Final Decision

TasNetworks Electricity Distribution Determination 2024 to 2029

(1 July 2024 to 30 June 2029)

Attachment 16

Alternative control services

April 2024

AUSTRALIAN ENERGY REGULATOR

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AER reference: AER212491

Amendment record

Version	Date	Pages
1	30 April 2024	23

List of attachments

This attachment forms part of the AER's final decision on the distribution determination that will apply to TasNetworks for the 2024–29 period. It should be read with all other parts of the final decision.

As a number of issues were settled at the draft decision stage or required only minor updates, we have not prepared all attachments. The final decision attachments have been numbered consistently with the equivalent attachments to our draft decision. In these circumstances, our draft decision reasons form part of this final decision.

The final decision includes the following documents:

Contents

16 Alternative control services

This attachment sets out our final decision on prices TasNetworks is allowed to charge customers for the provision of the following alternative control services: ancillary network services and public lighting. We also make a final decision on metering, which we classify as an alternative control service, in Attachment 20.

Alternative control services are customer specific, or customer requested services and so the full cost of the service is attributed to a particular customer, or group of customers, benefiting from the service.

We set service specific prices to provide a reasonable opportunity to the distributor to recover the efficient cost of each service from customers using that service. This is in contrast to standard control services where costs are spread across the general network customer base.

16.1 Ancillary network services

Ancillary network services are non-routine services provided to individual customers as requested. Our F&A paper outlines several types of services that meet this broad definition.[1]

Ancillary network services are charged to customers on a user-pays approach which are charged on either a fee or quotation basis, depending on the nature of the service.

We determine price caps for fee-based services for the 2024–29 period as part of our determination, based on the cost inputs and the average time taken to perform each service. These services tend to be homogenous in nature and scope and can be costed in advance of supply with reasonable certainty, such as disconnections and special meter reads.

By comparison, prices for quoted services are based on the quantities of labour and materials required, with the quantities dependent on a particular task. Prices for quoted services are determined at the time of a customer's enquiry and reflect the individual requirements of the customer’s service request.

For this reason, it is not possible to list prices for quoted services in our decision. However, our final decision sets the maximum labour rates to be applied to quoted services.

16.1.1 Final decision

16.1.1.1 Fee-based and quoted services

Our final decision does not accept TasNetworks’ revised proposal as submitted. We will update TasNetworks’ labour rates and prices by:

- substituting TasNetworks' proposed X factors with our final decision labour price growth forecasts

[1] See, AER, *Final framework and approach for TasNetworks for the 2024-29 regulatory control period*, July 2022, pp. 5–6. Our F&A paper outlines several types of services that can be considered as meeting this broad definition such as network ancillary services, basic connection services and non-routine metering services.

- adjusting the prices for year one of the 2024–29 period for actual inflation.

Appendix A contains our final decision for TasNetworks' proposed labour rates and prices for fee-based services respectively.

16.1.1.2 X factors for ancillary network services

As ancillary network services have a high share of labour and labour-related inputs, we use labour price growth forecasts as the ancillary network services X factor. Consistent with our previous decisions, we derived the X factor by averaging wage price index growth forecasts from KPMG (provided by the AER) and BIS Oxford Economics (provided by the distributor).[2]

We have updated the labour price growth forecasts for our final decision to include the most recent forecasts. Our final decision X factors for ancillary network services are set out in Table A.1 in appendix A of this attachment.

16.1.1.3 Form of control for ancillary network services

Our final decision is to maintain our final F&A position to apply price caps to ancillary network services as the form of control.

Under a price cap form of control, we set a schedule of price caps for fee-based services and maximum labour rates for quoted services for the first year of the period, 2024–25. For all subsequent years of the 2024–29 period, prices will be adjusted by the applicable control mechanism formula set out in section 14.5.2 of Attachment 14 – Control mechanisms. This mechanism adjusts price caps and maximum labour rates for inflation, an X factor[3], and any relevant adjustments.

