Attachment 19 - Legacy Metering

2025–30 Revised Regulatory Proposal

December 2024

SA Power Networks

Empowering South Australia

Company information

SA Power Networks is the registered Distribution Network Service Provider for South Australia. For information about SA Power Networks visit sapowernetworks.com.au

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Disclaimer

This document forms part of SA Power Networks' Revised Regulatory Proposal to the Australian Energy Regulator for the 1 July 2025 to 30 June 2030 regulatory control period (**Revised Proposal**). The Revised Proposal and its attachments were prepared solely for the current regulatory process and are current as at the time of lodgement.

This document contains certain predictions, estimates and statements that reflect various assumptions concerning, amongst other things, economic growth and load growth forecasts. The Revised Proposal includes documents and data that are part of SA Power Networks' normal business processes and are therefore subject to ongoing change and development.

Whilst care was taken in the preparation of the information in this Revised Proposal, and it is provided in good faith, SA Power Networks, its officers and shareholders accept no responsibility or liability for any loss or damage that may be incurred by any person acting in reliance on this information or assumptions drawn from it for a different purpose or in a different context.

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Note

This attachment forms part of our Revised Proposal for the 2025–30 Regulatory Control Period. It should be read in conjunction with the other parts of the Revised Proposal.

Our Revised Proposal comprises the Overview document and Attachments listed below, and the supporting documents that are listed in Attachment 20. The light grey listed attachments below were submitted in our January 2024 Proposal and are not being resubmitted with our Revised Proposal.

Document	Description
	Revised Regulatory Proposal overview document
Attachment 0	Customer and stakeholder engagement program
Attachment 1	Annual revenue requirement and control mechanism
Attachment 2	Regulatory Asset Base
Attachment 3	Rate of Return
Attachment 4	Regulatory Depreciation
Attachment 5	Capital expenditure
Attachment 6	Operating expenditure
Attachment 7	Corporate income tax
Attachment 8	Efficiency Benefit Sharing Scheme
Attachment 9	Capital Expenditure Sharing Scheme
Attachment 10	Service Target Performance Incentive Scheme
Attachment 11	Customer Service Incentive Scheme
Attachment 12	Demand management incentives and allowance
Attachment 13	Classification of services
Attachment 14	Pass through events
Attachment 15	Alternative Control Services
Attachment 16	Negotiated services framework and criteria
Attachment 17	Connection Policy
Attachment 18	Tariff Structure Statement Part A
Attachment 18	Tariff Structure Statement Part B - Explanatory Statement
Attachment 19	**Legacy Metering**
Attachment 20	List of Proposal documentation

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1 Overview

SA Power Networks continues to provide legacy metering services for manually read accumulation meters, including operation, reading, and maintenance, until they are replaced. Since December 2017, retailers have been responsible for installing new and replacement meters for customers which must be remotely read interval meters, referred to as 'smart' meters.

In August 2023, the Australian Energy Market Commission (**AEMC**) issued its final report on the review of the regulatory framework for metering services. The AEMC report, among other things, recommended accelerating the rollout of smart meters to all customers by 2030. Distribution Network Service Providers (**DNSPs**) will be required to develop a 'legacy meter retirement plan' (**LMRP**) and retailers will be responsible for installing smart meters at legacy sites in accordance with this plan by 2030.

SA Power Networks submitted its regulatory proposal for the 2020-25 regulatory control period (**RCP**) in January 2019 (**Original Proposal**). This Original Proposal was developed based on the anticipated outcomes of the AEMC's rule change at the time.

In its draft decision[1] (**Draft Decision**), the Australian Energy Regulator (**AER**) accepted SA Power Networks' proposal to reclassify legacy metering services to Standard Control Services, however it did not accept our legacy metering expenditure forecasts, pending finalisation of the AEMC rule change.

On 28 November 2024 the AEMC released its final rule requiring the universal deployment of smart meters across the National Electricity Market by 2030[2]. Under the final rules, new regulatory arrangements will require retailers and Metering Coordinators to replace all existing 'legacy' meters with a 'smart' meter by 1 December 2030, commencing on 1 December 2025. Our legacy metering services Revised Proposal reflects the outcomes of the AEMC's final rule change.

Our proposed charges for legacy metering services are set out in **Attachment 18 - Tariff Structure Statement - Part A**.

Table 1 below, provides a summary of the AER's Draft Decision and our Revised Proposal response.

Table 1 - Summary of feedback on Original Proposal – Legacy Metering Services

	AER Draft Decision	Revised Proposal
Classification and Form of Control	In its Draft Decision the AER accepted our proposal to reclassify legacy metering services from Alternative Control Services (**ACS**) to Standard Control Services (**SCS**) and recover costs through the revenue cap form of control. The AER also accepted our proposal to recover metering costs through a flat per customer charge to small Low Voltage (**LV**) customers.	SA Power Networks has retained an SCS classification for our Revised Proposal, with legacy metering costs recovered from small LV customers as a per flat per customer charge.
Annual revenue requirement (ARR)	The AER's Draft Decision is for a total ARR of $29.8 million ($nominal, smoothed) over the 2025–30 period. This is a decrease of $36.1 million (54.8%) from our Original Proposal. The Draft Decision applies a flat real price path for years 2–5, applying 0% X factors in these years.	We do not accept the AER's Draft Decision. Our Revised Proposal includes a total ARR of $45.5 million ($nominal, smoothed). This is an increase of $16.1 million (54.6%) from the AER's Draft Decision. We accept the AER's Draft Decision to apply a flat real price path for years 2-5.

