



Final decision

**Victorian electricity distribution network service  
providers**

**AMI remote services charges**

**Review under ESCV Guideline 14**

February 2011

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### **Amendment record**

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## Summary

With the rollout of advanced metering infrastructure (AMI, or smart meters) to all Victorian households and small businesses, metering services that were previously provided through a field officer visit will be able to be provided remotely at a much lower cost to customers. This final decision determines charges for remote special meter reads, remote re-energisation and de-energisation, and remote meter reconfigurations, for the period 2011–12.

The process for setting charges for remote AMI services is set out in the AMI Order in Council, and requires an assessment of proposed charges under the Essential Services Commission of Victoria's (ESCV) *Electricity Industry Guideline 14: Provision of Services by Electricity Distributors* (Guideline 14). A draft decision on these charges was released by the AER in November 2010. This final decision sets the charges in table 1, and approved terms and conditions for the services in appendix A, having taken into account submissions provided in response to the draft decision and further information provided by the DNSPs. These charges will not apply after 31 December 2012. The DNSPs will be required to submit revised AMI remote services charges proposals by 31 August 2012 for the AER's consideration.

**Table 1**      **AER final decision on remote AMI service charges for 2011–12 (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	\$0.00*	\$0.00*	\$1.52	\$1.50

\* CitiPower and Powercor have not proposed to charge customers for remote special meter reads.

# 1 Introduction

In 2006 the Victorian Government decided to introduce remotely read interval meters (smart meters) to Victorian residential and small business electricity customers. The Victorian distribution network service providers (DNSPs) were subsequently required to rollout advanced metering infrastructure (AMI) to all customers consuming less than 160MWh by the end of 2013.

AMI enables two way communication between a customer and their DNSP. Metering services which were previously provided manually at a customer's premises will be able to be provided remotely using AMI. In addition, the technology will allow for a variety of different services, mostly provided remotely, that would not have been possible without the AMI rollout.

Under sections 15A and 46D of the Electricity Industry Act 2000, the Victorian Governor in Council published an Order in Council in August 2007 to facilitate the AMI rollout, which was then amended in November 2008, January 2009 and March 2009 (the 'revised Order'). 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 ESCV's Guideline 14 and the Victorian electricity distribution licences.

Four of the Victorian DNSPs will be in a position to provide AMI remote services to eligible customers in 2011, including de-energisation, re-energisation, special meter reads and meter reconfigurations. Given the importance of ensuring lower cost remote services are made available to Victorian customers as soon as possible, in June 2010 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 (United Energy) and Jemena Electricity Networks (JEN) each submitted proposals. SP AusNet did not, advising that delays in its AMI rollout prevented it from calculating accurate pricing for remote services at this time.<sup>1</sup>

The AER engaged Impaq Consulting (Impaq) to assist its review of the technical and manual intervention requirements of the AMI remote services. On 15 November 2010, Impaq produced a report outlining its advice on the DNSPs' proposals, which is available on the AER website.<sup>2</sup>

The AER released a draft decision on the DNSPs' remote services prices in November 2010.<sup>3</sup>

The DNSPs did not respond to the draft decision. In December 2010 the AER received two submissions on its draft decision, from AGL Energy Limited (AGL) and the Alternative Technology Association (ATA). Both submissions are available on the AER website.

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<sup>1</sup> SP AusNet, Response to information requested 5 October 2010, 12 October 2010

<sup>2</sup> Impaq Consulting, *Remote Services Price Review*, Revision 1.3, September 2010.

<sup>3</sup> *Draft decision: Victorian electricity distribution network service providers AMI remote services charges – Review under ESCV Guideline 14*

The AER sought clarification from the Victorian DNSPs regarding the issues raised in the submissions. This final decision reflects the AER's consideration of the issues raised in submissions on the draft decision and further discussions with the DNSPs on these issues. Final decision charges for the AMI remote services are applicable from the date of release of this paper, and will be reviewed again under Guideline 14 in 2012. From January 2016, AMI remote services will be regulated under the 2016–20 Victorian distribution determination pursuant to chapter 6 of the *National Electricity Rules*.

## 2 Guideline 14 requirements

The Victorian DNSPs' charges and terms and conditions for AMI remote services must meet the requirements of Guideline 14. The relevant sections of Guideline 14 are described below.

