Cost Recovery Arrangements for Mandated Smart Metering Infrastructure

Draft Rule Change Request (including draft Rules)

Implementation of the Rule change recommendations from the AEMC's Request for Advice on Cost Recovery for Mandated Smart Metering Infrastructure Review

30 November 2010

1 Background and context for the Rule change request

On 19 November 2009, the Ministerial Council on Energy (MCE) requested the Australian Energy Market Commission (AEMC) provide advice on whether Chapter 6 of the National Electricity Rules (Rules) most efficiently accommodates cost recovery for smart metering infrastructure (SMI) mandated by a Ministerial determination. The MCE also requested that the Commission make recommendations on any changes to the Rules necessary to ensure the recovery of the efficient costs of mandated SMI and have regard to the need for the prompt pass through of benefits to consumers, where this is in their long term interest. Under the MCE's Request for Advice, the AEMC was required to provide advice on a number of issues, including but not limited to, whether Chapter 6 of the Rules:

- Provides for the recovery of the efficient costs of mandated smart meter roll-outs and pilots under the distribution determination process and the cost pass through process;
- Allows the Australian Energy Regulator (AER) to take into account ‘reasonably achievable network operational benefits' in determining the efficient costs of mandated smart meter roll-outs and pilots;
- Provides appropriate incentives for DNSPs to promptly pass on efficiencies from mandated smart meter roll-outs to customers, maximise the competitive purchase of metering services and meters, and manage technology risks associated with the roll-out of SMI; and
- Requires modification to provide for the unbundling of tariffs for smart metering services from distribution use of system charges, and to smooth the tariff impact of a smart meter roll-out decision on customers.

The MCE's Request for Advice was made following amendments to the National Electricity Law which enabled Energy Ministers in participating jurisdictions to make a Ministerial determination to require DNSPs operating predominately in their jurisdiction to:

- roll-out smart metering services to customers; and
- conduct trials and pilots of SMI and other related technologies, including direct load control.[1]

Under these amendments to the NEL, mandated smart meter roll-outs, pilots and trials will be exclusively performed by DNSPS in order to maximise the potential benefits of these investments.

1 The *National Electricity (South Australia) (Smart Meters) Amendment Act 2009*passed the South Australian Parliament on 29 October 2009. This Act commenced operation on 1 January 2010.

The AEMC submitted its Final Report in response to the MCE's Request for Advice to the MCE on 30 November 2010.[2] This Final Report included draft Rules, which were developed following the AEMC's consideration of stakeholder submissions on the AEMC's Draft Report on the Request for Advice and accompanying specifications for the cost recovery arrangements.

2 AEMC, 2010, Request for Advice on Cost Recovery for Mandated Smart Metering Infrastructure, Final Report, 30 November .

2 Rule change request

2.1 Name and address of Rule change request proponent

The Ministerial Council on Energy

MCE Secretariat

GPO Box 9839

CANBERRA ACT 2601

2.2 Description of the proposed Rules

The AEMC's Final Report recommended that Rule changes be made to implement its proposed cost recovery arrangements for DNSPs, to allow them to recover the net efficient costs of SMI that has been mandated by a Ministerial smart meter determination. The MCE accepts the rationale for the arrangements set out in that Final Report.

The AEMC's proposed Rules relate to the framework for the economic regulation of DNSPs in Chapter 6 of the Rules. There are four main components to the proposed Rules, which include:

- The distribution determination process;
- The mid period cost recovery process for mandated smart meter roll-outs;
- The cost pass through process for mandated smart meter pilots and trials; and
- Tariff issues associated with mandated SMI.

The key features of the proposed Rule in these four areas include:

Distribution determination process

- A requirement for the 'core services' in a Ministerial smart meter determination to be classified as standard control services. These core services would include the following services that a DNSP is mandated to provide under a Ministerial smart meter determination: smart meter provision and installation; recovery of stranded metering costs; meter data services; and smart meter pilot and trial services. As a result, the AER would have no discretion in determining the appropriate service classification of these core services through the distribution determination process. However, the AER would retain discretion in determining the service classification of any other services a DNSP provides using its mandated SMI (i.e. 'non core' or ancillary services).

- A new reporting requirement on DNSPs to provide annual information to the AER on the actual costs and network operational benefits of any mandated smart meter roll-outs, pilots and trials they are currently undertaking. The AER would be required to publish this information each year and publish a guideline outlining the nature and format of information that must be provided;

- A revenue adjustment which is made during the distribution determination process, to address differences in timing between when a DNSP actually incurs expenditure associated with a Ministerial roll-out determination compared to when a DNSP was forecast to incur this expenditure during its previous distribution determination. This adjustment would apply to both fixed and variable costs and would be symmetrical, as it would apply to circumstances where a DNSP has rolled out smart meters and associated infrastructure slower than forecast in its distribution determination and faster than forecast.

Mid period cost recovery process for mandated smart meter roll-outs

- Where a DNSP is required to undertake a mandated smart meter roll-out within a regulatory control period and the costs for this roll-out have not been incorporated in a relevant distribution determination, DNSPs would not be able to seek cost recovery under the cost pass through provisions in clause 6.6.1 of the Rules. Instead, the AER would be required to undertake an interim determination process within the regulatory control period to determine the allowed revenue for the mandated roll-out until the end of the regulatory control period. This interim determination process would be undertaken by the AER in a similar way to the distribution determination process, and the AER would be able to re-open any parts of a DNSP's distribution determination that it considers would be impacted by the mandated smart meter roll-out.

- Where the AER is not able to complete its interim determination process within the regulatory control period, it would be required to take into account the DNSP's proposed expenditure for the mandated roll-out in its distribution determination process for the next regulatory control period. If there is insufficient time for this to occur, the AER would be required to undertake the interim determination process, even if it would not be completed until part way into the next regulatory control period.

The cost pass through process for mandated smart meter pilots and trials

- The cost pass through provisions in clause 6.6.1 of the Rules would continue to be applied to mandated smart meter pilots and trials, where a DNSP needs to seek cost recovery within a regulatory control period. However, amendments to the cost pass through provisions specifically for mandated smart meter pilots and trials are proposed to:

  — Specify that the materiality threshold for mandated pilots and trials is equivalent to the AER's administrative costs of assessing a pass through application;

- — Allow the AER to extend its time period for making a cost pass through determination for mandated smart meter pilots and trials to a maximum of 6 months by publishing a notice, where it considers that the difficulty of assessing or quantifying the effect of the Ministerial pilot determination justifies the extension; and

- — Require the AER when making a cost pass through determination for mandated smart meter pilots and trials, to consider the costs that an efficient and prudent DNSP in the circumstances of the relevant DNSP would require.

- A general amendment is proposed to the cost pass through provisions to allow DNSPs to seek cost recovery where a pass through event occurs in the last 13 months of a regulatory control period, but a DNSP does not incur costs associated with that pass through event until the next regulatory control period (i.e. the 'dead zone'). The proposed change to the Rules would address the cost recovery risk associated with the dead zone for all pass through events in Chapter 6 of the Rules (i.e. for both positive and negative change events).

- DNSPs would be able to include its forecast costs for mandated smart meter pilots and trials in their revised regulatory proposal during the distribution determination process, even where the AER has not specifically referred to the mandated pilot or trial in its draft distribution determination.

- The AER would be required to consider the need for adequate pass through arrangements for mandated 'non-core' smart metering services which may be provided using mandated SMI, when deciding on the appropriate control mechanisms for alternative control services in making a distribution determination.

Tariff issues associated with mandated SMI.

- The AER would be required to unbundle charges for smart meter provision and installation and meter data provision from distribution use of system (DUOS) charges. These unbundled charges could not be levied on customers until they have an installed and functioning smart meter.

- New pricing principles for smart metering services would be inserted in the Rules- the 'SMI Pricing Principles'. These principles are based on a beneficiary pays principle and would be used by the AER during the distribution determination process to determine how the costs for mandated smart metering services would be allocated to different tariff classes.

- The tariff impact of a mandated smart meter roll-out on consumers would be smoothed by:

  - — Preventing the recovery of the stranded costs of existing meters through accelerated depreciation following a mandated smart meter roll-out.

Instead, DNSPs would be required to continue to recover the costs of these meters through DUOS charges based on their current asset lives;

— Requiring the AER to consider the need to minimise the initial tariff impact of a mandated smart meter roll-out, when determining the appropriate X factor for the forthcoming regulatory control period during the distribution determination process; and

— Providing the AER with the ability to modify a DNSP's proposed depreciation schedule for SMI assets. The AER would be required to take into account defined factors in the Rules when determining whether to modify a DNSP's depreciation schedule.

2.3 Nature and scope of the issues the proposed Rules will address

2.3.1 Distribution determination process

The proposed Rules relating to the distribution determination process seek to improve the potential for the recovery of the net efficient costs of mandated SMI and the efficient provision and management of smart metering services.

The proposed amendment to specify the service classification of the 'core services' in a Ministerial smart meter determination will provide DNSPs with greater regulatory certainty regarding their opportunities for cost recovery and how these services will be regulated. This is likely to provide for a more efficient and effective provision of services.

The proposed information provision requirement on DNSPs would provide the AER with information on the actual costs and network operational benefits of mandated smart meter roll-outs, pilots and trials that DNSPs are undertaking. This would ensure that the AER has sufficient information when making regulatory determinations (i.e. both cost pass through determinations and distribution determinations) to determine the appropriate level of efficient costs and network operational benefits. It would also address any potential uncertainty the AER may have in relation to the efficient costs and benefits of mandated SMI, as it is a relatively new technology, which would promote the recovery of net efficient costs. A clear requirement in the Rules is proposed rather than a reliance on the AER's existing information gathering powers in the NEL, as it would provide greater clarity and regulatory certainty regarding the information that would be provided and reduce the potential for delays in its provision.

The revenue adjustment to address differences in the timing of when mandated smart meter roll-out costs are incurred compared to when they were forecast to be incurred would ensure that DNSPs are revenue neutral to the timing of the roll-out. This would counter-act current incentives in the Rules for DNSPs to delay mandated roll-outs within a regulatory control period. It would also remove the current penalties in the Rules where DNSPs undertake roll-outs faster than forecast, as DNSPs would be compensated for the additional depreciation and return on capital that they would otherwise not have received. Therefore, this revenue adjustment would promote the efficient provision of smart metering services to consumers.

2.3.2 The mid period cost recovery process for mandated smart meter roll-outs

The proposed interim determination process for mandated smart meter roll-outs would allow DNSPs to recover the net efficient costs of a mandated roll-out, where a Ministerial roll-out determination requires DNSPs to incur expenditure prior to the start of the next regulatory control period and the costs of this roll-out have not been incorporated within a relevant distribution determination. It is proposed that this interim determination process be applied instead of the cost pass through provisions in clause 6.6.1 of the Rules, as the cost pass through process is inappropriate for the scope and complexity of a mandated roll-out. In particular, under the current cost pass through provisions, the AER is unlikely to have sufficient time to assess the full impact of a mandated roll-out and is not required to conduct an efficiency assessment. It is also unclear whether the AER would be able to consider the impact of any operational benefits associated with the roll-out on the DNSP's broader operations. Therefore, the application of the current cost pass through provisions may not provide for the recovery of net efficient costs.

The proposed interim determination process is based on the distribution determination process, which would preserve incentives for efficiency and provide regulatory certainty to DNSPs in regards to how their proposals would be assessed. In undertaking an interim determination, the AER would be able to re-open any parts of the relevant distribution determination which it reasonably considers would be impacted by the mandated roll-out. This would ensure that the AER has sufficient flexibility to consider the full impact of a mandated roll-out on the DNSP's operations, including the impact of any network operational benefits associated with the roll-out. Further, as the AER would be able to re-open the distribution determination, it would not be required to determine an arbitrary boundary between mandated roll-out expenditure and non-mandated roll-out expenditure, where a DNSP has proposed expenditure on IT and communications assets in its interim regulatory proposal which may be used to provide other network services by the DNSP.

2.3.3 Cost pass through process for mandated smart meter pilots and trials

The proposed amendments to the cost pass through provisions for mandated smart meter roll-outs and pilots would provide greater certainty to DNSPs regarding their ability for cost recovery and improve the potential for this process to provide for the recovery of efficient costs. By specifying the materiality threshold for mandated smart meter pilots and trials in the Rules, DNSPs would have a clear understanding regarding when they can seek cost pass through, and it would also ensure that there is a consistent materiality threshold for mandated pilots and trials across jurisdictions. In contrast, under the current Rules, as the AER has discretion to determine the materiality threshold for pass through events, there is a risk that it may adopt different approaches to this threshold in different distribution determinations.

The proposed amendment to allow the AER to extend its timeframe for cost pass through determinations for mandated smart meter pilots and trials would ensure that the AER has sufficient time to make its determination. It is also recommended that the AER be required to conduct an efficiency assessment when making its cost pass through determinations for mandated pilots and trials, in order to provide for the recovery of efficient costs. This amendment would also provide for a more consistent cost recovery approach between the distribution determination process and the cost pass through process. In contrast, under the current Rules, the AER has no ability to extend its decision making timeframe if it requires more than 60 business days to make a cost pass through determination and has no obligation to consider the efficiency of the proposed pass through amount.