1 AER Draft Decision Attachment 20 – Metering Services – SA Power Networks – 2025-30. Distribution revenue proposal – September 2024

2 AEMC – Rule determination accelerated smart meter deployment – 28 November 2024

	AER Draft Decision	Revised Proposal
Regulatory asset base	The AER's Draft Decision accepts SA Power Networks' asset roll forward and calculation method, and has substituted values based on updated inputs, including capital expenditure (**capex**) and inflation.	We accept the AER's Draft Decision for our regulatory asset base and have used the AER's Draft Decision models as our base for our Revised Proposal.
Rate of return	The Draft Decision on legacy metering services applies the same rate of return as applied throughout the determination.	SA Power Networks has applied the Draft Decision rate of return for its Revised Proposal. We note the AER will update the rate of return in its final decision.
Regulatory depreciation	The AER's Draft Decision accepts the depreciation schedules proposed by SA Power Networks, with the residual RAB to be completely depreciated within the period.	SA Power Networks accepts the AER's Draft Decision for regulatory depreciation and has used the AER's Draft Decision models as our base for our Revised Proposal.
Capital expenditure	The AER's Draft Decision is to accept our proposal forecast net capex consisting only of equity raising costs associated with the residual RAB.	SA Power Networks accepts the AER's Draft Decision for equity raising costs and has used the AER's Draft Decision as our base for our Revised Proposal.
Operating expenditure	The AER did not accept our Original Proposal opex of $64.9 million ($nominal). Its Draft Decision includes an alternate estimate of $28.4 million ($nominal) reflecting its decision to include a placeholder of zero for the legacy metering step change. While the AER applied SA Power Networks base year opex in its Draft Decision, it recommended the base year be updated for 2023/24 actual opex.	SA Power Networks does not accept the AER's Draft Decision opex, proposing opex of $44.5 million ($nominal). As requested in the AER's Draft Decision, we have updated our base year using actual expenditure for2023/24. We have also updated our legacy metering step change to reflect the latest expectations for the AEMC's rollout timeframes.
Rate of change	The AER applied labour escalators consistent with SCS. The AER's Draft Decision accepts SA Power Networks' proposed weighting of 56% variable and 44% fixed costs, as this is consistent with that applied in the 2024-29 determinations.	Consistent with SCS, we have updated the labour escalators for our Revised Proposal using Oxford Economics updated forecast. We have retained the productivity factor weightings as per our Original Proposal.
True up mechanism for opex	Noting the uncertainty around opex, because of its high dependance on meter volumes the AER included a true up mechanism for opex in its Draft Decision.	SA Power Networks accepts the AER's Draft Decision to include a true up mechanism through the price cap formulae for opex. We note that only meter volumes will be updated through this true up mechanism.

Table 2 provides a summary of how our Revised Proposal compares to the Original Proposal and AER's Draft Decision.

Table 2: Metering building block components (unsmoothed, $million, nominal)

Building block component	Original Proposal	Revised IR027[3]	Draft Decision	Revised Proposal
Return on capital	0.05	0.05	0.15	0.15
Return of capital (depreciation)	0.81	0.81	0.78	0.78
Operating Expenditure	64.86	38.31	28.37	44.45
Net tax allowance	0.12	0.12	0.13	0.13
Revenue Requirement	**65.84**	**39.29**	**29.42**	**45.50**

Except for opex, our Revised Proposal accepts all the AER's Draft Decision building block outcomes. As detailed further in section 4.2, our opex forecast has been updated for 2023/24 actual expenditure, legacy meter volumes based on the AEMC's final rule change, and the updated legacy metering transition opex step change.

1.1 AEMC Metering Review

In 2015, the AEMC made a rule introducing metering contestability, as part of its broader Power of Choice reform package.[4] From 1 December 2017, all electricity meters installed must be a remotely read interval (or 'smart') meter, where the provision of the new or replacement smart meters is the responsibility of the metering coordinator (**MC**) appointed by the customer's retailer. DNSPs, including SA Power Networks, were deemed to be the initial MCs for all existing 'legacy' type 5 and type 6 meters.

As the initial MC, we continue to be responsible for reading and maintaining legacy meters in accordance with the National Electricity Rules (**NER**) until they are replaced with smart meters.

On 3 December 2020, the AEMC initiated a review into the regulatory framework for metering services, publishing its final report[5] on 30 August 2023. Amongst other things, the AEMC report recommended accelerating the rollout of smart meters to all customers by 2030, with DNSPs to develop a 'legacy metering retirement plan' (**LMRP**) and retailers to be responsible for installing smart meters at legacy sites in accordance with this plan between 1 July 2025 and 30 June 2030.

The AEMC's final report also recommended that legacy meters be exempted from testing and inspection requirements of the NER during the accelerated smart meter rollout period, avoiding unnecessary costs. If legacy meters are not replaced during this period as required under the LMRP, the testing and inspection requirements will be reinstated after the acceleration period.

On 29 September 2023, the AEMC received a rule change request from Intellihub Australia, SA Power Networks, and Alinta Energy to amend the NER to reflect the outcomes of the AEMC's final report.