As required by the revised Order, AMI remote services are regulated as excluded services. 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, namely:

- a description of the excluded service including details of what is actually provided as part of that service
- 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 DNSP and its effect on the excluded service
- details of what is required of the DNSP in providing the excluded service, such as materials and labour.<sup>4</sup>

Section 5.6 of Guideline 14 sets out the following principles against which the AER must assess the Victorian DNSPs' charges and terms and conditions for AMI remote services:

- terms, conditions and charges for the services must be based on the costs incurred by the DNSP in providing the excluded service
- any costs for which a DNSP has been remunerated under their distribution tariff cannot be classed as costs incurred by providing the excluded service
- DNSPs 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 their business as a DNSP or any other business
- terms, conditions and charges must be 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
- terms, conditions and charges for excluded services should be simple and easily comprehensible.<sup>5</sup>

Compliance of the Victorian DNSPs' remote services charges proposals with these requirements was assessed in the draft decision. A summary of the draft decision is provided in chapter 3 of this final decision. Submissions and the AER's final decision are respectively discussed in chapter 4 and chapter 5 of this final decision.

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<sup>4</sup> Guideline 14, Paragraphs 5.5.2, 5.5.1(a), (b), and (d).

<sup>5</sup> Guideline 14, Paragraphs 5.6.2(a)–(d).

### 3 Draft decision

In August 2010, CitiPower, Powercor, JEN and United Energy submitted proposed charges for AMI remote services. Table 2 sets out the DNSPs' proposed charges.

**Table 2 Victorian DNSPs' proposed AMI service 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 did not propose charges for AMI remote services as it is not yet able to provide them.

The AER engaged Impaq to provide advice on the technical requirements and need for manual intervention in remote services. Impaq reviewed the labour rate used for manual intervention and the estimated time to provide each service. This built on Impaq's earlier advice provided to the AER on benchmarking industry labour rates and back office process times as part of the Victorian 2011–15 distribution determination.<sup>6</sup>

In its report on AMI remote services prices, Impaq maintained its earlier advice to the AER that a maximum back office hourly labour rate of \$60.83 (\$'2010) is appropriate for workers carrying out back-office manual intervention as part of AMI remote services. When assessing the time frames for providing the various AMI remote services, Impaq made comparisons between the different times proposed by the Victorian DNSPs to perform similar tasks and relied on its prior experience regarding the AMI program.

The AER used an approach consistent with its assessment of manual (fee based and quoted) alternative control services as part of the 2011–15 Victorian distribution determination. Taking into account Impaq's advice on labour rates and times, the AER concluded that some of the Victorian DNSPs' proposed charges did not satisfy the requirements of paragraph 5.6.2(a), and replaced these charges with charges recommended by Impaq.

<sup>6</sup> AER, *Final decision—Victorian electricity distribution network service providers—Distribution determination 2011–2015*, October 2010, pp. 900–959; Impaq Consulting, *Victorian Electricity Distribution Determination 2011—Addendum to Review of Distributors Proposed Rates in ACS Charges*, Revision 1.3, 26 October 2010. Available at: <http://www.aer.gov.au/content/index.phtml/itemId/740791>



The draft decision noted that the principal rationale behind the proposed charges is to recover the costs of manual intervention during the preliminary stages of AMI remote services provision. The draft decision concluded that the Victorian DNSPs manually intervening to provide AMI remote services was reasonable in the short term but not over the longer term, as the majority of tasks can be fully automated using AMI.<sup>7</sup> The AER specified 31 August 2012 as the date by which the Victorian DNSPs will be required to lodge a new submission on proposed AMI remote services charges for 2013 onwards.<sup>8</sup>

The draft decision also noted that there was no evidence to suggest that the costs proposed had been recovered elsewhere, for example in the initial AMI budgets or as part of the Victorian distribution determination for 2011–15.

The draft decision stated that the DNSPs' proposed terms and conditions were appropriate for AMI remote services.<sup>9</sup> The draft decision charges are set out in table 3.

**Table 3      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

<sup>7</sup> AER, draft decision, 29.

<sup>8</sup> This corresponds with the date by which the Victorian DNSPs must lodge a charges revision application for 2012 as part of the AMI rollout. The charges revision application is a separate process to the review of AMI remote services, set out in the AMI revised Order.

<sup>9</sup> AER, draft decision, pp. 25–28.

## 4 Revised proposals and submissions

The DNSPs did not respond to the draft decision. However, further information was provided by the DNSPs in response to AER and stakeholder questions during the AER's review process.

Submissions to the draft decision were received from the Alternative Technology Association (ATA) and AGL Energy Limited (AGL).

