

Final Decision

Evoenergy Electricity Distribution Determination 2024 to 2029

(1 July 2024 to 30 June 2029)

Attachment 20 Metering services

April 2024

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List of attachments

This attachment forms part of the AER's final decision on the distribution determination that will apply to Evoenergy for the 2024–29 period. It should be read with all other parts of the final decision.

As a number of issues were settled at the draft decision stage or required only minor updates, we have not prepared all attachments. The final decision attachments have been numbered consistently with the equivalent attachments to our draft decision. In these circumstances, our draft decision reasons form part of this final decision.

The final decision includes the following documents:

Overview

Attachment 1 – Annual revenue requirement

Attachment 2 – Regulatory asset base

Attachment 4 – Regulatory depreciation

Attachment 5 – Capital expenditure

Attachment 6 – Operating expenditure

Attachment 7 – Corporate income tax

Attachment 8 – Efficiency benefit sharing scheme

Attachment 13 – Classification of services

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20 Metering services

This attachment sets out our final decision for the 2024–29 regulatory control period (2024–29 period) for type 5 (interval) and type 6 (accumulation) metering services for assets owned by Evoenergy.

Metering services include the maintenance, reading, data services, and the recovery of capital costs related to meters. Since the introduction of the Power of Choice reforms on 1 December 2017, Evoenergy is no longer responsible for installation of new meters and may not install any type 5 or type 6 meters from 1 April 2018. We are responsible for setting prices for Evoenergy’s metering services.

Metering assets are used to measure electrical energy flows at a point in the network to record consumption for the purposes of billing. Not all customers have the same type of meter. There are different types of meters which measure electricity usage in different ways:¹

- Type 1 to 4 meters have a remote communication ability. We refer to these as smart meters. Type 1 to 4 metering services are contestable and therefore not regulated.
- Type 5 meters are interval meters and Type 6 meters are accumulation meters. We refer to these as legacy meters, which are being progressively replaced by smart meters.
- Type 7 metering services are unmetered connections with a predictable energy consumption pattern (for example, public lighting connections). Type 7 metering services are a monopoly provided service and are covered by our determination on standard control services.

Distributors also provide some non-routine metering services which are charged to customers when requested, such as meter disconnection. These non-routine metering services are fee-based Ancillary Network Services, which are discussed in attachment 16.

This attachment:

- Provides a background to recent changes affecting metering services, including the decision framework, and the impacts of the Australian Energy Market Commission’s (AEMC) metering review on this final decision (section 20.1). It applies to our determinations for all distributors in New South Wales, Australian Capital Territory and Tasmania.
- Sets out our final decision (section 20.2), which draws on the reasons in Appendix A.
- Summarises Evoenergy’s revised proposal (section 20.3).
- Sets out the reasons for our final decision (Appendix A).
- Sets out our final decision price caps for type 5 (interval) and type 6 (accumulation) routine metering services (Appendix B).

¹ AER, *Final framework and approach for Evoenergy for the 2024–29 regulatory control period*, July 2022, p. 27.

20.1 Background

20.1.1 Transition to smart metering

The 2017 Power of Choice reforms removed the distributors' ability to provide new meters to customers and intended to introduce competition for providing and servicing meters by other meter providers in the NEM.² New standards mean only smart meters (mostly type 4 meters for residential customers) with remote communications may now be installed.

The take up of smart meters across the NEM has generally been slow. Evoenergy has forecast a legacy meter population of nearly 125,000 meters in 2023–24, being 72% of the legacy metering asset base when the reforms were introduced.³

In August 2023, the AEMC completed its review of the regulatory framework for metering services (the metering review). The AEMC review looked at how to expedite the uptake of smart meters. The AEMC's report noted that smart meters provide whole-of-system benefits which should be realised as soon as possible.⁴

As such, the metering review recommended a target of universal take-up of smart meters by 2030 in NEM jurisdictions. This recommendation would have the most impact in New South Wales, the Australian Capital Territory, Queensland, and South Australia. Tasmania has a program in place to accelerate smart meter deployment by 2026. Victoria has already achieved a near universal uptake of smart meters.⁵

To achieve this outcome, the AEMC proposed a framework where the distributors develop legacy meter retirement plans (LMRPs) in consultation with retailers, metering parties, and other stakeholders. It is envisaged the LMRPs will schedule bulk meter replacements (retailers to replace legacy meters with smart meters) on a geographical basis to leverage economies of scale. Customers may have little choice as to when their legacy meter will be replaced as it will be determined by the distributors and other providers.