The proposed rules set out in the rule change request will:

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3 SA Power Networks submitted an updated assessment of the incremental costs required to support the accelerated smart meter rollout to the AER in July 2024, in response to an information request (IR027). As part of this assessment, SA Power Networks substantially reduced our forecast for these incremental costs. This summary assumes the base inputs for SA Power Networks' Original Proposal, updated for the updated legacy metering opex step change.

4 National Electricity Amendment (Expanding competition in metering and related services) Rule 2015 No. 12.

5 AEMC, *Final Report Review of the Regulatory Framework for Metering Services*, 30 August 2023.

- Accelerate the deployment of smart meters so that all consumers can benefit from them. The proposed rules will implement a framework that will allow for a universal deployment of smart meters to all customers by 2030.
- Implement a range of measures to better support customers through the accelerated rollout. This includes improving the information provided to customers and applying new consumer protections when customers receive a smart meter.
- Improve the meter installation process by reducing barriers to installing smart meters, enabling more efficient and coordinated deployments and improving the installation experience for customers.
- Implement a new regulatory framework for metering businesses to provide power quality data from smart meters to DNSPs. This will enable DNSPs to improve the visibility of their low voltage networks, better integrate CER and improve safety for customers.
- Clarify and improve the requirements for undertaking tests and inspections of meters to avoid unnecessary costs.

This is a significant change for the industry that will require new business processes and system enhancements (including business to business (**B2B**) and business to market (**B2M**) transactions) to enable the efficient delivery of the accelerated rollout program. A new Metering Services Review Working Group (**MSR-WG**), coordinated by the Australian Energy Market Operator (**AEMO**), commenced in late 2023 to enable effective consultation between AEMO and market participants on the development of, and changes to, B2B and B2M systems and relevant market procedures associated with the AEMC's review of the regulatory framework for metering services. The outcome of the work completed by this group was used by the AEMO (responsible for B2M Procedures), and the IEC (Information Exchange Committee responsible for B2B Procedures) and allowed formal market procedure consultation to commence on 29 May 2024.

On 4 April 2024, the AEMC commenced formal consultation for the Accelerating smart meter deployment via the fast-track rule change process. The AEMC's decision to use this consultation method was based on the extensive consultation carried out during the review process. The consultation period closed on 28 May 2024 with the AEMC indicating that a final determination would be published on 11 July 2024.

On 4 July 2024, the AEMC announced an extension to the final determination date for the Accelerating smart meter deployment rule change to allow further consultation on enhancing consumer protections.

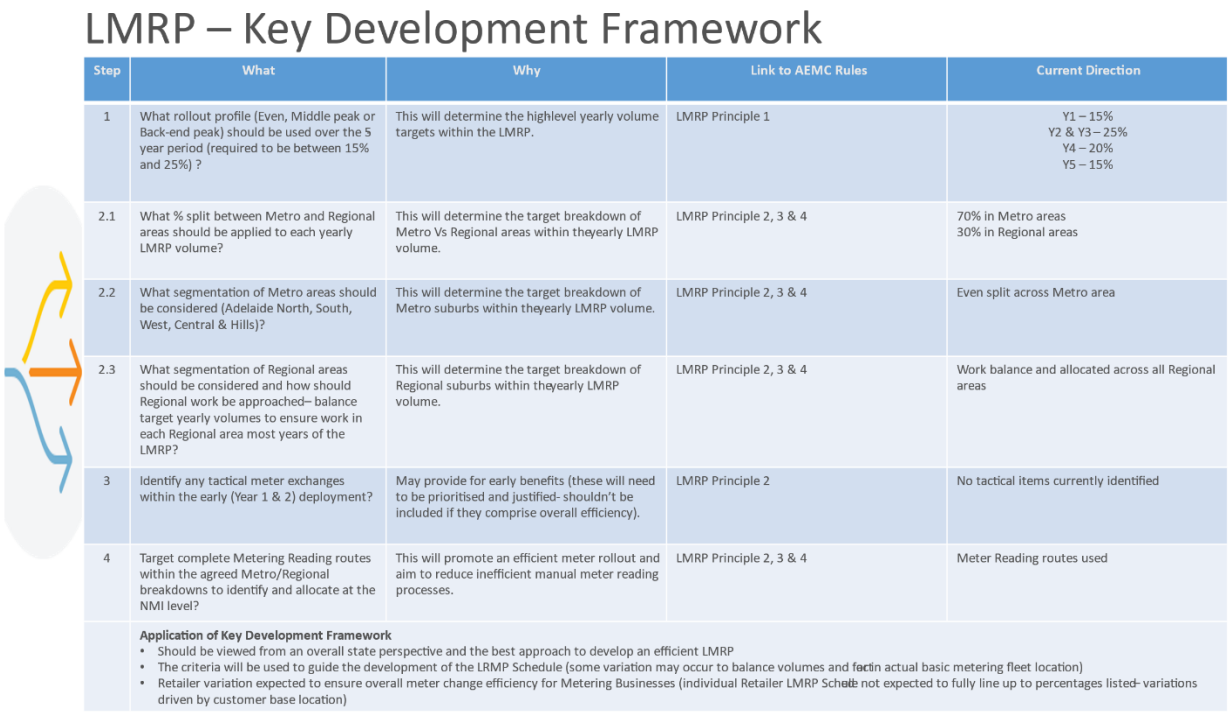
The AEMC's accelerated smart meter deployment rule change was published on 28 November 2024 requiring the universal deployment of smart meters across the National Electricity Market by 2030. Under the final rules, new regulatory arrangements will require retailers and Metering Coordinators to replace all existing 'legacy' meters with a 'smart' meter by 1 December 2030, commencing on 1 December 2025.