AGL raised the following issues:

- definitions of remote services should be aligned with those drafted as part of the National Smart Metering Program (NSMP), to ensure national consistency
- under existing business processes, retailers will be unable to advise a customer whether a service is being provided manually or remotely
- clear rules need to be developed detailing when special read charges will be applied for missing data
- clarity is needed on why draft decision charges for meter reconfigurations are disproportionate to the charges for special reads, de-energisations and re-energisations.<sup>10</sup>

The ATA raised the following issues:

- AMI remote services charges should be reviewed again in late 2011, with a view to having charges of zero dollars from 2012
- the DNSPs' estimates of exception cases requiring manual intervention are too high
- meter reconfigurations should be disaggregated into a number of separate services
- two errors in the calculation of charges be addressed.<sup>11</sup>

The ATA provided a further submission on 24 January 2011. This submission builds on the ATA's earlier submission and in particular outlines comments provided by a member of the Ministerial Council on Energy Standing Committee of Officials (SCO) on the ATA's initial submission, as well as the ATA's response.<sup>12</sup>

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<sup>10</sup> AGL, *Submission- Letter to Chris Pattas*, 22 December 2010.

<sup>11</sup> ATA, *Submission by the Alternative Technology Association on the AER Review of Smart Meter Remote Service Charges*, 22 December 2010.

<sup>12</sup> ATA, *Letter to the AER re: AER Review of Smart Meter Remote Charges*, 21 January 2011.

## 5 Issues and AER considerations

The following section outlines the AER's consideration of the DNSPs' proposed charges in light of comments made in submissions and additional information provided during the review. The structure of this section is guided by the requirements of Guideline 14.

### 5.1 Statements of proposed charges

The draft decision stated that all the DNSPs' proposals satisfied paragraphs 5.5.1(a), 5.5.1(b) and 5.5.1(d) of Guideline 14, which outline the minimum content requirements for the DNSPs' proposals (statements).

ATA commented that the DNSPs' public proposals were lacking in transparency.<sup>13</sup> The AER notes ATA's concerns, and points out that its draft decision included additional detail on the calculation of proposed charges that was provided by the DNSPs during the review. The AER endeavours to ensure transparent decision making, noting that some information it relies on is commercially sensitive and must be treated as confidential.

The AER maintains its draft decision that the Victorian DNSPs' proposals (statements) satisfy the minimum requirements set out in Guideline 14.

### 5.2 Cost of service provision: paragraph 5.6.2(a)

Paragraph 5.6.2(a) of Guideline 14 requires that the AMI remote service charges and terms and conditions are based on the costs incurred by the DNSP in providing the excluded service. This section sets out the AER's consideration in respect of the DNSPs' proposed charges and terms and conditions.

#### *Special Meter Reads*

The draft decision stated that although special meter reads were initially designed to be fully automated under AMI, manual intervention would be required in the early stages of the AMI rollout, as the DNSPs finalise internal process to ensure a reliable level of service with minimal risk.<sup>14</sup> The draft decision charges incorporated Impaq's advice on benchmark hourly labour rates, while the back office times were accepted as reasonable.

#### *Description of the service (compared to the NSMP)*

AGL recommended that the definitions of remote services be aligned with the National Smart Metering Program (NSMP) to ensure national consistency once rollouts commence in other jurisdictions.<sup>15</sup> The AER agrees that consistent national definitions for remote services will better assist customers in understanding the available services under AMI or smart metering infrastructure. To that end, the AER notes that clause 5.5.1(a) of Guideline 14 requires a DNSP to propose a description of the relevant service, which forms part of the terms and conditions of the service. In

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<sup>13</sup> ATA, *Submission by the Alternative Technology Association on the AER Review of Smart Meter Remote Service Charges*, 22 December 2010, p. 4.

<sup>14</sup> AER, draft decision, p. 26.

<sup>15</sup> AGL, *Submission- Letter to Chris Pattas*, 22 December 2010.

assessing the terms and conditions for services as proposed by the DNSPs, the AER has considered the service descriptions. The AER considers that it is appropriate that the descriptions should be consistent among DNSPs and consistent with national processes, where possible, to provide clarity for customers.

On 15 December 2010, the NSMP Business Requirements Work Stream released the Smart Metering Infrastructure Minimum Functionality Specification.<sup>16</sup> This paper details the minimum requirements for smart meter infrastructure and performance levels (including remote services) and in particular defines a remote special meter read as:

‘an actual meter reading performed outside of the usual reading cycle for the meter.’<sup>17</sup>

After consulting with the Victorian DNSPs, the AER considers this description is also appropriate for the Victorian DNSPs’ AMI remote special meter read service. A remote special meter read will only attract a charge when the service is requested by a customer or retailer.

#### *Inconsistency between the DNSPs*

Both the ATA and AGL questioned why CitiPower and Powercor did not propose charges for special meter reads, unlike JEN and United Energy.<sup>18</sup>

In response, JEN and United Energy clarified their reasoning for proposing a charge for remote special meter reads.<sup>19</sup> JEN and United Energy advised that due to the large quantity of metering data that will be available to customers through their energy retailer once AMI is fully functioning (48 interval periods per day, downloaded once daily), and the delays involved in processing a special meter read (with data available many hours after a request due to the need for validation and testing to verify the read), they expect remote special meter reads to offer few, if any, benefits to customers. However, JEN and United Energy noted that if they receive requests for remote special meter reads from customers through their retailers, such requests would have to be fulfilled.