If distributors maintained the 2019–24 settings for metering services with costs allocated to a declining customer base, customers with meters replaced later in the deployment may be charged inequitably higher costs for metering services than customers with meters replaced earlier, even though there is no change in the service they receive. This arises because:

- Large fixed-cost base will be recovered over a rapidly declining number of customers (e.g. systems and IT, base labour force).
- Per unit costs to read a meter increase as it is further to travel between each meter.
- Some costs that are necessary for the transition, such as site remediation, may also occur within the 2024–29 period. As the rate of replacement increases, more of the sites requiring remediation will be brought forward into the 2024–29 period.

² This does not apply to the Northern Territory and Victorian customers who are covered by state regulation that places responsibility for metering with the distributors.

³ Evoenergy, *Metering Expenditure Model*, November 2024; AER - *Final Decision - Evoenergy distribution determination 2024–29 - Metering PTRM* - April 2024.

⁴ AEMC, *Final report Metering review*, August 2023, p.13.

⁵ AEMC, *Final report Metering review*, August 2023, p. iii.

20.1.2 Our draft decision

Our draft decision had regard to the metering review and how to address potential inequity in metering service costs as a result of the metering transition. It applied the following regulatory settings:

- The service classification as alternative control services (ACS) is retained.
- The price cap form of control is retained, which sets the maximum fixed prices distributors can charge per customer.
- The price caps are set with the expectation that distributors will recover costs from all low voltage customers who have had a legacy meter, instead of an ever-decreasing population of customers with legacy meters.
- The price caps are set to recover the revenue requirement as a whole (one price), rather than separate capital and non-capital components for recovery from different customer bases as per the approach in the 2019–24 period.
- The legacy metering asset base is subject to accelerated depreciation to fully depreciate the asset base within the 2024–29 period. This reflects a change in the remaining life of the assets due to the metering review.
- An assumption that the meter replacement rate will accelerate along a straight line from 2025 to achieve 100% deployment at the end of the 2029–30 financial year.⁶

The central goal of the draft decision was to ensure that potentially vulnerable customers are protected from rising costs. This change ensured no customer is worse off due to when their legacy meter is replaced. However, we recommended distributors reclassify legacy metering services as standard control services (SCS) with costs recovered through the revenue cap because it is likely to reduce material price impacts for customers through the metering transition. Contribution by all customers is appropriate as all energy users will recognise the network benefits of this transition.

We considered the recommendations of the metering review to be a material change in circumstances that supports a departure from the final framework and approach (F&A).⁷ We encouraged the distributors to engage with stakeholders in considering potential changes in classification and form of control for their revised proposals. We considered it important that a reclassification of metering services as SCS would need to retain the current level of transparency through the continued use of the standardised metering models.

⁶ We set this path based on the best information available to us at the time of our draft decision. We expect actual rates of replacement to be different to this linear path, and for some exceptions to be made for meters with complicating factors.

⁷ AER, *Final framework and approach for Evoenergy for the 2024–29 regulatory control period*, July 2022, p. 28.

20.2 Final decision

Our final decision is to not accept Evoenergy’s revised proposal as submitted. Based on our analysis, our final decision is to:

- Accept Evoenergy’s revised metering capex. We apply updated actual and forecast inflation and inputs related to the 2022 rate of return instrument.⁸
- Substitute our forecast metering opex, particularly relating to the step and trend components. We apply updates to labour cost escalation and inflation.
- Substitute our annual revenue requirement, which applies our substitute inputs as noted above, and our combined cost recovery approach.
- Accept Evoenergy’s proposal to maintain of the ACS classification and price cap form of control for legacy metering services.
- Substitute our price cap calculation with a single flat charge for all relevant customers.

20.3 Evoenergy’s revised proposal

Evoenergy did not apply our draft decision settings in its revised proposal, and maintained its initial proposal to continue to recover metering costs through separate capital and non-capital components based on a customer’s current or historical legacy metering installation.

