National Seniors AUSTRALIA

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Accelerated smart meter deployment

Thank you for the opportunity to make a submission in response to the draft determination and draft rules for accelerating smart meter deployment.

National Seniors Australia is the leading advocacy organisation for older Australians. Through our research and advocacy activities, National Seniors Australia works to improve the wellbeing of all older Australians.

Background to this submission

The bulk of electricity meters in Australia are mechanical-style Type 6 accumulation meters that track the total amount of electricity used. These meters need to be physically read to determine the amount of electricity used between two periods.

For some time, a broader rollout of Type 4 smart meters has been proposed. These meters record electricity use over short periods of time, such as every 30 minutes. Smart meters can send this information electronically and be remotely connected or disconnected. This means in-person meter reads are not required. These meters can support a flat tariff rate, or more complicated tariffs. These 'cost-reflective' tariffs include time-of-use tariffs that vary by the hour, or tariffs based on the highest demand during a period.

This submission responds to a rule change proposed by the Australian Energy Market Commission (AEMC). This rule change is based in earlier recommendations. Some of the key recommendations were for universal rollout of smart meters by 2030, prohibiting upfront fees for installing smart meters, and removing the ability of consumers to opt-out of smart meters.

Due to the structure of the National Energy Market, and existing or ongoing installation of smart meters in Victoria and Tasmania, this change would primarily impact the ACT, New South Wales, South Australia, and Queensland.[1]

While we understand this consultation is one part of a broad and ongoing process, National Seniors Australia is of the view that there has been inadequate consideration of the impact on consumers regarding the proposal for an accelerated mandatory rollout of smart meters.

[1] AEMC moves to accelerate smart meter rollout for Australians | AEMC

We are concerned the consumer benefits of smart meters have been overstated (compared to the benefits to electricity retailers) and do not adequately reflect the difficulties that many households will face in managing day-to-day energy use under cost-reflective tariffs.

We are also concerned that the proposal will further 'gold-plate' energy networks at a time that households are experiencing cost-of-living pressures without adequate evidence of consumer benefit.

Network overinvestment

National Seniors Australia is concerned an accelerated rollout of smart meters risks a repeat of the 'gold-plating' of the electricity network, to the detriment of consumers.

We are unconvinced that contingent consumer benefits will eventuate. While industry benefits are predictable there is no guarantee these will be passed on to consumers through bills (in fact the opposite may occur if people are forced on to the time-of-use or demand tariffs which smart meters enable).

Given the current inflationary environment and ongoing cost-of-living concerns, National Seniors Australia suggest now is not the time to engage in wide-scale network investment projects which place increased cost pressures on consumers.

At a time when federal and state governments are making direct payments to bring down electricity costs, it is questionable whether significant money should be spent on updating every household to smart meters, when the benefits of this technology are questionable for most customers, except for resourced and savvy consumers.

Cost of remediation

As per the draft rule determination, site remediation is outside the scope of energy rules and a customer cannot be compelled to remediate for the installation of a smart meter. Though consumers will also not necessarily be supported in the required remediation, with funding for vulnerable consumers a matter for government.

However, given the impact of the need for remediation on the rollout of smart meters, which the *Review of the Regulatory Framework for Metering Services* final report put at approximately 10% of sites, it is inadequate to proceed with an accelerated rollout without government financial support.[2]

In relation to the AEMO a consultation on Site Defect notification and record-keeping as part of the *May 2024 Metering Services Review Package 1 Consultation* paper, it is concerning that this process

[2] Review of the regulatory framework for metering services | AEMC

seems to envision consumers only being sent a series of letters with no other support where remediation is required.[3]

Currently consumers can opt-out of having a smart meter installed. The proposed rules remove this provision. While there is no actual requirement on consumers to remediate defects to allow a smart meter to be installed, there is a question about whether they will be penalised by being charged higher meter reading costs from their failure to undertake the remedial work required to install a smart meter.

