

Advanced Metering Infrastructure

Revised Budget Application

Public Version

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About SP AusNet

SP AusNet is a major energy network business that owns and operates key regulated electricity transmission and electricity and gas distribution assets located in Victoria, Australia. These assets include:

- A 6,574 kilometre electricity transmission network indirectly servicing all electricity consumers across Victoria;
- An electricity distribution network delivering electricity to approximately 575,000 customer connection points in an area of more than 80,000 square kilometres of eastern Victoria; and
- A gas distribution network delivering gas to approximately 504,000 customer supply points in an area of more than 60,000 square kilometres in central and western Victoria.

SP AusNet's vision and mission is to make important things in life happen today and tomorrow. The SP AusNet company values are:

- Safety: to work together safely. Protect and respect our community and our people.
- Passion: to bring energy and excitement to what we do. Be innovative by continually applying creative solutions to problems.
- Teamwork: to support, respect and trust each other. Continually learn and share ideas and knowledge.
- Integrity: to act with honesty and to practise the highest ethical standards.
- Excellence: to take pride and ownership in what we do. Deliver results and continually strive for the highest quality.

For more information visit: www.sp-ausnet.com.au

Contact

This document is the responsibility of the Networks Strategy and Development Division, SP AusNet. Please contact the officer below with any inquiries.

Julie Buckland
Manager, Regulatory Programs
SP AusNet
Level 31, 2 Southbank Boulevard
Melbourne Victoria 3006

Ph: (03) 9695 6606

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1 Contract Costs

When requested by the AER to provide details of contract costs SP AusNet assumed the AER was referring to the amounts in the “other costs” columns included in the Initial Budget Application hence reply below hence SP AusNet provided the AER with the following reply in relation to question 1 of 19th May 2009.

The costs provided in SP AusNet’s *‘Initial AMI Budget period budget application’* (the Budget Application), submitted on 27 February 2009 and amended on 3 March 2009, are not ‘contract costs’. They are forecast costs as provided for under the revised Order in Council (revised Order) and identified as such in the Budget Application where SP AusNet states:

‘At the time of this application SP AusNet has not settled the arrangements of its AMI program or completed formal contract arrangements for the procurement or deployment of its proposed AMI solution. It has not sought or provided an audit statement in support of the activities that have been included in the expenditure forecasts provided.’¹

Furthermore, SP AusNet clarified this approach by stating:

‘As noted previously, at the time of this Application SP AusNet has not yet completed formal contracting arrangements for the procurement and deployment of its AMI solution. The scope of activities as detailed in section 4 of this Application are those activities which are believed to be necessary to deliver the AMI solution set out in section 3. SP AusNet has provided a high level map of the relationship between the AER template categories, the scope activities under Schedule 2 of the revised Order and the scope activities set out in section 4.

Where available, expenditure forecasts for new technologies and services have been based on information gained from infrastructure and service providers through Request for Tender (RFT) processes. Where the technologies and services are known to the business, expenditure estimates have been based on existing work practices and cost structures.’²

Detailed mapping of the costs to the scope has been provided to assist the AER in establishing that the costs are for activities within the scope set out in the revised Order for the provision of the required Regulated Services. SP AusNet believes that the budget application is for activities within scope and that the expenditure forecast is prudent.

The determination required of the AER is set out in clause 5C.2 as to whether the expenditure:

- ‘(a) is for activities outside scope...; or*
- (b) is not prudent.’*

As the expenditure submitted is based on forecasts and is not a contract cost, the AER is required to approve the expenditure unless it establishes that, as stated in clause 5C.3(b):

- ‘(iii) it is more likely than not that the expenditure will not be incurred; or*
- (iv) the expenditure will be incurred but incurring the expenditure involves a substantial departure from the commercial standard that a reasonable business would exercise in the circumstances.’*

¹ SP AusNet, *‘Initial Budget Application’*, 27 February 2009, Page 5.

² *Ibid.*, Page 7.

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After reading the Draft Determination and attending the AER's Public Forum SP AusNet now understands that the AER was referring to the amounts included in the "contract costs" columns of the templates. SP AusNet sincerely apologises for any confusion and misunderstanding it may have caused the AER with the above response as SP AusNet thought the AER was referring to the "other costs" sections of the templates which did in fact contain forecast costs.

In relation to the contract costs included in the Revised Budget Application templates provided to the AER SP AusNet can now confirm with the AER that Contracts and purchase orders were issued and signed prior to 27th February 2009.

Some of these contracts are for goods and services supplied for existing metering business as usual activities such as meter data management and IT Infrastructure and were entered into many years ago

In the attachment one SP AusNet provides the AER detailed information in relation to these contract costs.

2 Load Control

SP AusNet's intention is to include a replacement of like for like meters in the AMI rollout

2.1 Two element meters with a contactor

All meters were priced to include an integrated contactor to enable the switching on or off of the metered load. For example wherever there is a two element meter there needs to be incorporated in the meter a contactor to switch the load connected to the second element on or off at the appropriate times. If a contactor is not connected to this element then the load will run at any time of the day depending on the items thermostat ie a customer's hot water load will come on and off throughout the day and night whenever the temperature drops below the preset temperature. Currently a customer only uses and pays for load during off-peak times with either a morning or afternoon boost but without a contactor the customer will be drawing load and incurring costs at all times of the day. This would result in all of SP AusNet's 2 element metered customers experiencing large network DUOS rate shock before they were even charged for their consumption from the retailers as well as indeterminable problems in relation to load control would now arise on our Network.

