

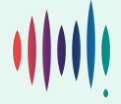
AEMC

Accelerating smart meter deployment

Directions Paper – Customer Safeguards

Submitted by: Melissa McAuliffe

DATE: 12/09/2024



Key Recommendation

Conduct an evidence-based review before the explicit informed consent period begins to end for consumers.

Introduction

We thank the AEMC for the opportunity to respond to the *Accelerating smart meter deployment directions paper*. As the national voice for household and small business energy consumers, we advocate for an energy system that is affordable, clean and reliable, and which recognises the diversity of people's needs.

We support the accelerated rollout of smart meters, as they provide essential infrastructure for a more efficient and responsive energy network, helping to create a more cost-effective system for consumers. Smart meters also give consumers tools to better manage and control their electricity bills. However, the smart meter review has raised concerns, and we have been strongly opposed to maintain rules that allow consumers to be automatically placed on cost-reflective pricing plans, particularly without their informed consent or proper notice.¹

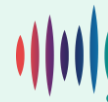
We commend the AEMC for addressing stakeholder feedback on the draft determination and the concerns on pricing practices, and for reopening consultation to strengthen safeguard measures. We are encouraged by the recognition that consumers will need time—and access to their electricity data—to effectively respond to cost-reflective pricing. However, the directions paper falls short in acknowledging a crucial point: many consumers simply do not have the ability, capability or desire to change their energy usage patterns. A three year 'grace period' even with access to consumption data will not change this.

As part of the three-year explicit informed consent period, it is prudent and necessary for the AEMC to conduct a review prior to automatically reverting to mandatory network tariff assignment, that demonstrates why explicit informed consent needs to end. This will ensure safeguard measures are fit for purpose in the short and long term, and protect all consumers, not just those who are able to adapt. As this review can be developed and actioned alongside the rollout, it should have no impact on the proposed acceleration timelines.

In the following section, we offer a series of questions for the AEMC to consider as part of the review and highlight those we believe are crucial for its success.

We appreciate the AEMC's work to improve consumer outcomes through the smart meter rollout. The success of the rollout hinges on delivering a positive consumer experience, which must be given adequate time and attention. It's essential that the AEMC avoids rushing key processes or narrowing its focus, as doing so could undermine consumer trust in both the rollout and the broader energy transition.

¹ Our submission to the Acceleration of smart meters draft determination provides our rationale for this view <https://energyconsumersaustralia.com.au/wp-content/uploads/submission-doc-aemc-smart-meter-draft-determination.pdf>

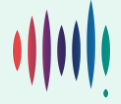


If there are any questions with regards to this submission, please contact Melissa McAuliffe (Executive Manager, Advocacy and Policy) via email at melissa.m@energyconsumersaustralia.com.au

Sincerely

A handwritten signature in black ink, appearing to read "Brian Spak".

Brian Spak
General Manager, Advocacy and Policy



The AEMC should conduct an evidence-based review to demonstrate that ending the explicit informed consent period is in consumer interests.

The AEMC has proposed a three-year explicit informed consent period beginning when a customer receives a smart meter. This measure is intended ‘to restore customer choice in billing, reduce the risk of bill shock from unexpected retail tariff changes, and minimise risk to consumers who are not equipped to understand or respond to such tariff changes.’²

While the three-year period marks an improvement over previous safeguards, it still operates on the assumption that shifting all households and small businesses to cost-reflective pricing is necessary at some point. This position also appears to assume that no future regulatory or policy changes will significantly impact the proposed safeguards, particularly the explicit informed consent period.

To fully address the long-term or even medium-term interests of consumers, the AEMC must conduct a timely, evidence-based review to prove whether ending the explicit informed consent period is justified and the best pathway forward.

Rationale

The AEMC notes that cost reflective network tariffs are important in supporting distribution network service providers to ‘effectively build and maintain the network at an efficient price for consumers, which to be effective need consumers to receive and respond to signals.’ This in our view, is a position that requires careful consideration and scrutiny.

ECA recently reported that ‘cost reflective’ network tariffs do not necessarily reflect the true nature of distribution network costs. Nor has it been made clear if transferring all customers to a ‘cost reflective’ network tariff leads to lower energy network costs for consumers, compared to an opt-in arrangement.³ In our submission to the draft determination, we noted that we would like to see the energy market work as intended and produce products and services that entice people to opt into cost reflective pricing options, instead of penalising people who are unable to change the way they use energy⁴ – especially if there is scant evidence to suggest it’s necessary to do so.

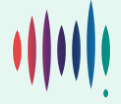
Recently we undertook qualitative research to find out what people think about time of use pricing. We found that most were strongly against making time of use mandatory, but that if it fit within their lifestyle and available resources, there was indication of support.⁵ This indicates the importance of choice and control to better enable uptake and a positive response to cost reflective pricing.