The AER recognises that the circumstances in which a customer might request a remote special meter read are likely to be rare. However, given that there are circumstances where a DNSP may be requested to provide a remote special meter read, which imposes some manual intervention costs at this point in the AMI rollout,

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<sup>16</sup> NSMP, Business Requirements Work Stream released the Smart Metering Infrastructure Minimum Functionality Specification, Version 1.1 (Final), 15 December 2010, available at: [http://share.nemmco.com.au/smartmetering/Document%20library/Work%20Stream%20documentation/BRWG/BRWG%20deliverable%2001%20-%20Smart%20Metering%20Infrastructure%20\(SMI\)%20Minimum%20Functionality%20Specification%20v1.1.pdf](http://share.nemmco.com.au/smartmetering/Document%20library/Work%20Stream%20documentation/BRWG/BRWG%20deliverable%2001%20-%20Smart%20Metering%20Infrastructure%20(SMI)%20Minimum%20Functionality%20Specification%20v1.1.pdf)

<sup>17</sup> NSMP, Business Requirements Work Stream released the Smart Metering Infrastructure Minimum Functionality Specification, Version 1.1 (Final), 15 December 2010, p. 61.

<sup>18</sup> ATA, *Submission by the Alternative Technology Association on the AER Review of Smart Meter Remote Service Charges*, 22 December 2010, section 3.1.3; AGL, *Submission- Letter to Chris Pattas*, 22 December 2010, p. 2.

<sup>19</sup> AER file note of meeting, 11 January 2011.

the AER considers it is appropriate to set a charge for this service. CitiPower and Powercor have advised that they will not charge a fee for remote special meter reads.

#### *Manual intervention times*

The ATA submitted that JEN's and United Energy's charges for special meter reads should be reduced to reflect an average of 15 minutes of manual intervention in 3.5 per cent of all cases (and no manual intervention in the remaining 96.5 per cent of special reads), as opposed to 15 minutes in 10 per cent of all cases (and no manual intervention in the remaining 90 per cent of special reads) as estimated by the DNSPs and accepted by Impaq. The ATA's submission also recommended that JEN and United Energy should be required to work toward providing special reads at no charge from 1 January 2012.<sup>20</sup>

The AER notes that currently there is a high degree of uncertainty in regard to the current level of manual intervention required in the provision of AMI remote services. As the DNSPs are yet to provide these services to customers, estimates have been relied upon to determine appropriate timeframes to provide the services. The AER considers that in the longer term, once AMI communications and back office systems are fully installed and functioning, remote special meter reads will be fully automated, as stated in the draft decision.<sup>21</sup> However, before this is achieved, manual intervention will be required and therefore costs will be incurred by the DNSPs. The AER has considered the Victorian DNSPs' estimates of timeframes required to complete AMI remote services, and has also sought advice from Impaq on the appropriateness of these estimates. While the AER acknowledges that the draft decision estimate of exception cases for remote special meter reads (being 10 per cent of all special meter reads requiring 15 minutes of manual intervention) may appear high, it considers that, on balance, given the level of uncertainty regarding business processes and the limited number of remote special meter reads that will likely be performed (as discussed above), it is an appropriate estimate upon which to base the charges at this point in time. The AER maintains its draft decision position that the proposed manual intervention times for AMI remote special meter reads are appropriate.

JEN and United Energy stated that although it is their intention to be able to provide remote special meter reads with no manual intervention, they were unable to confirm a date when this would occur.<sup>22</sup> The draft decision stated that the Victorian DNSPs would be required to lodge a new submission on proposed charges for AMI remote services by 31 August 2012. The review of these charges in 2012, as discussed below, will allow cost reductions achieved through minimising manual intervention to be passed on to customers from 2013.

#### *Customer retailer requests*

AGL questioned how customers will be able to request special meter reads considering 'current B2B (*business to business*) protocols do not allow for a retailer to request a remote service.'<sup>23</sup> AGL expressed concern that its customers may have a

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<sup>20</sup> ATA, *Submission by the Alternative Technology Association on the AER Review of Smart Meter Remote Service Charges*, 22 December 2010, pp. 6–7.

<sup>21</sup> AER, draft decision, p. 26.

<sup>22</sup> AER, file note of meeting, 11 January 2011,

<sup>23</sup> AGL, *Submission- Letter to Chris Pattas*, 22 December 2010, p. 1.

negative experience if they are unable to be informed whether a service will be provided remotely, and at what cost.