As the provision of these services is subject to the progressive retirement of legacy meters Evoenergy’s proposal is based on an accelerated rate of replacement. Evoenergy proposed to retire 82% of its legacy meters, leaving nearly 23,000 legacy meters in place in 2028–29.⁹

20.3.1 Metering revenue

Evoenergy proposed a total smoothed annual revenue requirement of \$49.5 million (\$nominal) for the 2024–29 period.¹⁰ To determine its proposed revenue requirement Evoenergy used the AER’s standardised metering models which applies the building block approach to determine allowable revenue. Evoenergy’s proposed annual revenue requirement and building blocks are set out in Table 20.1.

⁸ AER, *Rate of Return Instrument 2022*. The 2022 Rate of Return Instrument was amended in August 2023. See <https://www.aer.gov.au/publications/guidelines-schemes-models/rate-of-return-instrument-2022/final-decision>.

⁹ Evoenergy, *Metering expenditure model*, November 2023.

¹⁰ Evoenergy, *Metering PTRM*, November 2023.

Table 20.1 Evoenergy’s proposed building blocks and annual revenue requirement (\$million, nominal)

Building block component	2024–25	2025–26	2026–27	2027–28	2028–29	Total
Return on capital	1.8	1.5	1.2	0.8	0.4	5.8
Return of capital (regulatory depreciation)	5.6	5.9	6.3	6.6	7.0	31.3
Operating expenditure	2.3	2.2	2.0	1.8	1.4	9.8
Revenue adjustments	-	-	-	-	-	-
Net tax allowance	0.4	0.4	0.5	0.5	0.5	2.4
Annual revenue requirement (unsmoothed)	10.1	10.1	10.0	9.7	9.4	49.3

Source: Evoenergy, *Metering PTRM*, November 2023.

20.3.1.1 Capex

Evoenergy did not propose any capex for the 2024–29 period.¹¹ This is because Evoenergy is not allowed to install new meters.

20.3.1.2 Opex

Evoenergy’s proposed opex of \$9.1 million (\$2023–24) for the 2024–29 period includes the costs of performing routine meter, maintenance and other support activities.¹² Evoenergy developed its opex forecast using the ‘base-step-trend’ approach, consistent with the standardised models, the approach for SCS, and the approach used in the 2019–24 period. Evoenergy proposed a step change in SCS related to metering activities. This is detailed in Attachment 6 – Operating expenditure.

To establish the trend in opex over the 2024–29 period, Evoenergy applied the following factors:¹³

- declining number of meters
- real price changes in labour costs
- an adjustment reflecting the growing diseconomies of scale.

20.3.1.3 Regulatory depreciation

Evoenergy accepted our draft decision to accelerate depreciation for legacy meters by adjusting the remaining metering asset life to 5 years in their revised proposal.

20.3.2 Pricing

Evoenergy proposed to continue the approach applied in the 2019–24 period of:

¹¹ Evoenergy, *Metering PTRM*, November 2023.

¹² Evoenergy, *Metering PTRM*, November 2023.

¹³ Evoenergy, *Metering expenditure model*, November 2023.

- Charging customers who have a legacy meter a charge that reflects capital and non-capital costs related to the provision and operation of that meter.
- Charging customers who historically had a legacy meter but since upgraded to a smart meter a charge that reflects the capital costs related to the provision of the historical meter and the depreciation of the related asset base.
- Charging customers based on their meter type and the regularity of meter reading.

A Reasons for final decision

A.1 Classification and form of control

Our final decision accepts Evoenergy’s revised proposal to maintain metering as ACS and recover costs through the price cap form of control. For all subsequent years of the 2024–29 period, prices will be adjusted by the applicable control mechanism formula set out in Attachment 14. This mechanism adjusts price caps annually for inflation, an X factor, and any relevant adjustments. These metering costs would be recovered through a flat charge to customers who have or have had a legacy meter, regardless of customer, tariff, or meter type.

In our Final F&A, we classified legacy metering services as ACS and noted we would depart from these settings if the metering review constituted a “material change in circumstances”. As such, the ACT, NSW and TAS distributors’ initial proposals were based on F&A settings and subject to change based on the outcomes of the AEMC’s metering review.¹⁴ The AEMC’s metering review has resulted in a material change in circumstances, due to the requirement to replace all legacy meters by 2030 and the changes to regulated expenditure to support the metering transition.