We have updated our legacy metering services proposal to reflect the outcomes of the AEMC's final rule change.

1.2 Stakeholder engagement

To develop our LMRP, SA Power Networks has applied a development framework that aligns with the AEMC's proposed rules (refer to Figure 1 below). This framework has formed the basis of our consultation to date with retailers and meter providers, considering rollout profiles, metropolitan and regional segmentation, and any tactical requirements.

Figure 1 - Key development framework for LMRP



LMRP – Key Development Framework

Step	What	Why	Link to AEMC Rules	Current Direction
1	What rollout profile (Even, Middle peak or Back-end peak) should be used over the 5 year period (required to be between 15% and 25%) ?	This will determine the highlevel yearly volume targets within the LMRP.	LMRP Principle 1	Y1 – 15% Y2 & Y3 – 25% Y4 – 20% Y5 – 15%
2.1	What % split between Metro and Regional areas should be applied to each yearly LMRP volume?	This will determine the target breakdown of Metro Vs Regional areas within theyearly LMRP volume.	LMRP Principle 2, 3 & 4	70% in Metro areas 30% in Regional areas
2.2	What segmentation of Metro areas should be considered (Adelaide North, South, West, Central & Hills)?	This will determine the target breakdown of Metro suburbs within theyearly LMRP volume.	LMRP Principle 2, 3 & 4	Even split across Metro area
2.3	What segmentation of Regional areas should be considered and how should Regional work be approached– balance target yearly volumes to ensure work in each Regional area most years of the LMRP?	This will determine the target breakdown of Regional suburbs within theyearly LMRP volume.	LMRP Principle 2, 3 & 4	Work balance and allocated across all Regional areas
3	Identify any tactical meter exchanges within the early (Year 1 & 2) deployment?	May provide for early benefits (these will need to be prioritised and justified- shouldn't be included if they comprise overall efficiency).	LMRP Principle 2	No tactical items currently identified
4	Target complete Metering Reading routes within the agreed Metro/Regional breakdowns to identify and allocate at the NMI level?	This will promote an efficient meter rollout and aim to reduce inefficient manual meter reading processes.	LMRP Principle 2, 3 & 4	Meter Reading routes used
	Application of Key Development Framework • Should be viewed from an overall state perspective and the best approach to develop an efficient LMRP • The criteria will be used to guide the development of the LRMP Schedule (some variation may occur to balance volumes and factin actual basic metering fleet location) • Retailer variation expected to ensure overall meter change efficiency for Metering Businesses (individual Retailer LMRP Schedule not expected to fully line up to percentages listed- variations driven by customer base location)			

SA Power Networks commenced engagement in March 2024 with key Retailers and Metering Businesses that will be responsible for the delivery of the majority share of the meter rollout (approximately 94% of the remaining basic metering fleet) in South Australia. The engagement to date has included over 30 hours of dedicated meeting time (face to face and online), exploring stakeholder views to assist in developing the framework for SA Power Networks' LMRP.

The following LMRP principles have been agreed through our initial engagement:

- Consistent application of the LMRP principles across all retailers. While retailer requirements will be incorporated into the LMRP where possible, specific retailer variations will not be applied.
- Meter Rollout Profile will represent a middle peak, with higher volumes forecast during the middle period of the rollout (for example Year 1 - 15%, Year 2 – 25%, Year 3 – 25%, Year 4 – 20% and Year 5 – 15%). This provides time for bedding in processes prior to undertaking large volumes of replacements.
- Proportionate geographical spread, made up of approximately 70% in Metro and 30% Regional areas. Work will be allocated across the state each year and not focussed within a single geographic location.
- Meter Reading Routes will be used to identify the targeted meters within the geographical locations, providing for an efficient replacement process given metering will be closely located.

Our engagement with the extended Retailer group and various stakeholders is progressing smoothly, fully supporting our strategy for the LMRP direction. Engagement and development of the LMRP will be ongoing until mid 2025, providing us with better clarity of stakeholder views prior to submission of the LMRP to the AER for approval (expected by 31 August 2025).

2 Our Original Proposal

Consistent with our 2020-25 RCP, SA Power Networks applied a 'building block approach' to develop our legacy metering services proposal, where the proposed annual revenue requirement (**ARR**) reflected the forecast return on capital, return of capital (depreciation), opex, and tax liability.

Table 3 sets out SA Power Networks' proposed ARR for legacy metering for the 2025–30 RCP.

Table 3: Proposed legacy metering ARR for the 2025–30 RCP ($ million, nominal) [6]

	2025/26	2026/27	2027/28	2028/29	2029/30	2025–30 RCP
Return on capital	0.05	-	-	-	-	0.05
Return of capital (depreciation)	0.80	0.01	-	-	-	0.81
Operating Expenditure	12.13	12.66	13.08	13.51	13.48	64.86
Net tax allowance	0.12	-	-	-	-	0.12
Annual revenue requirement (unsmoothed)	**13.11**	**12.67**	**13.08**	**13.51**	**13.48**	**65.84**
Annual revenue requirement (smoothed)[7]	**12.68**	**12.83**	**12.99**	**13.55**	**13.89**	**65.93**

While SA Power Networks proposed to accelerate the depreciation of the metering asset base (**MAB**) to enable the MAB to be fully depreciated by 1 July 2025, higher inflation over the 2020–25 period resulted in a residual MAB forecast value of $0.8 million on 1 July 2025. We proposed to recover this residual value in the first two years of the regulatory period.

