERAA is concerned that recent policy debates and decisions on the role of smart meter and smart grid technology would compromise the long term objectives of National Competition Policy (NCP) and violate the fundamental rationale of energy market reform to deliver consumer benefits - lower prices, more choice, and enhanced quality of services.<br><br>As such the ERAA does not support changes to rules and regulations that alter the principles of energy reform and NCP which underpin the current and future structure of the National Electricity Market (NEM). The current price control arrangements for distribution businesses are adequate for efficient price signals. Weighted average price control provides an incentive for distributors to change the structure of their tariffs over time in a way that reflects the changing cost pressures on the network. It is why a price control is preferred to a revenue control at the distribution level. |
| Box 3 | Consultation question 2.2 – retail tariffs | 2.2. How can effective choice of tariffs for consumers be facilitated given likely network pricing behaviour and retail pressures? | Energy market reform has resulted in governments introducing competition, privatisation and deregulation of parts of the energy industry. Utility companies have now been separated into discrete companies responsible for generation, transmission, distribution and retailing. The final stage of deregulation is the phasing out of regulated energy retail tariffs. Without the removal of price regulation the espoused full benefits of smart meters will be difficult to realise.<br><br>Under the Amended Australian Energy Market Agreement (2006) the Council of Australian Governments (COAG) agreed to phase-out retail energy price regulation per jurisdiction where competition is found to be effective by the Australian Energy Market Commission (AEMC). With the |

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| | | | exception of Victoria, every State and Territory government is yet to phase out regulated retail prices. Retail price regulation is inefficient: it stifles product innovation, impedes price and service competition, and prevents the full range of benefits resulting from competition from being realised. Competition offers the best form of protection to consumers, not setting retail price caps.<br><br>Victoria phased out regulated retail prices on 1 January 2009 following the advice of the AEMC that competition was effective. Since then, competition has developed strongly; offering customers more diverse and innovative energy products, and consumers can save on their power bills by shopping around.[1] Victoria's market is the most active in the world, with switching rates being consistently greater than 25%. This is substantially more than other markets in the National Electricity Market (NEM) which have not yet deregulated retail energy prices.[2] Furthermore, the Victorian market has the least concentrated market share in Australia, where non-incumbent retailers have been able to secure one quarter of the market.[3]<br>State and Territory regulators around the country have indicated that as the energy industry transitions to a low-carbon future, setting cost-reflective (as they are required under their terms of reference) regulated retail tariffs is becoming increasingly difficult. Setting inaccurate tariffs could be detrimental to both energy retailers and consumers. If prices are set too high, consumers could pay too much for energy, although competition from market contracts could mitigate this risk. If prices are set too low, retailers will be unable to recover costs and may discontinue operating in the market. Furthermore, there are documented dangers of price discounting to households when actual price rises are later applied.[4] The best way forward to mitigate these challenges is to promote strong competition in the retail energy market and to deregulate retail energy prices.<br><br>Once all states commit to the deregulation of retail prices then this will facilitate the transitioning of customers onto Time of Use (TOU) tariffs that will shift consumption to lower cost time periods. |

[1] Essential Services Commission 2009, Energy Retailers – Comparative Performance Report 2009-09, Summary of Findings, December 2009.
[2] VaasaETT 2010, World Energy Retail Market Ranking Report – 5th Editions, VassaETT Global Energy Think-Tank, December 2010.
[3] Murray. L. and J. Range, 16 Dec 2010, *Price row rages over $5.3bn power sell-off*, Australian Financial Review.
[4] Simshauser, P., Nelson, T. and Doan, T. (2011), *The Boomerang Paradox, Part I: how a nation's wealth is creating fuel poverty*, The Electricity Journal, 24(1): p72-91.

| Box number | Policy position or consultation question | Policy positions and consultation questions | ERAA Comments |
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| | | | Recognising that one of the benefits of smart meters is to better reflect the changing cost pressures on distribution businesses (i.e. TOU network tariffs) a transitionary period should then apply to allow customers to test various retail tariff offerings that incorporate these network prices. During this transitionary period customers should have the flexibility of moving from a TOU tariff, back to flat tariff arrangements, allowing for reversions in underlying network tariffs that support retail tariffs. Coupled with allowing for reversions during the transitionary period, policy makers should consider using the current weighted average price control measures that apply to network companies, as a means of slowly transitioning all customers onto network TOU tariffs over an extended period of time. |
| Box 4 | Draft Policy Positions 1, 2 and 3 – Critical peak price tariff and critical peak rebates | 1. Critical peak price tariffs can be set by both distributors and retailers, but only offered by retailers. | The ERAA provides conditional support to Draft Policy Position 1. The ERAA agrees with this draft policy position assuming prices are deregulated. Retailers will need to reflect the network tariffs in their pricing structures and ultimately the market will respond to network pricing structures, assuming customers provide explicit informed consent to these arrangements. |
| | | 2. Critical peak rebates can be offered by retailers or distributors. | The ERAA does not support Draft Policy Position 2 as written. This contradicts the principles of the NCP and the clear separation of distribution and retail functions. Should a distributor wish to offer a critical peak rebate this is to be done on assumption that the consumer provides explicit informed consent for receiving the rebate and that this rebate is facilitated by the retailer.<br><br>Risks to the National Energy Retail Law (NERL) can be created when distributors provide direct information to customers about smart metering and/or specific products related to energy use such as critical peak rebates. This is because these functions are not consistent with the role of distributors as recognised in the NERL, in addition to the fact that they are regulated businesses.<br><br>Accordingly there is increased risk that they will subsidise their activities in the retail market with regulated revenue (irrespective of current ring fencing provisions). The ERAA notes that the AER "*has advised that distributors using regulated revenue to fund unregulated activities is unlawful".*<br><br>Furthermore under the National Energy Customer Framework (NECF), hardship programs are administered by retailers. Under the NECF retailers are obliged to ensure that customers experiencing hardship are on the most appropriate tariff for their circumstances. It is unclear as to how distributors would be able to facilitate this if they offer critical peak rebates to consumers. |

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| | | 3. Critical peak pricing tariffs and critical peak rebates must be offered as a voluntary product and only established with a consumer's explicit informed consent. | The ERAA supports Draft Policy Position 3. The ERAA agrees with this approach as long as explicit informed consent is provided for by the customer under existing market arrangements. |
| Box 5 | Consultation Questions 2.3, 2.4, and 2.5 – Critical peak price | 2.3. What supporting arrangements might be put in place to help consumers gain a better understanding of and benefit from CPP tariffs? | It is in retailers' best interests to educate customers about CPP tariffs and the corresponding benefits. There will be a concerted effort to help consumers gain a better understanding, made up of:<br>• CPP & TOU pricing trials across different customer segments to help customers adjust to new pricing arrangements<br>• CPP & TOU pricing trials which address the requirements of customers with a wide range of load shapes<br>• customer education and communications programs. |
| | | 2.4a. Should minimum terms and conditions be specified for CPP contracts? | The ERAA supports the provisioning of minimum terms and conditions be specified for CPP contracts conditional on these being high level contractual requirements that can be used as guidelines (rather than minimum terms and conditions). Where product changes are required then contractual requirements should be determined as per existing regulations. As example, if a customer decides that they are prepared to change their usage in exchange for lower prices at other times then it should be up to the individual customer to decide whether they are prepared to accept a longer critical peak period or total number of events over a year. |
| | | 2.4b. If so what specific issues might be covered? | Guidelines could specify, as example<br>• A requirement that a contract notify of the length of the critical peak period<br>• A requirement that a contract identify whether events may be called on consecutive days<br>• A requirement that a contract identify how the customer will be notified<br>• A requirement that a contract identify how much notice the customer will be given. |
| | | 2.5. Should there be protocols on how a distributor can offer a CPR and a retailer CPP or CPR offers to the same consumer? | The ERAA does not support the requirement for their being protocols on how a CPP or CPR offer is made to consumers. The ERAA does not support CPR and CPP being offered direct by distributors to consumers as noted in our response to Draft Policy Position 2. However where a distributor does want to offer CPP or CPR direct to consumers they can either facilitate this through existing retailer-customer relationships, or offer these services in a business that is appropriately ring fenced from its core distribution activities and be subject to the same compliance conditions appropriated to retail |

