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UNITED ENERGY RESPONDS TO AER DRAFT DETERMINATION ON 2012-15 AMI BUDGET APPLICATION

United Energy (UE) notes that the Australian Energy Regulator (AER) has released its draft determination on UE's Advanced Metering Infrastructure (AMI) 2012-15 budget application. The final determination is due for release on 31 October 2011 and UE will provide a formal submission addressing the draft determination within the prescribed timeframes.

The draft determination provides for significantly lower forecast operating and capital expenditures compared with UE's proposed budget application, resulting in a revenue allowance for the 2012-2015 period that is 8.1% lower than UE's submission.

The difference between UE's proposed budget and the AER's draft determination reflects the different views currently held about the forecast expenditure required to deliver the AMI rollout across UE's network. UE will work closely with the AER to provide further information to support its forecasts where required.

A substantial portion of this difference relates to forecast foreign exchange rates (with the US dollar exchange rate now significantly more favourable than the rate UE assumed at the time of its submission) and discretionary programs (which will not proceed if the budget is not approved). UE does not see any issue in resolving these differences before the final determination.

UE's CEO Hugh Gleeson said: "The draft determination is the first of several steps in the regulatory process, which we will work through closely with the AER, so that the benefits of AMI can be realised for UE customers."

The AMI regulatory cost recovery arrangements ensure that UE will recover all prudent expenditure, despite any differences in budget forecasts. For example, cost recovery for the purchase of meters will be based on actual number of meters installed, not forecasts. As a result, UE does not expect any material under-recovery of its costs.

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