As noted in section 20.1.1, if distributors did not revise their metering cost recovery settings from their initial proposals, some customers could have experienced inequitable price increases as more meters are replaced. As such, our draft decision expressed a preference for distributors to reclassify metering as SCS to mitigate inequitable price increases to individual customers by recovering costs across a wider customer base.

Peter Sutherland, Visiting Fellow at Australian National University, supported the transition to smart meters in the ACT and our draft decision to recover legacy metering costs across a broad customer base, including all customers, during the smart meter roll out. Mr Sutherland supported a reclassification to SCS if it best achieved this outcome.¹⁵

Our final decision is to accept Evoenergy’s revised proposal to maintain metering as ACS which reflects our draft decision.

Subsequent to receiving Evoenergy’s revised proposal, we engaged further with Evoenergy on reclassifying metering services as SCS. Late in the process Evoenergy put forward an option to reclassify to SCS. However, we consider that implementing that change so late in the process carries too much risk given the limited time to fully assess the approach, inability to publicly consult on it as well as the challenges Evoenergy raised in applying it. We are also satisfied that our final decision appropriately socialises metering costs and provides better price outcomes for customers than Evoenergy’s revised proposal.

We do not accept Evoenergy’s revised proposal to recover metering costs through proportional capital and non-capital charges, consistent with the approach in the 2019–24 period. Evoenergy stated that socialisation occurs at the retail level and therefore

¹⁴ AEMC, *Final report Metering review*, August 2023.

¹⁵ Australian National University, *Submission on 2024–29 - AER Meter Services 2024–29*, October 2023.

socialisation is not required at the network level. However, as noted in section 20.1.2, we sought to socialise these costs at the network level to protect customers against adverse price outcomes.

We consider that socialisation at the network costs ensures that retailers will incur more consistent per customer charges, and that this will reduce the variability of consumer outcomes based on their retailer. Our final decision applies a charging structure that does not differentiate between customers who have a legacy meter or those that have previously had a legacy meter and since upgraded to a smart meter.

ACTCOSS considered this approach can be the most equitable solution because those already benefiting from smart meters would continue to pay for the metering transition. However, ACTCOSS raised that the potential equity depends on the implementation of Evoenergy's LMRP and recommended including customers and their advocates in the planning.¹⁶

As a part of our engagement, we requested Evoenergy to further consider the way costs are recovered. Evoenergy proposed a flat charge to be recovered regardless of customer, tariff or meter type. We consider this an appropriate step in socialising these costs, and preventing disincentives that may occur where more cost-reflective tariffs incur higher metering charges.

A.2 Smart meter deployment rates

Our final decision accepts the legacy meter replacement rates as proposed. Evoenergy's revised proposal updated historical data and forecasts for the latest actual data available. It also maintained our assumptions of a 100% replacement rate by 2030.

We consider Evoenergy's revised forecast to be prudent and reduces the risk of windfall gains or losses over the 2024–29 period. Also, section A.7 of this document explains how we will reduce misalignment in revenues caused by the projected and actual smart meter deployment rates through the metering opex true-up mechanism.

A.3 Annual revenue requirement

Our final decision is for a total smoothed annual revenue requirement (ARR) of \$50.7 million (\$nominal) for Evoenergy over the 2024–29 period.¹⁷ This is an increase of \$1.2 million (\$nominal) or 2.3% to Evoenergy's revised proposal total ARR of \$49.5 million (\$nominal) for this period. This reflects the impact of our final decision on the various building block costs.

¹⁶ ACTCOSS, *2023 Submission - EN24 AER Draft Decision and Evoenergy Revised Proposal*, January 2024, p. 15.

¹⁷ AER, *Final decision - Evoenergy distribution determination 2024–29 - Metering PTRM*, April 2024.

