

Independent Pricing and Regulatory Tribunal NSW
Level 16,
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Sydney NSW 2000

Consultation Paper – Monitoring the Retail Electricity and Gas Markets in NSW

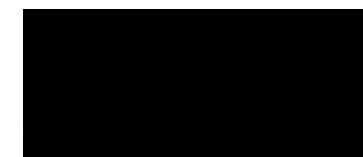
Thank you for the opportunity to make a submission in response to the consultation paper as part of the 2023-24 monitoring report on the NSW retail electricity and gas markets.

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.

National Seniors Australia is concerned about plans to accelerate the roll out of smart meters and the impact of cost-reflective tariffs they enable, including both time-of-use and demand tariffs. We believe many consumers are not in a position to understand, let alone manage these complex tariffs. Those being moved to cost-reflective tariffs, often with little choice, will likely experience higher bills at a time of general cost-of-living pressure. We argue that demand tariffs in particular are too complicated to have any place in retail electricity offers and should be removed as they are a blunt cost-recovery tool that does little to educate customers or change their behaviour.

Responses to specific questions raised in the consultation paper are set out below. We have also attached recent submissions to the AEMC, which details arguments in support of the above positions.

Yours Sincerely



Specific consultation responses

What datasets are available to assist us in understanding the impact of these pricing structures on consumers?

Given the limitations on the types of information that IPART can consider as part of the review, it is vital that better quality information is collected and made publicly available.

The current information available on consumer switching to cost-reflective tariffs is very limited. The information that is available, is not current and highly summarised as it relies on collation of billing-level data by regulators for individual reports, such as the ACCC Inquiry into the National Electricity Market reports¹.

The AER quarterly retail energy market performance updates² are limited in their usefulness as they don't differentiate between different types of cost-reflective tariffs and only cover smart (Type 4/4A) meters.

We do believe that IPART would find the body of academic literature covering the consumer response to cost-reflective tariffs of use. Much of this literature is counter to assumptions that consumers can and will understand complicated cost-reflective tariffs and respond in a way that shifts demand.

Some researchers have noted that while demand tariffs are ineffective at reducing peak demand, they could operate as a cost-recovery measure³. If demand tariffs are at best cost-recovery tools used to pass on charges from energy producers, this risks undermining the social licence needed for energy market reform. As such, their use should be reconsidered at the retail level.

What additional information would assist households and small business customers in understanding and responding to changing tariff structures?

As detailed in our attached submissions, we are of the view that many consumers will be unable to respond to cost-reflective tariffs. Customers should *always* have access to a flat tariff as an alternative to cost-reflective options.

Responding to cost-reflective tariffs requires the ability to shift usage or invest in technologies that enable behaviour change. While some households will be able to afford solar systems, large batteries, and new energy-efficient appliances, households without means will be placed under

¹ [Inquiry into the National Electricity Market 2018-25 reports | ACCC](#)

² [Retail energy market performance update for Quarter 3, 2023-24 | Australian Energy Regulator \(AER\)](#)

³ [Evaluating user understanding and exposure effects of demand-based tariffs - ScienceDirect](#)

further cost-of-living pressures under cost-reflective tariffs. We are particularly concerned about seniors on low fixed incomes, those on social security payments or other fixed incomes, and renters.

The ability to respond to a cost-reflective tariff is dependent on consumers having an adequate understanding of the tariff structure. The new tariff types that smart meters allow can be very complicated, with multiple different rates changing throughout the day, week, month, and year. Demand tariffs are even more difficult to understand, with retailers not providing consumers with estimates of expected peak usage or examples of what appliances would contribute to particular usage. Instead, consumers are given tips like, “use the BBQ instead of your oven or cooktop” and “turn off appliances at the power point instead of leaving them connected and using standby power, you could save up to 10 per cent on your energy bill”⁴.

Yet the approach taken by the industry and regulators is to avoid giving consumers information about their electricity usage. As one rule change request submitted to the AEMC notes, consumers have no explicit right to their real-time electricity data and while smart meters can provide data locally there are barriers to using this feature⁵. The AEMC draft rule determination on accelerating smart meter deployment did not include real-time data access, because the companies which requested the rule change did not ask for it to be included⁶.

