



# Final Decision

Victorian electricity distribution network service providers

AMI remote services charges

Review under ESCV Guideline 14

December 2012

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## Shortened forms

Shortened form	Full title
AER	Australian Energy Regulator
AMI	Advanced metering infrastructure
CitiPower	CitiPower Pty ACN 064 651 056
CPI	consumer price index
DNSP	distribution network service provider
ESCV	Essential Services Commission of Victoria
Guideline 14	Essential Services Commission of Victoria, ' <i>Electricity Industry Guideline 14: Provision of Services by Electricity Distributors</i> ', April 2004
JEN	Jemena Electricity Networks (Vic) Limited ACN 064 651 083
NEL	National Electricity Law
NER	National Electricity Rules
Powercor	Powercor Australia Limited ACN 064 651 109
United Energy	United Energy Distribution Holdings Pty Ltd ACN 104 381 660

## Overview

Electricity meters are used by electricity suppliers to calculate the cost of power to customers as well as energy and transportation charges for electricity retailers. In 2006 the Victorian Government mandated the roll-out of advanced metering infrastructure (AMI) over the period 2009–15 for all customers consuming less than 160 MWh per annum.<sup>1</sup> Manually read meters are to be replaced with AMI technology, which provides half-hourly consumption information to Victorian distribution network service providers (DNSPs). Victorian DNSPs were required to commence installing AMI meters from 2009, with the roll-out due to be completed by the end of 2013.

The Australian Energy Regulator (AER) is required to approve the setting of charges relating to the AMI roll-out. AMI remote services are metering services that were previously provided through a field officer visit but can now be offered remotely to customers using AMI or smart meter technology. These services include remote special meter reads, remote meter reconfiguration, and remote re-energisation and de-energisations.

On 14 September 2012, the AER received separate statements from four Victorian DNSPs - Powercor Australia Limited (Powercor), CitiPower Pty (CitiPower), Jemena Electricity Networks (Vic) Limited (JEN) and United Energy Distribution Holdings Pty Ltd (United Energy). Each statement set out proposed charges and terms and conditions for AMI remote services. SPI Electricity Pty Limited (SP AusNet) is not offering remote services and therefore did not submit a statement to the AER.

The AER carried out a review of each DNSP's statement in accordance with the Essential Services Commission of Victoria's (ESCV) *Electricity Industry Guideline 14: Provision of Services by Electricity Distributors*, April 2004 (Guideline 14).

On 31 October 2012, the AER released a draft decision on the AMI remote service charges and terms and conditions for 2013. Interested parties were invited to make submissions on the AER's draft decision by 14 November 2012. The AER did not receive any submissions in response to its draft decision.

In making this final decision the AER maintains the position set out in its draft decision. The AER is satisfied the charges and terms and conditions proposed by Powercor, CitiPower, JEN and United Energy comply with the requirements of Guideline 14. The charges and terms and conditions approved by the AER in this final decision are to take effect on 1 January 2013 and apply until further amended by the AER.

## Structure of decision paper

This final decision is as follows:

- Chapter 1 – sets out the AER's final decision on AMI remote service charges and terms and conditions

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<sup>1</sup> Clause 14 of the 2007 Order in Council made under the *Electricity Industry Act 2000 (Vic)* (the AMI Order).

- Chapter 2 – sets out the AER’s assessment approach to assessing the DNSPs’ statements of proposed charges and terms and conditions
- Chapter 3 – sets out the AER’s reasons for its final decision

# 1 Final decision

The AER is satisfied the charges and terms and conditions proposed by Powercor, CitiPower, JEN and United Energy comply with the requirements of Guideline 14. The AER therefore approves the AMI remote service charges and terms and conditions proposed by these DNSPs. The approved charges and terms and conditions are to take effect on 1 January 2013 and apply until further amended by the AER.

The charges approved by the AER are set out in table 1.1 below. The approved terms and conditions are set out in appendix A.

