

18 February 2022

Ms Rebecca Knights  
Director, Energy Policy & Projects  
Energy and Technical Regulation  
Department for Energy and Mining  
GPO Box 320  
Adelaide SA 5001

Marjorie Black House  
47 King William Road  
Unley SA 5061  
  
P. 08 8305 4222  
F. 08 8272 9500  
E. [sacoss@sacoss.org.au](mailto:sacoss@sacoss.org.au)  
[www.sacoss.org.au](http://www.sacoss.org.au)  
  
ABN 93 197 662 296

By email: [ETRConsultations@sa.gov.au](mailto:ETRConsultations@sa.gov.au)

Dear Ms Knights,

**RE: Consultation on accelerating the roll out of smart meters in South Australia**

The South Australian Council of Social Service (SACOSS) is the peak body for non-government health and community services in South Australia with a mission to advocate for the interests of vulnerable and disadvantaged people across the state. We thank the Department for Energy and Mining (the Department) for the opportunity to comment on its *Consultation Paper on Accelerating the roll out of smart meters in South Australia*<sup>1</sup>, dated 18 January 2022 (the Consultation Paper).

The purpose of the Consultation Paper is to seek feedback on four options to accelerate the roll out of smart meters in South Australia. This Consultation is taking place in the context of the Australian Energy Market Commissions' (AEMC's) review of the regulatory framework for metering services, which commenced in December 2020.<sup>2</sup> The AEMC's Review has generated a very high level of interest and engagement amongst stakeholders, with the AEMC receiving 58 submissions on its Directions Paper<sup>3</sup> late last year. The AEMC's Review is currently taking a short pause until April 2022.<sup>4</sup>

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<sup>1</sup> Department for Energy and Mining, [Accelerating the roll out of smart meters in South Australia Consultation paper](#), 18 January 2022

<sup>2</sup> AEMC, [Consultation paper: Metering Services Review](#), 3 December 2020, see also AEMC, [Terms of Reference: Review of the Regulatory Framework for Metering Services](#), 3 December 2020.

<sup>3</sup> AEMC, [Directions Paper: Review of the Regulatory Framework for Metering Services](#), 16 September 2021, Stakeholder submissions, can be found at <https://www.aemc.gov.au/market-reviews-advice/review-regulatory-framework-metering-services>

<sup>4</sup> AEMC, [Accelerating smart meter roll-out in the National Electricity Market, Information Sheet](#), November 2021

The South Australian government is initiating this Consultation separate to (but associated with) the AEMC's Review, as the Department is concerned recommendations from the Review may take too long to implement. The Department is therefore considering separate jurisdictional changes to local regulations (the *Electricity (General) Regulations 2012*), as opposed to changes to the National Laws and Rules, to accelerate the smart meter roll out in this state.

The AEMC's metering review is guided by both the National Electricity Objective (NEO) and the National Energy Retail Objective (NERO), as well as a specific objective developed for the Review in conjunction with the Consumer Sub-Reference Group (the Review's Objective):

***To enable the roll out of appropriately capable smart metering to consumers in a timely, cost effective, safe and equitable way, and to ensure metering contributes to an efficient energy system capable of maximising the benefits for all consumers.***

SACOSS is urging the Department to adopt the Review's Objective to guide both this consultation, and the development of subsequent potential local regulations relating to the smart meter roll out.

Whilst SACOSS acknowledges the need for a speedier and more equitable roll out of essential smart meter infrastructure, we are concerned to ensure the state government fully considers all of the associated impacts and issues raised by stakeholders in this consultation and the AEMC's review. We caution against proceeding with an accelerated jurisdictional roll out in isolation of a consideration of the broader objectives of metering reform.<sup>5</sup> An isolated response and hastily made regulations aimed at accelerating the smart meter roll out may lead to increased consumer vulnerability in South Australia. SACOSS considers any proposal to accelerate the roll out of smart meters at a jurisdictional level must align with the Review's Objective (as it relates to 'driving the roll out of smart meters') that:<sup>6</sup>

**The regulatory framework should support a timely, cost effective, safe and equitable roll out of smart meters where all consumers are able to access the benefits smart meters can enable.**

With that in mind, SACOSS refers the Department for Energy and Mining (DEM) to the following submissions made in response to the AEMC's Direction Paper on the review of the regulatory framework for metering services, and is seeking DEM consider the issues raised in these submissions as part of this consultation:

