

# Investment Evaluation Summary (IES)



## Project Details:

<b>Project Name:</b>	Scheduled Meter Reading Quarterly / Monthly
<b>Project ID:</b>	00754
<b>Thread:</b>	Metering
<b>CAPEX/OPEX:</b>	OPEX
<b>Service Classification:</b>	Alternative Control
<b>Scope Type:</b>	B
<b>Work Category Code:</b>	MDSMR
<b>Work Category Description:</b>	Meter Reading
<b>Preferred Option Description:</b>	Read meters quarterly
<b>Preferred Option Estimate (Nominal Dollars):</b>	\$34,080,000

	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27
<b>Unit (\$)</b>	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3
<b>Volume</b>	1,200,000	1,160,000	1,120,000	1,080,000	1,040,000	1,000,000	960,000	920,000	880,000	840,000
<b>Estimate (\$)</b>	\$3,600,000	\$3,480,000	\$3,360,000	\$3,240,000	\$3,120,000	\$3,000,000	\$2,880,000	\$2,760,000	\$2,640,000	\$2,520,000
<b>Total (\$)</b>	\$3,600,000	\$3,480,000	\$3,360,000	\$3,240,000	\$3,120,000	\$3,000,000	\$2,880,000	\$2,760,000	\$2,640,000	\$2,520,000

## Governance:

<b>Project Initiator:</b>	Darryl Munro	<b>Date:</b>	29/03/2015
<b>Thread Approved:</b>	Darryl Munro	<b>Date:</b>	16/10/2015
<b>Project Approver:</b>	Darryl Munro	<b>Date:</b>	16/10/2015

## Document Details:

<b>Version Number:</b>	1
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## Related Documents:

Description	URL
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# Section 1 (Gated Investment Step 1)

## 1. Background

In accordance with clause 7.2.3 of the National Electricity Rules (NER), TasNetworks (TN) acting as a Local Network Service Provider (LNSP), is required to fulfil the responsible person role for type 5, 6 and 7 metering installations within the Tasmanian jurisdiction. This role requires TN to ensure that all connection points to TN's network have a metering installation installed and maintained in accordance with chapter 7 of the NER including the collection and provision of meter data for retail billing and market settlements for the National Electricity Market (NEM).

### 1.1 Investment Need

This operational expenditure is required to enable meter reading of type 6 meters to:

- Ensure compliance with chapter 7 of the NER;
- Ensure accurate consumption data is available to enable accurate retailer and customer billing;
- Ensure accurate consumption data is available to enable market settlements for the NEM;
- Provide consumption data for load forecasting; and
- Provide consumption data for distribution tariff calculations.

### 1.2 Customer Needs or Impact

TasNetworks continues to undertake a consumer engagement as part of business as usual and through the voice of the customer program. This engagement seeks in depth feedback on specific issues relating to:

- how it prices impact on its services
- current and future consumer energy use
- outage experiences (frequency and duration) and expectations
- communication expectations
- STPIS expectations (reliability standards and incentive payments)
- Increase understanding of the electricity industry and

TasNetworks Consumers have identified safety, restoration of faults/emergencies and supply reliability as the highest performing services offered by TasNetworks. Consumers also identified that into the future they believe that affordability, green, communicative, innovative, efficient and reliable services must be provided by TasNetworks.

This project specifically addresses the requirements of consumers in the areas of;

- safety
- affordability, green, communicative, innovative, efficient and reliable services

Customers will continue to be consulted through routine TasNetworks processes, including the Voice of the customer program, the Annual Planning Review and ongoing regular customer liaison meetings.

### 1.3 Regulatory Considerations

Forecast operating expenditure 6.5.6 (a) (1) meet or manage the expected demand for alternative control services over that period; (2) comply with all applicable regulatory obligations or requirements associated with the provision of alternative control services; (3) to the extent that there is no applicable regulatory obligation or requirement in relation to: (i) the quality, reliability or security of supply of alternative control services; or (ii) the reliability or security of the distribution system through the supply of alternative control services, to the relevant extent: (iii) maintain the quality, reliability and security of supply of alternative control services; and (iv) maintain the reliability and security of the distribution system through the supply of alternative control services; and (4) maintain the safety of the distribution system through the supply of alternative control services. Specifically items 2 and 3

## 2. Project Objectives

To provide a scheduled quarterly and monthly meter reading service for existing customers including customers with prepayment meters (excluding Bass Strait Islands) that complies with the requirements of chapter 7 of the NER.

## 3. Strategic Alignment

### 3.1 Business Objectives

Strategic and operational performance objectives relevant to this project are derived from TasNetworks 2014 Corporate Plan, approved by the board in 2014. This project is relevant to the following areas of the corporate plan:

- We understand our customers by making them central to all we do.