If consumers are meant to respond to price signals to reduce peak demand, they need access to detailed information; failure to give consumers access to information suggests the shift to cost-reflective tariffs is a cost-recovery measure, or worse, an attempt to use data access, or lack thereof, as a means to leverage additional charges from vulnerable customers.

⁴ [Reduce peak demand | Endeavour Energy](#)

⁵ [Real-time data for consumers | AEMC](#)

⁶ [AEMC moves to accelerate smart meter rollout for Australians | AEMC](#)

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Directions paper, National Electricity Amendment (Accelerating smart meter deployment) Rule 2024

Thank you for the opportunity to make a submission in response to the directions paper on enhanced consumer safeguards for the accelerated smart meter rollout.

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

We welcome this further consultation and recognition by the AEMC that enhanced safeguards are needed. However, we argue these measures will simply delay the inherent problems associated with an accelerated rollout of smart meters. We reiterate the argument from our previous submission that now is not the right time to be progressing a mandatory rollout of smart meters, and we continue to dispute the broad statement by AEMC that the proposed “accelerated smart meter rollout would benefit consumers”.

There is a fundamental flaw in the logic underpinning a mandatory rollout of smart meters. It is based on the view that consumers will benefit from and embrace cost-reflective tariffs, when evidence suggests otherwise.

Our overarching position is that customers should not be moved onto a tariff that they do not choose, all tariff changes should be with explicit informed consent, and that flat tariffs should remain available on an ongoing basis for all consumers who wish to have them. We strongly support the retention of flat tariffs as an option for customers on smart meters, noting that cost-reflective tariffs have not been embraced in Victoria despite a full rollout of smart meters and that many consumers will not be able to benefit from or manage the complex tariffs that smart meters enable.

NSA believes consumers should not be moved on to time-of-use tariffs without informed and explicit consent. We agree with the AEMC that retailers should be required to gain explicit consent from customers before being placed on time-of-use tariffs but reject the proposal that this be limited to only three years. There is a clear question for the AEMC to explain why they would include this safeguard as a temporary measure only.

NSA also rejects the imposition of demand tariffs on retail consumers as an ill-considered and blunt instrument to reduce energy use during peak demand periods. We support a recent report from Energy Consumers Australia (ECA) that questions the value of demand tariffs in mitigating peak demand and outlines other more rational options to reduce peak demand that do not impose increased complexity, cost, and potential health impacts on consumers¹.

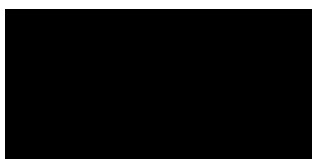
We do not see why demand tariffs should exist at the retail level. Under both flat and time-of-use tariffs, consumers pay for the electricity they use. However, this is not the case for a demand tariff, instead consumers are charged a rate across an entire billing period based on their consumption at singular point in time. This disconnects the amount consumers pay from actual usage. A demand tariff does not give households valid price signals to reduce consumption on a day-to-day basis because it does not reflect day-to-day use. As noted by the ECA, households in extreme weather events will likely choose immediate comfort when considering their use of energy negating any behavioural impact of demand pricing.

Ultimately, we do not see the value in an accelerated mandatory smart meter rollout when evidence suggests many consumers will not have the resources or wherewithal to benefit from them, and worse, could be financially worse off when coupled with cost-reflective tariffs. Again, the experience of Victoria suggests that only a small proportion of households see the value in taking up the tariffs smart meters enable. If specific households see the value in adopting these technologies, then this should be supported but not mandated.

We also believe the mandatory roll out of smart meters and the imposition of cost-reflective tariffs will be unfairly linked to the transition to renewable energy in the eyes of the public, putting the current energy transition at risk.

Further information supporting these arguments is provided at the end of this submission.

