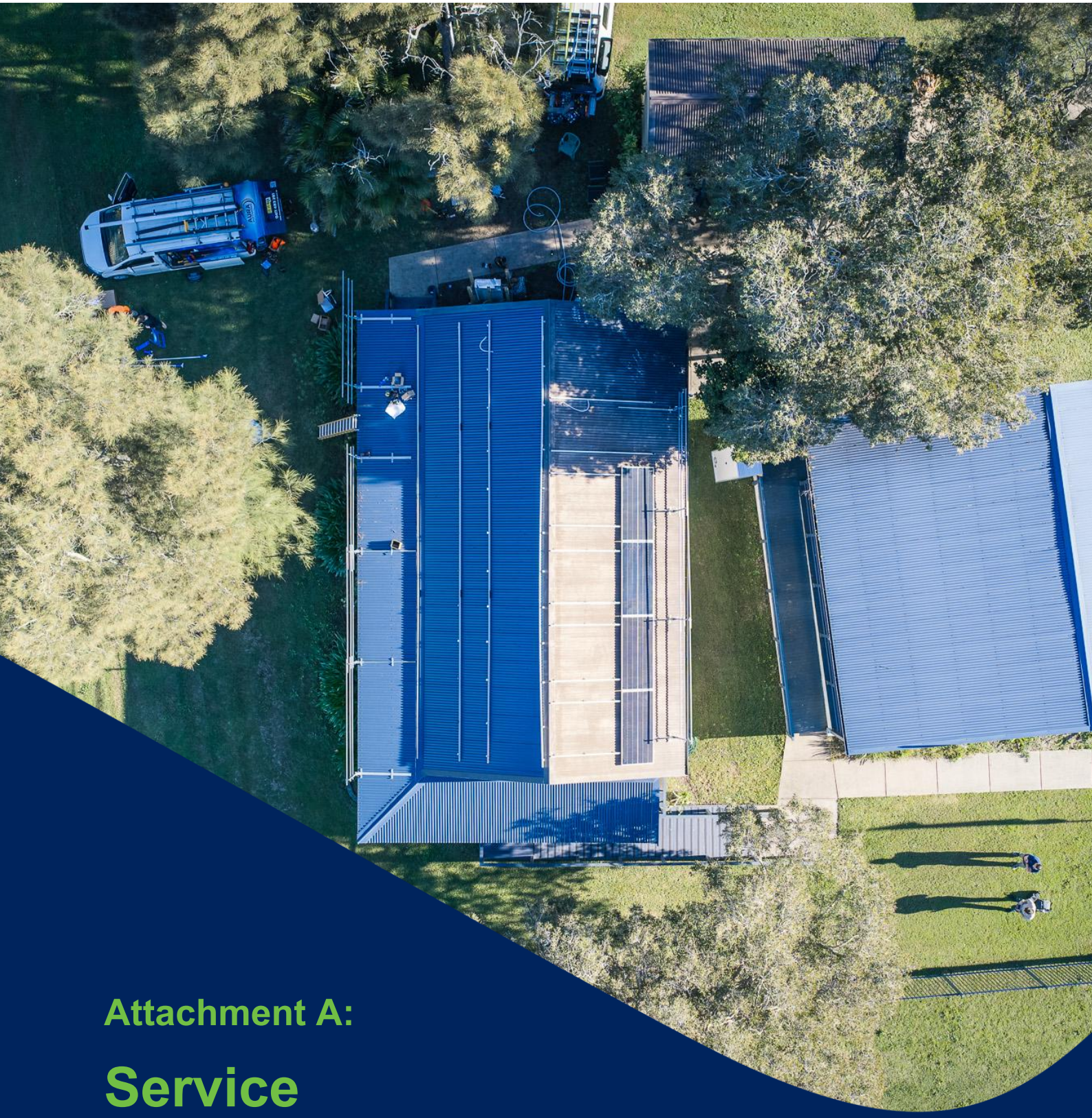


## Attachment A:

# Service classification submission

**Framework and approach for the 2029-34 period**

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# Introduction

This is Ausgrid's submission to the Australian Energy Regulator (**AER**) setting out how the Framework & Approach (**F&A**) should classify our services in the 2029-34 regulatory period.

The process that the AER follows to classify a new or existing activity begins by assessing whether it meets the definition of a 'distribution service' (set out in the box below). If it does, the AER classifies the service into one of three categories:

1. Standard control services (**SCS**), which are core shared-network services, the costs of which are recovered from all customers through AER-approved charges.
2. Alternative control services (**ACS**), which apply to services provided to specific customers or customer groups to whom costs can be directly attributed.
3. Negotiated distribution services, which are services where terms and prices are agreed between the distribution network service provider (**DNSP**) and the specific customer under an AER-approved framework.

Where the AER considers that an activity is not a distribution service, it may identify it as 'unclassified' or decide not to classify it at all. In practice, either outcome limits the ability of DNSPs to provide those services within the regulated framework under the National Electricity Rules (**NER**).

In past F&A processes, Ausgrid has observed that ***there has not always been a clear focus on whether an activity meets the definition of a distribution service*** under the NER. We consider this to be the threshold question in service classification and invite the AER to give it greater prominence in its assessment. Our proposals are framed around this question, as set out below. We have also engaged with stakeholders on service classification. Detail on how we have considered stakeholder feedback is set out in the sections below and in our Engagement Outcomes Report in Attachment E.

### AER's three-step classification process

When classifying services, the AER applies a structured assessment:

**1. Is the activity a distribution service?**

The AER assesses whether the service is provided by means of, or ***in connection with***, a distribution system. This is set out in more detailed on the next page.

**2. Does it require economic regulation?**

Considerations include market power, cross-subsidy risks, competitive conditions, and consumer protections.

**3. If regulated, how should it be classified?**

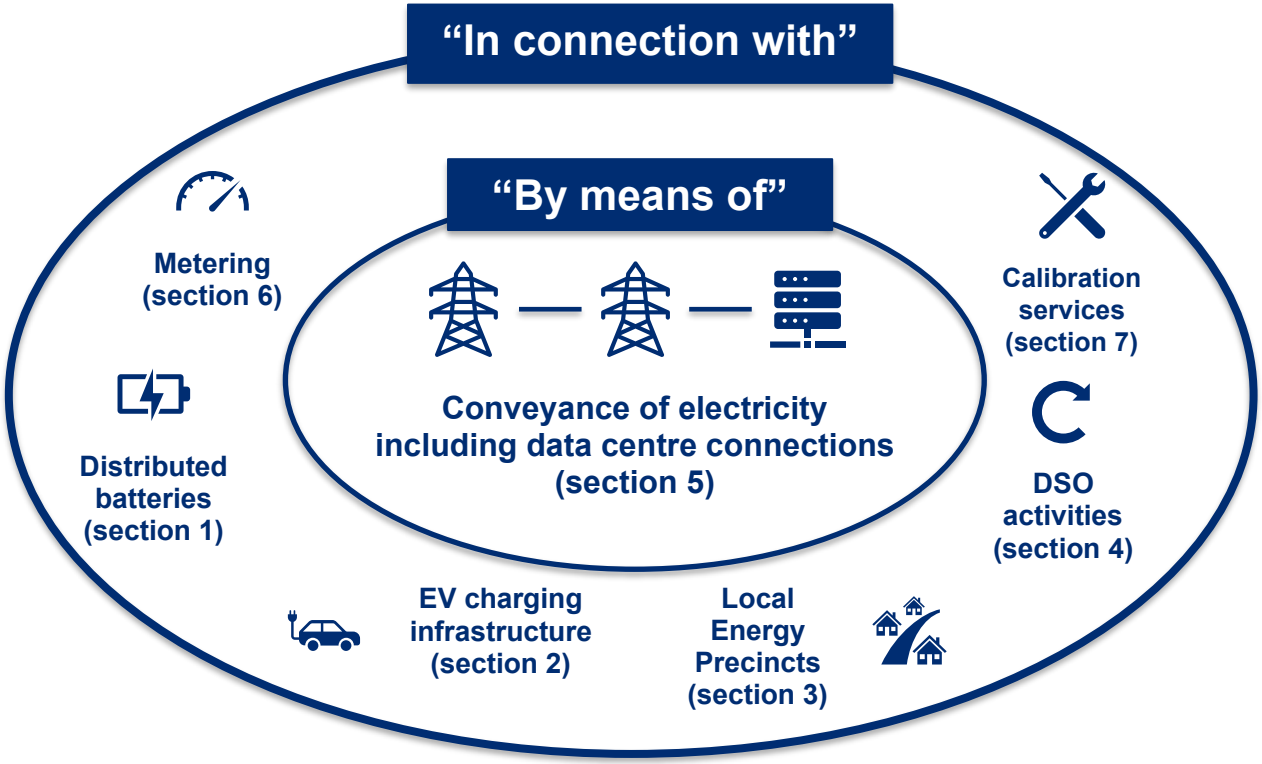
The AER determines whether SCS or ACS is most appropriate. In making this decision, clause 6.2.2 of the NER requires the AER to consider the following:

1. Potential for competition and how classification affects it.
2. Administrative costs for the AER, DNSPs and users.
3. The prior regulatory approach to the service.
4. Consistency with approaches to similar services.
5. The extent to which costs can be directly attributed to customers.
6. Any other relevant factor.

