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19 April 2011

Mr. Chris Pattas
General Manager - Networks
Australian Energy Regulator
Level 35, The Tower
360 Elizabeth Street
Melbourne Central
Melbourne VIC 3000

DearChris,

Re: SpAusNet (SPAN) Revised Budget Application - Draft Determination Response

The following are Impaq Consulting's initial comments on metering costs aspects of the SPAN response to the Draft Determination.

Commercial Standard Unit Cost of Metering

The SPAN response to the AER's draft determination (page 11) asserts procedural unfairness claiming that information on comparative meter costs was not available to SPAN. There are at least two sources of information to which SPAN can be referred.

In the first instance Impaq Consulting would reference the Powercor budget and charges application 2012-15 (public version), table 15, which gives pricing (in AUD \$2011) for meters that have communications and meet the Victorian Minimum Functionality Specification (VIC FS). This table is reproduced here.

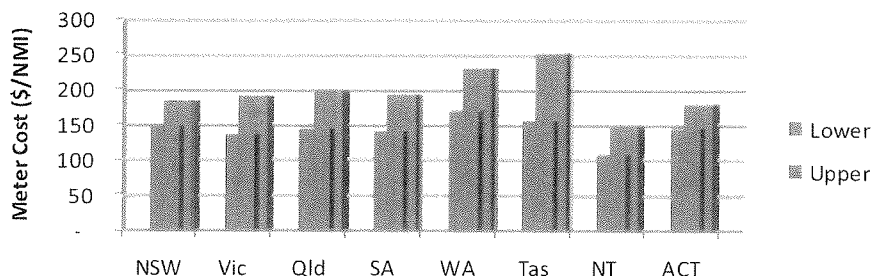
	2012	2013	2014	2015
AMI 1 Ph 1e	140	142	141	138
AMI 1Ph 1e + contactor	154	156	155	151
AMI 1Ph 2e + contactor	166	168	167	163
AMI 3 Ph	263	267	265	259
AMI 3 Ph + contactor	278	282	280	274
AMI 3 Ph CT	334	339	337	330

Based on the prices in this table and the volumes of each meter type given in the Powercor charges application¹, the weighted average meter cost is AUD\$168.

Secondly, Impaq Consulting would reference The MCE National Smart Metering Cost Benefit Analysis of 2008, which is publicly available at the MCE website. In the Phase 2 Stream 6 report it details the results of a comprehensive analysis of the costs of meters for smart metering systems. This involved sending requests for information to smart metering vendors and obtaining from them indicative pricing for the typical

¹Volumes are determined from table 2, section 5 Fig 2, table 12, table 16 and other information

volumes of meters required for a smart meter rollout within representative sized DNSPs. Figure 3-1 of this report is reproduced below.



This figure (and the text of the report) gives a weighted average unit cost estimate of between \$146 (low case) and \$190 (high case) for Victoria, which in \$2010 is between \$155 (low case) to \$201 (high case) for smart meters with remote communications and HAN communications using ZigBee.

In contrast the SPAN revised budget application (\$ 2010), table 8.4 gives their revised meter pricing, which is reformatted in the table below to allow totals to be shown.

Item	1ph 1e (US\$)	1ph 2e + Contactor (US\$)	3 Ph	3ph + contactor	3 Ph CT
Meter(US\$)	█	█	█	█	█
Communications module (Wimax) - (US\$)	█	█	█	█	█
ZigBee(US\$)	█	█	█	█	█
Sub-total US\$	█	█	█	█	█
Sub-Total AUD\$	█	█	█	█	█
Antenna AUD\$	█	█	█	█	█
Total (AUD\$)	█	█	█	█	█

The volume weighted average meter cost is █. This is █ of the Powercor meter cost and █ above the high case of the MCE National Smart Meter Program cost. Further as noted in Impaq Consulting's previous letter on this subject, the meter cost in the revised application is █ higher than in the original application.

Independent experts report

In the SPAN response, pages 29 & 30, the opinions provided by KEMA are quoted. (The KEMA report is also included as an attachment.) The terms of reference 4 and

opinion 4 are not however aligned – they are referring to different things. Terms of Reference 4 is quoting the price of metering out of context. The [REDACTED] to [REDACTED] range is for a meter which does not include AMI communications, but to which communications can be added for it to become an AMI meter. The KEMA opinion is however for an AMI meter – it indicates that “prices for meters **and communications**” would be “starting closer to [REDACTED] per unit”. As shown in the previous section the industry pricing for meters **and communications** is around AUD\$168, which is not greatly different to the KEMA opinion. KEMA’s opinion does not however imply support for SPANs prices which start at [REDACTED] per unit and have a volume weighted average of [REDACTED] per unit, considerably different to KEMA’s “closer to [REDACTED]” figure.

Regards,



Phil Perry
Director

