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Electricity Industry Act 2000

ADVANCED METERING INFRASTRUCTURE ORDER IN COUNCIL 2008

The Governor in Council, under sections 15A and 46D of the **Electricity Industry Act 2000**, makes the following Order:

1. Purpose

The purpose of this Order is to amend the AMI Cost Recovery Order and the AMI Specifications Order.

2. Definitions

In this Order:

‘**AMI Cost Recovery Order**’ means the Order in Council made on 28 August 2007 under sections 15A and 46D of the **Electricity Industry Act 2000** and published in the Victoria Government Gazette S200 on that day as amended by the AMI Specifications Order.

‘**AMI Specifications Order**’ means the Order in Council made on 12 November 2007 under sections 15A and 46D of the **Electricity Industry Act 2000** and published in the Victoria Government Gazette S286 on that day.

3. Commencement

This Order commences on the day it is published in the Government Gazette.

4. Amendments

The AMI Cost Recovery Order and the AMI Specifications Order are amended in accordance with the Schedule.

5. Transitional

(1) This clause applies to any Pricing Proposal of a distribution company that:

- (a) is currently before the Commission; and
- (b) in respect of which the Commission has not made a final determination as at the date of commencement of this Order.

(‘**current Pricing Proposal**’)

(2) The Commission must:

- (a) take no further action with respect to a current Pricing Proposal; and
- (b) make no determination in respect of a current Pricing Proposal.

(3) In this clause:

‘**Commission**’ means the Essential Services Commission established by the **Essential Services Commission Act 2001**.

‘**Pricing Proposal**’ has the same meaning as it had in the AMI Cost Recovery Order prior to the amendments made by this Order.

Note: see also section 27A of the **National Electricity (Victoria) Act 2005**.

Dated 25 November 2008

Responsible Minister:

PETER BATCHELOR MP

Minister for Energy and Resources

RYAN HEATH
Clerk of the Executive Council

SPECIAL

SCHEDULE

PART A. AMENDMENTS TO THE AMI COST RECOVERY ORDER:

In this Part ‘Order’ means the AMI Cost Recovery Order and all clause references are to clauses of the AMI Cost Recovery Order.

The Order is amended as follows:

Clause 1 – New clause 1A inserted:

Insert after clause 1 the following clause:

‘1A. Purpose.

The purpose of this Order is to:

- (a) provide for the setting and regulation of the prices, fees and charges that a relevant licensee who is a distribution company may charge for or in connection with the costs of, or in relation to, the provision, installation, maintenance and operation of advanced metering infrastructure and associated services and systems;
- (b) empower the recovery of those prices, fees and charges from a retailer who is a relevant licensee or a class or classes of retailers who are relevant licensees supplied electricity by the distribution company; and
- (c) confer powers and functions on, and leave matters to be decided by, the Commission.’

Clause 2 – Definitions and application of Order:

(1) Amend Clause 2.1 as follows:

- (a) delete the following definitions:
 - ‘Act’
 - ‘Charter’
 - ‘distribution licence’
 - ‘National Electricity (Victoria) Law’
 - ‘regulatory period’
 - ‘regulatory year’
 - ‘relevant pass through event’
 - ‘retail licence’
 - ‘retailer’
 - ‘subsequent regulatory period’.
- (b) delete the definition of ‘Commission’ and substitute the following:

“**Commission**’ means the Essential Services Commission established by the **Essential Services Commission Act 2001**.”
- (c) delete the definition of ‘distributor’ and substitute the following:

“**distributor**’ means a distribution company.”
- (d) delete the definition of ‘End Date’ and substitute the following:

“**End Date**’ means 31 December 2015.”
- (e) delete the definition of ‘local retailer’ and substitute the following:

“**local retailer**’ means a person specified as a ‘local retailer’ in an Order in Council made under section 23 of the **Electricity Industry Act 2000** as that Order is amended from time to time’.
- (f) delete the definition of ‘Pricing Proposal’ and substitute the following:

“**Pricing Proposal**’ has the same meaning as it had in this Order prior to the amendments made by the Advanced Metering Infrastructure Order in Council 2008.”

- (g) delete the definition of 'Regulated Services' and substitute the following:
"Regulated Services" means:
- (a) metering services supplied to or on behalf of:
 - (i) first tier customers; or
 - (ii) second tier customers,
with annual electricity consumption of 160 MWh or less where:
 - (iii) the electricity consumption of that customer is (or is to be) measured using a revenue meter that is either an accumulation meter or a manually read interval meter; and
 - (iv) the distributor is the responsible person in respect of those services; and
 - (b) metering services supplied to or on behalf of:
 - (i) first tier customers; or
 - (ii) second tier customers,
with annual electricity consumption of 160 MWh or less where:
 - (iii) the electricity consumption of that customer is (or is to be) measured using a revenue meter that is a remotely read interval meter; and
 - (iv) the distributor is the responsible person in respect of those services.'
- (h) delete the definition of 'Regulatory Accounting Statements' and substitute the following:
"Regulatory Accounting Statements" means:
- (a) during the period of the Current Price Determination, the Regulatory Accounting Statements which a distributor is required to prepare under 'Electricity Industry Guideline No. 3 Regulatory Information Requirements' dated 14 December 2006 of the Commission, as that Guideline is amended from time to time; and
 - (b) during the period of a Subsequent Price Determination, the regulatory accounts of the distributor that are prepared in accordance with:
 - (i) any relevant regulatory information instrument; and
 - (ii) the principles and policies of the approved Cost Allocation Method of that distributor, as that Method is amended from time to time.'
- (i) delete the definition of 'Start Date' and substitute the following:
"Start Date" means 1 January 2009.'
- (j) amend the definition of 'change of taxes event' by:
- (A) deleting wherever it appears 'regulatory period' and substitute 'initial regulatory period'; and
 - (B) deleting from subparagraph (ii) 'decision by the Commission under clause 10.2 or 10.3' and substitute 'variation under clause 5F'.
- (k) amend the definition of 'metering installation' by deleting 'functionality requirements set out in a further Order in Council to be made under section 46D of the Act' and substitute 'Functionality Specification'.
- (l) amend the definition of 'remotely read interval meter' by deleting from the chapeau 'functionality requirements set out in a further Order in Council to be made under section 46D of the Act' and substitute 'Functionality Specification'.
- (m) amend the definition of 'specification change event' by deleting 'a further Order in Council to be made under section 46D of the Act' and substitute 'the AMI Specifications Order'.

- (n) amend the definition of ‘Tariff Order’ by deleting ‘under section 15A of the Act and dated 28 June 2005’ and substitute ‘on 28 June 2005 under section 15A of the **Electricity Industry Act 2000** and published in the Victoria Government Gazette S124 on 30 June 2005.’
- (o) insert in their appropriate alphabetical order the following definitions:
- “**AMI Specifications Order**’ means the Order in Council made on 12 November 2007 under sections 15A and 46D of the **Electricity Industry Act 2000** and published in the Victoria Government Gazette S286 on that day as amended from time to time.’
- “**Approved Budget**’ means the Total Opex and Capex for each year of:
- (a) the initial AMI budget period; or
 - (b) the subsequent AMI budget period,
- as:
- (c) approved under clause 5A.3; or
 - (d) approved or determined under clause 5C,
- as varied from time to time in accordance with clause 5F.’
- “**expenditure**’ includes cost and may include:
- (a) actual expenditure;
 - (b) forecast expenditure; and
 - (c) (to avoid doubt) actual expenditure incurred prior to the Start Date.’
- “**Functionality Specification**’ has the same meaning as it has in the AMI Specifications Order.’
- “**initial AMI budget period**’ means the period commencing on the Start Date and ending 31 December 2011.’
- “**initial AMI WACC period**’ means the period commencing on the Start Date and ending 31 December 2013.’
- “**market observables**’ means the nominal risk free rate and debt risk premium.’
- “**metering regulatory obligation or requirement**’ means an obligation or requirement of a distributor that relates to the provision of Regulated Services under:
- (a) an Act or a subordinate instrument;
 - (b) the National Electricity (Victoria) Law;
 - (c) the National Electricity Rules;
 - (d) any instrument as in force from time to time made or issued under or for the purposes of that Act, subordinate instrument, the National Electricity (Victoria) Law or the National Electricity Rules (as the case may be);
 - (e) a Commonwealth Act or a Commonwealth legislative instrument; or
 - (f) any instrument as in force from time to time made or issued under or for the purposes of that Commonwealth Act or Commonwealth legislative instrument (as the case may be).’
- “**non market observables**’ means those input parameters that are not market observables and which are used for calculating the WACC.’
- “**scope**’ means the scope of activities:
- (a) set out in Schedule 2; or
 - (b) published pursuant to clause 14B
- as amended from time to time.’

“**service category**” means a service category specified in or approved pursuant to clause 4.1(n).’

“**Specifications**” has the same meaning as it has in the AMI Specifications Order.’

“**Submitted Budget**” means the Total Opex and Capex for each year of:

- (a) the initial AMI budget period; or
 - (b) the subsequent AMI budget period,
- set out in a budget application under clause 5B.’

“**subsequent AMI budget period**” means the period commencing 1 January 2012 and ending on the End Date.’

“**subsequent AMI WACC period**” means the period commencing on 1 January 2014 and ending on the End Date.’

“**Total Opex and Capex**” means the sum of:

- (a) maintenance and operating expenditure; and
- (b) capital expenditure,

for the provision of Regulated Services.’

“**WACC**” means benchmark weighted average cost of capital calculated in accordance with the formula set out in clause 6.5.2(b) of the National Electricity Rules.’

- (2) Insert after clause 2.1 the following:

‘2.1A Unless the context otherwise requires, words or terms defined in a clause in this Order bear the same meaning when used elsewhere in this Order.’
- (3) Delete clause 2.2 and substitute the following:

2.2 Relevant Licensee

 - (a) The Commission must for every person who, at the Start Date, is:
 - (i) a distributor; or
 - (ii) a retailer,give notification to that person that it is a relevant licensee.
 - (b) Where, after the Start Date, a person becomes:
 - (i) a distributor; or
 - (ii) a retailer,the Commission must give notification to that person that it is a relevant licensee.
 - (c) After notification pursuant to clause 2.2(a) or 2.2(b), a person is a relevant licensee:
 - (i) as from the Start Date; or
 - (ii) as from the date of issue of that person’s licence,as the case may be.
 - (d) A person who becomes a relevant licensee remains a relevant licensee until that person ceases to be a licensee.