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| | | | businesses.<br><br>The ERAA considers that there is sufficient customer protection arrangements concerning price disclosures set out in the NECF. Any further development of these protections would require identification of a market failure specific to smart metering that does not occur with basic metering and be subject to the AEMC Rule change process. |
| Box 6 | Consultation Question 2.6 – Locational network pricing | 2.6. What alternatives to tariff-based incentives might be facilitated through smart metering in order to manage locational network issues? | An alternative to tariff based incentives could be offering Demand Load Control (DLC), as described in point 5 (Demand Management – Direct Load Control) of the Draft Paper. This coupled with real time demand pricing would direct users to reduce their demand in exchange for compensation incentives. Giving the consumer the control and transparency is a benefit.<br><br>Ideally we have targeted DLC during a heat wave for selected high-volume users, who are compensated for their participation. This theory was applied to the California electricity crisis in 2000/2001 where it was estimated that a 5% lowering of demand would have resulted in a 50% price reduction for users during the peak hours – "IEA Demand Response Project, Presentation 2003".<br><br>However the cost to have automated control systems may be too expensive or unfeasible for meaningful consumer uptake. Other users may receive a rebate or other incentive based on firm commitments to reduce power during periods of high demand.<br><br>Locational network issues can also be managed through supporting energy efficient programs and rebates. A cohesive program of education that encompasses smart metering and all the energy efficiency programs/rebates and how they support each other and the commonalities paints a clearer picture for consumers. **For example this website provides a cohesive list in the US of rebate programs for each state all in one place:** **http://www.dsireusa.org/incentives/index.cfm?re=1&ee=1&spv=0&st=0&srp=1&state=TX**<br><br>Given the complexities of DLC and the ongoing consumer engagement required, DLC would be a product offered by retailers and explicit informed consent would need to obtained and managed through the consumer to retailer contract. |

| Box number | Policy position or consultation question | Policy positions and consultation questions | ERAA Comments |
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| Box 7 | Consultation Question 2.7 –Load control tariffs | 2.7. How can the issue of consumers who lose access to dedicated circuit off peak rates be addressed? | The ERAA does not perceive this as an issue. The consumer will have access to innovative TOU tariffs which will provide the same benefits in the long term. This change is necessary to get consumers to moderate their behaviour. The incentive is on retailers to provide the pricing structures to retain their consumers and this is a function of the competitive market. |
| Box 8 | Consultation Question 2.8 - consumer choice of tariffs | 2.8a. Should all retailers be required to offer a range of retail tariff options to customers including flat tariffs? | A mandatory requirement to offer a range of retail tariffs including flat tariffs defeats the economics of TOU pricing and the stated purposes of the AMI roll out.<br>A mandatory requirement to have a flat tariff:<br>• would perpetuate the current cross-subsidisation model and have very little affect on peak demand<br>• would enable adverse selection whereby customers with large peak loads avoid TOU pricing<br>• could result in the majority of customers seeking out a flat rate because of ease of use and cross-subsidisation, again resulting in the status quo being perpetuated<br>• will be to the detriment of those who are prepared to shift their load because they will not receive the full benefit of their actions.<br><br>A competitive market (rather than prescribed flat tariffs or tariff shapes) will provide the best outcome for consumers and all industry participants. Due to the competitive nature of the market, if a retailer does do not offer attractive products and pricing, then they will lose customers to retailers that do. A mandatory requirement would thwart innovation and prevent retailers competing with each other and getting the best possible offer into the market. However, due to the competitive nature of the retail market, it might be a point of differentiation for retailers to offer a flat tariff in the market. |
| | | 2.8b. If retailers are required to provide a range of tariff options to customers does this also mean that networks should also offer a range of network tariffs for retailers? | Again, retailers do not believe mandatory requirements are in the interests of anyone. Instead distributors should devise pricing structures which make sense for their business and the market will respond accordingly. |
| | | 2.8c. Should these arrangements, if adopted, be transitional? If so, what conditions need to be satisfied before the arrangements | Should a transitional arrangement be considered then the ERAA recommends that this be time-bound rather than conditions based. As stated in question 2.2 recognising that one of the benefits of smart meters is to better reflect the changing cost pressures on distribution businesses (i.e. TOU network tariffs) a transitionary period should then apply to allow customers to test various retail tariff offerings |

| Box number | Policy position or consultation question | Policy positions and consultation questions | ERAA Comments |
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| | | can be reconsidered? | that incorporate these network prices. During this transitionary period customers should have the flexibility of moving from a TOU tariff, back to flat tariff arrangements, allowing for reversions in underlying network tariffs that support retail tariffs. Coupled with allowing for reversions during the transitionary period, policy makers should consider using the current weighted average price control measures that apply to network companies, as a means of slowly transitioning all customers onto network TOU tariffs over an extended period of time. |
| Box 9 | Consultation Question 2.9 – Transfers without penalty | 2.9a. Should there be a transitional period which allows consumers to move between contracts without penalty? | Retailers support this arrangement conditional to the consumer remaining with the retailer. As previously stated retailers would only support such an arrangement through a transitional period, where reversions in underlying network tariffs support customers moving onto different pricing products. Allowing customers to move onto different pricing products, without allowing retailers to mitigate risks in underlying network tariffs that support these retail tariffs will create significant risk to retailers, which may eventually reflect on higher prices to end consumers as premiums are accounted for to reflect this risk. |
| | | 2.9b. If so, what conditions need to be satisfied before the arrangements can be reconsidered? | As noted in our response to question 2.9(a). |
| Box 10 | Consultation Questions 2.10, 2.11 – Supporting informed choice for consumers | 2.10. What arrangements need to be put in place to reduce complexity for consumers and assist them to understand the different offers in the market? | Retailers are of the view that a competitive market solution will naturally move away from complexity as it won't be appealing to customers. That is, it's not in retailers' interests to offer complex hard to use offers because it will increase complaints and not have the overall desired effect of informing consumers. However understanding that energy has traditionally been a low involvement decision by end consumers, retailers would support a customer help-line being offered by the AER and other government led customer communications that assist consumers to better understand current market offers. |
| | | 2.11a. Does there need to be monitoring of new pricing arrangements to ensure that complexity does not impede the realisation of demand response and consumer benefits? | The ERAA does not support the monitoring of new pricing arrangements. Retailers will monitor customer response and conduct research and obtain data through the natural course of business which will indicate successes and failures. From research and data collected, retailers will adapt their pricing arrangements accordingly. As previously stated it is not in the interest of a retailer to introduce complexity in its pricing arrangements as this will result in heighten customer dissatisfaction, which impacts on customer retention. |