**Table 1.1 AER final decision: AMI remote service charges for 2013 (excluding GST)**

(\$2012)	Powercor	CitiPower	JEN	United Energy
Remote re-energisation	5.72	5.72	5.46	6.08
Remote de-energisation	5.721	5.72	5.46	5.71
Remote meter reconfiguration	30.31	30.31	34.52	32.00
Remote special meter read	N/A	N/A	1.62	0.75

The AER will seek further information from the DNSPs in 2013 on the extent of the roll-out of AMI remote services. The AER indicated in its draft decision that it expected the AMI roll-out would progress towards completion by the end of 2013. As this occurs and more retailers are in a position to offer AMI remote services, DNSPs should be able to collect more information about the actual costs involved in providing these services. This will allow the AER to conduct a fuller assessment of existing charges at the time of the next review.

## 2 Assessment approach

On 1 January 2009 the AER became responsible for regulatory obligations, functions and powers under a whole suite of Victorian instruments relating to the economic regulation of electricity distribution services in Victoria.<sup>2</sup> The AER's responsibilities now extend to the regulation of AMI services including remote services.

### 2.1 Relevant regulatory requirements

AMI remote services are regarded as 'Excluded Services'.<sup>3</sup> It is a condition of the DNSPs' distribution licences that a range of excluded services must be offered for a charge and on terms and conditions that are fair and reasonable. The excluded services must also be consistent with any applicable guidelines.<sup>4</sup> The applicable guideline is Guideline 14. Therefore, AMI remote services are regulated under the Victorian electricity distribution licences and Guideline 14.

Clause 5 of Guideline 14 deals with the requirements relating to excluded services. Clause 5.5 of Guideline 14 outlines the information DNSPs must provide in a statement of proposed charges and terms and conditions for an excluded service. At a minimum these include:

- A description of the service including details of what is actually provided as part of that service (clause 5.5.1(a))
- An explanation of any change in the proposed charge and terms and conditions for the service including the reasons for any change in, or change in the magnitude of, costs incurred by the DNSP in providing the service and the effect of any such change on the distributor's proposed charge and terms and conditions (clause 5.5.1(b))
- Details of what is required of the DNSP in providing the service such as materials and labour including labour type, hourly rates and estimated man hours to complete the work (clause 5.5.1(c))

The AER must not approve a DNSP's statement unless it decides the DNSP's statement is fair and reasonable. The principles against which the AER must assess a statement are contained in clause 5.6 of Guideline 14. These principles are set out below:

- terms, conditions and charges for the services must be based on the costs incurred by the DNSP in providing the excluded service (clause 5.6.2(a))
- any costs for which a DNSP has been remunerated under their distribution tariff cannot be included as costs incurred in providing the excluded service (clause 5.6.2(b)(1))
- 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 (clause 5.6.2(b)(2))

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<sup>2</sup> See *National Electricity (Victoria) Act 2005 (Vic)* ss17 and 23.

<sup>3</sup> Clause 1.2 of the Victorian Electricity Supply Industry Tariff Order 2005.

<sup>4</sup> See, for example, clauses 12 and 22.1(d) of Powercor Australia Limited's Electricity Distribution Licence.



- 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 (clause 5.6.2(c))
- terms, conditions and charges for excluded services should be simple and easily comprehensible (clause 5.6.2(d)).

The AER must, as soon as practicable after deciding whether to approve a statement notify the DNSP of its decision and provide reasons – clause 5.7.

Guideline 14 also provides for the publication of approved statements. Under clause 5.8 the AER must publish all DNSP approved statements on its website. The DNSP must also publish its approved statements and provide copies upon request.

## **2.2 Assessment approach**

In proposing charges for AMI remote services, DNSPs are required to submit a statement of proposed charges and terms and conditions. This statement must meet the minimum content requirements in clause 5.5 of Guideline 14.

Following receipt of the DNSP's statement, the AER conducts a preliminary assessment of the fairness and reasonableness of the proposed charges and terms and conditions. This assessment is done in accordance with the principles set out in clause 5.6 of Guideline 14.

The AER may decide to release a draft decision for public consultation. After considering any submissions made in response to the draft decision within the time allowed, and any other matters the AER considers relevant, the AER must make a final decision.

