

# How unsuccessful policies travel: the case of smart metering in the State of Victoria, Australia

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Seminar - RMIT Centre for Urban Research  
22<sup>nd</sup> September 2015*



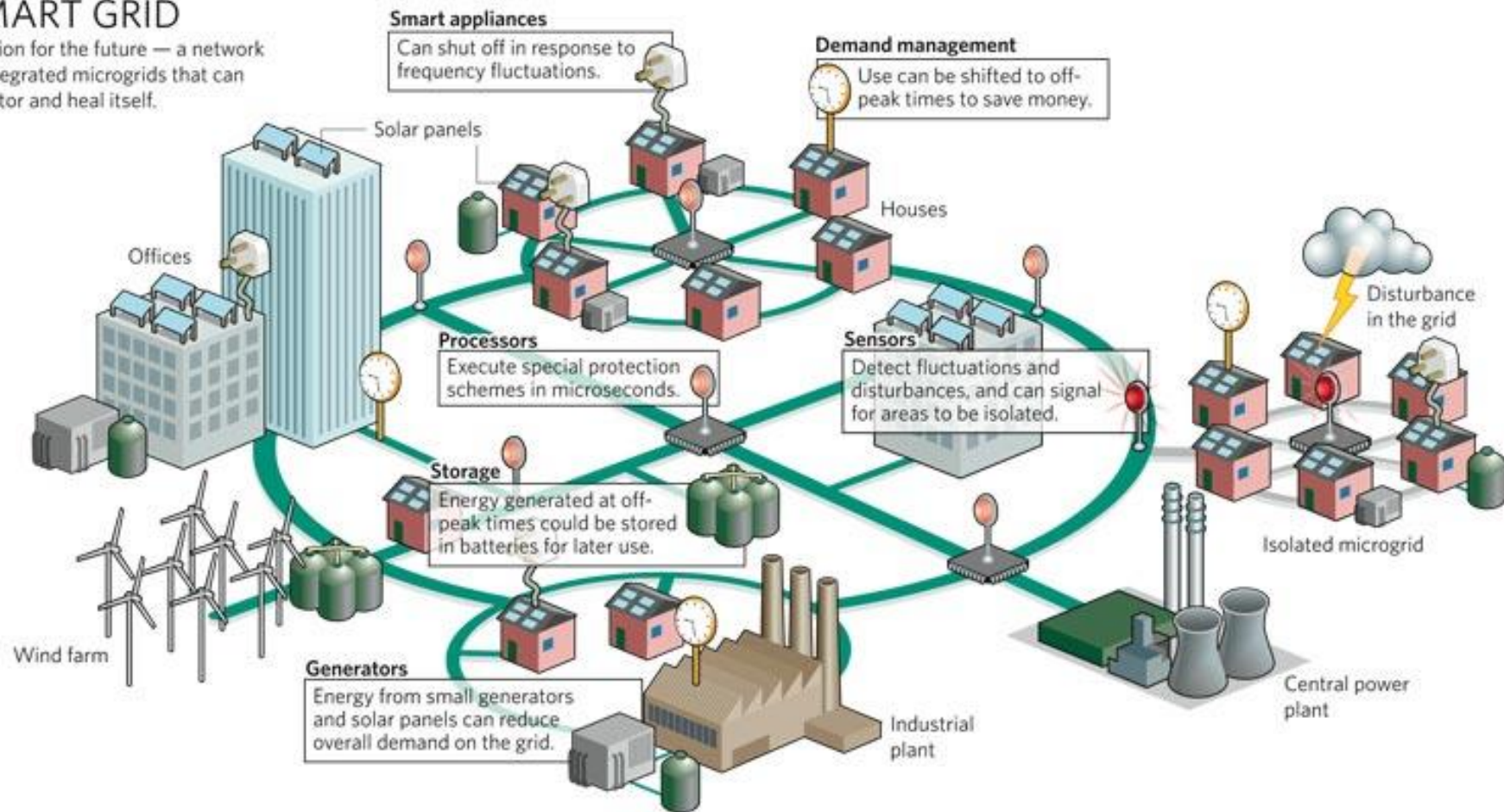


# *ARC Future Fellowship (2015-18)*

- How is learning is taking place from the early implementation of smart grids in Australia, and with what effect?
- contributes to 2 broad strands of scholarship about *innovation* from **policy studies** and **science and technology studies**
  - aims to rectify a lack of attention to **geography** and the particularities of place that is common to both sets of theory

## SMART GRID

A vision for the future — a network of integrated microgrids that can monitor and heal itself.