It is also proposed that a general amendment to the cost pass through provisions be made to allow DNSPs to seek cost recovery where a pass through event occurs during the 'dead zone'. Under the current Rules, there is a risk that DNSPs may not be able to seek cost recovery under either the cost pass through provisions or the distribution determination process, where a pass through event occurs during the dead zone and a DNSP does not incur costs associated with this event until the next regulatory control period. The proposed amendment would provide DNSPs with greater certainty regarding opportunities for cost recovery and would ensure that the Rules are able to accommodate the potential that a Ministerial pilot determination may be made in the last 13 months of a regulatory control period. Further, as the proposed amendment would apply to all cost pass through events in Chapter 6 of the Rules, it would also provide for greater consistency in how mandated smart meter pilots and trials are treated compared to other types of regulated distribution investments.

A specific amendment for mandated smart meter pilots and trials is also proposed to allow DNSPs to include their forecast expenditure for a mandated pilot or trial in their revised regulatory proposal during the distribution determination process, even where the AER has not referred to the mandated pilot or trial in its draft distribution determination. Under the current Rules, DNSPs are only able to include additional expenditure in their revised regulatory proposal to address matters or the reasons for these matters in the AER's draft distribution determination. This would allow DNSPs to seek cost recovery through the distribution determination process where a Ministerial pilot determination is made following a draft distribution determination, where there is sufficient time to include these costs in a revised regulatory proposal. This would reduce the need for a separate cost pass through process to occur, which would reduce regulatory costs for the AER and DNSPs.

2.3.4 Tariff issues associated with mandated SMI

It is proposed that the AER would be required to unbundle the charges for smart meter provision and installation and meter data provision from DUOS charges. This would allow consumers and potential new entrants greater transparency regarding the costs of mandated smart meter roll-outs, which may assist in maximising the potential benefits of mandated roll-outs and fostering future contestability in smart metering services. Under the current Rules, it would not be possible for the AER to unbundle charges for smart meter provision and installation and meter data provision from DUOS, where these services are classified as standard control services.

Under the proposed Rules, new pricing principles, the 'SMI Pricing Principles', would be inserted in the Rules and used by the AER to determine the tariffs for mandated smart metering services through the distribution determination process. The SMI Pricing Principles are based on a beneficiary pays principle, which would provide for greater prescription in how costs are allocated and result in a more efficient allocation of costs to consumers. In accordance with the beneficiary pays principle, it is also proposed that customers who have not yet received an installed and functioning smart meter, should not be required to pay individual smart metering charges.

In contrast, under the current Rules, costs are allocated to tariff classes and tariff elements by DNSPs in accordance with defined pricing principles in clause 6.18.5 of the Rules, and the AER may only amend a DNSP's tariffs if the tariffs do not comply with these pricing principles. These pricing principles contain general efficiency criteria based on the 'causer pays' principle, which requires customers to pay the relevant costs of services they have requested. However, the causer pays principle may not result in the efficient allocation of costs for a mandated smart meter roll-out, as a roll-out would occur as a result of a Ministerial determination rather than as a result of a customer request or by customer agreement.

The tariff impact of a mandated roll-out is expected to be significant at approximately 5-10% of a customer's bill.[3] Under the current Rules, the AER has no ability to smooth tariffs between regulatory control periods. It is able to smooth tariffs within a regulatory control period by using the X factor in making a distribution determination, but is not expressly required to do so.

Three amendments have been proposed to allow the AER to smooth the tariff impact of a mandated roll-out. Under these amendments, the AER would be required to consider tariff smoothing when determining the X factor in making a distribution determination. The AER would also be able to smooth the tariff impact between regulatory control periods, as DNSPs would not be able to seek accelerated depreciation for stranded metering assets and the AER would have the ability to back-end depreciation for mandated SMI assets. Tariff smoothing would have a range of potential economic and equality benefits for consumers, including: a better alignment of the timing of the costs of a roll-out to potential benefits; ensuring customers who receive a smart meter early in the roll-out schedule are not disadvantaged; and the provision of stable and certain prices for consumers.

3 This is based on figures from the Victorian advanced metering infrastructure roll-out. See: AER, 2009, Final determination: Victorian advanced metering infrastructure review: 2009-11 AMI budget and charges applications, October.

2.4 How the proposed Rules will contribute to the achievement of the National Electricity Objective

The National Electricity Objective (NEO) is set out in section 7 of the NEL. The NEO states:

> "The objective of this Law is to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to —
>
> (a) price, quality, safety, reliability and security of supply of electricity; and
>
> (b) the reliability, safety and security of the national electricity system."

Under section 88 of the NEL:

1. The AEMC may only make a Rule if it is satisfied that the Rule will or is likely to contribute to the achievement of the NEO.

2. For the purpose of subsection (1), the AEMC may give such weight to any aspect of the NEO as it considers appropriate in all the circumstances, having regard to any relevant MCE statement of policy principles.

In June 2008, the MCE published a statement of policy principles of smart meters, which is considered relevant to this Rule change request. In this statement, the MCE noted that:

> "The regulatory framework for distribution network tariffs, consistent with the revenue and pricing principles, should ensure that distribution network service providers:
>
> (a) are able to recover in a transparent manner the costs directly resulting from meeting the mandated service standards for smart meters and the costs of their existing investment which has been stranded by any mandatory roll out; and
>
> (b) promptly pass on cost efficiencies resulting from the installation of smart meters to tariff classes affected by the costs of a smart meter roll-out.[4]"

The MCE's statement of policy principles on smart meters was considered in the development of the AEMC's Final Report and the proposed Rules in this request reflect these principles.

4 MCE, Statement of Policy Principles- Smart Meters, pg. 1.

2.4.1 Distribution determination process

The proposed amendment to specify the service classification of core services in a Ministerial smart meter determination would promote efficient investment in smart metering services by DNSPs, as it would provide DNSPs with greater regulatory certainty regarding cost recovery for these services. This may also result in a reduced risk of delays in the implementation of mandated smart meter roll-outs, pilots and trials.

The provision of annual information by DNSPs to the AER on mandated SMI they are undertaking would assist the AER to determine the level of efficient costs and network operational benefits of mandated smart meter roll-outs, pilots and trials and also commercial SMI that may be proposed by DNSPs. This would promote the efficient provision of smart metering services by DNSPs and efficient investment in these services.

The revenue adjustment that is proposed to ensure that DNSPs are revenue neutral to differences between the forecast and actual timing of mandated roll-outs, would result in a more efficient provision of smart metering services for consumers. Further, consumers would not be required to compensate DNSPs where DNSPs have rolled out smart meters and associated infrastructure slower than forecast in their distribution determinations. Conversely, where a DNSP has rolled out smart meters faster than forecast, they would be compensated for incurring this expenditure at an earlier stage. Therefore, efficient investment decisions by DNSPs would be encouraged as DNSPs would not be penalised where they consider that a faster roll-out schedule would be more efficient.

2.4.2 The mid period cost recovery process for mandated smart meter roll-outs

The interim determination process that is proposed for mandated smart meter roll-outs would provide a clear and transparent process for the recovery of the net efficient roll-out costs within a regulatory control period. As DNSPs would have greater certainty regarding their ability to seek cost recovery, this would promote the efficient provision of services. This determination process would be similar to the distribution determination process, in that it would require the AER to conduct a rigorous and transparent assessment process to determine the efficient costs and network operational benefits associated with the mandated roll-out. This would ensure that DNSPs are only able to recover their efficient and prudent costs, which would provide for efficient investment in mandated roll-outs and efficient network charges for consumers.

2.4.3 Cost pass through process for mandated smart meter pilots and trials

The amendments to the cost pass through process for mandated smart meter pilots and trials would promote efficient investment in mandated pilots and trials and result in more efficient charges for these services for consumers. This would occur as the AER would have sufficient time to make its cost pass through determination for mandated pilots and trials and would be required to undertake an efficiency assessment. Further, as the materiality threshold for mandated pilots and trials would be specified in the Rules, DNSPs would have greater certainty regarding their ability to seek cost recovery, which may promote the efficient provision of these services.

The general amendment to address the cost recovery risk associated with the 'dead zone' would promote efficient investment and the efficient provision of services in distribution investments more generally, as this would provide an opportunity for DNSPs to seek cost recovery for all pass through events which occur during the dead zone.

2.4.4 Tariff issues associated with mandated SMI

Greater prescription regarding the allocation of the costs of smart metering services would provide for a more efficient allocation of costs, which would promote the efficient provision of smart metering services and more efficient tariffs for consumers. This may occur as the AER would be required to expressly consider the associated benefits of mandated SMI and where these benefits accrue, when determining how costs should be allocated to different tariff classes.

The amendments relating to tariff smoothing may promote efficient consumption decisions by consumers by providing greater stability and certainty in tariffs. This may result in greater efficiency in the use of smart metering services by consumers.

2.5 Expected costs, benefits, and impacts of the proposed Rules

2.5.1 Distribution determination process

Specifying the classification of the core services in a Ministerial smart meter determination as standard control services in the Rules, would provide greater certainty to DNSPs regarding how these services would be regulated and how the costs of these services would be recovered. This may reduce the regulatory risks associated with complying with a Ministerial smart meter determination for DNSPs, and provide for a more effective and efficient provision of services for consumers. As the AER would not be required to consider the service classification of these core services during the distribution determination process, this amendment to the Rules may reduce the regulatory burden of the distribution determination process for the AER.

The new information reporting requirement that is proposed for DNSPs on the actual costs and network operational benefits of mandated smart meter roll-outs, pilots and trials they are undertaking would increase resourcing and administrative costs for DNSPs and the AER. However, as DNSPs would be required to provide this information to the AER each year, this reporting process should assist both DNSPs and the AER to prepare for the five yearly distribution determination process. To provide regulatory certainty to DNSPs and stakeholders regarding this new requirement and to ensure that this requirement can be applied in practice, the AER would be required to publish a guideline, following public consultation, on the type and format of information to be provided. The costs of this new reporting requirement on DNSPs would be minimised, as the AER would have the discretion to exempt DNSPs from this reporting requirement where the AER considers that similar information is being provided through alternative reporting requirements.

For the AER, a clear reporting requirement in the Rules, rather an a reliance on its general information gathering powers in the NEL, would provide it with greater certainty regarding the provision of this information and reduce the potential for delays in its provision. The information that it would receive from DNSPs would assist it in determining the level of efficient costs and network operational benefits when making regulatory determinations for mandated SMI. This is likely to promote the recovery of efficient costs, which would be of benefit to consumers.

As the AER would be required to publish the information it receives from DNSPs, this amendment to the Rules would provide transparency on the implementation of mandated smart mandated smart meter roll-outs, pilots and trials for consumers and jurisdictional Governments. Publishing this information would also assist in improving the efficiency and effectiveness of future mandated smart meter roll-outs, pilots and trials, which may improve the provision of smart metering services for consumers. It may also assist DNSPs and potential new market entrants who are considering whether to undertake a commercial pilot or roll-out of SMI or provide smart metering services, to develop their business case.

The proposed revenue adjustment mechanism to address differences in timing between when a DNSP actually incurs expenditure associated with a Ministerial roll-out determination and when a DNSP was forecast to incur this expenditure during its previous distribution determination, would counteract current incentives in the Rules for DNSPs to delay the timing of mandated smart meter roll-outs. This would promote the efficient implementation of the roll-out, which would ensure that consumers receive smart metering services in a timely manner. It would also ensure that consumers are not required to compensate DNSPs where DNSPs have delayed the timing of a mandated roll-out, which would provide for a more efficient recovery of costs from consumers.

Under this revenue adjustment, DNSPs would continue to recover at least their efficient costs as they would be revenue neutral to the timing of the mandated roll-out. The incentives on DNSPs to minimise costs would also be maintained, as the adjustment would be based on the unit operating and capital costs originally forecast at the beginning of the previous regulatory control period. This would promote the efficient management of costs and provide greater incentives for DNSPs to manage any implementation risks. This adjustment would also remove the current penalties in the Rules where DNSPs roll-out smart meters faster than forecast in their distribution determination, as DNSPs would be compensated for incurring this expenditure earlier than forecast under this adjustment.

2.5.2 The mid period cost recovery process for mandated smart meter roll-outs

The interim determination process that is proposed for mandated smart meter roll-outs would ensure that DNSPs have an opportunity to seek the recovery of their net efficient costs, where they are required to incur costs for a mandated roll-out within a regulatory control period. The interim determination process is based on the distribution determination process, which would preserve incentives for efficiency and provide regulatory certainty to DNSPs regarding how their proposals would be assessed.

For DNSPs and the AER, the interim determination process would increase their resourcing and administrative costs as this process would require a lengthier and more rigorous assessment process than the current cost pass through provisions. However, as the proposed interim determination process is similar to the existing distribution determination process, the costs of the interim determination process should not impose substantial compliance costs for DNSPs and the AER.