Note: Pursuant to section 46C of the **Electricity Industry Act 2000**, a relevant licensee’s licence is deemed to include a condition requiring compliance with this Order, the AMI Specifications Order and any other order made pursuant to section 46D of that Act.’
- (4) Amend clause 2.3(a) by:
 - (a) deleting ‘the Start Date, the End Date and’;
 - (b) deleting ‘regulatory year’ and substituting ‘period’; and
 - (c) deleting ‘of the Act’ and substituting ‘of the **Electricity Industry Act 2000**’.

Clause 3 replaced:

Delete clause 3 and substitute the following:

‘3. Regulatory framework

3.1 Notwithstanding anything to the contrary in:

- (a) clauses 4 or 6 of the Current Price Determination (Volume 2);
- (b) clause 2 of, and the Attachment to, the Tariff Order; and
- (c) the Excluded Services Guideline,

during the initial regulatory period the Regulated Services are regulated under this Order and are not subject to regulation pursuant to:

- (d) the Current Price Determination;
- (e) any Subsequent Price Determination to take effect before 1 January 2016;
- (f) the Tariff Order; or
- (g) the Excluded Services Guideline,

and the Tariff Order is amended accordingly pursuant to section 15A(2) of the **Electricity Industry Act 2000**.

3.2 Notwithstanding clause 3.1:

- (a) a metering service that would be the subject of regulation under this Order but which is on the day immediately preceding the Start Date regulated as an Excluded Service continues to be regulated as an Excluded Service; and
- (b) a metering service that is regulated for the purposes of clauses 5K and 5L continues to be regulated under this Order after the End Date to the extent provided for in those clauses.

Note: Clause 11.17.6 of the National Electricity Rules relevantly provides as follows:

‘11.17.6 AMI Order in Council

- (a) Metering services that are regulated under the AMI Order in Council are not, while so regulated, subject to regulation under a distribution determination but, on cessation of regulation under the AMI Order in Council, are liable to regulation under a distribution determination.
- (b) However, for a relevant *regulatory control period*, services to which exit fees under clause 7, or restoration fees under clause 8, of the AMI Order in Council applied are to be classified as alternative control services and are to be regulated by the *AER* on the same basis as applied under the AMI Order in Council.
- (c) For paragraph (b), a relevant *regulatory control period* is a *regulatory control period* commencing on or after 1 January 2016 and before 1 January 2021.’

See also section 46E(2B)(a) of the **Electricity Industry Act 2000**.

3.3 In clause 3.2, ‘**Excluded Service**’ has the same meaning as it has in the Tariff Order. Provided that metering services to which clause 9 applies are not Excluded Services.

Note: The proviso to clause 3.3 has the effect that Regulated Services provided at a customer request to a standard in excess of that normally provided and for which a customer requested service fee is charged pursuant to clause 9 are not, despite the provisions of paragraph 17 of Part A of the Attachment of the Tariff Order to the contrary, Excluded Services.’

Clause 4 replaced:

Delete clause 4 and substitute the following clauses:

‘4. Regulatory principles.

4.1 For the purposes of but subject to this Order, with respect to Regulated Services:

- (a) There shall be no incentive based control mechanism applied. Instead there shall be a pass through of the costs of a distributor for Regulated Services.
- (b) The regulatory economic methodology to be used by the Commission for determining those costs shall be a building block approach, under which the building blocks for a year are:

- (i) a return on capital;
 - (ii) depreciation;
 - (iii) maintenance and operating expenditure;
 - (iv) a benchmark allowance for corporate income tax; and
 - (v) any other building block required by clauses 5D, 5E and 5I,
in each case determined subject to this clause 4 and clauses 5D, 5E and 5I.
- (c) Building block costs shall be based on:
- (i) actual expenditure of a distributor;
 - (ii) if actual expenditure is not available, a distributor's most recent forecast expenditure; or
 - (iii) where there is some actual expenditure available, that actual expenditure and a distributor's forecast expenditure.
- (d) For the purposes of clause 4.1(b)(i), return on capital is to be calculated using the WACC.
- (e) For the purposes of clause 4.1(b)(iv), if there is an estimated loss for tax purposes in any year:
- (i) the allowance for corporate income tax must be set as zero for that year; and
 - (ii) the loss is to be carried forward to offset future estimated taxable income from Regulated Services.
- (f) For the purposes of clause 4.1(b)(iv) the following shall be benchmarked:
- (i) tax depreciation method;
 - (ii) tax depreciation rate;
 - (iii) value of debt as a proportion of the value of equity and debt;
 - (iv) return on debt; and
 - (v) value of imputation (franking) credits.
- Benchmarking of:
- (vi) value of debt as a proportion of the value of equity and debt; and
 - (vii) return on debt,
- is to be done consistently with the calculation of WACC for the relevant year.
- (g) For the purpose of calculating depreciation for capital expenditure only, asset lives must be taken to be:
- (i) 15 years in respect of remotely read interval meters;
 - (ii) 15 years in respect of measurement transformers;
 - (iii) 7 years in respect of telecommunications systems;
 - (iv) 7 years in respect of information technology systems; and
 - (v) in respect of accumulation meters and manually read interval meters, a life ending no later than 31 December 2013.
- (h) The debt raising cost for the initial AMI WACC period shall be taken to be 12.5 basis points. Equity raising costs for the initial AMI WACC period shall be recovered as a maintenance and operating expense.
- Note: Equity raising costs incurred before the Start Date are covered by clause 4.1(h).
- (i) The input parameters used to calculate the WACC for the initial AMI WACC period must be calculated:
- (i) with measurement of the market observables to occur on:

- (A) the last 10 business days of November 2008; and
 - (B) the first 5 business days of December 2008,
- with the market observables to be determined on the basis of that measurement and otherwise in accordance with the Statement of Regulatory Intent issued by the AER pursuant to clause 6.5.4 of the National Electricity Rules; and
- (ii) using the non-market observables from the Current Price Determination.
- (j) The input parameters used to calculate the WACC for the subsequent AMI WACC period must be calculated with:
 - (i) measurement of the market observables to occur in a period in 2013 proposed by the distributor and agreed by the Commission (such agreement not to be unreasonably withheld); and
 - (ii) market observables and non-market observables determined in accordance with the Statement of Regulatory Intent issued by the AER pursuant to clause 6.5.4 of the National Electricity Rules and as if clause 6.5.4(g) of the National Electricity Rules applied.
 - (k) For the purposes of clauses 4.1(o) and 5H.1, revenue must be determined as follows:
 - (i) Where actual revenue is available, by using the revenue figures in the distributor's Regulatory Accounting Statements.
 - (ii) Where actual revenue is not available, by multiplying (as the case may be):
 - (A) in the case of the year commencing 1 January 2009, the charges of a distributor determined pursuant to clause 5J;
 - (B) in the case of every subsequent year,
 - (1) if there has been a determination of revised charges pursuant to clause 5I, the revised charges of the distributor for that year;
 - (2) if there has been no such determination, the initial charges of a distributor for that year determined in accordance with clauses 5D and 5E; or
 - (3) if there has been neither of the preceding determinations, the charges designed in accordance with clause 4.1(o),

by the forecast quantities of the service category to which the charges relate for that year.

 - (l) Where forecast quantities are relevant to a determination, the Commission must use the most recent forecast quantities of the distributor.
 - (m) Actual revenue must exclude any revenue not received by a distributor due to a financial failure of retailer event.
 - (n) When determining charges, the Commission must determine charges which may differ in respect of the following service categories:
 - (i) single phase single element meter;
 - (ii) single phase single element meter with contactor;
 - (iii) single phase two element meter with contactor;
 - (iv) three phase direct connected meter;

- (v) three phase direct connected meter with contactor;
- (vi) three phase current transformer connected meter; and
- (vii) any other customer or metering class proposed by the distributor and approved by the Commission.

Provided that the charges may not differ depending on whether the meter is an accumulation meter, a manually read interval meter or a remotely read interval meter.

- (o) The charges of a distributor for every year in the period from 1 January 2010 to the End Date, shall be designed so that, for the period from the Start Date up to and including the year for which charges are being determined, the net present value of the total costs incurred by the distributor for Regulated Services is equal to the net present value of the total revenue earned by the distributor from Regulated Services in that same period where:
 - (i) costs in any year are the building block costs determined in accordance with clauses 4.1(b) to (j); and
 - (ii) revenue in any year is determined in accordance with clauses 4.1(k) to (m).
- (p) Notwithstanding clause 4.1(o), if a distributor proposes charges (**‘reduced charges’**) that have the effect that the distributor does not recover, in any year in the period from 1 January 2010 to the End Date, the net present value of the total costs incurred by the distributor for Regulated Services in that year, the Commission may approve those reduced charges. For the purposes of this paragraph, costs and revenues shall be determined in the manner provided by clause 4.1(o). If the Commission does not approve the reduced charges, then the charges of the distributor must be determined in accordance with clause 4.1(o).

Note: The regulatory model of this Order is a cost pass through model whereby the charges for metering services are, in general terms, set as follows:

1. Charges for 2009 are set by reference to the metering charges already set by the Current Price Determination for that year.
2. In 2009 there will be the setting of initial charges to apply for 2010 and 2011, based on an Approved Budget for 2009–2011 and actual expenditure and revenues for 2006–2008.
3. In 2010 the initial charges for 2011 will be revised to take account of actual expenditure and revenues known for 2009 and revised forecasts for 2010–2011.
4. This process is repeated by the setting, in 2011, of charges to apply for the years 2012–2015 based on actual expenditure and revenues known to 2010, revised forecasts for 2011 and an Approved Budget for 2012–2015.
5. Then in 2012 the initial charges for 2013 will be revised to take account of actual expenditure and revenues known to 2011 and revised forecasts for the period to 2015. This process of revising charges is then repeated for 2014 and 2015 to take account of actual expenditure and revenues for 2012 and 2013 as they become known. Then a charge is to be applied in the years 2016 and 2017 to take account of actual expenditure and revenues for 2014 and 2015 as they too become known.
6. The charges will be designed so that the net present value of building block costs incurred to date must always equal the net present value of revenues incurred to date unless a distributor decides (and the Commission agrees) for a particular year that it will not recover its full building block costs in which case un-recovered expenditure will be carried over to a later year. In setting charges actual expenditure is to be used (to the extent such is allowed under the Order) along with actual revenue or if actual figures are not available then a distributor’s most recent forecasts are used.

The above note is provided by way of summary explanation only. It is to be read subject to the express provisions of this Order

4.2. In this clause a reference to the Statement of Regulatory Intent issued by the AER is a reference to the Statement that is most recent at the time a determination is made.