- [Joint submission from ACOSS, ACTCOSS, NCOSS, NTCOSS, QCOSS, Renew, SACOSS, TASCOS Total Environment Centre and Uniting to the Review of the Regulatory Framework for Metering Services – Directions Paper](#), 8 November 2021
- [Public Interest Advocacy Centre, Submission to AEMC Directions Paper Review of regulatory framework for metering services](#), 11 November 2021

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<sup>5</sup> AEMC, [Metering Review Directions Paper](#), 16 September 2021, p. 6

<sup>6</sup> AEMC, [Metering Review Directions Paper](#), 16 September 2021, p. 6

SACOSS does not consider **‘a timely, cost effective, safe and equitable roll out of smart meters where all consumers are able to access the benefits smart meters can enable’** will be achieved by any one of the discrete options outlined in the Consultation paper, but may require a combination of measures. We agree with PIAC and ACOSS that clear principles, objectives, targets and responsibilities will be required to be established prior to an accelerated roll out strategy being determined.<sup>7</sup> Consequently, this submission is not intending to address each of the options set out in the Consultation Paper, but will rather repeat some of the broader submissions on principles, objectives, targets and responsibilities made in response to the AEMC’s Review, that should be considered by the Department in determining whether to proceed with metering reform at a jurisdictional level.

In addition, we note the Consultation Paper highlights the ‘benefits’ of smart metering, but fails to acknowledge the **risks** of an accelerated smart meter roll out for consumers. This submission will highlight two important risks of an accelerated roll out leading to increased consumer vulnerability, namely:

- the issue of mandatory time of use (ToU) **retail tariffs** for South Australian smart meter customers, and the potential for negative bill shock outcomes
- remote disconnection for non-payment, and inadequate disconnection safeguards for smart meter customers.

### **Proposed Principles**

SACOSS repeats the following principles which are contained in the Joint ACOSS Submission to the AEMC on the Review’s Directions Paper,<sup>8</sup> to which SACOSS was a signatory. The following principles should underpin the Department’s consideration of any jurisdictional metering reforms:

- Consumers should benefit from smart meters and not be disadvantaged (no consumer should be worse off).
- Smart metering should be considered essential infrastructure for all consumers, to facilitate access to clean, affordable and dependable energy for all.
- Metering responsibilities should be simplified to improve efficiencies, reduce complexity for consumers and reduce risks.
- Responsibility for metering should be delegated to entities with the greatest capability for managing cost and risk efficiently, and that have the most direct incentive to undertake rollout quickly, efficiently and for the benefit of the system.
- There should be clear and transparent responsibility for who the meter belongs to, who is responsible for maintenance and replacement.
- Costs to individual consumers of installing smart meters should not be a barrier and should be minimised. Costs should be covered by network/retailer efficiency gains and other benefits.

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<sup>7</sup> See PIAC, [Submission to the AEMC Directions Paper: Review of the Regulatory Framework for metering services](#), pp 9.-11.

<sup>8</sup> ACOSS et al, [Joint Submission to the AEMC Directions Paper on Smart Metering](#), 8 November 2021, p.27

- Improve consumer decision-making by providing appropriate consumer information and education on smart metering, rights and capabilities, smart metering services and managing energy needs. Ensuring options and tools are clear, transparent, comprehensible, in plain language and accessible.
- Minimum service and compliance provisions should be documented and transparent.
- Installation and ongoing use of meters should be done in a way to prevent health and safety risks.
- Adequate protections are in place, including the inclusion of smart metering complaints in energy ombudsman schemes.
- Data framework should be developed that:
  - enables access to smart metering data by market participants at marginal costs
  - gives consumers the right to have control over their own data, at no cost, and
  - enables appropriate and necessary use of data for energy services.
- Protections are in place to reduce data security risk and report transparently.
- Supports energy transition and decarbonisation of the electricity grid.
- Regular reviews should be undertaken to monitor and report on benefits.

Building on these principles, SACOSS wishes to highlight the following recommendations, which we consider are central to supporting a timely, cost effective, safe and equitable roll out of smart meters where all consumers are able to access the benefits smart meters can enable.

