CUAC Q

Issue 11, April 08

CUAC Quarterly Newsletter

# Talkin' about my (distributed) generation

Also:

ESC Water Price Review Draft Decision

Gas Access Arrangements Review

Cost/benefits of Smart Meters

Low income consumers miss out on reticulated gas

CUAC Consumer Utilities Advocacy Centre

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# Contents

**Encouraging Distributed Generation .......... 1**
**Solar power snippets.......... 3**
**Water Price Review .......... 4**
**Smart Water Fund projects.......... 6**
**Gas Access Arrangement Review.......... 7**
**Low income consumers miss out on gas benefits .......... 8**
**Cost-benefit analysis of smart meter rollout .......... 9**
**Latest CUAC events .......... 10**

CUAC is an independent consumer advocacy organisation which ensures the interests of Victorian electricity, gas and water consumers—especially low income, disadvantaged, rural and regional, and Indigenous consumers—are effectively represented in the policy and regulatory debate.

CUAC believes all Victorians have a right to:

- affordable and sustainable electricity, gas and water
- have their interests heard in policy and regulatory decisions on electricity, gas and water
- not be disconnected from electricity, gas and/or water due solely to an inability to pay

CUAC:

- Provides a voice for, and strengthens the input of Victorian utility consumers—particularly low income, disadvantaged, and rural and regional consumers—in the policy and regulatory debate
- Initiates and supports research into issues of concern to Victorian utility consumers, through in-house research and building the capacity of consumers through its Grants program
- Investigates and responds to systemic issues affecting Victorian consumers in the competitive electricity and gas markets and with regard to water.

# Encouraging distributed generation

**by Tosh Szatow**
**CUAC Policy Officer**

**Proposed changes to the regulatory regime fall short of those needed to encourage Distributed Generation, according to CUAC research.**

Distributed Generation (DG) means energy created within the distribution grid. DG reduces the amount of energy lost in transmission and distribution because the electricity is generated near to where it is used. This also reduces the size and number of power lines that must be constructed to supply energy.

Currently, there are regulatory impediments and inconsistencies in planning and connection arrangements that do not facilitate DG where it is the best supply side option.

In 2007 the MCE commissioned the Allen Consulting Group (ACG) and NERA Consulting (NERA) to recommend improvements to the National Electricity Rules to remove impediments to DG. These recommendations can be found at the website www.mce.gov.au .

CUAC received a grant from the National Electricity Consumers Advocacy Panel to test these recommendations against real world experience, by interviewing eight DG proponents, five DG consultants and three distribution companies. The interviews explored the network planning and connection arrangements currently in place that either hinder or facilitate DG.

The final report, *Beyond free market assumptions: addressing barriers to Distributed Generation*, is available on CUAC's website.

Some of the issues covered include:

**Pricing and information provision**

Planning information can help level the playing field for alternative energy supply options by providing accurate forecasts of network constraints and opportunities for investment. However five year forecasts are likely to be educated guesses at best due to limitations of forecasting; they therefore act as weak signals to DG projects being developed to address specific network constraint issues. Furthermore, many DG projects are developed in response to an identified energy resource as opposed to network conditions. As such planning information is unlikely to provide a powerful signal for such projects. Exacerbating these issues is that there is no guarantee that planning information provided by distribution network service providers (DNSPs) will be timely or accurate, and there is no ecourse if information is wrong or so delayed as to be of no value to a DG proponent.

***When aggregated, Distributed Generation projects can reduce network demand peaks reliably...a transparent mechanism is required for valuing this.***

Key information needed by a DG proponent is cost of connection, network load profile and any additional works required to facilitate DG (e.g. switch/line/transformer upgrades etc). This is unlikely to be included in planning reports unless the business is obliged to provide it. While providing this information may incur a cost to the DNSP, without this information DG projects are unlikely to be developed in response to planning reports.

Time of Use (ToU) pricing will signal when demand for energy is at its greatest which could encourage demand response, such as distributed generation. However when aggregated, such DG (and other DM) projects can reduce network demand peaks reliably, the value of which will not necessarily be captured through avoided ToU prices – therefore a more transparent mechanism is required for valuing this. Customers should have the option to choose ToU pricing, as opposed to being allocated ToU tariffs as a default with interval meters. Lastly, not all ToU tariffs are equal: there is a need for a transparent process for setting, assessing and balancing the trade off between the effectiveness and welfare implications of ToU pricing.