² Page 10 of the AEMC Directions paper - Acceleration of smart meters 2024 <https://www.aemc.gov.au/news-centre/media-releases/aemc-proposes-stronger-consumer-safeguards-smart-meter-rollout#:~:text=A%20new%20explicit%20informed%20consent,customer%20receives%20the%20smart%20meter.>

³ [report-cost-reflective-network-tariffs-arent-cost-reflective-5.pdf \(energyconsumersaustralia.com.au\)](https://energyconsumersaustralia.com.au/wp-content/uploads/submission-doc-aemc-smart-meter-draft-determination.pdf)

⁴ Energy Consumers Australia, submission to the AEMC – Draft determination acceleration of smart meters <https://energyconsumersaustralia.com.au/wp-content/uploads/submission-doc-aemc-smart-meter-draft-determination.pdf>

⁵ Energy Consumers Australia ‘time of use pricing, a good deal for consumers?’ Blog 2024 <https://energyconsumersaustralia.com.au/news/time-of-use-pricing-good-deal-consumers>



The AEMC outlines in the paper the rationale for including a three-year period but offer limited evidence for why it is necessary to take the protection away at all. It needs to be made clear why ending a new consumer safeguard is the right decision for consumers.

Broader issues cannot be considered in isolation

While we recognise that not every policy issue can be addressed or resolved simultaneously, failing to account for the influence or outcomes of several relevant reviews expected within the three-year period will limit the safeguards' effectiveness and value. Chair Anna Collyer acknowledged the connection between the pricing and smart meter reviews, stating "*we will be extremely mindful of how any changes we make in the context of the smart meter rule change will need to transition to a future world we are considering.*"⁶ The AEMC notes in the directions paper that the pricing review is a 'broad, forward-looking review...(and) will address the diverse needs of customers.' It is therefore problematic for the AEMC to make decisions on explicit informed consent requirements and automatic assignment of pricing structures before this major review has started. (That noted, we respect the AEMC's desire to introduce the proposed enhanced safeguards as quickly as possible given that the smart meter rollout is gathering pace.)

There are other reviews that we consider also warrant close consideration in the context of the proposed safeguards:

- *Access to real time data for consumers and their authorised representatives* rule change proposal⁷ has been flagged to begin in November. The AEMC note one of the benefits of the three-year period is enabling a consumer the ability to accumulate data and better understand their energy usage and patterns. Consumers having easy, simple and free access to their real time data is vital for this outcome. However, what access to real time data looks like for consumers is unknown at this stage.
- *AER review – Payment difficulty protections in the National Energy Customer Framework*. In this review ECA raised the concept of a 'social tariff' and its potential value in delivering sustainable outcomes for all consumers.⁸ This concept or equally other forms of innovative tariff design⁹ as either explored in this review, or within the network tariff reform review, again may change the landscape in two- or three-years' time.

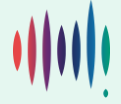
While we respect and appreciate the intent to introduce the safeguards to constrain mandatory assignment. We remain concerned that imposing a limit of three years on the requirement for explicit informed consent may later prove hard to remove – even if the processes mentioned above recommend this. If, on the other hand, the intent is that explicit informed consent is not to be part of the future equation at all – and, by extension, all consumers will thus be subject to time of use tariffs for all (or some?) of their connected appliances – then this alters the scope and ambition of a number of reviews considerably.

⁶ Chair, Anna Collyer, Energy Week 2024 Keynote speech <https://www.aemc.gov.au/news-centre/speeches/keynote-supporting-consumers-journey-net-zero-no-hero-walks-alone>

⁷ Energy Consumers Australia, rule change proposal 'Access to real time data for consumers and their authorised representatives.' 2024 <https://www.aemc.gov.au/rule-changes/real-time-data-consumers>

⁸ Energy Consumers Australia, submission to the AER Issues paper 'Review of the payment difficulty protections in the National Energy Customer Framework 2024' <https://energyconsumersaustralia.com.au/wp-content/uploads/submission-doc-aer-issues-paper-review-payment-difficulty-protections-national-energy-customer-framework.pdf>

⁹ Such as introduced in California that reduces usage charges and offers discounted fixed charges for low-income households. <https://energyconsumersaustralia.com.au/wp-content/uploads/report-cost-reflective-network-tariffs-arent-cost-reflective-5.pdf>



Review considerations to ensure safeguard measures are fit for purpose

We acknowledge that time of use tariffs, and the pricing signals they allow, have been a regulatory ambition for at least the last decade. Our statements above should not suggest that for consumers well positioned to respond to signals, such tariffs are not valuable and, in many cases, preferred. Our concern is twofold:

- We know there is a large cohort of consumers who – for many and varied reasons – are unable to respond to signals, including for the simple reason that their lives and circumstances mean there is little to no flexibility in when they use energy or even how much they consume.
- In the absence of other policy initiatives to assist this cohort (and much deeper empirical knowledge about their number, situations and the precise impact of peak pricing), explicit informed consent is really the only consumer protection that prevents sustained price shock via mandatory assignment of time of use tariffs.

