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SUBMISSION ON ACCELERATING THE ROLL OUT OF SMART METERS IN SOUTH AUSTRALIA

Dear Rebecca,

Energy Consumers Australia appreciates the opportunity to provide a submission to the South Australian Government on the Consultation Paper *Accelerating the Roll Out of Smart Meters in South Australia* (the Consultation Paper). Energy Consumers Australia is the independent, national voice for residential and small business energy consumers. Established by the Council of Australian Governments (COAG) Energy Council our vision is that consumers' values, expectations, and needs are met through an affordable, resilient, modern, and flexible energy system.

This vision reflects two key transitions underway in Australia's energy system. The first is a transition away from fossil fuel energy sources towards low emission, renewable alternatives. The second is a transition happening in Australian homes and small businesses as consumers choose to invest in new technologies or take steps that unlock the potential for flexibility when they use, generate and store energy. This means distributed energy (both generation and demand) will play an increasingly crucial role in the future energy system and could be used to also address risks associated with the first transition.

Smart meters are a critical part of both transitions. With significant generation capacity located "behind the meter" it is absolutely essential that electricity distribution businesses have granular and real time information on changing consumption and exports, for maintaining system security and reliability. Further, the development of intermediaries with new business models offering to optimise generation, storage and energy use for households and small businesses depends on accessing real time metering data locally at a customer's site. We understand that for customers, or intermediaries acting on their behalf, to access their data directly could require a rule change, given that the rules are principally concerned with the advanced meter being used for billing and not the value of the data to the customer.

The South Australian Government has concluded that based on the evidence the retailer-led (or what might be called the 'consumer responsibility') approach to the roll out of smart meters has failed, and unless action is taken will continue to do so.

The government considers that the expectations on smart meter roll out have not been met and more smart meters should have been deployed by now. Most smart meter installations in South Australia are related to the installation of solar PV systems and few from the expected retailer-led roll outs.

Smart meters need to be viewed as critical infrastructure for the least cost operation of the current and future grid, and not as a matter for consumer responsibility. In our view, action is required that will achieve the full roll out of smart meters to be completed in the shortest timeframe possible and provides the best opportunity to mitigate the costs for consumers associated with the roll out.



It is for this reason, that we propose a new alternative option for increasing the speed and proliferation of smart meters – that the Government initiate a contracted, widespread roll-out of smart meters to be completed by a target date. In our view, this approach would be a more effective roll out, allowing faster implementation and at lower cost, while also being more effective at developing a social licence. Our submission below outlines our reasoning in greater detail.

A consumer perspective on smart meters

In our submission to the Australian Energy Market Commission (AEMC) Directions Paper on the *Review of the Regulatory Framework for Metering Services*,¹ we highlighted that clear, accessible, and real-time data is essential to enable consumers to beneficially manage their energy use, to make effective use of distributed energy resources and to participate in demand response. For those reasons, we agree with the South Australian Government that the current rate of installation of smart meters needs to increase.

There are two critical issues that we want to bring to your attention, before proposing an alternative option to those canvassed in the Consultation Paper.

Firstly, accelerating the roll out of smart meters does not guarantee any improvement on the current lack of benefits for consumers. It is not clear that a higher proliferation of smart meters will deliver the assumed services or benefits that consumers will value. In Victoria, with almost complete penetration of smart meters, consumers are no more likely than in other jurisdictions to feel positive about their meter.²

Secondly, despite this lack of benefits consumers can still bear large and unanticipated costs associated with meter installation. Consumers who require upgrades to their metering boards or household wiring are often left with large payments that they had not expected placing a burden on those consumers who cannot afford this payment upfront. If the roll out of smart meters were to be accelerated this issue would need to be addressed through financial support such as no interest loans or subsidies for low-income households for those who require upgrades.

In our submission to the AEMC, we also highlighted the need for a social licence for the successful roll out of smart meters. In 2020, we worked with CutlerMertz to establish a framework that can be used to build a social licence between energy institutions and consumers³.

The key elements in establishing and maintaining a social licence is consumer choice (in terms of ability to opt-out) and ensuring the private benefits outweigh private costs. Without a social licence, the risk of non-compliance and poor community acceptance is high, limiting the overall impact a roll out of smart meters can have. We see a social licence as essential to the acceleration of a smart meter roll out as increasing the speed and proliferation of smart meters across communities will require consumer acceptance and buy-in.