16.1.2 TasNetworks' revised proposal

TasNetworks accepted our draft decision labour rate and prices for fee-based services in full.[4]

To summarise, TasNetworks:

- accepted our draft decision[5] to substitute the Administration Quoted Service, Distribution Operator Quoted Services and Project Administration Quoted Services hourly labour rates with our maximum benchmark rate.[6]

For fee-based services, TasNetworks:

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2 For more detail on the reasons for this decision, see the discussion in section 6.4.2 of Attachment 6 – Operating expenditure.

3 Under the CPI–X framework, the X factor measures the real rate of change in prices from one year to the next. For ancillary network services, the X factor is the wage price growth given that labour is the primary cost input for providing these services.

4 TasNetworks, *TasNetworks Revised Proposal 2024–29*, November 2023, pp. 51-52.

5 AER, *Draft Decision Attachment 16 – Alternative control services – TasNetworks – 2024-29 Distribution revenue proposal*, September 2023.

6 Our draft decision accepted TasNetworks' proposed hourly rates for its 8 other labour categories. See AER, *Draft Decision Attachment 16 – Alternative control services – TasNetworks – 2024-29 Distribution revenue proposal*, September 2023, p. 8.

7 TasNetworks, *Revised Proposal-Nov 2023-Public - updated and resubmitted 06122023*, Dec 2023. p. 52.

- accepted our proposal to remove the additional 5.86% margin, as we consider a margin is already accounted for in the 61% overhead allowance.[7]

Appendix A contains TasNetworks' proposed labour rates for business hours and after hours, respectively.[7]

16.1.3 Assessment approach

The regulatory framework for assessing alternative control services is less prescriptive than for standard control services. That is, there is no requirement to apply the building block model exactly as prescribed in Part C of the National Electricity Rules (NER).

On this basis, our approach involves an assessment of the efficient costs of providing ancillary network services. Labour costs are the major input in the cost build-up of prices for ancillary network services. Therefore, our assessment focuses on comparing TasNetworks' proposed labour rates against maximum total labour rates, which we consider efficient.

Where TasNetworks' proposed labour rates exceed our maximum efficient labour rates, we apply our maximum efficient labour rates to determine prices. We follow this assessment process for services provided on a fee or quotation basis.

We also considered relevant stakeholder feedback raised throughout the consultation process and benchmarked TasNetworks' proposed ancillary network services prices against its prices for the 2019–24 period and the prices of other distributors. We will also make further adjustments to TasNetworks' ancillary network services prices where we consider it appropriate to do so.

16.2 Public Lighting

Public lighting services include the provision, construction and maintenance of public lighting assets.[8] This definition includes new technologies such as energy-efficient light emitting diode (LED) luminaires and emerging public lighting technologies such as smart-enabled luminaires.[9]

The main customers of public lighting services are local government councils and jurisdictional main roads departments.

There are several different tariff classes and prices for public lighting services. Factors influencing prices for a particular installation include which party is responsible for capital provision, and which party is responsible for maintaining and/or replacing installations.

16.2.1 Final decision

Our final decision is to not accept TasNetworks revised proposal public lighting. Whilst we accept most aspects of TasNetworks public lighting proposal, we are amending labour escalators, rate of return and inflation. This will amend and update the revised proposal

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8 AER, *Final framework and approach for TasNetworks for the 2024-29 regulatory control period*, July 2022, p. 36.

9 AER, *Final framework and approach for TasNetworks for the 2024-29 regulatory control period*, July 2022, p. 36.

prices to maintain consistency with other aspects of the final decision on TasNetworks' revised proposal.

TasNetworks revised public lighting proposal accepted our draft decision in full.[10]

Our final decision prices for all light types are set out in appendix B. These prices are on average 0.02% lower than TasNetworks' prices in its revised proposal.

For all subsequent years of the 2024–29 period, prices will be adjusted by the applicable control mechanism formula set out in attachment 14. This mechanism adjusts price caps annually for inflation, an X factor, and any relevant adjustments. Our final decision sets this X factor[11] at zero.

16.2.1.1 Labour escalator, WACC and CPI

We have amended the following inputs into TasNetworks public lighting model. These amendments are consistent with our final decision on other relevant aspects of TasNetworks revised regulatory proposal.

Labour rates

Our final decision substitutes the labour escalators in TasNetworks public lighting model with those consistent with our final decision on TasNetworks opex (see attachment 6).