Table A.1 Annual revenue requirement (unsmoothed, \$million, nominal)

Annual revenue requirement	2024–25	2025–26	2026–27	2027–28	2028–29
Evoenergy initial proposal	9.0	9.1	9.0	8.8	8.2
Draft decision	10.6	10.5	10.3	9.9	9.3
Evoenergy revised proposal	10.1	10.1	10.0	9.7	9.4
Final decision	10.7	10.2	10.1	9.9	9.5

Source: Evoenergy, *Metering PTRM*, January 2023; AER, *Draft decision - Evoenergy distribution determination 2024–29 - Metering PTRM*, September 2023; Evoenergy, *Metering PTRM*, November 2023; AER, *Final decision - Evoenergy distribution determination 2024–29 - Metering PTRM*, April 2024.

We assessed Evoenergy's metering proposal by analysing the metering PTRM and the roll-forward model (RFM). In doing this we had regard to the outcomes of the AEMC's metering review which might affect inputs into the elements of the PTRM and RFM.

The AER's PTRM calculates the ARR for each year of the 2024–29 period. This unsmoothed ARR for each year is the sum of the building block costs.

Table A.2 shows the total building block costs that form the ARR and where discussion on the elements that drive these costs can be found within this final decision.

Table A.2 Metering building block components (\$million, nominal)

Building block component	Total – Evoenergy's revised proposal	Total – final decision	Section where element is discussed
Return on capital	5.8	5.8	A.5
Return of capital (regulatory depreciation)	31.3	31.3	A.6
Operating expenditure	9.8	10.9	A.8
Revenue adjustments	-	-	-
Net tax allowance	2.4	2.4	-
Revenue requirement	49.3	50.4	A.3

Source: Evoenergy, *Metering PTRM*, November 2023; AER, *Final decision - Evoenergy distribution determination 2024–29 - Metering PTRM*, April 2024.

A.4 Regulatory asset base

Our final decision accepts Evoenergy's asset roll forward and calculation method, but we have substituted values based on updated final decision inflation inputs.

The value of the regulatory asset base (RAB) impacts Evoenergy's revenue requirement, and the price consumers ultimately pay. Other things being equal, a higher RAB would increase both the return on capital and return of capital (depreciation) components of the distribution determination. This final decision sets out:

- the opening RAB as at 1 July 2024

- the forecast closing RAB as at 30 June 2029
- a profile of accelerated depreciation as set out in section A.6

Table A.3 Summary of asset roll forward (\$million, nominal)

Summary of asset roll forward	Evoenergy's revised proposal	Final decision
Opening RAB	31.3	31.3
Net capex (total nominal)	0.0	0.0
Regulatory depreciation (total nominal)	-34.1	-33.9
Inflation on opening RAB (total nominal)	2.7	2.6
Forecast closing RAB	0.0	0.0

Source: Evoenergy, *Metering PTRM*, November 2023; AER, *Final decision - Evoenergy distribution determination 2024–29 - Metering PTRM*, April 2024.

We use the RFM to roll forward Evoenergy's RAB over from the 2019–24 period to arrive at an opening RAB value at 1 July 2024. This roll-forward calculation accounts for inflation, the weighted average cost of capital, actual net capex and actual depreciation. The amounts are estimated based on forecasts where actuals data is not available.

The opening RAB may also be adjusted to reflect any changes in the use of the assets, with only assets used to provide metering services to be included in the RAB. No such adjustments were included in the final decision.

The PTRM used to calculate the annual revenue requirement for the 2024–29 period generally adopts the same RAB roll-forward approach as the RFM, although the annual adjustments to the RAB are based on forecasts, rather than actual amounts.

A.5 Rate of return

Our final decision on legacy metering services applies the same rate of return as applied throughout our determination, which is set out in Attachment 3.

Attachment 3 states that the final decision uses the 2022 rate of return instrument. This includes updated rates for return on debt, inflation, and equity raising costs.

A.6 Regulatory depreciation

Our final decision accepts the depreciation schedules proposed by Evoenergy, with straight-line accelerated depreciation to fully depreciate the asset base within the 2024–29 period.

Depreciation is the return of capital over the economic life of the asset. In deciding whether to approve the depreciation schedules submitted by Evoenergy, we make determinations on the indexation of the RAB and depreciation building blocks for Evoenergy's 2024–29 period. The regulatory depreciation amount is the depreciation less the indexation of the RAB.