We used a 'base-step-trend' methodology to estimate our opex forecast for legacy metering services for the 2025–30 RCP. We proposed base year opex of $40.16 million using the 2022/23 actuals from the most recent Regulatory Information Notice (**RIN**) data provided to the AER. We also proposed a negative base year adjustment of $1.0 million to reduce our base year expenditure by the value of testing and inspections.

The AEMC's metering review final report, published on 30 August 2023, proposed to accelerate rollout of smart meters between 1 July 2025 and 30 June 2030. While retailer nominated meter providers will complete the physical meter replacements required for this accelerated rollout, DNSPs will experience increased costs associated with the accelerated replacement of legacy meters. Noting this, we proposed to include the incremental costs associated with the accelerated rollout as a step change within the legacy metering services component of SCS.

To cater for the change in fixed and variable components of costs over time as our legacy meter fleet declines, we proposed a metering contestability productivity factor of 55.66 percent, where this factor estimates the proportionate change in total metering costs for a change in the legacy metering population over time.

Consistent with SCS, we also included a real increase in labour price growth, adopting an average of Oxford Economics and KPMG utilities sector labour price growth forecasts for metering opex.

6 Annual revenue requirement may not balance to the sum of the components of Table 5 due to rounding.

7 Legacy metering services proposed ARR has been smoothed using the same smoothing profile as the main SCS PTRM.

3 AER's Draft Decision

Given the change in regulatory settings, the AER's Draft Decision does not accept SA Power Networks' original proposal as submitted.

The AER's Draft Decision:

- Accepts SA Power Networks proposal for no direct capital expenditure (capex).
- Substitutes its forecast metering opex, particularly relating to the step change component. The AER also applied updates to labour cost escalation and inflation.
- Substitutes its ARR, which applies the substituted inputs for opex mention above.
- Accepts SA Power Networks' reclassification to SCS and application of a revenue cap form of control.
- Accepts SA Power Networks' proposed recovery of costs through a flat per customer charge to all small LV customers, regardless of customer, tariff, or meter type.

The building block components and associated ARR outcomes of the AER's Draft Decision are provided in Table 4.

Table 4: AER's Draft Decision legacy metering ARR for the 2025–30 RCP ($ million, nominal) [8]

	2025/26	2026/27	2027/28	2028/29	2029/30	2025–30 RCP
Return on capital	0.05	0.04	0.03	0.02	0.01	0.15
Return of capital (depreciation)	0.13	0.14	0.15	0.17	0.18	0.78
Operating Expenditure	6.44	6.29	5.95	5.33	4.36	29.83
Net tax allowance	0.02	0.02	0.02	0.03	0.03	0.13
Annual revenue requirement (unsmoothed)	**6.65**	**6.49**	**6.16**	**5.55**	**4.58**	**29.42**
Annual revenue requirement (smoothed)	**5.63**	**5.79**	**5.96**	**6.13**	**6.30**	**29.82**

We also note, the AER expects SA Power Networks to submit a Revised Proposal that reflects the outcomes of the AEMC's metering rule change, including opex step changes, as well as any stakeholder engagement with its customers.

[8] Annual revenue requirement may not balance to the sum of the components of Table 5 due to rounding.

4 Our Revised Proposal

SA Power Networks accepts the AER's Draft Decision to reclassify legacy metering services as SCS, with the costs recovered through a flat per customer charge to all small LV customers.

We are responsible for providing the following services for legacy (type 5 and 6) meters installed on our distribution network until they are replaced with a smart meter:

- routine meter reading (either monthly or quarterly);
- undertaking special reads initiated by us to validate routine meter reading data;
- validating meter reading data and forwarding this data to market participants in accordance with the AEMO's meter data provision procedures;
- undertaking visual inspection of meters where required to confirm effective operation of the metering equipment;
- completion of in-service compliance testing to ensure the meters continue to comply with the accuracy requirements of the NER;
- inspection and testing of our low voltage current transformers, in accordance with the NER[9]; and
- notifying the retailer of any failed legacy metering installation, either due to in-service failure of an individual meter or failure of a family of meters.

The number of legacy meters installed will drive the volume of legacy metering services that are required to be provided by SA Power Networks over the 2025–30 RCP. We have updated our legacy metering services proposal to reflect the outcomes of the AEMC's accelerated smart meter rollout timeframes.

4.1 Annual Revenue Requirement

As SCS, legacy metering services are proposed to operate under a revenue cap form of control. Consistent with our Original Proposal, we have applied a 'building block approach', where the total revenue reflects the forecast return on capital, return of capital (depreciation), operating expenditure (**opex**), and tax liability.

Our Revised Proposal accepts the AER's Draft Decision for return on capital and return of capital. Noting SA Power Networks accelerated the depreciation of our Metering Asset Base (**MAB**) over the 2025-30 RCP, we only have a small residual value forecast as of 1 July 2025. We proposed to largely recover this residual MAB value (return on capital and return of capital) over the 2025/26 regulatory year, to reduce the risk of any residual value remaining as of 30 June 2030. The AER in its Draft Decision, spread this recovery over the 5-year period. SA Power Networks accepts this approach to capital recovery, noting any residual value at the end of the 2025-30 period is likely to be minimal.