5. Applications by distribution companies.

5.1 A distributor must make applications to the Commission subject to and in accordance with this Order. Applications made pursuant to this Order are Applications within the meaning of section 27A(2)(b) of the **National Electricity (Victoria) Act 2005**.

5.2 The applications that a distributor is to make are as follows:

- (a) a budget application;
- (b) a charges application; and
- (c) a fee application.

5.3 An application must set out the information and identify the documents upon which the distributor relies. Provided that if a distributor relies on information it previously provided to the Commission for an application or a Pricing Proposal, it does not need to set out that information again in its application if the distributor identifies where that information may be found in that previous application or Pricing Proposal (as the case may be).

5.4 An application must also include the information specified by:

- (a) any framework and approach paper (as amended from time to time) of the Commission; and
- (b) information templates (as amended from time to time) of the Commission.

5.5 Subject to clause 5.3, a budget application and a charges application must also include:

- (a) the document or documents that set out the process (**‘competitive tender process’**) that is proposed (or in the case of contracts already entered into, has been used) for competitive tenders for contracts for Regulated Services;
- (b) a forecast of the number of metering installations that the distributor proposes to install for each year of the period covered by the application.

Note: The competitive tender process need not be conducted by the distributor.

5.6 The Commission may from time to time require provision of further information or documents in order to determine an application and the distributor must provide that further information.

5.7 The Commission must provide to the Minister a copy of every application that it receives as soon as practicable after it is received.

5A. When budget applications, initial charges applications and determinations are to be made.

5A.1 Applications by a distributor:

- (a) A budget application with respect to the initial AMI budget period (**‘initial AMI budget period budget application’**) must be made not later than 27 February 2009.
- (b) A charges application with respect to setting initial charges for each of the years commencing 1 January 2010 and 2011 (**‘2010–11 initial charges’**) must be made not later than 1 June 2009.
- (c) An application with respect to:
 - (i) the subsequent AMI budget period (**‘subsequent AMI budget period budget application’**); and
 - (ii) setting initial charges for each of the years commencing 1 January 2012, 2013, 2014 and 2015 (**‘2012–15 initial charges’**),
must be made not later than 28 February 2011.

- 5A.2 Determinations by the Commission:
- (a) The Final Determinations of:
 - (i) the initial AMI budget period Approved Budget; and
 - (ii) the 2010–11 initial charges,
must be made no later than 30 October 2009.
 - (b) The Final Determinations of:
 - (i) the subsequent AMI budget period Approved Budget; and
 - (ii) the 2012–15 initial charges,
must be made no later than 31 October 2011.
- 5A.3 If the Commission does not make a determination before the applicable date specified in clause 5A.2, the Commission is taken to have approved the Submitted Budget or charges (as the case may be).
- 5B. Budget application.**
- 5B.1 A budget application must:
- (a) contain expenditure for Regulated Services for each year of the initial AMI budget period or the subsequent AMI budget period (as the case may be);
 - (b) set out the Total Opex and Capex for each year of the initial AMI budget period or the subsequent AMI budget period (as the case may be);
 - (c) distinguish between:
 - (i) capital expenditure; and
 - (ii) maintenance and operating expenditure;and
 - (d) relate the expenditure to scope.
- 5B.2 Neither an initial AMI budget period budget application nor a revised initial AMI budget period budget application is to include any expenditure in relation to which the distributor will seek a determination under clause 5D.4.
- Note: Clause 5D.4 provides for the making of a determination with respect to certain items of expenditure that have been incurred between 1 January 2006 and the Start Date.
- 5B.3 A distributor may revise its budget application by 31 August 2009 or 31 August 2011 (as the case may be) where there is:
- (a) a change in expenditure by reason of a contract entered into between the budget application and that date; or
 - (b) a material change in a metering regulatory obligation or requirement.
- 5C. Budget determination.**
- 5C.1 The Commission shall review the initial AMI budget period budget application or the subsequent AMI budget period budget application (as the case may be) and may determine to approve or reject the Submitted Budget giving reasons.
- 5C.2 The Commission must approve the Submitted Budget unless the Commission establishes that the expenditure (or part thereof) that makes up the Total Opex and Capex for each year:
- (a) is for activities outside scope at the time of commitment to that expenditure and at the time of the determination; or
 - (b) is not prudent.
- 5C.3 For the purposes of clause 5C.2(b), expenditure is prudent and must be approved:
- (a) where that expenditure is a contract cost, unless the Commission establishes that the contract was not let in accordance with a competitive tender process;
or

- (b) where that expenditure:
 - (i) is not a contract cost; or
 - (ii) is a contract cost and the Commission establishes that the contract was not let in accordance with a competitive tender process,
unless the Commission establishes that:
 - (iii) it is more likely than not that the expenditure will not be incurred; or
 - (iv) the expenditure will be incurred but incurring the expenditure involves a substantial departure from the commercial standard that a reasonable business would exercise in the circumstances.
- 5C.4 For the purposes of clause 5C.3(b)(iv), the Commission must take into account and give fundamental weight to the matters referred to in clause 5I.8, with all necessary changes being made.
- 5C.5 The Commission must make a draft determination approving or rejecting the Submitted Budget. If the Commission determines to reject the Submitted Budget:
- (a) the Commission must in its reasons state what new Submitted Budget it would determine to approve; and
 - (b) the distributor must within 20 business days make application to the Commission for approval of an amended Submitted Budget.
- 5C.6 Where an application is made pursuant to clause 5C.5(b), the Commission must review the amended Submitted Budget and may determine to approve or reject that amended Submitted Budget giving reasons. Provided that the Commission must approve the Submitted Budget if it accords with the new Submitted Budget that the Commission stated it would approve under clause 5C.5(a).
- 5C.7 If the Commission determines to reject an amended Submitted Budget pursuant to clause 5C.6, it must determine the Approved Budget.
- 5C.8 In making a determination under clause 5C.5(a) or clause 5C.7 (as the case may be), the Commission's discretion is limited to stating the new Submitted Budget or determining an Approved Budget (as the case may be) that removes not more than the expenditure it has established under clause 5C.2 as being:
- (a) for activities outside scope at the time of commitment to that expenditure and at the time of the determination; or
 - (b) not prudent.
- 5C.9 For the purposes of clauses 5C.2(a) and 5C.8(a), actual expenditure included in an initial AMI budget period budget application or a revised initial AMI budget period budget application is for activities within scope if it is supported by an external auditor's report, prepared and signed by that auditor, certifying that:
- (a) the expenditure incurred is for activities within scope at the time of commitment to that expenditure or at the time of the report; and
 - (b) the expenditure has been incurred in the amount claimed.
- For the purposes of this clause, the external auditor must be an auditor approved by the Commission or in default of approval, nominated or engaged by the Commission. The Commission must approve a person as an auditor if:
- (c) that person is a member of CPA Australia, The Institute of Chartered Accountants in Australia or the National Institute of Accountants;
 - (d) that person holds a current Public Practice Certificate; and
 - (e) there is in place an agreement in writing (consent to which must not be unreasonably withheld by either the Commission or a distributor) between that person, the distributor and the Commission in which it is agreed that the

auditor owes a duty to both the Commission and the distributor to provide an independent report as to the matters that person is certifying as to.

Note: The expenditure to which clause 5C.9 applies is actual expenditure incurred in the year commencing 1 January 2009.

5C.10 In making a determination in which the Commission establishes that a contract was not let in accordance with a competitive tender process, the Commission must have regard to:

- (a) the tender process for that contract;
- (b) whether there has been compliance with that process; and
- (c) where the Commission establishes that the request for tender unreasonably imposed conditions or requirements that prevented or discouraged the submission of any tender that was consistent with the selection criteria, that fact.

5C.11 In this clause:

‘**Contract cost**’ means expenditure incurred pursuant to a contract entered into:

- (a) prior to the day on which a distributor made its initial AMI budget period budget application or subsequent AMI budget period budget application (as the case may be); or
- (b) if a revised initial AMI budget period budget application has been made by the distributor pursuant to clause 5B.3, prior to the day on which that application was made,

but does not include expenditure incurred pursuant to a variation of that contract where that variation is entered into or takes effect after that day.

Note: The competitive tender process need not be conducted by the distributor, nor need the contract be one that the distributor has entered into.

5D. 2010–11 initial charges determination.

5D.1 In determining the 2010–11 initial charges in respect of Regulated Services, the Commission must determine those charges in accordance with clause 4 and this clause 5D.

5D.2 The Commission must calculate the opening value for the metering asset base at the Start Date as follows, adjusting for inflation:

$$\text{Opening Metering Asset Base}_{\text{SD}} = \text{Opening Metering Asset Base}_{2006} + \text{Capital Expenditure}_{2006\text{--SD}} - \text{Depreciation}_{2006\text{--SD}} - \text{Disposals}_{2006\text{--SD}}$$

Where:

Opening Metering Asset Base_{SD} is the opening metering asset base at the Start Date;

Opening Metering Asset Base₂₀₀₆ is the opening regulatory asset base set out in Table 13.35 of the Current Price Determination (Volume 1);

Capital Expenditure_{2006-SD} is actual capital expenditure between 1 January 2006 and the Start Date;

Depreciation_{2006-SD} is the actual depreciation between 1 January 2006 and the Start Date; and

Disposals_{2006-SD} is actual disposals between 1 January 2006 and the Start Date.

5D.3 In determining the building block costs the Commission must:

- (a) provide for the maintenance and operating expenditure in the Approved Budget for the initial AMI budget period (the balance of the Approved Budget being the capital expenditure for that year);

- (b) provide a return on capital using a WACC calculated in accordance with clauses 4.1(h) and (i);
- (c) for the purposes of calculating depreciation, apply clause 4.1(g); and
- (d) for the purposes of a benchmark allowance for corporate income tax, apply clause 4.1(e) and (f).