### **Recognition that smart metering is essential infrastructure**

All metering, including smart metering, is essential infrastructure required for the safe delivery of energy to households. Smart metering technology has allowed for the role and functions of meters to expand, providing additional system benefits for consumers and providers. Consumers are not expected to make decisions and engage on essential aspects of the energy system and its infrastructure in order for the system to operate in their long-term interests, and similarly, should not be expected to engage on metering in order to realise benefits. The essential nature of metering underpins the importance of ensuring a timely, cost effective, safe and equitable roll out.

### **Establishing a universal scaled roll-out by 2030 deadline**

SACOSS and other consumer organisations<sup>9</sup> are calling for a universal scaled rollout of smart metering, to have a target goal of 2025 (or at a minimum 5 years from now as a key driver), and a deadline by 2030.

The smart meter roll out needs to align with systemic needs. Consideration of reforms to the energy system and markets through the Energy Security Board's (ESB) Post-2025 Market Design and the Australian Energy Market Operator's (AEMO) Integrated System Plan (ISP), highlight the crucial enabling role metering will have in the near future.

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<sup>9</sup> See submissions from PIAC and Joint ACOSS submissions to the AEMC's Review referred to above.

The Post-2025 market will rely on smart metering to function, supporting the importance of 2025 as a sign-post for roll out strategy development. We know the aim of a zero-emissions energy system by 2030 cannot be achieved without the universal roll out of smart meters. As a nationally consistent goal, we will need a system that is capable of balancing supply and demand by 2030. A time line needs to be set for an equitable accelerated roll out that commits to 2025 as a sign post and 2030 as a deadline.

### **Transfer smart metering installation and maintenance back to Distribution Network Service Providers (SA Power Networks)**

The primary responsibility for the rollout should be given back to Distribution Networks Service Providers (DNSPs) as part of their role in delivering essential infrastructure. With appropriate energy user protections and data access provisions in place, returning responsibility for metering back to DNSPs would reduce complexity and inefficiency, and would generate consumer and social benefit.

This recommendation is particularly relevant in South Australia where we have one DNSP, SA Power Networks. Transferring responsibility for metering back to SA Power Networks would be more cost effective for consumers, would support flow on system benefits through access to data, and would reduce the need for additional network infrastructure that would duplicate the information accessed from appropriately specified smart meters. In addition, distributors have no incentive to restrict access to customer data (unlike retailers).

The Department has heard from stakeholders about the complexity associated with installing smart meters in South Australia during its online forum relating to this consultation. At 105 pages in length, SA Power Networks' Retailer and Meter Service Provider Handbook<sup>10</sup> (July 2021) further illustrates the complexity of the current arrangements. Complexity adds costs, which flow on to consumers.

### **Costs**

As highlighted in the Department's online consultation forum, there no clarity around the apportioning of the costs of metering assets and meter data provision. There is no transparency around how efficient the current roll out of smart meters is, how much consumers are paying, how costs flow on to consumers and whether the costs are fair. The current framework renders the costs of metering unregulated and unclear.

The issue of how costs are apportioned must be resolved as a matter of urgency and prior to any acceleration of the roll out. The ACROSS Joint Submission suggests costs should be covered by network / retailer efficiency gains and other benefits. Should the responsibility for metering revert back to DNSPs, costs would be subject to the scrutiny of the AER and would need to be proved to be efficient. Currently, consumers cannot have any confidence that costs are prudent and apportioned efficiently or fairly in their long-term interests.

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<sup>10</sup> SA Power Networks, [Retailer and Meter Service Provider Handbook](#), 1 July 2021

SACOSS also refers the Department to a consideration of PIAC's suggestion in relation to the apportioning of the costs and benefits of an accelerated roll out:<sup>11</sup>

*'it may be necessary to create a framework for the sharing of costs and benefits where accelerated installation occurs, where a maximum amount of cost is recoverable from consumers, and the remainder is offset through other means. Government support or investment based upon realisation of potential benefits (for instance as part of demand reduction or virtual power plant projects) may need to be facilitated either through supporting regulatory changes or direct investment programs funded by consolidated revenue.'*

### **Mechanisms to address remediation**

Remediation must be addressed and is an urgent priority if the rollout is accelerated and 'involuntary' installations become more numerous. SACOSS supports PIAC's proposal that an assessment mechanism to deal with remediation and its costs should be shaped by the following principles:<sup>12</sup>