Where multiple DG proponents seek access to spare capacity in the network, a more clear and transparent process is required to facilitate prioritisation of those projects.

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*CUAC report recommendations:*

1. To be of practical value, annual five year planning reports should include where capacity for bi-directional energy flow exists and what network upgrades would be required to facilitate DG undertaken in a particular network zone. DNSP's should be required to provide more specific guidance on the kind of non network solution that would satisfy their requirements (i.e. a DG of size xMW that can be dispatched with 1hr notice or DSR of xMW that can be dispatched at 1 hr notice with the relevant network zone). [1]
2. A DNSP should be required to reveal if multiple DG proponents are competing for access to the same asset (e.g. spare capacity in a network) and clarity is required on who should be prioritised for a connection offer.
3. Customers fitted with interval meters should have the option to choose TOU tariffs.

**Negotiating frameworks and dispute resolution**

Standardisation of contracts for different DG sizes welcome, as are set timelines for negotiation processes. However standardisation of contracts requires that size classification for DG is appropriate and connection requirements reflect complexity/impact of DG.

Negotiating and planning processes need to be enforceable by an independent body with the capacity to penalize businesses for non-compliance. Also, negotiation of timeframes must be managed so they cannot be used to exclude more complex, but more beneficial alternatives to network augmentation.

Any dispute resolution process to resolve negotiation of connection details needs to be low cost, independent and capture smaller projects where a significant amount of viable DG exists.

Cost benefit analysis on network and non network options can be loaded to deliver certain outcomes - need to standardise key variables where possible.

*CUAC report recommendations*

4. Regulation is required to discipline the planning process to ensure that DG and DM providers are actively pursued for non-network alternatives and developed on long lead times, not 'consulted' on as a last resort.

5. A low cost dispute resolution mechanism is required to capture the many viable small scale non-network projects that cannot access the $10M capitalised expenditure threshold.
6. Regulation is required to discipline the negotiation process, ensuring tighter compliance with negotiating timeframe guidelines, particularly if standard connection agreement not pursued.
7. That the feasibility of standardising key variables and/or methodology used in regulatory test analyses and cost benefit assessments undertaken by DNSPs be studied to avoid selective use of assumptions which have the potential to load certain outcomes. In particular, a standard for valuing avoided Greenhouse Gas Emissions is required.
8. Attention should be paid to the treatment of risk and liability within the regulatory regime, to provide greater clarity to DNSPs and DG proponents alike about responsibility in the case of network failure.
9. A DNSP should be required to indicate whether a connection application should be processed by another DNSP within five business days of a user's initial enquiry.

## *Regulation is required to discipline the planning process, to ensure that DG and DM providers are actively pursued for non-network alternatives*

**Attributing value/costs, network access and technology development**

DG proponents pay for network studies with no guarantee results will be accepted by the DNSP – all the risk is with the DG.

DNSPs often lack internal resources to model system impact of DG. This duplicates consulting costs and inflates connection costs.

A 'free kick' on trials and risk sharing will not be enough to get implementation of DG. There need to be incentives and disincentives in place to encourage DNSPs to implement DG.

Delays on installation approvals and meter supply create cash flow issues for installers who rely on installation certification to receive government rebates.

*CUAC report recommendations:*

10. Rules should not govern technology specific DG, rather system performance of any DG system implemented. Rebates and financial incentives for DG technologies should also follow this system performance approach.
11. A risk sharing/learn-by-doing fund for distribution companies should not be used to overcome barriers to implementing DG. With the right regulatory framework, that is with revenue decoupled from throughput, and certainty around cost recovery for DG and DSR, DNSPs will commit resources to trials as appropriate.
12. Probabilistic standards should be used to determine the network support value of DG, where it is intermittent and/or not 100% reliable and/or not immediately alleviating a network constraint. These should be developed and used to value energy supplied to the grid by DG.