## **2.3 AER's draft decision**

On 31 October 2012, the AER released its draft decision on the Victorian AMI remote service charges and terms and conditions in 2013. In this draft decision the AER considered that the 2013 charges and terms and conditions proposed by Powercor, CitiPower, JEN and United Energy complied with Guideline 14. The AER stated these charges and terms and conditions would take effect on 1 January 2013 and would apply until further amended by the AER.

The approved charges in the AER's draft decision were similar to the current charges imposed by Victorian DNSPs for AMI remote services. This was based upon there being no material changes to costs in the initial period of the AMI remote service roll-out and AMI remote service volumes being significantly lower than expected. The AER noted this situation was contrary to expectations at the time of the previous AER decision on AMI remote services.

The AER acknowledged in the draft decision that the low volumes of AMI remote services meant Victorian DNSPs had been unable to collect sufficient data for a proper consideration of the cost base for AMI remote services on an ongoing basis. The AER indicated that it would seek further information from the DNSPs in 2013 on the extent of the roll-out of AMI remote services.

The AER did not receive any submissions in response to its draft decision.

## 2.4 What the AER considered in reaching its final decision

The AER's final decision has been made in accordance with the relevant clauses of Guideline 14.

In forming its final decision, the AER has:

- considered the statements of proposed charges and terms and conditions and supporting information received from Powercor, CitiPower, JEN and United Energy
- considered information provided by Powercor, CitiPower, JEN and United Energy in response to information requests from the AER
- undertaken its own analysis to verify the information provided by Powercor, CitiPower, JEN and United Energy

## 3 Reasons for decision

The AER is satisfied the charges and terms and conditions proposed by Powercor, CitiPower, JEN and United Energy comply with Guideline 14. The AER therefore approves the AMI remote service charges and terms and conditions proposed by these DNSPs. The approved charges and terms and conditions are to take effect on 1 January 2013 and apply until further amended by the AER.

In making this final decision the AER maintains the position it set out in its draft decision.<sup>5</sup> This is on the basis no new information has been received since the AER released its draft decision that would change the AER's assessment of the DNSPs statements under Guideline 14.

### 3.1 Delay in the provision of AMI remote services

As discussed in the AER's draft decision, there have been delays in the provision of AMI remote services. This is reflected in the low volumes of AMI remote services provided to date. The AER acknowledges that this delay has meant the cost data DNSPs have collected is insufficient for a proper consideration of the cost base for these services on an ongoing basis.<sup>6</sup>

Powercor, CitiPower, JEN and United Energy's current volumes of AMI remote services are set out in the AER's draft decision.<sup>7</sup> These volumes are very low relative to the number of AMI meters installed and this has limited the cost data the DNSPs could use in their statements. However, as the AER indicated in its draft decision, it is unaware of any better source of data. As a result, given the lack of more up-to-date information, the AER has relied in this instance on the data provided by Powercor, CitiPower, JEN and United Energy.

All DNSPs identified the low number of retailers offering remote services as the main factor contributing to low AMI remote service volumes. The AER is of the view, consistent with its position as set out in the draft decision, that the delay in take-up by retailers is due to a number of factors, including: business readiness, implementation of safety processes, strategic business reasons and low consumer demand.<sup>8</sup>

The AER expects that retailer provision of AMI remote services will continue to grow over the next 12 months. As the AMI roll-out nears completion, retailers will recognise that to stay competitive and meet consumer demand they will need to modify their business processes and systems. This will allow retailers to provide AMI remote services to customers at a much lower cost than the equivalent manual services.

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<sup>5</sup> AER, *Draft decision: Victorian electricity distribution network service providers - AMI remote services charges - Review under ESCV Guideline 14*, October 2012, (AER, *Draft decision: AMI remote service charges*, October 2012).

<sup>6</sup> AER, *Draft decision: AMI remote service charges*, October 2012, pp. 23-24.

<sup>7</sup> AER, *Draft decision: AMI remote service charges*, October 2012, pp. 21-23.

<sup>8</sup> AER, *Draft decision: AMI remote service charges*, October 2012, p. 24.