In response, the Victorian DNSPs informed the AER that under the processes being established through the AMI Industry Steering Committee, energy retailers will have access to information indicating which customers have remotely connected AMI meters.<sup>24</sup> The DNSPs confirmed that if a customer has a remotely connected AMI meter (which the retailers will be aware of), the AMI Process Model requires the DNSPs to use their best endeavours to ensure that all available AMI remote services are performed remotely, rather than manually. While this does not guarantee that where the meter is a remotely connected AMI meter, services will be performed remotely (as in rare cases, DNSPs may need to perform the service manually should there be any safety concerns or other issues with the connection), this information provides a level of assurance to the retailer that it is most likely to be performed remotely.

AGL also recommended establishing clear rules specifying when a remote special meter read charge will be applied for missing data. It stated that the draft decision implied remote special meter reads would be required when DNSPs need to recover missing data.<sup>25</sup> To clarify, the AER confirms advice by the DNSPs that a remote special meter read charge will only apply where a customer or retailer requests a special meter read, and will not apply where a DNSP is seeking to recover missing data. AMI remote services are services that are requested by a customer or retailer, and a charge will only apply when carrying out services in response to such requests.

#### *Error in United Energy's charge*

The ATA's submission noted that the draft decision incorrectly calculated United Energy's charge as \$1.52 (\$'2010).<sup>26</sup> The AER confirms that the correct charge for United Energy for this service using the draft decision labour rate of \$60 per hour and manual intervention time of on average 1.5 minutes per service is \$1.50 (\$'2010).

#### *Conclusion*

Aside from the correction for United Energy's charge noted above, the AER maintains its position that the draft decision charges for remote special meter reads are based on the costs incurred by the Victorian DNSPs in providing the service, and therefore satisfy the requirements of paragraph 5.6.2(a) of Guideline 14.

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

The draft decision noted that although the services of remote de-energisation and remote re-energisation were initially designed to be fully automated, manual intervention would be required at the beginning of the AMI rollout as the DNSPs finalise internal process to ensure a reliable level of service with minimal risk.<sup>27</sup> In

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<sup>24</sup> This is the result of a change to the AMI Process Model currently being developed by AEMO, which will mean that retailers are able to view a code for each customer that identifies meter type, such as 'remotely read interval meter'.

<sup>25</sup> AGL, *Submission- Letter to Chris Pattas*, 22 December 2010, p. 2.

<sup>26</sup> ATA, *Submission by the Alternative Technology Association on the AER Review of Smart Meter Remote Service Charges*, 22 December 2010 p. 7; ATA, *Letter to the AER re: AER Review of Smart Meter Remote Charges*, 21 January 2011.

<sup>27</sup> AER, draft decision, p. 26.

particular, there are risks associated with accidental de-energisation of customers connected to life support, as well as re-energisation of properties which have not been checked (e.g. potential fire risk).

The AER considers that the charges for de-energisation and re-energisation recommended by Impaq were reasonable because they had been developed using benchmark labour rates and Impaq's estimate of the time necessary to perform the manual checks.

*Description of the service (compared to the NSMP)*

As for special meter reads, AGL recommended that the AER apply definitions of re-energisation and de-energisation that are consistent with those developed by the NSMP, discussed above.<sup>28</sup> The draft decision described re-energisation and de-energisation as follows:

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'.<sup>29</sup>

The current definitions of remote re-energisation and remote de-energisation published in the *NSMP Smart Metering Infrastructure Minimum Functionality Specification* and the *AMI Minimum AMI Functionality Specification (Victoria)* are similar, referring to the use of remote communications to control a supply contactor within the meter that controls whether a premises is connected to the DNSP's network system or not.<sup>30</sup> After consulting with the DNSPs, the AER considers appropriate descriptions of these services, consistent with the NSMP definitions, are:

Remote de-energisation refers to the use of the AMI/smart metering infrastructure communications system to control a supply contactor inside the meter such that the customer is disconnected from the DNSP's network (also referred to as 'disconnection')

Remote re-energisation refers to the use of the AMI/smart metering infrastructure communications system to control a supply contactor inside the meter such that the customer is connected to the DNSP's network (also referred to as 'connection')

The AER notes that these services will only attract a charge when a customer or retailer requests them to be performed, and not when carried out independently by a DNSP in managing its network.

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<sup>28</sup> AGL, *Submission- Letter to Chris Pattas*, 22 December 2010, p. 1.

<sup>29</sup> AER, draft decision, p. 9.

<sup>30</sup> NSMP, Business Requirements Work Stream released the *Smart Metering Infrastructure Minimum Functionality Specification, Version 1.1 (Final)*, 15 December 2010, p. 73; Department of Primary Industries, *Advanced Metering Infrastructure Minimum AMI Functionality Specification (Victoria)*, September 2008, p. 21 (definitions of *remote disconnect* and *supply contactor*).