We have updated our proposed opex to use 2023/24 actual expenditure as the base year and incorporated the latest updates from the AEMC's metering review, refer to section 4.2 for further details.

We accept the AER's Draft Decision on revenue smoothing: to apply a flat real price path for years 2-5, with any real price movement reflected in prices for 2025/26.

Table 5 details SA Power Networks' Revised Proposal ARR for legacy metering for the 2025–30 RCP.

[9] The AEMC's accelerated smart meter deployment rule change exempts legacy meters from testing and inspection requirements of the NER during the accelerated smart meter rollout period, avoiding unnecessary costs. If legacy meters are not replaced during this period as required under the LMRP, the testing and inspection requirements will be reinstated after the acceleration period.

Table 5: Proposed legacy metering ARR for the 2025–30 RCP ($ million, nominal)

	2025/26	2026/27	2027/28	2028/29	2029/30	2025–30 RCP
Return on capital	0.05	0.04	0.03	0.02	0.01	0.15
Return of capital (depreciation)	0.13	0.14	0.15	0.17	0.18	0.78
Operating Expenditure	9.21	10.03	9.70	8.34	7.17	44.45
Net tax allowance	0.02	0.02	0.02	0.03	0.03	0.13
Annual revenue requirement (unsmoothed)	**9.41**	**10.24**	**9.91**	**8.56**	**7.39**	**45.50**
Annual revenue requirement (smoothed)[10]	**8.69**	**8.94**	**9.19**	**9.45**	**9.72**	**45.99**

The proposed legacy metering services revenue has been developed using the AER's standardised metering expenditure model, post-tax revenue model (**PTRM**) and roll forward model (**RFM**) as provided in **Supporting Documents 19.1 - Standardised Legacy Metering Expenditure Model**, **19.2 – Legacy Metering Roll Forward Model** and **19.3 – Legacy Metering PTRM**.

Except for Opex, our Revised Proposal accepts all the AER's Draft Decision building block outcomes. Opex is discussed further below.

4.2 Operating costs

Opex is required to enable SA Power Networks to provide services for legacy meters until these meters are replaced by smart meters. Consistent with our Original Proposal, we have used a 'base-step-trend' methodology to estimate our opex forecast for legacy metering services for the 2025–30 RCP.

The AER did not accept our Original Proposal opex of $61.2 million ($ June 2025). Its Draft Decision provided an alternate estimate of $26.2 million ($ June 2025) reflecting its decision to include a placeholder of zero for the legacy metering step change. The AER also updated the labour escalations to be consistent with those applied in its Draft Decision for Main SCS opex.

SA Power Networks does not accept the AER's Draft Decision for opex, proposing an alternate forecast opex of $41.0 million ($ June 2025) as part of this Revised Proposal. The components are discussed in further detail below.

Table 6.provides a comparison of our proposed opex and the AER's Draft Decision.

Table 6: Proposed legacy metering services opex ($ million, June 2025)

	Original Proposal	Revised IR027[11]	Draft Decision	Revised Proposal
Base year	40.16	40.16	40.02	45.30
Base year adjustment	(5.00)	(5.00)	(5.01)	(6.47)
Trend	(8.99)	(8.99)	(8.78)	(8.18)
Step changes	34.04	9.60	0.00	10.39
Total	**60.18**	**35.74**	**26.23**	**41.04**

4.2.1 Base Year Opex

[10] The Legacy metering services proposed ARR has been smoothed using the same smoothing profile as the main SCS PTRM.

[11] Assumes the inputs for SA Power Networks' Original Proposal, updated for the revised assessment of the legacy metering opex step change submitted as part of an information request (IR027) to the AER in July 2024.

In our Original Proposal, we used 2022/23 as our base year, as this was the most recent regulatory year with actual data for metering opex and the number of legacy meters that derived that opex. We also applied a negative base year adjustment of $1.0 million to reduce our base year expenditure by the actual value of testing and inspections[12].

In its Draft Decision, the AER used the 2022/23 base year and accepted the proposed base year adjustment to remove inspection and compliance testing which is no longer required. The AER requested that the base year (and the proposed adjustment) be updated for actual 2023/24 opex in the Revised Proposal to reflect the latest information available.

SA Power Networks has updated our base year to reflect the 2023/24 actual expenditure as reported within our RINs. We note that our opex for 2023/24 has increased by 19 percent from that provided in our Original Proposal (ie 2022/23 actuals). This is in part due to an increase in maintenance and repair expenditure, which includes meter testing and investigations. Noting this, we have also updated the base year adjustment to $1.29 million ($ June 2025) based on the actual reported 2023/24 expenditure for meter testing.

There was also a 12 percent increase in total meter reading costs for 2023/24, despite a reduction in legacy meter reading volumes over the period. As discussed in our Original Proposal, we expect that meter reading costs on a per read basis will increase as legacy metering density declines. This is due to fixed metering services costs and higher per-customer meter read costs, as meter readers travel further between each meter read. As of 30 June 2024, approximately 46 percent of meters installed on SA Power Networks' network, were remotely read interval meters.

For the 2025-30 RCP, we proposed to include a productivity factor to account for this expected change in total metering costs as the legacy metering population declines over time. This is discussed further in section 4.2.2 below.