## 3.2 Proposed charges and terms and conditions

The AER's assessment of each DNSPs statement of proposed charges and terms and conditions is discussed below.<sup>9</sup>

### 3.2.1 Powercor and CitiPower

Powercor and CitiPower function as two separate distribution networks but are managed through a single corporate structure. Both DNSPs submitted identical statements of proposed charges relating to AMI remote services.

Powercor and CitiPower's proposed that previously approved AMI remote service charges be escalated in accordance with the consumer price index (CPI).<sup>10</sup> These charges are for remote re-energisation, remote de-energisation and remote meter reconfiguration services. Powercor and CitiPower do not currently impose charges for remote special meter reads nor are they seeking to do so in their statements.<sup>11</sup> Powercor and CitiPower also proposed new terms and conditions which contain separate clauses for each AMI remote service.<sup>12</sup> These are set out in appendix A. The AER is satisfied that Powercor and CitiPower's statements meet the minimum content requirements set out in clauses 5.5.1(a), 5.5.1(b) and 5.5.1(d) of Guideline 14.

Powercor and CitiPower submitted to the AER that delays have meant they have been unable to collate enough information around the actual costs of providing AMI remote services.<sup>13</sup> They indicated that the process and allocated times for the provision of AMI remote services have not changed since their 2010 submissions and the only modified cost variable is salary increases (which has been held at CPI).<sup>14</sup>

The AER accepts Powercor, and CitiPower's proposed charges and terms and conditions for the AMI remote services it offers. The AER maintains its position, as set out in the draft decision that Powercor and CitiPower's proposed charges and terms and conditions comply with Guideline 14.

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<sup>9</sup> Details of each DNSPs statement is set out in chapter 4 of the AER, *Draft decision: AMI remote service charges*, October 2012.

<sup>10</sup> Powercor and CitiPower propose the escalation be year on year in accordance with the rate of change of the equivalent field based services until 2015 – see Powercor, *Submission to the Australian Energy Regulator: Alternative Control Services - Advanced metering infrastructure: remote metering services*, 14 September 2012, p. 6 and CitiPower, *Submission to the Australian Energy Regulator: Alternative Control Services - Advanced metering infrastructure: remote metering services*, 14 September 2012, p. 6.

<sup>11</sup> As explained at the time of the last review this is on the basis that this type of remote service would be provided if requested by a customer's energy retailer – see AER, *Draft decision: Victorian electricity distribution network service providers AMI remote service charges – Review under ESCV Guideline 14'*, November 2010, p. 12.

<sup>12</sup> Powercor and CitiPower statements did not refer to other terms and conditions for AMI remote services. However, Powercor and CitiPower subsequently provided the AER with proposed terms and conditions for AMI remote services.

<sup>13</sup> Powercor, *Submission to the Australian Energy Regulator: Alternative Control Services - Advanced metering infrastructure: remote metering services*, 14 September 2012, pp. 4-5 and CitiPower, *Submission to the Australian Energy Regulator: Alternative Control Services - Advanced metering infrastructure: remote metering services*, 14 September 2012, pp. 4-5.

<sup>14</sup> Powercor and CitiPower note this is below the wage increase index.

### **3.2.2 JEN**

JEN proposed that there be no change to the existing charges or terms and conditions currently in place for their AMI remote services. JEN offers four AMI remote services: re-energisation, de-energisation, meter reconfigurations and special meter reads. JEN's proposed terms and conditions are set out in appendix A. The AER is satisfied that JEN's statement meets the minimum content requirements set out in clauses 5.5.1(a), 5.5.1(b) and 5.5.1(d) of Guideline 14.

JEN's proposal is based upon a delay in rolling out AMI remote services. JEN only commenced providing AMI remote services in April 2012. JEN's statement indicates it is currently offering remote energisation services to approximately 14% of JEN's customers and remote reconfigurations and special meter reads to less than 50% of JEN customers. As a result, JEN states it has not carried out an investigation of the costs of providing AMI remote services.

The AER accepts JEN's proposed charges and terms and conditions for the AMI remote services it offers. The AER maintains its position, as set out in the draft decision that JEN's proposed charges and terms and conditions comply with Guideline 14.