5D.4 In addition, the Commission must also determine, as additional expenditure to be included in the building blocks for the year commencing 1 January 2009:

- (a) the building block costs incurred offset by the revenue earned by a distributor in respect of prescribed metering services (not being metering services to unmetered connection points to which clause 6 applies) under the Current Price Determination during the period from 1 January 2006 until the Start Date. For the purposes of this clause 5D.4(a), the weighted average cost of capital in the Current Price Determination shall be applied, adjusted for inflation;
- (b) the amount by which the 'building block taxation liability' was reduced as a result of the consolidation undertaken by the Commission of the taxation for both 'regulated by price cap and metering' for the period 1 January 2006 to 31 December 2010 as referred to at page 399 of the Current Price Determination (Volume 1);
- (c) for the period from 1 January 2006 to the Start Date, the total value of the benefit or burden which the distributors would have enjoyed or suffered from efficiency gains or losses arising from the Current Price Determination including those flowing from the efficiency carryover mechanism in the Current Price Determination limited to efficiency improvements (not volume changes) in operating expenditure for:
 - (i) metering data services (as described on pages 543, 544 and 545 of the Current Price Determination (Volume 1));
 - (ii) meter maintenance (as described on pages 539 and 540 of the Current Price Determination (Volume 1)); and
 - (iii) meter replacement costs (customer service costs) (as described on pages 542 and 543 of the Current Price Determination (Volume 1));
- (d) the expenditure from 1 January 2006 to the Start Date attributable to technology trials of remotely read interval meters (including telecommunications systems), customer response trials of remotely read interval meters or other trials, such trials being conducted in accordance with the recommendations of the ISC as agreed by the Department or as otherwise directed or agreed by the Department;
- (e) the expenditure from 1 January 2006 to the Start Date (being expenditure that would not otherwise have been incurred) attributable to installing, commissioning and maintaining the telecommunications and information technology systems required to support the remotely read interval meters;
- (f) the expenditure (being expenditure that would not otherwise have been incurred) from 1 January 2006 to the Start Date attributable to project management and other preparation for the provision, installation, maintenance and operation of advanced metering infrastructure and associated services and systems not otherwise provided for in clause 5D.4(d) or (e); and
- (g) the expenditure (being expenditure that would not otherwise have been incurred) from 1 January 2006 to the Start Date attributable to:
 - (i) interest rate hedging costs; and
 - (ii) exchange rate hedging costs,

for the provision, installation, maintenance and operation of advanced metering infrastructure and associated services and systems.

Note: Additional expenditure determined pursuant to clause 5D.4 is not included in the Approved Budget.

5D.5 Where the Commission determines expenditure pursuant to clause 5D.4, the Commission must also:

- (a) include an amount for time value of money (which shall be calculated by an application of the weighted average cost of capital in the Current Price Determination, adjusted for inflation);
- (b) add expenditure that is capital expenditure (and any associated amount determined for time value of money) to the item Capital Expenditure_{2006-SD}; and
- (c) add expenditure that is maintenance and operating expenditure (and any associated amount determined for time value of money) to the maintenance and operating expenditure provided for pursuant to clause 5D.3(a).

Note: The actual expenditure under clauses 5D.4(d) to (g) must be allowed (except for any part the Commission can establish is not attributable to the provision, installation, maintenance and operation of advanced metering infrastructure and associated services and systems for the period 1 January 2006 to the Start Date) and will not be the subject of review at any time. Any expenditure deemed not attributable to the provision, installation, maintenance and operation of advanced metering infrastructure and associated services and systems may be attributable to other regulated distribution services.

5D.6 Information provision by a distributor:

In addition to the information and documents required pursuant to clause 5, an application that seeks a determination pursuant to this clause must include:

- (a) details of actual expenditure attributable to Regulated Services for the years 2006 and 2007 as derived from the distributor's Regulatory Accounting Statements; and
- (b) details of actual expenditure attributable to Regulated Services for the year 2008 as derived from the distributor's Regulatory Accounting Statements.

5E. 2012–15 initial charges determination.

5E.1 In determining 2012–15 initial charges in respect of Regulated Services, the Commission must determine those charges in accordance with clause 4 and this clause 5E.

5E.2 The Commission must calculate the opening value of the metering asset base as follows, adjusting for inflation:

$$\text{Opening Metering Asset Base}_{2012} = \text{Opening Metering Asset Base}_{SD} + \text{Capital Expenditure}_{IABP} - \text{Depreciation}_{IABP} - \text{Disposals}_{IABP}$$

Where:

Opening Metering Asset Base₂₀₁₂ is the opening metering asset base at the start of 2012;

Opening Metering Asset Base_{SD} is the opening metering asset base for 2009 as calculated under clause 5D;

Capital Expenditure_{IABP} is actual capital expenditure in 2009 and 2010 (determined in accordance with clauses 5I.2 to 5I.10) and capital expenditure for 2011;

Depreciation_{IABP} is to be calculated on the Opening Metering Asset Base_{SD} and actual capital expenditure in 2009 and 2010 (determined in accordance with clauses 5I.2 to 5I.10) and capital expenditure for 2011 using asset lives in accordance with clause 4.1(g); and

Disposals_{IABP} is actual disposals in 2009 and 2010 and forecast disposals in 2011.

- 5E.3 In determining the building block costs the Commission must:
- (a) provide for the maintenance and operating expenditure in the Approved Budget for the subsequent AMI budget period (the balance of the Approved Budget being the capital expenditure for that year);
 - (b) provide a return on capital for 2012 and 2013 using a WACC calculated in accordance with clauses 4.1(h) and (i);
 - (c) provide a return on capital for 2014 and 2015 using a WACC calculated in accordance with clause 4.1(j);
 - (d) for the purposes of calculating depreciation apply clause 4.1(g); and
 - (e) for the purposes of a benchmark allowance for corporate income tax, apply clauses 4.1(e) and (f).

5F. Revised budget application and determination.

- 5F.1 A distributor may, at any time after the Commission makes a determination pursuant to clause 5C, notify the Commission of any actual or anticipated variance from its Approved Budget. The notification must set out all the information upon which the distributor relies.
- 5F.2 Upon receipt of such a notification, the Commission may request that the distributor provide any information and document that the Commission requires in respect of that variance and the distributor must provide that information or document to the Commission.
- 5F.3 The Commission must determine to approve or reject the variance in the Approved Budget giving reasons within 40 business days from receipt of the notification. If the Commission does not make a determination within that time, the Commission is taken to have approved the variance.
- 5F.4 In making a determination whether some or all of a variance in the Approved Budget is approved, clause 5C shall apply, all necessary changes being made, and with, in clause 5C.5(b), '10 business days' substituted for '20 business days'.
- 5F.5 Actual or anticipated variances that may be the subject of notification pursuant to this clause may include any variance that arises by reason of a change in taxes event, a declared retailer of last resort event, a financial failure of retailer event or a specification change event.

5G. When charges revision applications and determinations are to be made.

- 5G.1 A revised charges application ('**charges revision application**') must be made to set revised charges in respect of Regulated Services for each of the years commencing 1 January 2011, 2013, 2014 and 2015.
- 5G.2 The application shall be made not later than 31 August in the year ('**year t**') immediately preceding the year that the revised charges are to take effect ('**year t+1**').
- 5G.3 The Commission shall make a determination of revised charges to apply in year t+1 and shall do so no later than 31 October in year t.
- 5G.4 If the Commission does not make a determination before the date specified in clause 5G.3, the Commission is taken to have approved the revised charges set out in the application.

5H Charges revision applications.

- 5H.1 In addition to the information and documents required pursuant to clause 5, a charges revision application shall:
- (a) state the period to which it relates;
 - (b) set out the actual:
 - (i) Total Opex and Capex (broken down into actual capital expenditure and actual maintenance and operating expenditure); and

- (ii) revenue (calculated in accordance with clause 4.1(k)) of the distributor from the provision of Regulated Services in the year ('year t-1') immediately preceding year t; and
- (c) contain an updated forecast of the:
 - (i) Total Opex and Capex (broken down into forecast capital expenditure and forecast maintenance and operating expenditure); and
 - (ii) revenue (calculated in accordance with clause 4.1(k)) of the distributor from the provision of Regulated Services for:
 - (iii) year t; and
 - (iv) the remaining year or years of the initial AMI budget period or the subsequent AMI budget period (as the case may be).

5H.2 A charges revision application must be accompanied by an audit report prepared and signed by an external auditor certifying that:

- (a) the actual expenditure incurred is for activities within scope; and
- (b) the actual expenditure incurred has been incurred in the amount claimed.

Provided that where year t-1 is the year commencing 1 January 2009 an audit report that complies with clause 5I.3 must instead accompany the charges revision application.

5I. Determinations of revised charges.

5I.1 In making a determination of revised charges ('revised charges determination') for year t+1, the Commission must determine charges in accordance with clause 4 and this clause 5I.

5I.2 In determining the building blocks the Commission must:

- (a) include actual capital expenditure and actual maintenance and operating expenditure for year t-1 where actual Total Opex and Capex for that year:
 - (i) is certified in an audit report under clause 5H.2;
 - Note: An audit report provided for the purposes of this clause is not conclusive as to whether expenditure is for activities that are within scope.
 - (ii) is for activities within scope at the time of commitment to or incurring of that expenditure; and
 - (iii) in the case of the initial AMI budget period, is up to 120% of the Approved Budget for that year or in the case of the subsequent AMI budget period, is up to 110% of the Approved Budget for that year; and
- (b) where year t-1 is the year commencing 1 January 2009 also include the expenditure determined pursuant to clause 5D.4.

Note: Clause 5D.4 provides for the making of a determination with respect to certain items of expenditure that have been incurred between 1 January 2006 and the Start Date.

5I.3 Where year t-1 is the year commencing 1 January 2009 and notwithstanding clause 5I.2(a)(ii) and 5I.4, actual expenditure for that year included in the charges revision application is for activities within scope if it is supported by an external auditors report, prepared and signed by that auditor, certifying that:

- (a) the expenditure incurred is for activities within scope at the time of commitment to or incurring of that expenditure; and
- (b) the expenditure incurred has been incurred in the amount claimed.

For the purposes of this clause, the external auditor must be an auditor approved by the Commission or in default of approval, nominated or engaged by the Commission. The Commission must approve a person as an auditor if:

- (c) that person is a member of CPA Australia, The Institute of Chartered Accountants in Australia or the National Institute of Accountants;
- (d) that person holds a current Public Practice Certificate; and
- (e) there is in place an agreement in writing (consent to which must not be unreasonably withheld by either the Commission or a distributor) between that person, the distributor and the Commission in which it is agreed that the auditor owes a duty to both the Commission and the distributor to provide an independent report as to the matters that person is certifying as to.

Note: An audit report provided for the purposes of this clause is conclusive as to whether expenditure is for activities that are within scope.

