21 January 2011

Darren Kearney
Network Regulation Branch
Australian Energy Regulator

By email to: darren.kearney@aer.gov.au

Dear Darren

 AER Review of Smart Meter Remote Service Charges

Thank you again for the opportunity to present directly to the AER on this review on the 11th January 2011.

In line with our funding agreement with the National Electricity Consumer Advocacy Panel, the ATA is required to provide a 10-business day opportunity for members of the Ministerial Council on Energy (MCE) to comment on any report submissions made by the ATA and funded under this agreement.

In response to the ATA's recent submission on the AER's *Review of Smart Meter Remote Service Charges*, the Consumer Advocacy Panel forwarded comments from a member of the Standing Committee of Officials (SCO) on the ATA submission. In line with our funding agreement, we are hereby forwarding these comments for the AER's consideration.

In line with the agreement, where the comments are not accepted by the funding recipient (i.e. the ATA), the submission authors must provide an explanation for rejecting the proposals set out in the comments.

Please find attached the following two appendices to this letter:

- **Appendix A** outlines the comments provided by the SCO member on ATA's submission.
- **Appendix B** outlines ATA's response to the proposals set out in the comments, including the reasons why ATA does not believe our submission warrants amendment, despite the SCO comments.

Should you have any queries, please do not hesitate to contact either myself on 9631 5418, or Damien Moyse at ATA on 9631 5417 (damien@ata.org.au).

Kind regards

Craig Memery
Energy Advocate & Smart Meter Analyst

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Appendix A
SCO Comments on ATA Submission

- In *Section 2.0 General Comments, sub-section 2.2 Hourly Rates and Back Office Time*, the ATA states that it is "surprised by Jemena's proposed assumed rates of $77.53/hour for the cost of back office time". However the correct figure is $77.20 which can be calculated from the Jemena submission (i.e. $1.93 for 1.5 minutes, equates to $77.20), and is the figure stated and used in the Impaq Consulting report and the AER's draft determination. The figure might seem high for regular steady continuous work, but back office support may not be like that.

- In *Section 3.1 Special Reads, sub-section 3.1.4 Errata*, the ATA states that "the draft decision appears to contain a miscalculation of UED's revised special read charge" and further states that "This formula results in a charge of $1.50 not $1.52 as stated above. This appears to be a misinterpretation of the methodology described in the Impaq report." While the ATA are correct in stating that if Impaq's methodology (i.e. $60 hourly charge out rate with a time of 1.5 minutes to perform the special meter read) is used the resulting service charge is $1.50, the AER has carried over the charge of $1.52, calculated by Impaq and stated in their report, into the AER draft determination. The error therefore appears to be in the Impaq report. Perhaps the question that ATA should be raising is why Impaq used the $60.83 per hour rate (which is the maximum allowed back office hourly labour rate for alternative control services under the AER's final decision for the Victorian distribution determination for 2011-15) instead of the $60 proposed in the UED submission, especially when the Impaq report considers UED's $60 hourly rate to be "reasonable".

- In *Section 3.3 Meter Configuration, sub-section 3.3.5 Errata*, the ATA states that UED's "claim of an average of 39 minutes of manual intervention for meter configuration appears to be overstated by 5 minutes due to an error." ATA further notes from UED's submission that the review time of 20 minutes per service order is incorrect based on UED's claim of 4 service orders per hour, and should be 15 minutes per service order. In fact the error could either be in the UED's claim of 20 minutes per service order instead of 15 minutes, or in the number per hour (i.e. 3 instead of the 4 stated in UED's submission). So it is not clear from the submission whether the error is in the time per service order or the frequency of service orders per hour.

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SCO comment #1.1

"In Section 2.0 General Comments, sub-section 2.2 Hourly Rates and Back Office Time, the ATA states that it is "surprised by Jemena's proposed assumed rates of $77.53/hour for the cost of back office time". However the correct figure is $77.20 which can be calculated from the Jemena submission (i.e. $1.93 for 1.5 minutes, equates to $77.20), and is the figure stated and used in the Impaq Consulting report and the AER "s draft determination."

