



21 June 2011

Resources and Environment
Department of Treasury and Finance
11 MacArthur Street
MELBOURNE VIC 3000

By email: amireview@dtf.vic.gov.au

Dear Department of Treasury and Finance

Re: Review of the Advanced Metering Infrastructure Program

Thank you for the opportunity to comment on the *Review of the Advanced Metering Infrastructure Program Issues Paper* (the paper).

The Energy and Water Ombudsman (Victoria) (EWOV)'s interest in providing comment is based on its extensive experience in handling customer complaints. EWOV has received complaints about Advanced Meters (smart meters) since July 2009, and given the public attention the smart meter rollout is currently receiving, it is unlikely that enquiries and complaints will decrease in the near future.

Our comments on the paper represent our understanding of the key issues and customer concerns drawn from the cases we receive. This is as follows:

- Overall cases about smart meters has increased in the last 12 months
- The two most common smart meter issues are about the meter exchange and higher than expected bills following an installation
- Problems reconciling bills with a smart meter
- The need for greater customer awareness and understanding of smart meters
- The impact of new tariffs, particularly for low-income earners
- Some problems with substituted meter data
- Concerns that marketers are using information about smart meters to mislead customers
- The inadequate customer service experience
- Protecting vulnerable customers' interests

Overall cases about smart meters has increased in the last 12 months

From 1 July 2009 to 31 May 2011, EWOV received 3,621 cases about smart meters. People are either concerned about smart meters or have had smart meter related problems that their electricity company has not resolved.

The graph below shows the number of smart meter related cases received by EWOV between 1 May 2010 and 31 May 2011:

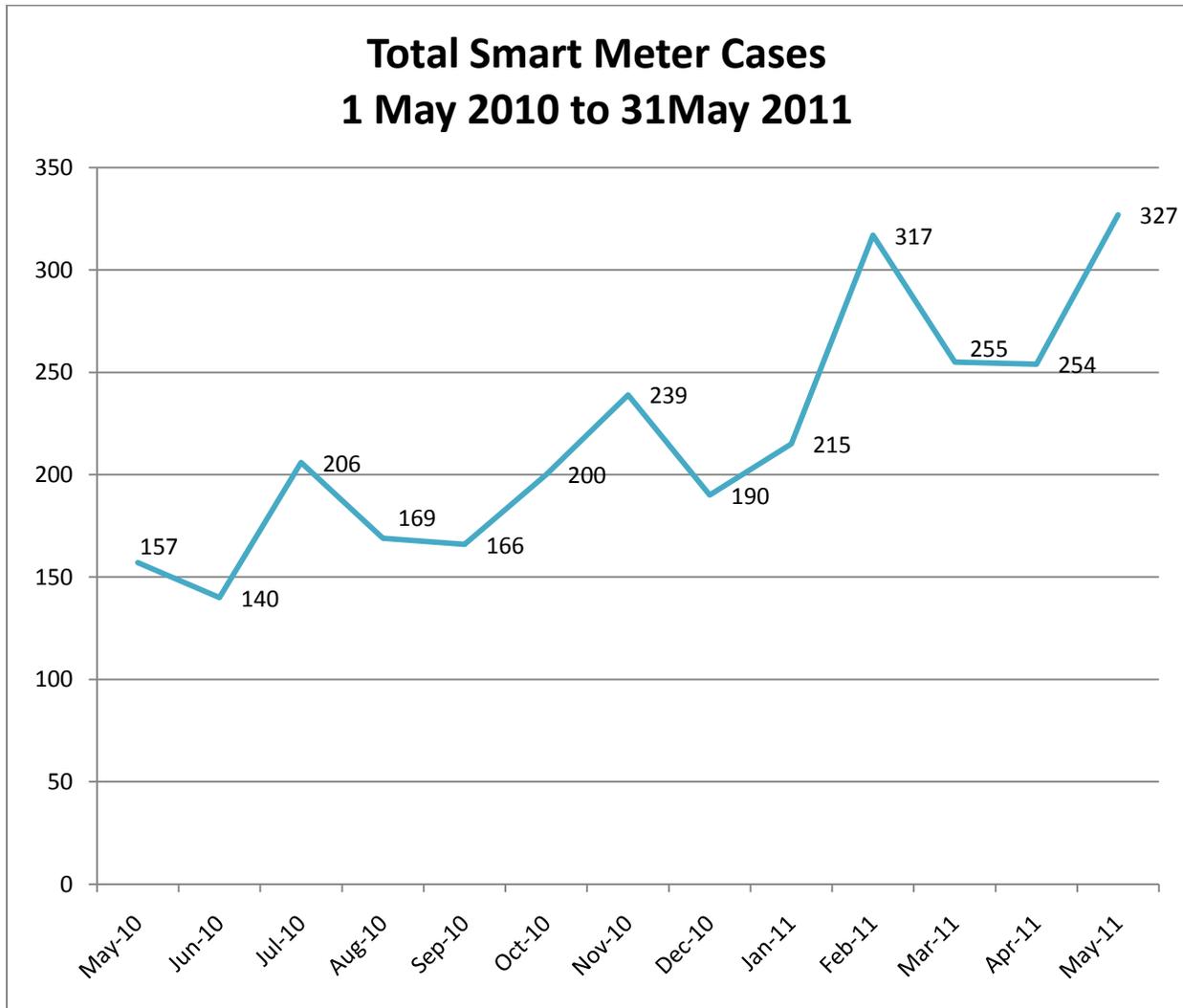


Figure 1

The increasing trend in case numbers is apparent. This data reveals a pattern between the smart meter cases we have received with media coverage – the more media coverage, the more calls we receive from concerned customers.

The two most common smart meter issues are about the meter exchange itself and higher than expected bills

EWOV categorises every case it receives with an issue. The graph below shows the number of smart meter related cases by issue category received by EWOV between 1 May 2010 and 31 May 2011:

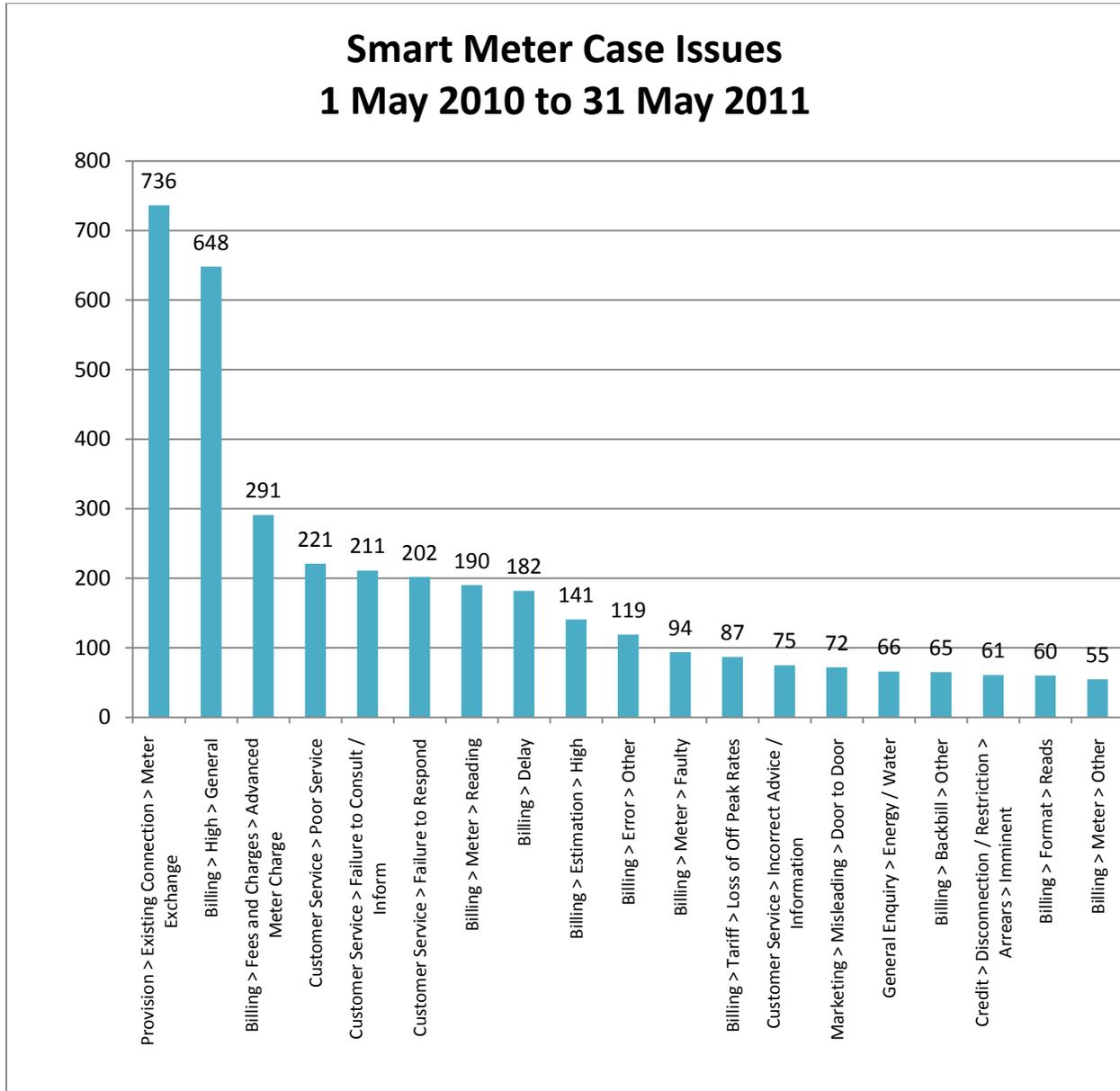


Figure 2

In the last 12 months, the categories with the most number of smart meter related cases were about a smart meter exchange and higher than expected bills. The first category typically involves complaints about an imminent installation of a smart meter or a general concern about

the roll-out. In these circumstances, EWOV provides the customer with advice on how the switch to a smart meter will affect them and provides current information on the roll-out.