13. Time specific loss factors are required to fully account for the value of DSR where it occurs at peak times, as losses at peak times can be an order of magnitude greater at peak times than on average over the year.
14. DNSP connection standards should not require equipment performance to exceed Australian standards for that equipment

**Project implementation and industry capacity**

15. Governments should create and fund an independent authority and/or programs to facilitate the DG connection process by:
    - Undertaking certified power system analysis work to avoid cost duplications across DG proponents and DNSPs;
    - Building industry capacity through training and demonstrations on power system analysis (PSA) and the impact of DG on network performance;
    - Developing a more efficient process for testing and proving reliability and safety performance of equipment not covered by Australian standards;[2]
    - Providing information to DG proponents on network connection procedures.
16. Jurisdictions should review the cost of the certification process for DG installers.
17. Installation approval processes must be reviewed to assess whether they can be accelerated to facilitate cash flow for installers and minimise commercial risks.

The project also uncovered significant impediments to DG that were beyond the scope of the ACG/NERA papers, specifically:

18. Regulation is required to break the link between energy throughput and network revenue certainty and ensure distribution companies have certainty around recovering costs incurred from implementing DG and other DSR alternatives
19. A low cost accessible dispute resolution authority with sufficient knowledge, technical engineering skills and power to discipline DNSPs effectively, is required to facilitate competition around provision of energy supply, including DG and DSR options.

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1. As recommended by ACG/NERA, DNSPs should indicate the value of such a non-network solution
2. We note this also appears to be an issue in the gas industry. This is explored in the detailed explanation of recommendations

# Solar power snippets from the states

The biggest solar power plant in the world is to be built in northern Victoria. TRUenergy will invest $290 million in renewable energy company Solar Systems to build the 154MW solar power station, with construction due to begin in 2009 once the site has been finalised. The State government will contribute $50 million and the Commonwealth $79.5 million. The plant will be built in the south west of Victoria, and will be able to power 45,000 homes, or most of Mildura.

The Victorian government is encouraging households in regional and rural Victoria to switch to solar hot water, with a rebate of up to $2500 for installation. The rebate aims to make an upgrade to solar hot water less than the normal replacement cost of an electric or gas hot water system. The $33 million program will run from 1 July 2008 to June 2011.

In Queensland the state government is using its purchasing power to bulk-buy solar systems, and selling them back to residents. Households will save about $3500 and after rebates may be able to get a system for as little as $1500, which the government argues would be made up in savings on electricity bills within a few years. Currently only 446 Queensland homes use grid-connected solar power.

On 14 February the South Australian government passed legislation to enable residents to sell excess solar electricity back into the grid.

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# Water Price Review - Draft Decision 2008-2012

**By James Henshall**
**CUAC Policy Officer**

**From July this year, many regional Victorians, especially low-income and disadvantaged consumers, will be hit by higher water prices.**

Prices are set to rise by a total of 50% or more over the next five years for six regional urban water businesses.

Hardest hit customers of price increases will be those whose water services are provided by:

- Gippsland Water (100% prices increase over the five years),
- Coliban Water (82.5%),
- Western Water (60.7%),
- Barwon Water (72.0%) and
- Central Highlands (55.0%).

Annual average price increases will also be greatest for Gippsland Water (17.4% per year), Coliban Water (12.8%), Barwon (11.5%) and Central Highlands (10.9 %).

These prices are outlined in the *2008 Water Price Review Regional and Rural Businesses Water Plans 2008-2013 – Draft Decision* released by the Essential Services Commission at the beginning of April.

While price increases of this size will provide revenue streams of around $2.1 billion across all water businesses for major capital augmentation works from 2008 to 2013, CUAC is concerned that customers of water businesses are unfairly paying the cost of the rundown of storage and infrastructure over previous generations. This calls into question the method of financing these works that is equitable to all customer types and classes.

***CUAC is concerned that present and future customers of these and other water businesses are unfairly paying the cost of the rundown of storage and infrastructure***

While CUAC understands that raising the price for water is due to water infrastructure investments and augmentation requirements as well as the rising cost of capital, these price changes will occur while households are facing rising costs for other essential items including housing, groceries, fuel and interest rates.

Aspects of the draft Decision which concern CUAC include:

**Consultation by the Water Businesses**

How businesses consult with consumers has been an issue of concern for some time and the ESC found that while some water authorities had lifted their game, there remained significant room for further improvement.