The Federal Court's decision in *Ergon Energy v AER* [2012] FCA 393 illustrates the breadth of what may constitute a distribution service in step 1 above. The Court found that a service can still fall within this definition even if it is not physically part of the network, provided it is delivered "in connection with" the distribution system. This has clear implications for how new and emerging services are treated.

# How Ausgrid draws the boundaries of a distribution service

For a DNSP to provide a service, the NER does not require the activity to be delivered "by means of" the distribution system. It is sufficient that the service is provided "in connection with" the distribution system, as illustrated in the diagram below.




## *Legal test:*

## *How boundary is drawn*

In Ergon Energy v AER [2012] FCA 393, the Federal Court clarified how to interpret the rules. It found that a service does not need to be part of moving electricity through the network. It is enough if the service is provided "in connection with" the distribution system.

In that case, public lighting on both power poles and standalone poles was found to meet this test. This shows the boundary is broader than just core network services.

Applying this reasoning, other services that are closely connected to the network such as electric vehicle (EV) charging on poles, leasing access to storage assets and Local Energy Precincts may also fall within scope.

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# 1 Distributed batteries

## 1.1 Overview

Distributed battery energy storage systems (**DBESS**) are small to medium-scale batteries below 5 MW connected to distribution networks connected to the medium and low-voltage network. They can provide network support (such as peak shaving, voltage management and hosting capacity increases) while also enabling broader system and customer benefits. For example, DBESS can enable customers in the Ausgrid network area to save around $200 a year on their electricity bills by storing energy locally and reducing reliance on the broader network.[1]

These savings are delivered through Energy Storage as a Service (**ESaaS**), under which participating energy retailers offer bill rebates or discounted pricing plans to customers located in an eligible catchment area near a community battery. ESaaS is free to sign up for and open to most customers in the catchment – with or without solar, renters or owners, in houses or apartments, and small businesses.

The key regulatory issue is not whether DNSPs can own and operate batteries (given that DNSPs can already invest in storage where it addresses a demonstrated network need). Rather, the issue relates to how spare capacity in DNSP-owned batteries can be used once the primary network need has been met. Currently DNSPs require a ring-fencing waiver from the AER to be able to lease spare capacity in batteries.

## 1.2 Our proposed classification for 2029-34 period

We propose reclassifying the leasing of spare capacity in DBESS from an unclassified service to an SCS, removing the need for an AER ring-fencing waiver. As summarised in the tables below, this is a targeted, incremental adjustment to the established DBESS delivery model – not a fundamental change in the role of DNSPs.

| Service group / Activities included | Further description | Current classification 2024-29 | Proposed classification 2029-34 |
|---|---|---|---|
| **Common distribution services**<br>**(Distributed batteries)** | Leasing out spare capacity in DBESS (<5MW) that is connected to the distribution or sub-transmission network | Not classified | Standard control services |

| | What we are proposing | What we are ***not*** proposing |
|---|---|---|
| **RAB** | Only the share of DBESS costs delivering network benefits (set by a cost-benefit analysis against the network alternative) would enter the regulatory asset base (**RAB**).<br>To date, the network share of DBESS costs allocated to the RAB has typically been between 5 and 20 per cent, although this will vary with the network need each battery addresses. | We are ***not*** proposing full RAB funding of DBESS |

[1] Ausgrid, 'Central Coast locals set for power bill relief with battery rollout', 22 May 2026.

| | What we are proposing | What we are ***not*** proposing |
|---|---|---|
| **Energy trading** | DNSPs would enable third parties to trade using leased capacity | We are ***not*** proposing DNSPs act as a retailer or settle battery trades in the NEM |
| **Extent of change** | A modest extension to allow an existing model to continue without a ring-fencing waiver | We are ***not*** proposing novel commercial models or a fundamental change in role, or any restriction on third parties connecting their own batteries to the network |

## 1.3 Promoting the long-term interests of customers

We consider the proposed classification is consistent with the long-term interests of customers. It would support the delivery of network benefits from distributed batteries at lower cost, improve the utilisation of customer-funded assets, bring forward customer benefits and preserve appropriate competitive boundaries. By contrast, the current waiver-based approach introduces additional process, cost and delay that appear disproportionate to the risks associated with these arrangements.

Under the proposed model:

- **The risks are limited and can be effectively managed:** Only the proportion of the battery attributable to the provision of network services would be included in the RAB. This materially limits the potential for cross-subsidisation or competitive distortion. Any residual risks can be managed through existing regulatory arrangements, including the cost allocation framework, shared asset arrangements and other relevant obligations. More efficient access to spare battery capacity may also support competition by reducing barriers to entry for retailers and other market participants. Nor would the proposal prevent competition in battery ownership. Third parties remain able to apply to connect commercial batteries to our network, and we will continue to seek proposals from commercial providers to lease battery capacity where this addresses a network need. While interest to date has been limited, we remain open to these arrangements.
- **It would promote more efficient utilisation of customer-funded assets:** Distributed batteries are capable of providing both network and market services. Where capacity is not required to provide network services, allowing that capacity to be made available to third parties would improve asset utilisation and enable customers to receive greater value from the investment than would be available under a network-only operating model.
- **It would bring forward customer benefits:** Removing the need to seek project-specific ring-fencing waivers would reduce regulatory process and provide greater certainty for the development of distributed battery projects. This should support earlier and more efficient deployment, allowing customers to benefit sooner from improved network performance, greater system flexibility and lower overall system costs. Taken together, these considerations support the proposed classification. It would promote lower costs, more efficient use of customer-funded assets and earlier realisation of customer benefits, while retaining appropriate safeguards against cross-subsidisation and competitive distortion.

The proposed approach is also consistent with the changing role of distribution networks through the energy transition, where infrastructure will increasingly be capable of delivering both network and broader system benefits. We consider there is now sufficient evidence of the potential customer benefits, and sufficiently well-developed regulatory safeguards, to support recognising the leasing of spare capacity in community-scale storage as a distribution service.

**Maximising the use of existing assets while preserving competition**

Our proposed classification would enable our customers to extract more value from the solar they have funded. It avoids costly network investment by allowing storage to manage local constraints before new poles and wires are required. It also enables more customers to benefit from the bill savings of solar energy. At the same time, it preserves competition by ensuring all contestable activities, including participation in energy markets, remain with retailers and aggregators rather than DNSPs.

## 1.4 How we have incorporated the views of others

We tested this proposal with our Customer Consultative Committee (**CCC**) and received a written submission from Sutherland Shire Council[2] and technical feedback from City of Sydney Council staff[3].Stakeholders recognised the value of storage in the energy transition, but raised four main issues.

- **Whether Ausgrid should own batteries:** CCC members did not support the proposal, considering that Ausgrid does not need to own batteries and could instead access batteries provided commercially. Members asked us to show that batteries are the most efficient option compared with network alternatives such as augmentation or transformer upgrades.

  In response, we explained that the network share of each battery is set by a cost-benefit analysis against the network alternative, so customers only fund a battery where it is the lower-cost solution. We continue to request proposals to lease battery capacity from commercial providers where appropriate to address a network need. However, retailers and other commercial providers have to date shown limited interest in building community-scale batteries themselves. Unlike DNSPs, retailers have limited experience in building and operating infrastructure on the distribution network, where community-scale batteries are located. Conversely, DNSPs are not well placed to trade energy in the way retailers do. Our proposal therefore allocates each role to the party best placed to perform it, with DNSPs providing the network service and retailers trading the battery's remaining capacity in energy markets.

- **What customers pay for:** customers fund only the share of each battery's cost that reflects its forecast network benefit, and pay for reserved capacity of around 40 hours a year whether or not all of it is used. CCC members asked whether customers should pay only for the capacity actually used. Such an arrangement would likely require a rule change. The network share is currently set in advance, and capital cannot be adjusted once it is included in the RAB.

- **Future proofing:** a CCC member suggested broadening the proposal to storage more generally, so that emerging technologies such as thermal storage are not excluded. CCC members also asked whether the network share of a battery could increase if new constraints emerge.

  We considered whether the service description could be made technology neutral. We do not consider this practical, because the service we are seeking to classify is the leasing of spare capacity in a battery that Ausgrid owns. Emerging technologies such as thermal storage are unlikely to be assets that Ausgrid owns. On whether the network share could change, once a battery enters the RAB, its network share generally cannot be adjusted. The network share is forecast by Ausgrid and reviewed by the AER before the battery is able to enter the RAB. The network share is not capped at a fixed percentage. It will vary between batteries, depending on the network need (including any augmentation the battery allows us to defer) and the battery's cost.

