

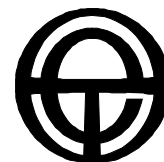
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11 January 2008

Hon David Llewellyn
Minister for Energy
GPO Box 936
Hobart 7001

Dear Minister,

Re: National minimum functionality for smart meters

We are writing to express our urgent concern about flaws in the way that smart meters are being assessed towards a rollout across the National Electricity Market (NEM). Total Environment Centre (TEC) in principle supports the national rollout of smart meters and has been an active participant in the Smart Meter Stakeholder Working Group.

We note that the Ministerial Council on Energy has issued a response to Phase 1 of the cost benefit analysis (CBA) regarding the minimum functionality for smart meters. Key CBA calculations and assumptions, however, have the potential to hamper the harnessing of maximum efficiency and greenhouse benefits. These are outlined below.

Greenhouse benefits

The Council of Australian Governments (COAG) and the MCE have stated that greenhouse benefits are one of the key drivers for the smart meter rollout. To achieve these benefits, however, smart meters must:

- Provide in-home, real-time information to consumers on consumption and greenhouse emissions
- Have access to home area networks (HAN)
- Be accompanied by time of use tariffs.

These facilities are neglected in the proposed minimum functionality. TEC has consistently argued for the value of in-home displays (IHDs) and these rely on HANs. IHDs facilitated by HANs should be included in the minimum functionality of meters.

It is premature to exclude IHDs from current investigations. Although there is currently insufficient data for Australia about how consumers would be influenced by the presence of IHDs (trials so far have been very limited), international experience indicates substantial savings are on offer. Our report

produced by Energy Futures Australia, *Advanced Metering for Energy Supply in Australia*, indicates the substantial greenhouse and consumption savings achievable with IHDs.

It should be noted that home area networks are necessary for IHDs to function. We therefore pose the question – if these two functions are to be excluded, how is the information flow to consumers to be facilitated? Leaving the decision on IHDs to “additional market incentives”, even if they were established within regulation, is insufficient guarantee of information flow. Omitting IHDs will counter the main objective of creating consumer awareness about energy consumption and its impacts through a feedback function that is currently missing.

The HAN function also allows for direct load control of energy intensive appliances, which would facilitate substantial further savings. Accordingly, TEC would certainly support further investigation in Phase 2 of the feasibility of the HAN as a minimum function.

Although time of use pricing is not directly relevant to the recent MCE response, TEC is not convinced that adequate provisions are being made for requiring or encouraging the development of these tariffs by distribution and retail businesses, nor in what form they will be presented to end users. Time of use tariffs are essential to harness the full potential of smart meters.

Greenhouse calculations

It is stated in the CRA report¹ that “most off-peak generation is conventional coal, while on-peak generation includes a significantly higher proportion of gas and hydro generation.” (p 34). There is no data presented, however, as to the proportions of the energy sources used for peak or baseload to substantiate this claim. It is a critical issue for assessment of the potential greenhouse benefits and solid data is required in the Phase 2 reports to establish credibility.

Additionally, the situation on carbon pricing has changed since the CRA report was produced. It is more likely now that an emissions trading scheme will operate from 2010 (rather than the previous assumption of 2012) and is likely to operate under more stringent caps, which will have an earlier and stronger impact on electricity prices. The MCE should ensure that the final calculations reflect this new situation.

Local generation

TEC is pleased that import/export metering has been accepted by the MCE as a minimum functionality on the basis of net intervals. However, it is stated that, “The objective of gross tariffs ... may be better achieved through time-reflective tariffs valuing peak generation more appropriately.” This misses the point that local generation (such as PV) is not solely peak generation.

¹ CRA (2007) *Cost Benefit Analysis of smart Metering and Direct Load Control – Stream 5: Economic impacts on wholesale electricity and greenhouse gas emission outcomes; Phase 1 Report*. September 2007

Moreover, it is now more likely that there will be a national move to promote feed-in tariffs supported by the Commonwealth Government. At this stage only South Australia and the ACT are developing legislation for these tariffs, SA for net metering and the ACT for gross metering. It is therefore premature to assume that net metering will be the norm. To mandate only meters which can measure on a net basis is lacking in foresight and again TEC would recommend further investigation before a final decision is made on the minimum functionality for import/export metering.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Jeff Angel', written in a cursive style.

Jeff Angel
Executive Director
Total Environment Centre