



Draft decision

Victorian electricity distribution network service providers

Advanced Metering Infrastructure remote services charges

Review under ESCV Guideline 14

November 2010

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Request for submissions

This document sets out the Australian Energy Regulator's (AER) draft decision on the regulation of advanced metering infrastructure (AMI) remote services in Victoria.

This draft decision relates the statements of proposed charges and terms and conditions submitted by CitiPower, Powercor, Jemena Electricity Networks and United Energy regarding the charges and terms and conditions for the provision of AMI remote services. SP AusNet did not submit a proposal, as it is not at this time ready to provide the services to customers. These charges and terms and conditions will take effect during the 2011-2015 regulatory control period.

Interested parties are invited to make written submissions regarding this draft decision and the attached consultant's report to the AER by 22 December 2010. The AER will deal with all information it receives in accordance with the ACCC/AER information policy. The policy is available at www.aer.gov.au.

Submissions can be sent electronically to AERinquiry@er.gov.au.

Alternatively, submissions can be mailed to:

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Melbourne Victoria 3001

The AER prefers that all submissions be publicly available to facilitate an informed and transparent consultative process. Submissions will be treated as public documents unless otherwise requested. Parties wishing to submit confidential information are requested to:

- clearly identify the information that is the subject of the confidentiality claim
- provide a non-confidential version of the submission.

All non-confidential submissions will be placed on the AER website, www.aer.gov.au.

A copy of the Victorian distribution network service providers' (DNSPs') statements of proposed charges and terms and conditions for AMI remote services, consultancy report and submissions from interested parties are available on the AER website www.aer.gov.au.

Inquiries about the draft decision or about lodging submissions should be directed to the Network Regulation South Branch on (03) 9290 1436 or alternatively emailing AERinquiry@er.gov.au.

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Summary

In 2006 the Victorian Government decided to introduce advanced interval meters (smart meters) to Victorian electricity customers. The decision required advanced metering infrastructure (AMI) to be installed throughout Victoria.

AMI enables two way communications between a customer and their distribution network service provider (DNSP). Metering services, which were previously required to be provided manually and on-site, will now be able to be provided remotely using AMI. In addition, the technology will allow for a variety of different services that would not have been possible without the AMI rollout.

This draft decision outlines the Victorian DNSPs' proposed charges and terms and conditions for a variety of AMI remote services. These services are remote re-energisation, remote de-energisation, remote special meter reading, and remote meter reconfiguration. The charges are separate to those that apply for the provision of new smart meters, which have been recovered under a separate framework. These services are also transaction based, in that they are provided in response to a customer's request.

Most of the Victorian DNSPs are on track to provide AMI remote services to eligible customers in 2011. Under clause 17 of the Victorian DNSPs distribution licenses, the AER requested the Victorian DNSPs to provide proposals outlining charges and terms and conditions for the provision of AMI remote services.

CitiPower, Powercor, United Energy Distribution and Jemena Electricity Networks each submitted proposals. SP AusNet did not, advising that delays in their AMI rollout prevented it from calculating accurate pricing¹.

The AER met with the DNSPs individually to discuss their proposals. The AER also engaged Impaq Consulting to produce a report analysing the DNSPs' proposed charges. The report advised that some of the charges were too high, and recommended they be lowered.

While these services were designed to be provided remotely without manual intervention², the Victorian DNSPs proposed that manual intervention will be required during the initial stages of the provision of the services.

The AER concluded that the costs of manual intervention have not been recovered by the Victorian DNSPs previously.

After meeting with the Victorian DNSPs and Impaq Consulting, the AER has concluded that it is reasonable that some manual intervention will be required during the first few years. Over time the need for manual intervention should reduce and it is anticipated that the charges should fall or no longer be required in the future.

¹ SP Ausnet, Response to information requested 5 October 2010, 12 October 2010

² Impaq Consulting, *Remote Services Price Review*, Revision 1.3, September 2010

The AER considered the proposed charges under the regulatory framework set out in ESCV Guideline 14, which is the applicable instrument for the regulation of AMI remote services.

This draft decision outlines charges which the AER has determined to be compliant with Guideline 14. Tables 1-4 outline the Victorian DNSPs' proposed charges, the AER's recommended charges, and the comparative 2010 and 2011 charges for the services when they are performed manually (ie - not remotely).

Table 1 Re-energisations (\$'2010)

	Manual		Remote Proposed	Remote Draft Decision
	2010	2011	2011	2011
CitiPower	\$23.82	\$12.55	\$6.23	\$5.27
Powercor	\$19.97	\$17.70	\$6.23	\$5.27
United Energy	\$29.91	\$35.91	\$7.72	\$6.62
JEN	\$20.91	\$11.74	\$5.13	\$5.13

Table 2 De-energisations (\$'2010)

	Manual		Remote Proposed	Remote Draft Decision
	2010	2011	2011	2011
CitiPower	\$23.82	\$12.55	\$6.23	\$5.27
Powercor	\$19.97	\$18.73	\$6.23	\$5.27
United Energy	\$29.91	\$35.91	\$7.72	\$6.62
JEN	\$20.91	\$20.06	\$5.13	\$5.13

Table 3 Special Meter Reads (\$'2010)

	Manual		Remote Proposed	Remote Draft Decision
	2010	2011	2011	2011
CitiPower	\$23.82	\$9.73	-	-
Powercor	\$19.97	\$14.86	-	-
United Energy	\$29.91	\$9.97	\$2.00	\$1.52
JEN	\$20.91	\$8.67	\$1.93	\$1.52

Table 4 Meter Reconfigurations (\$'2010)

	Manual		Remote Proposed	Remote Draft Decision
	2010	2011	2011	2011
CitiPower	\$130.82	\$357.84	\$27.95	\$27.95
Powercor	\$154.73	\$391.68	\$27.95	\$27.95
United Energy	\$99.77	\$102.16	\$39.10	\$39.10
JEN	\$178.55	\$306.12	\$41.35	\$32.44

1 Introduction

In 2006 the Victorian Government decided to introduce advanced interval meters (smart meters) to Victorian electricity customers. This decision required advanced metering infrastructure (AMI) to be installed throughout Victoria.

Under sections 15A and 46D of the Electricity Industry Act 2000, the Victorian Governor in Council published an Order in Council in August 2007. It outlined the regulatory arrangements relating to the AMI rollout.

In September 2008, the Victorian Government published minimum AMI functionality and service levels specifications (the Specifications) for the AMI rollout. The Specifications set out the minimum requirements for the Victorian DNSPs in procuring and implementing their AMI systems.

The Order in Council was amended on 25 November 2008, 22 January 2009 and 31 March 2009 (the 'revised Order'). The revised Order requires Victorian DNSPs to install remotely read advanced interval meters for all households and businesses consuming less than 160 MWh per annum by 31 December 2013. As the Victorian DNSPs are the only entities responsible for the AMI rollout, AMI remote services are non-contestable.

The revised Order specifies that AMI remote services are to be regulated as excluded services until the end of the 2011-2015 regulatory control period. Excluded services are regulated under the Essential Services Commission of Victoria's (ESCV) *Electricity Industry Guideline 14: Provision of Services by Electricity Distributors* (Guideline 14) and the Victorian electricity distribution licenses.