### **3.2.3 United Energy**

United Energy's statement proposes a small reduction in charges to apply from 1 January 2013 to 31 December 2013. United Energy offers four AMI remote services – re-energisation, de-energisation, meter reconfigurations and special meter reads. United Energy does not propose any changes to its existing terms and conditions. United Energy's proposed terms and conditions are set out in appendix A. The AER is satisfied that United Energy's statement meets the minimum content requirements set out in clauses 5.5.1(a), 5.5.1(b) and 5.5.1(d) of Guideline 14.

In its statement United Energy indicated that it commenced providing remote energisation services in April 2012. The statement notes that while it is proposed prices should fall slightly, the proposed charges are based on low volumes and information which is very limited to date. This is attributed primarily to the small number of retailers offering AMI remote services and the fact that the AMI remote services roll-out has been slower than expected.

The AER accepts United Energy's proposed charges and terms and conditions for the AMI remote services it offers. The AER maintains its position, as set out in the draft decision that United Energy's proposed charges and terms and conditions comply with Guideline 14.

### **3.2.4 Conclusion**

In summary, the AER considers that the charges proposed by Powercor, CitiPower, JEN and United Energy satisfy the requirements of Guideline 14. These are set out in table 3.1 below.

**Table 3.1 AMI remote services: proposed charges for 2013 (excluding GST)<sup>15</sup>**

(\$2012)	Powercor	CitiPower	JEN	United Energy
Remote re-energisation	5.72	5.72	5.46	6.08
Remote de-energisation	5.721	5.72	5.46	5.71
Remote meter reconfiguration	30.31	30.31	34.52	32.00
Remote special meter read	N/A	N/A	1.62	0.75

Source: AER analysis based upon the proposed charges submitted by Powercor, CitiPower, JEN and United Energy in September 2012.

### 3.3 Duration of charges and terms and conditions

The charges and terms and conditions for AMI remote serves determined by the AER in this decision are to take effect on 1 January 2013 and apply until further amended by the AER.

The AER will seek further information from the DNSPs in 2013 on the extent of the roll-out of AMI remote services. The AER indicated in its draft decision it expected that the AMI roll-out would progress towards completion by the end of 2013. As this occurs and more retailers are in a position to offer these services, DNSPs should be able to collect more information about the actual costs involved in providing AMI remote services. This will allow the AER to conduct a fuller assessment of existing charges at the time of the next review.

The AER identified in its 2011 final decision a number of issues which it would consider as part of its 2012 review of remote service charges.<sup>16</sup> The AER is of the view that due to the limited cost data available to the DNSPs it is now appropriate to defer its consideration of these issues until the next review.

<sup>15</sup> The AER has converted the proposed charges of Powercor, CitiPower and JEN into (\$2012).

<sup>16</sup> AER's final decision 'Victorian electricity distribution network service providers AMI remote service charges – Review under ESCV Guideline 14', February 2011, pp 13, 16, 18-19. These issues include those relating to manual intervention times and automation levels for remote services.

# Appendix A

## Powercor and CitiPower

The following terms and conditions apply to the provision of remote re-energisation, de-energisation, and meter reconfigurations for Powercor and CitiPower customers. They are to take effect on 1 January 2013 and apply until further amended by the AER.

### Remote Meter Re-Configuration

The Remote Meter Configuration charge applies when a request is received to modify the metering arrangements in the case where smart metering and related infrastructure are in place.

A meter configuration 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.

Meter configuration, will cover metrology and other modification to meter settings.

### Remote De-energisation

The Remote De-energisation charge applies when a request is received to de-energise a customer that has smart metering and related infrastructure is in place.

Remote de-energisation is defined as 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

The Remote Re-energisation charge applies when a request is received to re-energise a customer that has smart metering and related infrastructure is in place.

Remote re-energisation is defined as 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')

## 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. They are to take effect on 1 January 2013 and apply until further amended by the AER.

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.

## United Energy

For United Energy customers the following section from their Schedule of Charges for 2011 relating to alternative control services are to take effect on 1 January 2013 and apply until further amended by the AER.

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.