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| | | 2.11b. Should the AER undertake such monitoring? | As highlighted above, the ERAA does not support monitoring of pricing arrangements as it views this as retail price regulation (or regulation generally). As previously stated under the Amended Australian Energy Market Agreement (2006) the Council of Australian Governments (COAG) agreed to phase-out retail energy price regulation per jurisdiction where competition is found to be effective by the Australian Energy Market Commission (AEMC). With the exception of Victoria, every State and Territory government is yet to phase out regulated retail prices. Retail price regulation is inefficient: it stifles product innovation, impedes price and service competition, and prevents the full range of benefits resulting from competition from being realised. Competition offers the best form of protection to consumers, not setting retail price caps, or monitoring retail pricing arrangements. |
| Box 11 | Consultation Question 2.12– General Transitional Arrangements | 2.12. Are there any other transitional arrangements that would help consumers adjust to new pricing arrangements? | Where new pricing arrangements are justified, they need effective customer education and engagement and should deliver identifiable consumer benefits (noting the differentiation of consumer segments) in a timely manner. Recent analysis done shows that something as simple as understanding the basic units that they are being charged, or the definition of renewable energy, was lacking in at least a third of consumers. Moving into complex concepts such as TOU tariffs or smart meters, it is estimated that 50-60% of respondents are not knowledgeable of what they actually mean.<br><br>Therefore an uninformed customer base can easily be influenced by incorrect information, as they don't really understand the concept or let alone the energy market.<br><br>The challenge then is how we get these customers to progress along a spectrum from being uninformed to informed, to engaged, to empowered. Furthermore it won't mean a standard message to all, with a need for tailored messaging to different customer segments.<br><br>Therefore in any transitionary arrangement, retailers should be left to develop product offerings in response to customer needs. Prescribing tariff structures or standardised formats and terminology will stifle innovation and lead to a reversion in some states to price regulation |
| Box 12 | Consultation Question 2.13 – Permanent flat tariff for vulnerable consumers | 2.13a. Should a flat tariff option be available for vulnerable consumers on a permanent basis? | The ERAA does not support using price regulation for vulnerable customer protections. This is not the role of industry but the role of government. As a means of ensuring that vulnerable customers are not disadvantaged by the development of smart meter deployment, government should look at supporting these customers through some forms of transfer payments. Retailers ability to price competitively and efficiently should not be confused with any hardship assistance – the Retail Code already deals with this |

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| | | 2.13b. Should that option be required for both standing offers and market offers? | The ERAA does not support this as noted in 2.13a. |
| Box 13 | Draft Policy Position 4 – Hardship provisions | 4. The AER should monitor whether hardship consumers are overrepresented on any particular tariff type. | The ERAA does not support Draft Policy Position 4. This is considered unnecessary given the requirements that the NECF places on retailers to have an approved and readily available hardship policy which assesses the suitability of the available tariffs for a hardship consumer. This effectively ensures that hardship consumers will be overrepresented on the most suitable tariff and not marginalised.<br><br>If the AER was to monitor the hardship consumers tariffs then what conclusions would be drawn and how this would benefit consumers – no doubt this would lead to pricing regulation for hardship consumers 'which is detrimental to competition and sets a precedent for future price regulation. Financial support for hardship consumers is the responsibility of the government and should be funded through government initiatives. |
| Box 14 | Consultation Question 2.14 Appropriate tariffs to hardship consumers | 2.14. Should retailers be obliged to recommend the most appropriate tariff to consumers in their hardship program? | There is already a requirement within NECF that customers on hardship programs should be placed on the most appropriate tariff for their circumstances. |
| Box 15 | Concessions regimes | Recognising that Concession regimes are a jurisdictional responsibility, States and Territories may wish to review their concessions frameworks in light of the services supported by smart meters. | The ERAA acknowledge that there may be "price shocks" for customers in hardship who consume more electricity in peak pricing times, but that the responsibility for lessening bill impacts lies with the Government through Community Service Obligations, and not through regulating pricing signals.<br><br>As such the concession regimes in existing jurisdiction must be revisited to ensure that they accommodate the services supported by smart meters.<br><br>The ERAA would also like further clarification as to what is deemed as services supported by smart meters. In particular as it is the responsibility of retailers to deliver these concessions to the market, and this obligation is not prescriptive for third party providers that may wish to enter this services market. |
| Box 16 | Community service obligations | Recognising that CSOs are jurisdictional responsibility, States and Territories may wish | The ERAA agrees with the draft policy decision. Furthermore the ERAA seeks clarity as to whether this review would also include an analysis as to how CSOs should be applied to end-use consumers when third parties engage with consumers. This is to ensure that all parties that engage in this market engage |

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| | | to review their CSO frameworks in light of the services supported by smart meters. | on a competitive level playing field. |
| Box 17 | Consultation question 3.1 – Issues for third parties in market | 3.1. Are there further issues to those outlined above that need to be considered for third parties who are not agents of the distributors or retailers? | As discussed in the response to Draft Policy Position 5, below, we believe that there should be a comprehensive third party review and that entities selling energy management products (to be defined) should be required to obtain a form of retail NECF authorisation. |
| Box 18 | Draft Policy Position 5– Third parties service providers | 5. EMRWG considers, except for the case of the provision of customer's data, that there are important issues to be resolved in providing for third parties in the market framework and systematic consideration should be given to these issues in the overall development of market arrangements for the delivery of smart meter services to consumers. | The ERAA supports Draft Policy Position 5. .<br><br>In ERAA's view, the consumer law is not adequate; third parties should be captured by NECF retailer authorisation of some form. We can anticipate significant consumer confusion if this does not happen, particularly as third parties will have different and complex business models and no consistency in how they bill or communicate with the consumer. The methods that these entities use to recover debt, to manage insolvency and to address complaints will similarly be left open. As uptake of third party energy services increases, the costs of managing this environment will be felt by existing market participants who will be referred to when there are problems. Additionally regulatory, policy and political staff across the jurisdictions will similarly have to solve consumer problems with no common understanding of how third parties can or should engage with the market and no clear means of meeting consumer expectations.<br><br>The ERAA believes there is a need for a comprehensive review of third party responsibilities to consumers and an examination of how third parties can be brought under the NECF efficiently and effectively. This should involve a clearer definition under the NECF of what retailing energy is, as discussed below. It also probably requires the NECF to be amended to provide specific authorisations for certain service provider types. The key questions that should drive how we assess third parties relate to how the end user sees the service relationship and what rights they would expect compared to basic energy use. It may be that the best result is a series of policy criteria and questions that lead to the (consistent) application of specific retail authorisations for third parties of certain types.<br><br>This will also require consideration of required ring-fencing between the retail activities and any monopoly service provision with regulated revenue streams. As a matter of competitive neutrality, |

| Box number | Policy position or consultation question | Policy positions and consultation questions | ERAA Comments |
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| | | | distributors should not be competing in the retail space using regulated revenue; not only does this reflect competitive advantage compared with retailers but it is considered to be unlawful by the AER.[5]<br><br>We would support the AEMC (or DRET) taking the lead in this area, in consultation with jurisdictions. To not do this would risk revisiting the same policy issues for every business model that arises across the smart metering, DSP and EV policy space, with associated risk of unintended consequences from a fragmented approach.<br><br>The ERAA believes that the overriding consumer protection principle should remain, which is that regulatory frameworks should reflect community expectations about how consumers are supplied with an essential service. In our view, "sale of electricity" (or energy more broadly) is no longer an adequate test of whether retail licensing or authorisation is required. The concept should instead shift to sale of *energy services*, which includes sale of energy and sale of energy management service such as interruptions to energy supply (under direct load control or supply capacity control, for example), ongoing use of a consumer's meter data, as well as direct billing the consumer under contract.<br><br>More precisely, where sale of kilowatt hours or other energy units is not relevant, we believe that third party (and distributor) service offerings should be judged on four criteria, where it is assumed that the third party will have access to a customer's consumption information:<br>1. If the product or service is marketed in competition with other services, and specific information needs to be provided at the point of sale to ensure informed consent.<br>2. If the consumer receives ongoing service under contract.<br>3. If supply to the property/appliance can be controlled or disconnected, including by charging technology.<br><br>4. If the consumer is billed or compensated directly from the service provider.<br><br>If the above activities occur in conjunction we believe that some form of retail licence or NECF authorisation is required. To avoid doubt, this means that distributors also would not be able to undertake these activities without such an authorisation. |

