



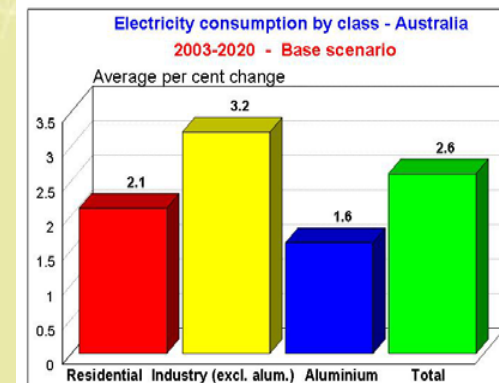
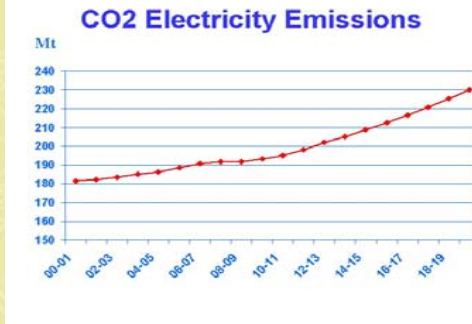
INTERMOCO
MONITORING AND CONTROL

Victorian FRC Metering Derogations

Pre-Determination Conference
13th January 2005

Our Position – Environmental Impact

- Intermoco supports the main thrust of the ACCC Determination to extend metering derogations for type 5-7 meters
- Some of the key objectives to be achieved through interval metering are:
 - Early achievement of cost-reflective pricing and innovative new metering tariffs
 - Ability to instigate Demand Side Responses during periods of peak demand
 - Reducing investment to meet future summer peak demand growth
- We are concerned that to achieve these key objectives and to ensure that real economic and social benefits can be delivered 2 way comms also need to be installed



Driving Consumer Choice

2 way meter comms will drive more competitive offerings and consumer choice:

- Consumers can make energy consumption choices during periods of peak demand.
- Promotes “user pays” approach and reduces cost smearing
- Manually read interval meters provide information months after the demand peak occurs
- Real time Demand response will enable retailers to offer more competitive tariff options
- Retailers will be able to mitigate demand risk during peak periods via real time price signals (peak demand monitoring)
- Reduce investment in future generation assets the benefits of which will flow to all consumers

Key Points.....

- Price signaling during peak demand can only be achieved with 2-way meter comms
- The benefits of 2-way comms accrue across a range of market participants and to the community in general. However, the costs of deploying 2-way comms are fixed on the provider. This supports a case for regulation
- Retailers to date have shown minimal interest to introduce metering innovation for low end consumers.
- Current asset base, customer access and the high cost of gaining NEMMCo accreditation to provide metering services all provide a natural economic advantage to existing metering / network businesses
- Excluding meters with 2-way comms from the derogation may result in uncertainty for metering businesses and a reluctance to invest in innovation for fear of stranding assets
- Metering businesses are best placed to introduce innovation due to large volumes, economies of scale and current technology

Cost- Benefit

Comparison b/w manual meter reading and 2-way comms has been analysed by the ESC position paper (CRA/KPMG Nov 02):

- For all business customers the benefits of 2-way meter comms exceed the benefits of manual meter reading by \$128M.
- For residential customers there was a net benefit for all >10MWhr/a consumers. The report acknowledges that the benefits have been narrowly defined and that further analysis be undertaken.
- Nevertheless what is clear from this analysis is that consumer groups above a threshold would benefit. We suggest that the benefits justify all consumers >20MWhr/a having 2-way metering comms.

Technology Advances....

The CRA/KPMG cost benefit analysis was completed 2 years ago, further technology advances have been made:

Intermoco as a specialist AMR provider now believes the following price points are achievable: (volume > 75k, 1phase 1 element, installed)

Configuration	Volume pricing	CRA/KPMG cost estimate
	Jan 05	Nov 02
Street wide urban rollout utilising PLC – separate communications device for each meter	\$200	\$280
High density units with collocated metering – communications equipment amortised over 10 meters. (Assumes banks of 10 collocated meters)	\$160	N/A

Technology Advances.....

- Specifically, high density units (apartments) with collocated metering are particularly cost effective as comms equipment can be amortised over several meters.
- We suggest that as a minimum the benefits justify all consumers >20MWhr/a having 2-way metering comms.
- In light of technology advances and in accordance with the recommendations of the CRA/KPMG report we believe it is timely that a more thorough review of the costs/benefits be undertaken for consumers < 10MWhr/a in conjunction with a pilot program across several of the distribution businesses

Purpose of Trials/Pilots.....

In order to ascertain the real benefits of 2-way meter reading for low end consumers we recommend that a substantive trial/pilot be undertaken in each of the major distribution businesses. The trial should verify volume costs and better quantify the benefits from:

- Real time price signaling
- New Tariff offerings
- Customer responsiveness
- Effect on peak demand

Various sources of funding could be used:
TransGrid project, Solar Cities...

Recommendations

- Regulated outcomes are required – But with monopoly comes community responsibility and regulated imperatives.
- Intermoco believes that if the Derogations are to be extended on metering services then the ACCC should consider either:
 - **mandating the rollout of 2-way comms technology; or**
 - **incentivising the metering businesses to install such equipment to those groups of customers for which net benefits have been already identified. Specifically,**
 - **Business consumers > 10 MWhr/a**
 - **Residential consumers > 20 MWhr/a**
- For smaller consumers we recommend substantive trials/pilots be undertaken in each distribution business to more accurately quantify the benefits and to determine whether to extend the rollout to these consumers