<http://smartgridtech.files.wordpress.com/2012/05/sg-nature.jpg>

a “nationwide network that uses information technology to deliver electricity efficiently, reliably, and securely”

US National Institute of Standards and Technology (NIST), 2013.

“Our national electricity system is like an old car. It works, but could be more efficient, and is sometimes unreliable. Like a modern car, a smart grid conducts regular checks to make the electricity system work smarter and better, reducing running costs in the long term and responding to changing conditions and emergency situations.”

<http://www.industry.gov.au/Energy/Documents/smart-grid/smart-grid-factsheet1.pdf>

# What I will cover

1. Scholarship on policy learning, transfer and mobility
2. The Victorian *Advanced Metering Infrastructure (AMI)* Programme
3. Understanding the movement of policy failure
4. Discussion

# **1. POLICY LEARNING, TRANSFER & MOBILITY**

# What is policy transfer?

- longstanding political science topic of research, 1980s+
- “.... the process by which actors borrow policies developed in one setting to develop programmes and policies within another.” (Dolowitz and Marsh 1996: 357)
- an ‘umbrella’ term for policy diffusion, translation, lesson-drawing, policy tourism etc
- a reasonably large field: over 800 papers (Stone 2012)





‘New wave’ of ideas from geographers and urban studies scholars: **Policy mobility**

“...networks of policy advice, advocacy, and activism now exhibit a precociously transnational reach; policy decisions made in one jurisdiction increasingly echo and influence those made elsewhere; and global policy ‘models’ are exerting normative power over significant distances.”

(Peck 2011: pp773).

# A focus on best practice policies

- i.e. policies that work > failed policies
  - e.g. urban regeneration in Bilbao and Barcelona (Gonzalez 2011)
  - e.g. sustainability in Vancouver (Temenos & McCann 2012).
- therefore missing a large part of the empirical picture
  - cases of non-transfer because of policy failure
  - explorations of how and why negative lessons circulate

# Theorising policy failure?

- seen as an outlier

Dolowitz and Marsh (1996: 349) identify seven objects of policy transfer: “...policy goals, structure and content; policy instruments or administrative techniques; institutions; ideology; ideas, attitudes and concepts; and *negative lessons*.” (emphasis added).

- ...squeezed out altogether

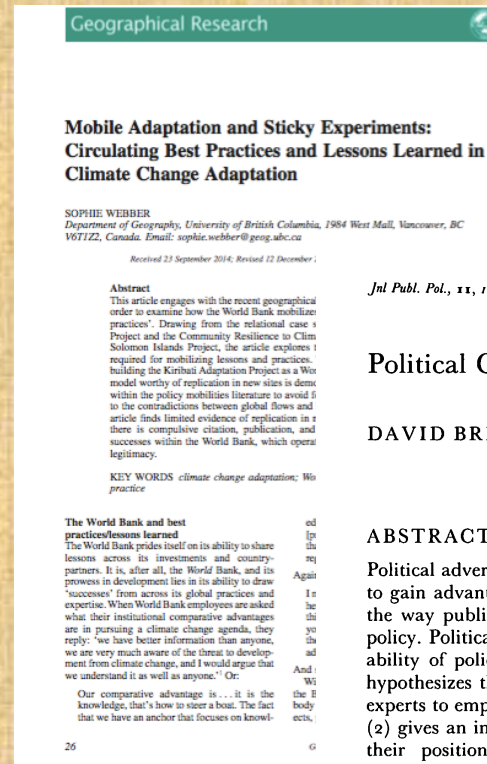
“...the everyday use of the term [policy] transfer implies a positive lesson.” (Illical and Harrison, 2007: 391).