[5] See page 85 of Accenture (2011) *IHD Inclusion into ESI scheme: Final Report*, for Department of Primary Industries, Victoria, December.

| Box number | Policy position or consultation question | Policy positions and consultation questions | ERAA Comments |
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| Box 19 | Consultation questions 3.2 and 3.3 – Third party services | 3.2 What services - other than those listed above - could be made available by third parties though a customer's smart meter?<br>3.3 What controls should apply to third parties in relation to such service offerings? | See response to Draft Policy Position 5 above. |
| Box 20 | Draft Policy Position 6 – SCC as a mandatory function for network emergencies | 6. Distributor-initiated SCC will be allowed for emergencies to manage network demand. | The ERAA provides conditional support to Draft Policy Position 6. Whilst the ERAA supports this draft policy decision, it does so conditional that industry-wide agreement is obtained as to what is defined as an "emergency". |
| Box 21 | Draft Policy Position 7– SCC as a discretionary distribution product | 7. Distributors should be allowed to offer SCC as a discretionary product to manage network demand, subject to the appropriate consumer protections being in place. | The ERAA provides conditional support to Draft Policy Position 7. The ERAA does not support this draft policy position, even if appropriate consumer protections are in place, unless SCC is being used for emergencies. As stated in box 4 above, risks to the NERL can be created when distributors provide direct information to customers about smart metering and/or specific products related to energy use such as SCC. This is because these functions are not consistent with the role of distributors as recognised in the NERL, in addition to the fact that they are regulated businesses.<br><br>Accordingly there is increased risk that they will subsidise their activities in the retail market with regulated revenue (irrespective of current ring fencing provisions). The ERAA notes that the AER "*has advised that distributors' using regulated revenue to fund unregulated activities is unlawful".* |
| Box 22 | Consultation Questions 4.1, 4.2 and 4.3.– SCC as a discretionary distribution product | 4.1 Are the existing planned interruptions of supply rules sufficient to protect customers if SCC was offered as a product by distributors? | The ERAA is concerned that the consultation paper refers to distributors offering "products" to end-consumers and "marketing" such products to end-consumers.<br><br>Regulatory framework (whatever is developed) needs to ensure an open competitive environment where all participants can:<br>• ensure that consumers have choice<br>• ensure suppliers are able to offer choice<br>• develop tools to allow participants to innovate and develop effective ways to manage energy consumption |

| Box number | Policy position or consultation question | Policy positions and consultation questions | ERAA Comments |
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| | | | • ensure the framework allows for certainty in investment (i.e. does not change sporadically).<br><br>It is particularly important that any regulatory framework does not undermine the core electricity reform and NCP principles that have clearly defined roles and responsibilities in communicating to consumers – in particular relating to the separation of contestable (retail) and natural monopoly (distribution) activities and the competitive neutrality between participants in the market. |
| | | 4.2. How ready are the distribution businesses to offer these products to consumers? | We are strongly opposed to distributors providing SCC as a discretionary consumer product. Supply capacity control is an energy service and to ensure effective competition and given the monopolistic nature of the distribution businesses allowing SCC is counterintuitive to competition. Retailers have the relationship with consumers and are best placed to offer these products. |
| | | 4.3a What additional consumer protections, including marketing requirements, should be placed on distributors in offering these products to consumers? | The ERAA does not support this approach...however if distributors were to market to end use consumers this must be done based on the principles raised in question 4.1. |
| | | 4.3b. What information should be provided to consumers with these products, and who should be responsible for providing it? | As a mandatory function for network emergencies distributors would be required provide this information and it would need to meet the minimum requirements of a contract under existing energy regulations. |
| Box 23 | Draft Policy Position 8– SCC as a discretionary retail product | 8. For avoidance of doubt, SCC may not be used as an alternative to disconnection action and may not be offered to any customers entering or participating in a hardship program. | The ERAA provides conditional support to Draft Policy Position 8. Support is provided, conditional that this position is reviewed as the market for SCC products develops and potential issues, or concerns, associated with the use of this product as an alternative to disconnection action is resolved. |
| Box 24 | Consultation question 4.4 – SCC as a discretionary retail product | 4.4a In what circumstances might consumers benefit from SCC as a discretionary retail product? | The market will dictate SCC offerings, and it is too early to tell what opportunities consumers might want to take up. SCC provides consumers with the capability to further control energy consumption and will be of use to those who want this. |
| | | 4.4b How ready is the market to offer these products? | It is not so much the market being able to offer as the customer base being able to take up these offers in any significant way. A great deal more needs to happen before consumers are likely to want to take up SCC – they will need to first be familiar and comfortable with smart meters and the range of services |

| Box number | Policy position or consultation question | Policy positions and consultation questions | ERAA Comments |
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| | | | available. |
| | | 4.4c What consumer protections should apply if these retail products were offered? | See response to Draft Policy Position 5 above. |
| | | 4.4d How could the risk of ensuring that these products are not offered, or accepted, by consumers as a means of avoiding de-energisation or mitigating financial hardship be managed? | We cannot differentiate who receives these products other than in a broad way, such as not providing the service to customers on life support. We cannot deny a product to someone because they appear to have certain social characteristics. Retailers also cannot know the motivations of people seeking products. The issue is to always obtain explicit informed consent. What retailers can do, however, is be open that hardship programs, payment extensions and payment plans are available and that SCC is not the alternative to disconnection. |
| Box 25 | Policy Position 9 - Third parties and discretionary SCC | 9. EMRWG considers that at least the same controls as apply to retailers and distributors should apply to third parties regarding any offer of SCC to consumers as a discretionary product. | The ERAA supports Draft Policy Position 9 as highlighted in our response to Draft Policy Position 5. |
| Box 26 | Consultation Question 4.5 – SCC and embedded generation | 4.5a Under what circumstances could export supply capacity control be used? | PV systems cause externalities that are not priced in the market. There is the potential for large power flows from PV systems to be distributed into the distribution network causing localised power surges. Management of this voltage instability will require expenditure by distributors, further increasing network charges. As households with PV systems avoid some of the costs of the network, most of these costs will be paid by customers without PV systems.<br><br>Ideally, price signals would be used to inform households of the cost their PV system is placing on the network. There are parallels between the charging of PV generation with the charging arrangements for large scale generation at the other end of the market. However, the issue of locational price signals at the large end of the market has not yet been solved. Introducing some form of price signal at the household level so that households with PV systems see the network management costs they are imposing is some time away.<br><br>Given this, a form of rationing the benefits of PV systems through export capacity control may be the |

| Box number | Policy position or consultation question | Policy positions and consultation questions | ERAA Comments |
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| | | | second best option. This would have the benefit that those with PV systems would be incurring the 'costs' (in the form of lost PV benefits) of their externality.<br><br>While retailers support this approach in principle, its implementation will require careful management because of state government imposed legislative obligations whereby retailers have to pay the feed-in tariff rate. A move to introduce export capacity control will need to be consistent with state-based feed in tariff legislation. |
| | | 4.5b Should energy exported to the grid be subject to a supply capacity limit? | As detailed in 4.5a. |
| | | 4.5c. If so, how should this limit be set? | To minimise network management costs, PV systems would require real time management. The effect of PV systems on the network is localised and depends upon the excess capacity available in the network to soak up the PV outflow, the amount of outflow occurring at any given time and the number of PV units in a particular area. Ideally, distributors would be able to directly control the outflow from PV systems on a real time basis to minimise the risk of power surges. |
| Box 27 | Draft Policy Position 10 and 11 – Offers of DLC | 10. Distributors, retailers may offer DLC products and services to consumers. | The ERAA provides conditional support Draft Policy Position 10 as long as distributors are appropriately ring fenced as noted in Draft Policy Position 4. Furthermore DRET needs to consider principles for effective operation of load management product offerings by multiple parties considering appropriate consumer protection is maintained. These include:<br>• Only one party will hold explicit informed consent from a customer and be responsible for managing load control appliances, at any one time.<br>• All parties who have a customer contract, including explicit informed consent, for load management must advise the FRMP that has the contract with the customer for the sale of electricity at the connection point.<br>• New entrants and/or existing players that seek to provide offerings directly to customers must be subject to the same regulatory obligations that currently exist for retailers, thus ensuring a level playing field for all participants in the market. These arrangements would include:<br>o explicit informed consent by the customer;<br>o be bound by the marketing code of conduct; and<br>o subject to the customer protection framework and obligations of existing retailers. |
| | | 11. In principle, third parties may | The ERAA provides conditional support to Draft Policy Position 11. This is conditional on principles |