Rate of return

Our final decision substitutes the WACC inputs in TasNetworks public lighting model to be consistent with our final decision on TasNetworks rate of return (see attachment 3).

Inflation

Our final decision substitutes the forecast inflation input for the 2024–25 year in TasNetworks public lighting model with the RBA forecast inflation for February 2024.[12] This is consistent with our final decision on TasNetworks' control mechanisms (see attachment 14).

16.2.1.2 Introducing new services during a regulatory control period

Our final decision is that TasNetworks must price any new smart lighting services it introduces during the 2024–29 period according to the control mechanism for quoted services. TasNetworks should only introduce new services because customers want them (customer driven). In proposing new services, we require that TasNetworks be able to demonstrate customer support for such prices and services.

We acknowledge smart technologies have potential to bring significant efficiencies to public lighting services. We therefore encourage distributors to deploy such technologies—with associated pricing—where they can provide benefits to customers.

We understand "smart lighting" or "smart technologies" are catch-all terms for technologies with a variety of applications. These include metering individual lights, as well as dimming

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10 TasNetworks, *Revised Proposal-Nov 2023-Public*, November 2024, p.52.

11 The prices are determined by a price cap control mechanism that adjusts prices for inflation, an X factor and any relevant adjustments.

12 https://www.rba.gov.au/publications/smp/2024/feb/outlook.html#table31

based on ambient lighting levels or pedestrian/vehicle activity. Distributors and public lighting customers therefore need to engage on the types of smart lighting solutions appropriate to their needs.

Given its status as an emerging technology, the industry is also deliberating on regulatory issues regarding aspects of these applications such as individually meter lighting installations.

We understand that distributors are at different stages in their deployment of smart technologies. We are open to TasNetworks introducing regulated pricing for smart lighting during the 2024–29 period where there is demand for such technologies. We consider TasNetworks can price smart lighting in accordance with the control mechanism formula for quoted services should it introduce such services during the 2024–29 period (see attachment 14 section 14.5.1).

We consider this is consistent with our previous distribution determinations. We stated new alternative control services introduced during a regulatory control period with characteristics that are the same or essentially the same as other alternative control services should be priced as a quoted service until the next regulatory control period (see attachment 14 section 14.5.1).

A point of difference for smart lighting is it is an emerging technology. Hence, there would be no other alternative control services “with characteristics that are the same or essentially the same.” Customer support is therefore vital to introducing such new technologies during the 2024–29 period.

We note TasNetworks needs to be able to demonstrate that the price it charges a customer for smart lighting services reflects the efficient costs of those services, in accordance with the control mechanism formula (see attachment 14 section 14.5.2).

It is worth considering that quoted services generally apply to one-off services. So the control mechanism poses no administrative issues where, for example, a council agrees to pay for smart lighting assets up-front.

However, some councils may prefer to pay for these assets over its economic or useful life. We consider this is possible under the control mechanism for quoted services.

This could involve determining the up-front costs based on the control mechanism formula as a first step. The distributor would then calculate an annual fee using a method appropriate to the service. We consider an annuity approach using the public pricing model—with modifications only as required—is reasonable.

Further information about quoted services and introducing new prices within the 2024–29 period are set out in attachment 14 section 14.5.1.

A Ancillary network services prices

Table A.1 X factors for each year of the 2024–29 regulatory control period for ancillary network services, final decision (per cent)

	2025–26	2026–27	2027–28	2028–29
X factor	-1.4822%	-0.9659%	-0.9086%	-1.0472%

Note: We do not apply an X factor for 2024–25 because we set 2024–25 ancillary network services prices in this determination. To be clear, the labour escalators in this table are operating as de facto X factors. Therefore, positive labour escalators are represented as negative in this table and vice versa. X factors in this table are rounded to 4 decimal places but distributors should use the raw X factors in the final decision model.

