



Revised Regulatory Proposal

Supporting Information: Alternative Control Services - Metering

Aurora response to the AER's Draft Distribution Determination

January 2012



Aurora Energy Pty Ltd

ABN 85 082 464 622

Level 2 / 21 Kirksway Place

Hobart TAS 7000

www.auroraenergy.com.au

Enquiries regarding this Document should be addressed to:

Network Regulatory Manager

Aurora Energy Pty Ltd

GPO Box 191

Hobart TAS 7001

e-mail: RRP2012@auroraenergy.com.au

Copyright

© Aurora Energy Pty Ltd

Table of contents

1.	Introduction	1
2.	Alternative Control Services – Metering.....	2
2.1.	Summary.....	2
2.2.	Capital expenditure	3
2.2.1.	Customer-initiated new meter installations (MENIN).....	3
2.2.2.	Meter replacement unit rate (MEREPA)	3
2.3.	Conclusion	4
3.	Confidentiality.....	5

1. Introduction

Aurora provided the AER with its *Regulatory Proposal* on 31 May 2011 in accordance with the provisions of Chapter 6 of the *Rules*. Aurora also set out its answers to the Regulatory Information Notice (RIN) issued by the AER on 21 April 2011 in its response (*RIN Response*) of 31 May 2011.

The AER have reviewed Aurora's *Regulatory Proposal* and *RIN Response* and provided Aurora with the AER's *Draft Distribution Determination*, associated consultant's reports and AER models on 29 November 2011 in accordance with the provisions of Chapter 6 of the *Rules*.

Aurora provides its *Revised Regulatory Proposal* to the AER in response to the AER's *Draft Distribution Determination* in accordance with the provisions of Chapter 6 of the *Rules*. This document provides specific supporting information as an appended attachment to Aurora's *Revised Regulatory Proposal*

2. Alternative Control Services – Metering

2.1. Summary

In Aurora's *Regulatory Proposal*, Aurora proposed to complete capital programs in metering for the installation of new and replacement of existing meters.

The aims of the installation program (MENIN) were to:

- 1 Enable the connection of new customers to the network; and
- 2 Complete customer-initiated additions and alterations for existing customers in accordance with the requirements of the Tasmanian Electricity Code (TEC) and Aurora's customer charter.

The AER considered that the volume relating to the installation of new meters proposed by Aurora was too high and should align with forecast volumes of new customer connections. This has significantly reduced the volume to a level that will not allow for the completion of work associated with additions and alterations to existing installations.

The aims of the replacement program (MEREP) were to:

- 1 Manage the risk associated with non-compliant meters (meters that fail compliance testing); and
- 2 Pro-actively manage the replacement of meters that had reached the end of their useful life due to the technology no longer being supported by the vendor.

The AER has considered that the unit rate for meter replacements was too high compared to the unit rate previously accepted in 2007/08 with no basis for an increase other than 5 years of escalation.

Aurora has conducted a review of the requirements for:

- 1 Volumes of customer initiated additions and alterations to existing installations; and
- 2 Unit rates for meter replacements.

The review found that:

- 1 Volumes of meter installations for MENIN work category be increased by an additional 21,410 over 5 years compared to the volumes in the AER's draft determination. This will allow for the completion of customer-initiated additions and alterations.
- 2 The increase in the unit rate for meter replacements is due to additional minimum testing requirements that became mandatory for Aurora under AS3000 in 2009.

2.2. Capital expenditure

2.2.1. Customer-initiated new meter installations (MENIN)

This category of work includes the purchase and installation of meters for new customer connections and customer-initiated additions and alterations to existing installations.

The AER has identified that Aurora used inconsistent volumes for forecast new customer connections and further that the forecast volumes were too high. The AER has indicated a reduced forecast volume of new customer connections per annum and reduced allowable expenditure accordingly.

Aurora contends that the volumes allowed in the MENIN category of work do not make allowance for customer initiated additions and alterations. These tasks are for the purchase and installation of meters when customers add additional tariffs to an existing installation or alter their installation necessitating the installation of a new meter.

The historical and forecast volumes for the 2007/08 to 2011/12 period are shown in Table 1.

Table 1: Historical meter installation volumes

	2007/08	2008/09	2009/10	2010/11	2011/12 (Forecast)
New connections	4,002	4,077	4,407	3,880	4,210
Additions and Alterations	3,854	4,540	5,556	5,166	5,650
Total New Meter installations	7,856	8,617	9,963	9,046	9,860

The forecast volumes for the 2012/13 to 2016/17 period shown in Table 2 below are based on historical volumes of completed work as shown in Table 1. The volumes have been forecast flat rather than increasing as in the original proposal in line with the AER's projection for customer growth.

Table 2: Forecast meter installation volumes

	2012/13	2013/14	2014/15	2015/16	2016/17
New connections	4,320	4,320	4,320	4,320	4,320
Additions and Alterations	5,750	5,750	5,750	5,750	5,750
Total new meter installations	10,070	10,070	10,070	10,070	10,070

2.2.2. Meter replacement unit rate (MEREP)

The AER, in its *draft distribution determination* states that “it could see no justification for an increase in costs and recommended that the current allowance of \$73 be maintained, with appropriate escalation”.

Aurora has reviewed the unit rate for meter replacements and determined that the increase in unit rate for the category of work is due to an increase in time taken to complete each meter replacement due to minimum mandatory testing requirements that came into effect for Aurora in 2009. Aurora contends that the mandatory testing regime is required under AS3000 and increased the time taken to complete each meter replacement by an average 11 per cent.

As this testing requirement is mandatory and additional to the work completed when the previous unit rate was set in 2007/08, Aurora proposes that the unit rates provided in Aurora's *Revised Regulatory Proposal* should be allowed.

2.3. Conclusion

- Volumes of meter installations for MENIN work category be increased by an additional 21,410 over 5 years compared to the volumes in the AER's draft determination. This will allow for the completion of customer-initiated additions and alterations.
- The increase in the unit rate for meter replacements is due to additional minimum testing requirements that became mandatory for Aurora under AS3000 in 2009.

3. Confidentiality

Aurora does not consider any information contained within this document to be confidential.