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ERP0018 - Consultation on Draft Statement of Approach – Request for Advice on Cost Recovery for Mandated Smart Metering Infrastructure

Jemena Electricity Networks (Vic) Ltd (**JEN**) is one of five licensed electricity distribution networks in Victoria and distributes electricity to approximately 305,000 customer sites over 950 square kilometres of north-west greater Melbourne, Victoria. JEN is currently rolling out smart metering infrastructure (**SMI**) in accordance with a mandate and cost recovery arrangements already established by the Victorian government.

While JEN is not under the ambit of the Draft Statement of Approach – Request for Advise on Cost Recovery for Mandated Smart Metering Infrastructure (**the Statement of Approach**), it appreciates the opportunity to provide some general comments and contribute to a good industry outcome.

JEN has been involved in the development of the National Stakeholder Steering Committee (**NSSC**) submission and endorses that response.

JEN is generally supportive of the statement of approach and has the following general comments to make:

- *Preservation of Chapter 6* – Chapter 6 of the National Electricity Rules (**NER**) already contains an economic regulatory system that allows for recovery of efficient distributor costs. The economic integrity of that framework should be preserved. In our view, it provides a firm basis for SMI cost recovery and it is appropriate that the review is focused on Chapter 6 rather than creating a new or different regime. This is particularly important given that SMI will be an integral part of investment to enable intelligent networks.
- *Technical and operational aspects for smart metering* – The AEMC should also give consideration to proposed smart metering related (technical and operational) rule changes for Chapter 7 and other instruments that the National Smart Metering Program will be developing over coming months. Having said that, it will

be important to keep rules related to the economic regulation of network investments together in Chapter 6 and separate from technical and operational aspects of smart metering in Chapter 7.

- *SMI is not a stand-alone asset* – As indicated above, SMI is increasingly being recognised as part of the infrastructure that electricity distributors use to provide normal distribution services rather than as stand-alone assets.

The device commonly known as a ‘smart meter’ and the infrastructure that support it undertakes a range of distinctively different roles:

- **enhanced metrology**, the provision of metering equipment that measures electrical energy for wholesale market settlements and billing
- **elements of intelligent networks**: e.g. real-time monitoring of energy consumption and production, supply continuity, power factor and power quality, and controlling customer load to alleviate network/supply constraints
- a range of **customer services**:
 - *current services* provided in a new way: e.g. disconnection/reconnection and load control of legacy off-peak devices
 - *new services*: e.g. home area network (**HAN**) controller, messaging to the HAN: appliances and in-home displays.

The technological, economic (including contestability) and regulatory issues and emerging alternatives associated with each role are different, and this may be a useful consideration for the AEMC.

- *Cost and technology* – During its review the AEMC should consider that different mandate scenarios will involve differing levels of certainty about costs and benefits. In some cases distributors will have firm contract prices for the mandated investment and, in some cases, distributors will only have estimates such as those derived from pilots and trials.

Chapter 6 of the NER, as it currently stands, relies on businesses and regulators having a good level of certainty on forecast costs. While pilots and trials will increase certainty of the costs of smart metering for the purposes of a Minister gaining confidence that the benefits outweigh the costs, they may not—on their own—allow the estimation of costs precisely enough for the purpose of making a regulatory determination or securing business approvals and financing.

If you have any further questions regarding this response please feel free to call me on (02) 92704512 or email: sandra.gamble@jemen.com.au.

Yours sincerely



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