Yours Sincerely



¹ [Analysis: Cost-reflective network tariffs aren't very cost-reflective \(energyconsumersaustralia.com.au\)](https://energyconsumersaustralia.com.au)

Responses to AEMC proposed safeguards

1. Customers would need to give explicit informed consent for a retail tariff structure change following a smart meter deployment

We welcome the proposal for changes to retail tariffs to require explicit consent from customers but see no reason why this should be limited to only three years or subject to the exemptions listed in the discussion paper. The AEMC says explicit informed consent would reduce the risk of ‘bill shock’ and improve consumer choice. This implies that cost-reflective tariffs will inevitably result in higher bills. NSA argues that if this is the case the protections should be ongoing to protect consumers who do not have the means to adjust their behaviour regarding energy use. As the Minister for Climate Change and Energy, Chris Bowen, recently noted in a proposed rule change sent to the AEMC, consumers on “complex tariff structures such as demand tariffs” do not enjoy the consumer protection of the Default Market Offer (DMO)².

A three-year limit on this consumer protection is concerning due to the existence of transitional demand tariffs. The ACCC found that “demand tariffs pay similar effective prices to those on flat tariffs”³. However, the NSW Independent Pricing and Regulatory Tribunal (IPART) note that this analysis accounted for the impact of a transitional demand tariff “set at a 95% discount to the standard tariffs”⁴.

We also see no reasons that the safeguard of explicit informed consent should not apply where a customer moves into a premises that already has a smart meter or after they change retailer, as listed in the discussion paper. Customers should have to give explicit informed consent to a tariff change. Limiting the safeguard to apply to the installation of smart meters is overly focussed on the ‘bill shock’ aspect of the proposed accelerated smart meter rollout, and insufficiently on the ongoing customer impact of the industries’ desire to charge customers on a demand basis.

Given the existing preference by retailers to change the tariffs of customers when installing a smart meter, it is likely they will continue to promote cost-reflective tariffs under an explicit consent period. A consumer may make an informed decision that the best tariff for them (after the installation of a smart meter) is a transitional demand tariff, which may be cheaper than an existing flat rate tariff, if they are capable of managing their energy use in peak demand periods. However, when the three years has expired the transitional demand tariff will be replaced with a much more

² [RRC0061 - Ensuring energy plan benefits last the length of the contract - Pending doc - Aug2024.pdf \(aemc.gov.au\)](#)

³ [Inquiry into the National Electricity Market - June 2024 report \(acc.gov.au\)](#)

⁴ [Annual-Report-Monitoring-NSW-energy-retail-market-2022-23-November-2023.PDF](#)

expensive demand tariff. Yet, at this later point, no explicit informed consent from the consumer is required.

Delaying the bill shock by a couple of years risks undermining public confidence that government and regulators will protect consumers in future wide-scale energy market reforms.

Take, for example, the Ausgrid tariffs which apply to upgrades to smart meters. The Network Price List 2024-2025 lists the rates (excluding GST) for these tariffs⁵:

Tariff code	Tariff name	Peak c/kWh	Off-peak c/kWh	Network Demand Prices, High Season ⁶ , c/kW/day
EA111	Residential demand (introductory)	10.7805	10.7805	1.3093
EA116	Residential demand	2.3370	2.3370	33.2942

While acknowledging that these are not rates charged to consumers, retailers have a financial incentive to place consumers on similar tariffs and pass on costs. The AEMC noted in the directions paper that retailers were concerned about bearing a tariff mismatch for a period of as little as fewer than 30 business days. This suggests retailers are likely to quickly pass on, potentially substantial, tariff changes to consumers.

For instance, Alinta Energy has a demand tariff plan in the Ausgrid network area which charges 36.62 cents/kW/day during the high season⁷. A consumer may well consent to an introductory demand tariff based on EA111, only to find themselves moved with 30 business days' notice to one based on EA116 three years later with a corresponding 2,500% increase in the demand charge. This would be similar to the industry practice of setting low initial offers and recouping the cost through later unilateral price increases, as the ACCC has found⁸.