Several submissions to the ESC complained of inadequate consultation and a lack of transparency from some businesses, particularly in relation to customers' limited opportunity to be involved in the development of Water Plans.

CUAC has always maintained that guidance should be provided to water businesses in developing consultative mechanisms that offer informed and representative input. The need for this is unfortunately still apparent.

**Structure of water tariffs**

In the Draft Decision, the ESC outlined areas where it requires the businesses to submit revised tariff schedules for final approval. Businesses are required to re-submit information relating to the revised revenue requirement and demand, any changes to tariff structure suggested by the ESC and the service standards to apply over the regulatory period.

The ESC must approve tariff structures where they are in alignment

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with the principles of the Water Industry Regulatory Order (WIRO). In its report to Government on water tariffs, the ESC did not identify one tariff as best practice, but did indicate areas where it would require detailed information, including on customer impact.

Six out of thirteen businesses are proposing an inclining block tariff (IBT) structure - Central Highlands Water, Wannon Water and Westernport for the first time. Under an IBT structure, the price charged for water depends on a certain quantity (or block) of water consumed by the household. There are usually three blocks in an IBT tariff, and charges usually increase in each block.

The ESC did express some concern at the imposition of very high third blocks, although it decided that for the most part these were warranted to encourage conservation, balance supply and demand, and meet the cost of system expansion and repair. The ESC has said it intends to approve all IBT proposals with the exception of Lower Murray Water's seasonal inclining block tariff.

***The water businesses' plans to mitigate the adverse financial impact of increased prices are patchy.***

CUAC is concerned that large price changes between the blocks will lead to price shocks for low-income households, particularly for large households whose non-discretionary consumption may push it into higher charges.

CUAC was also concerned at the way in which costs were allocated between customers – the ESC acknowledged that concern and said that few businesses had provided detailed information on existing contracts with large users, but that they should also be in alignment with the WIRO.

**Price Shocks**

CUAC is also concerned at the impact of price shocks or significant year-to-year changes in the price for water on low-income households, who have difficulty adjusting their expenditure patterns for essential household items, based on what is already a tight household budget.

Similarly for large households, their capacity to reduce water consumption is limited.

**Fixed and Variable Charges**

The ESC has endorsed the proposal of most businesses to increase the proportion of revenue generated through the variable charge as opposed to the fixed charge for water. On average, around 65% of revenue over the regulatory period will be generated from water consumed while the remaining 35% is generated from the fixed cost of providing water. Previously, these charges were, on average, the exact opposite.

Increasing the proportion of revenue recovered from the usage component of the businesses' two part tariffs will provide customers with incentives to conserve water as it will provide households with a clearer indication of outcomes of their efforts to reduce water consumption. However, CUAC is concerned that it could adversely impact upon households, especially for tenants and large households.


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**Hardship policies and mitigation of adverse outcomes**

The water businesses' plans to mitigate the adverse financial impact of increased prices are patchy. Coliban Water believes that its existing policies are sufficient to address the impact on consumers. Central Highlands Water said low-income customers would not be affected, but that it was reviewing its hardship policy to make it more accessible.

Western Water has proposed a free water audit for large families, and may charge residential customers in hardship the non-residential tariff. Westernport Water will review its hardship policy to cater for large families with high levels of non-discretionary water use.

CUAC's continued position is that companies must offer substantive assistance to consumers experiencing financial hardship. The size of the proposed price increases, coupled with other budget pressures on households, are certain to increase the numbers of consumers presenting with payment difficulties. All companies must take active steps to implement comprehensive hardship programs to ensure access to affordable water.

**Recycled Water**

In general, the ESC found that recycled water prices should take into account the price of substitutes and customers' willingness to pay, should cover the cost of providing the service, and include a variable component.

Where the cost is not fully recovered, the business must demonstrate the costs and benefits of the project, the basis on which revenue shortfall is to be recovered, and demonstrate consultation with affected customers about their willingness to pay.

**Public Meetings**

The Commission will undertake a period of public consultation over the next two weeks before delivering its Final Decision in May. The information sessions are aimed at providing an opportunity for interested parties to understand the key features of the Draft Decision. Details of these meetings, and the Draft Decision, are on the Commission's website at http://www.esc.vic.gov.au

## Water Works

Water conservation messages seem to be hitting home, with water consumption for Melbourne from December to the end of February at its lowest point since the drought of 1982/3. Consumption is down nine per cent since last year, and 22 per cent lower than the average over the past five years.

