

Combined Pensioners & Superannuants Association

OF NEW SOUTH WALES INC



Submission to the NSW Smart Meter Task Force



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Combined Pensioners & Superannuants Association of NSW Inc (CPSA)

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About CPSA

CPSA is a non-profit, non-party-political membership association founded in 1931 which serves pensioners of all ages, superannuants and low-income retirees.

CPSA has 130 Branches and affiliated organisations with a combined membership of over 29,000 people living throughout NSW. CPSA's aim is to improve the standard of living and well-being of its Members and constituents.

CPSA depends for the majority of its funding for core activities as a peak body on a \$440,000 grant from the NSW Government and a \$68,000 grant from the Australian Government.

CPSA engages in systemic advocacy on behalf of its constituency and also auspices four services which receive Government funding: the Health Promotion Service for Older People, the Older Persons Tenants' Service, the Park and Village Service and a Community Visitors Scheme.

CPSA acknowledges the potential for conflict of interest arising for CPSA and the NSW and Australian Governments as a result of this funding arrangement. CPSA is committed to managing any conflict of interest issues in an ethical manner.

Smart meters and low-income householders

CPSA welcomes the opportunity to make comment on the NSW Smart Meter Task Force Discussion Paper.

The steep rise in electricity prices in recent years has had a dramatic, adverse impact on low-income householders and their ability to cover their electricity costs. As noted in the Discussion Paper, the NSW Auditor General reported that electricity bills have increased by approximately 80 per cent over the last five years.¹ According to the Independent Pricing and Regulatory Tribunal (IPART), average annual bills for residential electricity consumption of the three regulated electricity providers are now between \$1,972 (Integral Energy) and \$2,590 (Country Energy). Energy Australia bills are now at an average of \$2,127 per household.² These price increases disproportionately affect low-income households, who are the least able to absorb the increased cost.

Importantly, these increases (as a percentage of household income) are not evenly spread, with people in rural, regional and outer metropolitan areas often spending a greater proportion of their income on electricity. In NSW the percentage of Country Energy

¹ New South Wales Auditor General (2012) *Financial Audit Volume Four 2012 – Focusing on Electricity*, p. 7.

² Independent Pricing and Regulatory Tribunal (2012) *Fact Sheet: Changes in Regulated Electricity Prices from 1 July 2012*.

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customers who are paying over 10 per cent of their disposable income is set to rise from 8 per cent in 2011-12 to 11 per cent in 2012-13.³ This reflects the increasing number of consumers who are suffering from energy poverty, defined as spending 10 per cent or more of their income on energy consumption.

Whilst CPSA recognises that time of use meters may be a benefit to some consumers in reducing their electricity bills, these benefits are not spread equally amongst all consumers and there are many that will lose out under a compulsory switch to smart meters. Whilst the discussion paper notes that smart meters are identified as enabling a more effective consumer response by encouraging the community to respond to 'price signals' this is simply not possible for many users. Pensioners and others on low incomes, who generally spend more time at home during the day compared with workers, are disadvantaged by time of use meters as they are not able to vary their consumption to off-peak times. As a result, CPSA urges the Task Force to look at other arrangements to reduce peak demand.

The disparity in benefit distribution from smart meters is particularly problematic because those most in need of options to reduce their electricity bills will not be able to access them. A barrier to people getting the best value for money in terms of their electricity provider is a lack of transparency by retailers. Should smart meters be introduced, there is a need for a clear outline of how they work that is easily accessible for consumers. This outline should be provided to all householders, written in plain English and other community languages, and not hidden in fine print.

Pensioners and those on low incomes already under-use electricity in their homes in an effort to reduce costs. CPSA regularly hears from older people who are minimising television and light use and refraining from using heaters and fans due to fear of the costs involved. This shows not only that assistance measures to help low-income householders cope with bills are inadequate, but also that modest electricity use causes unaffordable electricity bills for these householders.

Time of use tariff arrangements will also negatively affect people with disability. There are a considerable number of people who, for example, must constantly cool or heat their home because they cannot regulate their body temperature. Others rely on energy-intensive medical equipment such as oxygen concentrators. Consumers requiring the use of essential medical equipment do not have the luxury of being able to take advantage of time of use tariffs by restricting their energy use to certain times of the day. A study conducted by the Public Interest Advocacy Centre and the Physical Disability Council NSW found that 43 per cent of people with a physical disability surveyed had forgone other essentials to pay their electricity bill. It was also found that while 75 per cent of respondents had a condition that

³ IPART (2011) *Changes in regulated electricity retail prices from 1 July 2011; Electricity-Final report and determination*, p. 10.

required them to heat or cool their living space, heating and cooling was on the top of the list of items they would forgo in order to reduce their electricity consumption.⁴

Particularly given the problems that have occurred with the Government mandated rollout of smart meters in Victoria and its cost blow out, CPSA supports the principle outlined in the Discussion Paper that this approach should be avoided in NSW. In terms of the Task Force's proposed recommendation for a market-led rollout of smart meters with a level of Government support, CPSA strongly recommends that this be done under an opt-in system where customers actively decide whether to install a smart meter and whether it will be of benefit to their household.

An opt-out system would negatively affect consumers, not allowing for them to easily exercise consumer choice. Disadvantaged people, particularly those that would not benefit from a smart meter, may not be in a position to easily express their desire to opt-out; particularly once it has been installed. It is not uncommon for CPSA to hear about vulnerable customers who are intimidated by electricity retailers and bullied into service options that are not in their best interests. CPSA could foresee something similar happening with regards to smart meters.

The cost of a smart meter rollout will presumably be passed on to consumers. This is problematic not only because of detrimental effect that this will have on low-income people who are already struggling with increased electricity costs but also for those who will not benefit down the track from reduced bills. The Task Force recommendation⁵ that the introduction of smart meters should not automatically be linked to time of use prices in NSW will not minimise the adverse social impacts felt by low-income consumers if they will still be paying for the smart meter rollout. Consumers should be able to opt-in to the system and if they decide not to do so they should remain free from the costs associated with the smart meter roll out.

CPSA is concerned that both an opt-in and opt-out system might be a problem for renters and people living in residential parks who may not be able to have this level of control over their electricity meter. CPSA calls for adequate provisions to be put in place to protect those living in rental accommodation and residential parks.

CPSA is concerned that there is a lack of representation of low-income householders on the Smart Meter Task Force. While we are pleased that the CEO of the Public Interest Advocacy Centre is a member, the other "consumer representative", is a businessman and company director as well as a Director of the NSW Government Telecommunications Authority.

⁴Public Interest Advocacy Centre and Physical Disability Council of NSW (2012) *More Power to You: Electricity and People with Physical Disability*, p. 13.

⁵ NSW Government (2012) *NSW Smart Meter Task Force Discussion Paper*, second 'questions' box, p. 11.

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