



31 August 2009

Mr Chris Pattas  
General Manager - Network Regulation South  
Australian Energy Regulator  
GPO Box 520  
MELBOURNE VIC 3001

Email: [cpattas@aer.gov.au](mailto:cpattas@aer.gov.au)

Dear Mr Pattas

### **ADVANCED METERING INFRASTRUCTURE DRAFT DECISION**

I refer to the Australian Energy Regulator's *Draft Determination Victorian advanced metering infrastructure review 2009-11 AMI budget and charges application (Draft Determination)*.

Clause 5B.3 of the *Advanced Metering Infrastructure Order in Council 2008 issued under sections 15A and 46D of the Electricity Industry Act 2000 (AMI OIC)* allows for a distributor to revise its budget application by 31 August 2009 where there is :

- a change in expenditure by reason of a contract entered into between the budget application and that date; or
- a material change in a metering regulatory obligation or requirement.

Further, page 19 of the Draft Determination requires CitiPower to resubmit its budget where it has been rejected by the AER as part of the Draft Determination.

To that end, please find attached a revised set of budget templates as submitted under clause 5B.3 of the AMI OIC and page 19 of the Draft Determination. CitiPower has also attached a variances spreadsheet to assist the AER in understanding the differences between the budgets.

The changes made between this budget and the *Advanced Metering Infrastructure Budget Application 2009-11* submitted on 27 February 2009 are as follows:

- removal of costs associated with customer response trials as required on page 44 of the Draft Determination;
- revision of meter supply costs to reflect the terms of the executed meter supply contracts as allowed under clause 5B.3(a) of the AMI OIC;

- revision of communication supply costs to reflect the term of the executed communications supply contracts as allowed under clause 5B.3(a) of the AMI OIC;
- revision of field installation costs to reflect the terms of the executed field installation contracts as allowed under clause 5B.3(a) of the AMI OIC;
- revision of exchange rate assumption to reflect the execution of exchange rate hedging contracts as allowed under clause 5B.3(a) of the AMI OIC; and
- revision of capitalised portion of project management costs reflecting a change in the capital expenditure to operating expenditure ratio. Total project management costs have not changed. This is reflected in a higher overhead allocation to operating expenditure categories meter maintenance and backhaul services.

CitiPower has not amended the prescribed metering offset as required on 9. 129 of the Draft Determination on the basis of the business's discussions with the AER on 25 August, and further work being conducted by Deloitte Touche Tohmatsu. Further, CitiPower has not amended its calculation of the weighted average cost of capital as required on page 123 of the Draft Determination on the basis it intends to provide further evidence in support of its assumption with respect to the debt risk premium in its response to the Draft Determination on 11 September 2009.

If you require any further information in relation this submission, please do not hesitate to contact me on 03 9683 4465.

[signed]

**Brent Cleeve**  
**MANAGER PRICE REVIEWS**