- *All consumers are entitled to appropriately capable advanced metering specified in the rules.*
- *Consumers should not bear any upfront costs for the installation of a meter, or any necessary remediation required to enable it.*
- *The scope of what constitutes necessary remediation, when it is required, and what is required, should be established according to a consistent guideline.*
- *Any costs charged for installation and necessary remediation should be transparent and regulated according to a schedule or guideline.*
- *Consumers should only pay costs related to the installation of their own meter (identified by NMI), including any costs related to the remediation required to install it.*
- *Any remediation outside the scope of what is necessary can only be undertaken at the consumers expense subject to adequate prior notice and information as to the cost implications.*

### **Information and education**

Education is essential for the realisation of smart meter benefits to consumers and the system more broadly. Information should be clear, simple and consistent and should cover costs, functions, services and the contribution of smart meter technology to the management of the changing energy system.

Importantly, and in the absence of local regulatory changes on retail tariffs (recommended below), it is essential that South Australian consumers receive clear information about the impact of having a smart meter on their energy usage patterns and retail tariffs. Consumers who are unaware or unable to change their energy usage patterns could face significant bill increases through an inability to opt out of mandatory ToU tariffs.

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<sup>11</sup> Public Interest Advocacy Centre, [AEMC Review of the regulatory framework for metering services Consultation Paper](#), 26 February 2021, p.22

<sup>12</sup> PIAC, [Submission to the AEMC Directions Paper: Review of the regulatory framework for metering services](#), 11 November 2021, pp.15-16

SACOSS fully supports Recommendation 14 of the Retail Electricity Pricing Inquiry Report<sup>13</sup> (REPI Report) that:

***Governments should appropriately fund communication campaigns around the benefits of cost-reflective pricing and smart meters to build community acceptance and awareness of individual and community wide benefits, as well as customer awareness of their rights.***

SACOSS urges the South Australia government to fund information and awareness campaigns around the impact of time of use tariffs in South Australia and the benefits of smart meters.

### **Remote disconnection for non-payment**

The acceleration of the roll out of smart-meters in South Australia also adds new complexities to the dangers surrounding disconnection for non-payment. Smart meters enable disconnections to be processed remotely (with no house visit required) making the process of disconnection both faster and cheaper. SACOSS acknowledges the benefits of remote disconnection and reconnection in certain circumstances, but we are firmly of the view that remote disconnection for non-payment is not in the best interests of vulnerable customers. It is vital retailers comply with their current obligations prior to proceeding to remotely disconnect customers for non-payment, and consideration should be given to the imposition of additional safeguards to protect customers from disconnection.

In Victoria, where there has been a state-wide roll out of smart meters, there appears to be a strong link between smart meters and increases in disconnection completion rates, as well as increases in households experiencing multiple disconnections.<sup>14</sup> SACOSS understands the stronger disconnection safeguards implemented in Victoria as part of its Payment Difficulty Framework (where the onus of proof is on retailers to show they have complied with the payment difficulty processes), were in response to increases in disconnections.

As the Department knows, a trial of SA Power Networks' pre-visit service resulted in more than 50% of disconnection for non-payment service orders being cancelled.<sup>15</sup> SA Power Networks' program has been picked up by Essential Energy in NSW, with even greater success (an 80% disconnection cancellation order in their pilot "knock before you disconnect" program<sup>16</sup>). It is important to point out that remote disconnection and

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<sup>13</sup> ACCC, [Retail Electricity Pricing Inquiry Report](#), June 2018, p.xix

<sup>14</sup> St Vincent de Paul Society & Alvis Consulting, *Households in the Dark II: Mapping electricity disconnections in South Australia, Victoria, New South Wales and South East Queensland*, by Sophie Labaste, August 2019. <https://alvisconsulting.com/wp-content/uploads/2019/10/Households-in-the-Dark-II-Report.pdf>

<sup>15</sup> 875 sites were "pre-visited" and 492 disconnection for non-payment service orders were cancelled prior to schedule date (56.23% successful pre-visit).

<sup>16</sup> Essential Energy's personal contact approach to reducing disconnections was commended by the Energy Charter's Independent Accountability Panel in [its Assessment of achievement of better outcomes for Australian energy consumers in 2019-20](#), December 2020



reconnection will remove SA Power Networks from any involvement in the disconnection process.