- We enable our people to deliver value.
- We care for our assets, delivering safe and reliable networks services while transforming our business.

### 3.2 Business Initiatives

The business initiatives that relate to this project are as follows:

- Safety of our people and the community, while reliably providing network services, is fundamental to the TasNetworks business and remains our immediate priority
- We care for our assets to ensure they deliver safe and reliable network services
- We will transform our business with a focus on:
  - the customer, and a strong commitment to delivering services they value
  - an engaged workplace with strong cultural qualities and people who will be great ambassadors for TasNetworks
  - a high performing culture with clear accountabilities for deliverables
  - an appropriate approach to the management and allocation of risk
  - a well run, efficient business, that delivers sustainable returns to the Tasmanian community and is resilient to future challenges.

The strategic key performance indicators that will be impacted through undertaking this project are as follows:

- Customer engagement and service – customer net promoter score
- Price for customers – lowest sustainable prices
- Zero harm – significant and reportable incidents
- Sustainable cost reduction – efficient operating and capital expenditure

## 4. Current Risk Evaluation

Do nothing and reading meters annually are not acceptable options to TasNetworks' risk appetite. The level of risk identified above is such that a treatment plan is required to reduce the risks to a tolerable level, in line with TasNetworks' Risk Management Framework.

### 4.1 5x5 Risk Matrix

TasNetworks business risks are analysed utilising the 5x5 corporate risk matrix, as outlined in TasNetworks Risk Management Framework.

Relevant strategic business risk factors that apply are follows:

Risk Category	Risk	Likelihood	Consequence	Risk Rating
Financial	Loss of cash flow due to inability to read meters.	Almost Certain	Major	Very High
Regulatory Compliance	Failure to deliver information to NEM as required.	Likely	Major	High
Reputation	Negative publicity resulting from failure to read meters.	Likely	Moderate	High
Safety and People	Safety issues at customer installations / metering points.	Likely	Moderate	High

## Section 1 Approvals (Gated Investment Step 1)

<b>Project Initiator:</b>	Darryl Munro	<b>Date:</b>	29/03/2015
<b>Line Manager:</b>		<b>Date:</b>	
<b>Manager (Network Projects) or Group/Business Manager (Non-network projects):</b>		<b>Date:</b>	

[Send this signed and endorsed summary to the Capital Works Program Coordinator.]

### Actions

<b>CWP Project Manager commenced initiation:</b>		<b>Assigned CW Project Manager:</b>	
<b>PI notified project initiation commenced:</b>		<b>Actioned by:</b>	

## Section 2 (Gated Investment Step 2)

### 5. Preferred Option:

Meter reading program to provide actual billing data from customer meters.

#### 5.1 Scope

1 Work to be undertaken: The work to be undertaken shall be meter-reading services for electricity meters including PAYG meters. Work will be issued via the meter reading system (currently MVRS).

2 Particular methodology to undertake the work:

a) All work tasks detailed in the Scopes of Work are to be completed in accordance with the TasNetworks Customer Charter, TasNetworks Retailer Handbook and in accordance with timeframes detailed below.

b) All work shall be undertaken as per TasNetworks Metering & Quality Procedures.

c) Comply with TasNetworks Private Customer Key Policy

d) Scheduled as per TasNetworks base calendars.

e) Data entered via the MVRS meter reading system, Service Order Management System or directly into the current Meter Data Management System.

f) All electricity meters scheduled for quarterly read shall be read on the published scheduled read date plus or minus 1 day of the TasNetworks Quarterly Base Calendar

g) All changes to the reading cycle/schedule system shall be approved by Market Support as per TasNetworks Metering Procedures

h) All electricity meters scheduled for monthly read must be read on the scheduled date of the service request.

3 Technical conditions:

a) All work shall be undertaken as per TasNetworks Metering Procedures.

b) Report any Metering faults.

4 Other conditions:

a) Works and Service Delivery shall procure all materials as required. Where officers are required to enter private property/premises approved visible personal identification is compulsory at all times as per ESI Act.

b) Works and Service Delivery are responsible for leaving the work site clean and tidy. No old metering seals are to be left on site.

5 Information reporting:

a) Reporting will be required on the time taken to read each of the reading route categories for benchmarking purposes.

b) Works and Service Delivery will include quantities of work performed against each category of work and costs, in the monthly Program of Work report provided to Strategic Asset Management.

6 Point of contact:

a) Where guidance is required or uncertainty exists as to the type or quantity of work that can be undertaken within this category, escalation process & variation approval direction can be obtained from the Market and Connections Manager.

b) The technical point of contact shall be Customer Connection Operation Team leader.