Melbourne also recycled 22.5 per cent of its wastewater in 2006/7, an increase from 14 billion litres in 1999 to 65 billion litres.

# Smart Water Fund Round 5 Projects Announced

**The Smart Water fund has allocated $5 million to 26 water saving and water recycling projects across Victoria.**

The Fund is an initative of Melbourne water businesses City West Water, South East Water, Yarra Valley Water and Melbourne Water together with the Department of Sustainability and Environment.

The grants provide between $10,000 and $400,000 to help cut water consumption across the state.

Projects funded include:

- An investigation and analysis of water use in aquatic facilities, with the aim of developing industry wide strategies and benchmarks for the most efficient use of water;
- A project to harvest rain water from the Shrine of Remembrance roof and provide irrigation water to the surrounding gardens;
- Metropolitan Fire and Emergency Services proposal to capture and re-use water at a training facility;
- A Victoria University study into a new waste heat rejection system, including the feasibility of using it in cooling towers in power stations
- A project to enhance a sewage treatment plant at Barwon Prison to provide Class A recycled water to prison facilities for toilet flushing, laundry and boiler room operations and irrigation;

- A trial of alternate harness racing track surface materials to reduce water use by the Bendigo Harness Racing Club;
- A project by Longwarry Food Park to reuse water removed from milk products in milk powder manufacture.

A full list of successful projects is available from www.smartwater.com.au .

# Gas Access Arrangement Review

**by James Henshall**
**CUAC Policy Officer**

**The Essential Services Commission review of gas access arrangements for Victoria's three gas distributors provides for initial real cuts in gas network charges of between 1.9 and 6.2 percent.**

**In its Final Decision, the ESC also made two landmark decisions that provide a welcome precedent. The decision finds that businesses will not be allowed to pass through to consumers the cost of outsourcing some business functions and, secondly, it reduces a component of the formula used in determining the cost of capital, reducing overall costs.**

The Gas Access Arrangement Review undertaken by the Essential Services Commission (ESC) is required by the National Third Party Access Code for Natural Gas Pipeline Systems. The ESC approves the access arrangement for each gas distribution business. This arrangement outlines, among other things, the distributors' network tariffs and service standards.

Multinet customers will see prices go down by 6.2% in real terms, and SP AusNet prices will drop by 1.9%. Network charges for Envestra Victoria will increase by 0.6%. Going forward, prices will be linked to CPI movements for the remainder of the regulatory period, till June 2013. The changes to network tariffs will induce downward pressure on prices, but the reality is that the gas prices overall are rising, so we should not expect too much of an impact.

Another welcome development was the imposition of more stringent standards to drive better service to customers.

Two important developments were decisions made by the ESC that provide a welcome precedent for regulatory price determinations going forward.

**Information Disclosure and Outsourcing Arrangements**

Information disclosure relates to the provision of information and data by the distributors necessary to the Commission in developing an Access Arrangement. This includes the outsourcing of any business activity to a third party, and includes data on past and projected demand, expenditures, revenues and contractual corporate arrangements.

***CUAC strongly supports the principle that Distributors are obliged to provide information that is accurate and presented in such a way that enables the regulator to easily assess compliance with the provisions of the Code***

Throughout the Review, CUAC strongly supported the principle that Distributors – as regulated monopolies – are obliged to provide information that is accurate and presented in such a way that enables the regulator to easily assess the compliance of the Access Arrangements with the provisions of the Code. The Commission's ability to obtain accurate information from regulated businesses and their associated service providers leads to more efficient prices and service, and reduces the possibility of the regulator approving too low a price. CUAC maintained that the existence of an outsourcing arrangement in no way reduces the obligation of the Distributor to demonstrate that such costs are incurred prudently and efficiently.

In its Final Decision, the ESC disallowed the pass-through of outsourcing costs to customers. The ESC found that the information provided by the distribution business did not support their claims, and raised questions about the reasonableness of those costs.

While distributors may yet appeal that decision, it creates an important regulatory precedent, which will be useful in future price resets.

