



SP AusNet™
A member of Singapore Power Group

8 July 2011

Andrew Monaghan
Regulatory Manager (Energy)
Essential Services Commission

Via email: khayen.prentice@esc.vic.gov.au

Dear Andrew,

**SP AusNet Submission
Smart meters regulatory review
Capacity control and verifying bills
Draft Decision**

SP AusNet make the following comments with respect to the Commission's Capacity control and verifying bills Draft Decision:

1 Re capacity control

SP AusNet are pleased that the Commission has decided against detailed regulation of capacity control at the current time.

As pointed out in our initial submission there is a large amount of development work to be undertaken to arrive at operational arrangements for the range of uses of these Smart meter capabilities. As further stated in our submission Part of the finalisation of these arrangements will be informed by some level of operational experience with respect to customer responses.

Hence SP AusNet would be concerned if the draft decision wording "use by distributors ...is not sanctioned without further consideration" was indicating that customer trials of these Smart meter capabilities is not allowed without a reopened regulator review.

SP AusNet therefore seek to have the Commission's Final Decision make it clear that customer trials of these capabilities can be undertaken before the regulatory regime is in place, with the aim of ensuring that arrangements detailed in the ultimate regulatory regime are consistent with demonstratable capabilities and based on an understanding of customer responses to the application of these capabilities.



CERTIFIED QUALITY
MANAGEMENT SYSTEM
ISO 9001



CERTIFIED SAFETY
MANAGEMENT SYSTEM
AS/NZS 4801



CERTIFIED
ENVIRONMENTAL
MANAGEMENT SYSTEM
ISO 14001

2 Start readings on customer bills

SP AusNet consider that, as per the broad industry input, the case can be made for not including start readings on customer bills, but rather to commence the process of educating customers regarding the use of interval data as the basis of their bill. Under any sort of time of use pricing the major impact on customer's energy costs will not be the index read at the start and end of their billing period, but rather the time of day (or the characteristics of the day) in which they have consumed.

SP AusNet make the following specific comments with respect to the points made in the Commission's Draft Decision:

- i. Currently have substitutes therefore why would substitutes cause issues with interval data based billing?

Where a basic meter reading is taken by a customer this will be, apart from any time of read difference, the same as the reading obtained by the distributor, and the same as the reading used as the basis of the customer's bill.

Where the distributor cannot obtain an actual reading, the reading sent by the distributor will be a substituted reading and this reading will be used as the basis of the customer's bill ie the difference between their previous read and the substitute read will be their billed consumption. The customer can query this substitute and their bill based on their understanding of their consumption and/or on a basic meter reading taken by the customer. However in most cases the cause of the substitute is a no access caused by the customer and further many customers will understand that the bill will be "adjusted" at the next actual read.

For a smart meter delivering interval data, the customer's bill will be based on an aggregation of the readings in each interval in the billing period. Providing the retailer bills on data aggregated to midnight, the difference between the index read stored at midnight on the last day of the last bill period and on the last day of the current bill period will equate to this aggregated interval data.

However if some intervals in the interval data are substituted because of a meter/read issue, the index read difference will now produce a value less than the billing data by the estimated consumption in the intervals substituted. Unlike the case for basic data, this difference will in most cases not be caused by customer access issues, and will never be realigned. The next index read on their next bill will not produce an outcome which is "adjusted" to reflect the total billing amount of the last two billing periods.

It is this situation which has lead to the industry statements that this will cause confusion and complaints if an exact match is expected every time. The requirement is to educate customers that their bill is based on aggregated interval data and that the industry processes for estimating lost intervals are rigorous and the industry processes subject to regulatory audit. Smart meters and interval data means that customers have to trust the distributors' interval data.

ii. Industry costs

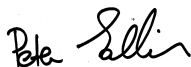
The Commission has indicated that the industry have not articulated the costs involved in billing and data enquiries related to customer expectations of a match always being obtained between aggregated interval data and index reads. Below SP AusNet has done a cost analysis and, whilst this is based on a number of very rough assumptions of the relevant parameters, we consider that it indicates that there are potentially large costs involved in the Draft Decision approach.

The Victorian Service Level Specification requires the distributor to deliver 99% of interval data within the second day after the consumption period and 99.9% of interval data within 10 days. The level of interval data at the time of retailer billing which is not actual data is therefore going to lie between 1% and 0.1%.

There are about 2.5 million customers whom will be issued 30 million monthly retail bills each twelve months. Hence somewhere between 30 000 and 300 000 bills per annum will potentially have substituted data. Given that often there will likely be more than one interval impacted (ie more substituted data per bill but less bills impacted) and that bills will be issued in 5 days rather than 10 days, an "order of" figure of 20 000 bills would contain substituted data. At an average cost of \$1500 across the retailer and the distributor for EWOV fees and internal resource costs, this level of data issues could result in 30 million dollars of industry costs. Of course not all customers will complain to EWOV and a lesser cost of handling an internal complaint may rather be involved. However the above analysis does provide an indication that costs of some millions of dollars per annum could potentially be attributed to this data issue.

If you require to discuss the views above please call me.

Yours Sincerely,



Peter Ellis
Network Market Services Manager