Under the *National Electricity (Victoria) Act 2005*, the AER has been responsible for administering Guideline 14 since 1 January 2009. Therefore, the AER will assess the proposed charges and terms and conditions against Guideline 14 to ensure they are fair and reasonable.

This draft decision relates to the Victorian DNSPs proposed charges and terms and conditions for the following four remote services:

- Re-energisation – where undertaken remotely refers to the process of a DNSP remotely re-energising a customer's supply point using AMI at the request of the customer's energy retailer. Remote re-energisation is also referred to as a 'connection'
- De-energisation – where undertaken remotely refers to the process of a DNSP remotely de-energising a customer's supply point using AMI at the request of the customer's energy retailer. Remote de-energisation is also referred to as a 'disconnection'
- Special meter reads – a remote special meter read occurs when a customer requests a remote meter reading in addition to their normal daily meter reads. It is performed by the DNSP at the request of the customer's energy retailer.

- Meter reconfigurations – remote meter reconfigurations relate to a variety of remote services that can be performed by DNSPs. Examples of these services include, but are not limited to:
 - reconfiguration following the installation of a photo voltaic (PV) solar installation to measure import and export energy flows
 - reconfiguration of time of use periods or maximum demand settings in a meter to align the meter with a tariff change.

Manual services are not covered by this draft decision. Where such services are provided, they have been assessed as alternative control services as part of the AER's 2011–15 Victorian distribution determinations.

The AER requested that the Victorian DNSPs submit approved statements (proposals) for the provision of AMI remote services. Clause 17 of the Victorian DNSPs distribution licenses permits the AER to request approved statements, which are defined as a statement of proposed charges and terms and conditions for the provision of any excluded service. Guideline 14 regulates the content of the Victorian DNSPs approved statements, and outlines the AER's approach to assessing the approved statements.

SP AusNet did not submit a proposal citing that delays in their AMI rollout prevented them from determining accurate charges³. The other Victorian DNSPs submitted proposals in August 2010.

The AER engaged Impaq Consulting (Impaq) to assist with the review of the Victorian DNSPs' proposed charges. AER staff, together with Impaq, met with representatives of the Victorian DNSPs in September 2010 to discuss their submissions. Impaq's report is available at www.aer.gov.au.

Chapter 2 of this draft decision sets out the relevant regulatory requirements.

Chapter 3 discusses the compliance of the Victorian DNSPs' proposals with section 5.5 of Guideline 14.

Chapter 4 sets out the consultant's review of the proposed charges.

Chapter 5 sets out the AER's assessment of the Victorian DNSPs' proposals on the basis of the principles set out in paragraph 5.6.2.

Chapter 6 sets out the AER's draft decision.

The AER welcomes submissions regarding this draft decision and Impaq's report by 22 December 2010.

³ SP Ausnet, Response to information requested 5 October 2010, 12 October 2010

2 Guideline 14 requirements

In proposing charges for remote AMI services, the Victorian DNSPs are required to meet the requirements of Guideline 14. The relevant sections of Guideline 14 are described below, and appendix B provides excerpts from the relevant provisions of Guideline 14.

Section 5.5 of Guideline 14 outlines the information DNSPs must provide when issuing a statement of proposed charges and terms and conditions for the provision of an excluded service for the AER's approval. As set out in the introduction, AMI remote services are regulated as excluded services.

Paragraph 5.5.2 requires that paragraphs 5.5.1(a), (b), and (d) must be satisfied as a minimum requirement in order for the DNSPs' statements to comply with Guideline 14. These clauses require the Victorian DNSPs to provide:

- a description of the excluded service including details of what is actually provided as part of that service (paragraph 5.5.1(a))
- an explanation for any change in the proposed terms and conditions and charge for the excluded service, including the change in costs incurred by the distributor and its effect on the excluded service (paragraph 5.5.1(b))
- details of what is required of the distributor in providing the excluded service, such as materials and labour (paragraph 5.5.1(d)).

Chapter 3 of this draft decision discusses the compliance of the Victorian DNSPs' proposals with section 5.5 of Guideline 14. Chapter 4 sets out the consultant's review of the proposed charges.

Furthermore, Chapter 5 of this draft decision sets out the AER's assessment of the Victorian DNSPs' proposals on the basis of the principles set out in paragraph 5.6.2. These principles are as follows:

- The terms and conditions and charges must be based on the costs incurred by the distributor in providing the excluded service (paragraph 5.6.2(a)).
- Any costs that a DNSP has been remunerated under their distribution tariff cannot be classed as costs incurred by providing the excluded service (paragraph 5.6.2(b)(1)).
- The DNSP must appropriately allocate shared or common costs (costs incurred by providing both the excluded service and other goods or services) whether in the conduct of the DNSP's business as a distributor or any other business (paragraph 5.6.2(b)(2)).
- The charges and terms and conditions must be the same for all customers unless there is material difference in the costs of providing the excluded service to different customers or classes of customer (paragraph 5.6.2(c)).
- The charges and terms and conditions for excluded services should be simple and easily comprehensible (paragraph 5.6.2(d)).

3 Victorian DNSPs' Proposals

CitiPower and Powercor

CitiPower and Powercor function as two separate distribution networks but are managed through a single corporate structure. Both DNSPs have submitted proposals regarding the charges and terms and conditions relating to AMI remote services. However the relevant content of their proposals is identical.

CitiPower and Powercor proposed charges and terms and conditions for:

- remote re-energisation (referred to as remote connection)
- remote de-energisation (referred to as remote disconnection) and
- remote meter reconfiguration (referred to as remote meter configuration).

CitiPower and Powercor did not propose charges for special meter reads on the basis that the service of remote special meter reads would be provided if requested by a customer's energy retailer⁴. However charges would only apply in the event a field visit was required.

CitiPower's and Powercor's proposals states that as new AMI remote services become available, further proposals will be submitted to the AER⁵.

CitiPower and Powercor proposed terms and conditions for the provision of AMI remote services in a submission separate to their initial proposal⁶. CitiPower and Powercor proposed to amend the existing terms and conditions that relate to manual metering services to enable them to also apply to AMI remote services. The original document is titled 'Excluded Services: Prices, Definition, and Policy.' The section relating to AMI remote services has been reproduced in appendix A1 of this draft decision.

As to the minimum requirements set out in paragraph 5.5.1 of Guideline 14, CitiPower and Powercor:

- provided a description of each AMI remote service that their proposal relates to in relation to paragraph 5.5.1(a)
- stated that because AMI remote services are not yet available to customers, there are no changes to existing charges or terms and conditions and that the manual charges – set out in the chapter on alternative control services in the AER's final decision on Victorian DNSPs' distribution determination for 2011–15 – will continue to apply, in relation to paragraph 5.5.1(b).
- outlined a series of steps that will typically be required to provide the AMI remote services in relation to paragraph 5.5.1(d).

⁴ CitiPower & Powercor, Response to information requested, 9 November 2010

⁵ CitiPower & Powercor, *Advanced Metering Infrastructure: Remote Metering Services* 2010, page 3

⁶ CitiPower & Powercor, Response to information requested, 24 September, 2010

Jemena Electricity Networks (JEN)

JEN proposed charges and terms and conditions for:

- remote special meter reads
- remote re-energisation
- remote de-energisation and
- remote meter reconfiguration.