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This sector has seen the evolution of tortuously complex corporate structures to evade regulation and maximise revenue – it has added to consumers' costs, and exacerbated information asymmetries.

CUAC warmly welcomes the ESC's decision.

**Equity Beta**

Another important precedent was the lowering of the equity beta. The ESC uses a rigorous technique to determine an average weighted cost of capital (i.e. interest rate charged) to a firm in running its operations and financing its capital infrastructure plans. This is an important aspect of a price determination and affects the price charged to retailers and so to consumers.

One key variable of the formula used to determine the average cost of capital is the equity beta. The equity beta reflects the non-diversifiable risk of a firm's net financial worth in relation to a range of diverse equities. A non-diversifiable risk relates to a sector that provides only one good or service and consumer demand for its product is unresponsive to large increases in price.

***The Commission found that the nature and structure of outsourcing and/or related party arrangements entered into by the distributors called into question the reasonableness of the reported costs***

In the Final Decision, detailed consideration was given by the ESC in arriving at the most suitable equity beta in light of key financial indicators and variables, market conditions, and other industries and sectors of the broader economy which could affect investment decisions and capital movements. In its Final Decision, it arrived at a value of 0.70, a lower rate than previously used in Victoria.

This is important for consumers as the value of the equity beta has implications for the cost of the finance for distributors' capital program which, inter alia, can determine the proposed price sought by the distributors to meet the cost of gas distribution. The greater the value of the equity beta (say 1.0 as put forward by each of the three distributors), the higher the cost of capital and therefore the higher the gas tariff is likely to become. That is before considering the Distributors' capital and operational expenditure requirements which also influence the price charged.

The Commission's final decision released last month and is available at http://www.esc.vic.gov.au

# Renters, low income consumers miss out on gas benefits

**Access to reticulated natural gas is severely limited for low income earners and renters, despite the fact that these groups would benefit most from cheaper fuel, according to CUAC-funded research.**

Eastern Access Community Health (EACH) conducted a study of access to the roll-out of reticulated natural gas for consumers in the Upper Yarra corridor in the Shire of Yarra Ranges.

The study found that half the 6000 homes eligible to connect to natural gas had not converted. A survey of rental properties found that only six per cent had connected to natural gas. The option to connect and associated costs lie with the landlord, not the tenant, and the report found that landlords had little motivation to connect. It also found that none of the State-owned Office of Housing properties had converted to natural gas, but used electric cooking, heating and hot water.

Without access to natural gas, households are forced to rely on electricity, bottled LPG or wood. Case studies from local people showed it was common for households to spend above $90 per fortnight on heating, out of an income of between $440 and $540 per fortnight.

The report recommends that:

- all government housing properties in the Yarra Valley should immediately convert to natural gas
- the Victorian government should regulate minimum heating standards for all tenanted properties
- the Victorian government should reappraise the rebate incentive packages
- the Capital Grants Scheme should be broadened to allow low income households to purchase gas heaters where the previous heating was wood or electric
- the natural gas project in Upper Yarra should be extended to Warburton

The report will soon be available on the CUAC website, or contact CUAC for a copy.

# Cost-benefit analysis of national smart meter rollout

**By May Mauseth Johnston**
**CUAC Senior Policy Officer**

**The Ministerial Council on Energy (MCE) has found a positive case for the national roll out of smart meters, with net benefits estimated between $179 million and $3.9 million.**

In April 2007 the Council of Australian Governments (COAG) endorsed a staged approach for a national mandated roll-out of electricity smart meters in areas where benefits outweigh costs.

COAC directed the MCE to investigate if and where there is a business case for a roll out of Smart Meters. The MCE engaged a consortium of consultants to undertake the cost-benefit analysis, utilising a two phase process.

The Phase 2 reports deliver a very comprehensive analysis of the various costs and potential benefits of a smart meter rollout. The Consumer Impact analysis (undertaken by NERA Consulting) is a particularly valuable source of information on demand response rates and the distributional impact on consumers from tariffs enabled by smart metering technology. The report also highlights the need for additional consumer protections and regulatory arrangements that should be considered as part of a policy.

