MASTER ELECTRICIANS AUSTRALIA

Lead.Connect.

Queensland
57 Berwick St Fortitude Valley Qld 4006
Victoria
75 Lorimer St South Wharf Vic 3006
New South Wales
100 George Street Parramatta Nsw 2150
T: 1300 889 198 F: 1800 622 914
PO Box 2438 Fortitude Valley BC Qld 4006
info@masterelectricians.com.au
masterelectricians.com.au
ABN 31 145 178 203

23 November 2012

Electricity Network Regulation
Productivity Commission
GPO Box 1428
Canberra City ACT 26001

Sent via email to: electricity@pc.gov.au

Dear Sir/Madam,

Master Electricians Australia is grateful for the opportunity to contribute to the Productivity Commission's Inquiry into Electricity Network Regulation.

Master Electricians Australia Ltd (MEA) is a not-for-profit organisation that provides a national accreditation program to electrical contractors seeking to differentiate themselves from other contractors. MEA is part of the ECA Group of Companies and operates nationally. The organisation's website is: http://www.masterelectricians.com.au.

The Electrical Contractors Association (ECA) is the leading voice of the electrical industry and is committed to improving and advancing this sector. ECA is registered as an industrial organisation under Queensland legislation with its operation in Queensland. The association's website is: http://www.masterelectricians.com.au/page/eca.

References to MEA and opinions expressed by the MEA, within this submission, should be read as both Master Electricians Australia and the Electrical Contractors Association.

MEA will not to comment on all of the issues raised in the Electricity Network Regulation Draft Report. We will instead focus our comments on what we believe to be the key points for our membership.

Chapter 10: Demand Management Technologies

MEA would not support a broad scale roll out of advanced metering infrastructure as recommended in the Draft Report. While smart meters can provide savings to some consumers who are in the position to alter their electricity usage patterns, many consumers do not have this luxury. In fact, mandatory smart meters would likely have a detrimental impact on many households, particularly families with young children and the elderly. To these more vulnerable consumers who have no choice but to use electricity during peak times, smart meters and time of use tariffs will more than likely lead to higher energy bills. We do acknowledge that smart meters can be beneficial to some households and should be made available to those consumers who make the decision to change to advanced metering. For these consumers, smart meters will provide incentive to change their energy usage behaviour and reduce their electricity bills. However, it is the more vulnerable members of society that will lose out with a mandatory smart meter roll-out.

If new generation meters are to have the desired effect of minimising greenhouse gas emissions and reducing consumer power bills, the responsibility must lie with retailers to install new meters as required by their customers. It is not the government's place to make this decision on behalf of each consumer, particularly when each household's living situation, energy usage and capacity for change can vary so significantly. Smart metering should be a choice, not a mandatory imposition.

We would also urge government to perform a cost benefit analysis regarding tariff and metering reform and in doing so consider alternative metering solutions apart from smart meters. Second generation electronic interval meters are one example of the options available. Nonetheless, whichever option is adopted it must be at the consumer's discretion to make the change.

The Victorian smart meter disaster also demonstrates the need for more extensive community consultation and education about a smart meter system. If the public are fully informed about advanced metering they may be more willing to make the choice and embrace the new technology, fully aware of the costs and benefits of the change. If smart metering is to become a reality for Australian households, we strongly urge government to allow for comprehensive customer consultation prior to implementation.

Chapter 11: Time-Based Pricing

While there may be a range of tariff options touted, MEA firmly believes that controlled load off-peak tariffs provide by far the most effective tariff solution to managing peak demand and reducing electricity prices.

Controlled load off-peak tariffs can provide genuine cost savings but are underutilised due to a number of issues such as the current requirement to hard wire appliances and the absence of back- up for the one odd day per year when power may be needed at the wrong time. These weaknesses could be overcome through smarter technology, such as the installation of a "booster switch" which could allow the consumer to manually boost their supply under times of extreme need (and still under the discretion of the supplier) and the possible application of the tariffs to socket outlets. Such tariffs are well placed to be used in a variety of settings throughout a household and could include dishwashers, second televisions, free standing lights, outdoor pool lighting, power for tools and other portable appliances.

The alternative inclining block tariff uses a "penalty" regime in order to discourage use as prices rise when consumption increases. This type of tariff tends to discriminate against larger households and families who are generally unable to modify their consumption levels. Inclining block tariffs do not necessarily lessen peak demand and are unlikely to reduce the infrastructure required in the longer term.

Time of Use tariffs also offer little promise of reducing peak demand. In practice, Time of Use tariffs tend to provide an excessive peak period with virtually no discount on the shoulder. With limited opportunity for the average household to actually take advantage of lower prices, consumers end up paying more and those who do save money are those who already use power at odd times of day, such as shift workers.

Master Electricians Australia strongly believe that further customer education is needed from energy retailers, electrical contractors and government to promote the use of an alternative tariff regime. Heightened awareness about the benefits of controlled load off-peak tariffs will see the most significant impact on peak loads and ease the pressure on electricity infrastructure, inevitably leading to reduced electricity bills for consumers.

Chapter 13: Distributed Generation

MEA is certainly in favour of recommendation 13.1 which would discontinue subsidies for rooftop photovoltaic units and other forms of distributed generation. The overly-generous feed-in tariffs that had operated in Queensland and other parts of the country for solar PV users prior to 16 November were driving up the cost of electricity for all other consumers. These net feed-in tariff arrangements were also discriminating against people using electricity during the day, such as retirees or parents of young children. MEA welcomes the government's move to a fairer and more sustainable feed-in tariff regime.

However, we do caution against any sudden changes to such subsidies. The recent discontinuation of the solar feed-in tariffs are likely to seriously impact the business model of those electrical contractors who currently specialise in domestic solar panels. As a result of the abrupt and unexpected change to the tariff level for new customers, demand for solar systems is likely to fall significantly; at least in the short-term. While MEA supports the reduction in the long-term, a phase-out period would have caused less pain to small business owners in the solar industry. Most small businesses have limited flexibility in their business structure and may rely on a particular income source to keep their businesses afloat. We therefore support recommendation 13.1 which allows for a transition phase for the removal of these feed-in tariffs not just to minimise the impact for consumers but also allow businesses who are involved in the installation and maintenance of distributed generation devices time to adjust their business plans.

As these subsidies are progressively discontinued, there is now an opportunity to invest more resources into ways to make solar technology more attractive to consumers. One of the main objections to the broad-scale uptake of renewable energy technologies such as solar PV is the issue of intermittency, i.e. solar technologies only produce power when the sun is shining. A solution to this problem could lie in the use of energy storage systems or "battery banks" for solar PV systems. These battery banks would allow excess solar power to be collected in batteries for later use as required. However, currently the cost of storage technology can be prohibitively high making it quite unattractive for those who have the option to simply buy relatively cheap electricity from the grid. If more resources can be directed to refining this storage technology in order to make it more affordable, there is a likely to be a stronger uptake of solar power as an energy alternative.

MEA welcomes the Federal Government's review of Electricity Network Regulation. However, we do take issue with some of the recommendations that have been put forward that may not produce ideal outcomes for consumers, industry or the Australian economy. As the recommendations are refined and plans put in place for implementation we would anticipate further consultation with consumers and the industry to ensure a smooth transition to the new regulatory environment. As a representative of the electrical industry MEA would be eager to participate in any consultations that may occur.

Yours sincerely,

Malcolm Richards
CEO