

11 September 2009

Mr Chris Pattas
General Manager
Network Regulation South Branch
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3000

Dear Mr Pattas,

Draft determination on Victorian AMI rollout

Integral Energy welcomes the opportunity to comment on the AER's *Victorian advanced metering infrastructure review draft determination*.

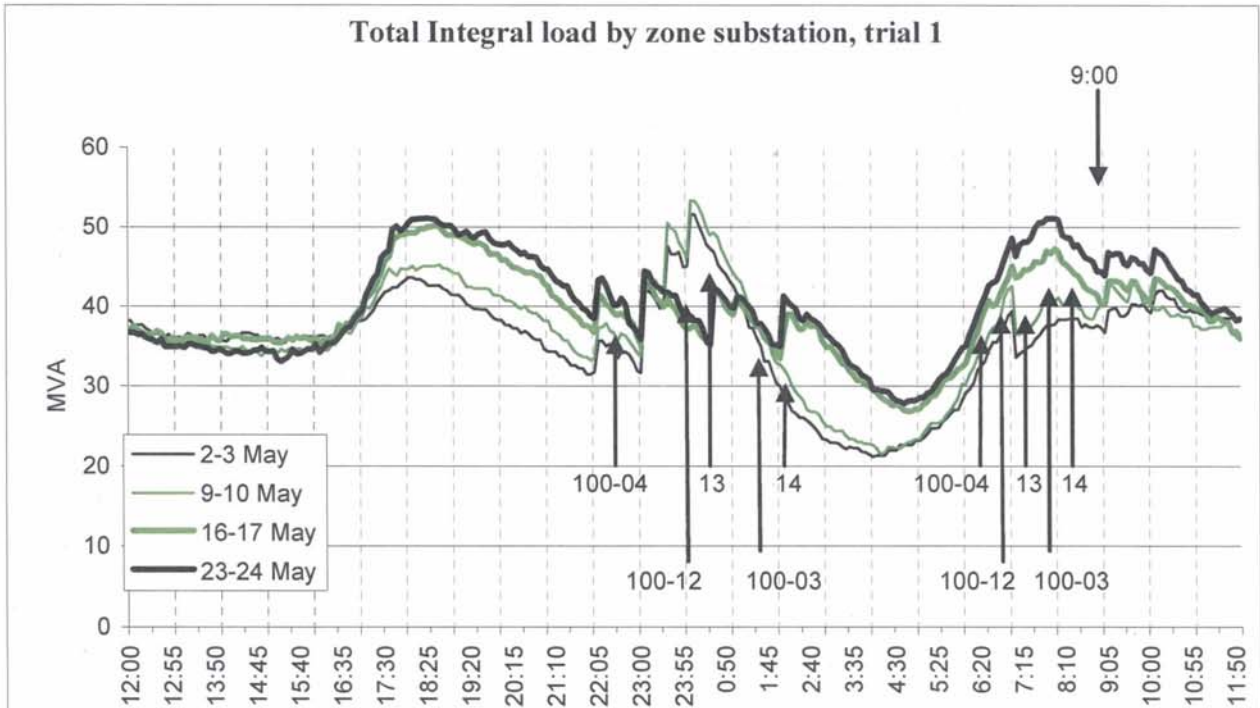
Integral Energy is the second largest state owned energy corporation in New South Wales, serving some of Australia's largest and fastest growing regional economies. It provides distribution network services to almost 860,000 customers or 2.1 million people in households and businesses spanning 24,500 kilometres in Greater Western Sydney, the Blue Mountains, the Illawarra and Southern Highlands

Integral Energy wishes to comment on one issue, in the draft determination, namely, the AER's position regarding the appropriateness of rolling out two element smart meters. It is important to note that Integral Energy currently has some 340,000 customers on controlled load tariffs. Those tariffs relate mainly to ripple control hot water systems.

The AER appears to be arguing in its draft determination that, barring transitional issues, the network demand management currently provided by using a dedicated controlled load circuit and tariff can instead be effectively managed using only time of use pricing through a single element smart meter.

This is not the case. What matters is that controlled load tariffs provide Integral Energy with certainty in managing the timing as to when that load comes on to the network. The graph appearing overleaf provides several examples of Integral Energy's off peak load profile. Looking at the 23-24 May 2009 (solid black) line, it can clearly be seen that use of the dedicated (second) circuit allows Integral Energy to stagger the off-peak load across several points in time (10 pm, 11 pm, 12:30 am and 2 am). Without this control, Integral Energy would be forced to reinforce the network in order to manage against the risk of coincident load. This would clearly introduce additional costs for customers.

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Importantly, time of use pricing alone does not address the issue as it provides no certainty as to when customers switch on their load during the relevant pricing period. Even if time of use pricing were able to be implemented on a locational basis, the costs of administering such a system would not be trivial.

In the circumstances, Integral Energy submits that the AER should clarify in its final determination that the use of two element smart meters can provide a cost effective demand management solution depending on the extent of the load in question.

Should you wish to discuss the contents of this submission, please contact Anthony Englund, Manager, Regulatory Policy on (02) 9853 6511 or anthony.englund@integral.com.au.

Yours sincerely

Michael Martinson
Manager Network Regulation