

27 March 2015

Mr Chris Pattas  
General Manager  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3001

Dear Mr Pattas

### **RE Recovery of Residual Metering Capital Costs Consultation March 2015**

Thank you for the opportunity to comment on the consultation paper, Alternative Approach to the Recovery of the Residual Metering Capital Costs through an alternative control services annual charge (Consultation Paper), published by the Australian Energy Regulator (AER) on 21 March 2015.

TasNetworks endorses the Energy Networks Association submission in response to the Consultation Paper. As the regulated provider of Type 6 meters in Tasmania, TasNetworks has an interest in the AER's treatment of meter residual costs and its application to TasNetworks' next distribution regulatory control period, commencing 1 July 2017.

TasNetworks acknowledges that the AER's intention is to avoid introducing a regulatory barrier to entry to the competitive metering market following the completion of the "Expanding Competition in Metering and Related Services" rule change. In its draft determinations for the NSW and ACT distributors, the AER initially proposed that, for each distributor, the residual value of any regulated meters removed as a result of competition (churned) would be included into the standard control services (SCS) regulated asset base (RAB). This approach would effectively smear the recovery of the residual value of the removed meters across the distributor's entire customer base, an undesirable outcome in TasNetworks' opinion.

In response to submissions made to the draft determinations, the AER has revised its position and presented an alternative approach. This alternative approach results in the recovery of the residual value of the removed meters by means of an alternative control services (ACS) charge. This charge is applicable to all customers irrespective of their metering arrangements. The AER has also canvassed two possible options regarding the construction of this charge. Each option contains two components:

- an avoidable charge, applicable only to customers with regulated meters; and
- an unavoidable charge, applicable to all customers.

#### **Option 1**

In option 1, the avoidable charge comprises recovery of the operating and tax expenses relating to the provision of regulated meters, with the unavoidable charge recovering the value of the regulated metering asset base (MAB). This option does not consider the impact of meter churn.

## **Option 2**

In option 2, the avoidable charge comprises recovery of the operating and tax expenses; and a component relating to the value of the un-churned MAB, with the unavoidable charge being restricted to recovery of the costs of churned meters, through a “residual” MAB.

TasNetworks considers the simplicity of option 1 that is achieved through an ex ante price setting process provides greater efficiencies than option 2 and remains consistent with the current charging methodology. The complexity involved with option 2 also seems excessive given the transitional nature of the charging approach.

Option 1 also appears to result in less cross-subsidisation between customer types than option 2.

## **Other Comments**

While both options involve classifying the recovery of residual costs as an ACS, and given that the associated charges relate to metering, TasNetworks considers it appropriate that the charges are classified similarly to the rest of the regulated metering service and not as SCS.

TasNetworks considers that careful policy and regulatory consideration needs to be given to any further AER decisions or policy measures which have the effect of obscuring the costs of individual consumer choices by transferring these costs for recovery via the regulated asset base.

If you have any questions regarding this submission, please contact Chantal Hopwood on 0400 827 037 or via email at [chantal.hopwood@tasnetworks.com.au](mailto:chantal.hopwood@tasnetworks.com.au).

Yours sincerely

A handwritten signature in black ink that reads "Bess Clark". The signature is written in a cursive, flowing style.

Bess Clark

GM Strategy and Stakeholder Relations