#### 5.2 Expected outcomes and benefits

This operational expenditure is required to enable meter reading of type 6 meters to: - Ensure compliance with chapter 7 of the NER; - Ensure accurate consumption data is available to enable accurate retailer and customer billing; - Ensure accurate consumption data is available to enable market settlements for the NEM; - Provide consumption data for load forecasting; and - Provide consumption data for distribution tariff calculations. - Identify electricity theft. - Identify safety issues at customer installations / metering points.

#### 5.3 Regulatory Test

## 6. Options Analysis

Option 0: Do nothing

## Advantages

- Nil

## Disadvantages

- Major impact on cash flow and subsequent inability to operate business.
- Does not comply with regulatory obligations.
- Major customer issues and complaints resulting from not issuing accurate billing.

### Option 1: Read meters quarterly

#### Advantages

- Maintains cash flow to business.
- Complies with regulatory obligations.
- Manages customer expectations by issuing accurate billing data based on actual reads.

#### Disadvantages

- More expensive than options 0 and 2

### Option 2: Read meters annually

#### Advantages

- Maintains cash flow to business.
- Cheaper than option 1

#### Disadvantages

- Customers and retailers receive estimated invoices for 3 quarters each year.
- Access issues have high risk of preventing actual reads during the single site visit requiring expensive follow up visits and customer negotiations.

## 6.1 Option Summary

Option description	
Option 0	Do nothing
Option 1 (preferred)	Read meters quarterly
Option 2	Read meters annually

## 6.2 Summary of Drivers

Option	
Option 0	<ul style="list-style-type: none"><li>- Ensure compliance with chapter 7 of the NER; No</li><li>- Ensure accurate consumption data is available to enable accurate retailer and customer billing; No</li><li>- Ensure accurate consumption data is available to enable market settlements for the NEM; No</li><li>- Provide consumption data for load forecasting; No</li><li>- Provide consumption data for distribution tariff calculations. No</li><li>- Identify electricity theft. No</li><li>- Identify safety issues at customer installations / metering points. No</li></ul>
Option 1 (preferred)	<ul style="list-style-type: none"><li>- Ensure compliance with chapter 7 of the NER; Yes</li><li>- Ensure accurate consumption data is available to enable accurate retailer and customer billing; Yes</li><li>- Ensure accurate consumption data is available to enable market settlements for the NEM; Yes</li><li>- Provide consumption data for load forecasting; Yes</li><li>- Provide consumption data for distribution tariff calculations. Yes</li><li>- Identify electricity theft. Yes</li><li>- Identify safety issues at customer installations / metering points. Yes</li></ul>
Option 2	<ul style="list-style-type: none"><li>- Ensure compliance with chapter 7 of the NER; No</li></ul>

- Ensure accurate consumption data is available to enable accurate retailer and customer billing; No
- Ensure accurate consumption data is available to enable market settlements for the NEM; No
- Provide consumption data for load forecasting; No
- Provide consumption data for distribution tariff calculations. No
- Identify electricity theft. Yes
- Identify safety issues at customer installations / metering points. Yes

### 6.3 Summary of Costs

Option	Total Cost (\$)
Option 0	\$0
Option 1 (preferred)	\$34,080,000
Option 2	\$11,820,000

### 6.4 Summary of Risk

This section outlines an overall residual asset risk level, for each of the options.

Option	Risk Assessment
Option 0	High
Option 1	Low
Option 2	High

### 6.5 Economic analysis

Option	Description	NPV
Option 0	Do nothing	\$0
Option 1 (preferred)	Read meters quarterly	\$0
Option 2	Read meters annually	\$0

#### 6.5.1 Quantitative Risk Analysis

A quantitative risk analysis has not been completed for this item.

#### 6.5.2 Benchmarking

Benchmarking has not been completed for this item.

#### 6.5.3 Expert findings

No expert findings have been used for this item.

#### 6.5.4 Assumptions

TasNetworks will continue to own and operate the existing regulated metering assets. Volumes are based on number of connected meters with no allowance for customer growth as it is expected that all new meters will be unregulated following implementation of metering contestability on 1 December 2017. Volumes decline over the 10 year forecast due to all replacement meters being unregulated following implementation of metering contestability on 1 December 2017. Volumes for replacement meters are based on historical volumes of customer initiated works and projected compliance replacement programs.

## Section 2 Approvals (Gated Investment Step 2)

<b>Project Initiator:</b>	Darryl Munro	<b>Date:</b>	29/03/2015
<b>Project Manager:</b>		<b>Date:</b>	

### Actions

<b>Submitted for CIRT review:</b>		<b>Actioned by:</b>	
<b>CIRT outcome:</b>			