Options to accelerate the roll out

As highlighted above accelerating the roll out will require a social licence, which means addressing the current imbalance between the large potential costs consumers face when installing a meter compared to the limited benefits. With this in mind, we have considered the four options for acceleration presented in the Consultation Paper.

¹ https://www.aemc.gov.au/sites/default/files/2021-11/rule_change_submission_-_emo0040_-_eca_-_20211103.pdf

² https://www.aemc.gov.au/sites/default/files/documents/newgate_research_full_research_report_-_metering_review.pdf

³ <https://energyconsumersaustralia.com.au/publications/social-licence-for-control-of-distributed-energy-resources>



The four options proposed are:

1. Require the use of smart meters for small customers' controlled loads within five years, noting that currently only 190,000 customers are on controlled load (in the case of hot water systems, these have to be manually set);
2. Require replacement of a certain percentage of small customers' type 6 meters each year.
3. Require replacement of small customers' type 6 meters once they have reached a certain age, for example, 30 years.
4. Require small customers' type 6 meters to be replaced when a demand response-capable appliance is installed at their premises.

Amongst these options, Option 3 is our preferred option. This is also our preferred option of those presented by the AEMC. As we recognised, there would be benefits in terms of reduced cost of meter testing and a level of certainty or planning as certain fleets of meters 'expire'. In our view a 10-year life would be more appropriate than a 30-year life in the context of an energy system that requires more dynamic balancing of supply and demand. In order to recommend a certain age for meter replacement, further data on the size and age of current meter fleets in South Australia would be required, as well as setting a date by which smart meter functionality is essential to mitigating the need for curtailment and avoiding over-investment in assets in front of the meter.

Of the options in the Consultation Paper, Option 4 is our least preferred. It's not clear from the Consultation Paper at what stage in the residential or small business customer journey of buying a demand response-capable appliance they would be informed that they need to install a new meter as a consequence. This could create confusion and frustration for customers and potentially further reduce trust in the energy industry. It is also unclear how it solves the problem for residential and small business consumers who are renting their premises. Unless there is a clear and upfront process to build a social licence through awareness and understanding, there could be significant pushback from customers. Similarly, the same issues could arise with Option 1. For those with limited finances, having to install a new meter represents an added cost to buying an appliance. Air conditioning – a demand response-capable appliance – is increasingly critical for creating comfortable, safe and healthy homes as temperatures become more extreme and air quality worsens e.g. as a result of bushfires. We would not want the need to install a new meter to become a barrier for those with limited financial resources to achieving a healthy and safe home.

There is one option that has not been canvassed, either in this Consultation Paper or in the AEMC's Review, and that is that the Government initiate a contracted, widespread roll-out of smart meters to be completed by a target date. This would mean that the smart meter roll out would no longer be retailer led, as it has demonstrably failed as a policy mechanism. We agree that with the reasons that the South Australian Government has sought to accelerate the smart meter roll out, and the underlying rationale for proposing Option 1 and Option 4, though they raise a number of questions for how they apply to households and small businesses, depending on whether they are tenants or owners.

In proposing an alternative option – that of a contracted, widespread roll out – the concerns that consumers have can be addressed, as part of the program. This widespread roll out option (Energy Consumers Australia's preferred option):

- would not be retailer led, and instead would be contracted to a party by the South Australian Government;
- could be presented to consumers as necessary to modernising the energy system;
- could be contracted to be more cost effective than the targeted roll outs that impose consequential and unanticipated costs on consumers;



- could allow for financing mechanisms to be provided to enable electrical upgrades and rectifications (such as for asbestos) where needed; and
- means the program can be planned, and all meters replaced within an earlier timeframe than the options put forward in the paper, in much the same way digital replaced analogue broadcasting.

In our view Australian energy consumers are most concerned about the future of energy affordability and sustainability⁴. Smart meters have the potential to help address both concerns through enabling the efficient management of the grid. Only the alternative option that Energy Consumers Australia has proposed provides certainty for all homes and small businesses to have a smart meter installed and is able to mitigate the costs and disruption for landlords and consumers.

Thank you again for the opportunity to provide a submission to the South Australian Government Consultation Paper. Should you have any questions about our comments in this submission, or require further detail, please contact Marie Harrowell by phone at +61 2 9220 5500 and by email at marie.harrowell@energyconsumersaustralia.com.au.

Yours sincerely,

Lynne Gallagher
Chief Executive Officer

⁴ <https://ecss.energyconsumersaustralia.com.au/sentiment-survey-june-2021/featured-content/>