JEN proposed that the terms and conditions for the provision of AMI remote services be the same as the terms and conditions in section 4.2 of the Use of System Agreement between JEN and the relevant retailer⁷. The section relating to AMI remote services has been reproduced in appendix A2 of this draft decision.

As to the minimum requirements set out in paragraph 5.5.2 of Guideline 14, JEN:

- provided a description of each AMI remote service in relation to paragraph 5.5.1(a)
- did not specifically refer to paragraph 5.5.1(b) but advised that AMI remote services are regulated as excluded services that are yet to be provided to customers
- outlined the various steps that are required to provide AMI remote services, including possible scenarios that may result in delays in the provision of these services in relation to paragraph 5.5.1(d).

United Energy Distribution

United Energy proposed charges and terms and conditions for:

- remote special meter reads
- remote re-energisation
- remote de-energisation and
- remote meter reconfiguration.

United Energy proposed the same terms and conditions for remote AMI services as those that currently apply to United Energy's other (manual) excluded services⁸. The original document is titled 'United Energy Distribution Prescribed and Excluded Service Charges'. The section relating to AMI remote services has been reproduced in appendix A3 of this draft decision.

⁷ JEN, Remote AMI service charges for approval by the AER 2010, page 3

⁸ UED, *Pricing application for new charges*, 6 August 2010, page 2

As to the minimum requirements set out in Guideline 14, United Energy:

- provided a description of each AMI remote service in relation to paragraph 5.5.1(a)
- did not specifically refer to paragraph 5.5.1(b) but advised that AMI remote services are regulated as excluded services that are yet to be provided to customers
- provided details regarding the internal processes required to provide AMI remote services in relation to paragraph 5.5.1(d).

Table 3.1 sets out the proposed AMI remote service charges by the Victorian DNSPs.

Table 3.1 Victorian DNSPs' proposed remote AMI services charges for 2011 excluding GST, \$'2010)

AMI Service	CitiPower	Powercor	Jemena Electricity Networks	United Energy Distribution
Remote Re-energisation	\$6.23	\$6.23	\$5.13	\$7.72
Remote De-energisation	\$6.23	\$6.23	\$5.13	\$7.72
Remote Meter Reconfiguration	\$27.95	\$27.95	\$41.35	\$39.10
Remote Special Meter Read	n/a	n/a	\$1.93	\$2.00

Note: SP AusNet has not proposed charges at this time.

4 Consultant review

The AER engaged Impaq Consulting (Impaq) to provide advice on the Victorian DNSPs' proposed charges.

Impaq has previously reviewed the Victorian DNSPs' proposals for labour rates and times for manual Alternative Control Services (ACS) as part of the AER's final decision on Victorian DNSPs' distribution determination for 2011–15.

Impaq drew on the results of this work in assessing the labour rates the Victorian DNSPs have used in the calculation of the proposed charges for AMI remote services. Impaq also provided advice on the times required by the Victorian DNSPs' to perform the various AMI remote services. Impaq reviewed the proposed charges, and made amendments where it believed the costs were excessive.

Impaq was not requested to discuss the proposed price paths or cost escalators proposed by the DNSPs, or whether the costs of providing AMI remote services have been recovered by the DNSPs elsewhere. Impaq did not review the DNSPs' proposed terms and conditions for providing the AMI remote services.

4.1 Special Meter Reads

Impaq notes that the special meter read functionality was implemented to allow the Victorian DNSPs to recover data missed during routine reading⁹. Customers will benefit from this functionality by receiving remote special meter reads upon request.

Impaq considers that special meter reads are unlikely to be requested by customers in large volumes because day-old usage information will be readily available from the customer's retailer as part of normal business processes. In addition, the processing of a special meter read will result in a delay of several hours before the customer receives the information.¹⁰

Impaq's report notes that remote special meter reads should be a fully automated process in the long term. However, Impaq supports the Victorian DNSPs' view that it is prudent to allow for manual intervention during the first year or two of service provision to ensure the reliability of DNSPs' systems while they formalise internal processes.¹¹

Jemena Electricity Networks

Impaq notes that JEN's proposed time to process a special meter read is 1.5 minutes on average. This is based on the assumption that 10 per cent of cases will require 15 minutes of manual intervention. Impaq considers that this timeframe is reasonable.¹²

Impaq notes that JEN's hourly charge-out rate for special meter reads is \$77.20 (\$'2010). The AER's final decision on the maximum allowed back office hourly labour rate for ACS in its Victorian distribution determination 2011-15 is \$60.83

⁹ Impaq Consulting, *Remote Services Price Review*, Revision 1.3, September 2010, page 5

¹⁰ Impaq Consulting, *Remote Services Price Review*, Revision 1.3, September 2010, page 5

¹¹ Impaq Consulting, *Remote Services Price Review*, Revision 1.3, September 2010, page 5

¹² Impaq Consulting, *Remote Services Price Review*, Revision 1.3, September 2010, page 5

(\$'2010). Impaq considers that JEN's hourly charge-out rate should be reduced to \$60.83.

Applying a rate of \$60.83 and 1.5 minutes to perform the special meter read, Impaq recommends that JEN's charge be reduced to \$1.52 (\$'2010) for remote special meter reads in 2011 (see table 4.1).¹³

United Energy Distribution

Impaq notes United Energy's proposed time to process a special meter read is 2 minutes on average. This is based on the assumption that 10 per cent of cases will require 20 minutes of manual intervention. Impaq considers that United Energy should not require more time than JEN to provide the same service. Therefore, Impaq considers that United Energy should require only 1.5 minutes of manual intervention when performing a special meter read.¹⁴

Impaq notes that United Energy's hourly charge-out rate for special meter reads is \$60 (\$'2010). As this is lower than the AER's determined ACS back office charge (\$60.83), Impaq considers the proposed rate is reasonable.

Applying the hourly charge-out rate of \$60 and 1.5 minutes to perform the special meter read, Impaq recommends that United Energy's charge be reduced to \$1.52 (\$'2010) for remote special meter reads in 2011 (see table 4.1).¹⁵

4.2 De-energisation (disconnection)

Impaq's report outlines two issues that the Victorian DNSPs use to justify the need for manual intervention when de-energising a customer's distribution service.

The first issue relates to the risk of de-energising a customer on life support. Impaq considered that all Victorian DNSPs have a database that lists which customers are on life support, and that this list could easily be integrated into the automated process for de-energisation. Accordingly, Impaq considered the risk of switching a life support customer off supply is not a valid reason for manual intervention into de-energisation services.¹⁶

The second issue relates to when a resident of a property moves out and a new customer moves in almost immediately. This would require a de-energisation after the first customer moves out and a re-energisation before the new customer moves in. The Victorian DNSPs are concerned that should these two processes be executed out of order, it would result in the recently moved in customer being de-energised¹⁷.