For the AER, the interim determination process would ensure that the AER has sufficient time to determine the appropriate level of revenue for the mandated roll-out. The AER would also have sufficient flexibility to consider the full impact of a mandated roll-out on the DNSP's broader operations, including the impact of any network operational benefits associated with the roll-out. This is likely to improve the potential for the recovery of net efficient costs, which may provide for a more efficient provision of services by DNSPs for consumers.

2.5.3 Cost pass through process for mandated smart meter pilots and trials

Our proposed changes to the cost pass through provisions would provide DNSPs with greater regulatory certainty in regards to their ability to seek cost recovery for the efficient costs of mandated smart meter pilots and trials; non-core mandated smart metering services; and also pass through events more generally, when they occur during the dead zone. As DNSPs would have greater regulatory certainty regarding cost recovery under the cost pass through provisions, it may also improve incentives for retailers to participate in mandated pilots and trials.

For the AER, our proposed amendments would provide it with greater clarity in regards to how the cost pass through provisions would be applied. It would also ensure that the AER has sufficient time to undertake cost pass through determinations on mandated smart meter pilots and trials. As the AER would also be required to conduct an efficiency assessment for mandated smart meter pilots and trials, this new requirement may increase resourcing costs for the AER. However, a clear requirement for the AER to conduct an efficiency assessment would also improve the potential for the recovery of efficient costs, which would benefit consumers.

2.5.4 Tariff issues associated with mandated SMI

Greater prescription on how tariffs for smart metering services are to be structured and how costs should be allocated, would provide for a more efficient and equitable allocation of costs to consumers. The unbundling of the costs from DUOS charges of smart meters and their installation and meter data provision, would provide transparency in relation to the costs of mandated smart meter roll-outs to potential market entrants and consumers. This may assist to foster future contestability in smart metering services, and it may also encourage the use of the smart meter and efficient consumption decisions by consumers.

For DNSPs, retailers and the AER, greater prescription in regards to unbundling and the allocation of costs and tariff structures for mandated smart metering services may increase administrative costs. However, under the SMI Pricing Principles, tariffs must be determined with regard to the transaction costs of calculating the tariffs and the current propose-respond model for the approval of tariffs would be maintained. Further, the AER would not be required to apply the SMI Pricing Principles to non-core smart metering services, as the tariffs for these services would be determined through the current pricing principles in clause 6.18.5 of the Rules. Therefore, the regulatory costs associated with the application of SMI Pricing Principles for DNSPs, retailers and the AER should be minimised.

The proposed amendments to facilitate tariff smoothing by the AER would provide more stable and certain prices for consumers, which may result in consumers making more efficient consumption decisions. It would also provide for more equitable pricing, as without tariff smoothing consumers who receive a smart meter earlier in a mandated roll-out schedule would be required to pay a greater proportion of roll-out costs than customers who receive a meter later in the roll-out. This could be considered inequitable, as consumers would have no control as to when they receive a smart meter.

For DNSPs, tariff smoothing would delay the recovery of their mandated roll-out costs. However, the amendments relating to the use of the X factor and the prevention of accelerated depreciation for stranded metering assets should not result in a disproportionate change for DNSPs in relation to the current process for cost recovery. The amendment to allow the AER to back-end depreciation for SMI assets would represent a greater change to how DNSPs currently recover their costs and may impact the future competitiveness of DNSPs, where there is future contestability in smart metering services. However, back-ended deprecation would only be applied by the AER in accordance with specified criteria in the Rules, which would include the impact on the future contestability in smart metering services. These criteria should also provide both the AER and DNSPs with greater regulatory certainty as to how back-ended depreciation would be applied.

Proposed National Electricity Amendment (Cost Recovery Arrangements for Mandated Smart Metering Infrastructure) Rule 2010

Proposed National Electricity Amendment (Cost Recovery Arrangements for Mandated Smart Metering Infrastructure) Rule 2010

1 Title of Rule

This Rule is a proposed Rule for the Cost Recovery Arrangements for Mandated Smart Metering Infrastructure.

2 Commencement

This proposed Rule will commence operation on a date to be specified if the rule change process for this Rule is initiated.

3 Amendment of the National Electricity Rules

The National Electricity Rules are proposed to be amended as set out in Schedule 1.

4 Amendment of the National Electricity Rules

The National Electricity Rules are proposed to be amended as set out in Schedule 2.

Schedule 1 Amendments of the National Electricity Rules

(Clause 3)

[1] Clause 6.1.2 Structure of this Chapter

In clause 6.1.2(b)(13), omit "and" where last occurring.

[2] Clause 6.1.2 Structure of this Chapter

In clause 6.1.2(b)(14), omit "." and insert:

; and

(15) Part O deals with the provision to the *AER* of information relating to costs associated with complying with a *Ministerial smart metering determination* and *installing* and using *smart meters*.

[3] New Clause 6.2.3A Services associated with smart meters

After clause 6.2.3, insert:

6.2.3A Services associated with smart meters

The following *distribution services* are *standard control services*:

(a) the *installation* of *required smart metering infrastructure* to provide *smart metering services* in accordance with a *Ministerial smart meter rollout determination* to the extent that, under the *Rules*, that service may only be provided by the *Distribution Network Service Provider* to whom the *Ministerial smart meter rollout determination* (that applies to that *required smart metering infrastructure*) applies;

(b) the replacement of *metering installations* consequent upon the *installation* of *required smart metering infrastructure* to provide *smart metering services* in accordance with a *Ministerial smart meter rollout determination*;

(c) the *remote acquisition* of *metering data* from a *smart meter* to the extent that, under the *Rules*, that service may only be provided by the *Distribution Network Service Provider* to whom the *Ministerial smart meter rollout determination* (that applies to that *smart meter*) applies; and

(d) the conduct of *smart meter trials* and undertaking of *smart meter assessments* in accordance with a *Ministerial pilot metering determination*.

[4] Clause 6.2.5 Control mechanisms for direct control services

In clause 6.2.5(d)(4), omit "and" where lastly occurring.

[5] Clause 6.2.5 Control mechanisms for direct control services

After clause 6.2.5(d)(4), insert:

(4A) where the *alternative control services* are *distribution services* that are provided by the *Distribution Network Service Provider* in complying with a *Ministerial smart meter rollout determination*, the need to provide a reasonable opportunity for the *Distribution Network Service Provider* to recover the efficient costs of providing those services over the *regulatory control period*, including the need for adequate cost pass through arrangements; and

[6] Clause 6.4.3 Building block approach

After clause 6.4.3(a)(5), insert:

(5A) the revenue increment or decrement (if any) for that year arising from differences between actual and forecast operating and capital expenditure for *regulatory years* in a previous *regulatory control period* in complying with a *Ministerial smart meter rollout determination* – see subparagraph (b)(5A); and

(5B) the revenue increment or decrement (if any) for that year arising from operating expenditure being incurred during a previous *regulatory control period* in *installing required smart metering infrastructure* to provide *smart metering services* in accordance with a *Ministerial smart meter rollout determination*, and maintaining that *required smart metering infrastructure* where allowance for that operating expenditure has not otherwise been made – see subparagraph (b)(5B); and

[7] Clause 6.4.3 Building block approach

In clause 6.4.3(b)(1)(i), omit "clause 6.5.1" and substitute "clauses 6.5.1, 6.6.4(m), 6.6A.3".

[8] Clause 6.4.3 Building block approach

After clause 6.4.3(b)(5), insert:

(5A) the revenue increment or decrement referred in subparagraph (a)(5A) is that which arises as a result of any adjustment that is required to be made under clause 6.6.4; and

(5B) the revenue increment or decrement referred in subparagraph (a)(5B) is that which arises as a result of any adjustment that is required to be made under clause 6.6A.3(g) or (h) (as applicable); and

[9] Clause 6.5.1 Regulatory asset base

In clause 6.5.1(f), after "are set out in", insert "clauses 6.6.4(m), 6.6A.3 and".

[10] Clause 6.5.2 Return on capital

In clause 6.5.2(a), omit "clause 6.5.1," and substitute "clauses 6.5.1, 6.6.4(m), 6.6A.3".

[11] Clause 6.5.5 Depreciation

In clause 6.5.5(a)(2), before "must be calculated", insert "subject to paragraph (c),".

[12] Clause 6.5.5 Depreciation

In clause 6.5.5(b)(3), omit "." and insert:

; and

(4) in so far as a depreciation schedule relates to *metering installations* or associated equipment or infrastructure that is replaced consequent on the *installation* of *required smart metering infrastructure* to provide *smart metering services* in accordance with a *Ministerial smart meter rollout determination*, that schedule must depreciate using a profile based on what the economic life of the *metering installations* or that associated equipment or infrastructure would have been if they had not been replaced and, for the purposes of subparagraphs (2) and (3), the economic life of those *metering installations* or that associated equipment or infrastructure will be taken to be that which it would have been if the *metering installations* or associated equipment or infrastructure had not been replaced.

(c) Subject to paragraphs (d) and (e) the *AER* may, in a draft distribution determination under rule 6.10 or a final distribution determination under rule 6.11, amend the depreciation schedules nominated in the *Distribution Network Service Provider's building block proposal* for the purpose of smoothing, over the *annual revenue requirements* of the provider for *regulatory years* in the *regulatory control period*, the fixed costs of *installing required* *smart metering infrastructure* to provide *smart metering services* in accordance with a *Ministerial smart meter rollout determination*.

(d) The fixed costs referred to in paragraph (c) must not include the unit cost per smart meter incurred by the *Distribution Network Service Provider* in acquiring *smart meters*.

(e) The *AER* must only amend the depreciation schedules as referred to in paragraph (c):

(1) to the extent the *AER* is satisfied that the amendment of the depreciation schedules is appropriate, taking into account:

(i) other provisions of the *Rules* (including clauses 6.5.9(b)(1A) and 6.5.5(b)(4)), and any provisions in the draft distribution determination or the final distribution determination (as the case may be), that are intended to smooth costs over the *regulatory control period*; and

(ii) the possible effects on the development of competition in the provision of *smart metering services*;

(2) such that the amended schedules comply with the requirements set out in paragraph (b) other than the requirement regarding depreciation methods and rates referred to in subparagraph (b)(3); and

(3) in such a manner as results in the schedules depreciating the fixed costs referred to in paragraph (c) using a profile that reflects the benefits likely to be realised as a result of the *installation* and use of the *required smart metering infrastructure*.

(f) Where the *AER* decides in a draft distribution determination or a final distribution determination to amend the depreciation schedules as referred to in paragraph (c), the *AER* must include in the reasons given by it for that determination the benefits that are likely to accrue to customers as a result of the amendment of those schedules.

Note:

The provisions for smoothing depreciation do not apply to the "within period determination" processes set out in clauses 6.6A.1 and 6.6A.2 on the grounds that such smoothing can be achieved by adjusting the X factor.

[13] Clause 6.5.9 The X factor

After clause 6.5.9(b)(1), insert:

(1A) must be set by the *AER* with regard to the desirability of minimising the variance between the *annual revenue* *requirement* for each *regulatory year* of the *regulatory control period* where such variance would otherwise result from including in those *annual revenue requirements* costs associated with operating expenditure and capital expenditure for *installing required smart metering infrastructure* to provide *smart metering services* in accordance with a *Ministerial smart meter rollout determination* and for maintaining that *required smart metering infrastructure*; and

[14] Clause 6.6.1 Cost pass through

Omit clause 6.6.1(c)(5) and substitute:

(5) the amount of the *positive pass through amount* that the provider proposes should be passed through to *Distribution Network Users* in the *regulatory year* in which, and each *regulatory year* after that in which, the *positive change event* occurred; and

[15] Clause 6.6.1 Cost pass through

Omit clause 6.6.1(d)(2) and substitute:

(2) the amount of that *approved pass through amount* that should be passed through to *Distribution Network Users* in the *regulatory year* in which, and each *regulatory year* after that in which, the *positive change event* occurred,

[16] Clause 6.6.1 Cost pass through

Omit clauses 6.6.1(f)(3) to 6.6.1(f)(5) and substitute:

(3) the *required pass through amount* in respect of that *negative change event*; and

(4) the amount of the saved costs comprising the *required pass through amount* that the provider proposes should be passed through to *Distribution Network Users*; and

(5) the amount of the costs referred to in subparagraph (4) the provider proposes should be passed through to *Distribution Network Users* in the *regulatory year* in which, and each *regulatory year* after that in which, the *negative change event* occurred; and

[17] Clause 6.6.1 Cost pass through

Omit clause 6.6.1(g)(2)(ii) and substitute:

(ii) the amount of that *negative pass through amount* that should be passed through to *Distribution Network Users* in the *regulatory year* in which, and each *regulatory year* after that in which, the *negative change event* occurred.