- 5I.4 Where pursuant to clause 5I.2(a)(ii) the Commission establishes that expenditure is not for activities that are within scope at the time of commitment to and incurring of that expenditure, the amount of the expenditure that is not within scope is to be deducted from the actual Total Opex and Capex and the balance actual Total Opex and Capex left after that deduction shall be included as actual capital expenditure and actual maintenance and operating expenditure for year $t-1$ where that balance in the case of the initial AMI budget period, is up to 120% of the Approved Budget for that year or in the case of the subsequent AMI budget period, is up to 110% of the Approved Budget for that year.
- 5I.5 Where pursuant to clause 5I.2 or 5I.4 the Commission determines that actual Total Opex and Capex or the balance actual Total Opex and Capex (as the case may be) for year $t-1$ exceeds 120% or 110% (as the case may be) of the Approved Budget for that year, the Commission shall, notwithstanding anything to the contrary in clause 5I.2 or 5I.4, include in the building blocks the amount of that excess in expenditure (**'the expenditure excess'**) to the extent that it is prudent. An expenditure excess included in the building blocks pursuant to this clause is in addition to the amounts and expenditure included pursuant to clause 5I.2 or 5I.4.
- 5I.6 Where year $t-1$ is the year commencing 1 January 2009, the expenditure excess is prudent and must be approved:
- (a) where the expenditure excess was incurred prior to the Commission's approval of the Submitted Budget or determination of the Approved Budget for the initial AMI budget period; or
 - (b) where the expenditure excess was incurred after that approval or determination, if the conditions in clause 5I.7 are met.
- 5I.7 Where year $t-1$ is any other year in the initial regulatory period, the expenditure excess is prudent and must be approved:
- (a) where the expenditure excess is a contract cost, unless the Commission establishes that the contract was not let in accordance with a competitive tender process; or
 - (b) where the expenditure excess:
 - (i) is not a contract cost; or
 - (ii) is a contract cost and the Commission establishes that the contract was not let in accordance with a competitive tender process,
 unless the Commission establishes that the expenditure excess involves a substantial departure from the commercial standard that a reasonable business would exercise in the circumstances.

- 5I.8 For the purposes of making a determination pursuant to paragraph 5I.7(b), the Commission shall take into account and give fundamental weight to:
- (a) the circumstances of the distributor;
 - (b) if the distributor did not directly incur the expenditure, the circumstances of the person that did incur it; and
 - (c) if the distributor did not directly manage the expenditure, the circumstances of the person that did manage it,
- at the time the commitment was made to incur or manage (as the case may be) the expenditure excess including:
- (d) the information available at that time;
 - (e) the nature of the provision, installation, maintenance and operation of advanced metering infrastructure and associated services and systems;
 - (f) the nature of the rollout obligation;
- Note: See clause 14 and Schedule 1.
- (g) the state of the technology relevant to the provision, installation, maintenance and operation of advanced metering infrastructure and associated services and systems;
 - (h) the risks inherent in a project of the type involving the provision, installation, maintenance and operation of advanced metering infrastructure and associated services and systems;
 - (i) the market conditions relevant to the provision, installation, maintenance and operation of advanced metering infrastructure and associated services and systems; and
 - (j) any metering regulatory obligation or requirement.
- 5I.9 In making a determination in which the Commission establishes that a contract was not let in accordance with a competitive tender process, the Commission shall have regard to:
- (a) the tender process for that contract;
 - (b) whether there has been compliance with that process; and
 - (c) where the Commission establishes that the request for tender unreasonably imposed conditions or requirements that prevented or discouraged the submission of any tender that is consistent with the selection criteria, that fact.

5I.10 In this clause:

‘Contract cost’ means expenditure incurred pursuant to a contract entered into prior to the day on which a distributor made its charges revision application but does not include expenditure incurred pursuant to a variation of that contract where that variation is entered into or takes effect after that day.

Note: The competitive tender process need not be conducted by the distributor, nor need the contract be one that the distributor has entered into.

5J. Charges in the year 2009.

Notwithstanding any other provisions of this Order, the charges that a distributor may charge in the year commencing 1 January 2009 for Regulated Services shall be determined as if the Current Price Determination (as amended pursuant to clause 15) continued to apply to that year and the Regulated Services were prescribed metering services (not being metering services to unmetered connection points to which clause 6 applies).

5K. Transition to 2016–20 Subsequent Price Determination – metering asset base.

For the purposes of the second Subsequent Price Determination:

- (a) an asset base (be it for standard control services or alternative control services) for the second Subsequent Price Determination must have added to it the metering asset base of Regulated Services as at the End Date (as that metering asset base has been determined in accordance with this Order); and
- (b) there shall be no optimisation of the metering asset base of Regulated Services at the time that it is, pursuant to clause 5K(a), added to an asset base for the second Subsequent Price Determination.

5L. Transition to 2016–20 Subsequent Price Determination – transition charges.

5L.1 A distributor may make an application that seeks a determination pursuant to this clause. An application that seeks a determination under clause 5L.3 must be made no later than 31 August 2015. An application that seeks a determination under clause 5L.4 must be made no later than 31 August 2016.

5L.2 The Commission must make its determination within 40 business days from receipt of the application. If the Commission does not make a determination within that time, the Commission is taken to have approved the application.

5L.3 The Commission must determine an amount to be recovered through a transition charge in the year commencing 1 January 2016. The amount will recover the difference between the future value in 2016 dollars of costs and the future value in 2016 dollars of revenue for the initial regulatory period where:

- (a) the costs are:
 - (i) for the years commencing 1 January 2009, 2011, 2012 and 2013, the building block costs for those years in the revised charges determination made by the Commission under clause 5I setting revised charges for 2015;
 - (ii) for the year commencing 1 January 2010, the building block costs for that year used for the purposes of the 2012–15 initial charges determination;
 - (iii) for the year commencing 1 January 2014, the building block costs for that year determined by the Commission for the purposes of this clause 5L.3, which building block costs must include actual capital expenditure and actual maintenance and operating expenditure for that year determined in accordance with clauses 5I.2 to 5I.10 where 2014 is year $t-1$; and
 - (iv) for the year commencing 1 January 2015, the building block costs for that year determined by the Commission for the purposes of this clause 5L.3, which building block costs must be based on revised forecasts for that year; and
- (b) revenue is to be calculated:
 - (i) for the years commencing 1 January 2009, 2010, 2011, 2012, 2013 and 2014, by using the revenue figures in the distributor's Regulatory Accounting Statements; and
 - (ii) for the year commencing 1 January 2015, by multiplying the revised charges for that year as determined under clause 5I by the forecast quantities of the service categories to which those charges relate.

5L.4 The Commission must determine an amount to be recovered through a transition charge in the year commencing 1 January 2017. The amount will recover the difference between the future value in 2017 dollars of costs and the future value in 2017 dollars

of revenue for the initial regulatory period, less the amount that was calculated under clause 5L.3 adjusted to 2017 dollars, where:

- (a) the costs are:
 - (i) for the years commencing 1 January 2009, 2010, 2011, 2012 and 2013, the building block costs for those years specified in clauses 5L.3(a)(i) and (ii);
 - (ii) for the year commencing 1 January 2014, the building block costs for that year determined by the Commission under clause 5L.3(a)(iii); and
 - (iii) for the year commencing 1 January 2015, the building block costs for that year determined by the Commission for the purposes of this clause 5L.4, which building block costs must include actual capital expenditure and actual maintenance and operating expenditure for that year determined in accordance with clauses 5I.2 to 5I.10 where 2015 is year $t-1$; and
- (b) revenue is to be calculated by using the actual revenue figures in the distributor's Regulatory Accounting Statements for each year of the initial regulatory period.

5L.5 For the purposes of clauses 5L.3(b) and 5L.4(b), actual revenue must exclude any revenue not received by a distributor due to a financial failure of retailer event.'

Clause 5 – Regulated Service charges – subsequent regulatory periods:

Delete clause 5.

Clause 6 – Prescribed metering service charges:

Delete clause 6.2.

Clause 7 – Exit fee:

- (1) Insert before clause 7.1 the following clauses:
 - '7.1A A distributor may make a fees application that seeks the determination of an exit fee to apply in the initial regulatory period in which case this clause will apply.
 - 7.1B The Commission must make its determination within 40 business days from receipt of the application. If the Commission does not make a determination within that time, the Commission is taken to have approved the exit fee.'
- (2) Delete from the chapeau to clause 7.1 'this Order at the time of making a determination under clauses 4.1 or 5.1' and substitute 'this clause'.
- (3) Insert in clause 7.1(a) after 'remotely read interval meter' the words 'which complies with the Specifications and'.
- (4) Delete from clause 7.1(a) 'in accordance with the functionality, distributor performance levels and distribution service levels set out in a further Order in Council to be made under section 46D of the Act'.
- (5) Delete from the chapeau to clause 7.2, 'for each regulatory year'.
- (6) Delete from the chapeau to clause 7.2(b) '(which for these purposes, must be assumed to be as set out in clause 4.2(f) or as applied for the purpose of clause 5.2(b)(vi) above, whichever is applicable)' and substitute '(which must be assumed to be as set out in clause 4.1(g))'.
- (7) Delete from clause 7.2(b)(ii) 'IT systems' and substitute 'information technology systems'.
- (8) Delete from clause 7.2(b)(iii) 'calculated using the rate of return applicable in that regulatory year, determined in accordance with clause 4.2(e) or clause 5.2(b)(v) above' and substitute 'calculated using the applicable WACC'.
- (9) Delete clause 7.3.

Clause 8 – Restoration fee:

- (1) Insert before clause 8.1 the following clauses:
- ‘8.1A A distributor may make a fees application that seeks the determination of an restoration fee to apply in the initial regulatory period in which case this clause will apply.
- 8.1B The Commission must make its determination within 40 business days from receipt of the application. If the Commission does not make a determination within that time, the Commission is taken to have approved the restoration fee.’
- (2) Delete from the chapeau to clause 8.1 ‘this Order at the time of making a determination under clauses 4.1 or 5.1’ and substitute ‘this clause’.
- (4) Insert in clause 8.1(a) after ‘remotely read interval meter’ the words ‘which complies with the Specifications and’.
- (5) Delete from clause 8.1(a) ‘in accordance with the functionality, distributor performance levels and distribution service levels set out in a further Order in Council to be made under section 46D of the Act’.
- (6) Delete from the chapeau to clause 8.2, ‘for each regulatory year’.
- (7) Delete from clause 8.2(a)(ii) ‘IT systems’ and substitute ‘information technology systems’.
- (8) Delete from clause 8.2(b) ‘described in clause 3(b)’ and substitute ‘described in paragraph (b) of the definition of Regulated Services’.
- (9) Delete clause 8.3.

