



Energy Consumers Australia

Alex Tay
Director, Industry Policy
Department of State Growth
10 Murray Street
HOBART TASMANIA 7000

By email: Alex.tay@stategrowth.tas.gov.au

ABN: 96 603 931 326

Suite 2, Level 14, 1 Castlereagh Street
Sydney NSW 2000

19 May 2016

Dear Mr Tay

ECA submission on metering contestability in Tasmania

Energy Consumers Australia (ECA) thanks the Department of State Growth (DSG) for the opportunity to provide a submission on the Tasmanian Government's consideration of new rules on advanced electricity metering contestability. This submission is made in addition to (and is consistent with) comments made by ECA in the forum held in Hobart on 29 April 2016.

ECA's overriding concern is the promotion of the long term interests of Tasmanian small business and residential consumers by those consumers having access to a vibrant market for new energy services. The intention of the Australian Energy Market Commission (AEMC) in making rules to allow competitive provision of advanced metering is to give consumers greater access to those new services. Services such as real time consumption data, aggregated demand response and remote control of appliances are all supported by advanced meters. ECA hopes that Tasmanian consumers will be able to access these benefits in a timely manner.

The long term interests of consumers

The National Electricity Objective (NEO) of the National Electricity Law (NEL) is 'to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers with respect to price, quality reliability, safety and security of supply'.

Promoting the long term interests of consumers (LTIC) is the principle objective of the Australian Energy Markets Agreement (AEMA) and is the objective specified for ECA.¹

¹ See ECA Constitution, Section 4.1(a) "To promote the long term interests of Consumers of Energy with respect to the price, quality, safety, reliability and security of supply of Energy services by providing and enabling strong, coordinated, collegiate evidence based consumer advocacy on National Energy Market matters of strategic importance or material consequence for Energy Consumers, in particular for Residential Customers and Small Business Customers."

In assessing the LTIC, ECA is conscious of the position outlined in the explanatory statement accompanying changes to the Limited Merits Review arrangements for network revenue and price determinations. That stated that the LTIC is given best effect when ‘consumers do not pay more than necessary for the quality, safety, reliability and security of supply of electricity’.²

ECA appreciates that there will be initial costs associated with installing advanced meters, at a time of significant community concern about energy costs. However, ECA notes that the installation of an advanced meter is also a precondition for Tasmanian consumers gaining access to a range of new energy services that are likely to better meet their individual needs.

In the Consumer Information and Consultation Paper (the Consultation Paper) produced by DSG, the benefits of advanced meters discussed include improved access to energy consumption data (potentially facilitating behavioral change), allowing consumers to access more cost-reflective tariffs and cheaper and more accurate billing. A recent paper from technology services giant IBM noted that energy ‘customers have grown more demanding’ about the engagement they receive from providers after receiving better service from banking, telecommunications and retail services, meaning traditional three monthly billing ‘is not enough anymore’.³ Advanced meters offer opportunities for such elevated service offerings.

Over the longer term, the adoption of new services will result in final bills that are no higher than is necessary. The more consumers are able to indicate their preferences, the more the market is able to respond with improved or cheaper product offerings. Because advanced metering is essential to access many new products and services, ECA believes that the Tasmanian State Government should support the greater availability of such meters.

The importance of the National Energy Market

ECA also supports the continuing efforts of the COAG Energy Council (EC) to develop and maintain a consistent regulatory framework across the National Electricity Market (NEM). The LTIC will be promoted through the development of economies of scale in new services. This can be achieved by maximising the consistency of rules across jurisdictions and minimising the number of derogations from the AEMC’s national rules.

In its response to the 2015 review of Governance Arrangements of Australian Energy Markets, COAG EC recommitted to a national energy framework which it said ‘should be pursued where possible’.⁴ ECA shares this view and encourages the Tasmanian Government to remain mindful of the advantages of a consistent national framework and the benefits that such arrangements will deliver for Tasmanian consumers.

² The Hon JA Rau, Second reading speech explanation to the Statutes Amendment (National Electricity and Gas Laws – Limited Merits Review) Bill, South Australian House of Assembly, 26 September 2013.

³ IBM, 2015, *The Digital customer: engage customers as individuals*, 3. Available at: <http://smartgridcc.org/the-digital-customer-engage-customers-as-individuals>.

⁴ COAG Energy Council, 2015, *Review of Governance Arrangements for Australian Energy Markets – Table of Response*, 2.

Tasmania's circumstances

ECA appreciates that the Tasmanian Government faces specific energy market considerations, such as the winter morning peak on the network and a high level of retail pre-payment. In particular, as the AEMC acknowledged in its final determination for the new rules, new energy service markets (such as advanced meters) will deliver the best outcomes where retail competition is effective. This is not the case in Tasmania, despite the legal framework for contestability being in place.

The Government is right to consider whether the cost of implementing metering contestability would outweigh the benefit to consumers if no suppliers enter the market for advanced metering. This concern should be mitigated by the 'significant level of interest by prospective competitive metering coordinators (providers)' as noted in the Consultation Paper.⁵

The provision of metering contestability could be the additional element to spur competition in energy services. ECA's recent Regional Listening Tour heard from Tasmanian consumers who are ready to take advantage of new service offerings. At the events in Hobart and Launceston, Tasmanian consumers demonstrated a high level awareness of new products and services and a belief that these would play a significant role in the future of energy supply.⁶

ECA also acknowledges the good work being undertaken by TasNetworks and the University of Tasmania to trial advanced meters in 600 Hobart homes. ECA is hopeful that the outcome of the trial will be highly efficient network tariffs which customers are able to respond to, as well as lessons about helping consumers transition to new arrangements. These efforts give ECA further confidence that Tasmanian consumers will be able to access the benefits of advanced metering if they so desire. In addition, ECA notes that the trial of advanced metering currently underway offers the opportunity to develop – and potentially trial – targeted support for low-income and vulnerable consumers moving away from traditional metering arrangements.

The engagement process

Finally, ECA wishes to commend DSG on the process it has followed in engaging with stakeholders as part of its consideration of this issue. The Consultation Paper is balanced and informative and DSG was extremely accommodating of ECA's participation in the Hobart forum. DSG also appears to have made every effort to engage with Tasmanian consumer representatives and to bring stakeholders together to work towards a shared understanding of the issues.

Once again, ECA thanks DSG for the opportunity to provide this submission. If you would like to discuss this issue further, please do not hesitate to contact Oliver Derum, Associate Director of Advocacy and Communications, on 02 9220 5514 or oliver.derum@energyconsumersaustralia.com.au.

⁵ Tasmanian Department of State Growth, 2016, *Advanced Metering in Tasmania – Consumer Information/Consultation Paper*, 4.

⁶ For more information, see www.energyconsumersaustralia.com.au/news/join-our-regional-listening-tour.

ECA looks forward to continuing to work with DSG and the Tasmanian Government to advance the long term interests of Tasmanian residential and small business consumers of energy.

Yours sincerely



Rosemary Sinclair

Chief Executive Officer

02 9220 5503

Rosemary.Sinclair@energyconsumeraustralia.com.au



@eca_advocacy



energyconsumeraustralia.com.au



02 9220 5500