



# Power surge

Electricity Smart Meters will cost Victoria's households up to \$150 a year extra. And carbon reduction plans are looming. It's going to hurt, writes **Leon Gettler**.

AN ELECTRICITY retailer has warned that Victorians will have up to \$150 added to their bills when the state moves to Smart Meters.

Domenic Capomolla, chief executive officer of second-tier retailer Simply Energy, says Smart Meters will increase costs for suppliers. To keep their profits, they will have to pass these on to households and small business.

While distributors — companies that provide the power lines and poles — can get their money back by increasing costs for consumers in a formula set down by regulation, retailers will have to fund the costs themselves.

Victorian distributors are Jemena, SP Ausnet and Powercor-Citipower.

Mr Capomolla says retailers, burdened with millions of dollars in extra costs, have no choice but to increase prices. "The average bill is about \$950 a year and it has to go up to recover all of that cost by \$100 to \$150." That rise would be on top of any higher electricity charges coming from the Federal Government's carbon pollution reduction scheme.

According to the Government's green paper, electricity charges would jump 16 per cent and gas prices 9 per cent under measures to tackle climate change. The Government is set to spend billions shielding the low-paid and business from the impact of the changes.

Mr Capomolla said electricity retailers would have to spend millions on new information technology systems and hiring additional staff to cope with Smart Meters.

"I have to fund that through my margins, I have to push my prices up to recover some of that cash," he said. "How else would you pay for the Smart Meters and the associated IT infrastructure? The money has to come from somewhere."

The Smart Meter roll-out, which begins next month and is estimated to take four years to complete, will cover 2.6 million households and 300,000 small businesses. Under the existing system, power companies send someone out to check the meter four times a year. They can run into problems from barking dogs to meters being out of reach.

The Smart Meter technology changes that by transmitting the information back to the company. More significantly, the Smart Meter will be able to read the household's use every 30 minutes.

Instead of getting four sets of information a year, retailers will receive more than 17,500 (each day divided into 48 half-hour sets multiplied by 365). If Smart Meters do readings every 15 minutes, retailers would be bombarded with twice the amount.

Energy and Resources Minister Peter Batchelor said retailers were reluctant to embrace Smart Meters because it would make the energy market even more competitive.

Victoria is already regarded as one of the world's most cut-throat energy markets. Every day, retailers send out door-to-door teams and make calls to poach customers.

"We have done a cost benefit analysis and the benefits outweigh the costs," Mr Batchelor told *The Sunday Age*. "There are several benefits. The distributors will be able to tell whether a place has lost power, so



in terms of outages they can better understand where the lost power is. It has the ability to have a connection done remotely so when you move house you don't have to send out a technician. It also allows the supplier to provide accurate bills rather than estimates."

But Mr Capomolla said the new system meant retailers had to pay more to provide a basic service. They had no choice but to pass that on to households and small business.

He said Simply Energy had to spend \$10 million rebuilding its IT system. It would also have to hire more data analysts and experts who can solve the problem of miss-

ing data, something that happens in many readings of electricity use.

Mr Capomolla added: "You are moving from a market of four data points to at least 17,500 so it's in the order of magnitude of 4000 to 8000 times the data you're dealing with now. By the time Smart Meters are rolled out, I'd be surprised if I didn't have another six people working here."

Smart Meter proponents say the technology will allow Victorians to monitor their power use. It could also lead to retailers encouraging Victorians to reduce energy consumption by providing them with lower rates for times when usage is low.

But Mr Capomolla said electricity

retailers were unlikely to change consumer behaviour. Big business had been using Smart Meters since the '90s and there had been no change. "Back then, we started offering some very funky 144-part tariffs and incentives to curb consumption. Business came back to us and said, 'This is too complex.' We've gone down to a two-part tariff."

Mr Capomolla said residential consumers were even less motivated than business to cut their energy bills. Faced with a choice of changing their energy use to get a 5 per cent cheaper bill or signing up with someone for an even lower rate, they were likely to go for the latter.