The second category involves complaints where customers contact us about a higher than expected bill after the installation of a smart meter. Our investigations generally find no problem with the functionality of the smart meter. It is often the case that customers are finding it difficult to reconcile their bills with a smart meter and therefore perceive problems with their bill. However, the number of high bill complaints also suggests that previous basic meters may have been operating slowly and under-recording a customer's electricity use.

Problems reconciling bills with a smart meter

EWOV's case handling experience tells us that customers seek transparent and accessible information to help them understand the basis of their bills, and check and manage their electricity consumption. In principle, a customer should be able to reconcile their bills against their meter. At the moment, customers with basic electricity meters receive bills that show the current and the previous meter readings. They can take their own read and compare it to the information on the bill. The ability to do so provides some confidence in the billing system. Smart meters however, only show a total usage figure, which hinders billing transparency. If customers are unable to verify their usage, they are more likely to query their bill and lose confidence in the accuracy of the smart meter - this may lead to increased complaints to distributors, retailers and EWOV.

From 1 July 2009 to 31 May 2011, EWOV has registered 331 cases about issues following the installation of a smart meter. Most of these cases were about a perceived billing error as a consequence of the installation of a smart meter.

To help address this problem, EWOV would like to see an increase in customer awareness and understanding of their smart meter through better communications, specifically in relation to reconciling bills with a smart meter. This could include:

- providing an actual index read on the bill once every twelve months and when an account is established and finalised
- providing clear information about smart meter capabilities at the time of installation
- explaining in simple terms how a customer can get information from the meter through the different registers and how to access them
- a clear and consistent government communications strategy to educate customers about the benefits of smart meters.

The need for greater customer awareness and understanding of smart meters

It is EWOV's experience that customers call us about smart meters because they are confused about the need for a new meter, don't understand the meter capabilities or are unhappy with the costs of the roll-out being passed on to them. This confusion is compounded by mixed media messages and government communications activity.

In late 2010 and now 2011, the media covered several stories about dissatisfied customers preventing access to their property to avoid a smart meter exchange. There was also a report of an alleged faulty smart meter installation injuring a person, leading to questions about the safety of the roll-out. These types of media stories, together with varied government messages, cause customers to call EWOV for advice.

As a consequence, we have seen the meter exchange issue become the top customer complaint about smart meters. Between 1 May 2010 and 31 May 2011, there were 736 cases about the smart meter exchange (see figure 2). This represents 20% of all EWOV smart meter related cases for this period.

Accordingly, EWOV sees a clear need for greater customer awareness about smart meters. This awareness should be informed by unified, consistent communications from government and industry. The communications activities should begin before a roll-out in the targeted area and involve community consultation through meetings and forums advertised locally. This approach would benefit people in regional and rural areas. We suggest that sufficient time before a customer's area is scheduled for a meter exchange, they should be educated about the following:

- How to read the different meter registers
- How to buy and use an in-home display
- How to shift electricity use to cheaper, off-peak times
- The end of physical meter reads and the start of remote reads
- The environmental benefits and potential reduction in greenhouse emissions
- Why the roll-out has taken place - given that over time the costs of the roll-out will be passed to customers.

This information will better prepare a customer for their new meter. However, it should again be provided at the time of installation.

The impact of new tariffs, particularly on low-income earners

Credit issues has now become EWOV's second most common type of customer complaint, after billing, with payment difficulties being the most frequent type of problem. This continuing

upward trend shows that from July 2010 to December 2010, credit accounted for 16% of all issues customers raised with us – 6,630 issues, up 54% from 4,312 issues from July 2009 to December 2009.

While in principle, EWOV understands that peak pricing variations discourage peak time usage and alleviate pressures on the electricity network, we are concerned that smart meter time-of-use tariffs may disproportionately impact customers who may be at home during more expensive peak times.

To overcome this problem, EWOV believes that consideration should be given to the following:

- Electricity companies offering customers a choice of tariff, such as continuing on a single flat rate
- Appropriate financial hardship programs and payment assistance schemes being made available
- An increase in government concessions, grants and/or rebates in response to higher electricity costs
- A public education campaign about how to realise any benefits under time-of-use tariffs
- How an in-home display together with time-of-use tariffs, can help inform a customer about how to shift their electricity use to cheaper times of the day.

