

File Ref: 1374708

22 May 2019

The Hon Dr Anthony Lynham MP
Minister for Natural Resources, Mines and Energy
PO Box 15216
City East Qld 4002

Dear Minister

Final advice on 2019–20 advanced digital metering costs

I refer to your Direction dated 17 December 2018, under section 253AA(1) of the *Electricity Act 1994*, requesting the QCA provide advice on the costs to all regional residential and small business customers should the additional costs associated with the deployment of advanced digital meters be spread across those customers, rather than be applied only to customers receiving the new meters.

The QCA's final advice on this matter is attached for your consideration. In accordance with your Direction, this will be published on the QCA's website on 31 May 2019.

Having considered the matters listed in your Direction, the QCA has calculated daily charges on a per tariff per customer basis in accordance with the terms of reference. The charges, and bill comparisons, are presented in **Attachment 1**.

Our advice is that spreading the costs of deployed advanced digital meters across all customers in 2019–20 would add 2.024 c/day, or \$7.39 per year, to a tariff 11 or tariff 20 customer bill compared to paying type 6 meter charges regulated by the Australian Energy Regulator.

This cost is significantly lower than the QCA's initial advice, which is the result of actual meter deployment rates being significantly lower than Ergon Energy Queensland's (Ergon Retail's) forecast in 2018–19. Our final advice reflects the smaller number of advanced digital meters deployed. The shortfall in meter deployments compared to forecasts used to determine metering costs in 2018–19 also resulted in Ergon Retail over-recovering revenue in the 2018–19 tariff year. Accounting for this over-recovery has also acted to reduce the costs reported in this final advice.

I would be pleased to discuss this advice with you or your office at your convenience. You can contact me on (07) 3222 0501. Your office is also welcome to contact Ms Claire Banfield from Cole Lawson Communications on 0411 135 005 to discuss any media issues. Should officers of your department wish to discuss the advice with the QCA, they should contact Leigh Spencer on (07) 3222 0532.

Yours sincerely



Professor Flavio Menezes
Chair

Attachment 1**Metering costs (excluding GST)**

Meter charges—residential and small business

<i>Description</i>	<i>Charge</i>	<i>Rate</i>	<i>Unit</i>
Primary tariff only (per tariff) (Tariffs 11, 12A, 14, 15, 20, 22A, 22 (small and large), 24, 37, 62, 65, 66)	Capital charge	7.362	c/day
	Non-capital charge	2.400	c/day
	Advanced metering charge	2.024	c/day
	Total non-capital charges	4.424	c/day
	Overall total daily charge	11.786	c/day
	Type 4A surcharge	16.022	c/day

Meter charges—residential and small business

<i>Description</i>	<i>Charge</i>	<i>Rate</i>	<i>Unit</i>
Controlled load (Tariffs 31, 33)	Capital charge	2.209	c/day
	Non-capital charge	0.72	c/day
	Advanced metering charge	0.059	c/day
	Total non-capital charges	0.779	c/day
	Overall total daily charge	2.988	c/day

Notes

Capital and non-capital charges are equivalent to the charges for type 6 meters regulated by the Australian Energy Regulator.

Advanced metering charges based on:

- *Energex distribution area metering costs as presented in the 2018–19 draft determination (that is, excluding costs associated with forecast poly-phase metering)*
- *forecast advanced digital meter rollout data for regional Queensland*
- *spreading the overall costs across all customers in that tariff class regardless of metering type.*

Customer bill comparisons

Table 1 Comparison of 2018–19 and 2019–20 residential (tariff 11) customer bills inclusive of metering (excluding GST)

	<i>Typical bill (\$/pa)</i>	<i>Type 6 metering cost (\$/pa)</i>	<i>Type 4 metering cost (\$/pa)</i>	<i>Total metering cost (\$/pa)</i>	<i>Typical bill incl. metering (\$/pa)</i>	<i>Bill change from 2018-19 (%)</i>
2018–19 (metering costs spread across all customers)	1270.52	34.60	5.24	39.84	1310.36	
2019–20 (metering costs spread across all customers)	1214.43	35.66	7.39	43.05	1257.48	-4.04%
2019–20 Type 4 customer (metering costs not spread)	1214.43		101.79	101.79	1316.22	0.45%

Table 2 Comparison of 2018–19 and 2019–20 small business (tariff 20) customer bills inclusive of metering (excluding GST)

	<i>Typical bill (\$/pa)</i>	<i>Type 6 metering cost (\$/pa)</i>	<i>Type 4 metering cost (\$/pa)</i>	<i>Total metering cost (\$/pa)</i>	<i>Typical bill incl. metering (\$/pa)</i>	<i>Bill change from 2018-19 (%)</i>
2018–19 (metering costs spread across all customers)	2264.63	34.60	5.24	39.84	2304.47	
2019–20 (metering costs spread across all customers)	2133.83	35.66	7.39	43.05	2176.88	-5.54%
2019–20 Type 4 customer (metering costs not spread)	2133.83		101.79	101.79	2235.62	-2.99%