| Box number | Policy position or consultation question | Policy positions and consultation questions | ERAA Comments |
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| | | also offer DLC products and services to consumers. | being developed in accordance with Draft Policy Position 10 and issues being resolved as noted in our response to Draft Policy Position 5. |
| Box 28 | Consultation question 5.1 - third party offers of DLC | 5.1a What issues arise for third parties who are not agents of the distributors or retailers in providing DLC products to consumers for energy management purposes? | Please refer to our response to Draft Policy Position 5. |
| | | 5.1b. Are consumers sufficiently protected by these third parties' compliance with the general consumer law or should consideration be given to incorporating these functions in the energy Rules? | Please refer to our response to Draft Policy Position 5. |
| Box 29 | Draft Policy Positions 12, 13 and 14 – DLC contractual arrangements | 12. To access DLC customers will be required to enter into separate contracts with the distributor and/or retailer, and must give explicit informed consent to those contracts. | The ERAA provides conditional support to Draft Policy Position 12. This support is conditional on distributors being appropriately ring fenced from their distribution business (regulated businesses) and subject to the same regulatory conditions as retailers to enter into separate contracts (contestable market) with consumers. As retailers are the Financially Responsible Market Participants (FRMP) in the NEM, notice must be provided to the FRMP of any DLC contract entered into by the customer, inclusive of the terms. As noted in Draft Policy Position 10, DRET needs to consider principles for effective operation of load management product offerings by multiple parties considering appropriate consumer protection is maintained. |
| | | 13. For a transitional period, DLC contracts would have a maximum length of 24 months and during the transitional period, customers will have the right to exit the contract without penalty. | The ERAA provides conditional supports to Draft Policy Position 13. This is conditional that the customer remains with the existing retailer and is not as a result of switching suppliers. |

| Box number | Policy position or consultation question | Policy positions and consultation questions | ERAA Comments |
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| | | 14. In the longer-term, these contracts may contain a cost that the customer incurs for early termination of the contract. This must be clearly stated and reflective of the true cost to the business of this early cessation of the contract. | The ERAA supports this Draft Policy Position 14. . |
| Box 30 | Consultation Questions 5.2 – DLC contractual arrangements | 5.2a. Are there any unintended consequences of enabling consumers to enter into DLC contracts with one or more parties? | There will be significant negative consequences if consumers are able to enter into DLC contracts which do not receive the protections set out in the national customer protection framework. Governments and regulators have believed that a comprehensive customer protection framework is required for the retailing of energy services. Distributors and other third party providers are not currently subject to the retailing components of this protection framework. Thus, where distributors and other third parties contract directly with customers, customers will not receive the protections that government and regulators have thought necessary.<br><br>In our view DLC products should only be offered by entities with a retail authorisation under NECF. |
| | | 5.2b. What conditions need to be satisfied before the transitional arrangements (if any) can be reconsidered? | The notion of a transitional arrangement means that the arrangement is only in place for a period of transition, and so the arrangement will fall away once the transition has been made. Given the high degree of consumer protections in place, and our own proposal that all entities offering DLC should have a NECF retailer authorisation, the matter should be more one of asking if there is any need to maintain transitional arrangements. We would expect that two years is ample time for consumers and the market to acclimatise to the new products. |
| | | 5.2c. What additional consumer protections, including marketing requirements, should be placed on distributors in offering these products to their customers? | As noted above, we believe that DLC products should only be offered by entities with a retail authorisation under NECF. |

| Box number | Policy position or consultation question | Policy positions and consultation questions | ERAA Comments |
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| Box 31 | Draft Policy Position 15 – Contractual arrangements on moving premises | 15. DLC contracts will terminate when a consumer moves house, unless otherwise agreed with the customer. Terms and conditions must be clearly stated in the contract. | The ERAA supports Draft Policy Position 15. DLC contracts will be tied to a NMI and so will naturally terminate when the customer moves house. Any move to new premises will result in the negotiation of a new contract with those terms and conditions clearly identified.<br><br>As stated in our response to question 2.4 (a) terms & conditions that are to be developed should be developed as guidelines for industry. |
| Box 32 | Consultation Questions 5.3 – DLC and explicit informed consent | 5.3a Are there additional steps to those in the NECF and ACL which should be taken by parties offering DLC to ensure that explicit informed consent is obtained? | The ERAA does not consider that additional steps are required than those contained in the NECF and the ACL. |
| | | 5.3b. Should guidelines be produced to assist parties to obtain this consent?<br>5.3c. Who should develop and monitor these guidelines? | The ERAA would support such an initiative and sees some advantage in producing guidelines. This is conditional on these guidelines being developed in consultation with relevant stakeholders and do not introduce obligations outside those prescribed under the ACL and NECF. |
| Box 33 | Draft Policy Positions 16, 17 and 18 – DLC and customer exclusions | 16. Appropriate provisions would be incorporated into the NECF to ensure that DLC services would not be offered to customers registered with medical life support requirements. | The ERAA supports Draft Policy Position 16. |
| | | 17. No customer will be required to involuntary place any appliance on DLC, including as a condition of participation in a hardship program. | The ERAA supports Draft Policy Decision 17. |
| | | 18. Retailers must demonstrate that, if customers on a hardship program have agreed to a DLC service, this service is co- | The ERAA supports Draft Policy Decision 18. The ERAA also questions how other parties that do not have the same obligations as retailers will be able to demonstrate this requirement. |

| Box number | Policy position or consultation question | Policy positions and consultation questions | ERAA Comments |
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| | | ordinated with all other assistance provided to customers. | |
| Box 34 | Consultation Question 5.4 – DLC and exclusions | 5.4. Are there any groups who should not be offered DLC services? | The ERAA would support further consultation on this matter. For example, it would be reasonable to assume that individuals that are not protected by life-support provisions (such as medical cooling concession beneficiaries or their equivalent) could be outside the scope of DLC services. |
| Box 35 | Consultation Question 5.5 – Notification of load control | 5.5. Should customers be informed when load control is activated? | This is a discretionary service that may be available as an opt-in service. |
| Box 36 | Consultation Question 5.6 – DLC and manual override | 5.6. As the manual override of some DLC services may produce adverse consequences for consumers, including reduced financial benefits, is it a service which should be offered in a contract? | Yes, it is appropriate to offer this as a separate service, clearly contracted, but governed by the explicit informed consent provisions of the NECF and the ACL. |
| Box 37 | Draft policy position 19–accumulated readings on the bill | 19. In accordance with the requirements of the National Energy Retail Rules, the bill should contain an accumulated total for the start and end reads derived from the smart meter. | The ERAA does not support Draft Policy Position 19. Accumulated meters work in a different way to a smart meter, therefore the values for start and end reads derived from a smart meter are not the same. Smart meter reads are taken at half hourly intervals. If one interval reading is missed, the data cannot be retrieved. Therefore, there will be difficulty in obtaining an accurate start and end reads where the data is not complete. |
| Box 38 | Draft Policy Position 20– Time-based tariffs | 20. All TOU retail tariffs should be published as applying on the local time, rather than AEST and this should be clearly specified in the tariff information. | The ERAA does not support Draft Policy Position 20. Meters are regulated under the National Electricity Law to be fixed at AEST and there is no obligation to set tariffs against daylight savings.<br><br>Disclosure should therefore depend upon whether the Retailer / Distributor make adjustments for daylight savings. |
| Box 39 | Draft Policy Position 21 – Notification of estimates/substitutes on customers' bills | 21. In advising customers that a bill contains estimated and/or substituted data, retailers are to describe the data as 'estimated' in all circumstances. | The ERAA does not support Draft Policy Position 21. Estimation implies that a distributor has used a calculated 'guess' about a customer's usage for the purpose of billing, and that a guess is able to be corrected, through obtaining an actual meter read. However, where some data substitution occurs (actually 'final substitution) there is no ability to obtain an actual meter reading, the data is lost and the data has been substituted using a national agreed market approach. Customers with a smart meter |