2.2 Single element meters with a contactor

SP AusNet's intention was to rollout 2 element meters to existing 2 element customers only (for reasons previously stated and accepted by the AER). For Greenfield sites which install electric hot water or slab heating then the customer could be supplied with a single phase single element meter with a contactor which would control the load from a network perspective ie coming on at 11pm and a boost period in the peak time. Under this scenario the customer would immediately be put on an appropriate TOU Tariff and would not need to be transitioned over time. SP AusNet respectfully suggests that the AER should reconsider its Draft Determination in relation to contactors in Single Phase, Single Element meters to enable a true grandfathering of two element meters.

2.3 Costs of Integrated Contactors

In responding to question 20 of the AER's 16th June questions SP AusNet included the costs of all contactors in the table provided to the AER. In effect the only contactors which the AER should consider to be out of scope are those meters where SP AusNet included an additional contactor above what is already in existing meters. The meters where additional contactors were costed in were

Single phase single element with 1 contactor (no contactor now costed)

Single phase two element with 2 contactors (1 contactor now costed)

SP AusNet has now withdrawn the following contactor costs from its submission

AMI Initial Budget Application

Cost of Load Control Withdrawn	2010	2011
Single phase single element	\$624,103	\$1,777,574
Single phase two element 1 contactor	\$316,337	\$901,117
Total Cost of Load Control Withdrawn	\$940,439	\$2,678,691

3 Customer Response Trials

SP AusNet confirms that it has not included any costs in relation to these trials in the revised templates submitted with this explanation.

AMI Revised Budget Application – Contract Documentation

Contract Costs

Prior to SP AusNet AMI Budget submission on 27th February 2009. SP AusNet had entered into a number of contracts for the provision of various Goods and or Services

Vendor	Procurement background
TCA	<p>TCA & SPI Networks Pty Ltd have been operating under an active commercial contract titled “Service Agreement between SPI Networks Pty Ltd & Energy Australia trading as TCA” which was approved for a 5 year period from the 7th February 2002 to 7th February 2007. This contract was the result of a competitive tender process held for the Full Retail Contestability (FRC) system build project.</p> <p>TCA currently provide Consumption Data Management (CDM) services, including exception management, in conjunction with Networks’ systems to meet the mandatory legal obligations of the Network under Type 5 & 6 metering.</p> <p>The TCA application, amongst others, will not scale to accommodate the increase of interval meter data as a result of the mandated rollout. SP AusNet determined to insource this capability and entered into a contract with eMeter,</p>
eMeter	A competitive tender process was undertaken where eMeter was selected as the preferred Meter Data Management systems vendor.
Frontline	SP AusNet adopts an IT standard for servers and storage that utilises SUN Microsystems server & storage infrastructure for its core business systems. Hardware negotiations were conducted with SUN. The procurement of hardware occurred through SP AusNet’s existing SUN supplier being Frontline.
Dimension Data	SP AusNet adopts an IT standard for data communications that utilises Cisco infrastructure for its core business systems. The procurement of the Cisco hardware occurred through SP AusNet’s existing Cisco supplier being Dimension Data.
Oracle	SP AusNet adopts an IT standard for databases (DMBS) that utilises Oracles Database. The procurement of the Oracle Database licences and support was negotiated with Oracle directly.

The following table lists AMI contracts which were entered into prior to SP AusNet AMI Budget submission

Contracting Party / Vendor	Functional Element and / or Services Provided	Date Entered Into	Total Cost	Amount allocated to AMI
Testing & Certification Australia	AMI Operating and Maintenance Expenditure Other metering and communications Costs – Meter Data Management Costs are based of forecast volumes until the Transfer to eMeter			
eMeter	AMI IT CapEx Detail Functional Technology Response per Functional Element (excludes hardware and 'platform' software) (f) Meter Data Management 1(f)(i) Software licences and maintenance Software Licences AMI IT OpEx Detail Functional Technology Response per Functional Element (excludes hardware and 'platform' software) (f) Meter Data Management 1(f)(i) Software licences and maintenance Support Services			
Frontline	AMI IT CapEx Detail IT Infrastructure (incl middleware, B2B and B2M) Platform' software is not specific to a single functional element - it supports multiple elements 2.1 Hardware			

AMI Revised Budget Application – Contract Documentation

Contracting Party / Vendor	Functional Element and / or Services Provided	Date Entered Into	Total Cost	Amount allocated to AMI
Dimension Data	AMI IT CapEx Detail IT Infrastructure (incl middleware, B2B and B2M) Platform' software is not specific to a single functional element - it supports multiple elements 2.1 Hardware			
Oracle	AMI IT CapEx Detail IT Infrastructure (incl middleware, B2B and B2M) Platform' software is not specific to a single functional element - it supports multiple elements 2.2 'Platform' software licences and maintenance Support Fees			

AMI Revised Budget Application – Contract Documentation

Attachments:

1. Testing & Certification Australia Contract
2. eMeter Master Software Licence and Services Agreement
3. Supply Agreement: SPI Electricity Pty Ltd and Frontline Systems Australia Pty Ltd (Purchase Order No: 419780)
4. SP AusNet Purchase Order No:419780 (Frontline)
5. Dimension Data Quote No: 224369
6. SP AusNet Purchase Order No:419742 (Dimension Data)
7. Oracle Ordering Document (2790650 – 1.David.Jensen)
8. SP AusNet Purchase Order No:420286 (Oracle)