



4 June 2014

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

AEMC Rule Change on Expanding Competition in Metering and Related Services

The Consumer Action Law Centre (**Consumer Action**) welcomes the opportunity to provide input into the AEMC's rule change proposal to expand competition in metering and related services.

Consumer Action is an independent, not-for-profit, campaign-focused casework and policy organisation. Consumer Action offers free legal advice, pursues consumer litigation and provides financial counselling to vulnerable and disadvantaged consumers across Victoria. Consumer Action is also a nationally-recognised and influential policy and research body, pursuing a law reform agenda across a range of important consumer issues at a governmental level, in the media, and in the community directly.

Consumer Action recognises the great potential for advanced metering to enhance consumers' understanding of their own energy consumption, and acknowledges that it can be an important link for consumers to engage with the growing demand side market. We believe it is vital to the efficient functioning of this market that all consumers, regardless of socioeconomic background, have access to clear, simple and real-time data of their own energy consumption—without this, consumers will remain in the dark about how to benefit from more cost-reflective pricing and other demand-side initiatives. Consumer Action welcomes the development of new markets which help consumers engage with opportunities to manage their own energy consumption and expenditure, but we believe the success of these new markets depends on ensuring that consumers are protected, engaged and empowered.

In its rule change consultation paper, the AEMC has focussed on a range of relevant areas for opening up competition in metering services, including the relationship between parties, network regulatory requirements and minimum functionality specification. It is critical that consumer empowerment is included in this list of priorities. Failure to consider consumer empowerment from the outset will increase the risk that consumers will fare poorly when reforms are implemented. This in turn increases the risk that individual jurisdictions will seek to derogate or add to the regulatory framework—a problem that we have seen in other areas of retail regulation where various jurisdictions have derogated from the NECF (or propose to) in relation to energy contract exit fees, late payments, and most recently notice about contract variation. Increased derogations will add to the industry's cost of compliance with any new rules around metering, which will be ultimately paid for by consumers.

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Without real consumer empowerment, effective competition and consumer benefits will not be realised. Consumer Action believes that any new market for competitive metering services needs to meet the following principles to effectively build empowerment and trust:

- The market and supporting policies must be designed around real consumer behaviour and biases rather than pure economic theory.
- All information and advertising provided must be clear, balanced and simply communicated.
- Terms, conditions and fees must be regulated so that there are no hidden surprises for consumers.
- Product standardisation should be used where appropriate, not to stifle innovation but to ensure comparability for consumers.

We note that the COAG Energy Council is still considering how to regulate third party energy services companies and we recommend that this is done in line with these principles and in conjunction with the current Rule Change.

Consumer Action is currently undertaking research on the experience and concerns of consumers in an increasingly complex energy market. As part of this research, we surveyed over 300 households about their use of and attitudes towards key demand-side energy technologies, including smart meters. While consumers were overwhelmingly positive about the potential for advanced metering to allow them to better control their comfort and energy expenditure (94% of respondents were very interested in being able to remotely control their appliances for example), this was tempered by very high levels of concern about invasions of privacy and data security.

Concerns about privacy of personal habits and information rated as the highest concern that real consumers have with respect to advanced metering, and over 85% of people were concerned about the security and management of their consumption data. Addressing these concerns from the outset will be fundamental to gaining the trust of consumers to engage with advanced metering in a competitive market.

Further issues raised in the consultation paper that will provide simplicity and foster trust in a competitive market for metering are:

- The accreditation of metering coordinators, although this will need to be accompanied by regulations that provide consumer protection and the ability for regulators to enforce compliance with these protections.
- The AEMC's recommendation for a default position that retailers have responsibility for engaging a metering coordinator on the consumer's behalf. This is the relationship that consumers are used to and will therefore contribute simplicity in consumer understanding.
- Specifications for minimum functionality, including ongoing governance arrangements that include consumer representation.

In addition, we strongly support that any transition arrangements for Victoria to move to competitive metering services must be done in a managed and careful way, informed by the views of the Victorian Government and consumer stakeholders. Many Victorian consumers lost confidence in advanced metering, due to poor communication about the program's benefits and poor governance around the mandated roll out that contributed to a lack of accountability. This was confirmed by the Auditor-General's 2009 report, *Towards a Smart Grid*.

Following that report, the Government undertook a strategic review which resulted in a better governance framework and a strong focus on consumer benefit. Consumer Action has been represented on the Ministerial Advisory Council for Advanced Metering Infrastructure established after the review, which has proven to be a useful forum to promote consumer interests and benefits as the program developed.

So as to maintain that focus on consumer benefit, a slow and managed transition with consumer confidence at its heart will continue to be required so that consumers are able to develop confidence in new meters before further change in the regulatory framework and market is made. Key to this confidence will be a consumer realisation of benefits from the smart meter program, and clear evidence of the benefits flowing through to consumers. This is not assured to date, as the promised benefits (in the cost-benefit analysis for the program) rely on demand side participation and consumers choosing new tariff structures that benefit them. We are yet to see consumers confidently choose in this way—although flexible prices have been available for over six months, it has been reported that less than 4,000 consumers have chosen flexible pricing contracts. For these promised benefits to eventuate, we agree that it will be necessary for an exclusivity arrangement to be put in place for Victorian distribution network businesses to continue to be the metering coordinator under the proposed reforms, at least until consumer benefits are realised. This will provide some certainty, so that consumers develop the trust and confidence necessary to actively participate in the market.

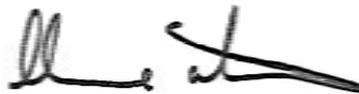
If you would like to discuss these matters further, or have any points of clarification in regards to this submission, please do not hesitate to contact Claire Maries, Senior Policy Officer, Energy directly on 03 8554 6907 or at claire@consumeraction.org.au.

Yours sincerely,

CONSUMER ACTION LAW CENTRE



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