### *Charges in 2012*

The ATA suggested that, given the aim of having fully automated services, all charges associated with de-energisation and re-energisation should cease at the commencement of 2012.<sup>31</sup>

In response, the Victorian DNSPs stated that this timeframe is unreasonable, noting that the AMI rollout is not sufficiently progressed.<sup>32</sup> The DNSPs explained that the safety implications of re-energisations and de-energisations are sufficiently large such that a longer timeframe to review business processes and ensure customer safety is warranted. The AER maintains its draft decision position that it will review these charges in 2012.

### *Conclusion*

The AER maintains its draft decision charges for remote de-energisation and re-energisation. The AER considers the charges satisfy the requirements of paragraph 5.6.2(a) of Guideline 14.

### ***Meter reconfiguration***

#### *Description of the service*

The draft decision described meter reconfigurations as follows:

‘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<sup>33</sup>

The draft decision also listed the following services as falling under meter reconfiguration, which were detailed by CitiPower and Powercor in a response to AER questions:

- 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.<sup>34</sup>

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<sup>31</sup> ATA, *Submission by the Alternative Technology Association on the AER Review of Smart Meter Remote Service Charges*, 22 December 2010, p. 8.

<sup>32</sup> AER, file note of meeting 11 January 2011.

<sup>33</sup> AER, draft decision, p. 10.

<sup>34</sup> AER, draft decision, p. 19.



Both AGL and the ATA questioned the AER's description of remote meter reconfiguration and the precise services involved. As noted above, AGL recommended that the remote service definitions be aligned with the NSMP definitions.

Remote meter reconfigurations are consistently defined between the NSMP and the Victorian AMI rollout as a 'change to the settings in a meter.'<sup>35</sup> In response to comments in submissions, the DNSPs noted that at present, given the stage of the AMI rollout, it is not possible to exhaustively list all of the services that may require a change to the settings in a meter. The ESCV is currently consulting on supply capacity control and load control processes, having regard to similar processes being developed by the NSMP, and as such it is not possible at this stage to develop a nationally consistent list of services and processes for remote meter reconfigurations. However, as there are currently some meter reconfiguration services that can be provided remotely by the Victorian DNSPs, the AER agrees that it is desirable, to the extent possible, to provide guidance to clarify the services provided to customers.

The AER considers that it would be appropriate if, for the purposes of charging customers for the services, the description of remote meter reconfiguration were more specific and detailed than 'a change to the settings in a meter.'

In response to the comments in submissions, the DNSPs have accepted the following description and non-exhaustive list of services which will attract a remote meter reconfiguration charge:

- A meter reconfiguration is a change to the software in the meter that enables changes to parameters for a specific meter function. Examples of meter reconfigurations include:
  - changing the switching times for controlled loads
  - changes associated with the installation of embedded generation and / or the premium feed in tariff
  - implementation of supply capacity.

The AER notes that not all DNSPs are able to carry out all the meter reconfiguration services in this list at this point in time, due to the different stages of their AMI rollouts. The most common meter reconfiguration service provided currently is that associated with the installation of embedded generation.

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<sup>35</sup> NSMP, Business Processes and Procedures Working Group—Process Maps Level 1 and 2, Version 1.0, June 2010, slide 20, available at: <http://share.nemco.com.au/smartmetering/Document%20library/Work%20Stream%20documenta%20tion/BPPWG/BPPWG%20deliverable%201%20and%202%20-%20NEM%20Smart%20Meter%20Process%20Maps%20-%20Levels%201%20and%202%20V1.0.pdf> ; Department of Primary Industries, Advanced Metering Infrastructure Minimum AMI Functionality Specification (Victoria), September 2008, p. 13.

The ATA commented on the implications that charging for tariff changes could have on the take up of time of use tariffs.<sup>36</sup> The AER notes that although the draft decision indicated that tariff changes that resulted in reconfiguration of time of use periods would attract a meter reconfiguration charge, this is not correct in all cases. In most cases, tariff changes (such as a customer requesting to switch from one TOU tariff to another, or from a flat load tariff to a TOU tariff) would not require a meter reconfiguration, and would not attract a charge from a DNSP. However, where a customer or retailer requesting a tariff change requires a data stream change in the meter (for example, if the customer has controlled load, or embedded generation connection), the AER confirms the DNSPs advice that a meter reconfiguration charge would apply.

The AER notes that once the Victorian Government moratorium on TOU tariffs is removed, and customers are mandatorily reassigned to TOU tariffs, no meter reconfiguration charges will apply, regardless of the need for a data stream change in some customers' meters. The costs of mandatory tariff reassignments are being recovered as part of the AMI budgets.