Clause 9 replaced:

Delete clause 9 and substitute the following:

‘9. Customer requested service fees

- 9.1 A distributor may make a fees application that seeks the determination of a customer requested service fee to apply in the initial regulatory period in which case this clause will apply.
- 9.2 The Commission must make its determination within 40 business days from receipt of the application. If the Commission does not make a determination within that time, the Commission is taken to have approved the customer requested service fee.
- 9.3 A customer requested service fee must (except as otherwise agreed by the distributor) be paid by a retailer to the distributor where:
- (a) a customer of that retailer requests Regulated Services to a standard in excess of that normally provided; and
- (b) the costs of providing those Regulated Services can be reasonably attributed to that customer.
- 9.4 The Commission must determine a customer requested service fee so that it recovers all the costs referred to in clause 9.3(b).
- 9.5 This clause does not apply to requests for enhanced functionality or for enhanced service levels.

Note: Clauses 5 and 7 of the AMI Specifications Order provide for such requests and how they are to be dealt with.

- 9.6 In this clause:
- ‘**enhanced functionality**’ has the same meaning as it has in the AMI Specifications Order; and
- ‘**enhanced service levels**’ has the same meaning as it has in the AMI Specifications Order.’

Clause 10 replaced:

Delete clause 10 and substitute the following:

‘10. Procedure for determinations made under this Order

- 10.1 Subject to this Order, the Commission may issue (and from time to time amend) a timetable setting out:
- (a) the dates on which submissions on an application must be made;
 - (b) when framework and approach, issues or summary papers are to be released;
 - (c) when a draft determination will be made; and
 - (d) when any other steps leading up to the making of a final determination are to occur.
- 10.2 The Commission must allow not less than 30 business days for submissions on any draft determination prior to its making a final determination.’

Clause 11 replaced:

Delete clause 11 and substitute the following:

‘11. Determination by Commission

- 11.1 With respect to any application made pursuant to this Order, the Commission must make its determination under and in accordance with this Order.
- 11.2 The Commission must provide to the Minister a copy of each determination that it makes under this Order.’

New clause 11A inserted:

Insert after clause 11 the following:

‘11A. Recovery of fees and charges

- 11A.1 Following the deemed approval or determination of initial or revised charges by the Commission, the distributor must notify retailers of those charges no later than 30 November in the year the determination is made.
- 11A.2 A distributor is empowered to recover from retailers who are relevant licensees and retailers who are relevant licensees must pay:
- (a) the charges that a distributor may charge for Regulated Services, including a transition charge;
 - (b) an exit fee;
 - (c) a restoration fee; and
 - (d) a customer requested service fee,
- approved or determined by the Commission pursuant to this Order.
- 11A.3 A charge or fee determined in accordance with this Order is recoverable from a retailer who is a relevant licensee in a court of competent jurisdiction as a debt due and payable by that retailer to the distributor.’

Clause 12 – Reopening determinations:

Delete from the chapeau to clause 12(a) ‘in respect of the charges for Regulated Services’ and substitute ‘under this Order’.

Clause 13 – Price Determinations and Excluded Services Guideline:

Delete clause 13.

Clause 14 – Remotely read interval meter rollout:

- (1) Delete, wherever it appears in clause 14, the words ‘the End Date’ and substitute the date ‘31 December 2013’.
- (2) Amend clause 14.1(a) by deleting ‘(which is operational as a remotely read interval meter in accordance with the functionality, distributor performance levels and distributor service levels set out a further Order in Council to be made under section 46D of the Act)’ and substitute ‘(which is operational as a remotely read interval meter in accordance with the Specifications)’.

- (3) Amend clause 14.2(a) by deleting 'regulatory year set out in the schedule to this Order' and substitute 'year'.
- (4) Amend clauses 14.2(b) and (c) by deleting, wherever it appears, 'regulatory year set out in the schedule' and substitute 'period set out in schedule 1'.
- (5) Amend clause 14.2(b) by deleting '(which is operated as a remotely read interval meter in accordance with the functionality, distributor performance levels and distributor service levels set out a further Order in Council to be made under section 46D of the Act)' and substitute '(which is operational as a remotely read interval meter in accordance with the Specifications)'.
- (6) Amend clause 14.2I by deleting from the chapeau 'installed by the end of that regulatory year' and substitute 'installed by the end of that period'.
- (7) Delete wherever it appears in clause 14.3 '(which is operated as a remotely read interval meter in accordance with the functionality, distributor performance levels and distributor service levels set out a further Order in Council to be made under section 46D of the Act)' and substitute '(which complies with the Specifications)'.
- (8) Amend clause 14.3(e) by deleting 'be operated in accordance with the functionality, distributor performance levels and distributor service levels set out a further Order in Council to be made under section 46D of the Act' and substitute 'comply with the Specifications'.

New clauses 14A, 14B and 14C inserted:

Insert after clause 14 the following:

14A. Risk Management Strategy

14A.1 A distributor must have and must keep up to date to the End Date a risk management strategy ('**risk management strategy**') to:

- (a) identify, address and mitigate technological or other risks of and in connection with the provision, installation, maintenance and operation of advanced metering infrastructure and associated services and systems; and
- (b) manage expenditure increases arising from those risks.

14A.2 The documents that set out the risk management strategy must be provided to the Minister if he so requests in writing.

14B. Scope

14B.1 If Schedule 2 does not set out the scope for a distributor, the Minister may give notice of that distributor's scope by publishing the same in the Victoria Government Gazette.

14B.2 A scope may be amended by agreement between the Minister and a distributor either generally or in a particular case. The Minister may (but is not obliged to) consult with the ISC on any proposed amendment to the scope. Notice of any agreed amendment is to be published in the Victoria Government Gazette.

14C. Cessation of Rollout

If at any time the rollout of advanced metering infrastructure and associated services and systems is ceased all actual expenditure of a distributor to that time and any expenditure relating to the cessation of that rollout (including expenditure arising from the termination of any relevant contract) will be recoverable under this Order by the distributor.'

Clause 15 – Amendment of Instruments:

Delete clause 15.2 and replace it with the following:

15.2 Final Decision Volume 2 – Price Determination: Metering Incentive Mechanism

The Commission must, by the Start Date, amend the Final Decision Volume 2 – Price Determination of the Current Price Determination as follows:

- (a) in clause 4.6.4(ii)(a), for '31 December 2008' substitute '31 December 2010';
- (b) in clause 4.6.4(ii)(b), for '31 December 2007' substitute '31 December 2009';
- (c) in clause 4.6.4(ii)I, for '31 December 2007' substitute '31 December 2009'.

Annexure – Depreciation Schedules:

Delete the Annexure.

Schedule:

Replace the Schedule with the following:

**'Schedule 1
Rollout**

Period commencing on the Start Date and ending on	Number of remotely read interval meters to be installed by end of period
30 June 2010	A number equal to 5% of remotely read interval meters
31 December 2010	A number equal to 10% of remotely read interval meters, where such number includes the 5% referred to above
30 June 2011	A number equal to 25% of remotely read interval meters, where such number includes the 10% referred to above
30 June 2012	A number equal to 60% of remotely read interval meters, where such number includes the 25% referred to above
30 June 2013	A number equal to 95% of remotely read interval meters, where such number includes the 60% referred to above
31 December 2013	As far as practicable, a number equal to 100% of remotely read interval meters, where such number includes the 95% referred to above

Note: All percentages are to be measured as a percentage of the most recent forecast number of remotely read interval meters that has been provided by the distribution company pursuant to clause 14.3(a).

Schedule 2

Part 1

**Scope of activities for United Energy Distribution Pty Ltd (ABN 70 064 651 029)
and Jemena Electricity Networks (Vic) Ltd (ABN 82 064 651 083)**

S2.1 – ACTIVITIES WITHIN SCOPE:

Activities within scope are those activities reasonably required:

- (a) for the provision of Regulated Services; and
- (b) to comply with a metering regulatory obligation or requirement.

These include:

(a) Metering services referred to in paragraph (a) of the definition of Regulated Services:

Activities reasonably required for the provision of the metering services referred to in paragraph (a) of the definition of Regulated Services, including:

- (i) procurement, installation, operation and maintenance of accumulation and manually read interval metering installations to support the billing of network tariffs, including accumulation meters and manually read meters, measurement transformers and other associated equipment;

- (ii) provision of metering data services, including manual meter reading, remote meter reading, meter data processing, meter data management, data provision to NEMMCO and market participants;
 - (iii) provision and ongoing maintenance of data required by the National Electricity Rules;
 - (iv) customer service;
 - (v) operation, maintenance and enhancement of information technology applications, systems and infrastructure, including disaster recovery; and
 - (vi) executive and corporate office services.
- (b) Metering services referred to in paragraph (b) of the definition of Regulated Services – establishment:**
- (1) Activities reasonably required for the provision of the metering services referred to in paragraph (b) of the definition of Regulated Services, including the provision and operation of:
 - (i) remotely read interval meters required to be installed under clause 14, measurement transformers, communications equipment, communications services and network management systems and other associated equipment ('**AMI Technology**');
 - (ii) information technology infrastructure and all information technology systems to comply with the Specifications; and
 - (iii) business processes and information technology systems to manage the remotely read interval meter rollout obligations under clause 14.
 - (2) The provision and operation of those things referred in clause S2.1(b)(1)(i) to (iii) include:
 - (i) provision and installation of AMI Technology. This activity includes:
 - (A) planning, designing and managing the rollout of AMI Technology, including design and construction of mounting arrangements, site surveys and the management of difficult sites; and
 - (B) processing the required industry notifications, including the management of exceptions, reporting and performance management;
 - (ii) provision of data required by the National Electricity Rules to enable customer transition to the metering services referred to in paragraph (b) of the definition of Regulated Services;
 - (iii) customer service associated with the AMI Technology and
 - (A) management of guaranteed service level payments;
 - (B) management of complaints and enquiries;
 - (C) management of and meeting claims;
 - (D) management and responsibility arising from Ombudsman complaints;
 - (E) call centre;
 - (F) customer communications and notifications; and
 - (G) focus groups, surveys, retailer communications and process audits;
 - (iv) piloting, trialling and testing of AMI Technology, including home area networks;
 - (v) trialling and testing at the request of the Department;
 - (vi) customer response trials;
 - (vii) provision, operation and maintenance of information technology applications, systems and infrastructure, including disaster recovery. These applications, systems and infrastructure will:

- (A) manage the rollout of AMI Technology under clause 14;
- (B) operate AMI Technology;
- (C) process data;
- (D) deliver all required Regulated Services and achieve associated service obligations.