Consumer protections and savings

There is a need to ensure adequate consumer protections and guarantees to ensure cost savings are passed on to consumers. While a prohibition on upfront charges is welcome, these costs will simply be passed on to consumers over time.

While consumers will ultimately bear the cost of the smart meters through their energy bills, an under-considered aspect is to what extent, if at all, reduced meter-reading costs will be passed on in bills.

This is especially concerning given reports of how consumers with smart meters are being treated by retailers:

- *"Australian Energy Regulator admits to serious concerns over time-of-use tariffs"*[4]
- *"Energy retailers exploit legal 'loophole' to change power prices without warning"*[5]
- *"Energy retailers' 'insidious' power pricing charges households based on highest point of use"*[6]

Victoria, where the universal rollout of smart meters has already occurred, demonstrates the risks of a mandatory rollout. As the Victorian Auditor-General report into the Victorian smart meter rollout found:

- costs were higher than anticipated;
- meter reading costs were replaced with higher smart meter costs; and
- consumer benefits were based on assumptions and didn't materialise.[7]

The ongoing rollout of smart meters in the United Kingdom also has lessons for Australia.

[3] AEMO | 2024 Metering Services Review Package 1
[4] Australian Energy Regulator admits to serious concerns over time-of-use tariffs - ABC News
[5] Energy retailers exploit legal 'loophole' to change power prices without warning - ABC News
[6] Energy retailers' 'insidious' power pricing charges households based on highest point of use - ABC News
[7] https://www.audit.vic.gov.au/report/realising-benefits-smart-meters

A House of Commons Committee of Public Accounts report found that "smart meters are not achieving the consumer benefits they are supposed to and are benefitting certain, often wealthier, consumers more than others".[8]

The same report found around 9% of meters were not working properly, with that number to increase as the 3G network is shut down. This shows the importance of considering how smart meters will work at a network level, but also whether consumers will use or benefit from them. This should also be considered in terms of the current transition of the mobile network from 3G to 4G/5G, in terms of what consideration to the future-compatibility of smart meters. It would be unfortunate for an accelerated rollout of smart meters had to be soon repeated due to changes in technology that could have been accounted for.

AEMC may also wish to draw from the UK example in its proposal for new civil penalties for non-compliance with the 2030 target. The Committee of Public Accounts was critical of the UK regulator for "neglecting the importance of consumer engagement and behaviour change by focusing on penalising suppliers for missing targets".

How might seniors be impacted?

National Seniors is concerned about how an accelerated rollout of smart meters may impact seniors (and other vulnerable consumers) already feeling the impact of high electricity prices.

The cost of energy is already one of the top three concerns among seniors (people aged 50 and over), with 66% selecting it as an expense of concern in our research.[9] We also found that 36.9% of seniors found household energy had become 'a lot less affordable'.[10]

Comments from older Australians highlights how worsening cost-of-living is impacting their lives and how electricity is an important consideration in this issue:[11]

> *"I can no longer exist on the pension I receive from my super because of food and electricity bills."*

> *"Great concern is the cost of electricity as we are in the middle of a heat wave with temperatures to reach 37 degrees and I am not game to turn on my Air Conditioning as cannot afford the cost."*

> *"Food cost have gone up and electricity has impacted as to how much I use my AC."*

[8] Update on the rollout of smart meters - Committee of Public Accounts (parliament.uk)
[9] Who's most affected - Infographic 2 - National Seniors Australia
[10] Older People's Responses to the Rising Cost of Living - National Seniors Australia
[11] Older People's Responses to the Rising Cost of Living - National Seniors Australia

One of the goals of a rollout of smart meters is to encourage consumers to shift their electricity demand away from peak times, using tariffs that charge more for electricity in these periods.

The persons most capable of responding to these different electricity prices would likely be someone who can fund expenditure on solar panels, batteries, electric vehicles, and efficient appliances, and has the capacity to have them installed in their home. However, many seniors are reliant on fixed incomes, are unable to afford significant home improvements, or they rent.