- **Where batteries go:** the City of Sydney Council staff preferred batteries to be located on private or Ausgrid land, with public land a last resort. The City of Sydney Council staff also noted batteries are not suitable for green spaces or residential areas, and wanted no costs transferred to councils.[4] Sutherland Shire Council asked that batteries be prioritised where they improve reliability and resilience, such as communities at the edge of the network, and that Ausgrid, private and State Government land be considered before council land.[5]

  We no longer locate DBESS on public land, and individual DBESS are capped below 5 MW. This differs from Community Power Networks, which will locate batteries on public land (see chapter 3).

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2 Sutherland Shire Council, Submission: Ausgrid 2029–34 regulatory reset, 4 September 2026, pp. 2-3.

3 City of Sydney, Feedback on potential new services (written feedback to Ausgrid), September 2026, p. 1.

4 City of Sydney, Feedback on potential new services (written feedback to Ausgrid), September 2026, p. 1.

5 Sutherland Shire Council, Submission: Ausgrid 2029–34 regulatory reset, 4 September 2026, pp. 2-3.

Sites are chosen based on local network constraints and access to land. We will engage councils early wherever council land or community assets could be affected. Ausgrid considers batteries as a solution to improve reliability and resilience where appropriate.

## 1.5 Regulatory checklist

The table below summarises why we consider the leasing of spare capacity on DBESS to third parties should be classified as an SCS under the service classification framework in Chapter 6 of the NER. The considerations set out in the table are the core criteria the AER considers when classifying a distribution service under the NER.

| Key consideration | Application to DBESS spare-capacity leasing | Assessment |
|---|---|---|
| **Classification as a direct control service –** NER cl 6.2.1 | The service is leasing spare capacity in a DBESS. This service is closely related to our distribution system because the battery is installed to meet a network need. | **Supports direct control** |
| **Form of regulation factors** – NER cl 6.2.1 / National Electricity Law (**NEL**) s 2F | Our proposed classification relates to very limited use of DBESS, based on an established practice. DNSPs lease spare capacity in storage installed for network purposes to other parties, who then use that capacity in other markets. Given its close interdependence with the regulated network service, the form of regulation factors support direct control. | **Supports direct control** |
| **Potential for competition** – NER cl 6.2.2 | Classification of the leasing service would not regulate or displace competition in battery trading or other market services. Ausgrid would simply make spare capacity available to third parties via a competitive process, who would then in turn compete to use that capacity to provide market-facing services. The classification would also not prevent third parties from owning batteries, connecting them to the network or offering network support services to Ausgrid. | **Supports standard control** |
| **Cost attribution** – NER cl 6.2.2 | The leasing service arises from spare capacity on an asset funded to deliver network benefits to customers generally. The costs associated with the underlying capacity are therefore not readily attributable to an individual customer seeking the service. This points away from alternative control treatment, which is generally better suited to services provided to identifiable customers on a user-pays basis. | **Supports standard control** |
| **Consistency with the treatment of the underlying asset** – NER cls 6.2.1 and 6.2.2 | The DBESS would be installed and partly funded as a standard control network asset (with the network share set by a cost-benefit analysis against the network alternative). Classifying the associated leasing of spare capacity as an SCS would provide a coherent regulatory treatment of the asset and the additional value generated from capacity that is not required for network purposes. | **Supports standard control** |
| **Administrative efficiency and customer outcomes** – NER cl 6.2.2 | Classification would provide a clear regulatory pathway for leasing spare capacity without requiring project-specific ring-fencing waivers. Existing cost allocation and shared asset arrangements would continue to protect against cross-subsidisation and ensure that, where material, value generated from leasing spare capacity is shared with customers. | **Supports standard control** |

# 2 EV charging infrastructure

## 2.1 Overview

EVs can deliver major customer and system benefits, from lowering overall household energy costs to reducing emissions through the decarbonisation of transport. However, Australia's current public-charging network lags well behind international peers in both density and coverage, creating three key opportunity costs:

1. many households cannot easily access the energy savings associated with EV ownership as limited access to public chargers discourages EV uptake;
2. the wider customer base misses out on bill reductions that come from higher network utilisation; and
3. Australia cannot accelerate transport electrification at the pace needed to meet national emissions targets.

DNSPs can play an important facilitation role in unlocking these benefits by enabling third party access to EV charging infrastructure.

## 2.2 Our proposed classification for 2029-34 period

We propose classifying the leasing of DNSP-owned EV charging infrastructure to retailers and e-mobility providers as a standard control service. Our priority is kerbside AC chargers delivered under the Commonwealth's Accelerating EV Charging program, which the AEMC's September 2026 draft determination would also classify as a standard control service. Beyond that program, the service is limited to kerbside AC charging in underserved areas where the market is not responding.

| Service group / Activities included | Further description | Current classification 2024-29 | Proposed classification 2029-34 |
|---|---|---|---|
| **Common distribution services**<br>**(EV charging infrastructure)** | Leasing out DNSP-owned EV charging infrastructure to retailers and e-mobility providers | Not classified | Standard control services |

| | What we are proposing | What we are ***not*** proposing |
|---|---|---|
| **Asset ownership** | A targeted role for DNSPs to provide and own kerbside alternating current (**AC**) EV charging infrastructure, starting with chargers delivered under the Commonwealth's Accelerating EV Charging program, and otherwise only in underserved areas where the market is not responding. | We are ***not*** proposing DNSPs own or fund all EV charging infrastructure, including fast charging or commercially viable charging sites. |
| **Customer facing services** | Retailers and e-mobility providers have open access to DNSP-owned chargers and compete to provide charging services to end users. | We are ***not*** proposing DNSPs sell energy, provide charging services to customers, or participate in competitive retail markets. |
| **Extent of change** | A targeted extension of existing arrangements to allow open access to | We are ***not*** proposing a fundamental expansion in the role of DNSPs, or |

| What we are proposing | What we are *not* proposing |
|---|---|
| DNSP-owned infrastructure through a regulated service classification | displacing competition where markets are functioning or likely to emerge |

## 2.3 Promoting the long-term interests of customers

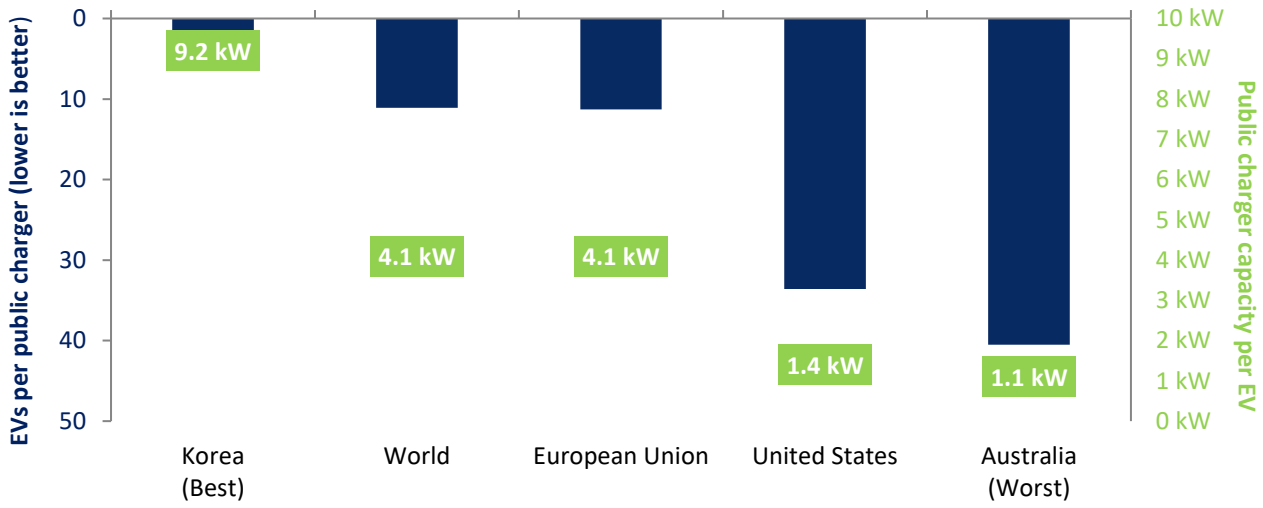
The following sections set out the key grounds for changing the current classification of EV charging infrastructure. In particular, we outline the benefits for customer affordability, system utilisation and emissions reduction, and explain how a targeted DNSP role can deliver these outcomes while preserving competition.

### Broadening access to household energy cost savings

Electrifying transport has clear affordability outcomes: Energy Consumers Australia estimates EV owners save around $1,400 per year in combined fuel and energy costs.[6] However, these savings depend on routine access to convenient, low cost, reliable charging.

Australia's highly decentralised approach to charging has delivered one of the weakest public-charging networks globally. As shown in Figure 2, Australia has ~40.5 EVs per public charging point compared with a global average of ~11.1, and only 1.1 kW of public-charging capacity per EV, almost a quarter of the global benchmark of 4.1 kW.[7] While public charging has grown in recent years, it is not keeping pace with EV uptake.