[18] 6.6.1 Cost pass through

Omit clause 6.6.1(j)(2) and substitute:

(2) in the case of a *positive change event*, the increase in costs in the provision of *standard control services* that the provider has incurred and is likely to incur until:

(i) unless subparagraph (ii) applies – the end of the *regulatory control period* in which the *positive change event* occurred; or

(ii) if the distribution determination for the *regulatory control period* following that in which the *positive change event* occurred does not make any allowance for the recovery of that increase in costs – the end of the *regulatory control period* following that in which the *positive change event* occurred; and

(2A) in the case of a *positive change event* where the relevant costs are costs incurred or likely to be incurred in complying with a *Ministerial pilot metering determination*, the costs an efficient and prudent provider in the circumstances of the provider would incur; and

(2B) in the case of a *negative change event*, the costs in the provision of *standard control services* that the provider has saved and is likely to save until:

(i) unless subparagraph (ii) applies – the end of the *regulatory control period* in which the *negative change event* occurred; or

(ii) if the distribution determination for the *regulatory control period* following that in which the *negative change event* occurred does not make any allowance for the pass through of those cost savings to *Distribution Network Users* – the end of the *regulatory control period* following that in which the *negative change event* occurred; and

[19] Clause 6.6.1 Cost pass through

In clause 6.6.1(j)(4), omit "relevant *regulatory control period*" and substitute "*regulatory control period* in which the *pass through event* occurred".

[20] Clause 6.6.1 Cost pass through

Omit clause 6.6.1(j)(7) and substitute:

(7) whether the costs of the *pass through event* have already been factored into the calculation of the provider's *annual revenue requirements* for the *regulatory control period* in which the *pass through event* occurred or will be factored into the calculation of the provider's *annual revenue requirements* for a subsequent *regulatory control period*; and

[21] Clause 6.6.1 Cost pass through

After clause 6.6.1(k), insert:

(l) The *AER* may, by written notice to the *Distribution Network Service Provider*, extend the time limit fixed in clause 6.6.1(e) by a total of up to 6 months (whether by one or more such extensions) if:

(1) the relevant costs are costs incurred or likely to be incurred in complying with a *Ministerial pilot metering determination*; and

(2) the *AER* is satisfied that the difficulty of assessing those costs justifies the extension.

(m) If the *AER* extends a time limit under clause 6.6.1(l) it must *publish* notice of the extension together with its reasons for making the extension.

[22] New Clause 6.6.4Carry forward adjustment for smart metering costs

After clause 6.6.3, insert:

6.6.4 Carry forward adjustment for smart metering costs

(a) This clause 6.6.4 applies where:

(1) the forecast operating expenditure or forecast capital expenditure accepted or substituted by the *AER* for any *regulatory year* in the previous *regulatory control period* includes expenditure for *installing required smart metering infrastructure* to provide *smart metering services* in accordance with a *Ministerial smart meter rollout determination*; and

Note:

By virtue of this provision, clause 6.6.4 applies not only where the initial distribution determination for a *regulatory control period* includes such forecast expenditure but also where such forecast expenditure is included by way of an amendment to that distribution determination under clause 6.6A.1 or 6.6A.2 (see clauses 6.6A.1(h), (i), 6.6A.2(i), and (j)).

(2) any of the following apply:

(i) the circumstances set out in clause 6.6.4(b);

(ii) the circumstances set out in clause 6.6.4(c).

(b) The circumstances referred to in clause 6.6.4(a)(2)(i) are that either:

(1) the number of *smart meters installed* during a *regulatory year* in the previous *regulatory control period* in complying with the *Ministerial smart meter rollout determination*; or

(2) where the total number of *smart meters* installed during a *regulatory year* in the previous *regulatory control period* in complying with the *Ministerial smart meter rollout determination* is not available, the estimate of the total number of *smart meters* that will be *installed* during that *regulatory year* in complying with the *Ministerial smart meter rollout determination*,

is greater than or less than the number of *smart meters* that is forecast to be *installed* during that *regulatory year* in complying with the *Ministerial smart meter rollout determination* for the purposes of the forecast operating and capital expenditure that is accepted or substituted by the *AER* for that *regulatory year*.

For the purposes of this clause 6.6.4, a *regulatory year* in respect of which this clause 6.6.4(b) applies is referred to as an **adjustment year**.

(c) The circumstances referred to in clause 6.6.4(a)(2)(ii) are that the fixed operating expenditure or fixed capital expenditure that is forecast to be incurred, during a *regulatory year* in the previous *regulatory control period*, in *installing required smart metering infrastructure* to provide *smart metering services* in accordance with the *Ministerial smart meter rollout determination* is either:

(1) actually incurred, or included in estimated expenditure that is expected to be incurred, in another *regulatory year* in that previous *regulatory control period*; or

(2) not incurred, and not included in estimated expenditure that is expected to be incurred, in any *regulatory year* in that previous *regulatory control period*.

For the purposes of this clause 6.6.4, the first-mentioned *regulatory year* is referred to as the **base year** and the *regulatory year* referred to in subparagraph (1) is referred to as a **revision year**.

(d) In a draft distribution determination under rule 6.10 or a final distribution determination under rule 6.11, the *AER* must:

(1) specify the number of *smart meters* that is forecast to be *installed* in complying with the *Ministerial smart meter rollout determination* for the purposes of the forecast operating and capital expenditure that is accepted or substituted by the *AER* for each *regulatory year* in the *regulatory control period* to which the distribution determination applies;

(2) specify the key assumptions that underlie the variable operating expenditure and variable capital expenditure that is forecast to be incurred for each such *regulatory year* in *installing smart meters* in complying with the *Ministerial smart meter rollout determination* and in maintaining those *smart meters,* including the assumed variable operating and capital expenditure incurred in *installing* and maintaining each such *smart meter*;

(3) separately specify the variable operating expenditure and variable capital expenditure that is forecast to be incurred for each such *regulatory year* in *installing smart meters* in complying with the *Ministerial smart meter rollout determination* and in maintaining those *smart meters*;

(4) for the purposes of clause 6.6.4(b)(2), approve the estimate of the total number of *smart meters* that will be *installed* during each *regulatory year* referred to in that clause, such estimate to include the number of *smart meters* (if any) that has actually been *installed* during that *regulatory year* in complying with the *Ministerial smart meter rollout determination*;

(5) separately specify the fixed operating expenditure and fixed capital expenditure that is forecast to be incurred in *installing required smart metering infrastructure* to provide *smart metering services* in accordance with the *Ministerial smart meter rollout determination* and that is included in the forecast operating and capital expenditure that is accepted or substituted by the *AER* for each *regulatory year* in the *regulatory control period* to which the distribution determination applies; and

(6) for the purposes of clause 6.6.4(c), approve the estimates of the fixed operating expenditure and fixed capital expenditure that is expected to be incurred, during each such *regulatory year* for which the actual fixed operating expenditure or actual fixed capital expenditure is not available, in *installing required smart metering infrastructure* to provide *smart*

metering services in accordance with the *Ministerial smart meter rollout determination*.

(e) Where the circumstances set out in clause 6.6.4(b) apply, then the *AER* must, for each adjustment year:

(1) calculate the forecast variable operating and capital expenditure for *installing smart meters* in compliance with the *Ministerial smart meter rollout determination*, and for maintaining those *smart meters*, that would have been included in the forecast operating and capital expenditure accepted or substituted by the *AER* for the adjustment year:

(i) if the number of *smart meters* that was forecast to be *installed* during the adjustment year in complying with the *Ministerial smart meter rollout determination*, as referred to in clause 6.6.4(d)(1), had been the actual or estimated number of such *smart meters*, as referred to in clause 6.6.4(b)(1) or (2) (as the case may be); and

(ii) applying the key assumptions referred to in clause 6.6.4(d)(2); and

(2) recalculate the *annual revenue requirement* for the adjustment year using the forecast variable operating and capital expenditure referred to in subparagraph (1), instead of the forecast variable operating and capital expenditure for the adjustment year as referred to in clause 6.6.4(d)(3).

(f) Where the circumstances set out in clause 6.6.4(c) apply, the *AER* must:

(1) recalculate the *annual revenue requirement* for the base year using the forecast operating and capital expenditure accepted or substituted by the *AER* for the base year:

(i) reduced by the amount of fixed operating or capital expenditure respectively referred to in clause 6.6.4(c)(1) or (2) (as the case may be); and

(ii) in the case of the forecast operating expenditure, reduced by an allowance for the financing costs and maintenance costs saved as a result of any reduction in capital expenditure referred to in subparagraph (i); and

(2) recalculate the annual revenue requirement for the revision year using the forecast operating and capital expenditure accepted or substituted by the AER for that revision year:

(i) increased respectively by the amount of the fixed operating or capital expenditure (if any) referred to in clause 6.6.4(c)(1); and

(ii) in the case of the forecast operating expenditure, increased by an allowance for the financing costs and maintenance costs incurred as a result of any increase in capital expenditure referred to in subparagraph (i).

(g) Subject to clause 6.6.4(h), the *annual revenue requirement* for the first *regulatory year* in the *regulatory control period* must:

(1) where the *annual revenue requirement* for an adjustment year, a base year or a revision year is less than the *annual revenue requirement* for that year as recalculated under clause 6.6.4(e)(2) or clause 6.6.4(f)(1) or (2) (as applicable), be increased by the difference between those two amounts; or

(2) where the *annual revenue requirement* for an adjustment year, a base year or a revision year is greater than the *annual revenue requirement* for that year as recalculated under clause 6.6.4(e)(2) or clause 6.6.4(f)(1) or (2) (as applicable), be decreased by the difference between those two amounts,

such difference in each case being adjusted for the time cost of money, based on the *weighted average cost of capital* for the *Distribution Network Service Provider* for the previous *regulatory control period*, over the period from the end of the adjustment year, the base year or the revision year (as the case may be) to the commencement of the first *regulatory year* of the *regulatory control period*.

(h) The *AER* may determine that part of the difference referred to in clause 6.6.4(g) (adjusted for the time cost of money as referred to in that clause) that would otherwise be included as an increase or decrease in the *annual revenue requirement* for the first *regulatory year* in the *regulatory control period* is instead is to be included as an increase or decrease in the *annual revenue requirement* for a subsequent *regulatory year* or *regulatory years* in the *regulatory control period* , in which case the *annual revenue requirement* for each such subsequent *regulatory year* must be increased or decreased (as the case may be) by the part of that difference determined by the *AER* to be allocated to that year, with that part being adjusted for the time cost of money, based on the *weighted average cost of capital* for the Distribution Network Service Provider for the previous *regulatory control period*, over the period from the commencement of the first*regulatory year* of the *regulatory control period* to the commencement of the relevant subsequent *regulatory year*.

(i) For each adjustment year referred to in clause 6.6.4(b)(2), the *AER* must:

(1) calculate the forecast variable operating and capital expenditure for *installing smart meters* in compliance with the *Ministerial smart meter rollout determination*, and for maintaining those *smart meters*, that would have been used to calculate the recalculated *annual revenue requirement* for the adjustment year as referred to in clause 6.6.4(e)(2):

(i) if the estimated number of *smart meters* referred to in clause 6.6.4(e)(1)(i) had been the actual number of *smart meters installed* during the adjustment year in complying with the *Ministerial smart meter rollout determination*; and

(ii) applying the key assumptions referred to in clause 6.6.4(d)(2); and

(2) recalculate the recalculated *annual revenue requirement* for the adjustment year as referred to in clause 6.6.4(e)(2) using the forecast variable operating and capital expenditure referred to in subparagraph (1), instead of the forecast variable operating and capital expenditure referred to in clause 6.6.4(e)(1).

(j) The *AER* must:

(1) for each base year for which an estimate of fixed operating expenditure or fixed capital expenditure has been approved in accordance with clause 6.6.4(d)(6), recalculate the recalculated *annual revenue requirement* for that base year as referred to in clause 6.6.4(f)(1) using the forecast operating and capital expenditure accepted or substituted by the *AER* for the base year:

(i) reduced by the amount of fixed operating expenditure and fixed capital expenditure that was forecast to be incurred during that year in *installing smart metering infrastructure* to provide *smart metering services* in accordance with the *Ministerial smart meter rollout determination* but that was not actually incurred in that year; and

(ii) in the case of the forecast operating expenditure, reduced by an allowance for the financing costs and maintenance costs saved as a result of any reduction in capital expenditure referred to in subparagraph (i); and

(2) for each revision year for which an estimate of fixed operating expenditure or fixed capital expenditure has been approved in accordance with clause 6.6.4(d)(6), recalculate the recalculated *annual revenue requirement* for that revision year as referred to in clause 6.6.4(f)(2) using the forecast operating and capital expenditure accepted or substituted by the *AER* for the revision year:

(i) increased by the amount of fixed operating expenditure and fixed capital expenditure (if any) that was forecast to be incurred during the related base year in *installing smart metering infrastructure* to provide *smart metering services* in accordance with the *Ministerial smart meter rollout determination* but that is actually incurred in the revision year; and

(ii) in the case of the forecast operating expenditure, increased by an allowance for the financing costs and maintenance costs incurred as a result of any increase in the capital expenditure referred to in subparagraph (i).