We determine the regulatory depreciation amount using the PTRM. The calculation of depreciation in each year is governed by the value of assets included in the RAB at the beginning of the regulatory year, and by the depreciation schedules.¹⁸

Our standard approach for depreciating a distributor’s existing assets in the PTRM uses the remaining asset lives at the start of a regulatory control period as determined in the RFM.

In this case we consider that the appropriate economic life of the metering asset base may be different to the standard asset lives due to the accelerated deployment of legacy meters. Evoenergy adopted our standard assumption to wind up the metering asset base in the 2024–29 period.

A.7 Operating expenditure

Our final decision is to not accept Evoenergy’s revised proposal forecast opex of \$9.1 million (\$2023–24).¹⁹ Our final decision includes an alternate estimate of \$10.1 million (\$2023–24), reflecting updates to labour cost escalation and inflation.²⁰

Both our final decision and Evoenergy’s revised proposal use the base-step-trend method to calculate forecast opex for the 2024–29 period. Due to the uncertainty around opex, which depends both on the LMRPs proposed scheduling of meter replacements (which are yet to be developed) and the actual rate of meter replacement, the final decision also includes a true-up mechanism for opex to manage this misalignment (forecast versus actual) and ensures customers pay no more than necessary for the metering transition (discussed below).

Base opex

If we find the business is operating efficiently, our preferred methodology is to use the business’s historical or ‘revealed’ costs in a recent year as a starting point for our opex forecast. For the final decision the base opex is taken to be the actual opex in 2022–23.

Rate of change

We trend base opex forward by applying our forecast ‘rate of change’. We estimate the rate of change by forecasting the expected growth in input prices, outputs and productivity.

We forecast input price growth using a combination of labour and non-labour price change forecasts. Labour costs represent a significant proportion of a distributor’s costs.²¹ We use input price weights between labour and non-labour components consistent with SCS.

We forecast the change in output (number of meters) to account for the annual change in operational costs to provide metering services. Our final decision applies a weighting of 65%

¹⁸ NER, cl. 6.5.5(a).

¹⁹ Evoenergy, *Metering PTRM*, November 2023.

²⁰ AER, *Final decision - Evoenergy distribution determination 2024–29 - Metering PTRM*, April 2024.

²¹ AER, *Expenditure forecast assessment guideline – distribution*, August 2022, pp. 25–26.

variable and 35% fixed costs.²² The change in variable costs is determined based on the change in output using a productivity factor.

As more legacy meters are retired, the average metering cost per customer is expected to rise due to higher travel costs of individual meter reads. Our final decision accepts Evoenergy’s meter volume forecasts.

Step changes

Lastly, we add or subtract any components of opex that are not appropriately compensated for in base opex or the rate of change, but which should be included in the forecast total opex to meet the opex criteria.²³

ACS LMRP step change

Our final decision accepts the LMRP (\$2.8 million, \$2023–24), as a prudent response to the AEMC metering review. We have reclassified this plan as ACS as it is a legacy metering activity and should be in the same classification as legacy metering.²⁴ ACTCOSS also supported this work but recommends the inclusion of energy consumers and community sector energy consumer advocates in the creation of the LMRP.²⁵

ACS reduced testing and inspection of legacy meter step change

Our final decision accepts a negative \$1.5 million (\$2023–24) step change for reduced testing and inspection of legacy meters, despite its absence from the revised proposal. This is a prudent response to the AEMC metering review. We raised this with Evoenergy who subsequently provided a meter expenditure model with a reduction of \$0.4 million to the metering services base opex for the reduced testing. Evoenergy also included a \$0.4 million uplift for meter testing in 2024–25 as the reduced testing would begin in 2025–26; as well as a \$0.3 million step change for redundancy payments for staff employed as meter testers.²⁶

However, our modelling shows it is simpler and more transparent to apply the meter testing reductions as a step change beginning in 2025–26 rather than a base year adjustment and an increase for 2024–25. For our final decision, we prepared this adjustment using cost information provided by Evoenergy.²⁷

We do not accept Evoenergy’s step change for redundancy payments as it is uncertain as to when these costs will be incurred and the total amount of such costs. As Evoenergy noted

²² AER, *Final Decision - Evoenergy distribution determination 2024–29 - Metering expenditure model*, April 2024.