Impaq dismisses this concern on the grounds that a retailer cannot send instructions to a DNSP to de-energise a customer until it has become the registered retailer for the

¹³ Impaq Consulting, *Remote Services Price Review*, Revision 1.3, September 2010, page 6

¹⁴ Impaq Consulting, *Remote Services Price Review*, Revision 1.3, September 2010, page 6

¹⁵ Impaq Consulting, *Remote Services Price Review*, Revision 1.3, September 2010, page 6

¹⁶ Impaq Consulting, *Remote Services Price Review*, Revision 1.3, September 2010, page 7

¹⁷ Impaq Consulting, *Remote Services Price Review*, Revision 1.3, September 2010, page 7

premises. De-energisation instructions from a retailer who is not the registered retailer will, or should, be rejected¹⁸.

Impaq's report details the process of remote de-energisation, and states that it should be a fully automated process. However, Impaq supports the Victorian DNSPs' view that it is prudent to allow for manual intervention during the first year or two of service provision to ensure the reliability of DNSPs' systems while they formalise internal processes¹⁹.

CitiPower and Powercor

Impaq notes that CitiPower's and Powercor's proposed time to process a *remote* de-energisation request is 7.8 minutes. Impaq notes that this is longer than the time proposed for *manual* de-energisation by CitiPower and Powercor in their revised regulatory proposals for the AER's 2011–15 Victorian distribution determination, which is 6.6 minutes. Impaq therefore considers that CitiPower's and Powercor's time should be reduced to 6.6 minutes²⁰.

Impaq notes that CitiPower and Powercor have used an hourly charge-out rate for de-energisations of \$47.92 (\$'2010). As this is lower than the AER's determined ACS back office charge (\$60.83), Impaq considers CitiPower's and Powercor's hourly charge-out rate is reasonable.

Applying a rate of \$47.92 and 6.6 minutes to perform the de-energisation, Impaq recommends that CitiPower's and Powercor's charge be reduced to \$5.27 (\$'2010) for remote de-energisations in 2011 (see table 4.1)²¹.

Jemena Electricity Networks

Impaq notes that JEN's proposed time to process a *remote* de-energisation request is 6 minutes. This is lower than the 25 minutes proposed by JEN for back office labour for *manual* de-energisation in its revised regulatory proposal for the AER's 2011–15 Victorian distribution determination, and less than CitiPower's and Powercor's proposal for 6.6 minutes. Impaq therefore considers JEN's processing times of 6 minutes to be reasonable²².

Impaq calculated that JEN proposed an hourly charge-out rate for de-energisations of \$51.30 (\$'2010). As this is lower than the AER's determined ACS back office charge (\$60.83), Impaq considers this rate is reasonable.

Applying a rate of \$51.30 and 6 minutes to perform the de-energisation, Impaq considers that JEN's proposed charge of \$5.13 (\$'2010) for remote de-energisations in 2011 is reasonable (see table 4.1)²³.

¹⁸ Impaq Consulting, *Remote Services Price Review*, Revision 1.3, September 2010, page 7

¹⁹ Impaq Consulting, *Remote Services Price Review*, Revision 1.3, September 2010, page 7

²⁰ Impaq Consulting, *Remote Services Price Review*, Revision 1.3, September 2010, page 8

²¹ Impaq Consulting, *Remote Services Price Review*, Revision 1.3, September 2010, page 9

²² Impaq Consulting, *Remote Services Price Review*, Revision 1.3, September 2010, page 9

²³ Impaq Consulting, *Remote Services Price Review*, Revision 1.3, September 2010, page 9

United Energy Distribution

Impaq noted that United Energy's proposed time to process a de-energisation request is 7.7 minutes on average. Impaq considers that for a process designed to be automated, United Energy's proposed timeframe is excessive. Impaq considers this should be lowered to 6.6 minutes to match CitiPower's and Powercor's times²⁴.

Impaq notes that United Energy has used an hourly charge-out rate for de-energisation of \$60.17 (\$'2010). As this is lower than the AER's determined ACS back office charge (\$60.83), Impaq considers this rate is reasonable.

Applying a rate of \$60.17 and 6.6 minutes to perform the de-energisation, Impaq recommends that United Energy's charge be reduced to \$6.62 (\$'2010) for remote de-energisations in 2011 (see table 4.1)²⁵.

4.3 Re-energisation (reconnection)

Impaq's report outlines two issues that the Victorian DNSPs use to justify the need for manual intervention when re-energising a customer.

The first issue relates to re-energising a premise which has the main switch and electrical appliances turned on. After re-energisation, there is a risk that the running appliances will cause a fire. Impaq notes that during the AMI functionality specification development workshops, significant discussion was dedicated to this issue. During the workshops, it was determined that the customer's energy retailer will follow a checklist before sending the re-energisation request to the DNSP. This will confirm that the main switch is turned off and that the premises are safe to be re-energised. In addition, it was considered that DNSPs can measure the input load current after re-energisation. If this current is above a determined threshold, it will indicate that the main switch is still turned on, in which case the meter will automatically turn off the supply contactor again²⁶.

The second issue relates to premises which have been inactive for one year or more. The Victorian DNSPs argue that remote re-energisation should not be used in these circumstances. The Victorian DNSPs claim that manual intervention is therefore required to ensure that remote re-energisation is only performed on premises that have been inactive for less than 12 months²⁷.

Impaq agrees that remote re-energisation should not be performed on premises that have been inactive for over 12 months. However, Impaq considers that the Victorian DNSPs would have sufficient data to make an automated decision to ensure that these inactive premises are not re-energised remotely. This would then activate processes to arrange a manual re-energisation, and manual charges would be applied accordingly²⁸.

Impaq's report details the process of remote re-energisation, and states that it should be a fully automated process. However, Impaq supports the Victorian DNSPs' view that it is prudent to allow for manual intervention during the first year or two of

²⁴ Impaq Consulting, *Remote Services Price Review*, Revision 1.3, September 2010, page 9

²⁵ Impaq Consulting, *Remote Services Price Review*, Revision 1.3, September 2010, page 9

²⁶ Impaq Consulting, *Remote Services Price Review*, Revision 1.3, September 2010, page 11

²⁷ Impaq Consulting, *Remote Services Price Review*, Revision 1.3, September 2010, page 11

²⁸ Impaq Consulting, *Remote Services Price Review*, Revision 1.3, September 2010, page 11

service provision to ensure the reliability of DNSPs' systems while they formalise internal processes²⁹.

The Victorian DNSPs' proposed prices for remote re-energisation were the same as their proposed prices for de-energisation. Impaq applied the same analysis to their charges, resulting in the same charges being determined for re-energisation as for de-energisation.

4.4 Meter Reconfigurations

Impaq notes that there is a level of uncertainty surrounding the demand for, and definition of, remote meter reconfigurations. In the Specifications, remote meter reconfigurations are not discussed. Currently the National Smart Metering Program (NSMP) is working on specifications and business processes which will impact on remote reconfiguration.

The Impaq report lists four circumstances outlined by CitiPower and Powercor when remote meter reconfigurations will be required:

- to change switching times for the controlled circuit in association with tariff changes
- to enable bi-directional energy measurement and recording for a solar feed-in tariff
- to disable the second data stream within a two-element meter when cancelling a controlled load hot water tariff
- to reconfigure the time of use periods or maximum demand settings in a meter to align the meter with a tariff change.