(k) The *annual revenue requirement* for the first *regulatory year* in the second *regulatory control period* after that in which the adjustment year, the base year or the revision year occurs must:

(1) where the recalculated *annual revenue requirement* for the adjustment year, the base year or the revision year, as calculated under clause 6.6.4(e)(2) or clause 6.6.4(f)(1) or (2) (as applicable), is less than the recalculated *annual revenue requirement* for that year, as recalculated under clause 6.6.4(i)(2) or clause 6.6.4(j)(1) or (2) (as the case may be), be increased by the difference between those two amounts; or

(2) where the recalculated *annual revenue requirement* for the adjustment year, the base year or the revision year, as calculated under clause 6.6.4(e)(2) or clause 6.6.4(f)(1) or (2) (as applicable), is greater than the recalculated *annual revenue requirement* for that year as recalculated under clause 6.6.4(i)(2) or clause 6.6.4(j)(1) or (2) (as the case may be), be decreased by the difference between those two amounts,

such difference in each case being adjusted for the time cost of money, based on the *weighted average cost of capital* for the *Distribution Network Service Provider* for the *regulatory control period* after that in which the adjustment year, the base year or the revision year occurs, over the period from the end of the adjustment year, the base year or the revision year (as the case may be) to the commencement of the first *regulatory year* in the second *regulatory control period* after that in which the adjustment year, the base year or the revision year occurs.

(l) The forecast operating expenditure, and forecast capital expenditure, for a *regulatory year*, amended to reflect the substituted or adjusted forecast operating and capital expenditure referred to in clauses 6.6.4(e)(2), 6.6.4(f)(1), 6.6.4(f)(2), 6.6.4(i)(2), 6.6.4(j)(1) or 6.6.4(j)(2) (as applicable) will be taken to be accepted by the *AER* under clauses 6.5.6(c) and 6.5.7(c) respectively.

Note:

The purpose of this provision is to ensure that the forecast expenditure as substituted or adjusted under this clause 6.6.4 replaces the previous forecast expenditure for the purposes of the application of other provisions in the *Rules* (eg. see clause 6.5.8).

(m) The *AER* must make such adjustments to the value of the regulatory asset base for the relevant *distribution system* as are necessary to reflect the substituted or adjusted forecast capital expenditure referred to in clauses 6.6.4(e)(2), 6.6.4(f)(1), 6.6.4(f)(2), 6.6.4(i)(2), 6.6.4(j)(1) or 6.6.4(j)(2) (as applicable), provided that such an adjustment may only be made to the extent that adjustment is not accounted for in the adjustment to the *annual revenue requirement* for a *regulatory year* in accordance with this clause 6.6.4.

[23] New Rule 6.6A Ministerial smart meter rollout determinations

After new clause 6.6.4, insert:

6.6A Ministerial smart meter rollout determinations

6.6A.1 Amendment of distribution determination for current regulatory control period

(a) Subject to subparagraph (b)(1), a *Distribution Network Service Provider* may, during a *regulatory control period* (the **current regulatory control period**), apply to the *AER* to amend a distribution determination that applies to it in respect of that *regulatory control period* (the **current distribution determination**) where a *Ministerial smart meter rollout determination* that applies to that provider is made during the current *regulatory control period*.

(b) An application referred to in paragraph (a):

(1) must not be made less than 26 months before the expiry of the current *regulatory control period*;

(2) subject to subparagraph (1), must be made within 6 months after the *Ministerial smart meter rollout determination* is made;

(3) must contain the following information for each *regulatory year* of the current regulatory control period that commences after the application is made (the **forecast regulatory year**):

(i) the net forecast capital expenditure for the forecast regulatory year which the provider considers is required to comply with the *Ministerial smart meter rollout determination*, calculated as the forecast capital expenditure for that year which is required to *install required smart metering infrastructure* to provide *smart metering services* in accordance with the *Ministerial smart meter rollout determination*, and to maintain that *required smart metering infrastructure* reduced by the decrease in other forecast capital expenditure for that year as a result of the provision of those *smart metering services*;

(ii) the net forecast operating expenditure for the forecast *regulatory year* which the provider considers is required to comply with the *Ministerial smart meter rollout determination*, calculated as the forecast operating expenditure for that year which is required to *install required smart metering infrastructure* to provide *smart metering services* in accordance with the *Ministerial smart meter rollout determination*, and to maintain that *required smart metering infrastructure* reduced by the decrease in other forecast operating expenditure for that year as a result of the provision of those *smart metering services*;

(iii) such changes to the amount of depreciation forecast for the forecast regulatory year, as calculated in accordance with the depreciation schedules approved or determined by the *AER* in the current distribution determination, as the provider considers to be necessary as a result of the *installation* of *required smart metering infrastructure* to provide *smart metering services* in accordance with the *Ministerial smart meter rollout determination*, the maintenance of that *required smart metering infrastructure* and the consequent replacement of existing *metering installations* and associated equipment and infrastructure;

(iv) such changes to the opening value of the regulatory asset base for the relevant *distribution system* for the forecast regulatory year as the provider considers to be necessary to incorporate the net forecast capital expenditure and changes to depreciation referred to in subparagraphs (i) and (iii);

(v) the revised *annual revenue requirement* for the provider for the forecast *regulatory year* calculated using:

(A) the forecast capital expenditure for the forecast regulatory year accepted or substituted by the *AER* for the purposes of the current distribution determination, adjusted for the net forecast capital expenditure referred to in subparagraph (i);

(B) the forecast operating expenditure for the forecast regulatory year accepted or substituted by the *AER* for the purposes of the current distribution determination, adjusted for the net forecast operating expenditure referred to in subparagraph (ii);

(C) the amount of depreciation forecast for the forecast regulatory year, as calculated in accordance with the depreciation schedules approved or determined by the *AER* for the purposes of the current distribution determination, adjusted for the changes referred to in subparagraph (iii);

(D) the opening value of the regulatory asset base for the relevant *distribution system* for the forecast regulatory year, adjusted for the changes referred to in subparagraph (iv);

(E) the *weighted average cost of capital* determined by the *AER* for the purposes of the current distribution determination;

(F) the *post-tax revenue model*, together with any other amounts, values and inputs, used to calculate the *annual revenue requirement* for the provider for the forecast *regulatory year* for the purposes of the current distribution determination, adjusted only to the extent necessary to reflect the adjustments referred to in subparagraphs (i) to (iv); and

(vi) such other information as any *smart meter rollout guidelines* requires to be provided for the purpose of an application under this clause 6.6A.1; and

(4) may contain such proposed amendments to any *efficiency benefit sharing scheme*, *service target performance incentive scheme* and *demand management incentive scheme* which applies to the provider as the provider considers to be

necessary as a result of the *Ministerial smart meter rollout determination*.

(c) As soon as practicable after its receipt of an application made under paragraph (a), and subject to the provisions of the Law and the *Rules* about the disclosure of *confidential information*, the *AER* must *publish* the application.

(d) The *AER* must consider the application and must publish a draft decision on the application together with its reasons for, and an invitation for written submissions on, the draft decision.

(e) Any person may make a written submission to the *AER* on the draft decision within the time specified in the invitation referred to in paragraph (d), which must not be earlier than 30 *business days* after the invitation for submissions is *published* under that paragraph.

(f) Subject to rule 6.14(a), the *AER* must consider any written submissions made under paragraph (e) and must *publish* a final decision on the application, together with its reasons for the final decision, as soon as reasonably practicable and in any case within 12 months after its receipt of the application.

(g) In its decision on the application, the *AER* must:

(1) accept the net forecast capital expenditure for a forecast regulatory year as proposed under subparagraph (b)(3)(i) if it is satisfied that it reasonably reflects the efficient net capital expenditure that a prudent operator in the circumstances of the provider would incur in complying with the *Ministerial smart meter rollout determination*, and in maintaining the *required smart metering infrastructure* that is *installed* to provide *smart metering services* in accordance with that determination, failing which the *AER* must substitute the net forecast capital expenditure which it is satisfied reasonably reflects that expenditure;

(2) accept the net forecast operating expenditure for a forecast regulatory year as proposed under subparagraph (b)(3)(ii) if it is satisfied that it reasonably reflects the efficient net operating expenditure that a prudent operator in the circumstances of the provider would incur in complying with the *Ministerial smart meter rollout determination*, and in maintaining the *required smart metering infrastructure* that is *installed* to provide *smart metering services* in accordance with that determination, failing which the *AER* must substitute the net forecast operating expenditure which it is satisfied reasonably reflects that expenditure;

(3) accept the changes to the amount of depreciation forecast for a forecast regulatory year as proposed under subparagraph

(b)(3)(iii) if it is satisfied that the resultant amount of depreciation is calculated in accordance with depreciation schedules that conform with the requirements of clause 6.5.5(b), failing which the *AER* must substitute such changes as it reasonably considers are necessary:

(i) as a result of the *installation* of *required smart metering infrastructure* to provide *smart metering services* in accordance with the *Ministerial smart meter rollout determination*, the maintenance of that *required smart metering infrastructure*, and the replacement of existing *metering installations* and associated equipment and infrastructure; and

(ii) to result in an amount of forecast depreciation that is calculated in accordance with schedules that conform with the requirements of clause 6.5.5(b);

(4) determine the changes to the opening value of the regulatory asset base for the relevant *distribution system* for each forecast regulatory year that are necessary to incorporate the net forecast capital expenditure, and changes to depreciation, for that forecast *regulatory year* accepted or substituted in accordance with subparagraphs (i) and (iii);

(5) determine the revised *annual revenue requirement* for the provider for each forecast regulatory year calculated using:

(i) the forecast capital expenditure for the forecast regulatory year accepted or substituted by the *AER* for the purposes of the current distribution determination, adjusted for the net forecast capital expenditure referred to in subparagraph (i);

(ii) the forecast operating expenditure for the forecast regulatory year accepted or substituted by the *AER* for the purposes of the current distribution determination, adjusted for the net forecast operating expenditure referred to in subparagraph (ii);

(iii) the adjusted amount of depreciation forecast for the forecast regulatory year as referred to in subparagraph (iii);

(iv) the adjusted opening value of the regulatory asset base for the relevant *distribution system* for the forecast regulatory year as referred to in subparagraph (iv);

(v) the *weighted average cost of capital* determined by the *AER* for the purposes of the current distribution determination; and

(vi) the *post-tax revenue model*, together with any other amounts, values and inputs, used to calculate the *annual revenue requirement* for the provider for the forecast regulatory year for the purposes of the current distribution determination, adjusted only to the extent necessary to reflect the adjustments referred to in subparagraphs (i) to (iv); and

(6) amend the current distribution determination to the extent necessary to:

(i) substitute the *annual revenue requirement* for each forecast regulatory year determined in accordance with subparagraph (5) for that approved or determined by the *AER* for that forecast regulatory year for the purposes of the current distribution determination; and

(ii) adjust the X factor determined for the purposes of the current distribution determination for each forecast regulatory year to the extent necessary for it to comply with the requirements of clause 6.5.9(b).

Note:

The effect of this provision is that the *AER* is only entitled to adjust forecast expenditure to the extent necessary to give effect to the adjustments referred to in this provision. This means that, for example, the *AER* is not entitled to make adjustments to forecast expenditure merely because total actual expenditure is less than total forecast expenditure.

(h) The adjusted forecast capital expenditure for a forecast regulatory year that is referred to in subparagraph (g)(5)(i) will be taken to be accepted by the *AER* under clause 6.5.7(c).

Note:

The purpose of this provision is to ensure that the forecast capital expenditure as adjusted under this clause 6.6A.1 replaces the previous forecast capital expenditure for the purposes of the application of other provisions in the *Rules*.

(i) The adjusted forecast operating expenditure for a forecast regulatory year that is referred to in subparagraph (g)(5)(ii) will be taken to be accepted by the *AER* under clause 6.5.6(c).

Note:

The purpose of this provision is to ensure that the forecast operating expenditure as adjusted under this clause 6.6A.1 replaces the previous forecast operating expenditure for the purposes of the application of other provisions in the Rules (eg. see clause 6.5.8).

(j) The *AER* may also make such amendments to any *efficiency benefit sharing scheme*, *service target performance incentive scheme* or *demand management incentive scheme* which applies to the provider as the *AER* considers to be necessary as a result of the *Ministerial smart meter rollout determination*.

(k) Amendments to the current distribution determination made under this clause 6.6A.1 take effect from the commencement of the first *regulatory year* which commences 2 months or more after that in which the final decision of the *AER* on the application is *published*.

Note

This means that a revised *annual revenue requirement* is not substituted for a forecast regulatory year where that forecast regulatory year commences before the expiry of 2 months after the publication of the *AER's* final decision. However, in these circumstances clause 6.6A.3 would apply in relation to that year.

6.6A.2 Amendment of distribution determination for next regulatory control period

(a) Subject to paragraph (b) and subparagraph (c)(1), a *Distribution Network Service Provider* may, no later than 6 months after a *Ministerial smart meter rollout determination* that applies to that provider is made, apply to the *AER* to make a determination under this clause 6.6A.2.