²³ AER, *Expenditure forecast assessment guideline for electricity distribution*, November 2013, p. 24.

²⁴ AER, *Legacy metering services - guidance for revised proposals*, November 2023, p. 4.

²⁵ ACTCOSS, *2023 Submission - EN24 AER Draft Decision and Evoenergy Revised Proposal*, January 2024, pp. 14-15.

²⁶ Evoenergy, *RE: Evoenergy – information request EVO IR#056 – SCS Smart meter step change – 20240202*, 21 February 2024.

²⁷ AER, *Final decision – Evoenergy distribution determination 2024–29 – Metering expenditure model*, April 2024.

there is uncertainty as to when these functions will end and what capacity staff will be required out to 2030.²⁸

SCS smart meter step change

Our final decision accepts most of the smart meter step change because it is driven by the smart meter roll out and regulatory implications of the final report of the AEMC’s metering review. We assessed the information provided in Evoenergy’s proposal and reviewed the supporting information and subsequent information requests, to justify its costs of \$9.0 million (\$2023–24).

We do not accept \$0.8 million (\$2023–24) of the SCS smart meter step change. Evoenergy has not demonstrated that this expenditure is prudent. Evoenergy has not explained how any new regulation change requires this or shown that the benefits outweigh the cost.

For more information see our Operating Expenditure attachment to this final decision (Attachment 6).

Table A.4 Revised proposal and final decision meter volumes, step changes and opex

	2024–25	2025–26	2026–27	2027–28	2028–29	Total
Meter volumes (accepted)	113,261	90,609	67,956	45,304	22,652	-
LMRP step change (\$million, 2023–24, accepted)	0.6	0.6	0.6	0.6	0.6	2.8
Meter testing step change (\$million, 2023–24, accepted)	0.0	-0.4	-0.4	-0.4	-0.4	-1.5
Evoenergy’s proposed opex (\$million, 2023–24)	2.2	2.0	1.8	1.6	1.2	8.8
Final decision opex (\$million, 2023–24)	2.7	2.2	2.0	1.7	1.4	10.1

Source: Evoenergy, *Metering expenditure model*, November 2023; AER, *Final decision - Evoenergy distribution determination 2024–29 - Metering expenditure model*, April 2024.

True-up mechanism for opex

Our final decision applies Evoenergy’s revised proposal meter replacement, as described in section A.2.

Although the distributors are responsible for developing the LMRPs to schedule the meter replacements, the actual replacement in a retailer-led smart meter roll out is out of their control. A key concern is that replacement profiles in our final decision may not align with the LMRPs (both forecasts), and the actual replacement rates may not reflect the profiles from the LMRPs. This exposes the distributors to a misalignment in cost recovery and consumers in paying more or less than they otherwise should.

²⁸ Evoenergy, *RE: Evoenergy – information request EVO IR#056 – SCS Smart meter step change – 20240202*, 21 February 2024.

To manage this misalignment, our final decision applies a true-up of total metering opex related to replacement rates (forecast vs actual) through the price cap formulae to (see Attachment 14 – Control mechanisms). This ensures the distributors only recover their actual costs and consumers pay no more or less than they should for the metering transition. For the avoidance of doubt, no components of opex other than meter volumes will be updated through this true-up mechanism.

B Metering price caps

Table B.1 X factors for each year of the 2024–29 period for metering services, final decision (per cent)

	2025–26	2026–27	2027–28	2028–29
X factor	0%	0%	0%	0%

Note: We apply 0% X-factors as we set a real flat price path for years 2–5 to reduce volatility of prices.

Table B.2 Final decision metering price caps (\$p.a. nominal)

Tariff type	2024–25
Customer	56.61

Source: AER, *Final decision - Evoenergy distribution determination 2024–29 - Metering PTRM*, April 2024.

Shortened forms

ACS	alternative control services
ACTCOSS	ACT Council of Social Service
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
ARR	annual revenue requirement
capex	capital expenditure
LMRP	legacy meter retirement plan
NEM	national electricity market
NER	national electricity rules
opex	operating expenditure
PIAC	public interest advocacy centre
PTRM	post tax revenue model
RAB	regulatory asset base
RFM	roll forward model
SCS	standard control services