**Figure 2: Australia has among the lowest levels of public EV charging[8]**




### Electrification and system utilisation

A targeted SCS classification for kerbside AC charging could unlock system benefits by enabling delivery where the market is not responding. It would improve asset utilisation, support a coordinated rollout, and enable flexible charging and future vehicle-to-grid services.

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6 Energy Consumers Australia, Stepping Up: A smoother pathway to decarbonising homes, Figure 6, 2023.

7 International Energy Agency, Global EV Outlook 2026, fig 6.4; International Energy Agency, 'Number of electric light-duty vehicles per public charging point and kilowatt per electric light-duty vehicle, 2025' (14 April 2026).

8 International Energy Agency, Global EV Outlook 2026, fig 6.4; International Energy Agency, 'Number of electric light-duty vehicles per public charging point and kilowatt per electric light-duty vehicle, 2025' (14 April 2026).

Under the AER's revenue cap,[9] increased EV charging lowers unit network charges by spreading fixed revenue over higher energy volumes. For Ausgrid, this is expected to reduce bills by around $13 per residential customer per year by 2030.[10]

While pricing reforms may increase fixed charges, volumetric components will remain relevant through 2029-34, meaning these bill benefits are likely to persist, albeit potentially in a moderating form.

**Emissions reduction**

Transport is Australia's third-largest source of emissions, and rapid electrification of road transport is essential to meeting national climate targets. The Climate Change Authority estimates that half of all light-vehicle sales between now and 2035 must be EVs to stay within the 62-70% emissions-reduction range.[11] In 2025, EVs made up only 12% of new car sales;[12] a long way from the trajectory required. While EV purchases have increased significantly in 2026 in response to rising fuel prices following the closure of the Strait of Hormuz in February, it remains uncertain whether this rise will be sustained over the long term.

The key constraint is infrastructure. Allowing DNSPs to invest where the market is not responding would enable broader, more reliable infrastructure and support the current wave of EV uptake.

**Why not negotiated services?**

We note the AER's final decision in Victoria to classify the rental of distribution assets for EV charging infrastructure as a negotiated distribution service.[13] However, that decision considered a narrower model where DNSPs provide access to existing assets (such as distribution poles) for third parties to install and operate their own EV charging infrastructure.

The model proposed in this paper is different. It involves DNSPs owning and maintaining EV charging infrastructure, while competitive e-mobility operators are provided with open access to those assets and continue to provide customer-facing services such as energy retailing and charging products.

In our view, this better promotes allocative efficiency by allowing DNSPs to focus on infrastructure delivery, while preserving competition and innovation in contestable customer-facing services. It also has greater potential to support EV charging deployment at scale, including in underserved locations.

**Maximising the use of existing assets while preserving competition**

Our proposed SCS classification will allow Ausgrid to deploy EV chargers where the grid already has spare capacity, reducing reliance on new build. At the same time, competition is preserved by keeping all market-facing services fully contestable, with retailers and e-mobility providers operating over DNSP-owned hardware.

## 2.4 How we have incorporated the views of others

We tested this proposal with our CCC and received a written submission from Sutherland Shire Council[14] and technical feedback from the City of Sydney Council staff.[15] All support the shift to EVs. A summary of the feedback we received, and how we have responded, is:

- **The role of DNSPs:** several CCC members saw EV charging as a role for the competitive market, backed by government funding where gaps exist. They also wanted us to show we have used our

[9] We understand that the AER will consult on whether a revenue cap should continue to apply in our next regulatory period.

[10] Estimate based on a residential customer consuming 5000 kWh p.a.

[11] Climate Change Authority, '2035 Targets Advice' (12 September 2025), p 4.

[12] Electric Vehicle Council, 'State of Electric Vehicles' (2025), p 17.

[13] AER, 'Final decision AusNet Services, Jemena, CitiPower, Powercor and United Energy electricity distribution determinations 1 July 2026 – 30 June 2031 Attachment 11 – Service classification' (September 2025), p 22.

[14] Sutherland Shire Council, Submission: Ausgrid 2029–34 regulatory reset, 4 September 2026, pp. 2 and 5.

[15] City of Sydney, Feedback on potential new services (written feedback to Ausgrid), September 2026, p. 1.

existing tools to facilitate EV chargers through faster connections, fair and neutral network access, capacity maps and suitable tariffs.

Our proposal is deliberately limited to kerbside AC charging in locations the market is not serving. Fast charging and commercially viable sites would stay with charge point operators. Any chargers we install would be open access, so retailers and e-mobility providers could compete to serve customers at every site. As the CCC asked, our regulatory proposal will set out what we have already done to support the EVCI market, and we will provide the CCC with modelling on the utilisation benefits for all customers of EVCI before we finalise our position in our regulatory proposal.

The Australian Energy Market Commission (**AEMC**) has proposed a similar last-resort role for DNSPs under the Commonwealth's Accelerating EV Charging program. Its September 2026 draft determination would classify EVCI provided by DNSPs under the Commonwealth's programs as a SCS, with customers funding around 70 per cent of efficient costs.[16]

- **Who should pay for EV charging infrastructure costs:** several CCC members opposed classification as SCS because all customers would pay for the chargers, whether or not they use them. Some preferred an ACS, user-pays approach, and one CCC member opposed any Ausgrid role at all in providing EVCI. CCC members also wanted the network-led model tested against commercial delivery on customer outcomes and utilisation risk.

  We recognise these concerns and agree it is important to understand how a network-led model compares with commercial delivery. Our current view is that SCS is the appropriate classification, given ~30% of our customers have no off-street parking and cannot charge at home. We will explore whether an ACS approach could be appropriate, particularly as the EVCI market develops.

- **Where chargers go:** Councils noted that kerbside space is scarce and contested. Councils are concerned about pedestrian access and streetscapes, and noted residents often blame councils for chargers they did not install. Technical feedback from City of Sydney Council staff noted that chargers without dedicated parking are likely to be less used, and that councils should be left no worse off.[17] Both the Sutherland Shire Council submission and the City of Sydney Council staff feedback favoured off-street charging, and Sutherland Shire Council did not support widespread kerbside charging in public areas without site-specific assessment.[18] Councils also stressed that these are not only council issues but concerns shared by their communities.

  We accept that kerbside charging affects how councils manage their streets, and that councils are often held responsible for infrastructure they did not choose. We will therefore engage councils at the earliest planning stage, before sites are selected, to identify suitable locations and agree approval pathways. We intend to work closely with councils and land managers on charger locations, so that any sites reflect local priorities and streetscape needs.

We will continue to consult the CCC, councils and customers over the coming months, and remain open to changing our approach. This includes further considering the potential for an ACS option, and whether our role should be limited to delivering chargers under the Commonwealth's Accelerating EV Charging program.

## 2.5 Regulatory checklist

The table below summarises why we consider the provision of DNSP-owned kerbside AC charging infrastructure to third parties should be classified as an SCS.

[16] AEMC, Facilitating electric vehicle charging infrastructure rollout under Commonwealth grants, Draft rule determination, 24 September 2026, pp. i–iv. The AEMC has indicated a final rule determination will be published on 17 December 2026.

[17] City of Sydney, Feedback on potential new services (written feedback to Ausgrid), September 2026, p. 1.

[18] Sutherland Shire Council, Submission: Ausgrid 2029–34 regulatory reset, 4 September 2026, pp. 2 and 5.

| Key consideration | Application to EV charging infrastructure | Assessment |
|---|---|---|
| **Classification as a direct control service –** NER cl 6.2.1 | The relevant service is not the charging service sold to motorists, but the DNSP providing and owning kerbside AC charging infrastructure and making it available to retailers and e-mobility providers on an open-access basis for a small fee to cover our administrative costs. This is a service provided "in connection with" our distribution system that is appropriately classified as a direct control service. | **Supports direct control** |
| **Form of regulation factors** – NER cl 6.2.1 / NEL s 2F | There is a strong relationship between providing kerbside charging infrastructure and the underlying regulated network. In the targeted, underserved locations proposed, the market is not delivering charging on its own – high barriers to entry and limited substitutes mean a competitive market will not operate efficiently there, supporting regulation as a direct control service. | **Supports direct control** |
| **Potential for competition** – NER cl 6.2.2 | Classification would not displace competition. Fast charging and commercially viable sites remain fully contestable, and retailers and e-mobility providers compete to sell charging services over open-access, DNSP-owned infrastructure. Only the provision of the physical kerbside asset in underserved areas is brought within standard control. | **Supports standard control** |
| **Cost attribution** – NER cl 6.2.2 | The infrastructure is funded to deliver network-wide benefits (e.g. higher utilisation and lower unit network costs for customers generally) rather than services attributable to a small, identifiable group. However, as the EVCI market develops, an ACS may become appropriate. We will therefore further consider an ACS option, under which retailers and e-mobility providers would fund the cost of chargers through a fixed fee approved by the AER. | **Supports standard control** |
| **Consistency with the treatment of the underlying asset** – NER cls 6.2.1 and 6.2.2 | The kerbside charging assets would be installed and funded as standard control network assets. Classifying the open-access provision of those assets as standard control is consistent with the treatment of the underlying infrastructure. | **Supports standard control** |
| **Administrative efficiency and customer outcomes** – NER cl 6.2.2 | Classification provides a clear, low-cost regulatory pathway for deploying kerbside charging in underserved areas. This would improve asset utilisation, lower network costs for all customers and accelerate access to the benefits of EV ownership. | **Supports standard control** |

Overall, the relevant classification factors support treating the provision of open-access, DNSP-owned kerbside AC charging infrastructure as an SCS.