(b) An application referred to in paragraph (a) may only be made if:

(1) the *Distribution Network Service Provider* has notified the *AER* in writing, within 1 month after the *Ministerial smart meter rollout determination* is made, that it proposes to make an application for a determination under this clause 6.6A.2; and

(2) the *AER* has notified the *Distribution Network Service Provider* in writing, within 1 month after receiving the notice referred to in subparagraph (1), that it accepts the application.

The *AER* may only refuse to accept an application for a determination under subparagraph (2) if it decides to, and has sufficient time to, include in its *building block determination* for the *regulatory control period* that commences after the *regulatory control period* in which the *Ministerial smart meter rollout determination* is made (the **next regulatory control period**) the forecast operating and capital expenditure required to comply with the *Ministerial smart meter rollout determination* during the next regulatory control period, in which case the *AER* must notify the *Distribution Network Service Provider* in writing that it refuses to accept the application. The *AER* must *publish* notice of its acceptance of, or refusal to accept, an application for a determination under this clause 6.6A.2.

Note:

If the *AER* refuses to accept an application for a determination under this clause 6.6A.2, the *Distribution Network Service Provider* is nonetheless able to include in its *regulatory proposal* for the next regulatory control period its forecast operating and capital expenditure for complying with the *Ministerial smart meter rollout determination,* and the *AER* will be required to assess that forecast expenditure in accordance with clauses 6.5.6 and 6.5.7.

(c) An application referred to in paragraph (a):

(1) may only be made if there are less than 26 months to elapse before the expiry of the *regulatory control period* in which the *Ministerial smart meter rollout determination* is made (the **current regulatory control period**);

(2) must contain the following information for the second and each subsequent *regulatory year* of the next regulatory control period (each such year being referred to as a **forecast regulatory year**):

(i) the net forecast capital expenditure for the forecast regulatory year which the provider considers is required to comply with the *Ministerial smart meter rollout determination*, and to maintain that *required smart metering infrastructure*, calculated as the forecast capital expenditure for that year which is required to *install required smart metering infrastructure* to provide *smart metering services* in accordance with the *Ministerial smart meter rollout determination* reduced by the decrease in other forecast capital expenditure for that year as a result of the provision of those *smart metering services*;

(ii) the net forecast operating expenditure for the forecast regulatory year which the provider considers is required to comply with the *Ministerial smart meter rollout determination*, and to maintain that *required smart metering infrastructure*, calculated as the forecast operating expenditure for that year which is required to *install required smart metering infrastructure* to provide *smart metering services* in accordance with the *Ministerial smart meter rollout determination* reduced by the decrease in other forecast operating expenditure for that year as a result of the provision of those *smart metering services*;

(iii) the net depreciation for the forecast regulatory year the provider considers to be necessary as a result of the *installation* of *required smart metering infrastructure* to provide *smart metering services* in accordance with the *Ministerial smart meter rollout determination*, the maintenance of that *required smart metering infrastructure*, and the consequent replacement of existing *metering installations* and associated equipment and infrastructure;

(iv) the net adjustment to the opening value of the regulatory asset base for the relevant *distribution system* for the forecast regulatory year the provider considers to be necessary to incorporate the net forecast capital expenditure for the forecast *regulatory year* and the net depreciation referred to in subparagraphs (i) and (iii);

(v) the change to the *annual revenue requirement* for the provider for the forecast regulatory year calculated using:

(A) the net forecast capital expenditure for the forecast *regulatory year* referred to in subparagraph (i);

(B) the net forecast operating expenditure for the forecast *regulatory year* referred to in subparagraph (ii);

(C) the net depreciation forecast for the forecast *regulatory year* referred to in subparagraph (iii);

(D) the net adjustment to the opening value of the regulatory asset base for the relevant *distribution system* for the forecast regulatory year referred to in subparagraph (iv);

(E) the *weighted average cost of capital* determined by the *AER* in the distribution determination that applies to the provider in respect of the next regulatory control period (the **next distribution determination**) or, if the next distribution determination has not been made, the *weighted average cost of capital* determined by the *AER* for the purposes of the distribution determination that applies to the provider in respect of the current regulatory control period (the **current distribution determination**); and

(F) the *post-tax revenue model*, together with any other amounts, values and inputs, used to calculate the *annual revenue requirements* for the provider for the purposes of:

(1) the next distribution determination; or

(2) if the next distribution determination has not been made, the current distribution determination,

adjusted only to the extent necessary to reflect the adjustments referred to in subparagraphs (i) to (iv); and

(vi) such other information as any *smart meter rollout guidelines* requires to be provided for the purpose of an application under this clause 6.6A.2; and

(3) may contain such proposed amendments to any *efficiency benefit sharing scheme*, *service target performance incentive scheme* and *demand management incentive scheme* which applies to the provider as the provider considers to be necessary as a result of the *Ministerial smart meter rollout determination*.

(d) As soon as practicable after its receipt of an application made under paragraph (a), and subject to the provisions of the Law and the *Rules* about the disclosure of *confidential information*, the *AER* must *publish* the application.

(e) The *AER* must consider the application and must *publish* a draft decision on the application together with its reasons for, and an invitation for written submissions on, the draft decision. A draft decision must only be *published* after the commencement of the next regulatory control period.

(f) Any person may make a written submission to the *AER* on the draft decision within the time specified in the invitation referred to in paragraph (e), which must not be earlier than 30 *business days* after the invitation for submissions is published under that paragraph.

(g) Subject to rule 6.14(a), the *AER* must consider any written submissions made under paragraph (f) and must *publish* a final decision on the application, together with its reasons for the final decision, as soon as reasonably practicable and in any case within 9 months after the commencement of the next regulatory control period.

(h) In its decision on the application, the *AER* must:

(1) accept the net forecast capital expenditure for a forecast regulatory year as proposed under subparagraph (c)(2)(i) if it is satisfied that it reasonably reflects the efficient net capital expenditure that a prudent operator in the circumstances of the provider would incur in complying with the *Ministerial smart meter rollout determination*, and in maintaining the *required smart metering infrastructure* that is installed to provide *smart*

metering services in accordance with that determination, failing which the *AER* must substitute the net forecast capital expenditure which it is satisfied reasonably reflects that expenditure;

(2) accept the net forecast operating expenditure for a forecast regulatory year as proposed under subparagraph (c)(2)(ii) if it is satisfied that it reasonably reflects the efficient net operating expenditure that a prudent operator in the circumstances of the provider would incur in complying with the *Ministerial smart meter rollout determination*, and in maintaining the *required smart metering infrastructure* that is installed to provide *smart metering services* in accordance with that determination, failing which the *AER* must substitute the net forecast operating expenditure which it is satisfied reasonably reflects that expenditure;

(3) accept the net depreciation for a forecast regulatory year as proposed under subparagraph (c)(2)(iii) if it is satisfied that the resultant amount of depreciation for that forecast regulatory year is calculated in accordance with the depreciation schedules approved or determined by the *AER* for the purposes of the next distribution determination, failing which the *AER* must substitute the net depreciation which it is satisfied will result in the amount of depreciation for that forecast regulatory year being calculated in accordance with the depreciation schedules approved or determined by the *AER* for the purposes of the next distribution determination;

(4) determine the changes to the opening value of the regulatory asset base for the relevant *distribution system* for each forecast regulatory year that are necessary to incorporate the net forecast capital expenditure, and the net depreciation, for that forecast regulatory year accepted or substituted in accordance with subparagraphs (1) and (3);

(5) determine the revised *annual revenue requirement* for the provider for each forecast regulatory year calculated using:

(i) the forecast capital expenditure for the forecast regulatory year accepted or substituted by the *AER* for the purposes of the next distribution determination, adjusted for the net forecast capital expenditure referred to in subparagraph (1);

(ii) the forecast operating expenditure for the forecast regulatory year accepted or substituted by the *AER* for the purposes of the next distribution determination, adjusted for the net forecast operating expenditure referred to in subparagraph (2);

(iii) the adjusted amount of depreciation forecast for the forecast regulatory year as referred to in subparagraph (3);

(iv) the adjusted opening value of the regulatory asset base for the relevant distribution system for the forecast regulatory year as referred to in subparagraph (4);

(v) the *weighted average cost of capital* determined by the *AER* for the purposes of the next distribution determination; and

(vi) the *post-tax revenue model*, together with any other amounts, values and inputs, used to calculate the *annual revenue requirement* for the provider for the forecast regulatory year for the purposes of the next distribution determination, adjusted only to the extent necessary to reflect the adjustments referred to in subparagraphs (1) to (4); and

(6) amend the next distribution determination to the extent necessary to:

(i) substitute the *annual revenue requirement* for each forecast regulatory year determined in accordance with subparagraph (5) for that approved or determined by the *AER* for that forecast regulatory year for the purposes of the next distribution determination; and

(ii) adjust the X factor determined for the purposes of the next distribution determination for each forecast regulatory year to the extent necessary for it to comply with the requirements of clause 6.5.9(b).

Note:

The effect of this provision is that the *AER* is only entitled to adjust forecast expenditure to the extent necessary to give effect to the adjustments referred to in this provision. This means that, for example, the *AER* is not entitled to make adjustments to forecast expenditure merely because total actual expenditure is less than total forecast expenditure.

(i) The adjusted forecast capital expenditure for a forecast regulatory year that is referred to in subparagraph (h)(5)(i) will be taken to be accepted by the *AER* under clause 6.5.7(c).

Note:

The purpose of this provision is to ensure that the forecast capital expenditure as adjusted under this clause 6.6A.2 replaces the previous forecast capital expenditure for the purposes of the application of other provisions in the *Rules*.

(j) The adjusted forecast operating expenditure for a forecast regulatory year that is referred to in subparagraph (h)(5)(ii) will be taken to be accepted by the *AER* under clause 6.5.6(c).

Note

The purpose of this provision is to ensure that the forecast operating expenditure as adjusted under this clause 6.6A.2 replaces the previous forecast operating expenditure for the purposes of the application of other provisions in the *Rules* (eg. see clause 6.5.8).

(k) The *AER* may also make such amendments to any efficiency benefit sharing scheme, service target performance incentive scheme or demand management incentive scheme which applies to the provider as the *AER* considers to be necessary as a result of the *Ministerial smart meter rollout determination*.

6.6A.3 Adjustment for incurred expenditure

(a) This clause 6.6A.3 applies where:

(1) a *Distribution Network Service Provider* makes an application in accordance with clause 6.6A.1; and

(2) that provider has incurred operating expenditure or capital expenditure, during the period from the date the *Ministerial smart meter rollout determination* is made to the commencement of the *regulatory year* referred to in clause 6.6A.1(k) (a **relevant period**), in *installing required smart metering infrastructure* to provide *smart metering services* in accordance with the *Ministerial smart meter rollout determination* or in maintaining that *required smart metering infrastructure*.

(b) This clause 6.6A.3 also applies where:

(1) a *Distribution Network Service Provider* makes an application in accordance with clause 6.6A.2 and the *AER* accepts that application in accordance with clause 6.6A.2(b)(2); and

(2) that provider has incurred operating expenditure or capital expenditure, during the period from the date the *Ministerial smart meter rollout determination* is made to the commencement of the second *regulatory year* of the *regulatory control period* that commences after the *regulatory control period* in which the *Ministerial smart meter rollout determination* is made (also a **relevant period**), in *installing required smart metering infrastructure* to provide *smart metering services* in accordance with the *Ministerial smart meter rollout determination* or in maintaining that *required smart metering infrastructure*.

(c) This clause 6.6A.3 also applies where:

(1) neither clause 6.6A.3(a)(1) or (2) applies;

(2) a *Distribution Network Service Provider* has incurred operating expenditure or capital expenditure, during the period from the date a *Ministerial smart meter rollout determination* is made to the end of the *regulatory control period* in which that *Ministerial smart meter rollout determination* is made (also a **relevant period**), in *installing required smart metering infrastructure* to provide *smart metering services* in accordance with the *Ministerial smart meter rollout determination* or in maintaining that *required smart metering infrastructure*; and

(3) allowance for such expenditure has not been made in any distribution determination that applies to the provider in respect of that period (whether in the operating or capital expenditure forecasts accepted or substituted by the *AER* or otherwise).

(d) If clause 6.6A.3(a) or (c) applies then:

(1) the *annual revenue requirement* for each *regulatory year* in the first *regulatory control period* after that in which the *Ministerial smart meter rollout determination* is made (the **first regulatory control period**) must be adjusted in accordance with clauses 6.6A.3(g) and (h); and

(2) the value of the regulatory asset base for the relevant *distribution system* as at the beginning of the first *regulatory year* of the first *regulatory control period* must be calculated in accordance with clause 6.6A.3(j).

(e) If clause 6.6A.3(b) applies then:

(1) the *annual revenue requirement* for each *regulatory year* in the second *regulatory control period* after that in which the *Ministerial smart meter rollout determination* is made (the **second regulatory control period**) must be adjusted in accordance with clauses 6.6A.3(g) and (h); and

(2) the value of the regulatory asset base for the relevant *distribution system* as at the beginning of the first *regulatory year* of the second regulatory control period must be calculated in accordance with clause 6.6A.3(j).