ATA's response

ATA was referring to page 14 of Impaq's report, section 6.2.2, which explicitly states:

"Jemena's proposed time … equates to a charge out rate of $77.53".

ATA were also referring to the AER's Draft Decision on page 20, section 4.4 which reiterates this. It would appear that the SCO member has looked at the wrong sections of those respective documents.

Accordingly, ATA see no need to amend our submission in line with this comment.

SCO comment # 1.2

'The figure might seem high for regular steady continuous work, but back office support may not be like that.'

ATA's response

ATA do not share this view, as outlined in our submission. In holding our view, ATA would cite the AER's own Draft Decision, the Impaq report, and the submissions of the other three DNSPs.

Accordingly, ATA see no need to amend our submission in line with this comment.

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SCO comment #2.1

"In Section 3.1 Special Reads, sub-section 3.1.4 Errata, the ATA states that "the draft decision appears to contain a miscalculation of UED "s revised special read charge" and further states that "This formula results in a charge of $1.50 not $1.52 as stated above. This appears to be a misinterpretation of the methodology described in the Impaq report."

While the ATA are correct in stating that if Impaq's methodology (i.e. $60 hourly charge out rate with a time of 1.5 minutes to perform the special meter read) is used the resulting service charge is $1.50, the AER has carried over the charge of $1.52, calculated by Impaq and stated in their report, into the AER draft determination. The error therefore appears to be in the Impaq report."

> **ATA's response**
> ATA appreciates that we have incorrectly guessed the cause of the Impaq report's error. In our view however this does not alter the more material issue that the error exists and needs to be addressed accordingly.

SCO comment # 2.2

"Perhaps the question that ATA should be raising is why Impaq used the $60.83 per hour rate (which is the maximum allowed back office hourly labour rate for alternative control services under the AER "s final decision for the Victorian distribution determination for 2011-15) instead of the $60 proposed in the UED submission, especially when the Impaq report considers UED "s $60 hourly rate to be "reasonable."

> **ATA's response**
> ATA is appreciative of the suggested question proposed in the SCO comment. We maintain however our preference for our original wording, as stated in our submission.
>
> Accordingly, ATA see no need to amend our submission in line with this comment.

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SCO comment #3

"In Section 3.3 Meter Configuration, sub-section 3.3.5 Errata, the ATA states that UED"s "claim of an average of 39 minutes of manual intervention for meter configuration appears to be overstated by 5 minutes due to an error." ATA further notes from UED"s submission that the review time of 20 minutes per service order is incorrect based on UED"s claim of 4 service orders per hour, and should be 15 minutes per service order. In fact the error could either be in the UED"s claim of 20 minutes per service order instead of 15 minutes, or in the number per hour (i.e. 3 instead of the 4 stated in UED"s submission). So it is not clear from the submission whether the error is in the time per service order or the frequency of service orders per hour."

ATA's response

ATA appreciates that there is more than one possible interpretation of UED's error.

In preparing its submission, ATA had considered that it is possible the UED mistake could be interpreted differently, however a number of considerations suggest that this alternative interpretation of the cause of their error is less likely. These include:

- that UED's total time proposed for meter reconfiguration is above that of all other DNSPs by 4 to 7 minutes;
- that the information in UED's submission is presented to suggest that the duration in minutes was based on the volume per hour, not the other way around (in which case using the alternate explanation they would have had to have made two errors to arrive at 15 minutes if this was the correct answer); and
- importantly, that the claim for 20 minutes per service order on average for these tasks is so excessive and difficult to justify as to be highly unlikely

ATA would point out that this issue was also discussed in our meeting with the AER of the 11th January, where the error, and the possible multiple interpretation, was recognised.

Accordingly, ATA see no need to amend our submission in line with this comment.

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