Impaq's report claims the first three situations should be fully automated. Impaq states that in each situation the customer's energy retailer will send a request to the DNSP, which should activate an automatic process to satisfy the request. In relation to the fourth situation, Impaq states that this will not be required until the Victorian Government's moratorium on time of use tariffs is lifted³⁰.

Impaq notes that until the NSMP completes its work, which will result in B2B service orders to support the various types of meter reconfigurations, manual processing will be required. Impaq stated that it anticipates that the need for manual processing, and therefore charges for reconfiguration, may be appropriate for a year or two³¹.

CitiPower and Powercor

Impaq notes that CitiPower's and Powercor's proposed time to process a meter reconfiguration request is 35 minutes on average. Impaq states that this timeframe is higher than expected, however it is within the same range of the other Victorian DNSPs (between 30 and 40 minutes). As there is little information available on this

²⁹ Impaq Consulting, *Remote Services Price Review*, Revision 1.3, September 2010, page 12

³⁰ Impaq Consulting, *Remote Services Price Review*, Revision 1.3, September 2010, page 13

³¹ Impaq Consulting, *Remote Services Price Review*, Revision 1.3, September 2010, page 14

relatively new service, Impaq considers that CitiPower's and Powercor's proposed times are reasonable³².

Impaq notes that CitiPower and Powercor have used an hourly charge-out rate for meter reconfiguration of \$47.92 (\$'2010). As this is lower than the AER's determined ACS back office charge (\$60.83), Impaq considers the rate is reasonable.

Applying a rate of \$47.92 and 35 minutes to perform the meter reconfiguration service Impaq considers that CitiPower's and Powercor's charge of \$27.95 (\$'2010) for remote meter reconfigurations in 2011 is reasonable (see table 4.1)³³.

Jemena Electricity Networks

Impaq notes that JEN's proposed time to process a meter reconfiguration request is 32 minutes on average. Impaq states that this timeframe is higher than expected, however is within the same range of the other Victorian DNSPs (between 30 and 40 minutes). As there is little information available on this relatively new service, Impaq considers the timeframe is reasonable³⁴.

Impaq notes that JEN have used an hourly charge-out rate for meter reconfiguration of \$77.53 (\$'2010). As this is higher than the AER's determined ACS back office charge (\$60.83), Impaq considers the rate should be lowered to \$60.83.

Applying a rate of \$60.83 and 32 minutes to perform the meter reconfiguration service Impaq recommends that JEN charge should be reduced to \$32.44 (\$'2010) for remote meter reconfigurations in 2011 (see table 4.1)³⁵.

United Energy Distribution

Impaq's analysis claims that United Energy's proposed time to process a meter reconfiguration request is 39 minutes on average. Impaq states that this timeframe is higher than expected, however it is within the same range of the other Victorian DNSPs (between 30 and 40 minutes). As there is little information available on this relatively new service, Impaq considers the timeframe is reasonable³⁶.

Impaq notes that United Energy has used an hourly charge-out rate for meter reconfiguration of \$60.15 (\$'2010). As this is lower than the AER's determined ACS back office charge (\$60.83), Impaq considers the rate is reasonable.

Applying a rate of \$60.15 and 39 minutes to perform the meter reconfiguration service Impaq recommends that United Energy's charge of \$39.10 (\$'2010) for remote meter reconfigurations in 2011 is reasonable (see table 4.1)³⁷.

³² Impaq Consulting, *Remote Services Price Review*, Revision 1.3, September 2010, page 14, 15

³³ Impaq Consulting, *Remote Services Price Review*, Revision 1.3, September 2010, page 14, 15

³⁴ Impaq Consulting, *Remote Services Price Review*, Revision 1.3, September 2010, page 14, 15

³⁵ Impaq Consulting, *Remote Services Price Review*, Revision 1.3, September 2010, page 14, 15

³⁶ Impaq Consulting, *Remote Services Price Review*, Revision 1.3, September 2010, page 14, 15

³⁷ Impaq Consulting, *Remote Services Price Review*, Revision 1.3, September 2010, page 14, 15

Table 4.1 Impaq Consulting's recommended charges for 2011 - excluding GST (\$'2010)

AMI Service	CitiPower	Powercor	Jemena Electricity Networks	United Energy Distribution
Remote Re-energisation	\$5.27	\$5.27	\$5.13	\$6.62
Remote De-energisation	\$5.27	\$5.27	\$5.13	\$6.62
Remote Meter Reconfiguration	\$27.95	\$27.95	\$32.44	\$39.10
Remote Special Meter Read	n/a	n/a	\$1.52	\$1.52

Note: SP AusNet has not proposed any charges

5 Issues and AER considerations

When considering the Victorian DNSPs' proposed charges for AMI remote services, the AER had regard to Impaq's findings, as discussed above, as well as the AER's approach to assessing the Victorian DNSPs' proposed charges for manual alternative control services (fee based and quoted) as part of the 2011–15 Victorian distribution determination.

5.1 The Victorian DNSPs' statements for approval

Paragraph 5.5.2 of Guideline 14 requires that paragraphs 5.5.1(a), (b), and (d) must be satisfied as a minimum requirement in order for the DNSPs' statements to comply with Guideline 14. These paragraphs respectively require the Victorian DNSPs to provide:

- a description of the excluded service including details of what is actually provided as part of that service (paragraph 5.5.1(a))
- an explanation for any change in the proposed terms and conditions and charge for the excluded service, including the change in costs incurred by the distributor and its effect on the excluded service (paragraph 5.5.1(b))
- details of what is required of the distributor in providing the excluded service, such as materials and labour (paragraph 5.5.1(d)).

The AER considers that all the DNSPs proposals have satisfied paragraphs 5.5.1(a), 5.5.1(b) and 5.5.1(d). The content of the Victorian DNSPs' proposals is outlined in section 3. These paragraphs are set out in appendix B1 of this draft decision and the content of the Victorian DNSPs' proposals is outlined in chapter 3.

5.2 Cost of service provision: paragraph 5.6.2(a)

Paragraph 5.6.2(a) of Guideline 14 requires that the proposed charges and terms and conditions are based on the costs incurred by the distributor in providing the excluded service.

In order to determine compliance with paragraph 5.6.2(a), the AER reviewed the various processes that the Victorian DNSPs need to complete for each AMI remote service.

The Victorian DNSPs propose to use terms and conditions that currently apply to other excluded services. The AER has reviewed the terms and conditions of the Victorian DNSPs and considers they are appropriate for AMI remote services. The relevant sections of the terms and conditions are included in appendix A of this draft decision.

When reviewing the proposed costs, the AER took into account the report on the proposed charges by Impaq Consulting and the individual Victorian DNSPs proposals.

The AER recognises that the principal rationale behind the proposed charges is to recover the costs of manual intervention during the preliminary stages of the provision of AMI remote services. Once the provision of remote services becomes fully automated, manual intervention and therefore the charges for these services are unlikely to be required. This view was formed with regard to the following information.

Following a meeting with AER staff on 13 September 2010, CitiPower and Powercor submitted a written response which stated:

To the maximum extent possible these steps will be completed automatically, it is the exceptions, data quality and industry misinterpretations (including missing paperwork, timing issues, transaction sequence problems etc) that will result in manual intervention being necessary, particularly when the functionality first commences.³⁸

JEN's written response to the meeting held with AER staff on 13 September 2010 notes:

JEN considers it prudent to initially check the orders manually until such time as the new automated systems have been operating reliably to provide remote services for a reasonable amount of time.