The information technology applications, systems and infrastructure referred to in this clause S2.1(b)(2)(vii) include the applications, systems and infrastructure set out in the Annexure;

- (viii) provision, operation and maintenance of new business processes required to manage the rollout of AMI Technology under clause 14;
- (ix) provision and operation of transitional business processes to ensure that the processes and information technology systems associated with Regulated Services can be operated;
- (x) provision and implementation of change management, training and business continuity plans to enable business transition to the provision of the metering services referred to in paragraph (b) of the definition of Regulated Services;
- (xi) program governance and management, including:
 - (A) participation in State and national industry activities relating to industry co-ordination, industry governance and developing related cross-industry material;
 - (B) planning, program and project management, and administration;
 - (C) procurement, contract and supplier management;
 - (D) audits and quality assurance;
 - (E) obtaining expert advice and external surveys using independent consultants;
 - (F) contractors and system integrators including necessary facilities, administration, travel and accommodation;
 - (G) legal and regulatory, including budget, charges and fees application processes; and
 - (H) insurances and warranties;
- (xii) program financing, including obtaining business approvals and funding, raising debt and/or equity finance, foreign exchange hedging, interest rate hedging, treasury and administration, business case development and financial, technical, legal and regulatory, due diligence reports; and
- (xiii) executive and corporate office services.

(c) Metering services referred to in paragraph (b) of the definition of Regulated Services – business as usual

Activities reasonably required for the provision, during the initial regulatory period, of the metering services referred to in paragraph (b) of the definition of Regulated Services including:

- (i) procurement, installation, operation and maintenance of AMI Technology to support the billing of network tariffs;
- (ii) provision of metering data services, including remote meter reading, meter data processing, meter data management, data provision to NEMMCO and market participants;
- (iii) operation and maintenance of AMI Technology, including asset management plans, asset register, inspection, testing, fault rectification, optimisation and augmentation;

- (iv) establishment and ongoing maintenance of data required by the National Electricity Rules;
- (v) customer service and
 - (A) management of guaranteed service level payments;
 - (B) management of complaints and enquiries;
 - (C) management of and meeting claims;
 - (D) management and responsibility arising from Ombudsman complaints;
 - (E) call centre;
 - (F) customer communications and notifications; and
 - (G) focus groups, surveys, retailer communications and process audits;
- (vi) establishment, operation, maintenance and enhancement of information technology applications, systems and infrastructure, including those listed in the Annexure and disaster recovery; and
- (vii) executive and corporate office services.

S2.2 – ACTIVITIES OUTSIDE SCOPE PENDING RELATED OBLIGATIONS:

Until such time as obligations to deliver the following programs or services have been defined, activities related to those obligations are outside scope. Upon those obligations being defined, the activities related to those obligations will be within scope (unless the recovery of the costs of those activities is provided for other than under this Order).

The programs or services to which this clause S2.2 applies are:

- (i) arrangements required to support the contestable provision of AMI Technology;
- (ii) the national smart metering framework mandated by the Ministerial Council on Energy;
- (iii) services beyond those in the Specifications at the Start Date; and
- (iv) site restoration works beyond distributor obligations at the Start Date.

S2.3 – ACTIVITIES OUTSIDE SCOPE:

Activities outside scope include:

- (i) subject to clauses S2.4.1(e) or S2.4.2(e) (as the case may be), provision, operation and maintenance of Distribution IT Systems, including disaster recovery;
- (ii) subject to clauses S2.4.1(e) or 2.4.2(e) (as the case may be), provision, installation, repairs, maintenance or replacement of distribution system assets, including service cables;
- (iii) using AMI Technology for the control or operation of the distribution system including:
 - (A) distribution transformer monitoring;
 - (B) operation of line switches; and
 - (C) monitoring of line fault detectors; and
- (iv) using AMI Technology to provide communications services beyond those in the most up to date Specifications.

S2.4 – ANNEXURE:

S2.4.1 Information technology applications, systems and infrastructure for United Energy Distribution Pty Ltd (ABN 70 064 651 029):

- (a) Data processing systems and infrastructure, including:
 - (i) procurement and delivery of a meter data management system and infrastructure to support remotely read interval data, including premise based un-metered supplies;
 - (ii) procurement and delivery of a connection point management/standing data system and infrastructure to enable remotely read interval meter data management; and

- (iii) procurement and delivery of a network revenue management system and infrastructure, to manage tariffs, prepare financials, reconcile and report, and to generate network invoices and manage disputes.
- (b) Information technology systems and infrastructure to manage the rollout of AMI Technology, including:
 - (i) integration of an outsourced service provider's workforce scheduling and mobility system and infrastructure including hand held devices and remote data communications, to enable the co-ordination of the AMI Technology rollout field workforce for planned outage management and to enable ongoing field maintenance and fault restoration activities associated with the AMI Technology;
 - (ii) procurement and delivery of an asset management system and infrastructure for all asset data related to the provision of metering services referred to in paragraph (b) of the definition of Regulated Services for the supply chain management of physical assets, including asset planning, asset procurement, asset maintenance, and inventory management for the AMI Technology rollout and ongoing AMI Technology asset replacement programs;
 - (iii) enhancement and configuration of a geospatial information system and infrastructure to capture and maintain the geographic network model for AMI Technology and associated data for the AMI Technology rollout planning, ongoing maintenance works, communication network optimisation and augmentation activities;
 - (iv) procurement and delivery of a performance and regulatory reporting system and infrastructure for AMI Technology; and
 - (v) enhancement and configuration of an interactive voice recognition system and infrastructure to enable customer communication, including unplanned outage and forecast restoration of supply information.
- (c) Network monitoring and control systems and infrastructure, including:
 - (i) procurement and delivery of a network management system and infrastructure for the real time management of the network model for AMI Technology, to control and monitor the communications network and to perform remote firmware upgrades; and
 - (ii) enhancement and configuration of an outage management system and infrastructure to manage unplanned outages of AMI Technology and trouble order dispatch to field crews.
- (d) Market interfaces and enterprise application integration systems and infrastructure, including:
 - (i) delivery of application-to-application interfaces between all AMI Technology systems and all other related systems, including Distribution IT Systems where impacted, including financial systems;
 - (ii) enhancement, configuration and delivery of business-to-business interfaces to support all National Electricity Market transactions affected by AMI Technology;
 - (iii) procurement and delivery of a gateway and associated communications infrastructure including security systems and firewalls to support data transaction volumes and data security requirements; and
 - (iv) procurement and delivery of an enterprise application integration system to orchestrate the end-to-end integration and validation of all transactions affected by AMI technology.

- (e) Any modifications to:
 - (i) Distribution IT Systems affected by the introduction of AMI Technology; or
 - (ii) Distribution IT Systems arising from the introduction of AMI Technology and needed in order to make the Distribution IT Systems effective for the distribution or supply of electricity by the distributor under its licence.

Examples of the Distribution IT Systems that might need modification are an outage management system, a geospatial information system, application-to-application interfaces, business-to-business interfaces.

S2.4.2 Information technology applications, systems and infrastructure for Jemena Electricity Networks (Vic.) Ltd (ABN 82 064 651 083):

- (a) Data processing systems and infrastructure, including:
 - (i) procurement and delivery of a meter data management system and infrastructure to support remotely read interval data, including premise based un-metered supplies;
 - (ii) procurement and delivery of a connection point management/standing data system and infrastructure to enable remotely read interval meter data management; and
 - (iii) procurement and delivery of a network revenue management system and infrastructure, to manage tariffs, prepare financials, reconcile and report, and to generate network invoices and manage disputes.
- (b) Information technology systems and infrastructure to manage the rollout of AMI Technology, including:
 - (i) integration of an outsourced service provider's workforce scheduling and mobility system and infrastructure including hand held devices and remote data communications, to enable the co-ordination of the AMI Technology rollout field workforce for planned outage management and to enable ongoing field maintenance and fault restoration activities associated with the AMI Technology;
 - (ii) procurement and delivery of an asset management system and infrastructure for all asset data related to the provision of metering services referred to in paragraph (b) of the definition of Regulated Services for the supply chain management of physical assets, including asset planning, asset procurement, asset maintenance, and inventory management for the AMI Technology rollout and ongoing AMI Technology asset replacement programs;
 - (iii) upgrade, enhancement and configuration of a geospatial information system and infrastructure to capture and maintain the geographic network model for AMI Technology and associated data for the AMI Technology rollout planning, ongoing maintenance works, communication network optimisation and augmentation activities;
 - (iv) procurement and delivery of a performance and regulatory reporting system and infrastructure for AMI Technology; and
 - (v) enhancement and configuration of an interactive voice recognition system and infrastructure to enable customer communication, including unplanned outage and forecast restoration of supply information.
- (c) Network monitoring and control systems and infrastructure, including:
 - (i) procurement and delivery of a network management system and infrastructure for the real time management of the network model for AMI Technology, to control and monitor the communications network and to perform remote firmware upgrades; and

- (ii) procurement and delivery of an outage management system and infrastructure to manage unplanned outages of AMI Technology and trouble order dispatch to field crews.
- (d) Market interfaces and enterprise application integration systems and infrastructure, including:
 - (i) delivery of application-to-application interfaces between all AMI Technology systems and all other related systems, including Distribution IT Systems where impacted, including financial systems;
 - (ii) enhancement, configuration and delivery of business-to-business interfaces to support all National Electricity Market transactions affected by AMI Technology;
 - (iii) procurement and delivery of a gateway and associated communications infrastructure including security systems and firewalls to support data transaction volumes and data security requirements; and
 - (iv) procurement and delivery of an enterprise application integration system to orchestrate the end-to-end integration and validation of all transactions affected by AMI technology.
- (e) Any modifications to:
 - (i) Distribution IT Systems affected by the introduction of AMI Technology; or
 - (ii) Distribution IT Systems arising from the introduction of AMI Technology and needed in order to make the Distribution IT Systems effective for the distribution or supply of electricity by the distributor under its licence.

Examples of the Distribution IT Systems that might need modification are an outage management system, a geospatial information system, application-to-application interfaces, business-to-business interfaces.