# 3 Local energy precincts

## 3.1 Overview

Local Energy Precincts, such as Ausgrid's Community Power Network pilot, are a new way of operating the grid, so that locally generated renewable energy can be stored, shared and used more efficiently across a community. The AER has approved Ausgrid's Community Power Network pilot under its Regulatory Sandbox arrangements. This allows the concept to be tested in two locations, but it is a temporary waiver with a defined expiry and exit conditions. The challenge for our 2029-34 period is to have a service classification framework in place that supports the pilot through to completion and allows the model to move into business-as-usual arrangements if it proves successful.

## 3.2 Our proposed classification for 2029-34 period

We propose two classifications for Local Energy Precincts in the 2029-34 period. The first is a pilot classification covering the Community Power Network activities in the Mascot-Botany and Charmhaven pilot areas, so the pilot can run to completion. The second is a business-as-usual classification for the bundle of activities associated with delivering a Local Energy Precinct. This would only apply if the pilot demonstrates clear net benefits for customers, and any expansion would be subject to meeting certain conditions, as outlined below.

During the trial, the Community Power Network is supported by funding from the Australian Renewable Energy Agency (ARENA). For the part of the trial that falls within the 2029-34 regulatory period, from July 2029 to September 2031, our regulatory proposal will include the pilot's DSO costs, under the pilot phase classification and the DSO functions classification in chapter 4 (Attachment D, section 3.3).

| Service group / Activities included | Further description | Current classification 2024-29 | Proposed classification 2029-34 |
|---|---|---|---|
| **Common distribution services (Local Energy Precincts – Pilot phase)** | Delivering the bundle of activities needed to manage a Local Energy Precinct at the Trial Sites (Charmhaven and Mascot-Botany) under the AER's trial waiver of December 2025, until the trial ends. This includes:<br>• Setting the batteries' safe operating envelope to prioritise network needs and releasing the remaining capacity to third parties to settle and optimise in the NEM<br>• Buying local solar output from commercial and industrial (C&I) customers and enabling its trade in the wholesale market<br>• Paying customers a dividend reflecting the savings the model generates. | Not classified | Standard control services |
| **Common distribution services (Local Energy Precincts – BAU phase)** | Delivering a business-as-usual version of the Community Power Network concept in new locations, once the AER has confirmed that the pilot has met the success metrics set in the distribution determination. | Not classified | Standard control services |

| | What we are proposing | What we are ***not*** proposing |
|---|---|---|
| **Funding** | Capping our return at a regulated allowance | We are ***not*** proposing to earn more than a regulated return |
| **Energy trading** | Enabling storage to participate in wholesale energy markets when not required to support the network. | We are ***not*** proposing an unrestricted role in energy trading |

## 3.3 Promoting the long-term interests of customers

We consider the proposed SCS classification is in the long-term interests of customers for three main reasons:

1. Provides a pathway to preserve the benefits being tested through the current pilot;
2. Ensures a larger share of the value created is returned to customers, because Ausgrid's return is capped at a regulated return; and
3. Offers a conditional pathway for expanding the Community Power Network concept**.**

We explain each of these benefits below.

### Continuing the benefits customers are expected to receive in the pilot locations

Ausgrid is currently permitted to operate Community Power Networks in the Mascot-Botany and Charmhaven pilot areas for five years from September 2026 to September 2031, with a possible one-year extension to September 2032. The current sandbox arrangement which waives ring-fencing requirements is temporary and applies only within those sandbox locations.

If the pilot demonstrates sustained customer and network benefits, an ongoing regulatory pathway will be needed to retain those benefits beyond the trial period. Without such a pathway:

- Ausgrid may be unable to continue coordinating shared batteries for network purposes once the waiver expires;
- pilot assets may need to be transferred, sold or decommissioned in accordance with the sandbox exit arrangements; and
- customers in the pilot areas could lose benefits associated with coordinated local energy flows, including increased hosting capacity, deferred network augmentation and the anticipated customer dividend.

An SCS classification would provide a pathway to transition an efficient and beneficial service from a temporary trial into business-as-usual regulation, subject to the usual AER expenditure and efficiency tests.

### A larger and more transparent share of value for customers

Local Energy Precincts create value from several sources. The primary source is network benefits, including increased hosting capacity and the deferral or avoidance of network augmentation. Local Energy Precinct assets can also earn revenue in wholesale and ancillary services markets.

A key consideration is the extent to which this value is passed through to customers. Under commercial arrangements such as Virtual Power Plants (**VPPs**), there is no regulatory requirement governing the share of value passed through to participating customers. Available evidence indicates that customers may receive a relatively small share of this value, even after allowing for operators' costs and a reasonable margin. This is supported by recent analysis from two sources:

- The Institute for Energy Economics and Financial Analysis (**IEEFA**) found that:

- in one VPP, customers benefited from lower grid imports but received no share of the operator's wholesale arbitrage or frequency control ancillary services (**FCAS**) revenues.[19]
- unrestricted aggregator access to a household battery is worth around $200 per year.[20]

- The Australian Competition and Consumer Commission (**ACCC**) found that VPP participation added only around $56 to $197 per year in savings over owning a battery alone, across regions in late 2024.[21] At the lower end of this range, these savings represent around a quarter of IEEFA's estimated value of aggregator access, which suggests that customers may capture only a modest share of the value their assets create.

We recognise that the share of value passed through to customers under VPP arrangements is difficult to quantify precisely, given the range of variables involved. Nonetheless, an SCS classification for Local Energy Precincts would address this issue by establishing a transparent and accountable framework for sharing value with customers, subject to the AER's oversight. Under this framework, Ausgrid's earnings on Local Energy Precinct assets would be capped at a regulated return, and wholesale market and other revenues earned from those assets would be returned to customers, rather than retained by Ausgrid.

As Ausgrid's return would be capped, the value created by combining network and market revenues would accrue to customers rather than to Ausgrid. Customers would not need to own solar panels or batteries to benefit. Households in the precinct without CER, including renters and apartment residents, would also share in the savings. We consider this a more equitable distribution of value than under VPP arrangements, where benefits accrue primarily to device owners and operators. In addition, the deferral or avoidance of network augmentation would benefit customers across the broader network, who would otherwise fund those costs through network charges. For these reasons, we consider the proposed classification to be in the long-term interests of customers.

### A conditional pathway for expanding Community Power Networks

We do not yet know whether the Community Power Network pilot will deliver the customer and network benefits we expect. Our regulatory proposal will therefore put forward Community Power Network expansion capex for the later years of the 2029-34 period, separate from the ex ante capex forecast. That expenditure would be recovered only if the conditions specified in our proposed control mechanism are met (see Appendix B), including that the pilot shows clear net benefits for customers.

The funding arrangements for expansion assets, including the benefit sharing mechanism, are set out in our control mechanism attachment.

**Maximising the use of existing assets while preserving competition**

Local Energy Precincts make more efficient use of the network assets customers already fund, by coordinating local generation, storage and demand to relieve constraints and defer new network investment. This lowers the overall cost of supply and gives customers more value from infrastructure they have already paid for. The proposed classification is also designed to work alongside competitive energy markets.

## 3.4 How we have incorporated the views of others

We tested this proposal with our CCC and received a written submission from Sutherland Shire Council[22] and technical feedback from City of Sydney Council staff[23].Stakeholders generally saw Local Energy Precincts as a logical extension of the Community Power Network sandbox. Their feedback centred on four issues, which we summarise below together with our response to each.

[19] IEEFA, What is the state of virtual power plants in Australia?, March 2022

[20] IEEFA, What is the state of virtual power plants in Australia?, March 2022

[21] ACCC, Inquiry into the National Electricity Market, July 2025, p. 68.

[22] Sutherland Shire Council, Submission: Ausgrid 2029–34 regulatory reset, 4 September 2026, p. 3.

[23] City of Sydney, Feedback on potential new services (written feedback to Ausgrid), September 2026, pp. 1–2.

- **Timing and conditional approval:** some CCC members considered it may be too early for the AER to decide before the pilot results are known, and suggested that any classification should be conditional on the AER finding that the pilot has been successful.

  We agree that the pilot outcomes should determine whether the model proceeds. We would not seek to expand Local Energy Precincts unless the AER is satisfied that the pilot has met its success criteria. Including the service now is intended to avoid a regulatory gap at the end of the sandbox period, not to pre-empt that assessment.