In addition:

JEN considers that two years following the commencement of remote services being provided is a reasonable timeframe. JEN currently anticipates that it will be able to provide remote services from March 2011. JEN therefore expects to reduce manual processing from March 2013.³⁹

United Energy's proposed charges also act to recover the costs of the manual intervention. Its proposal outlines:

- 10 per cent of remote meter reads will require 20 minutes of manual intervention
- 100 per cent of re-energisation and de-energisation service orders will require a manual review. In addition, 10 per cent of all re-energisations and de-energisations will require an additional 7 minutes of manual intervention
- 100 per cent of all meter reconfigurations will require a manual review, 20 per cent of which will require a further 20 minutes of additional manual intervention.⁴⁰

Impaq notes that although all AMI remote services were designed to be fully automated processes, the concerns held by the Victorian DNSPs are valid. Impaq considers that it is reasonable to permit these costs to allow for manual intervention in the first 'year or two'.

³⁸ CitiPower and Powercor, Response to information requested 13 September 2010, page 2

³⁹ JEN, Response to information requested 14 October 2010, page 3

⁴⁰ UED, *Pricing application for new charges*, 6 August 2010, page 4 & 5

The AER concludes that it is reasonable that some manual intervention will be required when DNSPs provide remote AMI services in the first few years of the AMI rollout, however over the longer term, manual intervention should not be necessary.

Recovery of costs under the AER's AMI budget decision

Another question directly relevant to Paragraph 5.6.2(a) is whether the Victorian DNSPs have already recovered these costs in the AER's AMI initial budget and charges determination for 2009-11 approved in October 2009 (AMI budget determination)

Within the DNSPs' initial AMI budget applications submitted to the AER in February 2009, all proposed costs were required to be related to activities within scope under the revised Order. The revised Order specifies the characteristics of the regulated services which fall within scope.

The definition of regulated services is expanded by sections 2.1(b) and (c) of Schedule 2 Part 1 of the revised Order. To determine what activities are within scope, the revised Order distinguishes between the 'establishment' phase of AMI (or rollout) and the 'business as usual' phase (or post rollout).

The AER recognises that the following sections from the revised Order may cover the manual intervention that the Victorian DNSPs are proposing to recover through the proposed charges.

Establishment

- The provision and operation of remotely read interval meters, communications equipment, communications services and other associated equipment (clause S2.1 (b)(1)(i))
- The provision and operation of information technology infrastructure and all information technology systems to comply with the Specifications (clause S2.1(b)(1)(ii))
- The provision and operation of business processes and information technology systems to manage the remotely read interval meter roll out obligations (clause S2.1 (b)(1)(iii))
- Customer service associated with the AMI technology and:
 - management of complaints and enquiries
 - call centre
 - customer communications and notifications
 - retailer communications and process audits ((clause S2.1 (b)(2)(iii))
- Provision, operation and maintenance of information technology applications, systems and infrastructure, including disaster recovery. These applications, systems and infrastructure will:
 - operate AMI technology

- process data
- deliver all required regulated services and achieve associated service obligations (clause S2.1 (b)(2)(vii))

Business as usual

- Operation of AMI Technology to support the billing of network tariffs (clause S2.1 (c)(i))
- Provision of metering data services, including remote meter reading, meter data processing, meter data management (clause S2.1 (c)(ii))
- Operation and maintenance of AMI Technology including fault rectification (clause S2.1 (c)(iii))
- Customer service and management of complaints and enquiries, call centre, customer communications and notifications, retailer communications (clause S2.1 (c)(v)).

The AER considers that manual intervention costs are costs for activities within scope under the revised Order. The sections detailed above in the 'establishment' and 'business as usual' phases support this view.

Concluding that the activities associated with the proposed manual intervention costs are within scope for the purposes of the revised Order, the AER considered whether these costs were actually provided for in the approved initial (2009–11) AMI budgets for the Victorian DNSPs. In doing so, the AER re-examined the Victorian DNSPs' initial AMI budget applications submitted in February 2009. The AER could not find any evidence that the Victorian DNSPs had proposed these manual intervention costs in their initial AMI budgets. Therefore, the AER considers it is reasonable that the DNSPs should recover the proposed manual intervention costs from customers via AMI remote services charges.

The AER then reviewed the process of providing the individual AMI remote services to determine that their charges and terms and conditions are based on the costs incurred by the Victorian DNSPs.

Review of proposed charges and terms and conditions

Because AMI remote services are yet to be provided to customers, the Victorian DNSPs have had to rely on estimates to determine their proposals. All the Victorian DNSPs have provided a break-down to outline the components of their proposed charges.

The Impaq report provided advice on times taken to perform manual service requests and the proposed labour rates relevant to the provision of those services. As noted in section 4, Impaq recommended charges that in some cases were different to those proposed by the DNSPs, and questioned the need for manual intervention.

In assessing the proposed charges, the AER has followed an approach consistent with its approach to assessing manual (fee based and quoted) alternative control services as part of its 2011–15 Victorian distribution determination. That is, in considering the

advice provided by Impaq, which is the result of its own benchmarking of industry labour rates (and times taken to perform various tasks), where DNSP proposed labour rates (times) fall above the top of Impaq's recommended benchmark range, they are reduced to the benchmark rate (time). Where proposed rates (or times) fall below the top of the benchmark range, they are considered acceptable.

Special Meter Reads

The AER notes Impaq's view that special meter reads may not be requested by retailers and are unlikely to be in high demand. In response to this view, JEN submitted:

However, many retailers have not updated their systems to stop generating special read B2B requests for AMI meters. Over time, JEN expects that retailers will make the necessary changes. In the meantime, given JEN's obligations under the B2B procedures, JEN must service these requests as they are received.⁴¹

The AER notes that CitiPower and Powercor did not propose charges for remote special meter reads, and advised that if a special read is requested by a retailer, data would be provided as part of normal processes, and no charge is required.

Because AMI technology provides 48 meter reads per day, the AER considers the demand for special meter reads may be low. However, the AER agrees with JEN and United Energy that there may be some circumstances where a remote special meter read is required. The AER considers that remote special meter reads can only be provided by the Victorian DNSPs, and that as the service is non-contestable, there is a need for a regulated charge. The AER then considered whether the proposed charges for remote special meter reads were fair and reasonable.

The AER sought an explanation from the DNSPs as to why special meter reads cannot be automatically, that is remotely, actioned. The Victorian DNSPs were unable to explain fully why these services cannot be automated in the long term.

The AER agrees that although these services were initially designed to be fully automated, manual intervention will be required in the initial years of the AMI rollout as the distributors finalise internal processes to ensure a reliable level of service with minimal risk.

The AER considers that the charges for special meter reads recommended by Impaq, in table 6.1 for all of the Victorian DNSPs are reasonable because they have been developed using benchmark labour rates and times. The AER considers that these revised charges are based on the costs incurred by the Victorian DNSPs in providing AMI remote services.