SACOSS is seeking SA Power Networks' site visits become part of the disconnection process, for all meter types, including smart meters. It would be preferable for the National Energy Customer Framework (the NECF) to improve disconnection processes to include "knock before you disconnect" (and this has been flagged in the Australian Energy Regulator's Draft Consumer Vulnerability Strategy<sup>17</sup>), but the state government could provide for this requirement under the *National Energy Retail Law (Local Provisions) Regulations 2013*, which allow for jurisdictional derogations from the National Energy Retail Rules as they are applied in SA.

### **Time of Use Retail Tariffs for smart meter customers in SA**

Additionally, and potentially further compounding consumer vulnerability, South Australia has a regulatory requirement,<sup>18</sup> that **the retail tariff structure** of the standing offer for smart meter customers must reflect the TOU network tariffs approved by the AER in SA Power Networks' Tariff Structure Statement (TSS).

Retailers in SA are now required to have a standing offer for smart meter customers that includes:

- SAPN's TOU tariff structure OR
- SAPN's Demand tariff structure for residential prosumer OR
- A tariff structure determined by the retailer (which could be flat tariff), IF the retailer has a TOU market offer that is approved by the Minister.

SACOSS has not been advised of any 'generally available market offers' that have been approved by the Minister.

Tellingly, the AER's most recent retail market performance reporting for Quarter 1, 2021/22<sup>19</sup> shows a marked increase in the number of South Australian customers with smart meters who now have a time-of-use **retail tariff** (with an underlying distributor-based time of use or flexible tariff). In the 12 months since Quarter 1 2020/21, the percentage of customers in South Australia with smart meters on a time of use retailer tariff with an underlying distributor tariff has increased from 3.7% to 33.9%.<sup>20</sup> The data shows:

- 47.9% of Simply Energy's South Australian smart meter customers are now on ToU retail tariffs, up from 0.4% 12 months earlier

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<sup>17</sup> Australian Energy Regulator, [Consumer Vulnerability Strategy, Draft for Consultation](#), December 2021, pp39-40 and see consultation question13.

<sup>18</sup> See: Section 22(1a) of the [National Energy Retail Law 2011](#) (NERL) and Regulation 6A [National Energy Retail Law \(Local Provisions\) Regulations](#)

<sup>19</sup> Australian Energy Regulator, [Retail energy market performance update for Quarter 1 2021–22](#), Schedule 2

<sup>20</sup> The number of customers in SA on a time of use or flexible retail tariff with no underlying distributor based time of use or flexible network tariff has increased from 0.4% (637 customers) to 0.8% (1911 customers) in 12 months, so remains **under 1%**.



- 34.2% of AGL’s SA smart meter customers are now on TOU retail tariffs up from 4.0% in Q1 2020/21
- Origin’s SA smart meter customers on ToU retail tariffs has increased from 2.9% to 32.2% in 12 months.

SACOSS understands from some retailers that these customers **do not** have the option to opt out of these ToU retail tariffs, even if they are unable to shift their usage patterns to between 10am and 3pm in order to take advantage of the lower ‘solar sponge’ tariffs.

As SACOSS has previously noted in a submission to the Australian Energy Regulator (AER) on the Default Market Offer Methodology:<sup>21</sup>

*‘It is widely accepted that standing offer customers are largely disengaged customers (which was one of the reasons the DMO was introduced), and it follows that those customers may be less likely to be able to move their usage patterns to avoid the **peak tariffs in South Australia between 6am -10am and 3pm to 1am (14 hours per day)**, and in fact may not even be aware of the changes in pricing structures and the need to move usage. This could lead to much higher bills for those customers, who are already likely to be in vulnerable circumstances.’*

To address the equity concerns surrounding TOU rates, researchers have recommended that:<sup>22</sup>

- *Policies are needed to ensure that demand-side response does not increase hardships for vulnerable groups.*
- *Different vulnerable groups will have different capacities to respond to rates using price signals, so demand-side measures should be carefully targeted rather than ‘one size fits all’.*
- *Potential time-of-use rates should be tested using scientifically rigorous methods before widespread implementation, with separate evaluation of impacts on different groups.*
- *People who are elderly, have disabilities and/or are members of minority groups will likely require particular attention in future pilots and policies.*

