



Tasmanian Council of Social Service Inc response to
Cost and Benefits of the Rollout of Interval Meters in Tasmania: Draft Report

distributed by the Office of the Tasmanian Energy Regulator

September 2006

Authorised by Mat Rowell, Chief Executive Officer

TasCOSS welcomes the opportunity provided by the Energy Regulator to comment on the Draft Report on *Cost and Benefits of the Rollout of Interval Meters in Tasmania*. TasCOSS is the peak body for the community services sector in Tasmania. Its membership comprises individuals and organisations active in the provision of community services to low income, vulnerable and disadvantaged Tasmanians. TasCOSS represents the interests of its members and their clients to government, the public, the private sector and to the media.

Introduction

TasCOSS regards electricity as an essential domestic service. Except in rare and exceptional circumstances, a regular connection to electricity supply is not discretionary or optional. In most instances there is no alternative to electricity. Electricity supports fundamental human needs including safe food (storage, preparation) and safe shelter (hygiene, lighting, temperature control). Electricity supports equipment that is critical to wellbeing and independence (health, communication). Beyond these fundamentals, electricity supports community engagement and family life (education, employment, social interactions). A reliable, safe, affordable supply of electricity is now a matter of right rather than privilege and access must be guaranteed as far as reasonably possible. Electricity is an essential service because citizens' health, wellbeing and social participation is significantly compromised without reliable and affordable supply.

For these reasons, TasCOSS has engaged in a range of projects relating to the interests of low-income and other disadvantaged Tasmanian consumers. We are currently funded by the National Electricity Consumers Advocacy Panel so that we can contribute to research, policy development and advocacy tasks. As part of a national network of non-government consumer advocacy organisations active in the electricity arena, we have been particularly interested in the approaches taken to interval metering in other jurisdictions. As you are aware, we have also recently commissioned research into the experiences of Tasmanian consumers of Aurora Energy pre-payment meters, the only time-of-use meters currently available to domestic consumers in this state.

Our overall approach is to support the introduction of technologies that allow low-income consumers to minimise the costs of access to electricity, and that provide those consumers with a measure of control over their consumption patterns. In theory, time-of-use meters offer advantages on both counts. We are acutely aware, however, that the costs of introducing these technologies are likely to be passed on to consumers. In that context, we are especially interested in the cost-benefit analysis carried out by your Office, and the implications the results might have for our constituency.

We are not in a position to offer a full critique of the methodological approaches used in preparing the Draft Report. Instead we offer comment on some of the points raised in the document. In general, we are supportive of the recommendations offered in the Draft Report, although we are disappointed that the net benefit of a mandated introduction of interval meters could not be established. We hope, nevertheless, that Tasmanians will have access to interval meters even without their introduction being mandated (and without the need for consumers electing to use pre-payment meters). We will continue our advocacy to Aurora Energy on this subject, and will seek to have the whole issue of time-of-use metering dealt with as a prominent component of a robust public interest test applying to the introduction of full retail contestability in 2010.

Elasticity of demand

A fundamentally important component of the CBA is the assessment of whether consumers will respond to price signals with changed behaviours. While there are other potential benefits accruing from the use of TOU metering, especially interactive smart meters, the primary benefit sought is load reduction in peak, high-cost periods. The Draft Report concludes that the Tasmanian consumer population is likely to exhibit low levels of elasticity compared to other jurisdictions (because of the absence of summer ‘needle spikes’).

TasCOSS cautions against any easy dismissal of the likelihood that Tasmanian consumers would change their consumption patterns in response to significant price signals combined with comprehensive provision of information about the available choices. We note with disappointment thought not surprise that so little can currently be learned from the Aurora Energy experience with TOU meters. It is unfortunate that Aurora have not conducted any “thorough review” of demand patterns arising from their almost 40,000 TOU meters. Sadly, the vast majority of the Aurora pre-payment meters – the Seimens meters – can hardly be classified as ‘smart’ technology. The Actaris meters – capable of remote monitoring – are few in number and located in an isolated area of Tasmania that has relatively little in common with the rest of the state.

The recent TasCOSS research into the experiences of pre-payment meter consumers in Tasmania revealed that one in four consumers believed that electricity would be cheaper from a pre-payment meter than from a standard meter. Over half of the respondents in the research reported that they regularly took advantage of the cheaper periods. Importantly, lower-income households reported the largest take-up of this facility.

Our research also revealed that one in five consumers were not aware of the TOU character of their meters – especially those who had moved into a residence with a pre-payment meter already installed.

TasCOSS contends that in the event that overall energy costs were significantly increased, and/or that the differentials applying to different time periods widened, consumers equipped with full information on the options available to them may well respond with changed energy consumption patterns. Here, the issue may not be whether electricity costs increase in absolute terms, but whether the proportion of household budgets required to meet electricity costs increases, especially for low-income households. There is much to be learned from the consumer responses to recent increases in petrol prices, where initial patterns of inelasticity were disrupted once bowser prices began to impact on household budgets.

While we accept that the position adopted in the Draft Report is appropriate given current knowledge about household responses to price signals, we urge the Regulator to continue monitoring this issue. We also contend that Aurora Energy should be required to assist in this process with detailed comparisons of TOU and standard meter usage patterns.

The costs of technology

TasCOSS acknowledges that there are substantial capital costs associated with the adoption of smart meter technologies. However, we would suggest that these costs will, in real terms, continue to decline. Aurora Energy has demonstrated that it is more than prepared to outlay the costs associated with alternative metering technologies: they continue to actively promote the uptake of pre-payment meters. In this context, it would be disappointing if too much emphasis was given to the notional 'stranded asset' costs associated with such changes, as Aurora appears happy to write off the cost of relinquished standard meters.

Conclusion

TasCOSS will continue to advocate the implementation of interval meters wherever it can be demonstrated that the adoption of this technology will assist consumers with the management of their energy use and, ultimately, the reduction in real terms of their energy costs. We acknowledge that it is difficult at this time to frame an argument for the mandating of this technology without an undertaking from government that the associated costs would not be passed on to consumers. We remain concerned, however, that unless the technology is appropriately piloted in Tasmanian households, with careful examination of the outcomes, we will be no wiser in five or ten years time than we are now. We urge the Regulator to join us in encouraging Aurora Energy (and any other retailers that may enter the market post-2010) to explore ways in which the Tasmanian community can better assess the worth of these emerging technologies.

.....