- **How success is judged:** members said success should be judged not only on whether the model delivers the benefits we expect, but on whether a DNSP-led model is preferable to commercial alternatives. These include the parallel commercial trial and retailer models that use leased battery capacity to share the benefits of local solar. The City of Sydney Council staff noted it is not aware of another model that could deploy local solar and storage with equitable benefit sharing at equivalent speed or scale.[24] Sutherland Shire Council asked that precincts include clear measures of resilience, network, emissions and community benefits.[25]

  We have adopted the comparison with commercial alternatives as part of our definition of success, so that outcomes delivered by the commercial market form part of the assessment. We will report on resilience, network, emissions and community benefits as part of that assessment.

- **Explaining the model:** CCC members asked for a clearer explanation of why Local Energy Precincts are included in this request and how they differ from a microgrid. They also asked how recently announced NSW and Australian Government reforms to incentivise solar and batteries affect the case for the model.

  We are including Local Energy Precincts now so that the pilot can run for its full term and, if it is successful, be extended without waiting for a later regulatory reset. Unlike a microgrid, a Local Energy Precinct is not designed to operate in isolation during outages. It coordinates assets across a whole zone substation area rather than at individual sites.

- **Fairness of expansion:** CCC members were concerned that customers outside precinct areas could contribute to costs before receiving any direct benefit. Sutherland Shire Council asked that precincts be planned in partnership with local government.[26]

  We recognise these concerns. If the model is extended to new locations, network benefits would be shared more broadly across customers, and we will test customer views on the costs and benefits of expansion through our broader engagement for the 2029-34 regulatory reset. We are also working with the University of New South Wales (**UNSW**) and RACE for 2030 on how the customer dividend should be shared and have invited CCC members to help shape that work. We will plan any future precincts with the relevant councils.

## 3.5 Regulatory checklist

The table below summarises why we consider the Community Power Network service should be classified as an SCS under Chapter 6 of the NER. Consistent with CCC feedback, this is a preliminary view, as the benefits of the model are still being tested through the pilot.

| Key consideration | Application to Local Energy Precincts | Assessment |
|---|---|---|
| **Classification as a direct control service –** NER cl 6.2.1 | The relevant service is not the storage or trading itself, but Ausgrid coordinating local energy flows across a Community Power Network – operating the shared platform, managing hosting capacity and signalling the operational requirements needed for network stability. It is delivered through, and in connection with, the distribution system. | **Supports direct control** |

[24] City of Sydney, Feedback on potential new services (written feedback to Ausgrid), September 2026, pp. 1–2.

[25] Sutherland Shire Council, Submission: Ausgrid 2029–34 regulatory reset, 4 September 2026, p. 3.

[26] Sutherland Shire Council, Submission: Ausgrid 2029–34 regulatory reset, 4 September 2026, p. 3.

| | | |
|---|---|---|
| **Form of regulation factors** – NER cl 6.2.1 / NEL s 2F | There is a strong relationship between coordinating a Local Energy Precinct and the underlying regulated network. High barriers to entry and limited substitutes for this coordinating role support treating it within the regulated distribution service framework. | **Supports direct control** |
| **Potential for competition** – NER cl 6.2.2 | Classification of the coordinating service would not displace competition. Retailers, aggregators and third-party battery owners would continue to supply and trade storage in the Community Power Network, and DNSPs would not participate in those contestable activities. We also facilitate commercial models by publishing data through our spatial energy plan. | **Supports standard control** |
| **Cost attribution** – NER cl 6.2.2 | The coordinating service supports the network and delivers benefits to customers generally – improved hosting capacity, deferred augmentation and shared value – rather than to an individual customer on a user-pays basis. | **Supports standard control** |
| **Consistency with the treatment of the underlying asset** – NER cls 6.2.1 and 6.2.2 | The network assets used to coordinate a Local Energy Precinct would be funded and operated as standard control network assets. Classifying the coordinating service as standard control provides coherent regulatory treatment of the asset and of the additional value generated from coordinating local energy flows. | **Supports standard control** |
| **Administrative efficiency and customer outcomes** – NER cl 6.2.2 | Standard control classification lets the Community Power Network model continue beyond the sandbox, if the pilot succeeds, without project-specific ring-fencing waivers. With Ausgrid's return capped, the Proven Trial factor's benefit sharing amount returns wholesale and other revenues from expansion assets to customers in full (Attachment B, Appendix A; Attachment D, section 2.3). | **Supports standard control** |

# 4 DSO services

## 4.1 Overview

A Distribution System Operator (**DSO**) actively manages the network, consumer energy resources (**CER**) and flexible loads to keep the system safe, reliable and efficient as power flows become two-way. In December 2025, Energy Ministers agreed, on the CER Taskforce's advice, that DNSPs will formally take on this role.[27] The AER summarises its four functions as active system management, enabling CER flexibility, transmission-distribution coordination and integrated distribution planning.[28] The detailed obligations and instruments are still being settled. But whatever form they take, NSW DNSPs will perform DSO functions throughout 2029-34, because at today's CER levels the network cannot run safely and reliably without them.

Much of this work is already under way. Ausgrid currently monitors the low voltage network, sets export limits, shares CER visibility with AEMO and buys network support from flexible resources where it is cheaper than building. The Taskforce itself notes that the AER has already funded DNSPs' DSO-like activities and capabilities.[29] Our Community Power Network trial, approved by the AER in December 2025, is already testing the model at neighbourhood scale. The question is not whether these functions will be performed, but how each should be classified and funded.

## 4.2 Our proposed classification for 2029-34 period

| Service group / Activities included | Further description | Current classification 2024-29 | Proposed classification 2029-34 |
|---|---|---|---|
| **Common distribution services**<br><br>**(DSO functions)** | The bundle of DSO capabilities needed to operate the network safely, reliably and efficiently with high levels of CER:<br>• prudent visibility of network state and the operational data model, including sharing data with AEMO and transmission networks;<br>• use of dynamic network capacity management capabilities (including communication of import and export limits) for distribution purposes, such as calculating and publishing operating envelopes and managing CER and flexible loads within network limits;<br>• forecasting and adaptive planning;<br>• facilitating markets and customer choice through the standardised data, limits and interfaces market participants need. Includes provision of basic electricity distribution network data, including | Not separately identified; performed as part of common distribution services.<br><br>The AER has expressly included the use of "dynamic network capacity management capabilities" and the "provision of basic network data" in common distribution services for the Victorian DNSPs for 2026-31[30] | Standard control services, expressly included as an additional limb of common distribution services |

[27] CER Taskforce, Redefining roles and responsibilities for power system and market operations in a high CER future: final advice to Ministers, December 2025; AER, Future of electricity network regulation: information paper, June 2026, p. 43.

[28] AER, Future of electricity network regulation: information paper, June 2026, p. 43.

[29] AER, Future of electricity network regulation: information paper, June 2026, p. 43.

[30] AER, Final decision AusNet Services, Jemena, CitiPower, Powercor and United Energy electricity distribution determinations 2026-31, Attachment 11 - Service classification, April 2026, pp 13-14.

| Service group / Activities included | Further description | Current classification 2024-29 | Proposed classification 2029-34 |
|---|---|---|---|
| | data that is provided in accordance with legislative obligations, standardised or automated data sets. | | |
| **AEMO requested essential system services** | Contestable system support services requested by AEMO, such as:<br>• the Reliability and Emergency Reserve Trader (**RERT**), operating reserve and system restart;<br>• FCAS using network batteries and dynamic voltage management systems (**DVMS**); and<br>• inertia and other system security services requested by AEMO. | Not classified | Standard control services<br>(service delivery)<br>Unregulated distribution service – not classified<br>(revenue recovery) |
| **System strength services to Transgrid** | Contestable system strength services provided under contract to Transgrid, in its role as the System Strength Service Provider for NSW under the NER, to help it meet the system strength standard. Services may be provided using distribution network assets with grid-forming capability, such as network batteries. | Not classified | Standard control services<br>(service delivery)<br>Unregulated distribution service – not classified<br>(revenue recovery) |
| **Provision of non-basic electricity network data** | Data requests by customers or third parties for network or consumption data beyond the scope of SCS provision, including the provision of electricity distribution network data or consumption data outside of legislative obligations, including requests for assistance to understand or interpret data, or to identify the data they require to meet their needs. | Alternative control services<br>Currently called the "Provision of electricity network data"[31] | Alternative control services |

Our proposal draws on the AER's 2026-31 service classification decisions for the Victorian DNSPs. Where the AER has already classified an equivalent service in Victoria, we have adopted its classification and wording. We have also extended the Victorian approach where it is warranted due to policy or regulatory reform. In particular:

- **Where we have adopted the Victorian decisions**

  In the Common distribution services row, we have:

  - added the dynamic network capacity management limb; and
  - clarified that the 'provision of basic electricity distribution network data' is an SCS

[31] AER, Final decision Ausgrid 2024-29 Distribution revenue proposal - Attachment 13 - Service classification, April 2024, p. 24.

We have then included 'Provision of non-basic electricity network data' as an ACS (last row of the table above). As a result, basic network data will be provided as an SCS at no additional charge, while requests for non-basic data will attract an ACS fee, consistent with the Victorian 2026-31 decisions.

