Aurora ENERGY

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Dear Sir

RELEASE OF REGULATORY IMPACT STATEMENT ACCOMPANYING PHASE 2 OF MCE'S CONSIDERATION OF A SMART METER ROLL-OUT

Thank you for the opportunity to provide comment on the Regulatory Impact Statement (RIS) in relation to Phase 2 of the smart meter roll-out.

Aurora Energy is a State-owned business providing distribution and retail services to Tasmanian electricity customers. Retail contestability is being introduced at present, with the third tranche of customers able to choose their retailer from 1 July this year. The Government is currently undertaking a benefits assessment on the last tranche, in order to determine whether it will go ahead in 2010.

The consultant's Phase 2 report on the costs and benefits of a smart meter roll-out indicated a wide variation in results between jurisdictions. In the case of Tasmania, it showed that only a narrow set of circumstances will lead to a net benefit, and this result agrees with the assessment performed by the Office of the Tasmanian Energy Regulator and published in October 2006. Consistent with that position the Regulator agreed to a "new and replacement" smart meter installation program in the recent pricing determination, unless particular customer circumstances indicated differently. Aurora maintains that this remains the correct position for Tasmania.

Attached are some comments in response to the individual questions raised by the RIS. We would be happy to provide more information if required.

Yours sincerely,

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General questions

i) Do stakeholders agree with the problem definition in this RIS?

We agree with the definition, but some aspects of the problem do not apply to Tasmania. For example needle peaks and network congestion are not features of the Tasmanian electricity supply system.

ii) Do stakeholders wish to comment on the benefits, costs, risks and/or impacts outlined in this RIS or wish to provide any others?

We have commented formally on the CBA, and the issues are reiterated in the RIS. The position for Tasmania as outlined in both documents is that a mandated smart meter rollout is not justified.

iii) Can stakeholders suggest any measures to maximise the benefits and/or minimise the costs and risks of a smart meter or DLC roll-out?

No, other than those already captured in the CBA.

iv) Do stakeholders have comments on the implementation issues or wish to raise any others?

In Tasmania there is the potential for 45,000 PAYG meters owned by the Retailer that may become stranded should a mandated rollout occur. This needs to be recognised in any implementation program.

Please provide any further comment on the findings and assumptions contained in this RIS.

No further comment.

Specific questions

1. Do stakeholders agree with the problem description, including the fact that the split-benefits problem inhibits businesses from rolling out smart meters of their own accord?

Yes.

2. Do stakeholders have a view on the consultant's recommendation to include the HAN in the national minimum functionality?

Without a HAN Aurora considers that there will be little customer response. A device in the meter box is not sufficient, there needs to be some tangible presence in the home – or the system needs to shed loads in a way that is not reliant upon customer action.

3. Can stakeholders suggest any other options that could achieve the MCE objectives more cost efficiently than the scenarios presented?

No.

4. Do stakeholders think the status quo (i.e. a mix of accumulation, interval and smart meters) is sustainable?

Yes, for the next 5 - 10 years in the case of Tasmania.

5. Do stakeholders agree with the overall finding of the consultation, reports suggesting that, for a general national case, a smart meter mandate provides higher net benefits than a DLC only scenario?

Yes.

6. What impact do stakeholders think the different proposed roll-out scenarios would have on competition for:

a) Metering manufacture

No difference except for DLC.

b) Metering installation and maintenance services

No difference except for DLC.

c) Meter data services

Less competition in Tasmania because of the current structural arrangements, but this is not currently considered to be a problem for Aurora.

d) Retail electricity services

No difference.

e) Additional in-home services such as in-home displays and direct load control

No difference.

7. Can stakeholders identify any additional costs, risks or benefits that would result from a distributor-led roll-out? What can be done to maximise the benefits and minimise the risks of this option?

No.

8. Can stakeholders identify any additional costs, risks or benefits that would result from a retailer-led roll-out? What can be done to maximise the benefits and minimise the risks of this option?

No.

9. Do stakeholders think the central communications option is feasible? If not, what steps would need to be taken to make it so?

No, but would need to ensure that all data contained in a central repository is available as required by both Retailers and Distributors. It is not sufficient to provide only for the needs of the central agent.

10. Could elements of the central communications option, such as complete central data set or greater interoperability, be considered as additions to

other options? Do stakeholders see benefit in having one set of official data held by a third party?

There may be benefits (e.g. a single version of the truth), but it may be problematic to get it to work in practice.

11. Can stakeholders identify any additional costs, risks or benefits that would result from a retailer-led roll-out with centralized communications? What can be done to maximize the benefits and minimize the risks of this option?

No.

12. Of the roll-out models listed, which is your preferred option and why?

A distributor led rollout on a new and replacement basis as generally indicated by the CBA is Aurora's preferred option as it suits our organisational arrangements.

13. Are there any other models (including hybrids) that could be considered?

All reasonable models were examined in the CBA.

14. Are there any jurisdictional issues that stakeholders think have not been addressed in the cost-benefit analysis?

No.

15. Are there any further implications stakeholders wish to raise if smart meters are rolled out in only some jurisdictions or rolled out in a staged approach?

We note that the meter price may be impacted should only a few jurisdictions proceed.

16. In light of this analysis do stakeholders see any implications for a smart meter roll-out in rural and remote areas in comparison to urban areas?

Implementation and ongoing maintenance costs are higher in rural and remote areas, as indicated in the CBA.

17. Where do stakeholders think smart meters should be rolled out? What timeline is appropriate for specific jurisdictions and what additional jurisdictional factors should be considered in the timeline?

Wherever there is conclusive evidence to suggest that the benefits outweigh the costs. The timeline should be determined taking account of numerous factors including the availability of labor, expertise, technology, geography and suitability of customer installations.

18. Where do stakeholders think the details of a mandated smart meter roll-out should be set out, including responsibilities, timelines and cost recovery? Which aspects should sit in national or jurisdictional instruments?

In an appropriate National instrument.

19. What are stakeholder's views on the proposed legislative model in Table 15? Are there any other issues that should be considered in the legislative framework?

We are satisfied with the model in table 15.

20. What process should inform the design of smart meter pilots and trials? Who should be responsible for undertaking them?

A technical working group appointed by SCO is an appropriate responsible body.

21. What are stakeholder views around resourcing of pilots and trials?

These should be funded by those jurisdictions most likely to obtain a benefit.

22. What do stakeholders think is the best approach to the safety review?

Technology exists to arm meters without energising the installation. Energising then remains the responsibility of the customer.

23. Do stakeholders have particular issues to be considered by the review of consumer protections arrangements?

No, the impending national arrangements are satisfactory.

24. Do stakeholders have views on different approaches to public education on smart meters or on the funding of such campaigns?

We agree that to maximise any benefits a public education program is required and that Government has a key roll to play, in particualr with regard to its funding.

25. What are stakeholders views on the need for interoperability in smart meter infrastructure and how would it be best achieved?

We support the view expressed by NERA that a technical group be appointed to ensure interoperability.

26. What do stakeholders think is the best approach to address data management and business interface issues?

Examine the feasibility of the NEMMCO RMEC/IEC group assuming responsibility or suggesting a suitable solution.

27. What do stakeholders think is the best approach to accommodating existing interval and smart meters currently in use and the Victorian process?

A gap analysis should be undertaken to assess the differences in the proposed MCE solution and the Victorian model. Transitional arrangements should be formulated to ensure consistency within a suitable timeframe.

28. Do stakeholders know of any other issues that may require transitional arrangements?

No other issues have been identified.