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ENERGY CONSUMERS AUSTRALIA SUBMISSION ON METERING REVIEW DIRECTIONS PAPER

Dear Alisa,

Energy Consumers Australia appreciates the opportunity to provide a submission to the Australian Energy Market Commission (AEMC) Review of the Regulatory Framework for Metering Services Directions Paper. We would also like to acknowledge the AEMC for the opportunity to partner with them on the consumer research, undertaken by Newgate Research, included as part of this review. This review is a critical opportunity to develop upon a framework currently not delivering desired outcomes for consumers or other stakeholders.

Energy Consumers Australia is the independent, national voice for residential and small business energy consumers. Established by the then Council of Australian Governments 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, a transition away from a dependance on fossil fuels as an energy source towards a future that generates energy through renewable, low-emissions sources. The second is a transition happening in thousands of Australian homes 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.

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 these reasons we agree that the current rate of installation of smart meters needs to increase. However, we would highlight that:

1. Accelerating the rollout of smart meters does not guarantee any improvement on the current lack of consumer benefits and presumes that the data that the smart meter could provide to consumers is the data that they need.

   Currently, consumers are hesitant to install smart meters because they do not see the benefits outweighing the costs.[1] It isn't clear that even with the full penetration of smart meters, that the assumed services or benefits are those that consumers will value. If the AEMC chooses to accelerate the rollout addressing the lack of direct benefit for a consumer must be a key priority.

2. Despite the lack of direct benefits, consumers can still bear large costs associated with installing a smart meter.

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

These costs are extensive for consumers who require upgrades to their metering boards and wiring to be able to install a smart meter. The cost of these upgrades can be unexpected and/or place a large burden on consumers who may not be able to afford the upfront payment. An accelerated roll out would require that consumers have access to financial support and assistance to fix what could potentially be a serious safety concern. Consumers also face non-financial costs associated with installing a smart meter. Poor coordination of the installation process and lack of a of single point of contact for support has resulted in frustration and large amount of time spent on behalf of the consumer[2].

We would support the acceleration of the roll out of smart meters if the direct costs and benefits to consumers are explicitly resolved. In doing so, we would encourage the AEMC to establish a social licence for the roll out of smart meters.

Accelerating the roll out requires a social licence

In 2020, we worked with CutlerMertz to establish a framework that can be used to build a social licence between energy institutions and consumers[3]. The key elements in establishing and maintaining a social licence are consumer choice (in term of ability to opt-out) and ensuring the private benefits outweigh private costs. Under the current metering framework consumers can opt-out of a retailer-led smart meter roll out. However, we understand that generally, retailers have already removed the ability to opt-out of a retailer-led smart meter roll out for majority of consumers who are on a market contract. This means addressing consumer costs and benefits are even more critical in building a social licence. Without a social licence the risk of non-compliance and community non-acceptance is higher, limiting the impact smart meters can have.

The experience with the Victorian mandated roll out of smart meters indicates that an accelerated roll out under any of the four potential options proposed by the AEMC will not address consumers costs and benefits alone. In Victoria, despite the high penetration of smart meters, Newgate Research found consumers were no more likely to feel positive about smart meters compared to other jurisdictions[4]. Without a social licence the high proliferation of smart meters meant the benefits in Victoria were never fully realised. The risks of the failure to establish a social licence are further explored in our report Social Licence for DER Control:

“The failure to achieve a social licence, or the loss of a social licence, can have lasting impacts on consumers, impacting the success of any future DER control programs. A useful example in this context is the Victorian AMI roll out, labelled as a policy failure due to at least a perception of there being “more detriments to consumers, or costs to consumers as the result of the project as a whole, compared to the benefits. The failure to achieve, or the loss of a social licence in this context, has had lasting impacts on smart meter deployment policy in Australia.”

One clear direct cost to the consumer which must be addressed in working towards a social licence is the remediation of site upgrades. Recognising that this is potentially beyond the remit of the AEMC, we would encourage the AEMC to work with jurisdictions to establish better protections and support for consumers who require metering board upgrades as part of their smart meter installation. Poor wiring is a safety issue and consumers should be provided with information and support to understand

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

the options available if they cannot afford the upfront costs. With the introduction of a backstop date or target and a greater push for retailer-led roll outs of smart meters, consumers may find themselves in a situation of having to pay for upgrades they didn't even realise they needed. Similarly, if small customers' ability to opt-out from a retailer-led roll out is removed, there needs to be financial protections in place for consumers.

Time spent chasing up delays and poor communication when it comes to installation is another cost to consumers that needs to be addressed. As will be discussed later in this submission, the role and responsibilities of the various parties involved in smart meter installation are confusing to consumers, which causes frustration. Clear and consistent communication is critical to a positive experience for the consumer. Although Newgate Research found that poor installation experiences were the minority[5], there is a risk this would is sure to be amplified with an accelerated roll out.

