

ACOSS has an interest in reform of the National Electricity Market because reform has the potential to affect low income and disadvantaged consumers of electricity. We hold the view that electricity is an essential service and should be supplied reliably, affordably and sustainably.

We are writing with specific regard to the planned roll-out of so-called 'smart' meters. You may recall that in February of last year the Council of Australian Governments (COAG) decided to "commit to the progressive roll-out of electricity smart meters to allow the introduction of time of day pricing and to allow users to respond to these prices and reduce demand for peak power".

Since that meeting of COAG the Ministerial Council on Energy (MCE) and various components of the federal, state and territory governments have been working towards a roll-out. The Victorian Government had committed previously to a state-wide roll-out of smart meters and work to that end is advanced. Various industry participants in other jurisdictions are conducting trials of smart meter technology and related systems.

Earlier this year ACOSS participated in a process coordinated by the Commonwealth Department of Industry, Tourism and Resources (DITR), the Smart Meter Stakeholder Working Group (SMSWG). This Group was convened to consider an Information Paper (on the development of an implementation plan for the roll-out of smart meters) and a result of this work is a document that, we understand, will be considered by the next meeting of COAG.

We have significant concerns about the proposed roll-out of smart meters. These concerns were given an appropriate hearing in the course of work by the SMSWG. However, the SMSWG was tasked with assisting in the implementation of a decision already made: that is to implement a roll-out. We suggest that there may be less risky, less expensive, more immediate, more consistently applicable means to increase efficiency, manage demand and reduce consumption.

Simply put, our concerns about an immediate, market wide roll-out include:

- the proposed benefit/cost analysis has not yet been undertaken;
- none of the available technologies are proved satisfactorily robust;
- the functional specification may derive from technological capacity rather than intended application;
- unnecessary and unjustifiable haste may result in misplaced investment;
- alternative approaches to demand management have not been adequately considered;
- there is currently no evidence to suggest that domestic consumers will (or can) shift their use in response to price signals.

We will put the view that it ought to be assumed that reducing the consumption of electricity, especially electricity produced by processes that emit carbon-based pollutants, is a good thing. Without commenting on current debates in the area of climate change, we are of the view that the community should be working to minimise the consumption of electricity (in a bid to reduce household expenditure on electricity, reduce the need for investment in infrastructure, reduce the quantity of non-renewable fuel used in generation and thus the quantity of pollutants emitted).

The cost of the proposed investment in smart meters is significant (in the range \$2 billion to \$4 billion at the lower end of estimates and exclusive of an estimated \$1 billion worth of sunk asset value in existing meters) and this cost must surely be passed through to consumers (as customers and/or taxpayers).

The Information Paper issued earlier this year by the Standing Committee of Officials (SCO) of the MCE claims, at 3.7 Social Welfare Issues, that

It is not expected that any new social welfare issues will arise due to the smart meter roll-out. However, where required, social welfare issues will be considered in accordance with the existing retail policy aspects of the Australian Energy Market Agreement [AEMA].

We note that the reasoning behind smart meters is (apparently) predicated on significant changes to retail price regimes which are currently the preserve of individual jurisdictions. Further, non-economic aspects of retail policy regulation are currently the subject of consideration and review towards the introduction of a new national framework for regulation. At the intersection of smart meters and retail policy there are some significant issues for all household consumers of electricity, and particularly for low income consumers. These issues seem to be outside the scope of either of the smart meter or retail policy projects. There are significant social welfare issues and they will not be adequately addressed by the AEMA.

As well as proscribing a roll-out of smart meters, at its February 2006 meeting COAG decided that work should be undertaken towards

(c) implementing a comprehensive and enhanced MCE work program, from 2006, to establish effective demand-side response mechanisms in the electricity market, including network owner incentives, effectively valuing demand-side responses, regulation and pricing of distributed and embedded generation, and end user education.

ACOSS suggests that the full range of demand-side response mechanisms has not been explored, especially in terms of relative benefit. Increased efficiency in the domestic sector may be achieved more quickly through means other than smart meters (eg through the introduction of new technology light bulbs, improved insulation, energy efficient appliances).

The Productivity Commission, in its submission to the Prime Ministerial Task Group on Emissions Trading (Key Points, April 2007) noted that:

Other policies may be warranted to address related market failures. These include support for relevant technological development and deployment, addressing barriers to energy efficiency and carbon capture and storage, and research into adaptation strategies. To optimise use of the community's abatement dollar, all policy proposals should be subject to comparative assessment - such as cost per tonne of GHG emissions reduction or storage.

Before proceeding with a roll-out of smart meters we suggest that more research be done to consider the range of options, the benefits and costs of each, the real potential for one or more options to achieve the goal of demand management.

ACOSS welcomes your interest in energy matters. We share your concern to improve industry and market efficiency in the interest of consumers. We are keen to ensure that electricity is supplied reliably, affordably and sustainably. We have reservations about the potential for smart meters to contribute to this outcome.