- or equated with immobility

“Much of the work in the urban policy mobilities approaches has, almost by definition, emphasized those policies that appear to be “mobile,” where there is evidence of the policy being moved from one location to another and/or where the policy appears in multiple and inter-connected locations....The ‘other,’ so to speak, in the literature is those policies that do not appear to have travelled, policies that appear to exist in just one location.” (McCann and Ward, 2015: 18)

# Some notable exceptions

"Policy lessons from abroad often are put forward as politically neutral truths. Beneath this superficial impartiality, political adversaries... are using such lessons as political weapons. The use of lessons as leverage in political conflict pervades policy areas where facts are contested, values are complex, and partisan differences are sharp." (Robertson, 1991: 55).



*Jnl Publ. Pol.*, **xx**, 1, 55–78

## Political Conflict and Lesson-Drawing

DAVID BRIAN ROBERTSON\*, *Political Science, University of Missouri St. Louis*

### ABSTRACT

Political adversaries have reason and opportunity to use foreign lessons to gain advantage in political conflicts. Political factors strongly affect the way public policy lessons are drawn and transformed into public policy. Political opponents contest the value, practicality, and transferability of policy initiatives in order to bias the outcome. The paper hypothesizes that (1) the politicization of lesson-drawing induces issue experts to emphasize the descriptive and technical aspects of programs; (2) gives an incentive to advocates of change to use lessons to advance their position during the agenda-setting process; and (3) gives opponents of change an incentive to draw counterbalancing negative lessons from foreign experience when a proposed lesson reaches the point where adoption is entirely possible. The 1988 Congressional debate over mandatory plant closing prenotification provides evidence supporting hypotheses. The paper further hypothesizes: (4) most polities will not adopt both conservative and liberal programs even when theoretically they could do so; and (5) the degree to which a population of polities adopt a particular lesson will be a function of the program's economic and political feasibility. The diffusion of labor market and income maintenance policies across the American states supports both of these claims.

**2. THE VICTORIAN *ADVANCED*  
*METERING INFRASTRUCTURE (AMI)*  
PROGRAM**

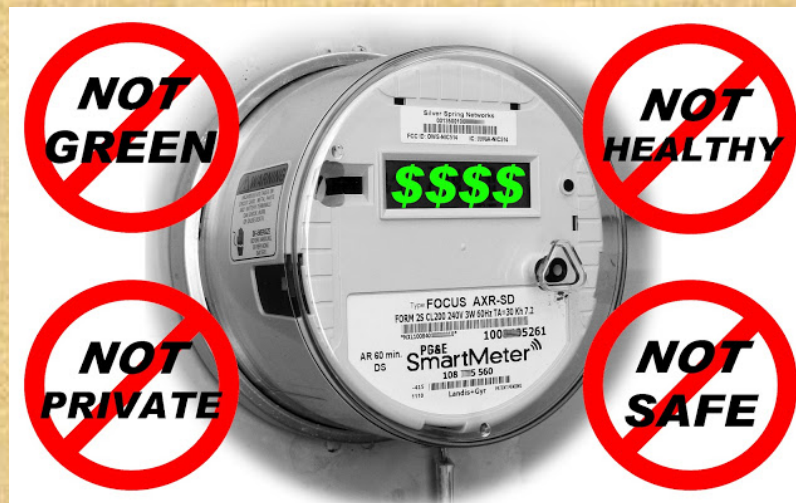
# The Victorian AMI: a brief timeline

- 2004 *Interval Meter Rollout* given go ahead - Essential Service Commission
- 2005 Department of Infrastructure *Advanced Metering Rollout Study*
- 2006 Parliament amendment to Electricity Industry Act 'Orders in Council' (OIC) enabled
- 2007 OIC Regulatory Framework and Minimum Specification Standard for meters issued  
Department of Primary Industries Technology Trial report  
AMI Industry Steering Committee established
- 2009 1<sup>st</sup> Auditor General Report *Towards a 'Smart Grid'—the rollout of the Advanced Metering Infrastructure*
- 2010 Updated Cost Benefit reports (x3)  
Moratorium on time of use pricing
- 2011 Review by Department of Treasury & Finance (inc. Deloitte Report)  
AER determination on smart meter charges
- 2013 Productivity Commission Report *Electricity Network Regulatory Frameworks*
- 2015 2<sup>nd</sup> Auditor General Report *Realising the Benefits of Smart Meters* (Sept 2015)