Options to accelerate the roll out

We have considered the four potential options for an accelerated roll out proposed in the Directions Paper. The first option is to improve incentives, which we believe needs to be done regardless. We provide further thoughts on this in the remaining sections of this submission.

The second option, to require meters to be replaced once they have reached a certain age, is our preferred option. Setting an expiry date on old meters could potentially reduce meter testing costs and assist in realising the benefits of a high rate of smart meter installation without having to remove the consumer's ability to opt-out of a retailer-led roll out. As only a small percentage of consumers have this ability (as discussed above), we consider this would make little difference to the overall speed of the roll out but would avoid causing additional stress and cost on behalf of these consumers. Instead, an aged replacement of meters could allow retailers to systematically replace meters that have 'expired' without removing this right. We would welcome further elaboration on what could be an appropriate age, to complete 100% smart meter penetration, within set timeframes.

Alternatively, the backstop date option has more in common with the analog to digital transition for television, and as such might provide a focused window in which changes can be made and consumer issues resolved. Our least preferred option is the third option, to require set targets for the roll out.

Addressing the lack of consumer benefits

The Competitive Metering Framework that commenced in 2017 has not delivered upon expected consumer benefits. The key value of a smart meter to consumers is not that they facilitate easier billing, or that networks can use this data to make efficient investment decisions. The value for consumers is that granular data, can unlock a service or product that they value, whether this is a service provided though an aggregator or a directly through an app or a portal. Newgate Research's findings tell us that consumers would value access to dollar usage in real-time[6]. This is also found in our Energy Consumer Sentiment Survey that 60% would reduce their electricity consumption if they had access to their overall energy usage and a breakdown of appliance energy usage. While smart meters are capable of collecting this data on a now 5-minute basis, what is missing is an appropriate data access framework which can provide consumers with the tools and services that they value.

[5] https://www.aemc.gov.au/sites/default/files/documents/newgate_research_full_research_report_-_metering_review.pdf
[6] https://www.aemc.gov.au/sites/default/files/documents/newgate_research_full_research_report_-_metering_review.pdf

The Directions Paper notes the concern raised by multiple stakeholders that smart meters might not be the right device to deliver wider consumer benefits in the form of improved and/or innovative energy products and services. The rapid development of technology has resulted in third party hardware and services such as home energy management systems that can provide energy consumption and usage information. In our view smart meters remain critical in unlocking the full potential for consumers investments as they enable interaction with the grid and energy market. What is needed is appropriate access to the data which they collect to facilitate the services that would enable consumers to benefit from future interaction with the energy system. In saying this we would still like to encourage the AEMC to remain aware as part of their review of the developing state of technologies and services available to consumers that exist outside of smart meters. These additional services could complement and strengthen consumer benefits from smart meters and assist in enabling outcomes such as a two-sided market where consumers can actively participate in the NEM.

In addressing the current lack of consumer benefits, we encourage the AEMC to ensure all the potential barriers to services that can be provided via, or leverage off, a meter are removed. This includes working with jurisdictional governments to ensure smart metering requirements and regulations are aligned with the AEMC's smart metering framework. This could include ensuring appropriate and consistent remote connection requirements are in place across jurisdictions. Removing these barriers and inefficiencies will hopefully create the right incentives to see consumers provided with better access to more benefits and services enabled by smart meters.

In solving for consumer benefits, it may also be useful to draw upon similar retailer-led roll outs with installation targets such as in the UK. In the UK steps were taken to ensure consumers were able to access their energy data from their smart meter. Retailers were required to offer consumers an In-Home Display (IHD). While the type and variety of the device differed depending on retailers, these were provided to all smart meter customers as a minimum[7]. A survey from the Department for Business, Energy & Industry Strategy in the UK suggests that the uptake of these devices has been positive with 95% of consumers taking up the IHD offer and after a year 8/10 still have their IHD plugged in and in use[8].

We acknowledge a direct comparison is not possible between the two rollouts and we are not suggesting the specific path of IHDs. We draw upon the UK example as it shows that being mindful of the consumer experience and taking active steps to try and better it has led to greater consumer acceptance. In the UK, 74% of consumers are very or fairly satisfied with their smart meter[9] compared with Newgate Research's findings from the Australian context where 57% of residential and 73% of small business consumers feel somewhat or very positive about their meter[10].