(f) Where this clause 6.6A.3 applies the *AER* must determine, for each *regulatory year* that occurs in whole or part during the relevant period (an **opex adjustment year**), the amount of operating expenditure that it is prudent and efficient for the *Distribution*

Network Service Provider to incur in the opex adjustment year to install *required smart metering infrastructure* to provide *smart metering services* in accordance with the *Ministerial smart meter rollout determination* and to maintain that *required smart metering infrastructure*.

(g) Subject to clauses 6.6A.3(h) and (l), the *annual revenue requirement* for the first *regulatory year* (the **subject regulatory year**) of:

(1) where clause 6.6A.3(a) or (c) applies, the first regulatory control period; or

(2) where clause 6.6A.3(b) applies, the second regulatory control period,

must be increased by the amount of operating expenditure determined for an opex adjustment year under clause 6.6A.3(f), such amount being adjusted for the time cost of money, based on the *weighted average cost of capital* for the *Distribution Network Service Provider* for the *regulatory control period* preceding that in which the subject *regulatory year* occurs, over the period from the end of the opex adjustment year to the commencement of the subject *regulatory year*.

(h) The *AER* may determine that part of the amount referred to in clause 6.6A.3(g) (adjusted for the time cost of money as referred to in that clause) that would otherwise be included in the *annual revenue requirement* for the subject regulatory year is instead to be included in the *annual revenue requirement* for a subsequent *regulatory year* or *regulatory years* in the *regulatory control period* in which the subject *regulatory year* occurs, in which case the *annual revenue requirement* for each such subsequent *regulatory year* must be increased by the part of that amount determined by the *AER* to be allocated to that year, with that part being adjusted for the time cost of money, based on the weighted average cost of capital for the *Distribution Network Service Provider* for the previous *regulatory control period*, over the period from the commencement of the subject regulatory year to the commencement of the relevant subsequent*regulatory year*.

(i) Where this clause 6.6A.3 applies, the *AER* must determine, for each *regulatory year* that occurs in whole or part during the relevant period (a **capex adjustment year**), the amount of capital expenditure that it is prudent and efficient for the *Distribution Network Service Provider* to incur in that capex adjustment year to *install required smart metering infrastructure* to provide *smart metering services* in accordance with the *Ministerial smart meter rollout determination* and to maintain that *required smart metering infrastructure*.

(j) For the purpose of calculating the regulatory asset base for the relevant *distribution system* as at the beginning of the first *regulatory year* (the **subject regulatory year**) of:

(1) where clause 6.6A.3(a) or (c) applies, the first regulatory control period; or

(2) where clause 6.6A.3(b) applies, the second regulatory control period,

under clauses 6.5.1 and 6.6.4(i) and schedule 6.2, the provisions of clause S6.2.1(e) apply except that:

(3) in clauses S6.2.1(e)(1) and (4) and for each capex adjustment year in respect of which there is available all actual capital expenditure incurred during that year for *installing required smart metering infrastructure* to provide *smart metering services* in accordance with the *Ministerial smart meter rollout determination* and for maintaining that *required smart metering infrastructure*, the capital expenditure incurred during that year will be taken to include the amount of capital expenditure determined for the capex adjustment year under clause 6.6A.3(i), instead of the amount of capital expenditure actually incurred during the capex adjustment year in *installing required smart metering infrastructure* to provide *smart metering services* in accordance with the *Ministerial smart meter rollout determination* and in maintaining that *required smart metering infrastructure*; and

(4) in clauses S6.2.1(e)(2), (3)(i) and (4) and for each capex adjustment year in respect of which there is not available all actual capital expenditure incurred during that year for *installing smart meters* in compliance with the *Ministerial smart meter rollout determination* and for maintaining that *required smart metering infrastructure*, the amount of capital expenditure determined for the capex adjustment year under clause 6.6A.3(i) will be taken to be estimated capital expenditure approved by the *AER* for the capex adjustment year and the amount of capital expenditure actually incurred during the capex adjustment year in *installing required smart metering infrastructure* to provide *smart metering services* in accordance with the *Ministerial smart meter rollout determination* and in maintaining that *required smart metering infrastructure* will be disregarded in calculating the value of the regulatory asset base for the distribution system as at the beginning of the subject regulatory year; and

(5) in clause S6.2.1(e)(3)(ii), the actual capital expenditure incurred during a capex adjustment year referred to in subparagraph (4) in *installing required smart metering infrastructure* to provide *smart metering services* in

accordance with the *Ministerial smart meter rollout determination* and in maintaining that *required smart metering infrastructure* will be the lesser of that capital expenditure and the amount of capital expenditure determined for the capex adjustment year under clause 6.6A.3(i); and

(6) where clause 6.6A.3(b) applies and the relevant capex adjustment year occurs in the *regulatory control period* in which the *Ministerial smart meter rollout determination* is made, the provisions of clause S6.2.1(e), as modified by subparagraphs (3) to (5), will apply as if the relevant capital expenditure was incurred during the first *regulatory year* of the next *regulatory control period* except that:

(i) for the purposes of the application of those provisions, the capital expenditure will be adjusted for the time cost of money, based on the *weighted average cost of capital* for the *Distribution Network Service Provider* for the *regulatory control period* in which the *Ministerial smart meter rollout determination* is made, over the period from the end of the capex adjustment year to the commencement of the next *regulatory control period*; and

(ii) notwithstanding subparagraph (i), the prudency and efficiency of that expenditure must be determined on the basis that the capital expenditure was incurred during the relevant capex adjustment year.

(k) In determining the amount of operating or capital expenditure that it is prudent and efficient for a *Distribution Network Service Provider* to incur in an opex adjustment year or a capex adjustment year (as the case may be) for *installing required smart metering infrastructure* to provide smart metering services in accordance with a *Ministerial smart meter rollout determination*, and for maintaining that *required smart metering infrastructure* the *AER* must:

(1) comply with the *smart meter rollout guidelines*; and

(2) only take into account such information as the *Distribution Network Service Provider* could reasonably be expected to have available to it at the time the expenditure was incurred; and

(3) only take into account such cost savings as the *Distribution Network Service Provider* is reasonably likely to realise as a direct consequence of *installing required smart metering infrastructure* to provide *smart metering services* in accordance with the *Ministerial smart meter rollout determination*; and

(4) take into account any determination made by it in respect of that year under clause 6.6A.2; and

(5) accept the amount of any expenditure proposed by the *Distribution Network Service Provider* as being prudent and efficient for the relevant year if the *AER* is satisfied that such expenditure reasonably reflects the *operating expenditure criteria* or *capital expenditure criteria* (as the case may be).

(l) where this clause 6.6A.3 applies, the *AER* must determine, for each capex adjustment year, an allowance for the financing costs related to the amount of capital expenditure that is determined for that year under clause 6.6A.3(i), in which case:

(1) clause 6.6A.3(g) will apply to the amount of that allowance as if the capex adjustment year were the opex adjustment year referred to in that clause and that amount were operating expenditure determined for that year under clause 6.6A.3(f); and

(2) the amount of that allowance will be treated as operating expenditure that has been determined by the *AER* under clause 6.6A.3(f) to be prudent and efficient.

Note:

Because clause 6.6A.3(g) applies to the amount of the allowance referred to in this provision, clause 6.6A.3(h) will enable the smoothing of this amount across subsequent *regulatory years*.

(m) The amount of operating expenditure, and the amount of capital expenditure, that is determined to be prudent and efficient for an opex adjustment year or a capex adjustment year (as the case may be) in accordance with clause 6.6A.3(f) or 6.6A.3(i) will be taken to be accepted by the *AER* under clauses 6.5.6(c) and 6.5.7(c) respectively.

Note:

The purpose of this provision is to ensure that the operating or capital expenditure determined under this clause 6.6A.3 is taken into account for the purposes of the application of other provisions in the *Rules* (eg. see clause 6.5.8).

6.6A.4 Smart meter rollout guidelines

(a) The *AER* must *publish* and develop guidelines (the '*smart meter rollout guidelines*') which set out:

(1) the manner in which the *AER* will apply clauses 6.6A.1 and 6.6A.2, including the information required to be provided for the purpose of an application made under either of those clauses;

(2) the manner in which the *AER* will determine the amount of operating and capital expenditure referred to in clause 6.6A.3 that is prudent and efficient for a *Distribution Network Service Provider*; and

(3) other matters relevant to the performance by the *AER* of its functions under this rule 6.6.A.

(b) The *AER* must comply with the *distribution consultation procedures* when making or amending the *smart meter rollout guidelines*.

(c) The *AER* must *publish* the first *smart meter rollout guidelines* within 6 months after the commencement of this clause and there must be such guidelines in place at all times after that date.

[24] Clause 6.8.1 AER's framework and approach paper

After clause 6.8.1(ca), insert:

(cb) The *framework and approach paper* must state whether the *AER* considers that separate *tariff classes* should be constituted for customers to whom *distribution services*, other than *distribution services* referred to in clause 6.2.3A, are provided in accordance with a *Ministerial smart meter rollout determination* and, if the *AER* considers that separate *tariff classes* should be constituted, the *AER* must set out in the *framework and approach paper* the reasons for its view, having regard to the applicable requirements of clause 6.18.5.

[25] Clause 6.10.3 Submission of revised proposal

In clause 6.10.3(b), omit "A *Distribution Network Service Provider*" and substitute "Subject to paragraph (ba), a *Distribution Network Service Provider*".

[26] Clause 6.10.3 Submission of revised proposal

After clause 6.10.3(b), insert:

(ba) Notwithstanding paragraph (b), if a *Ministerial pilot metering determination* has been made and the *regulatory proposal* submitted by the *Distribution Network Service Provider* does not, and could not reasonably be expected to, include forecast operating and capital expenditure for complying with that *Ministerial pilot metering determination*, the *Distribution Network Service Provider* may include in its revised *regulatory proposal* such forecast expenditure and any other changes required as a result of the requirement to comply with the *Ministerial pilot metering determination*.

[27] Clause 6.12.1 Constituent decisions

In clause 6.12.1(6), omit "clause 6.5.1" and substitute "clauses 6.5.1, 6.6.4(m), 6.6A.3".

[28] Clause 6.12.1 Constituent decisions

In clause 6.12.1(8), before "a decision on whether", insert "subject to subparagraph (8A),".

[29] Clause 6.12.1 Constituent decisions

After clause 6.12.1(8), insert:

(8A) a decision on whether to amend the depreciation schedules nominated by the provider in accordance with clause 6.5.5(c);

[30] Clause 6.12.1 Constituent decisions

After clause 6.12.1(16), insert:

(16A) a decision on the separate *tariff* classes of which customers to whom a *distribution service* referred to in clause 6.2.3A(a) or (c) is supplied must be members;

(16B) for each separate *tariff class* referred to in subparagraph (16A), a decision on the proportion referred to in clause 6.18A(a)(3);

(16C) a decision on whether separate *tariff classes* must be constituted for customers to whom *distribution services*, other than *distribution services* referred to in clause 6.2.3A, are provided in accordance with a *Ministerial smart meter rollout determination* and, if so, a decision on those separate *tariff classes*;

(16D) for each separate *tariff class* referred to in subparagraph (16B), a decision (if any) on the proportion referred to in clause 6.18A(a)(3);

[31] Clause 6.18.1 Application of this Part

In clause 6.18.1, after "*direct control services*", and insert ", except that clause 6.18.6 does not apply in respect of tariffs for *distribution services* referred to in clause 6.2.3A(a) or (c)".

[32] Clause 6.18.3 Tariff classes

After clause 6.18.3(d), insert:

(e) Notwithstanding paragraph (d), the *tariff classes* defined in a *pricing proposal* must be consistent with any decision of the *AER* made under clause 6.18A(a)(1) or (2).

[33] Clause 6.18.4 Principles governing assignment or re-assignment of customers to tariff classes and assessment and review of basis of charging

In clause 6.18.4(a)(1)(iii), omit "installed" and substitute "*installed*".

[34] Clause 6.18.4 Principles governing assignment or re-assignment of customers to tariff classes and assessment and review of basis of charging

After clause 6.18.4(b), insert:

(c) A customer may only be assigned to a *tariff class* referred to in clause 6.18A(a) in the calendar quarter following that in which the *smart meter* to which the relevant *distribution service* relates has been *installed*.

[35] Clause 6.18.5 Pricing principles

In clause 6.18.5(b)(2), omit "." and insert "; and".

[36] Clause 6.18.5 Pricing principles

After clause 6.18.5(b)(2), insert:

(3) where the *AER* has specified a proportion for that *tariff class* under clause 6.18A(a)(3), must (notwithstanding paragraphs (a) and (c)) be determined by applying that proportion to the costs incurred, or likely to be incurred, in providing the relevant *distribution service* to that *tariff class*; and

(4) where the tariff is for *smart metering services* provided in accordance with a *Ministerial smart meter rollout determination* (other than *distribution services* referred to in clause 6.2.3A(b) or (d)), must be determined having regard to:

(i) the requirement that the cost of providing the relevant *distribution service* shared be recovered through a fixed tariff;

(ii) the requirement that a *Distribution Network Service Provider* must only recover the same costs once;

(iii) the need for the tariff and each *charging parameter* to be easily comprehensible to customers in the *tariff class*;

(iv) the transaction costs associated with calculating the tariff; and

(iv) the desirability of promoting future competition in the provision of *smart metering services*.

