

**Subject:** Senate Select Committee on Electricity Prices - Additional questions on notice

Dear Mr Lawley.

Please find our response to the additional questions on notice relating to the Senate Select Committee on Electricity Prices.

1. The Australian Energy Market Commission (AEMC) in its *Power of choice – giving consumers options in the way they use electricity draft report* recommends:

Segmenting residential and small business consumers into three different consumption bands and applying time varying tariffs in different ways:

- For large consumers (band 1), the relevant network tariff component of the retail price must be time varying. This would require these consumers to have a meter that can be read on an interval basis.
- Medium to large consumers (band 2) with an interval meter would transition to a retail price which includes a time varying network tariff component. These consumers would have the option of a flat network tariff.
- Small to medium consumers (band 3) would remain on a flat network tariff. These consumers would have the option to select a retail offer which includes a time varying network tariff, if they so choose.<sup>[1]</sup>

Do you believe the AEMC's draft proposal for a three-tiered tariff system would adequately protect vulnerable and low-income consumers?

Do you support the AEMC's draft proposal for a three-tiered tariff system?

Are there any ways in which the AEMC's three-tiered tariff system could be improved to offer better protections to vulnerable and low-income consumers?

The Electrical Trades Union of Australia, NSW Branch ultimately believes that any introduction of Time of Use tariffs must be conditional on a number of issues including:

- 1) That a single government regulated tariff be maintained for all energy customers taking into particular consideration the needs and exposure of low income and vulnerable users. The retention and availability of a regulated single rate tariff was strongly advocated by the Victorian Auditor General and adopted as policy by the Victorian Government.
- 2) That TOU tariffs strictly be opt in rather than compulsory or opt out.

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<sup>[1]</sup> AEMC, *Power of choice – giving consumers options in the way they use electricity draft report*, 6 September 2012, p. ii.

- 3) That comprehensive public consultation be conducted on any Smart Meter/TOU tariff proposal.
- 4) Should community acceptance be forthcoming on the introduction of Smart Meters and TOU tariffs, that a comprehensive public education program be developed and rolled out explaining the impact and objectives of TOU tariffs. Failure to educate the public on this issue will be futile and counterproductive, as was the case in Victoria.
- 5) That any roll out of smart meters be coupled with the necessary requirement for a real time in house display to allow energy user to access real time information on energy consumption. This approach permits energy users to actively manage their energy use in real time. Currently in house displays are not a requirement meaning that an energy user in most cases cannot access real time consumption data. Currently most customers with a smart meter have to walk outside to their meter box in order to get a consumption reading – this approach prevents an energy user from being able to actively manage consumption in real time which is one of the primary arguments used by those who support the introduction of TOU tariffs.

Without further details on the AEMC's definition of small, medium and large customers it is difficult to comment on how appropriate the tiered model is. Before adopting any TOU model the government should review all options, including the model mentioned above, and seek feedback from industry stake holders including consumer advocate groups, charities and social welfare organisations prior to a final decision and implementation.

I trust our response will further assist the inquiry and should you have any further questions please feel free to contact our office on the number listed below.

Regards,

**Paul Lister**

Electrical Trades Union of Australia (NSW Branch)