**Phase 2 reports and consultations**

In March the MCE's Standing Committee of Officials (SCO) released the Phase 2 cost benefit analysis of Smart Metering and Direct Load Control for public consultation. The analysis consists of six work streams: 1) Overview Report, 2) Network benefits, 3) Retail benefits, 4) Consumer benefits, 5) Market benefits and 6) Transitional costs.

In addition to the consultation on the cost benefit analysis the SCO issued a Regulatory Impact Statement (RIS) on 4 April.

The RIS discusses more broad policy questions in relation to a Smart Meter rollout, including:

- whether smart meters or direct load control alone are appropriate instruments to address current market inefficiencies caused by accumulation meters;
- what party should be responsible for the rollout, i.e. should the distribution businesses, the retailers or other entities be responsible for rolling out the meters?;
- in what regions the benefits of a roll out will outweigh the cost; and
- whether the rollout should include a so-called home area network which will allow for direct load control programs as well as the connection of in home displays

Submissions to the RIS are due on 2 May 2008.

**Key findings**

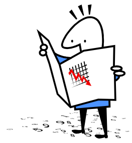
As well as the overall positive case, the Phase 2 analysis also found that a rollout scenario in which the distribution businesses are made the responsible party would deliver the most benefits. However the analysis demonstrated that the outcome varies between jurisdictions. In New South Wales, Western Australia and Queensland a smart meter rollout would have positive net benefit on the basis of avoided metering costs and distribution business efficiencies alone. Victoria and South Australia would require costs to be kept towards the lower end of the estimated range and business efficiency benefits to reach the upper end of the estimated range. As such, demand response benefits would need to be pursued in Victoria and South Australia in order to make up for any shortfalls in business efficiency related benefits or additional costs. Tasmania, the Northern Territory and the Australian Capital Territory would, like Victoria and South Australia, rely on achieving a rollout at the bottom end of the cost estimates and the high end of the business efficiency benefits in order to have a positive business case. However, these jurisdictions do not have the same potential demand response benefits as Victoria and South Australia that can make up for any shortfalls. As such, a national rollout may not be justifiable for all jurisdictions.

framework in the event of a rollout.

While CUAC agrees with the overall findings in the phase 2 analysis we are concerned about some of the more specific assumptions in relation to take up rates of DLC programs and TOU tariffs which we believe can have significant impact on the outcome of the cost benefit analysis. Looking further ahead, we believe the approach to allocating the costs of the rollout to customers, as well as regulatory arrangements to ensure that accrued benefits are handed back to consumers, will become critical issues.

Please contact CUAC's Senior Policy Officer, May Mauseth Johnston if you wish to discuss these issues.

The Phase 2 reports are available at the MCE's website www.mce.gov.au .



# Latest News from CUAC

## *Dates for your calendar*

### Community Agency Partnerships – building capacity for utilities management


Working Together

A Partnership Model for Community Agencies

Developed for the Consumer Utilities Advocacy Centre

Frain Consulting
Jan 2008

CUAC
Consumer Utilities Advocacy Centre

Join us for the launch and discussion of a case study designed to encourage and assist community agencies in developing partnerships for the benefit of their communities, with a focus on utilities management

Date: 1 May 08
Time: 10am—11.30am
Venue: TBC
Please register your interest with Tosh Szatow at tosh.szatow@cuac.org.au

### Green Power: An Environmental Audit of the NEM

This one day CUAC funded forum examines the impact of policy responses to climate change on the National Electricity Market. Hosted by Monash Law School, chaired by Professor Rob Fowler, Chair in Environmental Law, University of South Australia.

Date: 9 May 08
Time: 9am—5pm
Venue: Monash University Law Chambers, 472 Bourke St. Melbourne
RSVP Meli Voursoukis on 03 9905 4135 or email: Regulatory.Centre@law.monash.edu.au

## *Coming attractions*

Keep an eye out for:

- Briefing on consumer utilities issues for community sector workers
- Launch of CUAC Distributed Generation report in Melbourne and Sydney
- Launch of the Energy Efficiency Report

Let us know if you want to be on the mailing list for these events!

## CUAC is interested in your feedback on CUAC Quarterly

**If you have:**

- **an issue you would like covered**
- **a person or organisation you want to see profiled**
- **an article you would like to submit or**
- **any general feedback**

**please let us know.**
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**or phone: (03) 9639 7600 or toll free 1300 656 767**