| Box number | Policy position or consultation question | Policy positions and consultation questions | ERAA Comments |
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| | | | should never really have an 'estimated' bill, just a bill with lost and substituted data. Estimation will only confuse consumers. The term 'substituted' data continues to be appropriate in smart meter context, and that the use of estimated data is appropriate where a consumer has a mechanical accumulation meter.<br><br>Furthermore, under the NECF there is an obligation to provide a bill based on an "actual read" at least once every 12 months (depending on jurisdiction). If the rule is to treat substituted data as "estimated" reads, then potentially there maybe systemic breaches by a retailer under the NECF billing obligations that is beyond the retailer's control. |
| Box 40 | Consultation questions 6.1 and 6.2 - Notification to customers of estimations | 6.1. What are the costs and benefits of:<br>using a threshold approach?<br>showing the scope of any estimations on the bill? | Benefits will be that retailers will not be required to advise customers based on very minor and/or infrequent instances where data is required to be estimated/substituted. The cost would be against the wholesale aspect of the retailer to cater for estimated/substituted consumption data.<br><br>If estimation is used then there would be a benefit for a scope being applied to a bill to ensure consumers have a clear understanding of methodology used. Costs will include increased customer enquiries to retailers and customer confusion. |
| | | 6.2a. Should a threshold be applied to the reporting of the scope of estimations on the bill? | Yes, for the benefits provided in<br>6.1(a) and costs provided in 6.1(b). |
| | | 6.2b If a threshold is used how should this threshold be determined? | The Essential Services of Victoria has already determined a threshold amount for substitute reads to be approximately 2% of the customers billing cycle. The ERAA would support further consultation to determining a threshold amount, if this was the methodology that was adopted. |
| | | 6.2c. How should customers be informed of the threshold if implemented? | Customers can be informed via a message/notice on the customer's bill.<br><br>However, this may depend upon the jurisdictional requirements for billing at the time the threshold requirement are implemented. |
| Box 41 | Draft Policy Position 22 and 23 – Estimations methodology | 22. A customer's past behaviour during the previous CPP event (if available) should be used in estimating their consumption in the event of a meter failure | The ERAA provides conditional support to Draft Policy Position 22. This is conditional as for this method to apply; retailers must have access to the previous consumption data for the previous CPP event (if available). If the previous CPP event consumption data is not available, what are the alternative options? |

| Box number | Policy position or consultation question | Policy positions and consultation questions | ERAA Comments |
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| | | during a CPP event. | |
| | | 23. All customers should have the right to challenge estimated readings on the bill if they believe that the estimate is not a reasonable estimate of their likely energy use. | The ERAA supports Draft Policy Position 23 as this is consistent with the current customer rights with respect to billing disputes. However, any challenges to an estimated reading on a bill should be subjected to any jurisdictional requirements/procedures in relation to billing disputes. |
| Box 42 | Consultation Question 6.3 - Estimations methodology for critical peak pricing | 6.3a. Should changes to the metrology procedure be made to more accurately establish an estimation methodology in critical peak pricing? | Changes to the metrology procedures may depend upon the policy position to be adopted as discussed in Box 41. |
| | | 6.3b. If so, how should these changes be progressed? | Changes to metrology procedures should be progressed through the current AEMC and AEMO consultative process. |
| Box 43 | Draft policy position 24 – Monitoring of estimated and substituted data | 24. AER will having an ongoing role in monitoring the use of estimated and substituted data. | The ERAA provides conditional support to Draft Policy Position 24. The AER should assess any changes to retail performance reporting requirements only when there is a larger uptake of smart meters across the jurisdictions. To impose such obligations with a small number of smart meters will provide no benefit to the AER and will impose unnecessary compliance costs on retailers.<br><br>In the interim, the AER should be able to use current indicators to determine whether or not there are reliability issues with the metering systems – e.g. non-compliance reporting by retailers of not issuing a bill based on an actual meter read every 12 months or ombudsman complaint statistics, to name two. |
| Box 44 | Consultation Questions 7.1 and 7.2 – Objectives of consumer engagement | 7.1a. Are the objectives of the consumer engagement program sufficiently comprehensive?<br>7.2b. If not, what other objectives should be identified? | The ERAA recommends that a comprehensive review of the existing consumer engagement program is conducted. |
| | | 7.2 Are there any other issues which should be promoted in a consumer engagement program? | Consumer awareness and acceptance needs to be carefully managed. Recent analysis done by IBM shows that something as simple as understanding the basic units that they are charged, or the definition of renewable energy, was lacking in at least a third of consumers. Moving into complex concepts such as TOU tariffs or smart meters, it is estimated that 50-60% of respondents are not |

| Box number | Policy position or consultation question | Policy positions and consultation questions | ERAA Comments |
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| | | | knowledgeable of what they actually mean. Therefore an uninformed customer base can easily be influenced by incorrect information, as they don't really understand the concept or let alone the energy market.<br><br>The challenge then is how we get these customers to progress along a spectrum from being uninformed to informed, to engaged, to empowered. Furthermore it won't mean a standard message to all. Any engagement program needs to consider the different behaviours of differing customer segments. As an example in a recent worldwide survey, IBM identified that over 40% of consumers remain ready to engage or actively engage with providers – whilst 57% aren't engaged. IBM further broke this down into 4 categories<br>• 22% - Consumers that are willing to take action to address specific goals or needs in energy usage, but are constrained in doing so because of low disposable incomes<br>• 33% - Consumers that are generally uninvolved with decisions related to energy usage and uninterested in taking or unable to take added responsibility for this decision<br>• 24% - are high energy usage customers that have no budget limits, however have little or no desire to conserve energy to get actively involved in energy control<br>• 20% - that is actively engaged and involved in their energy usage and have the means to change their consumption patterns.<br>Tailored messaging is required for each segment group and these needs to be done with benefits to consumers as top of mind. Early claims that smart meters will save energy or money or reduce emissions may leave anyone making such claims in a difficult position later on. |
| Box 45 | Draft Policy Position 25 –Co-ordination of consumer engagement by Government | 25. The Commonwealth government and/or the state or territory governments should have a co-ordinating role in the consumer engagement program for the widespread installation of smart meters to enhance the understanding of the program by the community. | The ERAA supports Draft Policy Position 25. |