Table A.2 Fee-based ancillary network services for 2024–25, final decision ($2024–25)

Service	Service category	Hours	Revised proposal	Final decision
Site visit - no appointment	De-energisation, re-energisation, special reads and retail contract terminations	Business hours	$89.70	$90.00
Site visit - no appointment - special read	De-energisation, re-energisation, special reads and retail contract terminations	Business hours	$56.70	$56.90
Site visit - non-scheduled visit	De-energisation, re-energisation, special reads and retail contract terminations	Business hours	$148.19	$148.69
Site visit - same day premium service	De-energisation, re-energisation, special reads and retail contract terminations	Business hours	$206.56	$207.26
Site visit - after hours	De-energisation, re-energisation, special reads and retail contract terminations	After hours	$385.13	$386.43
Site visit - credit actions or site issues	De-energisation, re-energisation, special reads and retail contract terminations	Business hours	$161.18	$161.72
Site visit – credit actions pillar box/pole top	De-energisation, re-energisation, special reads and retail contract terminations	Business hours	$345.13	$346.29

Service	Service category	Hours	Revised proposal	Final decision
Site visit – current transformer (CT) metering	De-energisation, re-energisation, special reads and retail contract terminations	Business hours	$151.99	$152.51
Site visit – pillar box/pole top	De-energisation, re-energisation, special reads and retail contract terminations	Business hours	$345.13	$346.29
Site visit - pillar box/pole top Wasted Visit	De-energisation, re-energisation, special reads and retail contract terminations	Business hours	$202.80	$203.49
Meter test - single phase	Meter test	Business hours	$356.95	$358.16
Meter test - multi phase	Meter test	Business hours	$536.71	$538.52
Meter test – current transformer (CT)	Meter test	Business hours	$595.34	$597.35
Meter test - after hours	Meter test	After hours	$1,060.75	$1,064.34
Meter test - wasted visit	Meter test	Business hours	$98.78	$99.11
Tee-up/Appointment	Tee-up	Business hours	$185.20	$185.82
Tee-up/Appointment – after hours	Tee-up	After hours	$832.65	$835.47
Tee-up/Appointment – no truck – after hours	Tee-up	After hours	$422.59	$424.02
Traffic Control	Tee-up	Business hours	$172.32	$172.90
Open turret	Miscellaneous service	Business hours	$152.78	$153.30
Alteration to unmetered supply	Miscellaneous service	Business hours	$275.09	$276.02
Meter relocation	Miscellaneous service	Business hours	$223.04	$223.79
Administration	Miscellaneous service	Business hours	$50.53	$50.70

Service	Service category	Hours	Revised proposal	Final decision
Network tariff change	Miscellaneous service	Business hours	$9.02	$9.05
Emergency maintenance contestable meters	Miscellaneous service	Business hours	$131.52	$131.96
Emergency maintenance contestable meters after hours	Miscellaneous service	After hours	$441.12	$442.61
Meter recovery and disposal	Miscellaneous service	Business hours	$124.26	$124.68
Miscellaneous service	Miscellaneous service	Business hours	$143.83	$144.31
Miscellaneous service – after hours	Miscellaneous service	After hours	$667.33	$669.59
Miscellaneous service – wasted visit	Miscellaneous service	Business hours	$111.48	$111.86
Creation of a NMI	Connection establishment charges	Business hours	$45.12	$45.27
Overhead service, single span - single phase	Connection establishment charges	Business hours	$796.96	$799.66
Overhead service, single span - multi phase	Connection establishment charges	Business hours	$1,039.74	$1,043.25
Underground service in turret/cabinet - single phase	Connection establishment charges	Business hours	$210.43	$211.14
Underground service in turret/cabinet - multi phase	Connection establishment charges	Business hours	$273.16	$274.08
Underground service with pole mounted fuse - single phase	Connection establishment charges	Business hours	$566.30	$568.22
Underground service with pole mounted fuse - multi phase	Connection establishment charges	Business hours	$746.35	$748.88
Basic connection – after hours	Connection establishment charges	After hours	$1,354.27	$1,358.85