## Stop Smart Meters Australia

*Fighting for your financial & physical health, privacy, and safety in Australia*



<http://www.peoplepowervictoria.org.au/home>  
<http://stopsmartmeters.com.au/>

# Main problems

## **Customer implications and engagement**

Insufficient engagement and consultation with customers

Increased costs (even before new meters installed)

No choice about meters

## **Cost concerns**

Cost have risen - an initial estimate of AUS\$1.6 billion to over AUS\$2 billion.

Weak Incentives for utilities to contain costs

Changes and delays to the program have increased costs

Flaws in original cost–benefit analysis

Lack of competition in metering services and misalignment of risks and rewards



## Explicitly named as a policy failure, inc. by government

“...analysis shows that if you were looking at it from a blank sheet of paper you probably wouldn't go down this [AMI] path. There are actually more detriments to consumers, or costs to consumers as the result of the project as a whole, compared to the benefits. *But we're not starting with a blank sheet of paper. We're starting with the mess we've inherited from the Labor government.*”

(Victorian Energy Minister Michael O'Brien, Dec 2011)

<http://www.abc.net.au/news/2011-12-14/smart-meter-roll-out-continues-despite-cost-blow-out/3730522>

### Smart meters too toxic to touch

September 6, 2012

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It is perhaps the biggest single public policy failure in the energy sector of the past decade - mandated smart meters which are being introduced in Victoria.

### Smart meters given a fail

October 4, 2011

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Given an F: Smart meters.

VICTORIA'S experiment in rolling out so-called "smart electricity meters" is unlikely to be seen in New South Wales soon, with the head of one of the largest electricity distributors casting doubt on their merit.

Last year in Victoria, the cost of the program blew out to \$2 billion from initial estimates of \$800 million.

"Is the business case in place? I'd have to say it's not," George Maltabarow, the managing director of Ausgrid, told a forum recently. "Victoria is a very good example of that."

"All the meters have been deployed, but there is not a single product on those meters and the customers are not getting a single benefit."

### **3. UNDERSTANDING THE MOVEMENT OF POLICY FAILURE**

# The Victorian AMI: *a failed but mobile policy?*

**How is its movement different to best practice examples?**

1. Domestic>international
2. State government>urban-to-urban
3. Policy stories>policy substance

# 1. Domestic>international movement

“...in Victoria they had the mandatory roll-out of electricity smart meters, but I doubt that’s going to be repeated in any other states” [Interview 006, government institute, April 2015]

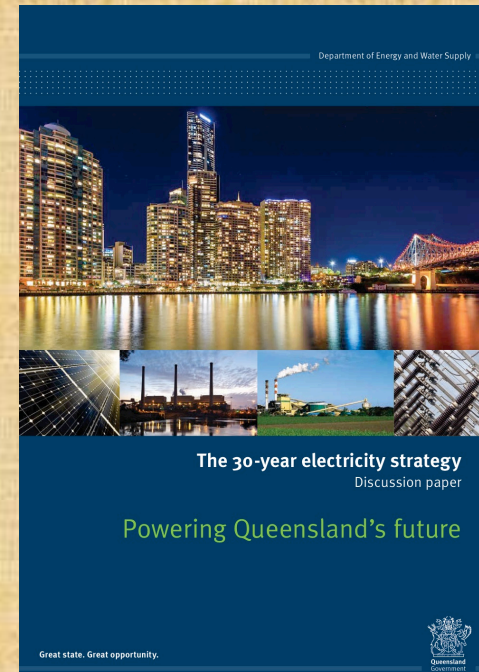
“[Victoria] has caused problems because they’ve seen what’s happened there, they’ve had friends and relatives had these terrible things happen to them and they think that, we’re next, it’s going to happen to them too. So there was a lot of negative reaction against the Victorian roll-out from consumers and that has filtered up to here, yeah.