Aligning incentives

Consumers need a single point of contact and clear information on who to contact for any questions or concerns they may have on their smart meter. The Directions Paper suggests that allowing multiple parties to become responsible for metering my help align incentives (3.2). This change would need to be implemented alongside a single point of contact for consumers. Submissions made by multiple stakeholders, including retailers and ombudsmen, to the AEMC consultation paper released in

[7] https://www.ofgem.gov.uk/information-consumers/energy-advice-households/getting-smart-meter
[8]https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/830668/smart-meters-benefits-realisation.pdf
[9]https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/830668/smart-meters-benefits-realisation.pdf
[10] https://www.aemc.gov.au/sites/default/files/documents/newgate_research_full_research_report_-_metering_review.pdf

December 2020 point out that the current complexities of the metering framework has already resulted in poor customer experiences, especially when it comes to installation issues such as delays[11]. This is why clear communication on where consumer can access support would be a critical consideration in the suggestion of multiple parties undertaking metering services.

Enabling appropriate access to data from meters

While we don't have specific views on the data access options provided by NERA Consulting in the Directions Paper, we do see enabling data access at the point of the meter as crucial to solving for consumer benefits. Currently aggregators do not have access to the real time data collected by smart meters that would enable the delivery of consumer services and benefits. Without access to local meter data future energy market services such as orchestration of behind the meter distributed energy resources will impacted, limiting consumer benefits.

Amendments to the installation process

We strongly support the AEMC's proposal to require retailers to provide an information notice to consumers prior to smart meter installation. Results from Newgate Research's results reflect how critical information is in enabling positive consumer outcomes. In terms of what this information should include, the recommendations made in the Directions Paper (C.1.1) are comprehensive. Equally critical to the content of the information is ensuring it is accessible, in terms of ensuring culturally and linguistically diverse communities have access in multiple languages and that it is available in both digital and hard copy form.

We would like to express our support for the proposal made in the Directions Paper that would enable consumers to request a smart meter from their retailer for any reason and that retailers are required to follow through on this request. If consumers are denied a request for smart meter due to individual retailers' discretion this may cause additional confusion and frustration for the consumer, who is actively choosing to participate in the roll out.

In response to the AEMC's suggestions to support a more efficient deployment of smart meters we do not hold a specific view on multi-occupancy installations, however, would encourage the AEMC take an approach that ensured clear and accessible information was provided to all consumers impacted. We hold the same view towards the suggested reduction of notices for a retailer-led roll outs and caution reducing notices may impact a consumers installation experience.

In terms of the suggestion to remove the ability of small customers to opt-out from a retailer-led roll out we would encourage the AEMC to consider all potential alternatives to adopting this position. For example, as mentioned above, the aged replacement of meters option could present an alternative. Placing an 'expiry date' on old meters would replace outdated technology whilst ensuring customers still have the ability opt out of a retailer-led installation. We see this as a preferable solution as removing the ability of small customers to opt-out would currently only apply to a small group of consumers and therefore have minimal impact on the acceleration of the roll out whilst potential causing frustration and costs to consumers.

[11] https://www.aemc.gov.au/sites/default/files/documents/rule_change_submission_-_emo0040_-_agl_energy_-_20210211.pdf

Vulnerable consumers

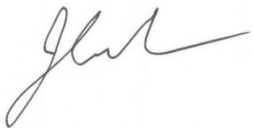
Currently, there is large unrealised potential for services to be developed which use smart metering to support vulnerable customers. Easy and convenient access to energy usage data is critical not just for consumers with DER but also for those who can find ways to economise. Energy usage data made easily accessible and convenient for consumers can help them plan for and reduce their energy costs. The roll out of smart meters in the UK saw some retailers develop innovative new services tailored to vulnerable consumer needs which made considerable impact on the ease at which they managed their payments[12]. In addition to close to real time data access, smart meters can also help vulnerable consumers understand what retail tariff structure might provide the lowest cost and most suited service for them.

Concluding comments

When asked about the potential challenges for the future Australian energy system, consumers are most concerned about affordability followed by the transition to renewable energy to prevent climate change[13]. The roll out of smart meters can help address both affordability and environmental concerns by encouraging flexibility in demand and more efficient management of the grid. This is why we support additional measures to accelerate the roll out. However, as we have outlined in this submission, an accelerated roll out will not guarantee that the large private costs consumers currently face and lack of direct benefits they receive in return will be resolved. We strongly suggest the AEMC prioritise addressing this imbalance and establish social licence in accelerating the roll out.

Thank you again for the opportunity to provide a submission to the Directions Paper for the Review of the Regulatory Framework for Metering Services. 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,



Jacqueline Crawshaw

Director of Policy, Energy Services and Markets

[12]https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/830668/smart-meters-benefits-realisation.pdf

[13] https://ecss.energyconsumersaustralia.com.au/sentiment-survey-june-2021/featured-content/