AK EUROPA

September 2010

AK Position Paper

Regulatory Aspects of Smart Metering for Electricity and Gas

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About us

The Federal Chamber of Labour is by law representing the interests of about 3.2 million employees and consumers in Austria. It acts for the interests of its members in fields of social, educational, economical and consumer issues both, on the national and on the EU-level in Brussels. Furthermore the Austrian Federal Chamber of Labour is a part of the Austrian social partnership.

The AK EUROPA office in Brussels was established in 1991 to bring forward the interests of all its members directly vis-à-vis the European Institutions.

Organisation and Tasks of the Austrian Federal Chamber of Labour

The Austrian Federal Chamber of Labour is the umbrella organisation of the nine regional Chambers of Labour in Austria, which have together the statutory mandate to represent the interests of their members.

The Chambers of Labour provide their members a broad range of services, including for instance advice on matters of labour law, consumer rights, social insurance and educational matters.

More than three quarters of the 2 million member-consultations carried out each year concern labour, social insurance and insolvency law. Furthermore the Austrian Federal Chamber of Labour makes use of its vested right to state its opinion in the legislation process of the European Union and in Austria in order to shape the interests of the employees and consumers towards the legislator.

All Austrian employees are subject to compulsory membership. The member fee is determined by law and is amounting to 0.5% of the members' gross wages or salaries (up to the social security payroll tax cap maximum). 560.000 – amongst others unemployed, persons on maternity (paternity) leave, community and military service – of the 3.2 million members are exempt from subscription payment, but are entitled to all services provided by the Austrian Federal Chambers of Labour.

Herbert Tumpel
President

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Director

Executive Summary

In view of the euphoric expectations on the performance of the so-called smart meter, the AK is sceptical.

In view of the extremely euphoric expectations on the performance of the so-called smart meter, the AK is very sceptical whether these can be fulfilled. This scepticism is fuelled by the expected costs associated with its introduction and operation; as it stands, figures of 1.8 billion Euros have been named for Austria. At national level, a wide range of institutions have already prepared cost-benefit-analyses, some of which seem to indicate very high energy saving potentials[1]. Unfortunately, these analyses were prepared in anticipation of the cost-benefit analysis recommended in Recommendation 14 of the ERGEG and do not consider at all the comprehensive coverage of the entire added value chain - from producer to consumer - but only focus on individual sectors.

In the opinion of the AK, such an approach obscures the view in respect of achieving the top-priority overall goal, namely whether smart meters are indeed able to provide sufficient added value to sustainably reduce energy consumption or whether it would not make more sense to use the necessary investments for other measures (heat insulation, energy efficient appliances).

This is added by the fact that neither the ERGEG Recommendations nor the currently presented analyses address the question of who will be footing the bill. Passing the costs on to private households, which in Austria already pay, in terms of percentage, the highest subsidy contribution for the promotion of renewable energies is in view of the AK completely unacceptable. That is why, contrary to the statements made on page 13 of the Consultation Paper, a relevant, at least general recommendation should be made to prevent the costs from being passed on to private customers (households). What is remarkable is the fact, that the suggested Recommendations do not include vulnerable consumers at all, although they represent a focal point in the Third Internal Energy Market Package. Thus, no common European guideline on „good practice", in particular concerning this new basic responsibility of the regulator does exist.

The advantages, which are seen in the future transparency of consumption and its possible reduction, based on „smart consumption" expected by the ERGEG, fail to consider, which significance the introduction of a transparent household has for the provider. Due to the detailed recording of consumption data, there is also the danger that at peak times, which can be determined precisely, an artificial shortage of supply will be created to push energy prices upwards (compare the examinations of the European Commission in respect of E.ON[2]).

1 Compare: Study on the analysis of the cost-benefit of an Austria-wide introduction of Smart Metering, Price Waterhouse Coopers on behalf of Energy Control GmbH, June 2010

2 Süddeutsche Zeitung, 26.11.2008

Finally, we are very worried, how casual data protection aspects are dealt with. The respective Recommendation by the ERGEG is far too general to ensure sufficient protection against the creation of a „transparent household". Here too, it is essential to carry out a comprehensive benefit evaluation, to provide for, if necessary, an „information cap", i.e. a legal restriction of admissible information transfers with swift prohibiting options.

The AK position in detail

On the suggested Recommendations in detail:

A) Which Recommendations should be excluded from the final version of the „Recommendations on good practice"?

The 2nd part of Recommendation No 8, which suggests that the Member States should charge customers for accessing information, is inacceptable from the point of view of the AK (see statements under lit C), Recommendation No 8).

B) Which important Recommendations are missing?

In view of our introductory remarks concerning the passing on of costs, we recommend - among others for the protection of vulnerable consumers, but also of all other household customers - to formulate a Recommendation in respect of passing on costs. This should ensure that the costs associated with the introduction of smart meters are not shifted to customers (households and small companies), whose performance relating to energy purchase has not been measured by now. It must be possible to access data generated by remote metering directly through the smart meter, without the necessity of an internet connection (see comment on Recommendations No 15 and 16).

The national regulators should have the responsibility of providing consumers, who are choosing and comparing tariffs, as best as possible with impartial advice and regular information.

C) Which Recommendations should be amended or changed?

Recommendation No 1

As one can also observe in other sectors (banks, Telekom), the electricity/gas sector seems to be under the illusion that it is sufficient to overwhelm consumers with data in the hope that they behave as informed market participants, who will make the right decision. In our view, the expression „overnewsed but underinformed" also applies to the expectations of ERGEG. The probably even greater diversification of tariffs in the „tariff jungle" certainly makes it even easier for electricity providers to sell what is most beneficial to them. Hence, experiences in the most liberalised market, England, already show that more than a third of consumers switched to a more expensive provider.

