



10 September 2009

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

Dear Mr Pattas

**Victorian Advanced Metering Infrastructure Review  
2009-11 AMI budget and charges application- Draft Determination**

Origin Energy Retail Limited (Origin) welcomes this opportunity to provide this response to the Australian Energy Regulator (AER) on its Draft Determination of the five Victorian Distribution Business' budget and charges application for the roll out of advanced metering infrastructure (AMI).

Origin understands that the parameters of the revised Order in Council limit the AER's oversight in relation to cost recovery for the AMI roll out, compared with its normal approach to setting charges for monopoly service provision. In this context, we believe the AER has applied the test for budget applications (set out diagrammatically on page 14 of the Draft Determination) appropriately and within the provisions of the revised Order.

This submission focuses on issues identified by Origin where further clarification is sought on the practical application of the Final Determination when it is made.

**General comments**

*Visibility of meter costs*

The AER states on page 142 of the Draft Determination that:

...at this time, customer retail energy bills do not separately record the charges associated with metering services. Therefore from 2010, customers will not be able to determine the new AMI charges in their electricity accounts.

We would emphasise that the presentation of costs (including network charges) on customer bills is a matter for individual retailers. Nonetheless, individuals can identify the costs of metering charged by distributors as these are publicly available. Similarly, AMI charges for 2010-11 will be published and approved by the AER. Origin would contend that in Victoria customers have significant visibility of costs related to electricity metering, compared to other National Electricity Market jurisdictions where such costs are embedded in use of system prices.



*Combining meter provision and meter data provision into a single charge*

The AER believes combining the meter reading and meter provision charges into a single charge to customers satisfies the pricing principles set out in the Framework and Approach Paper. Origin agrees that the proposed charging structure meets the objective of simplicity (as described on page 68 of the Final Decision on the Framework and approach to AMI cost recovery).

However, we note that this approach provides less transparency than is currently provided by distributors through their annual publication of prescribed meter charges. Separating meter provision from meter reading and data costs furnishes retailers and consumers with information on the relative costs of each (quite distinct) service.

Such transparency may be necessary to determine exit and restoration fees in the future and will provide a cost benchmark for potential AMI providers (which may include the distributors themselves on an unregulated basis) following the end of exclusivity of meter responsibility in Victoria.

Origin does not propose that different meter reading (and/or) data provision costs be established for customers on the basis of reading frequency (since this will vary significantly as the roll out progresses). However, separating the cost of each service provides further transparency of the cost of AMI that would result in only a minor increase in complexity in establishing AMI charges for 2010-11.

*Other excluded service charges*

Origin understands that it is not within the scope of the Draft Determination to address the costs of other distributor provided services, such as special and final meter reading, de-energisation and re-energisation.

However we believe the AER needs to consider the costs of these services where AMI is deployed and communications are available in the near future. Distributors will submit their excluded service charges in November 2009 and retailers and consumers are likely to be interested in the service charges associated with new AMI functionality.

**Charges for AMI services (single and twin element single phase meters)**

The five Victorian Distribution Businesses have each proposed a range of pricing structures depending on the number of elements in the meter, separate contactors and so on. This approach is similar to that applied to basic meter costs in the past.

The table below summarises Origin’s understanding of the single phase meter charges associated with the AMI program for the period 2010-11 under the Draft Determination.

	Single element		Single element + second load contactor		Two element, two contactors (off peak controlled load)	
	Offered?	Cost?	Offered?	Cost?	Offered?	Cost?
<b>Powercor</b>	Yes	Same as 2 element	No	N/a	Yes	Same as 1 element
<b>Citipower</b>	Yes	Same as 2 element	No	N/a	Yes	Same as 1 element
<b>SP AusNet</b>	?	?	Yes	Less than 2 element	Yes	More than 2 element



	Single element		Single element + second load contactor		Two element, two contactors (off peak controlled load)	
	Yes	Same as 1 element + second contactor	Yes	Same as 1 element	No	N/a
<b>Jemena</b>	Yes	Same as 1 element + second contactor	Yes	Same as 1 element	No	N/a
<b>UED</b>	Yes	Less than 1 element + second contactor	Yes	More than 1 element	No	N/a

This structure introduces a degree of complexity across distribution areas in terms of passing through fixed metering charges and has the potential to result in customer confusion in the short term. Over the longer term, consistency in AMI pricing structures should be an objective for distributors to work towards, with appropriate principles established by the AER to guide this outcome.

### Summary

Origin understands that the AER is guided by the revised Order in making its determination on budget applications and AMI charges for 2010-11. It is clear that the increase in fixed metering charges will be significant relative to current charges (which are set to also recover the deployment of manually read interval meters, a program halted once the decision to deploy AMI was made). Origin would therefore encourage transparency where practical and cost allocations that result in the most efficient outcomes for consumers.

While some of the AMI charging structures may satisfy the framework and approach determined by the AER, Origin would encourage the AER to consider the benefits of:

- Consistent approaches among distributors in allocating charges for meters with different functionalities (single and two element meters for example); and
- The separation of meter provision and meter reading/data services.

Origin does not expect these suggestions will be taken on board at this time; however, we would strongly support these principles being adopted for the 2012 and beyond budget and charges applications.

If you have any questions in relation to this submission, please contact Randall Brown on (03) 9652 5880 in the first instance.

Yours sincerely

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