Service	Service category	Hours	Revised proposal	Final decision
Connection establishment - wasted visit	Connection establishment charges	Business hours	$293.73	$294.73
Disconnect/reconnect overhead service - single phase	Temporary Disconnection/Reconnection	Business hours	$575.15	$577.10
Disconnect/reconnect overhead service - multi phase	Temporary Disconnection/Reconnection	Business hours	$695.90	$698.26
Temporary disconnect/reconnect	Temporary Disconnection/Reconnection	Business hours	$570.83	$572.77
Temporary disconnect/reconnect – reconnect only	Temporary Disconnection/Reconnection	Business hours	$387.55	$388.86
Temporary disconnect/reconnect – after hours	Temporary Disconnection/Reconnection	After hours	$1,104.44	$1,108.17
Temporary disconnect/reconnect – wasted visit	Temporary Disconnection/Reconnection	Business hours	$301.30	$302.32
Connection alteration – overhead single phase	Basic connection alteration	Business hours	$445.38	$446.89
Connection alteration – overhead multi phase	Basic connection alteration	Business hours	$566.13	$568.05
Connection of new consumer mains to an existing installation – underground single phase to turret	Basic connection alteration	Business hours	$253.50	$254.36
Connection of new consumer mains to an existing installation – underground single phase to TasNetworks' pole	Basic connection alteration	Business hours	$561.81	$563.71
Connection of new consumer mains to an existing installation – underground multi phase to turret	Basic connection alteration	Business hours	$318.19	$319.27
Connection of new consumer mains to an existing installation – underground multi phase to TasNetworks' pole	Basic connection alteration	Business hours	$682.56	$684.87

Service	Service category	Hours	Revised proposal	Final decision
Augment single phase overhead service to multi phase supply	Basic connection alteration	Business hours	$1,087.83	$1,091.51
Augment multi phase overhead service to single phase supply	Basic connection alteration	Business hours	$817.03	$819.80
Augment single phase overhead service to underground supply (turret)	Basic connection alteration	Business hours	$509.96	$511.69
Augment multi phase overhead service to underground supply (turret)	Basic connection alteration	Business hours	$690.87	$693.21
Augment single phase overhead service to underground supply (TasNetworks' pole)	Basic connection alteration	Business hours	$670.46	$672.72
Augment multi phase overhead service to underground supply (TasNetworks' pole)	Basic connection alteration	Business hours	$850.51	$853.39
Basic connection alteration – after hours	Basic connection alteration	After hours	$1,429.96	$1,434.79
Basic connection wasted visit	Basic connection alteration	Business hours	$294.81	$295.81

Table A.3 Fee-based service hourly labour rates for 2024–25 (business hours), final decision ($2024–25)

	Revised proposal (business hours)	Final decision (business hours)
Technical Specialist FBS	$168.17	$168.74
Field Worker FBS	$157.23	$157.76
Administration FBS	$108.28	$108.65

Table A.4 Fee-based service hourly labour rates for 2024–25 (after hours), final decision ($2024–25)

	Revised proposal (after hours)	Final decision (after hours)
Technical Specialist FBS AH	$294.30	$295.30
Field Worker FBS AH	$275.14	$276.07
Administration FBS AH	$108.28	$108.65

Table A.5 Quoted service hourly labour rates for 2024–25, final decision ($2024–25)

	Revised proposal (business hours)	Final decision (business hours)	Revised proposal (after hours)	Final decision (after hours)
Administration QS	$109.65	$110.02		
Construction Coordinator QS	$181.64	$182.25	$317.87	$318.95
Designer QS	$186.94	$187.57		
Distribution Operator QS	$185.39	$186.02		
Engineer QS	$206.77	$207.47		
Field Worker QS	$155.37	$155.90	$271.91	$272.83
Labourer QS	$134.32	$134.77	$235.07	$235.87
Project Administration QS	$109.65	$110.02		

B Public lighting services prices

Table B.6 AER's final decision on public lighting prices for the 2024–25 (Cents per day per light)

2024–25 Private Contract Lights	TasNetworks Revised Proposal price	AER Final Decision
50W Mercury Vapour	14.56	14.56
80W Mercury Vapour	14.55	14.55
125W Mercury Vapour	17.04	17.03
250W Mercury Vapour	17.31	17.31
400W Mercury Vapour	18.15	18.15
70W Sodium Vapour	15.48	15.48
100W Sodium Vapour	18.52	18.51
150W Sodium Vapour	17.83	17.82
250W Sodium Vapour	18.51	18.51
400W Sodium Vapour	18.77	18.77
250W Sodium Vapour - Flood Light	18.99	18.99
400W Sodium Vapour - Flood Light	18.77	18.77