S2.5 – INTERPRETATION AND DEFINITIONS:

- (a) In clauses S2.1 and S2.4:
 - ‘**customer service**’ means customer service within the meaning of the Current Price Determination.
 - ‘**operation**’ includes management and support.
 - ‘**provision**’ includes establishment, procurement and enhancement.
- (b) In clauses S2.3 and S2.4:
 - ‘**Distribution IT Systems**’ means information technology:
 - (i) systems;
 - (ii) applications; and
 - (iii) infrastructure,associated with the distribution or supply of electricity by the distributor under its licence but does not include:
 - (iv) systems;
 - (v) applications; and
 - (vi) infrastructure,for Regulated Services.
- (c) In this Part 1, ‘**Annexure**’ means the annexure set out in clause S2.4.
- (d) Clauses S2.1, S2.2 and S2.3 apply to both United Energy Distribution Pty Ltd (ABN 70 064 651 029) and Jemena Electricity Networks (Vic.) Ltd (ABN 82 064 651 083).

Part 2

**Scope of activities required for SPI Electricity Pty Ltd (ABN 91 064 651 118)
(trading as SP AusNet)**

S2.6 – ACTIVITIES WITHIN SCOPE:

Activities within scope are those activities reasonably required:

- (a) for the provision of Regulated Services; and
- (b) to comply with a metering regulatory obligation or requirement.

These include:

(a) Metering services referred to in paragraph (a) of the definition of Regulated Services:

Activities reasonably required for the provision of the metering services referred to in paragraph (a) of the definition of Regulated Services, including:

- (i) procurement, installation, operation and maintenance of accumulation and manually read interval metering installations to support the billing of network tariffs, including accumulation meters and manually read meters, measurement transformers and other associated equipment;
- (ii) provision of metering data services, including manual meter reading, remote meter reading, meter data processing, meter data management, data provision to NEMMCO and other market participants;
- (iii) provision and ongoing maintenance of data required by the National Electricity Rules;
- (iv) customer service;
- (v) operation, maintenance and enhancement of information technology applications, systems and infrastructure, including disaster recovery; and
- (vi) executive and corporate office services.

(b) Metering services referred to in paragraph (b) of the definition of Regulated Services – establishment:

- (1) Activities reasonably required for the provision of the metering services referred to in paragraph (b) of the definition of Regulated Services, including the provision and operation of:

- (i) remotely read interval meters required to be installed under clause 14, measurement transformers, communications equipment, communications services and network management systems and other associated equipment ('AMI Technology');
- (ii) information technology infrastructure and all information technology systems to comply with the Specifications; and
- (iii) business processes and information technology systems to manage the remotely read interval meter rollout under clause 14.

- (2) The provision and operation of those things referred in clause S2.6(b)(1)(i) to (iii) include:

- (i) provision and installation of AMI Technology. This activity includes:
 - (A) planning, designing and managing the rollout of AMI Technology, including design and construction of mounting arrangements, site surveys and the management of difficult sites; and
 - (B) processing the required industry notifications, including the management of exceptions, reporting and performance management.
- (ii) provision of data required by the National Electricity Rules to enable customer transition to the metering services referred to in paragraph (b) of the definition of Regulated Services;

- (iii) customer service associated with the AMI Technology and:
 - (A) management of guaranteed service level payments;
 - (B) management of complaints and enquiries;
 - (C) management of and meeting claims;
 - (D) management and responsibility arising from Ombudsman complaints;
 - (E) call centre;
 - (F) customer communications and notifications; and
 - (G) focus groups, surveys, retailer communications and process audits;
- (iv) piloting, trialling and testing of AMI Technology, including home area networks;
- (v) trialling and testing at the request of the Department;
- (vi) customer response trials;
- (vii) planning, testing, provision, operation and maintenance of information technology applications, systems and infrastructure, including disaster recovery. These applications, systems and infrastructure will:
 - (A) manage the rollout of AMI Technology, including:
 - (1) the asset management system, to manage the full asset life cycle for interval meters and communication network infrastructure assets; and
 - (2) mobile workforce system and infrastructure including hand held devices, to enable co-ordination of field personnel for the communications network infrastructure and interval meter rollout;
 - (B) manage the operation of AMI Technology, including:
 - (1) network management system ('NMS') for management of data communication between the meters and business information technology systems. The NMS is made up of meter management system ('MMS') and communication network management system ('CNMS'). The MMS acquires data from the interval meter and manages stores and controls this data until delivery to the meter data management system. CNMS enables the MMS and meters to interact and collaborate; and
 - (2) outage management system manages outage trouble orders associated with the new communication network and interval meters;
 - (C) deliver all required Regulated Services and achieve associated service obligations, including:
 - (1) metering and revenue system for meter data collection, meter data processing, service order management, revenue management, consumption data management, customer details management and connection point management; and
 - (2) enhancements to corporate systems required to support AMI technology;
 - (D) transition the provision of distribution services affected by the deployment of AMI Technology; and
 - (E) include any modifications to:
 - (1) Distribution IT Systems affected by the introduction of AMI Technology; or

- (2) Distribution IT Systems arising from the introduction of AMI Technology and needed in order to make the Distribution IT Systems effective for the distribution or supply of electricity by the distributor under its licence.

Examples of the Distribution IT Systems that might need modification are an outage management system, a geospatial information system, application-to-application interfaces, business-to-business interfaces.

- (viii) provision, operation and maintenance of new business processes required to manage the rollout of AMI Technology;
 - (ix) provision and operation of transitional business processes to ensure that the processes and information technology systems associated with Regulated Services can be operated;
 - (x) provision and implementation of change management, training and business continuity plans to enable business transition to the provision of metering services referred to in paragraph (b) of the definition of Regulated Services;
 - (xi) program governance and management, including:
 - (A) participation in State and national industry activities relating to industry co-ordination, industry governance and developing related cross-industry material;
 - (B) planning, program and project management, and administration;
 - (C) procurement, contract and supplier management;
 - (D) audits and quality assurance;
 - (E) obtaining expert advice and external surveys using independent consultants;
 - (F) contractors and system integrators including necessary facilities, administration, travel and accommodation;
 - (G) legal and regulatory, including budget and charges application processes; and
 - (H) insurances and warranties; and
 - (xii) program financing, including business approvals and funding, raising debt and/or equity finance, interest rate hedging, foreign exchange hedging, treasury and administration, business case development and financial, technical, legal and regulatory, due diligence reports; and
 - (xiii) executive and corporate office services.
- (c) **Metering services referred to in paragraph (b) of the definition of Regulated Services – business as usual**

Activities reasonably required for the provision, during the initial regulatory period, of the metering services referred to in paragraph (b) of the definition of Regulated Services including:

- (i) procurement, installation, operation and maintenance of AMI Technology to support the billing of network tariffs;
- (ii) provision of metering data services, including remote meter reading, meter data processing, meter data management, data provision to NEMMCO and market participants;
- (iii) operation and maintenance of AMI Technology, including asset management plans, asset register, inspection, testing, fault rectification, optimisation and augmentation;
- (iv) establishment and ongoing maintenance of data required by the National Electricity Rules;

- (v) customer service and
 - (A) management of guaranteed service level payments;
 - (B) management of complaints and enquiries;
 - (C) management of and meeting claims;
 - (D) management and responsibility arising from ombudsman complaints;
 - (E) call centre;
 - (F) customer communications and notifications; and
 - (G) focus groups, surveys, retailer communications and process audits;
- (vi) establishment, operation, maintenance and enhancement of information technology applications, systems and infrastructure, and disaster recovery; and
- (vii) executive and corporate office services.

S2.7 – ACTIVITIES OUTSIDE SCOPE PENDING RELATED OBLIGATIONS:

Until such time as obligations to deliver the following programs or services have been defined, activities related to those obligations are outside scope. Upon those obligations being defined, the activities related to those obligations will be within scope (unless the recovery of the costs of those activities is provided for other than under this Order).

The programs or services to which this clause S2.7 applies are:

- (i) arrangements required to support the contestable provision of AMI Technology;
- (ii) the national smart metering framework mandated by the Ministerial Council on Energy;
- (iii) services beyond those in the Specifications at the Start Date; and
- (iv) site restoration works beyond distributor obligations at the Start Date.

S2.8 – ACTIVITIES OUTSIDE SCOPE:

Activities outside scope include:

- (i) subject to clause S2.6(b)(2)(vii)(E), provision, operation and maintenance of Distribution IT Systems, including disaster recovery;
- (ii) subject to clause S2.6(b)(2)(vii)(E), provision, installation, repairs, maintenance or replacement of distribution system assets, including service cables;
- (iii) the extension of the use of AMI Technology for electricity network control or operation purposes including:
 - (A) distribution transformer monitoring;
 - (B) operation of line switches; and
 - (C) monitoring of line fault detectors;
- (iv) using AMI Technology to provide communications services beyond those in the most up to date Specifications.

S2.9 – DEFINITIONS:

- (a) In clause S2.6:
 - ‘**customer service**’ means customer service within the meaning of the Current Price Determination.
 - ‘**operation**’ includes management and support.
 - ‘**provision**’ includes establishment, procurement and enhancement.
- (b) In clauses S2.6 and S2.8:
 - ‘**Distribution IT Systems**’ means information technology:
 - (i) systems;
 - (ii) applications; and

- (iii) infrastructure,
associated with the distribution or supply of electricity by the distributor under its licence but does not include:
- (iv) systems;
- (v) applications; and
- (vi) infrastructure,
for Regulated Services.’

PART B AMENDMENTS TO AMI SPECIFICATIONS ORDER:

In this Part ‘Order’ means the AMI Specifications Order and all clause references are to clauses of the AMI Specifications Order.

The Order is amended as follows:

Clause 2 – Definitions and application of Order:

- (1) Amend clause 2.1 as follows:
 - (a) delete the following definitions:
‘distribution licence’
‘retailer’
‘retail licence’.
 - (b) delete the definition of ‘Commission’ and substitute the following:
“**Commission**’ means the Essential Services Commission established by the **Essential Services Commission Act 2001**.”
 - (c) delete the definition of ‘Cost Recovery Order’ and substitute the following:
“**Cost Recovery Order**’ means the Order in Council made on 28 August 2007 under sections 15A and 46D of the **Electricity Industry Act 2000** and published in the Victoria Government Gazette S200 on that day as amended from time to time.’
 - (d) delete the definition of ‘distributor’ and substitute the following:
“**distributor**’ means a distribution company.’
- (2) Delete clause 2.2 and substitute the following:
‘2.2 Relevant Licensee
A person who is determined to be a relevant licensee pursuant to clause 2.2 of the Cost Recovery Order is a relevant licensee for the purposes of this Order.’

Clause 6 – Review of Specifications:

Delete clause 6.1(c).

Clause 8 – Amendment of Cost Recovery Order:

Delete clause 8.

Note: Clauses 6.1(c) and 8 are spent.

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