Therefore, the Recommendation should be amended in such a way, that the national regulators have the responsibility of providing consumers, who are choosing and comparing tariffs, as best as possible with impartial advice and regular information.

With regard to remote data reading, the AK is more sceptical than the ERGEG. The benefit for consumers is very limited, whilst at the same time providers are getting an even better

insight into the consumption habits of households. This would also enable targeted tariff increases at peak times. In any case, it is important that in spite of remote metering, consumers are able to take readings from the meter itself without the necessity of an internet connection or other technical devices at their expense.

Recommendations No 4 and No 20:

As it is to be expected that the diversification of tariffs has similar - for consumers negative - effects as in other markets, it is the responsibility of the regulators to review these tariffs in respect of their plausibility and to publish price comparisons on a regular basis. In particular with regard to peak times, which the smart meter will in future disclose for every single household, we would recommend the option of introducing a price cap (similar as in Italy for dispatching services).

Concerning Question 4a), the AK supports a reading every 12 hours, „interval metering", as long as there is no adequate Recommendation for data protection problems - key word „transparent household"-.

The regulatory authorities should regularly control the price development at peak times and take relevant steps if an artificial shortage of supply is suspected.

Recommendation No 5

This Recommendation should be amended in such a way that the regulatory authorities regularly control the price development at peak times and take relevant steps if an artificial shortage of supply is suspected.

Recommendation No 8

Providing consumers with data access is from our point of view one of the basic requirements to justify the installation of smart meters in the first place. It is essential to ensure that readings can be taken from the meter itself without the acquisition of other forms of access (internet etc.). This Recommendation should be amended appropriately. Completely unacceptable is the consideration of the option to charge for the access to consumption data. We urgently suggest deleting this part of the recommendation in order not to endanger the acceptance of smart meters with consumers even more.

Recommendations No11, 12 and 25:

The ERGEG obviously works from the premise that power consumption by consumers can be controlled at will, which might even result in a reduction of the consumption to zero at peak times. The opposite is the case: consumption is extremely inelastic, in particular in respect of vulnerable households. Especially here is a risk that in case of differentiated tariff models, vulnerable households will be confronted with higher tariffs. Concerning this group of people, energy efficiency depends on an entirely different range of factors, namely in particular heat insulation measures (external walls, windows, doors) and the acquisition of energy saving appliances. This aspect should therefore be addressed in both Recommendations. Only then, consumers will have a chance at all to become active participants in smart networks, as suggested by Recommendation Nr 13 and the relevant question therein.

The entire Recommendation has been reduced to a benefit-analysis and requires appropriate revision.

Recommendations No 14 and 26 (Electricity and Gas)

The AK welcomes the proposal, a) to provide for a comprehensive cost-benefit-analysis prior to the mandatory comprehensive introduction of smart meters b) to include in this analysis the entire added value chain from providers to consumers.

Given the fact that 23 points have been recommended to emphasise the benefits of smart meters and that not a single one deals with the costs, listing the analysis points to be covered appears to be imbalanced. From that perspective, the entire Recommendation has been reduced to a benefit-analysis and requires appropriate revision.

We basically think that vulnerable households have only very little influence when it comes to self-determined, smart power consumption (see our statements on Recommendation No 11 and 12). In addition, it must be ensured that in particular these consumers will be able to read their data directly from the meter, without having to invest in internet access.

Finally, the equipment and the services associated with them have to be free of charge and many not be hidden and passed on in diversified tariffs.

That is why the following points should be added to the benefit analysis for consumers (Points A-H):

„Evaluation of the value added by the installation of smart meters in comparison to the upgrading of conventional technology."

Recommendation No 14, which has been derived from points A-W, should read as follows:

„When making a cost-benefit analysis, an extensive value chain should be used, **including also the direct and indirect cost arising for consumers, especially households**."

With regard to the economic costs (ad Point W):

„Cost for the roll out of smart meters in comparison to the upgrading of conventional technologies currently installed in households."

Recommendation No 15 and 16 (Electricity) and No 27 and 28 (Gas)

Based on the reasons stated in the introduction and on Recommendations No 11, 12 and 25, the AK suggests the following amendments:

„… all customers should be eligible to obtain a smart meter, **households on a cost-free basis**. It is important for all customers to be able to benefit **directly** from the services developed through smart metering **without the need of installing of additional devices such as the internet** in order to …"

On the summary:

„All customers should benefit from smart **metering if the cost-analysis proves efficiency gains for them**."

„No discrimination **and no cost burden including free data access for households** when rolling out smart meters."

Recommendation No 20

On question 20a): From the AK's point of view meters should be read in weekly intervals as long as the data protection problems have not been sufficiently regulated.

The reason is stated in Recommendation No 13.

Recommendation No 29

In particular based on the option of remote metering, which smart meters provide and which is partly carried out by radio, data protection must be given the highest priority as remote metering significantly increases the vulnerability to failures and access to third party data. This is added by the planned exception for obligations, which result from the „Member States Model". This exception might be used as a gateway for evasion. It is also necessary to clarify that consumers must be able to refuse providing information without having to fear sanctions.

Finally, we would like to point out that all Recommendations concerning the data flow (such as interval metering, remote metering etc) should be supplemented with data protection safety clauses.

From the point of view of Austrian employees it should be a top priority to prepare a cost-benefit analysis.

From the point of view of Austrian employees it should be a top priority to prepare a cost-benefit analysis, which is as impartial as possible, before investing billions in a technology, which might not only contribute very little to achieve the „20-20-20 targets" of the European Commission, but which also raises serious data protection problems and causes significant regulatory effort and expense (keyword „transparent household" - „artificial shortage of supply").

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