



Manager, MCE Secretariat
Department of Resources, Energy & Tourism
GPO Box 1564
Canberra ACT 2601

By email: MCETMarketReform@ret.gov.au

Dear Manager, MCE Secretariat

Re: EMCa's Smart Meter Consumer Impact Analysis Report

Thank you for the opportunity to comment on the Energy Market Consulting Associates' (EMCa's) *Smart Meter Consumer Impact Analysis Report* ('the analysis report'). We found the report set out the findings in a clear and helpful way.

The Energy and Water Ombudsman (Victoria) (EWOV) wishes to comment on the following issues raised in the analysis report:

- Background and scope of the analysis report
- Impact of consumer response to time-related tariffs
- Results from the analysis of EnergyAustralia's and Integral Energy's data

Background and scope of the analysis report

EWOV notes that the analysis report has been limited to the time-related pricing aspects of smart metering. As outlined in the document, EWOV agrees with the assessment that there is a possibility that some retailers may respond to the introduction of smart metering by implementing tariff and price changes that not only reflect customers' consumption profiles but also reveal them as higher-cost and lower-cost consumers. EWOV welcomes EMCa's open approach to looking critically at the benefits and detriments of the new 'smart technology'.

Whilst pricing and the setting of tariffs is not within the scope of EWOV's jurisdiction, we note in regularly reviewing and reporting on our case handling work that as household budgets become tighter, credit-related complaints to our office increase. Whilst billing complaints and in particular high bill issues may not serve as a direct indicator of a customer's payment difficulties, the number of case outcomes including the establishment of a payment plan is also on the rise. Hence, the issue of potential tariff re-assignments, pass-through costs and increasing prices for consumers is an aspect of the interval meter rollout that EWOV is concerned about. We will be closely monitoring all issues we receive that involve smart meters presenting our findings to the regulators, industry and key community agencies for further reference.

Impact of consumer response to time-related tariffs

EWOV notes that the analysis report has not found any correlation between usage and underlying per unit cost, which consequently showed no correlation between income and underlying per unit cost. In the current environment of an economic downturn, EWOV is forecasting a further trend of increasing complaint numbers due to factors such as hardship and consumers experiencing payment difficulties. EWOV notes that the analysis report has found that, due to low-income earners' limited capability to further reduce their already lower than average consumption volumes, time-related tariffs could result in higher costs for these consumers. EWOV believes that further consideration should be given to appropriate payment assistance schemes to avoid potential erosion of concessions due to higher energy costs. This may be achieved by re-assessing available rebates and ensuring that concession amounts take into account any price increases above the CPI index.

Results from the analysis of EnergyAustralia's and Integral Energy's data

EWOV refers to the forum discussion on 3 March 2009 which outlined that the consumer data analysed was for certain timeframes only in which no extremes of weather were recorded. The data was also compared on an annual rather than a quarterly basis. This comparison did not outline any seasonal consumption variation and consumers' fluctuating payment assistance needs.

The analysis report did not show any significant cost increases for consumers including hardship customers. EWOV appreciates the note that further analysis is recommended to take into account additional aspects that may result in different findings. EWOV suggests taking into account further variables on consumer spending such as the Victorian water price increases as of 1 July 2009. Another factor that may be relevant is the energy price deregulation in Victoria as of 1 January 2009. In light of all these additional issues, EWOV believes that a stronger policy focus on affordability and responses to the increasing need for payment assistance when assessing future smart metering impacts is warranted.

We trust that the above comments are helpful. If you have any questions, please contact Frances Wood, Manager Public Affairs and Policy, on (03) 9649 7599.

Yours sincerely



Fiona McLeod
Energy and Water Ombudsman (Victoria)