| Box number | Policy position or consultation question | Policy positions and consultation questions | ERAA Comments |
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| Box 46 | Consultation Question 7.3 - Role of government in non-mandated rollout | 7.3. What should be the co-ordinating role of government in a consumer engagement program in the absence of a mandated roll out? | The government should be educating consumers on the benefits of smart meters in conjunction with industry to move consumers from uninformed about energy use to empowered. |
| Box 48 | Draft policy position 26 – Involvement of stakeholders in consumer engagement programs | 26. To develop relevant strategies for the consumer engagement program and to recommend the most appropriate strategies for different customer groups and circumstances, the involvement of industry and consumer representatives is essential. | The ERAA supports Draft Policy Position 26. |
| Box 49 | Consultation Question 7.4 – responsibility for different stages of consumer engagement | 7.4a. Who should take the lead role for consumer engagement and the provision of consumer education and information at each stage of a mandated roll out? | Under a mandated roll-out initial engagement with consumers should be done by government. Messaging needs to include what the short term gains will be the long term gains, benefits to the environment and individual lifestyle. This needs to account for the fact that consumers are today uninformed about the energy industry as energy has traditionally been a low involvement category and a small part of someone's disposable income. Any engagement program needs to carefully manage consumer perceptions or misconceptions about smart meters.<br><br>Once the initial benefits are widely communicated then the party rolling out the infrastructure in conjunction with government should advise on the program, its implementation and how it impacts them (e.g. safety, radio frequency etc...).<br><br>Once meters are rolled out then retailers/third parties should be providing communication on specific products and services to enable benefits to be realised that was promised in the initial communications. |
| | | 7.4b. Does this responsibility change with a non-mandated rollout? | Yes.<br><br>Whilst Stage 1 of a mandated roll out should apply to a non mandated roll out, Under Chapter 7 of the Rules metering is contestable and managed by the FRMP (the retailer). As such in this type of scenario all stages of communication (except stage 1) should be coordinated and managed by the FRMP. |

| Box number | Policy position or consultation question | Policy positions and consultation questions | ERAA Comments |
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| Box 50 | Policy position 27 – Registering Devices on the HAN | 27. Customers will be able to register a device on the HAN without having to enter into a contract with any party | The ERAA does not support Draft Policy Position 27. While the ERAA understands the preference for customers is to not have to enter into a contract, there is likely to be a requirement that they consent to terms of some form of User Agreement (either through a retailer, distributor or third party) that includes terms covering privacy, use of a device, that the device is compliant with the smart metering infrastructure and so on. The process may be automated; however customers are likely to be subject to terms of use. |
| Box 51 | Consultation question 8.1- Registering Devices on the HAN | 8.1. Should such registration be provided at no direct cost to the customer? | Registration of a device should be provided at low or minimal cost to the customer. However, until the process matures, there may be some costs to consumers (transmitted directly on a nominal basis and/or indirectly through network or similar charges). The ERAA does not anticipate costs to be high once automated solutions for SMI and services are implemented by meter providers and meter data providers. |
| Box 52 | Draft Policy Position 28– Access Implications of Registration | 28. Registering an IHD device or other device capable of receiving and displaying metering data and logging on to a web portal provided constitutes a request for access to metering data. | The ERAA provides conditional support to Draft Policy Position 28. The ERAA agrees with the principle articulated here, however, it indicates why terms of use may be required for HAN access and binding services. The data provided may not be validated (for example if provided on a "live" basis) and therefore will not always perfectly match consumption data upon which customers are billed. Customers must be prepared to acknowledge this if registering a device is deemed to meet the requirement for access to metering data. |
| Box 53 | Consultation question 8.2 – Consumers' access to data | 8.2. Should consumers be able to access their own meter data via an IHD, web portal or similar devices free of charge? | The ERAA notes that the NECF already provides for free access to meter data under particular scenarios, supported by ERAA members. Beyond basic provision of meter data (including interval data), a range of sophistication may develop in relation to portals, IHDs and other energy information provision platforms. These innovations may not be free of charge and regulating to this effect will discourage innovation and the customisation of products to meet the needs of particular segments of customers. The provision of services that allow consumption data to be presented in different formats and with customisable functionality for comparisons with historic patterns of consumption with support from a call centre (retailer, distributor or third party) goes far beyond the NECF requirements and any cost of such a service should be determined by market forces, not regulation. |
| Box 54 | Draft Policy Position 29 – Third party access to data | 29. In accordance with current practice, consumers may authorise provision of their data to any authorised third party. | The ERAA provides conditional support to Draft Policy Position 29. The ERAA agrees this may be current practice, but the incidence of this activity is relatively low and as it grows with the development of smart metering, additional safeguards (discussed in question 8.3) may be required to manage potential privacy and related concerns. |

| Box number | Policy position or consultation question | Policy positions and consultation questions | ERAA Comments |
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| Box 55 | Consultation question 8.3– Third party access to data | 8.3. Are there any policy or regulatory changes needed to ensure that where consumers give consent to third parties to access their data this can be readily implemented? | The relevant matter is whether retailers are certain that a third party has bona fide customer consent and the evidence that may be required to support this. There is no process in place of a formal nature to manage such demonstration of consent and retailers may be required to expend resources to validate consent. Secondly, consent must be provided by the account holder for reasons of privacy and third parties aggregators of customer consent need to manage this. Retailers should not be held liable if third parties have failed to gain explicit informed consent from an account holder when seeking access to customer data. Such parties are also not currently covered by the NECF. In order to protect consumer privacy, such matters require consideration. |
| Box 56 | Draft Policy Positions 30, 31 and 32 – Messaging through the IHD | 30. Distributors can send messages on imminent power emergencies and planned interruptions, in accordance with the regulatory requirements, to consumers through their IHD without consent. | The ERAA provides conditional support to Draft Policy Position 30; conditional on whether a customer's IHD actually supports this functionality. |
| | | 31. Neither the retailer nor distributor, or any third party, can send marketing or similar information to consumers through the IHD without the customers' explicit informed consent to receive the information. | The ERAA supports Draft Policy position 31. It is not clear how the audit of explicit informed consent will be undertaken for third parties, who are not covered by the NECF or other relevant jurisdictional regulation or codes. |
| | | 32. For retailers this consent can be obtained at the entry to the contract or during the contract period. Distributors and other third parties must have clear mechanism whereby this content is obtained. All parties must be able to provide clear evidence of this informed consent. | The ERAA supports Draft Policy Position 32; the mechanisms for third parties and to some extent for distributors (to establish the granting of explicit informed consent) have not been developed and are not obligations at present. |

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| Box 57 | Consultation Question 8.4 – Messaging through the IHD | 8.4a Is it reasonable to assume that the retailer could send information on pending price increases and other changes to contractual terms through the IHD without a customer's consent? | The ERAA believes such activity would require the customer's consent. Since such products are very likely to accompany a market offer, terms of use and conditions governing information provision would be agreed to by a customer. Consent in relation to IHDs and similar devices is further required (for any provider) given any individual could access a portal or IHD, impacting upon privacy. Historically, communication of such information was via direct mail to the account holder. |
| | | 8.4b. If not, should the retailer obtain the prior explicit informed consent of the customer for using this medium for transmitting such information. | The ERAA believes that consent should be obtained. In the case of emergency messaging from distributors, retailers should have access to the nature and distribution of such messages to assist in the management of customer inquiries. |
| Box 59 | Consultation Questions 10.1 and 10.2 – Third party entry to Ombudsman schemes | 10.1 Should any party offering products such as DLC through the HAN become members of the relevant Energy Ombudsman scheme? | The ERAA supports inclusion of party's offering products such as DLC through the HAN to becoming members of the relevant Energy Ombudsman scheme. |
| | | 10.2 What are the implications and risks of this approach? | Without some form of NECF authorisation it will be difficult for the appropriate regulator to ensure that consumers enjoy the same protections awarded by NECF obligations. As such the ERAA supports further consultation for a comprehensive review of third party responsibilities as detailed in our response to Draft Policy 5. |
| Box 60 | Draft Policy Positions 33 and 34 – Customer Impacts and metering installations | 33. Low income households should not be placed in additional or unexpected financial hardship as a result of the need for electrical repairs being identified during the installation of a smart meter at their premises. | The ERAA provides conditional support to Draft Policy Position 33. It is the view of the ERAA that low income consumers should not have to bear any further costs for electrical repairs and thus potentially be placed in additional or unexpected financial hardship.<br><br>Irrespective of the smart meter installation the electrical repairs would need to be undertaken at some point to mitigate the safety issues and it is highly likely that this customer would not have wiring rectified at their own cost and would place their safety at high risk.<br><br>Any rebate to offset the repairs must be categorised dependent on remedial work required and where large repairs are required these are to be supported either by Government or some sort of concession program. The ERAA supports further consultation as to how this could be facilitated. |