- **Three elements of the table extend the Victorian approach.**

  In the common distribution services row, we expressly name the other DSO capabilities: visibility of network state, forecasting and adaptive planning, and facilitating markets and customer choice. The "AEMO requested essential system services" and "system strength services to Transgrid" rows add two activities we can deliver as standard control services, with the incremental revenue treated as unregulated.

Adopting the Victorian 2026-31 classifications is a sensible and practical starting point, as they reflect the AER's most recent view of these services. However, they do not fully address our needs for 2029-34. The 2029-34 period will run for three years beyond the end of the Victorian period, during which the DSO role will be formalised and reforms now under way are expected to take effect. Classifying these functions now gives customers and market participants certainty about how they will be treated throughout 2029-34. They are also central to our DSO vision, set out below.

The AER has previously granted class waivers that allow distribution networks to provide RERT services.[32] This reinforces that distribution networks have a role in providing essential system services. Our proposal would establish these as activities that distribution networks can provide without the need for a waiver. Importantly, we are seeking to classify only the delivery of essential system services as a standard control service. The revenue we earn from these services would be recovered outside our revenue cap, rather than funded through the AER's determination.

Our proposal for system strength services to Transgrid follows the same approach. We would provide these services under contract to Transgrid, in its role as the System Strength Service Provider for NSW, using distribution network assets with grid-forming capability such as network batteries. As with essential system services, only the service delivery would be classified as a standard control service. The revenue earned under these contracts would be an unregulated distribution service, recovered outside our revenue cap rather than funded through the AER's determination. This gives Transgrid an additional, contestable source of system strength.

## Our vision for Ausgrid as a DSO

Our vision is a distribution network that serves as a platform for customer-owned energy resources. Customers investing in solar, batteries, EVs, or flexible loads can connect quickly and import or export within the local network's real capacity, while retaining control of their assets.

Delivering that vision requires four capabilities, which map to the four functions the CER Taskforce attributes to the role (see Table 4.1). These are:

1. **Prudent visibility of network state:** monitoring the critical parts of the network and using smart network data and modelling to infer the rest, and sharing the relevant data with AEMO and Transgrid.
2. **Dynamic capacity management:** actively managing two-way flows within network limits, acting on customer assets only under agreed connection terms or emergency arrangements.
3. **Forecasting and adaptive planning:** anticipating needs from day-ahead operations through to long-term investment drivers, treating flexibility and non-network options as equal alternatives to augmentation.
4. **Facilitating markets and customer choice:** giving retailers, aggregators and other providers the standardised data, limits and interfaces they need to offer services on the network.

Our Community Power Network trial is testing how these capabilities work together at neighbourhood scale. The first independent research report required under the waiver conditions is due at the end of 2027 and will

[32] AER, Update on RERT class waiver, May 2025

be available before we lodge our regulatory proposal in January 2028.[33] That first report will not, on its own, show whether the pilot delivers sustained net benefits, which is why Attachment D proposes a conditional pathway for expansion.

## Alignment with the CER Taskforce and the AER

Our vision is consistent with the direction set by the CER Taskforce[34] and the AER.[35] Table 4.1 shows how our four capabilities map to the functions the Taskforce attributes to the DSO role and the outcomes the AER expects from it.

**Table 4.1: How our four capabilities map to the DSO role**

| CER Taskforce function | How the Taskforce and the AER describe it | Our capability | What we will do in 2029-34 |
|---|---|---|---|
| **Active system management** | Manage safe, reliable and efficient operation in a two-way environment by identifying and resolving constraints, managing congestion and optimising asset utilisation. Coordinate and schedule CER to relieve local congestion and defer augmentation.[36] | **Dynamic capacity management** | Calculate and publish operating envelopes, manage CER and flexible loads within network limits, and use the full range of tools available, acting on customer assets only under agreed connection terms or emergency arrangements. |
| **Enabling CER flexibility** | Employ tools, mechanisms and market interfaces to value, incentivise, procure and coordinate energy and flexibility services from CER. Develop ways to reward households and businesses for flexibility when and where it delivers the most value.[37] | **Facilitating markets and customer choice** | Provide access and pricing offers that reward customers for supporting the network, and give retailers, aggregators and other providers the standardised data, limits and interfaces they need to offer services, with customers and their agents keeping the final decisions over their assets. |
| **Transmission-distribution coordination** | Active coordination between the system operator and networks, underpinned by end-to-end visibility and shared data for the joint management of frequency, voltage, congestion, energy flows and essential system services. Improve system visibility through device-level data collection and sharing, and support system security.[38] | **Prudent visibility of network state** | Monitor the critical parts of the network and infer the rest through smart network data and modelling, share the relevant data with AEMO and Transgrid, and provide standardised data sets at no charge. |
| **Integrated distribution planning** | Long-term distribution planning with AEMO and the transmission network as part of whole-system planning, with conventional and non-network | **Forecasting and adaptive planning** | Anticipate needs from day-ahead operation through to long-term investment drivers, treat flexibility and non-network options as equal alternatives to augmentation, and contribute |

[33] AER, Ausgrid Community Power Network trial waiver decision, 20 December 2025, p. 24.

[34] CER Taskforce, Distribution system and market operations: consultation paper (Redefining roles for market and power system operations, M3/P5), July 2025. The Taskforce's final advice to Ministers followed in December 2025.

[35] AER, Future of electricity network regulation: information paper, June 2026.

[36] CER Taskforce, consultation paper, Box 4, p. 32; AER, information paper, p. 17.

[37] CER Taskforce, consultation paper, Box 4, p. 32; AER, information paper, p. 17.

[38] CER Taskforce, consultation paper, Box 4, p. 32; AER, information paper, p. 17.

| CER Taskforce function | How the Taskforce and the AER describe it | Our capability | What we will do in 2029-34 |
|---|---|---|---|
| | solutions equally considered and CER growth scenarios built in.[39] | | that intelligence to whole-system planning and operation. |

## 4.3 How we have incorporated the views of others

In developing our proposal, we have drawn on the views of the CER Taskforce and the AER, each of which has set out expectations for how the DSO role should be performed and raised concerns about assigning it to DNSPs. Table 4.2 summarises those views and explains how we have incorporated each one into our proposal. In short, we accept the role, propose to fund its baseline functions as SCS, and will perform those functions on the same terms for every party while leaving customers and their agents in control of their own assets.

**Table 4.2: Expectations and concerns raised by the Taskforce and the AER, and how we have incorporated them**

| Source | Expectation or concern | Our response |
|---|---|---|
| CER Taskforce | DSO activities need to be done, and done well, whoever performs them, and DNSPs are the natural entity to do so absent substantive institutional reform.[40] | We accept the role and propose to fund its baseline functions as SCS from the start of 2029-34, so that they are performed to a defined standard rather than as discretionary activity. |
| CER Taskforce | The role must be formalised to establish expectations, rights and obligations, appropriate incentives and reporting requirements.[41] | Obligations come first. Baseline functions should be set as obligations every participant can rely on, with incentives reserved for coordination quality above that baseline, as we proposed to the AEMC in September 2026.[42] |
| CER Taskforce | Assigning the role to DNSPs risks inconsistent systems and processes across regions, a lack of whole-of-system perspective and a preference for network solutions.[43] | To take a whole-of-system view, our submission to AEMC on the network regulation review stated that we will define the system by reference to the regulatory investment test for distribution (**RIT-D**) and coordinate our operations with AEMO and Transgrid.[44] |
| CER Taskforce | Customer agents, whether retailers, aggregators or customers themselves, are the decision-makers for optimising CER. DSOs may need to issue emergency commands to preserve system security.[45] | Customers and their agents retain the final decisions over their assets. We act on customer assets only under agreed connection terms or emergency arrangements. |
| AER | The DSO role recognises distribution networks as platforms for energy services | That is the premise of our vision i.e. a network that operates as a platform for the resources customers own, funded as a shared service. |

39 CER Taskforce, consultation paper, Box 4, p. 32; AER, information paper, p. 17.

40 CER Taskforce, consultation paper, pp. viii and 34.

41 AER, information paper, p. 44, reporting the Taskforce's view.

42 Ausgrid, Submission on the AEMC's Electricity Network Regulation Review Package 2, 24 September 2026, Appendix B, Question 6. [Replace with the direct link once the AEMC publishes submissions.]

43 CER Taskforce, consultation paper, pp. 33-34 and chapter 5.

44 CER Taskforce, final advice to Ministers, December 2025; Ausgrid, Submission on the AEMC's Electricity Network Regulation Review Package 2, 24 September 2026, Appendix A and Questions 5 and 7.