4.2.2 Trend

To derive our forecast opex for legacy metering services, we trended forward the base opex for legacy metering services over the 2025–30 RCP, applying forecast average meter numbers, real price growth, and a metering productivity adjustment.

In line with its approach for Main SCS, the AER revised the forecast labour price growth in its Draft Decision. Consistent with SCS, our Revised Proposal for metering services incorporates the most recent labour growth forecast from Oxford Economics[13]. Noting this, we expect the AER will further revise its labour growth forecasts for the Final Decision.

To cater for the change in fixed and variable components of costs over time as our legacy meters are replaced with smart meters, we proposed to apply a productivity factor to legacy meter volumes to reflect the efficient cost of providing legacy meter services for the 2020–25 RCP. The AER accepted our proposed weightings of 56 percent variable and 44 percent fixed costs in its Draft Decision, where these weightings aligned with those approved in the 2024-29 determinations. SA Power Networks accepts the AER's Draft Decision and has continued to apply these weightings as the economies of scale factor within **Supporting Document 19.1 – Standardised Legacy Metering Expenditure Model**.

[12] The AEMC's accelerated smart meter deployment rule change exempts legacy meters from testing and inspection requirements of the NER during the accelerated smart meter rollout period. Therefore, we do not propose to undertake any in-service compliance testing or inspections for legacy meters or low voltage current transformers during the 2025–30 RCP.

[13] Refer to Attachment 6 – Operating Expenditure – December 2024 – Public and Supporting Document SAPN - 6.2 - Oxford Economics - Utilities Construction Wage Forecasts to 2029-30 - December 2024 – Public for further detail.

We also proposed to apply a forecast rate of change to our base year to account for reductions in expected metering volumes over the 2025–30 RCP, using average meter numbers. While the AER accepted this methodology in its Draft Decision, the AER expects SA Power Networks to update the volumes in our Revised Proposal to reflect the outcomes of the AEMC's metering rule change. As requested, we have updated the average meter numbers for our revised Proposal, this is discussed further in section 4.2.3 below.

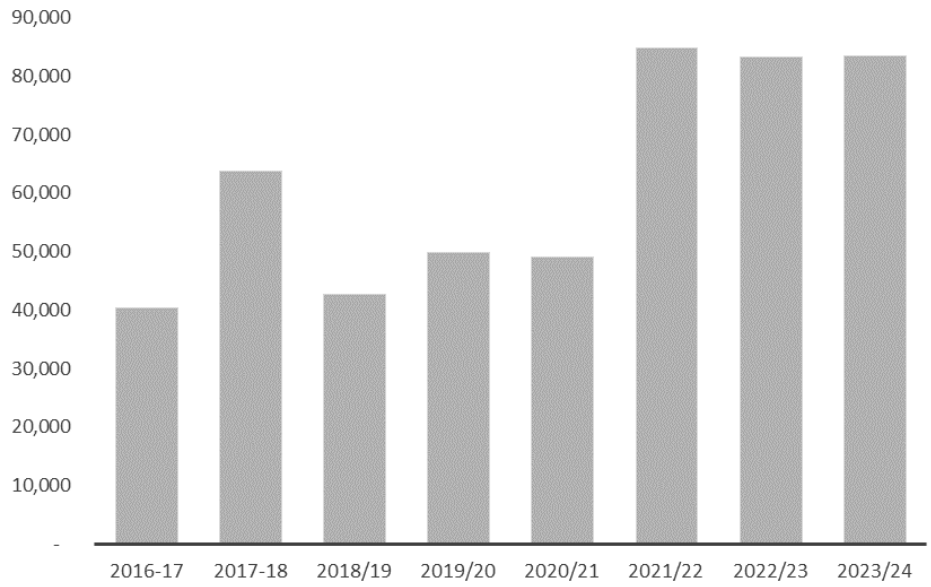
4.2.3 Average legacy meter numbers

We have applied a forecast rate of change to our base year to account for reductions in expected metering volumes over the period. We used forecast average[14] meter numbers in each regulatory year to more closely reflect the volume of services provided each the year. During the accelerated rollout period, we expect the number of meters will decline progressively each year.

Under the AEMC's accelerated rollout program, DNSPs will develop LMRPs that schedule the legacy meters expected to be retired and replaced each year of the five-year acceleration period.

SA Power Networks' legacy metering fleet has reduced from around one million meters to approximately 600,000 meters since the introduction of metering contestability in December 2017. As demonstrated in Figure 2, initially legacy meters were being replaced at a rate of approximately five percent per year in South Australia, with most of this related to meter failures and customer driven installation upgrades. We have noticed an increase in retailer-initiated meter replacements following the AEMC announcing its review of metering services, with approximately 80,000 legacy meters replaced each year in 2021/22 to 2023/24.

Figure 2 - Actual legacy meter replacements completed



We have used the following assumptions to forecast metering volumes up to 2030:

1. We have started with the volume of legacy meters on 30 June 2024 as reported in the Category Analysis Regulatory Information Notice (**RIN**) data submitted to the AER.
2. We have used historical RIN data to determine the existing legacy metering churn rate (80,000 meters per year).

[14] The average is based on the opening and closing legacy meter volumes forecast each year.