Indications from the differing take-up of cost-reflective tariffs among the States and Territories suggest it is not the availability of smart meters that leads consumers to adopt cost-reflective tariffs. Drawing on the data in the State of the Energy Market report 2023, three of the five networks with the lowest proportion of cost-reflective tariffs are in Victoria⁹. The three networks which serve the Melbourne area, Jemena, United Energy and CitiPower¹⁰, are all in the range of

⁵ [Network Use of System Prices \(ausgrid.com.au\)](https://www.ausgrid.com.au)

⁶ November to March and June to August

⁷ [Priority Plus - Demand Single Rate \(ALI724945MRE6\) \(energymadeeasy.gov.au\)](https://www.energymadeeasy.gov.au)

⁸ [Inquiry into the National Electricity Market: December 2023 Report \(accc.gov.au\)](https://www.accc.gov.au)

⁹ Figure 4.6, [State of the energy market 2023 \(aer.gov.au\)](https://www.aer.gov.au)

¹⁰ [Electricity Distributors Victoria - Map and Networks | Canstar Blue](https://www.canstarblue.com.au)

10% - 20%. While detailed data on take-up of cost-reflective tariffs by consumers is severely lacking, this suggests that customers have not rushed to take-up cost-reflective tariffs.

More generally, NSA strongly disagrees with the imposition of demand tariffs by retailers. The AEMC directions paper says that “cost-reflective network prices are only effective in constraining network augmentation costs where network price signals are communicated to customers and/or their devices through retail offers”. We contend that a more accurate statement would be that cost-reflective network prices are only effective if price signals are communicated to customers, the customers understand the price signals, and can respond to these price signals. Unfortunately, most consumers are not in this position.

At a time of cost-of-living pressures, moving consumers to a complicated tariffs structure, with limited ability to respond, is inappropriate. For instance, in 2022 the Department of Climate Change, Energy, the Environment and Water said that including demand tariffs in the DMO would be “problematic”, due to “challenges in working out ‘average’ energy use profiles, which would make price determination and comparison requirements more challenging”¹¹. NSA questions how consumers are meant to decide if a demand tariff is appropriate for them if the department with responsibility for energy finds the question difficult.

Research also indicates, people generally do not understand how demand tariffs work and how to respond to them¹². The researchers conclude there is no evidence that demand tariffs elicit behavioural change (reduction in peak demand). At best they could operate as a tool for cost-recovery. But if cost recovery was the true intent behind an accelerated rollout of smart meters, once consumers bear these higher costs this would undermine the social licence of the regulators and industry.

Even if consumers did understand what a demand tariff is, they have limited information with which to make decisions. For instance, EnergyMadeEasy does not properly account for the cost of demand tariffs. If a plan includes a demand charge the website does not include it in the ‘estimated cost’ of plans. While this calculation would be subject to the underlying assumptions, if the government website cannot compare demand tariffs, how are consumers expected to do this? Additionally, by excluding these costs from the estimates, this makes it more likely that consumers will choose demand tariffs that may not be appropriate for them and cost them more than alternative plans.

¹¹ [Directions from the review of the Default Market Offer and Reference Price - Climate \(dcceew.gov.au\)](https://www.dcceew.gov.au/energy/aemc/directions)

¹² [Evaluating user understanding and exposure effects of demand-based tariffs - ScienceDirect](https://www.sciencedirect.com/science/article/pii/S0950080421000000)

Energex has figures estimating peak usage, with the 2024-25 Pricing Proposal Overview document using a typical residential customer consuming 4,871 kWh a year with a monthly peak demand of 3.59 kW for their calculations¹³. Using these figures with the tariff rates available from two electricity plans from the same retailer available in South East Queensland shows that under the flat tariff plan the annual cost would be around \$1,745 versus \$1,961 for the demand tariff plan¹⁴. However, EnergyMadeEasy suggests that the demand tariff would be cheaper by \$30 a year at 'medium' usage, because it doesn't include the demand charge. Because there is only a minimal discount on the usage charge, in order for the demand tariff plan to not exceed the cost of the flat tariff (while maintaining overall usage, since the similar usage charges create a roughly equal incentive to reduce overall demand) the consumer would need to not exceed a peak demand of 0.35 kW. Noting that this is not instantaneous peak demand, but peak usage in a 30-minute window, this amount is likely to be exceeded by cooking a meal apart from any other electricity usage. We note that several energy companies recommend using a gas BBQ to reduce peak demand^{15,16}.