SACOSS strongly urges the Department to consider and adopt Recommendation 14 of the REPI Report which states (SACOSS’ emphasis):

***Retailers should not be obligated to reflect the cost-reflective network tariff structure in their customers’ retail tariffs, but should be free to innovate in the packaging of the network tariff as part of their retail offer.***

*Given the **potential for negative bill shock outcomes** from any transition to cost-reflective network tariffs should retailers pass these network tariffs through to*

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<sup>21</sup> SACOSS, [Submission to the AER on its DMO Methodology Options Paper](#), 23 November 2021, p. 5

<sup>22</sup>White, L.V., Sintov, N.D. Policy Brief, 16 December 2019, Varied health and financial impacts of time of-use energy rates across sociodemographic groups raise equity concerns <https://www.nature.com/articles/s41560-019-0515-y>

customers, **governments should legislate to ensure transitional assistance is provided for residential and small business customers. This assistance should focus on maximising the benefits, and reducing the transitional risks, of the move to cost-reflective pricing structures. This includes:**

- **a compulsory ‘data sampling period’ for consumers following installation of a smart meter**
- **a requirement for retailers to provide a retail offer using a flat rate structure**
- **additional targeted assistance for vulnerable consumers.**

Prior to any consideration of an accelerated smart meter roll out, SACOSS is seeking the Department work to ensure smart meter customers in South Australia have **the choice to opt-in to a ToU retail tariff if it suits their circumstances**, or at the very least the ability to opt-out. This may involve the repeal or amendment of Regulation 6A of the *National Energy Retail Law (Local Provisions) Regulations 2013*. In line with Recommendation 14 of the REPI Report, SACOSS submits retailers should be required to provide a retail offer using a flat rate.

In addition, SACOSS is calling for the **distributional impacts of the mandatory TOU standing offers to be thoroughly monitored and reported on** by the SA government to determine the impacts of regulation 6A on energy affordability and consumer vulnerability, with additional targeted assistance provided to those affected. Retailers should be in a position to share the billing data of their smart meter customers in SA, to allow for a comparison of bills costs prior to being moved to a ToU retail tariff, and bill costs after (allowing for seasonal changes in energy use). This also aligns with the Recommendation 14 of the REPI Report that there be a compulsory ‘data sampling period’ following the installation of a smart meter.

### **Jurisdictional derogations from National Laws and Rules**

The ACCC’s REPI Report highlighted the impact of jurisdictional derogations from National Laws and Rules on increased costs for retailers, and therefore consumers.<sup>23</sup>

Recommendation 28 states:

*Future derogations from the NECF should be limited to situations where there are jurisdiction-specific needs that cannot be addressed by a NECF-wide rule change.*

Objective 5 of the AER’s Draft Consumer Vulnerability Strategy<sup>24</sup>, to ‘balance affordability and consumer protections by minimising the overall cost to service where possible’, highlights the need to reduce complexity and avoid jurisdictional derogations which can increase costs to serve.

SACOSS considers the Department would be better placed to put its efforts into working with the AEMC and other Energy Ministers to fast-track changes to National Laws and Rules

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<sup>23</sup> ACCC, [REPI Report](#), see recommendations 27 and 28, in addition to discussion on p. 226 – 229.

<sup>24</sup> Australian Energy Regulator, [Consumer Vulnerability Strategy, Draft for Consultation](#), December 2021, p.48

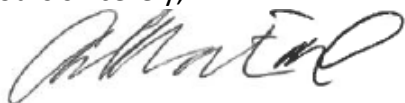
dealing with metering, rather than pursuing piecemeal jurisdictional changes that may not properly consider broader impacts and risks for consumers.

### **Regulatory Impact Assessment**

In the event the Department proceeds with regulatory changes to accelerate the smart meter roll out in South Australia, SACOSS is seeking a regulatory impact assessment is undertaken as a priority.<sup>25</sup>

If you have any questions in relation to this submission, please contact Georgina Morris by email [georgina@sacoss.org.au](mailto:georgina@sacoss.org.au) or phone 8305 4214.

Yours sincerely,



**Dr Catherine Earl**

Director of Policy and Advocacy  
South Australian Council of Social Service

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<sup>25</sup> As noted in the online consultation forum, Option 4 in the Consultation paper would interact with new regulations relating to appliance standards in SA.