

19 May, 2016

Marcus McKay
Energy Policy Branch
Department of State Growth

Sent by e-mail to marcus.mckay@stategrowth.tas.gov.au

Dear Marcus

The Tasmanian Council of Social Service (TasCOSS) welcomes the opportunity to respond to the Department of State Growth's *Advanced Metering in Tasmania – Consumer Information / Consultation Paper* that seeks feedback on consumer perspectives on the implementation of competition in metering reforms in Tasmania.

While TasCOSS supports, in principle, the move to introduce advanced meters that facilitate a range of consumer benefits, we are concerned that the costs involved in the move are essentially unknown.

The *Consultation Paper* comprehensively details the potential benefits of advanced metering to both consumers and energy businesses. However, the *Paper* is less forthcoming about the potential costs of implementing competition in metering to facilitate the introduction of advanced meters in Tasmania. This is disappointing as it is difficult, if not impossible, to make an accurate assessment of costs and benefits if the costs are unknown.

It is our understanding that there are significant costs involved for both the network and retail businesses in Tasmania to facilitate the implementation of the new metering Rule. We understand that TasNetworks has estimated approximately \$12 million in capital expenditure for IT systems is required for its initial compliance. Add to this unknown costs to Aurora Energy, along with the costs of the meters and their installation. Without knowing the exact costs, it seems likely to be an expensive exercise for Tasmanian consumers.

While TasCOSS agrees that advanced meters equipped with communications capability have the potential to benefit consumers in a range of ways, there is no guarantee if and when those benefits will be enjoyed by Tasmanian consumers.

Retail competition is expected to provide opportunities for innovative tariffs that will tap the potential of advanced metering. However, this is absent in Tasmania and, as the AEMC acknowledges, "the benefits of metering reform are likely to be lower in jurisdictions where there is an absence of retail competition" (cited in *Consultation Paper*, p3). Tasmanian consumers have already been paying the costs of retail competition without any benefits through both increased network charges and a regulated retail price stack that includes 'Customer Acquisition and Retention Costs' and other competition related costs. Were this competition in metering Rule to be implemented in Tasmania, we may find that Tasmanians will also be paying the costs of metering competition without necessarily having access to the benefits.

TasCOSS sees a number of possible risks in the ‘market-led’ roll-out of advanced meters in Tasmania. While it remains unclear how the meters will be paid for, if paid for directly by households choosing to take advantage of tariffs that require advanced meters, low-income households may be excluded due to their inability to afford the extra meter cost (as well as continuing to pay for their accumulation meter until the distributor recovers the residual value of that meter). This could result in a two-tiered system in which some households will be able to take advantage of innovative (and possibly cheaper) tariffs, while others will remain on tariffs supported by basic accumulation meters.

On the other hand, if the cost of meters is spread across all customers, this could create an undesirable cross-subsidy, as it is likely that some households will not benefit from advanced meter-dependent tariffs, such as time-of-use and demand tariffs.

TasCOSS agrees in general that the potential benefits of advanced meters as detailed in the *Consultation Paper* are both significant and valuable to consumers, including the reduction in costs and the overcoming of meter access issues provided by remote meter reading; the provision of consumption and demand data to consumers; the facilitation of innovative tariffs; the opportunity for increased billing frequency; and the possibility of improved service reliability and power quality.

However, the benefits of remote connection and disconnection are less clear. While the reduction in costs would certainly be welcome (as the current substantial costs of disconnection and reconnection can be an additional burden on households experiencing financial hardship), our member organisations inform us that disconnection can at times be avoided by the interaction between a customer and the technician who has come to manually disconnect the dwelling from supply. Human interaction at the moment before disconnection can be an important factor that avoids disconnection. This is not necessarily an argument against remote connection and disconnection, but is a factor that should be considered.

In summary, while TasCOSS is aware that there are both benefits and costs to consumers involved in Tasmania’s adoption of the competition in metering Rule, due to the lack of information provided on costs and therefore the uncertainty regarding the costs, we cannot understand how an accurate or realistic cost benefit analysis can be carried out on this issue. We therefore ask that the Department of State Growth provide all stakeholders with cost estimates based on research into the actual and total costs of implementing this Rule in Tasmania. This will allow stakeholders to understand the likely costs and be better able to contribute to this cost benefit analysis process.

Yours sincerely



Kym Goodes
Chief Executive