We also note that some information on the EnergyMadeEasy website, in relation to demand tariffs, is both misleading and inaccurate. For example, of the 11 plans which include a demand tariff for the 4105 postcode in Queensland, three appear to show the wrong demand tariff rate. Eight of the plans have a demand tariff rate of between \$0.15 and \$0.35 per kW/day. However, three of them show rates of \$5.64, \$8.73, and \$9.90 per kW/day. We note that unlike other networks, which list the demand tariffs as \$/kW/day, Energex and Ergon list their demand tariffs as \$/kW/month. Dividing these rates by 30, to arrive at an approximate daily figure, gives \$0.188, \$0.291 and \$0.33. It is therefore likely that there has been an error in loading the correct information into EnergyMadeEasy. We raise this because it highlights the complexity issue. If industry and government are making errors of this magnitude, which go uncorrected, how can consumers be expected to make sense of demand tariffs when attempting to choose a retail energy plan?

¹³ [Energex - 2024-25 Pricing Proposal Overview](#)

¹⁴ Alinta HomeSaver – Single Rate (supply charge \$1.0725 per day, usage charge \$0.2778 per kWh) and HomeSaver – Demand Single Rate (supply charge \$1.0811 per day, usage charge \$0.2717 per kWh, demand charge \$0.1855 per/kW/day), available for postcode 4105.

¹⁵ [Reduce peak demand | Endeavour Energy](#)

¹⁶ [Best Home Energy Saving Tips | Save Energy at Home - Synergy](#)

2. Designated retailers would be required to offer flat tariffs to customers with smart meters, with this measure being implemented by jurisdictions

Likewise, we welcome a requirement to continue to offer flat tariffs to customers. As the AEMC has noted, cost-reflective tariffs are not appropriate for all consumers, including those in vulnerable situations. We believe the rules setting out this protection should be written to apply as broadly as possible; all customers should, *at all times* have the option of a flat tariff with the associated DMO protections.

However, we are concerned about the implementation of this measure. As the AEMC says in the directions paper, giving consumers with smart tariffs the choice of a flat tariff was a recommendation from the 2012 National Smart Meter Consumer Protection and Safety report¹⁷. Though implementation of this was left to the jurisdictional level and through change proposals to the National Electricity Rules¹⁸. Clearly this did not eventuate, though support at the State level does appear to be higher now, such as in Queensland¹⁹.

The AEMC also appears to have an ongoing opposition to consumers being able to reject being moved to cost-reflective tariffs. We note the AEMC ruled out the option of allowing consumers to remain on their existing, likely flat tariff, when changing to a smart meter. The arguments AEMC use in favour of the three-year explicit informed consent period versus those against allowing consumers to opt-out of cost-reflective tariffs appear to be contradictory.

When arguing against consumers being able to choose to remain on their flat tariff the AEMC says it would require customer engagement, including their “ability to understand the impact of different tariffs and their energy consumption on their bill, and their ability to engage with a notification from their retailer” and that “our engagement with stakeholders also indicates that many customers do not, and do not wish to, engage with their bills”. Yet when arguing that explicit informed consent should end after three years, the AEMC says that consumers will be able to use the information gathered during this period to “better understand their usage and what it means for their energy bill”. We fail to understand how consumers can both be unwilling to engage with their bills to remain on a flat tariff, but fully engage with much more complicated information to choose an appropriate cost-reflective tariff.

Consumer protections should be an ongoing part of the electricity market, not merely the minimum measures required to achieve a goal of accelerated smart meter installation.

¹⁷ [National Smart Meter Consumer Protection and Safety Review \(archive.org.au\)](#)

¹⁸ [Consultation Paper – National Energy Retail Rules Amendment Rule 2013 \(archive.org.au\)](#)

¹⁹ [Miles Government win in stopping energy retailers’ smart meter sting - Ministerial Media Statements](#)