The non-exhaustive list of services attracting a meter reconfiguration charge will be reviewed when charges are reviewed in 2012. At that time the AER will consider differentiating charges for specific meter reconfiguration services where cost-build up data is available and there is a material difference between the average cost of performing meter reconfigurations and the cost of each specific meter reconfiguration service.

#### *Manual intervention times*

The ATA recommended that the AER should lower the draft decision back office manual intervention time for meter configurations from between 32 and 39 minutes to 16.5 minutes, based on its own estimates of the number of exception cases requiring further investigations.<sup>37</sup> The AER agrees with the ATA that the average manual intervention times for this service proposed by the DNSPs are significantly higher than would be expected over the longer term. However, the AER maintains its draft decision position that at this time, given the level of uncertainty associated with remote services and that the DNSPs are in the developing stage for business processes, it is reasonable to expect that longer manual intervention times are required.

The ATA highlighted an error within United Energy's proposal which suggested some inconsistency between its assumptions regarding manual intervention times and the calculation of proposed charges.<sup>38</sup> The AER sought comment from United Energy on this error, and it was confirmed that the correct statement should have been "Review time: 20 mins per service order (3 per hour)" and not "Review time: 15 mins per service order (4 per hour)." The AER accepts United Energy's correction of this error, however notes that it does not impact on the draft decision charges.

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<sup>36</sup> ATA, *Submission by the Alternative Technology Association on the AER Review of Smart Meter Remote Service Charges*, 22 December 2010, p. 8.

<sup>37</sup> ATA, *Submission by the Alternative Technology Association on the AER Review of Smart Meter Remote Service Charges*, 22 December 2010, p. 10.

<sup>38</sup> ATA, *Submission by the Alternative Technology Association on the AER Review of Smart Meter Remote Service Charges*, 22 December 2010, p. 10.

The ATA highlighted another error within United Energy's proposal, regarding the estimated numbers of remote meter reconfigurations resulting from the installation of PV on its network, which was very low (232 per annum) as compared to the forecast PV installations on its network, which is over 10 000 in 2011.<sup>39</sup> The ATA suggested that this low forecast of services may have resulted in an inflated manual intervention time. United Energy responded that while the forecast of meter reconfigurations stated in its proposal was likely to be conservative (being the number of PV installations on United Energy's network where the customer has already had an AMI meter installed and can accordingly receive a remote meter reconfiguration), the proposed time for manual intervention was based on a bottom-up assessment of required time for each stage of the service, and is not expected to be significantly affected by volume increases over 2011–12. While the AER has accepted United Energy's proposed manual intervention time for remote meter reconfigurations, it expects that efficiencies will be generated over the next few years such that it would achieve lower average times.

#### *Batching and automation*

The ATA pointed out that while full automation of remote meter reconfiguration services may take some time to implement, the use of batching jobs (sending preconfigured files that are automatically loaded into the meter, rather than individually updating settings in that meter) can improve the times taken to perform the service.<sup>40</sup>

The AER agrees that over time, the ability of DNSPs to automate and batch processes for meter reconfigurations will improve, and that efficiency in the manual intervention requirements (to the extent that manual intervention is still required) is expected to improve significantly. However, the AER recognises that at this time, it is not possible to estimate the degree to which batching and automation will reduce the cost of providing remote meter reconfiguration services. The AER expects that the DNSPs will have a significantly better understanding of the costs of providing remote meter configurations once when these charges are reviewed in 2012.

#### *Comparison to manual charges*

The ATA stated that it considered the AER's comparison of manual and remote meter reconfiguration charges is inappropriate due to the differences between the two services.<sup>41</sup> The draft decision compared 2011 charges for a service vehicle visit, which was determined as part of the AER's distribution determination for Victoria, to draft decision remote reconfiguration charges.<sup>42</sup> The AER maintains that this comparison is appropriate, as prior to the AMI rollout (or where a particular customer does not yet have a smart meter), a manual service vehicle visit will be charged for the services described.

#### *Charge as compared to other remote services*

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<sup>39</sup> ATA, *Submission by the Alternative Technology Association on the AER Review of Smart Meter Remote Service Charges*, 22 December 2010, p. 10.

<sup>40</sup> ATA, *Submission by the Alternative Technology Association on the AER Review of Smart Meter Remote Service Charges*, 22 December 2010, p. 9.

<sup>41</sup> ATA, *Submission by the Alternative Technology Association on the AER Review of Smart Meter Remote Service Charges*, 22 December 2010, p. 9.

<sup>42</sup> AER, draft decision, p. 8.

