

MEDIA RELEASE

**Embargoed until
Monday 30 July, 2007**

REPORT REVEALS SIGNIFICANT INTERVAL METER COSTS FOR RETAILERS

The Energy Retailers Association of Australia (ERAA), the peak body representing retailers of electricity and gas across Australia, today welcomed the findings of an independent report by Frontier Economics assessing retailer costs associated with the roll-out of interval meters.

“With greater attention being placed on interval meters and their potential role in reducing peak demand and encouraging energy efficiency, this study highlights that the installation of these meters will have significant costs for retailers”, the Executive Director of the ERAA, Mr Cameron O’Reilly said today.

In the survey of six major retailers with over 7.5 million customers, the most significant costs associated with the installation of the meters related to the purchasing and development of new systems to manage the data and the changes required to retailers’ billing systems.

The Frontier Economics research indicated that the initial investment and ongoing operating costs of systems to support these new meters were shown to range between \$34 - \$41 million per retailer depending on the technology. These costs will need to be recovered by retailers through an appropriate pass through mechanism to customers.

On a per customer basis, the Frontier Economics study found that a retailer would need to recover between \$36.41 and \$67.30, depending on the type of meter. This is in addition to the more substantial costs that distribution companies will incur in replacing the current meter stock, and installing the required communications systems to support the roll-out of advanced interval meters.

“An investment of this size for any retailer cannot be undertaken lightly. The ERAA believes it must be justified with a thorough cost-benefit analysis which proves that the benefits of the meters outweigh the costs, which retailers must recoup through price increases to customers.”

“Furthermore in order for advanced interval meters to be effective, the ERAA’s position is that policy makers must recognise that without the removal of retail price regulation, the promised benefits of advanced interval meters will simply not eventuate”, Mr O’Reilly said.

Cont'd

As part of the report, Frontier Economics analysed other cost-benefit studies associated with the roll-out of interval meters undertaken around the world. This research found that none of the studies concluded there were overwhelmingly positive benefits arising from the roll-out of interval meters.

“This is an important part of the study in that it clearly demonstrates that a range of different countries in a range of different environments, have yet to fully ascertain that the benefits of interval meters justify the costs”, Mr O’Reilly said.

The ERAA will continue to contribute to the proposed MCE cost-benefit analysis of interval meters with the aim of ensuring that the significant costs for retailers are accounted for and that the technical standards for meters are nationally consistent.

For further information: Cameron O’Reilly - Executive Director, ERAA
Ph (02) 94376180 or 0413150560

Rajat Sood - Consultant, Frontier Economics Ph 0407 705 729

Full copies of the Frontier Economics Report can be obtained from the ERAA’s website www.eraa.com.au.

About ERAA

The Energy Retailers Association of Australia (ERAA) is the peak industry body representing retailers of electricity and gas in Australia’s National Electricity Market (NEM) and national gas market. Member companies operate in all the States of Australia and have over 11 million customers. The members include AGL, Origin Energy, TRUenergy, EnergyAustralia, Integral Energy, Country Energy, Aurora Energy, Australian Power & Gas, Horizon Power, Synergy Energy and ActewAGL.