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| | | 34. Jurisdictions should be responsible for determining how to assist low income customers in these circumstances, depending on the nature of their rollout. | The ERAA supports Draft Policy Position 34 and supports further consultation on viable options. |
| Box 61 | Draft Policy Position 35 – Radiofrequency Emissions and Smart Meters | 35. Consumers must be informed about the standards which apply to radiofrequency emissions in respect to smart meters, the obligations on distribution businesses to comply with these standards, the outcomes of any relevant trials, and the compliance monitoring role of ACMA. | The ERAA does not support Draft Policy Position 35. This is unnecessary and should not be a focus of smart meter education.<br><br>However as a fall-back position point 12.1 "Consideration of the Issue" of the Draft Paper states: *The Australian Communications and Media Authority (ACMA) is responsible for the development of mandatory standards regulating the performance of particular radio communications transmitting devices to protect the health and safety of persons exposed to electromagnetic radiation from the transmitter.*<br><br>The ERAA agrees with this statement and holds the opinion that a single source of information from a recognised independent regulator will provide re-assurance to users that the technology is safe.<br><br>The ACMA has the position and expertise to both provide qualified advice as well as governance around the compliance obligations. |
| Box 62 | Consultation Question 12.1 - Radiofrequency Emissions and Smart Meters | 12.1. Who should be responsible for communicating information to consumers? What role should the distribution businesses take? | The ERAA supports a position where whoever is responsible for the roll out of the smart meter infrastructure is responsible for communicating information to consumers about the safety aspects of the smart meter installed. This information should consistent across the industry and supplied by ACMA. This would help prevent conflicting and inconsistent messages to be communicated to end consumers that may arise if left to the responsible person to develop the messaging. |
| Box 63 | Draft Policy Position 36, 37 and 38 - Remote energisation and re-energisation | 36. Remote energisation and re-energisation should become the standard practice across all jurisdictions. | The ERAA supports Draft Policy Position 36. Remote energisation and re- energisation should become standard across all jurisdictions as this will ensure that all distributors and retailers will apply the same processes to ensure safe practice and mitigate any associate risks. In regards to remote energisation/re-energisation the ERAA strongly supports that further consultation is required to ascertain and address associated risks that may arise when reenergising a property. |

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| | | 37. Remote re-energisation could be carried out using the Arm or Monitor Supply functions of smart meters, depending on the jurisdictional decisions. | The ERAA provides conditional support to Draft Policy Position 37, conditional that re-energisation procedures associated with Arm or Monitor Supply should be standard across all jurisdictions. |
| | | 38. Jurisdictions should amend legislation, regulations and codes of practice to facilitate the implementation of remote energisation and re-energisation as standard practice for smart meters. | The ERAA supports Draft Policy Position 38. Legislation, regulations and codes of practices should be amended to standardise the practise for remote energisation and re energisation using smart meters. This will provide both retailers and distributors with clear guidance across all jurisdictions and will minimise the safety risks associated with remote re energisation and de-energisation. The ERAA supports further consultation with relevant stakeholders on this Draft Policy Position. |
| Box 64 | Draft Policy Positions 39 and 40 - Customer information | 39. Guidance must be provided to customers to assist them to undertake the relevant safety checks in their premises before remote energisation or re-energisation is undertaken. | The ERAA supports Draft Policy Position 39. The ERAA also supports that further industry consultation is required that establishes clear and precise information and guidelines that should be provided to any customer before a remote re-energisation and de-energisation can be performed. All parties have to ensure that a set criterion is completed before performing such an energisation and re-energisation. In regards to remote re-energisation the ERAA strongly supports that further consultation is required to ascertain and address associated risks that may arise when reenergising a property. |
| | | 40. Retailers and distributors must not remotely energise or re-energise if they are not assured it is safe to do so. | The ERAA supports Draft Policy Position 40. |
| Box 65 | Consultation Question 13.1 – Customer information | 13.1 What are the options for providing guidance to customers on their obligations regarding remote energisation and re-energisation of electricity supply? | Clear and precise information has to be provided to the customer before a re-energisation / de-energisation can occur. As example specific questions could be answered by the customer to the satisfaction of the retailer before this task can be performed. Therefore if any party is hesitant in any part of the process, then a manual re-energisation / de-energisation should be completed instead. |
| Box 66 | Draft Policy Position 41 and 42 – Customer Choice | 41. Customers may be offered the option of a manual energisation or re-energisation, which may be on a cost-recovery basis. | The ERAA supports Draft Policy Position 41. |

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| | | 42. Jurisdictions should make provisions to assist disadvantaged groups of consumers for whom remote energisation or re-energisation is not appropriate. | The ERAA supports Draft Policy Position 42. Each jurisdiction should have provisions to assist specific customer groups such as life-support customers. Such provisions should be made clear to assist consumers as to their most appropriate and safe options |
| Box 67 | Consultation Questions 13.2 – Customer choice | 13.2. What are the implications for these customer's premises being energised or re-energised using the on command or the switch on and monitor supply command? | There may be Health and Safety implications to the consumer and potential damage to the premises as a remote energisation does not provide the retailer and distributor with any visibility or assessment as to the conditions of the site - for example if there is loose wiring or any unknown works being undertaken on the premises. |
| Box 68 | Draft Policy Position 43 – Customer access to the meter | 43. Electricity retailers and/or DNSPs must develop procedures for the remote energisation or re-energisation of premises where customers do not have convenient access to their meter. | The ERAA supports Draft Policy Position 43. Additional procedures are required where there is no access to a meter. Consumers, retailers and distributors should still have the option to perform a manual re-energisation / de-energisation where it is safer and more practical to do so. A set of questions would have to be asked with the consumer to satisfy any 'no access issues'. The questions would have to be standardised for all parties to use. |
| Box 69 | Consultation Questions 13.3 – Customer access to meter | 13.3a When an energisation request is made by a customer should distributors and retailers ensure that the safety risks are mitigated by asking the customer to ensure that the main switch is turned off? | The ERAA supports the development and implementation of a set of safety criteria questions that are to be asked before a re-energisation / de-energisation is performed. If the customer does not pass the criteria then this re-energisation/de-energisation should not be performed remotely. |
| | | 13.3b. What additional requirements are necessary when customers with smart meters make a request for an energisation that a remote energisation is carried out safely? | Safety checks are to be performed between the customer and the retailer. The safety enquiries should also incorporate a set of questions to ensure there is easy access to the meter and that there are no restrictions on works being performed. |

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| Box 70 | Draft Policy Position 44 and 45 – Worker health and safety | 44. Training and communication for electrical tradespeople should be promoted to raise awareness of the possibility of remote re-energisation when electrical work is undertaken. | The ERAA supports Draft Policy Position 44. |
| | | 45. Codes of practice, guidelines and other documentation relevant to the electrical trades should be amended to recognise the possibility of remote re-energisation. | The ERAA supports Draft Policy Position 45. |
| Box 71 | Consultation question 14.1 - embedded generation | 14.1. Are there any areas in which the minimum functionality may inhibit the use of embedded generation? | As the specification of the National Smart Meter Minimum Functionality supports embedded generation than the ERAA sees no inhibitions for this service. |