De-energisation (disconnection) and Re-energisation (reconnection)

The AER considered Impaq's view that de-energisation and re-energisation should be fully automated processes. The Victorian DNSPs were unable to satisfactorily answer Impaq's questioning regarding the need for manual intervention in the longer term, once the initial testing phase of AMI technology and systems is complete.

⁴¹ JEN, Reponse to information request, 14 October 2010, page 1

During meetings with the Victorian DNSPs, Impaq raised issues relating to de-energisation, namely the risk to life support customers and other customers of accidental de-energisations. The DNSPs were unable to explain with certainty why these services cannot be automated over the long term.

During meetings with the Victorian DNSPs, Impaq raised issues relating to re-energisation, namely the fire risk of re-energising a home and the risks associated with re-energising a home that has been inactive for over 12 months. Again, the DNSPs were unable to explain with certainty why these services cannot be automated over the long term.

The AER considers that as remote AMI services are yet to be provided to customers, it is reasonable that there is some uncertainty regarding the exact details of how the services will be provided.

The AER agrees with the DNSPs and Impaq that although these services were initially designed to be fully automated, manual intervention will be required as the distributors finalise internal processes to ensure a reliable level of service with minimal risk.

The AER considers that the charges for special meter reads recommended by Impaq, in table 6.1 for all of the Victorian DNSPs are reasonable because they have been developed using benchmark labour rates and times. The AER considers that these revised charges are based on the costs incurred by the Victorian DNSPs in providing AMI remote services.

Meter Reconfigurations

The AER considers that the service of meter reconfiguration has a level of complexity beyond the other AMI remote services. However, despite the various types of meter reconfigurations, the AER considered Impaq's advice that there is no convincing argument to justify why they cannot be automated using AMI technology in the long term.

In meetings between the AER, Impaq and the Victorian DNSPs, the service of a meter reconfiguration following the installation of a PV solar system was discussed. The DNSPs were unable to fully explain why an automated process cannot be achieved in this situation over the long term.

At the national level, the NSMP is undertaking work on defining the necessary B2B service orders that will be required to support meter reconfigurations. In time, it is intended that the Victorian and national processes will be harmonised, to reduce administrative costs for retailers and distributors.

Taking account of these developments, the AER considers that manual processing of meter reconfiguration orders by the Victorian DNSPs will be required at least until the NSMP completes its work in these areas, which will potentially result in B2B service orders to support automatic, remote meter reconfigurations of all types.

The AER therefore, considers that a charge to cover the costs of manual intervention for meter reconfigurations is warranted in the short term

The AER considers that the charges for special meter reads recommended by Impaq, in table 6.1 for all of the Victorian DNSPs are reasonable because they have been developed using benchmark labour rates and times. The AER considers that these revised charges are based on the costs incurred by the Victorian DNSPs in providing AMI remote services.

The AER considers that the proposed terms and conditions are based on the costs incurred by the Victorian DNSPs. These terms and conditions are already in use for existing excluded services. The AER considers the charges recommended by Impaq Consulting for the provision of AMI remote services are based on the costs incurred by the Victorian DNSPs.

The AER considers that the Victorian DNSPs have not entirely satisfied the requirements of paragraph 5.6.2(a). However, the AER is satisfied that the charges recommended by Impaq Consulting satisfy the requirements of paragraph 5.6.2(a).

5.3 Cost allocation: paragraph 5.6.2(b)

Paragraph 5.6.2(b)(1) of Guideline 14 requires that any costs a Victorian DNSP has been remunerated for under their distribution tariff cannot be classed as costs incurred by providing the excluded service.

As noted above, the AER has determined that the Victorian DNSPs have not been remunerated for the costs of manual intervention in providing AMI remote services under the AER's initial AMI budget determination.

Paragraph 5.6.2(b)(2) requires the Victorian DNSPs to appropriately allocate shared or common costs. All the Victorian DNSPs' proposals discuss their approach to achieve this.

The AER considers that an appropriate allocation of shared or common costs is achieved if each Victorian DNSP complies with its approved cost allocation methodology.

CitiPower's and Powercor's proposal addresses cost allocation directly:

Costs incurred by CitiPower in providing services are allocated in accordance with the approved Cost Allocation Methodology (CAM), accordingly the costs for these services are allocated to Alternative Control Services and not included in Standard Control Services.⁴²

JEN's AMI remote services are provided by Jemena Asset Management (JAM). JEN's proposed charges comprise:

- JAM's direct costs of providing the service
- an allocation of JAM's indirect costs of providing the service
- JAM's margin charged under the Asset Management Agreement (AMA).

⁴² CitiPower & Powercor, *Advanced Metering Infrastructure: Remote Metering Services 2010*, page 5

JEN does not charge a profit margin in addition to JAM's charges. JEN has provided further information regarding the allocation of costs in its proposal and in a spreadsheet provided to the AER.

United Energy state that its proposal has 'been prepared on the basis of UED's Cost Allocation Methodology submitted as part of its 2011-2015 pricing proposal'.

The AER is satisfied that the Victorian DNSPs have satisfied the requirements of paragraph 5.6.2.

5.4 Cost differentials: paragraph 5.6.2(c)

In respect of customer charges, paragraph 5.6.2(c) requires Victorian DNSPs to propose charges that are the same for all customers unless there is a material difference in the costs of providing the excluded service to different customers or classes of customer.

All the Victorian DNSPs have proposed the same charges for all customers, thereby satisfying paragraph 5.6.2(c).

5.5 Simplicity: paragraph 5.6.2(d)

Paragraph 5.6.2(d) requires that the Victorian DNSPs charges are simple and easy to comprehend. The AER considers that this requirement has also been met by the Victorian DNSPs because both the charges and the services are clearly defined in the proposals.

Duration of recommended charges

The AER gave consideration to sun-setting these charges to ensure that, if the AMI remote services become fully automated in the future, the costs for these services can be reviewed.

The AER has chosen 31 August 2012 as the date by which the Victorian DNSPs will be required to lodge a new submission on proposed charges for the provision of AMI remote services. This corresponds with the date by which the Victorian DNSPs must lodge a budget application for the roll-out of smart meters for the AMI budget period 2012-15, which is a separate process to the review of AMI remote services.⁴³

The charges for AMI remote services determined by the AER in its final decision (following this draft decision) will apply until the AER makes a final decision on the AMI remote services charges that are to be proposed by the Victorian DNSPs on 31 August 2012.

⁴³ The AMI budget application for the period 2012-15 is for the recovery of costs for the roll-out of smart meters during that period and is assessed under the Order in Council discussed previously. Proposed charges for the provision of AMI remote services are assessed under ESCV Guideline 14.

6 AER draft decision

Taking into account the revised Order, AMI budget applications, the requirements of Guideline 14 and Impaq's advice on labour rates and times for manual intervention in remote services, the AER concludes that the Victorian DNSPs' charges for AMI remote services should reflect the charges recommended by Impaq.

Table 6.1 set outs the charges applicable from the date that the respective DNSPs enable the communications technology that will deliver the services to network customers.

By 31 August 2012 the Victorian DNSPs will be required to lodge a new submission on proposed charges for the provision of AMI remote services.

The charges for AMI remote services determined by the AER in its final decision (following this draft decision) will apply until the AER makes a final decision on the AMI remote services charges that are to be proposed by the Victorian DNSPs on 31 August 2012.