Some problems with substituted meter data

From 1 July 2009 to 31 May 2011, EWOV registered 321 cases about smart meters where there was a potential problem with substituted or estimated meter read data.

EWOV receives complaints about the accuracy of smart meter related bills - often compounded by problems associated with substituted billing data. Substituted data is used to bill a customer when actual usage intervals are, for some technical reason, not available. This data is not based on direct measurement from the meter; rather it is final with no opportunity for replacement.

Under section 4.2(e) of the *Energy Retail Code*, a bill must state whether ‘an accumulated total of at least 48 hours of trading intervals are not billed on the basis of smart meter interval data’. This allows a customer to be billed for two days on usage figures that are not what they actually used. Unlike a basic analogue meter, this will not be remedied by future actual reads. This issue has the potential to be heightened when more people have in-home display units, which may show a usage figure quite different from that on the meter or bill.

To overcome problems with substituted data, EWOV supports the removal from bills of all substituted data where smart meters have been remotely read. This position is based on the following reasons:

- On the rare occasion where interval data cannot be recovered (either remotely or onsite) the accumulated register reads are an accurate and true representation of a customer's usage - allowing for the avoidance of substitutions
- Customers should not be disadvantaged due to deficient assets outside of their control
- Emphasis should be placed on ensuring that technical equipment and systems are working accurately which is the responsibility of a distributor and retailer respectively.

Concerns that marketers are using information about smart meters to mislead customers

Customers complain to EWOV about marketers using information about smart meters to mislead them into a contract. Further analysis of the cases shows that marketers mislead customers about smart meters as a way of selling their product, and as a means of asking a customer to present their current bill. This leads to discussion about tariff rates and charges.

EWOV is aware of marketers claiming, for example:

- Their company will waive the smart meter fee
- Their company will also be the company installing the smart meters
- Their company offers a discount or rebate on the smart meter fee
- Cheaper rates with their company will help off-set the smart meter charge.

From 1 July 2009 to 31 May 2011, EWOV registered 128 cases where customers experienced misleading marketing about smart meters – most of which were a result of door-to-door sales contact (96%).

It is EWOV's consistent view that electricity companies should exert a tighter control and monitoring of marketing practices by sales agents. This is particularly important when new ideas and technologies enter the marketplace, such as 'green-related' products or the smart meter. To combat the potential for misleading marketing, EWOV strongly suggests that while companies train sales representatives about smart meters, they should prevent them from talking to customers about smart meters during a marketing visit or phone call.

The inadequate customer service experience

EWOV has found that customers call us to raise issues about the service they received from their electricity company when seeking information about smart meters. Anecdotal accounts from customers suggest that call centre staff may not understand the implications of the smart meter roll-out and its effect on tariffs, billing, meter capabilities and remote meter readings. It is unacceptable that customers would be provided with incorrect information from their company.

Like the many cases that EWOV receives, a customer service deficiency often creates the need for a person to contact us. All cases we receive have some element of a customer service failing. From 1 July 2009 to 31 May 2011, there were 759 cases about smart meters and poor customer service.

EWOV suggests that call centre staff become better equipped to deal with customer queries through better training. It is equally important however that customers get easy access to specialised staff. This would reduce calls to EWOV, increase customer awareness of smart meters, and improve the customer's relationship with their electricity company. Getting good information from an electricity company at the first attempt will increase public education about the rollout and combat a customer's reliance on misinformation from unreliable sources.

Protecting vulnerable customers' interests

The paper specifically asked the question about how vulnerable customers' interests might be protected as the roll-out proceeds. For 'vulnerable customers' we assume that this includes people who are unemployed, on a low income, receive government support, experience social exclusion and the elderly. We have outlined above the key issues and customer concerns drawn from the cases we receive. These are relevant to all customer groups regardless of income or vulnerability.

There are however specific considerations for vulnerable customers, mainly arising from a low level of income and by spending time at home during weekdays. The impact of time-of-use tariffs is outlined above. We suggest that the following options could be explored:

- The smart meter fee is paid by the property owner as a part of their council rates, rather than by the tenant account holder
- Allowing concession card holders to opt-out of getting a smart meter
- Government provided support to allow concession card holders to buy and install an in-house display free of charge
- Electricity companies offering customers a choice of tariff, such as continuing on a single flat rate
- Appropriate financial hardship programs and payment assistance schemes be more readily available
- An increase in government concessions and rebates in response to higher electricity costs

We trust that the above comments are helpful. Should you require further information or have any queries, please contact Justin Stokes, Senior Research and Communications Officer on (03) 8672 4272.

Yours sincerely

A handwritten signature in cursive script that reads "Fiona McLeod".

Fiona McLeod
Energy and Water Ombudsman (Victoria)