I: And has that made it essentially ... I mean, it seems like it’s made it impossible for any state to go ahead with any kind of mandatory [implementation]...?

M: Yes, that would not happen anymore.” [Interview 001, state government, April 2015]

“Based on the Victorian experience, the Queensland Government has ruled out a mandated rollout of advanced meters in Queensland and will support the customer-driven approach.”

Queensland Government - Department of Energy and Water Supply (2013) *The 30-year electricity strategy Discussion paper: Powering Queensland's future* (pp12)



“Not only were Victorian customers not given a choice of meters, they were also charged the upfront cost of the meter and its installation, a decision which is still costing them. The [NSW] Government has listened to customers and that is why ultimately customers will decide what they want and when they want it.”

NSW Minister for Resources and Energy Anthony Roberts, *Media Release - NSW GETS SMART ABOUT METERS*, 28 October 2014.

# Little evidence of international movement

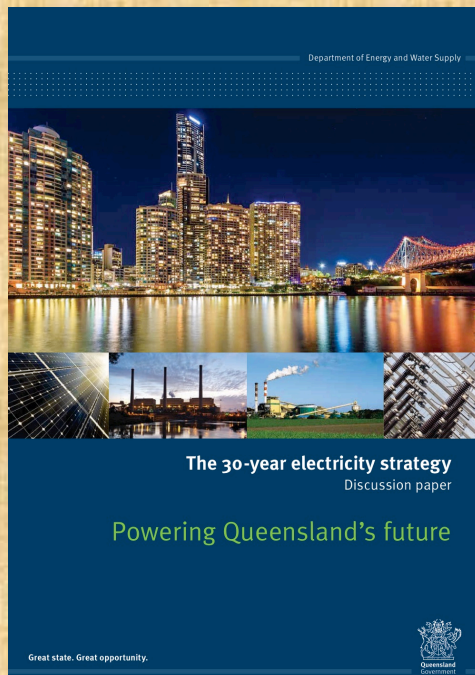
- Empirically much more difficult to identify – an *absence* > presence

e.g. *International Smart Grid Action Network (ISGAN) AMI Case Book* – absent

e.g. ISGAN Workshops (x7) – identified one paper (out of c100) which mentions the AMI.



# 2.State government>urban-to-urban movement



# 3. Policy stories > policy substance?

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## Smart meters too toxic to touch

September 6, 2012 Read later

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It is perhaps the biggest single public policy failure in the energy sector of the past decade - mandated smart meters which are being introduced in Victoria.

With the cost of the roll-out now estimated at more than \$2 billion - more than twice the initial estimated cost - it has added another lucrative profit source to the activities of the power distributors.

And the backlash has been so intense that the Australian Energy Markets Commission omitted any reference to "smart meters" in its 192-page report released yesterday. The report outlines a series of measures to overhaul the electricity market by boosting so-called

## The Sydney Morning Herald

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### Smart meters: You paid billions for electricity companies to benefit - report

Marc Moncrief  
Published: September 17, 2015 - 12:43AM

Households forced to pay for the multibillion-dollar rollout of smart meters may never see their promised benefits, according to a scathing report by Victoria's Auditor-General.

The report lashes the Department of Economic Development, Jobs, Transport & Resources for failing to track properly the multibillion-dollar costs associated with the program, preferring instead to crow about its benefits out of context.

It says the largest benefit in the estimated life of the program -- \$1.4 billion out of \$3.2 billion -- could be attributed to avoiding costs such as installing and manually checking older meters. These are savings that flow primarily to electricity distributors, rather than consumers, who have instead seen bills [climb higher and higher](#).

"When the rollout was announced, the benefits were promoted widely. However, when the government reviewed the program in 2011 it was clear there would be no overall benefit to consumers, but instead a likely cost of \$319 million," the Auditor-General's report said.

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## **4. QUESTIONS & DISCUSSION**

- **So what?** Why do we (or should we) care about the movement of policy failure?
- What learning has actually taken place?
- Is the Victorian AMI an unusual example of policy failure?
- Does it provide wider insights?
- What role has technology played?