3. We've used this churn rate to predict the number of meters at the start of the LMRP (i.e. 1 December 2025).
4. We've then used the Middle Peak LMRP Yearly Rollout Profile (15%, 25%, 25%, 20%, 15%), which stakeholders fully support, to determine and allocate the high-level meter replacement volumes for each year.
5. We are forecasting that approximately 20 percent of legacy meters will remain in service at the end of the rollout period where the replacement is scheduled, but unable to be completed due to site defects, customer refusal or the site being disconnected.

We have used these assumptions to forecast average legacy meter volumes by regulatory period, as provided in Table 7. These volumes have been updated to reflect the outcomes of the AEMC's accelerated smart meter deployment rule change.

Table 7: Forecast average legacy meter volumes

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Legacy meter forecast – end of period	522,000	452,000	354,000	257,000	177,000	118,000
Average legacy meter forecast		**487,000**	**403,000**	**305,000**	**212,000**	**145,000**

4.2.4 Step Change - Accelerated rollout transitional costs

SA Power Networks proposed to include the incremental costs we expect to incur in supporting the accelerated rollout as a step change within the legacy metering services component of SCS. Our preliminary analysis for our Original Proposal indicated we will require a short-term increase in capability to support the accelerated rollout program. This increased capability is expected across the following areas:

- Smart meter implementation management, with dedicated resources assigned within the business to develop the LMRP and manage the rollout program for SA Power Networks;
- Customer management and contact resolution, to deal with additional telephone calls and complaints associated with the rollout;
- Billing administration, to process tariff updates, interval meter reading data file uploads, and resolution of billing and customer disputes;
- Meter exchange management, to oversee the meter churn market interactions including Notice of Metering Works and Change Requests and manage any exceptions; and
- Meter storage and disposal, as legacy meters are returned to SA Power Networks for disposal or recycling where possible.

Our Original Proposal included $34 million as a legacy metering transition step change within the legacy metering component of SCS. We expected this to reflect the upper bound of expenditure required over the 2025–30 RCP.

Following submission of our regulatory proposal in January 2024, SA Power Networks continued to work through the implications of the accelerated rollout program and development of our LMRP in consultation with retailers and other stakeholders. This has included conducting a further detailed review of the legacy metering transition costs required to support the accelerated rollout.

We undertook a critical assessment of capability across the affected teams, considering the current legacy meter replacement volumes and those expected during the rollout period. While there will be increases in workload in some teams, in some cases these can be offset by savings in other teams as the volume of legacy

meters decline. We have also assessed the nature of the costs to confirm if they are transitional (i.e. directly related to the legacy meter replacement activity) or ongoing. Only non-recurrent transitional costs are included within the proposed 'metering transition costs' step change.

We provided an updated forecast of the legacy metering transition step change to the AER as part of an information request (IR027) in July 2024, materially reducing this step change from $34 million to $10 million.

The AER did not accept this updated step change forecast and applied a placeholder of Zero, requesting SA Power Networks further update this step change to reflect the outcomes of the AEMC's final rule change.

Our Revised Proposal has been updated based on the outcomes of the AEMC's final rule, with the accelerated rollout commencing on 1 December 2025 and concluding by 30 November 2030. This delay has further changed the resource uplift requirements to support the accelerated rollout over the 2025-30 RCP. While we expect transaction volumes will increase in alignment with the LMRP profile, we also expect there will be an increase in customer enquiries prior to the commencement of the rollout as broader customer engagement activities commence.

Our Revised Proposal includes non-recurrent transitional costs of $10.4 million (refer to Table 8) associated with the accelerated replacement of legacy meters as a step change within legacy metering services.

Table 8: Proposed legacy metering step change ($ million, June 2025)

Accelerated rollout transitional costs	2025/26	2026/27	2027/28	2028/29	2029/30	2025–30 RCP
Original Proposal	5.56	6.11	6.69	7.51	8.17	**34.04**
Updated IR027	1.58	2.52	2.52	1.58	1.39	**9.60**
Revised Proposal	**1.71**	**2.63**	**2.67**	**1.96**	**1.42**	**10.39**

Further detail on the proposed transitional costs is provided in **Supporting Document 19.4 - Legacy Metering Transition - Towards 2030**.

5 True-up mechanism

To assist DNSPs in preparing their revised regulatory proposal and proposals, the AER released a 'Legacy metering services - guidance note' (**Guidance note**) in November 2023. In this Guidance note, the AER considered it appropriate to allow for a true-up of operating expenditure relating to variations in forecast metering volumes. This is due to the volume uncertainty and that uncertainty generally being outside of distributors' control.

The AER confirmed application of this true-up mechanism in its Draft Decision, stating it will apply a true-up of total metering opex through the price cap formulae. The AER also reiterated, no components of opex other than meter volumes would be updated through this true-up mechanism.

SA Power Networks accepts the AER's Draft Decision to include a true-up mechanism for legacy metering, where the legacy metering volumes will be updated as part of the annual pricing proposal process.

Glossary

Acronym / term	Definition
ACS	Alternative Control Services
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
ARR	Annual Revenue Requirement
B2B	Business to Business
B2M	Business to Market
Capex	Capital Expenditure
CPI	Consumer Price Index
DNSP	Distribution network service provider
LMRP	Legacy Meter Retirement Plan
LV	Low Voltage
MAB	Metering Asset Base
MC	Metering Coordinator
NER	National Electricity Rules
Opex	Operating expenditure
PTRM	Post-tax Revenue Model
RCP	Regulatory Control Period
RFM	Roll Forward Model
RIN	Regulatory Information Notice
SCS	Standard control services