2024–25 Private Contract Lights	TasNetworks Revised Proposal price	AER Final Decision
1x20W Fluorescent	14.84	14.83
1x40W Fluorescent	14.84	14.83
2x20W Fluorescent	14.84	14.83
2x24W Fluorescent	14.84	14.83
2x40W Fluorescent	14.84	14.83
4x40W Fluorescent	14.84	14.83
32W Compact Fluorescent	14.84	14.83
42W Compact Fluorescent	14.84	14.83
60W Incandescent	15.48	15.48
100W Incandescent	18.53	18.53
100W Metal Halide	18.17	18.17
150W Metal Halide	19.87	19.87
250W Metal Halide	19.06	19.06
400W Metal Halide	18.60	18.60

2024–25 Private Contract Lights	TasNetworks Revised Proposal price	AER Final Decision
400W Metal Halide - Flood Light	18.60	18.60
LED 18	9.96	9.96
LED 20	9.96	9.96
LED 200	10.80	10.79
LED 240	10.80	10.79
LED 25	9.96	9.96
LED 265	10.80	10.79
LED 30	9.96	9.96
LED 75	10.39	10.39
LED 155	10.80	10.79
LED 14	9.96	9.96
LED 17	9.96	9.96
LED 175	10.80	10.79
LED 14 New Tech	9.96	9.96

2024–25 Private Contract Lights	TasNetworks Revised Proposal price	AER Final Decision
LED 75 New Tech	10.39	10.39

2024–25 Public Road Lights	TasNetworks Revised Proposal price	AER Final Decision
50W Mercury Vapour	34.35	34.34
80W Mercury Vapour	34.33	34.33
125W Mercury Vapour	37.18	37.17
250W Mercury Vapour	37.45	37.44
400W Mercury Vapour	40.78	40.77
70W Sodium Vapour c	35.24	35.23
100W Sodium Vapour	39.07	39.06
150W Sodium Vapour	39.25	39.24
250W Sodium Vapour	40.53	40.52

2024–25 Public Road Lights	TasNetworks Revised Proposal price	AER Final Decision
400W Sodium Vapour	41.24	41.23
250W Sodium Vapour - Flood Light	42.04	42.04
400W Sodium Vapour - Flood Light	41.24	41.23
1x20W Fluorescent	36.24	36.24
1x40W Fluorescent	36.24	36.24
2x20W Fluorescent	36.24	36.24
2x24W Fluorescent	36.24	36.24
2x40W Fluorescent	36.24	36.24
4x40W Fluorescent	36.24	36.24
32W Compact Fluorescent	36.24	36.24
42W Compact Fluorescent	36.24	36.24
60W Incandescent	35.24	35.23
100W Incandescent	38.64	38.64
100W Metal Halide	38.35	38.34

2024–25 Public Road Lights	TasNetworks Revised Proposal price	AER Final Decision
150W Metal Halide	41.21	41.20
250W Metal Halide	40.35	40.34
400W Metal Halide	48.12	48.11
400W Metal Halide - Flood Light	40.92	40.91
LED 18	32.43	32.42
LED 20	46.04	46.04
LED 200	45.26	45.25
LED 240	45.26	45.25
LED 25	42.68	42.68
LED 265	41.78	41.78
LED 30	32.49	32.49
LED 75	40.45	40.45
LED 155	30.94	30.93
LED 14	31.39	31.38

2024–25 Public Road Lights	TasNetworks Revised Proposal price	AER Final Decision
LED 17	37.20	37.19
LED 175	40.82	40.82
LED 14 New Tech	32.01	32.01
LED 75 New Tech	40.45	40.45

Shortened forms

Term	Definition
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
capex	capital expenditure
CCP26	Consumer Challenge Panel, sub-panel 26
CPI	consumer price index
F&A	framework and approach
LED	light-emitting diode
NEM	national electricity market
NER	national electricity rules
NMI	national meter identifier
opex	operating expenditure
PE cell	photoelectric cell
RBA	Reserve Bank of Australia
RIN	regulatory information notice
WACC	weighted average cost of capital