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12 November 2010

Chris Pattas
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Dear Mr Pattas,

Re: AMI Bring forward service fee

Background

The Victorian Government has implemented a number of energy policies resulting in changes to the way our business charges its customers, most notable is the AMI meter roll out and the premium feed-in tariff (*PFiT*).

An interesting dynamic has arisen where one policy is impacting the other. In short we are seeing a strong customer trend for the early installation of AMI meters ahead of the scheduled roll out which is triggered by the desire of customers to access the premium feed-in tariff rebate. At the time of developing AMI related charges Powercor Australia Ltd (*Powercor*) was unable to foresee the consequence of the PFiT scheme due to the timing differences in releasing the respective policies.

In the ordinary course of operations Powercor has delivered against the customer's request for the early installation AMI metering and has levied a truck visit fee.

With the move to AMI metering and the customer expectation of interval metering to facilitate PFiT rebates, Powercor considers that the costs to these services should be levied through a "bring forward fee" billed via the retailer to the customer who requests the specific service.

Application

Powercor notes that the Order in Council under section 15A and sections 46D of the Electricity Industry Act 2000 (*OIC*) creates a provision under section 9 for the development of a "Customer requested Service Fee". Section 9.3(a) permits a service fee to deliver a service in excess of that normally provided. In the case of the customer requesting the early installation of AMI metering, Powercor considers that the service requested complies with this section of the OIC.

Powercor notes that the proposed bring forward fee is requested in accordance with section 9 of the OIC. Further Powercor notes that as the fee did not exist at the time the OIC came into effect and therefore in accordance with section 3.2(a) of the OIC the service is to be classified

as a prescribed meter service, ie. it is not classified as an excluded service and therefore does not fall within the current Electricity Distribution Price Review for 2011-15.

Unlike Alternative Control Services there is no set framework for the assessment of new charges applications. Consequently Powercor submits this application on the basis of providing a bottom-up model (refer to Appendix 1 of this application) for the first year of the service and a proposed method of escalating the charge thereafter.

New Service Fee

Powercor submits that a new service charge called a “bring forward fee” be approved as follows:

Description	Business Hours (\$ Excl GST)	After Hours ¹ (\$ Excl GST)
Bring Forward Fee (2011 nominal)	87.78	94.65

Table 1 - Source : Appendix 1

This fee is to apply in the situation when the customer or customer representative requests the early installation of an AMI meter ahead of the scheduled roll out, the installer has uninhibited access to the property to undertake the meter exchange works and no other site works are required. Should additional site works be required then an Alternative Control Service fee shall apply

Escalation over time

Over time the costs for proving the service will change, in all likelihood the costs will increase. The key component of the proposed fee is labour which is expected to escalate over the coming years.

Powercor considers that the real labour escalators as outlined in “Distribution determination 2011-2015, Powercor Australia Ltd, Final”, table 5, are appropriate in the case of the bring forward fee.

Description	2012	2013	2014	2015
Quoted Services	-3.02%	-2.22%	-0.67%	-1.4%

Table 2 - Source : Distribution determination 2011-2015, Powercor Australia Ltd, Final, table 5

It should be noted that the negative values represent a positive escalation.

In addition to this real escalator, Powercor proposes an annual CPI escalator calculated consistent with the standard control services mechanism per section 2.1 of the “Distribution determination 2011-2015, Powercor Australia Ltd, Final”.

Longevity

Powercor anticipates that this service will only be required for the duration of the AMI meter rollout program which is scheduled to conclude in 2014.

¹ Service applies only when resources are available

Conclusion

In the interest of customer service, customer equity and rising customer expectations Powercor seeks the AER's urgent approval of this new service fee.

Regards,

[signed]

Matthew Serpell
Manager, Network Pricing

Appendix 1 – Bring Forward Fee model

Powercor - Advanced Metering Infrastructure

Customer requested service fee (including bring forward fee)

General Inputs

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Company	Powercor
Base year	2011

Field Labour

Travel time - point to point	minutes	40	Per EDPR Final Decision, s20.6.1.1
Travel time - jump the gate	minutes	5	Estimate
Normal hours	2011 \$ /hr	108.76	Per EDPR Final Decision, table 20.3
After hours	2011 \$ /hr	120.54	Per EDPR Final Decision, table 20.3

Back Office Labour

Rate - back office	2011 \$ /hr	60.83	Per EDPR Final Decision, table 20.4
Back office time (per event)	minutes	24	2 x Meter exchange back office times

Cost build-up

		2011	
		BH	AH
<u>Field activities</u>			
Incremental travel time	minutes	40	40
Avoided Travel time	minutes	-5	-5
Total travel time	minutes	35	35
Labour rate	2011 \$ /hr	108.76	120.54
Sub total	\$	63.44	70.32
<u>Back office scheduling</u>			
Incremental time	minutes	24	24
Labour rate	2011 \$ /hr	60.83	60.83
Sub-total	\$	24.33	24.33
TOTAL		87.78	94.65