

## ENERGY SAVINGS DEPEND ON THE TYPE OF THE UTILITY METER AND ITS PLACEMENT.

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As I show in the linked paper, utilities have traditionally aimed to maximize usage. This to minimize the per-unit costs due to the high share of fixed costs in the overall costs. As a result, there has never been any real interest in making people sensitive to prices/costs. In many countries, utility bills are sent once per year and payments are based on guess-estimates of future use. The bill is adjusted to take into account actual use only once every year.

Pre-paid policies usually involve placing the electricity meter in the place where it is visible and can be monitored. This to allow households to make prepayments easy. However, utilities are already putting in place technologies to eliminate the visibility of meters, such as through online payments.

Most pre-paid meters fail the simple requirement to show the monetary value of electricity use to be truly effective in rationalizing energy use. Sellers of utilities want to maximize sales and revenues, keep consumption as high and as possible, irrespective of how wasteful it is.

Progressive tariffs make things even more complicated as most people believe their tariffs change with time during a month, not volume of consumption.

Lessons from Behavioral Economics for Rationalizing Energy Use, published in USAEE Dialogue, Vol. 23, No. 1 (January 2015)