

AER MAKES DRAFT DETERMINATION ON VICTORIAN SMART METER COSTS AND CHARGES

The Australian Energy Regulator today issued its draft determination on the Victorian distribution network service providers (DNSPs) Advanced Metering Infrastructure ('smart meter') budgets and charges for 2012 to 2015.

Based on the information currently available, the AER considers the total AMI budgets for the Victorian DNSPs for this second roll-out period should be \$760 million, a reduction of around 39 per cent from that proposed. The AER has previously set smart meter budgets and charges for the 2009-11 roll-out period.

The electricity distributors CitiPower, Jemena, Powercor, SP AusNet and United Energy Distribution are required by the Victorian Government to roll-out AMI smart meters over a four year period ending 31 December 2013.

In February this year the DNSPs submitted proposed budgets to the AER for expenditure from 2012 to 2015 totalling \$1.24 billion. This compares to the AER's earlier determination of a total \$1.08 billion AMI budget for the initial 2009-11 roll-out period.

The AER considers the DNSPs have not justified the substantial expenditure proposed for this second phase of the roll-out period. Of particular concern is the size of the ongoing operational costs of advanced meter provision.

The draft determination would result in the following annual charges for the average small customer with a single phase single element meter in the 2011-15 period:

Meter charges (\$ per meter nominal)

	2011	2012	2013	2014	2015
SP AusNet	93.83	101.02	108.75	117.08	126.04
United Energy Distribution	92.12	99.57	107.62	116.33	125.73
Jemena Electricity Networks*	136.70	155.84	159.86	162.34	164.88
Citipower	91.38	93.38	95.26	97.17	99.13
Powercor	95.01	92.72	93.91	95.12	96.34

*Jemena's charges increase more significantly because they have under-recovered their costs in the first roll-out period and these need to be fully recovered by the end of the period.

The indicative 2012 charges represent an average increase of 5.9 per cent on the current 2011 metering charges previously approved by the AER.

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Overall, the AER would only allow a third of the increase proposed by the DNSPs. On average, charges would increase by 20.3 per cent between 2011 and 2015. By contrast, the DNSPs proposed charges would increase by 61.7 per cent on average between 2011 and 2015.

Differences between DNSPs' metering charges are due to the choice of communications technology, network characteristics, cost allocation and the size of their customer base.

Interested parties are invited to make written submissions to the AER on the draft determination by the close of business 9 September 2011. A final determination will be made at the end of October 2011.

Media inquiries

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General inquiries

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