Table 6.1 AER draft decision on remote AMI service charges for 2011 (excluding GST) (\$'2010)

AMI Service	CitiPower	Powercor	Jemena Electricity Networks	United Energy Distribution
Remote Re-energisation	\$5.27	\$5.27	\$5.13	\$6.62
Remote De-energisation	\$5.27	\$5.27	\$5.13	\$6.62
Remote Meter Reconfiguration	\$27.95	\$27.95	\$32.44	\$39.10
Remote Special Meter Read	n/a	n/a	\$1.52	\$1.52

A Terms and conditions

A.1 CitiPower and Powercor

CitiPower and Powercor have proposed to amend the terms and conditions in their document titled 'Excluded Services: Prices, Definition, and Policy'.

Regarding re-energisations, the following addition has been made:

In some case the services can be provided remotely through the use of AMI metering and infrastructure. Where this is the case the Remote Reconnection charge is applied.

Regarding de-energisations, the following addition has been made:

In some case the services can be provided remotely through the use of AMI metering and infrastructure. Where this is the case the Remote disconnection charge is applied.

Regarding meter reconfigurations, the following addition has been made:

The Remote Reconfiguration charge applies when a request is received to modify the metering arrangements in the case where AMI metering and related infrastructure is in place.

Meter reconfiguration, will cover metrology and 'customer service' based settings.

A.2 United Energy

United Energy proposes the following section from their prescribed and excluded services charges be applied to AMI remote services:

The performance of the work is subject to UED's capacity and agreement to undertake the work. Where requests exceed the capacity of our resources it may be necessary to negotiate a delay in performing the works, or arrange for an alternative service provider. After-hours rates will apply for work performed outside of normal United Energy Distribution business hours, which includes weekends and public holidays. Charges for work performed after hours include award overtime and call back provisions. When a charge is recorded as recoverable work (RW), RW rates and award penalty rates apply. Major works on large commercial or industrial installations, blocks or flats and Current Transformer (CT) operated metering are charged at RW rates. Customers who wish to deal directly with UED or its approved service providers rather than through a retailer and who do not have an established account, are required to forward payment, or agreement for payment in advance of any works being performed along with the associated documentation including any technical prerequisites, for example Electrical Work Request (EWR) or Field Works Order (FWO) and a Certificate of Electrical Safety (CES) that the type of service requested may require.

A.3 Jemena Electricity Networks (JEN)

JEN proposes the terms and conditions for providing AMI remote services should be the same as the terms and conditions in section 4.2 of the Use of System Agreement between JEN and the relevant retailer, which states:

The Retailer shall be deemed to have requested the Distributor to provide Distribution Services in respect of a Customer as follows:

- a. in respect of UoS Services and the Excluded Services specified in Schedule 1, whilst a person is a Customer in relation to a Supply Point which is connected to the Distributor's Distribution System; and
- b. in respect of any other Excluded Services, when the Retailer requests the Distributor to provide those services or confirms the Customer's request for the provision of those services, provided that:

if the Customer was receiving any of those other Excluded Services from another electricity retailer

immediately prior to the time that it became a Customer, the Retailer will be deemed to have requested the Distributor to provide those services in respect of that Customer at the time that it became a Customer.

- c. Where a person who was receiving any Excluded Service to which clause 4.2(b) applies becomes a Customer, the Distributor shall notify the Retailer of the Excluded Services which the Customer is receiving to which clause 4.2(b) applies. The notification may be provided in the next invoice provided by the Distributor to the Retailer for Distribution Service Charges in accordance with this agreement or otherwise, as soon as practicable.

- d. Where a person who becomes a Customer occupies premises to which Excluded Services were provided immediately prior to that person commencing to occupy the premises, the Retailer must notify the Distributor if it becomes aware that the Customer does not wish to be provided with those Excluded Services. If requested by the Distributor, the Retailer must make enquiries with the Customer and notify the Distributor if the Customer does not wish to be provided with the Excluded Services within 30 Business Days of the request by the Distributor.

B Guideline 14

B.1 Paragraph 5.5

5.5 Submission of statements for approval

5.5.1 A distributor should include the following details in any statement of the distributor's proposed charge and terms and conditions for the provision of an excluded service submitted for the Commission's approval or in a document supporting the statement:

- (a) a description of the excluded service, including details of what is actually provided as part of that service;
- (b) an explanation for any change in the distributor's proposed charge and terms and conditions for the excluded service including reasons for any change in, or change in the magnitude of, costs incurred by the distributor in providing the excluded service and the effect of any such change on the distributor's proposed charge and terms and conditions for the excluded service;
- (c) a breakdown of each estimated cost to be incurred by the distributor in providing the excluded service reflected in the distributor's proposed charge for the excluded service;
- (d) details of what is required of the distributor in providing the excluded service, such as materials and labour (including labour type, hourly rates and estimated man-hours to complete the work);
- (e) if a different charge or different terms and conditions are proposed for providing the excluded service to different customers or classes of customers, the magnitude of and justification for the different costs incurred by the distributor in providing the excluded service to those different customers or classes of customers;
- (f) if there are any shared or common costs incurred by the distributor in providing the excluded service and in providing any other goods or services, whether in the conduct of the distributor's business as a distributor or any other business, a proportional breakdown and allocation of those costs;
- (g) if the proposed charge for the excluded service is a standard charge reflecting the average costs incurred by the distributor in providing the excluded service across the distributor's customer base, details of the assumptions and calculation used to derive the standard charge;
- (h) details of any consultations with customers undertaken by the distributor in developing the distributor's proposed charge and terms and conditions for the excluded service; and
- (i) any other information relevant in the context of whether the distributor's proposed charge and terms and conditions for the excluded service are fair and reasonable.

5.5.2 As a minimum, the details contemplated by clause 5.5.1(a), (b) and (d) should be included in the proposed statement itself.

B.2 Paragraph 5.6

5.6.2 The Commission will assess the fairness and reasonableness of a distributor's proposed charge and terms and conditions for an excluded service on the basis of the following principles:

(a) Costs of service provision: a distributor's charge and terms and conditions for an excluded service must be based on the costs incurred by the distributor in providing the excluded service;

(b) Cost allocation: in respect of the costs incurred by a distributor in providing an excluded service:

(1) those costs must not include costs in respect of which the distributor is remunerated under the distributor's distribution tariff; and

(2) those costs must only include an appropriate allocation of any shared or common costs incurred by the distributor in providing the excluded service and in providing any other goods or services, whether in the conduct of the distributor's business as a distributor or any other business;

(c) Cost differentials: a distributor's charge and terms and conditions for an excluded service must be the same for all customers unless there is material difference in the costs of providing the excluded service to different customers or classes of customers. Different charges and terms and conditions for different customers or classes of customers must only be attributable to differences in:

(1) the volume or quantity of the excluded service provided;

(2) the places to or from which the excluded service is provided;

(3) the time of day at which the excluded service is provided;

(4) the performance characteristics at which the excluded service is provided; or

(5) any other difference in the costs of providing the excluded service; and

(d) Simplicity: charges and terms and conditions for excluded services should be simple and easily comprehensible.