Seniors may spend a higher proportion of their income on electricity, and so be more sensitive to price increases. The Australian Bureau of Statistics (ABS) Consumer Price Index (CPI) weights electricity as 2.36% of the total. This compares to the higher weighting of 3.64% for the Pensioner and Beneficiary index, and 2.19% for the Employee index.[12]

To put the financial resources of some seniors in context, the maximum current rate of the single Age Pension is $29,023.80 a year, which includes an Energy Supplement of $14.10 a fortnight.[13] The most recent federal budget included a $300 energy rebate, and a 10% increase to Commonwealth Rent Assistance.[14] At present rates, the later would equal a maximum of $18.82 extra a fortnight.[15]

Based on the most recent available data from the Australian Institute of Health and Welfare (AIHW), 14% of households with the 'reference person' aged 65 or more were renters.[16] Though older people who live alone were more likely to rent, at 22% of these households, compared to 6.2% of couple households.

As raised above, current electricity prices are already leading some seniors to ration their use of air-conditioning, despite the health impacts of heat. According to the AIHW, people over age 65 accounted for 36.88% of injury hospitalisations due to extreme heat, more than any other age group, between 2019/20 and 2021/22.[17]

The Department of Health and Aged Care warn aged care providers that heatwaves impact older people more severely, due to factors including pre-exiting conditions and medication.[18] Likewise, people over age 65, and people living in major cities, are at higher risk of fatal extreme cold, according to the AIHW.

Given this, National Seniors Australia is concerned about the impact of an accelerated rollout of smart meters on people who cannot shift their electricity demand, especially if they are shifted to time-of-use tariffs, which increase the price of electricity at peak times.

[12] Annual weight update of the CPI and Living Cost Indexes, December 2023 | Australian Bureau of Statistics
[13] How much Age Pension you can get – Age Pension – Services Australia
[14] Budget.gov.au | Budget 2024-25
[15] How much Rent Assistance you can get – Rent Assistance – Services Australia
[16] https://www.aihw.gov.au/reports/older-people/older-australians/contents/housing-and-living-arrangements
[17] https://www.aihw.gov.au/reports/injury/extreme-weather-injuries/contents/extreme-heat
[18] https://www.health.gov.au/news/are-you-prepared-to-manage-older-peoples-health-during-heatwaves

Questionable benefit of smart meters to all consumers

The draft rule determination states that consumers would benefit from the rollout as:

> *"It would increase the amount of information available to consumers about their energy use, allow consumers to better understand and manage their bills, and open up access to new and better retail service options."*[19]

National Seniors Australia would dispute such broad claims as being at best optimistic, particularly regarding consumers who do not have the desire, means, or capacity to make use of the information provided by smart meters.

The basis of the consumer benefit argument is that smart meters will enable consumers to change their behaviour. However, this requires that they realise the price signals and have the means to change their behaviour. The proposed accelerated smart meter rollout appears to take these as given without considering how this will operate in practice. There is, for example, a significant lag time between energy use and energy billing which obscures people's understanding of the link between use and price.

There is a significant body of literature showing a low responsiveness among consumers to the price of electricity.

It is not our intention to summarise the academic literature here, but we would draw attention to the CSIRO report *Australian Consumers' Likely Response to Cost-Reflective Electricity Pricing*.[20] The report recommended against trying to reduce peak demand simply by changing the price of electricity:

> *"Cost-reflective pricing will be more successful the less it relies on consumers, themselves, responding to changing price signals".*

This research is also relevant in terms of the AEMC desire to build social licence for the smart meter rollout. It found consumers preferred simpler flat rate tariffs over cost-reflective pricing, and simpler tariffs over more complicated schemes.

