

AusNet Electricity Services Pty Ltd

Electricity Distribution Price Review 2021-25

Appendix 9D

Allocation of AMI ICT to SCS and ACS metering

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1 Introduction

This appendix provides information on the allocation of Advanced Metering Infrastructure (AMI) Information and Communications Technology (ICT) costs between Standard Control Services (SCS) and the regulated ACS AMI metering business (Type 5 and 6 meters).

For the 2022-26 regulatory period, AusNet Services is proposing to allocate a higher proportion of forecast AMI ICT opex and capex to SCS than was the case for the current regulatory period. This reflects the reality of our business whereby the AMI ICT underpins the day-to-day operation and the future planning of the distribution network.

The AER considered the allocation of AMI ICT costs in the 2016-20 Victorian EDPR based on advice from consultants, EMCa.¹ This approach is considered below, in the context of the allocation methodology we propose for the 2022-26 period.

2 AMI ICT cost allocation

2.1 Capex allocation to SCS

The table below shows the AMI ICT capex costs proposed for the 2022-26 period for SCS and ACS metering.

Table 2-1: SCS AMI ICT capex costs 2022-26 (\$m 20201 including overheads)

	2021-22	2022-23	2023-24	2024-25	2025-26	Total
ICT						
SCS	9.82	4.36	0.72	-	0.74	15.64
ACS metering	1.51	1.02	0.18	0.00	0.19	2.91
Communications						
SCS	9.92	3.98	3.47	3.62	3.64	24.64
ACS metering	5.90	3.97	3.38	3.56	3.50	20.31
Total	27.15	13.33	7.75	7.18	8.07	63.50

The question is then, how much of this capex would previously been allocated to ACS metering, but has now been allocated to SCS.

Over 2022-26, \$32.84 million (\$2021) of AMI ICT capex has been allocated to SCS from ACS metering, as shown in the table below.

¹ EMCa 2016, *Advice on allocation of advanced metering infrastructure (AMI) IT and communications expenditure*, 14 April.

Table 2-2: AMI ICT capex allocation from ACS metering to SCS 2022-26
(\$m 20201 including overheads)

Total 2022-26	
ICT	8.20
Communications	24.64
Total	32.84

The ICT capex allocated from ACS metering (of \$8.2 million \$2021) excludes the five-minute settlement rule change ICT (of \$7.44 million \$2021). The obligation for this change is on the distribution business. Hence, these costs would never have been allocated to ACS metering.

The total SCS communication system costs of \$24.64 would otherwise have been allocated to ACS metering. However, we consider that these costs should be allocated to SCS.

The period over which the assets are depreciated does vary between SCS and ACS metering. As shown in the table below, the SCS IT assets have a shorter life, and the communications assets have a longer life. This will have an impact on the revenue neutrality of the change.

Table 2-3: Assumed RAB asset lives (years)

	SCS	ACS metering
IT	5	7
Communications	10	7

2.2 Opex allocation to SCS

The table below shows that \$29.8 million (\$2021) of associated AMI ICT opex has been allocated from ACS metering to SCS over 2022-26 period.

Table 2-4: SCS AMI ICT opex reallocation from ACS to SCS 2022-26 (\$m 20201)

	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Opex allocation	5.74	5.81	5.95	6.12	6.18	29.80

3 Allocation methodology

This section documents the allocation methodology that has been used to allocation AMI ICT capex and opex costs from ACS metering to SCS.

3.1 Capex allocation

The capex allocations are shown in the table below.

Table 3-1: Allocation of costs

System	% allocated to SCS	% allocated to ACS metering	Rational for allocation
IT			
CNMS Lifecycle Management (for reporting and monitoring)	50%	50%	The CNMS application supports the monitoring of our AMI network and the data collected which includes both metering and network measurement data.
UIQ Application and Backend Lifecycle	100%	-	Components of our Mesh network will be upgraded to support increased volumes of network measurement data collected and utilised by our network business.
Communications			
3G phase out	50%	50%	The AMI network is used to collect both consumption and network measurement data by across metering and distribution business units. The network must be upgraded to support 4G as Telstra will shut-down the 4G network in 2024.
Wimax network asset maintenance	50%	50%	The AMI network is used to collect both consumption and network measurement data by across metering and distribution business units. A number of components on our WiMAX network require a lifecycle upgrade to remain reliable and secure.
Mesh network asset maintenance	50%	50%	The AMI network is used to collect both consumption and network measurement data by across metering and distribution business units. A number of components on our Mesh network require a lifecycle upgrade to remain reliable and secure.

PolicyNet (mesh lifecycle management)	100%	-	Components of our WiMAX network will be upgraded to support increased volumes of network measurement data collected and utilised by our network business.
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3.2 Opex allocation

The opex allocations are shown in the table below.

Table 3-2: Allocation of costs

System	% allocated to SCS	% allocated to ACS metering	Rational for allocation
Mesh (UIQ) and WiMAX (PolicyNet)	50%	50%	The AMI network is used to collect both consumption and network measurement data by across metering and distribution business units. The UIQ and PolicyNet applications are the 'head-end' applications for collecting this data.
EnergyIP (EIP)	50%	50%	EnergyIP is the meter data management application for collecting meter data for regulated metering (Meter Type-5) and contestable meters (Meter Type1-4) and aggregating consumption data for network billing purposes.
CIS	100	0	This is the application used for performing LSNP functions regarding maintaining MSATs data, customer data and B2B service order processing
Reporting and Monitoring (GD)	50%	50%	Our reporting and analytics application used to monitor metering compliance reporting and AMI network data collection performance that covers collection of both metering and network measurement data.
Telstra Back Haul	50%	50%	This is our communications backhaul for transporting metering consumption and network power quality data collected across our AMI network.
DMACS	50%	50%	This is our team that supports the operations of our AMI network to ensure the reliable collection of metering and network measurement data.
IBM	95%	5%	Storage and infrastructure associated predominantly with the CIS application.

3.3 Methodology

This section considers our allocation approach in the context of the allocation methodology set out by the AER and EMCa.

EMCa in their 2016 advice agreed with the proposition that AMI IT and communication costs in part contribute to the provision of distribution network services and that this would lead to some AMI-related IT opex being allocated to SCS.

EMCa indicated that where AMI ICT costs are shared and are material, that they should be allocated on a causal basis:²

In line with the AER's CAG [Cost Allocation Guidelines] and the NER CAP [Cost Allocation Principles], we consider that costs should be directly attributed (to distribution network SCS or metering ACS) only where the relevant systems are solely used to provide that service or where use for the other service can be considered immaterial as defined by Australian accounting standards. Where costs are shared and material, they should be allocated on a causal basis.

In the period since 2016, the integration of AMI ICT into the core operation and planning of the distribution network is far more advanced and will continue further over the 2022-26 regulatory period.

We have established causal approaches for the allocation of the shared AMI ICT systems above.

² EMCa, 2016, p. ii.