AGL sought clarification on why the draft decision remote meter reconfiguration charge was significantly higher than the charges for remote special read or re-energisation/de-energisations.<sup>43</sup> The draft decision provided an outline of how the proposed and draft decision charges for remote meter reconfiguration were calculated, using hourly labour rates and manual intervention times. Given the variability in the meter reconfiguration services being provided (as listed above within the description of the service), and the fact that fewer meter reconfiguration services are likely to be carried out than energisation services, the estimated time taken and average cost for this service will be greater than the other services. As noted above, in reviewing the final decision charges in 2012, the AER will consider differentiated charges for meter reconfiguration services.

#### *Conclusion*

The AER maintains its draft decision charges for remote meter reconfigurations.

### **5.3 Other Guideline 14 requirements**

In the draft decision the AER considered that the Victorian DNSPs' proposed charges satisfied the requirements of paragraph 5.6.2(b), 5.6.2(c), and 5.6.2(d), regarding cost allocation, cost differentials between customers, and simplicity, respectively.

Submissions did not express any concerns regarding these requirements.

The AER considers that the Victorian DNSPs charges are compliant with the requirements of paragraph 5.6.2(b), 5.6.2(c), and 5.6.2(d) of Guideline 14.

### **5.4 Duration of final decision charges**

The draft decision stated that the Victorian DNSPs will be required to lodge a new submission for the charges and terms and conditions of AMI remote services on 31 August 2012. This is the date on which the DNSPs are required to submit an AMI revised charges application for 2013.

The ATA suggested that the date of the budget resubmission should be brought forward to 30 September 2011. The AER agrees that there is a need to review the final decision charges to ensure cost efficiencies generated over the initial phase of the AMI rollout are passed onto customers. However, the AER considers that given the current level of uncertainty surrounding the processes involved in providing AMI remote services as discussed in this final decision, reviewing these charges within 9 months of this final decision would not provide sufficient time for the cost efficiencies to be generated by the DNSPs' operational experience.

The AER maintains its draft decision that the charges set as part of this final decision will not apply after 31 December 2012. The DNSPs will be required to submit to the AER statements for approval of AMI remote services charges for 2013 onwards by 31 August 2012.

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<sup>43</sup> AGL, *Submission- Letter to Chris Pattas*, 22 December 2010, p. 2.

## 6 AER final decision

The AER's final decision charges for AMI remote services are set out in table 4, and terms and conditions for these services are provided in appendix A. The AER will review these charges in late 2012 with a view to reducing the manual intervention times required, as the AMI rollout progresses and business processes are developed. The AER expects that over the next two years, more remote services will become available, reducing the need for more costly manual services.

**Table 4** AER final decision on remote AMI service charges for 2011–12 (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	\$0.00*	\$0.00*	\$1.52	\$1.50

\* CitiPower and Powercor have not proposed to charge customers for remote special meter reads, and accordingly the regulated charge for the monopoly-provided service is zero.

# Appendix A– Terms and conditions for AMI remote services

## A.1 CitiPower and Powercor

The following terms and conditions will apply to the provision of both manual and remote re-energisation/de-energisations, special reads and meter reconfigurations for CitiPower and Powercor customers over 2011–12:

### 1.1.1 Existing Premises Connections

A Reconnection charge applies to customers moving into an existing premise where power is not connected but only re-energisation is required.

If the customer requests that the Reconnection take place within 24 hours of when they requested the service the Reconnection – Same Day charge is applied however. The Reconnection (inc Customer Transfer) charge is applied when the customer is happy to wait for the next available appointment as deemed by Powercor.

Where the customer has a manually read meter the charge includes all labour and transport costs. If a site does not provide reasonable access or where equipment is not in a reasonable state to re-energise supply, the customer will be charged and supply will not be re-energised. Before the service can be provided, the customer may need to undertake rectification works at their own expense.

Additionally this charge also applies to customers moving into an existing premise where electricity supply is already connected. This charge is applied when power is still on and a meter reading is taken. The charge will not be applied when:

- the customer changes retailer on a scheduled read; or
- the customer changes name; and
- no field visit is necessary.

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.

### 1.2 Disconnection

A Disconnection charge applies where a supply point is disconnected because the customer's retailer has requested the service. The charge assumes that all supply assets remain at the customer's installation when the supply point is de-energised.

Other charges based on Quoted Services may apply if additional work is required; for example, if the installation has been damaged or defective and is unsafe to reconnect.

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.

### **1.2.2 Remote Meter Re-configuration**

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**

For United Energy customers the following section from their Schedule of Charges for 2011 relating to alternative control services will apply as terms and conditions for 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)**

For JEN customers, the terms and conditions for providing AMI remote services are the same as the terms and conditions in section 4.2 of the Use of System Agreement between JEN and their 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.



## **Appendix B– Guideline 14 – relevant sections**

### **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