[37] New Rule 6.18A Tariffs for smart meter related services

After rule 6.18, insert:

6.18A Tariffs for smart meter related services

(a) In a draft distribution determination under rule 6.10 or a final distribution determination under rule 6.11, the *AER*:

(1) must define separate *tariff classes* of which customers to whom a *distribution service* referred to in clause 6.2.3A(a) or (c) is supplied must be members;

(2) may define separate *tariff classes* of which customers to whom *distribution services*, other than *distribution services* referred to in clause 6.2.3A, are provided in accordance with a *Ministerial smart meter rollout determination* must be members, but only to the extent the *AER* has stated in the relevant *framework and approach paper* that it considers that separate *tariff classes* should be constituted for customers to whom those *distribution services* are provided; and

(3) must specify, for each *tariff class* that is defined under subparagraph (1), and may specify, for each *tariff class* that is defined under subparagraph (2), the proportion of the costs incurred, or likely to be incurred, in providing the relevant *distribution service* to that tariff class that can be recovered from that *tariff class* for the *regulatory control period*.

Note:

The consequence of this provision is that the remaining costs in providing these *distribution services* will be recovered through general *distribution use of system* tariffs.

(b) The proportion specified by the *AER* for a *tariff class* under subparagraph (a)(3) must correspond to the share of benefits from the provision of that *distribution service* that is reasonably considered to be likely to accrue only to members of that *tariff class* during the *regulatory control period*.

[38] New Part OSmart metering related information

After rule 6.26, insert:

Part O Smart metering related information

6.27 Information in regulatory proposal

A regulatory proposal submitted by a *Distribution Network Service Provider* for a *regulatory control period* must include details of:

(a) the operating expenditure and capital expenditure incurred and estimated to be incurred for each *regulatory year* in the previous *regulatory control period* in complying with a *Ministerial smart meter rollout determination* and in maintaining the *required smart metering infrastructure* that is *installed* to provide *smart metering services* in accordance with that determination; and

(b) the operating expenditure and capital expenditure incurred for each *regulatory year* in the previous *regulatory control period* in complying with a *Ministerial pilot metering determination*; and

(c) the forecast operating expenditure and forecast capital expenditure for each *regulatory year* in the *regulatory control period* in complying with a *Ministerial smart meter determination* and (where the determination is a *Ministerial smart meter rollout determination*) in maintaining any *required smart metering infrastructure* that is *installed* to provide *smart metering services* in accordance with the *Ministerial smart meter determination*; and

(d) where the total number of *smart meters installed* during a *regulatory year* in the previous *regulatory control period* in complying with a *Ministerial smart meter rollout determination* is not available, an estimate of the total number of *smart meters* that will be *installed* during that *regulatory year* in complying with the *Ministerial smart meter rollout determination*; and

(e) where the fixed operating or capital expenditure incurred, during a *regulatory year* in the previous *regulatory control period*, in *installing* the *required smart metering infrastructure* to provide *smart metering services* in accordance with a *Ministerial smart meter rollout determination* and in maintaining that *required smart metering infrastructure* is not available, an estimate of the total of the fixed operating or capital expenditure (as the case may be) that will be incurred, during that *regulatory year*, in *installing* the *required smart metering infrastructure* to provide *smart metering services* in accordance with the *Ministerial smart meter rollout determination* and in maintaining that *required smart metering infrastructure*; and

(f) the estimated cost, for each *regulatory year* of the *regulatory control period*, of providing each of the *distribution services* referred to in clause 6.2.3A(a) and (c); and

(g) the estimated cost savings, for each *regulatory year* of the *regulatory control period*, from providing each of the distribution services referred to clause 6.2.3A(a) and (c),

in each case in accordance with the requirements of any relevant *regulatory information instrument*.

6.28 Reporting of smart metering costs and benefits

(a) Within 6 months after the end of each *regulatory year*, each *Distribution Network Service Provider* must provide to the *AER*, in accordance with the *smart metering reporting guidelines*, for each *distribution network* that it owns, controls or operates, information on:

(1) the costs that it has incurred; and

(2) the cost savings that it has realised; and

(3) any change in the quantity of electricity conveyed through its *distribution network* that has occurred, and the associated changes in costs that the *Distribution Network Service Provider* has incurred,

during the previous *regulatory year* as a result of the *installation* and use of *smart meters*, whether or not such *smart meters* are *installed* in compliance with a *Ministerial smart meter determination* or *jurisdictional electricity legislation*.

(b) The *AER* must develop and *publish* guidelines (the '*smart metering reporting guidelines*') which set out the information that is to be provided under rule 6.28(a) and the format in which that information is to be provided.

(c) In determining the information that is required to be provided under the *smart metering reporting guidelines*, the *AER* must have regard to the likely costs that may be incurred by an efficient *Distribution Network Service Provider* in collecting and providing that information.

(d) The *AER* must comply with the *distribution consultation procedures* when making or amending the *smart metering reporting guidelines*.

(e) The *AER* must *publish* the first *smart metering reporting guidelines* within 6 months after the commencement of this clause and there must be such guidelines in place at all times after that date.

(f) The *AER* must, as soon practicable after being provided with the information referred to in rule 6.28(a), *publish* separately, for each *distribution network* that is owned, controlled or operated by a

Distribution Network Service Provider, in relation to the previous *regulatory year*:

(1) the total costs the *Distribution Network Service Provider* has incurred;

(2) the total cost savings that the *Distribution Network Service Provider* has realised; and

(3) the total change in the quantity of electricity conveyed through the *distribution network* that has occurred, and the total of the associated changes in costs that the *Distribution Network Service Provider* has incurred,

as a result of the *installation* and use of *smart meters*, whether or not such *smart meters* are *installed* in compliance with a *Ministerial smart meter determination* or *jurisdictional electricity legislation*.

(g) Subject to the provisions of the *National Electricity Law* about the disclosure of information given to the *AER* in confidence (to the extent such provisions apply to information provided to the *AER* under rule 6.28(a), the *AER* may also publish any information provided to the *AER* under rule 6.28(a) that is in addition to that which the *AER* is required to *publish* under rule 6.28(g)

(h) The *AER* may exempt a *Distribution Network Service Provider* from providing information under rule 6.28(a), where the *AER* considers that the *Distribution Network Service Provider* is required to provide sufficiently similar information under another provision of the *Rules* or any *jurisdictional electricity legislation*.

[39] Chapter 10 Substituted definitions

In Chapter 10, omit the following definitions and substitute:

eligible pass through event

In respect of a *positive change event* for a *Distribution Network Service Provider*, the increase in costs in the provision of *direct control services* that the *Distribution Network Service Provider* has incurred and is likely to incur, as a result of that *positive change event* (as opposed to the revenue impact of that event) until:

(a) unless paragraph (b) applies – the end of the *regulatory control period* in which the *positive change event* occurred; or

(b) if the distribution determination for the *regulatory control period* following that in which the *positive change event* occurred does not make any allowance for the recovery of that increase in costs (whether or not in the forecast operating expenditure or forecast capital expenditure accepted or substituted by the *AER* for that *regulatory control period*) - the end of the *regulatory control period* following that in which the *positive change event* occurred.

materially

For the purposes of the application of clause 6A.7.3, an event (other than a *network support event*) results in a *Transmission Network Service Provider* incurring materially higher or materially lower costs if the change in costs (as opposed to the revenue impact) that the *Transmission Network Service Provider* has incurred and is likely to incur in any *regulatory year* of the *regulatory control period*, as a result of that event, exceeds 1% of the *maximum allowed revenue* for the *Transmission Network Service*.

For the purposes of the application of clause 6.6.1, where the *pass through event* is the making, change or cessation of a *Ministerial pilot metering determination*, that *pass through event* materially increases, or materially reduces, the costs of providing *direct control services* if the change in costs (as opposed to the revenue impact) that the *Distribution Network Service Provider* has incurred and is likely to incur, or has saved and is likely to save, in any *regulatory year* of a *regulatory control period*, as a result of that event, is at least equal to the *AER's* administrative costs of performing its functions under clause 6.6.1 in relation to that event.

In other contexts the word has its ordinary meaning.

required pass through amount

In respect of a *negative change event* for a *Distribution Network Service Provider*, the costs in the provision of *direct control services* that the *Distribution Network Service Provider* has saved and is likely to save, as a result of that *negative change event* (as opposed to the revenue impact of that event) until:

(a) unless paragraph (b) applies – the end of the *regulatory control period* in which the *negative change event* occurred; or

(b) if the distribution determination for the *regulatory control period* following that in which the *negative change event* occurred does not make any allowance for the pass through of those saved costs (whether or not in the forecast operating expenditure or forecast capital expenditure accepted or substituted by the *AER* for that *regulatory control period*) - the end of the *regulatory control period* following that in which the *negative change event* occurred.

[40] Chapter 10 New definitions

In Chapter 10, insert the following new definitions in alphabetical order:

installation

In Chapter 6, where it is used in respect of *required smart metering infrastructure* or *smart meters*, but without limiting its ordinary meaning where it is used elsewhere, the provision, installation and commissioning of that *required smart metering infrastructure* or those *smart meters* (as applicable).

Ministerial pilot metering determination

Has the meaning given in the *National Electricity Law*.

Ministerial smart meter rollout determination

Has the meaning given in the *National Electricity Law*.

Ministerial smart metering determination

Has the meaning given in the *National Electricity Law*.

required smart metering infrastructure

Has the meaning given in the *National Electricity Law*.

smart meter

A *metering installation* in respect of which interval *metering data* from the *metering installation* is capable of being acquired through *remote acquisition*.

smart meter assessment

Has the meaning given in the *National Electricity Law*.

smart meter rollout guidelines

The guidelines developed and *published* by the *AER* under rule 6.6A.4.

smart meter trials

Has the meaning given in the *National Electricity Law*.

smart metering infrastructure

Has the meaning given in the *National Electricity Law*.

smart metering reporting guidelines

The guidelines developed and *published* by the *AER* under rule 6.28.

smart metering services

Has the meaning given in the *National Electricity Law*.

Schedule 2 Amendments of the National Electricity Rules

(Clause 4)

[1] Chapter 11 Savings and transitional rules

After rule 11.[XX], insert:

Part [XX] Smart metering

11.[XX] Rules consequent on the making of the National Electricity Amendment (Cost Recovery for Mandated Smart Metering Infrastructure) Rule 2010

11.[XX].1 Definitions

In this rule 11.[XX]:

Amending rule means the National Electricity Amendment (Cost Recovery for Mandated Smart Metering Infrastructure) Rule 2010.

commencement date means the day on which the Amending Rule commences operation.

new clauses means the new distribution determination clauses, the new tariff clauses and clauses 6.6.1(l) and 6.6.1(m), in each case as made or introduced with effect from the commencement date.

new distribution determination clauses means the amendments to clauses 6.2.5(d), 6.5.5, 6.5.9(b), 6.8.1, 6.10.3 and 6.12.1 and new clauses 6.2.3A, 6.4.3(a)(5a), 6.4.3(a)(5b) 6.4.3(b)(5a), 6.4.3(b)(5b), 6.6.4, 6.6A.1, 6.6A.2, 6.6A.3 and new rule 6.27, in each case as made or introduced with effect from the commencement date.

new tariff clauses means the amendments to rules 6.18 and 6.18A, in each case as made or introduced with effect from the commencement date.

11.[XX].2 Application of new distribution determination clauses

(a) Except as provided in clause 11.[XX].2(d), the new distribution determination clauses do not apply in respect of the distribution determinations for:

(1) the NSW and ACT *Distribution Network Service Provider*s for the period from 1 July 2009 to 30 June 2014;

(2) the Queensland and South Australian *Distribution Network Service Provider*s for the period from 1 July 2010 to 30 June 2015; and

(3) the Tasmanian *Distribution Network Service Provider* for the period from 1 July 2012 to 30 June 2017.

(b) The new tariff clauses do not apply in respect of a *pricing proposal* for any *regulatory year* that occurs:

(1) in the case of the NSW and ACT *Distribution Network Service Provider*s, before 1 July 2014;

(2) in the case of the Queensland and South Australian *Distribution Network Service Provider*s, before 1 July 2015; and

(3) in the case of the Tasmanian *Distribution Network Service Provider*, before 1 July 2017.

(c) The new clauses do not apply in respect of the Victorian *Distribution Network Service Providers*.

(d) Notwithstanding clause 11.[XX].2(a), clause 6.2.3A applies with effect from the commencement date in so far as is necessary for the *distribution services* referred to in that clause to be treated as *standard control services* for the purposes of the application of clause 6.6.1.