To investigate further these concerns, we recommend a review that answers the following:

- Based on the evidence and insights gathered through consultation, why is it necessary for all small customers to: a) be assigned a cost-reflective network tariff, and b) have this tariff automatically passed on to them by their retailer without requiring explicit informed consent?
- How does this position affect equitable outcomes for consumers?

The following considerations are important, in our view, prior to enshrining a removal of explicit informed consent:

- How many customers are left to roll onto smart meters? How many of those are listed as needing remediations? We note that a supporting framework for consumers who require remediation has not been determined, and there may be customers who may fall outside the 2030 rollout period because they need additional time or support¹⁰.
- How has the rollout performed from a consumer perspective? What does customer sentiment look like? This will also help the AEMC understand the impact (positive or negative) of the rollout on social licence and trust.
- What has been the uptake of cost reflective retail offers vs flat retail offers? Has this been influenced by new innovative products on the market? What has been the feedback or complaints?
- What change has there been to network utilisation and to what extent have cost-reflective tariffs impacted it?
- How are networks calculating long-run marginal costs and can those calculations be validated? To what extent do cost-reflective network tariffs imposed on households and small businesses reflect the calculated long-run marginal costs of the network?

¹⁰ The paper states that the EIC period is for customers who have a smart meter installed between 1 January 2025 through to 31 May 2031. We recommend the AEMC consider a grace period of new installations from up to 2035, or a term that seems reasonable to ensure customers who may fall out of intended period due to remediation requirements are protected and supported.

- What services or support tools are available to consumers to help understand and manage their energy use? What impact has the consumer access to real time energy data rule change had or will have on the market? Additionally, the Victorian Auditor General's 2009 review¹¹ of the Victorian rollout made recommendations that more needed to be done to help consumers 'better understand and control their household consumption.' Following this, after their own review of the program the Victorian Government introduced measures such as subsidising in-home display units through the Victorian Energy Efficiency Upgrades program.¹²
- Has the default market offer been used as a protection measure, and not as a 'choice' of a flat retail pricing offer?¹³
- What other changes have occurred that may increase or decrease a consumer risk of higher bills with a cost reflective retail offer? For example, are mandatory rental standards in place or having an impact? has there been a shift in working patterns – in order to better pre-heat or pre-cool?¹⁴

Final comments

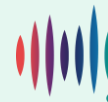
The energy system is evolving in real time, with no rule book and little precedent. Regulation must be adaptable to this changing landscape. While this won't always be easy, the proposed safeguard measures offer a prime opportunity to show how flexible, interim reviews can lead the way. We commend the AEMC for intervening in the smart meter rollout to ensure that consumers are not further moved to adverse tariff and pricing structures without their knowledge or consent. That noted, we urge the AEMC to be bold and foster an open, data-led conversation about what truly serves consumers' interests beyond the proposed three-year timeframe—and ultimately strengthens the 'new' energy system as a whole.

¹¹ Victoria Auditor-General 'Towards a 'smart grid'—the roll-out of Advanced Metering Infrastructure', 2009 <https://www.audit.vic.gov.au/sites/default/files/20150916-Smart-Meters-presentation.pdf>

¹² Consumer Action Law Centre, Public education the key to realising the benefits of Victoria's smart meter rollout Media release, Dec 2011.

¹³ The DMO is not designed to be the best offer available and is set deliberately higher to encourage consumer engagement. It is not appropriate for the DMO to be used as a tool to give consumers with a smart meter 'effective choice' of a retail tariff. The Australian Energy Regulator 'Default Market Offer – Draft determination' 2024 <https://www.aer.gov.au/system/files/2024-03/AER%20-%20Draft%20determination%20-%20Default%20market%20offer%20prices%202024%E2%80%9325%20-%2019%20March%202024.pdf>

¹⁴ [report-cost-reflective-network-tariffs-arent-cost-reflective-5.pdf](https://www.energyconsumersaustralia.com.au/report-cost-reflective-network-tariffs-arent-cost-reflective-5.pdf) (energyconsumersaustralia.com.au)



The national voice for residential and small business energy consumers



PO Box A989,
Sydney South NSW 1235
T 02 9220 5500

energyconsumersaustralia.com.au