Looking again to the example of Victoria, where smart meters already exist, take up of time-of-use tariffs is poor. Data from 2021/22 shows that only about 18% of households have adopted a time-of-use tariff.[21]

[19] AEMC draft rule determination - accelerating smart meter deployment
[20] https://www.csiro.au/en/research/technology-space/energy/Energy-data-modelling/Consumer-tariffs
[21] Inquiry into the National Electricity Market

It is also disappointing that AEMC has elected to proceed with an accelerated rollout separate from real-time data access, which is an important factor in driving a consumer response. To respond to the price signals, consumers need to have knowledge of prices (but again this relies also on the ability to act on this knowledge).

A fundamental issue is whether consumers have the skill or resources to deal with increased knowledge. Smart meters allow for much more complicated tariff structures, which reward people for changing their energy use during different times of the day and punish people for using energy in times of high use. This requires diligence and access to technology on the part of consumers.

For example, the *Origin Basic time of use pricing with controlled load plan,* available in NSW, has four different seasonal tariff settings throughout the year.[22] For some of these periods there are peak, shoulder, and off-peak rates for weekdays, and shoulder and off-peak times for weekends. During a weekday there can be four tariff changes: off-peak/shoulder/peak/shoulder/off-peak. Also, the peak and shoulder times change through the year.

Diagram of a Time-of-Use tariff (green: 21.07c/kWh, yellow: 36.5c/kWh, red: 69.19c/kWh)

With such complicated tariff structures, how is a consumer meant to know what price is applying at any time without adequate technology to help them adjust their demand?

As University of Melbourne academics noted, there was "little value" in smart meters for consumers if they didn't have access to the data.[23] They were also critical of the assumption that competition

[22] Origin Basic (ORI429189MRE7) (energymadeeasy.gov.au)
[23] Smart-er-meter-policy-230218.pdf (unimelb.edu.au)

would lead to consumer benefits in a market where suppliers held such an informational advantage. If consumers have only delayed and summarised access to their own electricity consumption data, how are they meant to adjust their usage or compare plans?

More important than this, is whether consumers can even shift their consumption even when they are armed with information about their energy consumption.

Electricity use peaks in the morning and particularly the evening because that is when many people are at home. They cannot simply shift the time they prepare dinner, or enjoy entertainment, or heat and cool their house.

The assumption that people will change their behaviour if given appropriate price signals is misguided if people simply cannot change their behaviour. This is especially pertinent for low-income households who cannot afford technologies to mitigate consumption in peak times.

As a study from the Victorian Energy Policy Centre claimed:

> *"Our findings suggest that Victorian households respond weakly to time varying rates and households in the lowest socio-economic areas do not respond at all. Despite significant advancements since TOU tariffs were studied rigorously in the 1980s, this Victorian study suggests these tariffs remain ineffective in encouraging households to shift load from peak to off-peak periods and may be regressive for the poorest consumers."*[24]

Rolling out smart meters to households who cannot realise the benefits of this technology and will face increased power prices as a result is highly inequitable.

Lower-income households cannot afford more efficient appliances or to install solar, let alone batteries. We are particularly concerned about the potential impact on seniors on low fixed incomes, who may depend on home heating and cooling and have limited capacity for remediation or investment in technologies that enable behaviour change or mitigate energy consumption in peak times.

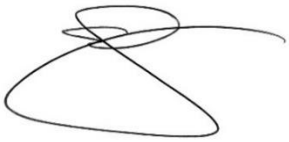
A mandatory rollout of smart meters to all households is unnecessary when many households will not have then means to receive benefits of this technology nor will they likely adopt the tariff structures that this technology enables (worse they will be financially worse off under such tariffs).

Furthermore, strong protections must be in place to protect consumers and to ensure that cost benefits of smart meters are passed on to consumers, including the ongoing use of a default market offer that does not use time-of-use metering.

[24] Do households respond to Time-Of-Use tariffs? Evidence from Australia

National Seniors believes there is little benefit in a full mandatory rollout of smart meters to all households and urge the AEMC to reconsider the proposed rule change.

Yours Sincerely



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