45 CER Taskforce, consultation paper, pp. 34-35.

| Source | Expectation or concern | Our response |
|---|---|---|
| | rather than simply asset owners and operators.[46] | |
| AER | The framework governs a network's expenditure on coordination but not the quality, neutrality or effectiveness of the coordination itself, and some stakeholders question whether DNSPs can provide DSO services in a competitively neutral manner.[47] | We will perform platform functions on the same terms for every party, including any part of Ausgrid providing services under another classification. Baseline functions are recovered as SCS and the services built on them are left to the market. We support reporting and performance measures that allow the AER and stakeholders to test this. |
| AER | DSO work to date has focused on new and emerging technologies rather than traditional coordination functions such as access and connections.[48] | Faster connection is at the centre of our vision, and access services such as network data, operating limits and interfaces sit within the baseline we propose to fund. |

## 4.4 Regulatory checklist

The table below summarises why we consider DSO functions should be classified as an SCS under the service classification framework in Chapter 6 of the NER.

| Key consideration | Application to DSO services | Assessment |
|---|---|---|
| **Classification as a direct control service –** NER cl 6.2.1 | DSO functions are provided by means of, or in connection with, the distribution system and are integral to operating it safely and reliably. They are currently delivered as part of the common distribution service, consistent with the AER's 2026-31 decisions for the Victorian DNSPs, which include dynamic network capacity management and basic network data in that service. | **Supports direct control** |
| **Form of regulation factors** – NER cl 6.2.1 / NEL s 2F | Ausgrid is the only party able to monitor and manage network conditions and operating limits in its distribution area. Customers and market participants have no alternative provider of these functions. | **Supports direct control** |
| **Potential for competition** – NER cl 6.2.2 | DSO functions rely on real-time network visibility and control and are not contestable. Classifying them as SCS supports competition in CER markets by giving all market participants the same network information and limits they need to offer services.<br><br>Services that are contestable, such as essential system services requested by AEMO and system strength services to Transgrid, still fall within the meaning of a 'distribution service'. This is because activities such as RERT, or using grid batteries to provide system strength, are services provided 'by means of, or in connection with, our distribution system'. | **Supports standard control** |

[46] AER, Future of electricity network regulation: information paper, June 2026, p. 43.
[47] AER, Future of electricity network regulation: information paper, June 2026, pp. 7 and 44.
[48] AER, Future of electricity network regulation: information paper, June 2026, p. 44.

| Key consideration | Application to DSO services | Assessment |
|---|---|---|
| **Cost attribution** – NER cl 6.2.2 | The benefits of DSO functions are shared by all network users and the costs cannot be attributed to individual customers. Requests for non-basic network data, including help to interpret it, have directly attributable costs and remain an ACS. | **Supports standard control** |
| **Consistency with the treatment of the underlying asset** – NER cl 6.2.1 and 6.2.2 | DSO functions use the same network assets, operational technology and systems that are funded as SCS, such as network control systems and dynamic voltage management. Where these assets are also used to provide unregulated services, a share of that revenue is returned to customers through the shared asset mechanism. | **Supports standard control** |
| **Administrative efficiency and customer outcomes** – NER cl 6.2.2 | Recovering the costs of DSO functions through SCS avoids creating separate charging arrangements for activities that benefit all customers, and is consistent with the existing treatment of network operations. | **Supports standard control** |

# 5 Data centre connections

## 5.1 Overview

Data centres share many characteristics with other large industrial loads. What distinguishes them is the pace at which connection requests are arriving and the flexibility proponents have in choosing where to connect. Together, these can concentrate demand in particular parts of our network and drive lumpy upfront investment. They also raise specific questions about how connection costs are allocated and how the credit risk associated with these connections is managed on behalf of the general customer base. We intend to align our definition of a data centre connection with the definition adopted through the NSW Government's reforms, including any regulations made following the Electricity Infrastructure Investment Amendment Bill 2026.[49]

These issues will become more pressing as data centre demand grows significantly over the coming years. It is therefore timely to consider whether the existing arrangements continue to provide the most appropriate balance between efficiency, customer protections and cost recovery, or whether an alternative service classification could deliver better outcomes.

The NSW and Commonwealth Governments are already responding to these questions by reforming how data centres pay for the energy infrastructure they need. The NSW Data Centre Policy Framework, released in August 2026, commits to regulatory reform so that those creating the need for new energy infrastructure bear its costs and risks, not existing consumers. The accompanying NSW Data Centre Guidelines expect data centres to impose no net cost on consumers, including through commercial arrangements that protect other customers from stranded asset risk. Nationally, the Energy and Climate Change Ministerial Council (**ECMC**) has recommended reviewing cost recovery so that data centres cover their network upgrade and connection costs. Our proposal applies the same principle. Data centres would fund the assets needed to connect them, and other customers would not carry the risk of those assets becoming stranded. We are working with state and federal departments as these reforms are developed.

This chapter focuses only on data centre connections and does not consider other types of major loads, such as mines, large generators or hydrogen electrolysers. We have focused on data centres because the volume and pace of their connection requests make these issues most pressing for our network and customers in the 2029-34 period.

## 5.2 How data centre connections are classified today

The regulatory treatment of a data centre connection currently depends on the part of Ausgrid's network to which it connects. We propose to establish a consistent approach by extending the arrangements that apply to connections to our dual function assets to all data centre connections.

To explain why this change is needed, we set out below how the NER and the AER classify connection services on each part of our network. In summary:

- **What dual function assets are**

  The NER defines dual function assets as parts of a distribution network that operate between 66 kV and 220 kV, in parallel with and in support of the higher voltage transmission network. Parts of Ausgrid's network meet this definition.

- **NER framework for dual function asset connections**

  Connections to dual function assets are subject to the transmission framework, under which connection services may be negotiated. Clause 6.24.2(c) of the NER treats these services as negotiated distribution services.

- **AER framework for all other connections**

[49] Electricity Infrastructure Investment Amendment Bill 2026

A different framework applies to connections to the remainder of our distribution network. The NER does not directly classify these connection services. Instead, the AER determines their classification under clauses 6.2.1 and 6.2.2 of the NER. The AER has not classified any of Ausgrid's distribution services as negotiated distribution services through this process.

- **The resulting mismatch**

  As a result, data centres connect under two distinct funding arrangements in Ausgrid's network:

  - A negotiated services model for dual function assets, under which connections are funded through bilateral arrangements between Ausgrid and the connecting party.
  - An SCS model for the remainder of the distribution network, under which the connecting party funds the full cost of the connection through Individually Calculated Tariffs, but our broader customer base bears the associated credit risk.

This mismatch results in inconsistent regulatory treatment of data centre connections within Ausgrid's network. Data centres with similar connection requirements may face materially different arrangements solely because of where they connect. The proposal outlined in the following section would remove this distinction.

## 5.3 Our proposal for the 2029-34 regulatory period

We propose to treat data centre connections consistently across our network, whether they connect to our dual function assets or to the rest of our distribution network. The shared assets needed to connect an identified data centre would become negotiated distribution services rather than SCS, as they already are when a data centre connects to our dual function assets. Dedicated connection assets would remain unclassified and contestable, and the wider shared network would remain an SCS.

| Service group / Activities included | Further description | Current classification 2024-29 | Proposed classification 2029-34 |
|---|---|---|---|
| **Identified data centre connections – identified user shared assets** | Assets required to connect an identified data centre, or an identified group of data centres, that form part of the shared network and cannot be electrically isolated without affecting supply to other network users | Standard control services | Negotiated distribution services |
| **Identified data centre connections – dedicated connection assets** | Connection assets used exclusively by an identified data centre that can be electrically isolated without affecting other network users, funded upfront by the data centre operator | Unclassified | Unclassified (no change) |

The proposed classification separates the assets needed to connect a data centre into two categories, depending on whether they are used only by the data centre or also form part of our shared network. In both cases, the data centre operator would fund the assets, and other customers would not carry the risk of them becoming stranded. We explain each category below.

1. **Shared connection assets**

   Shared connection assets are the parts of our shared network that must be built or extended to connect an identified data centre, such as a new substation, but which other customers also rely on once they are in service. Unlike dedicated connection assets, they cannot be electrically isolated without affecting supply to other network users.

2. **Dedicated connection assets**

Dedicated connection assets are used only by an identified data centre to connect to our network, and can be electrically isolated without affecting supply to other network users. They would remain unclassified and contestable, and would continue to be funded upfront by the data centre operator.

Data centres connecting to our dual function assets already receive this treatment through clause 6.24.2(c) of the NER, and we provide these services under our negotiating framework and Part D of Chapter 6.

Our proposal would extend the same approach to data centre connections on the rest of our distribution network. Shared connection assets that are new and distinct from our existing network, rather than changes to it, could be delivered contestably. Data centre operators would continue to pay standard network charges for their use of the wider shared network.

## 5.4 Promoting the long-term interests of customers

This section compares our proposal with the current arrangements against the three outcomes that matter most for customers. These are the management of credit risk, lower bills and an efficient connection process.

**Credit risk sits more directly with the data centre operator**

Credit risk, in the context of a data centre connection, is the risk that the data centre does not proceed as expected, reduces its demand, or exits early, leaving some portion of connection-related costs unrecovered and potentially borne by the broader customer base.

The current standard control arrangements already include protections against credit risk. Individually Calculated Tariffs ensure that the costs of connection assets are recovered from the data centre operator over time on a 'causer pays' basis.

Any residual exposure, for example where a data centre downsizes or exits early, is mitigated through established financial protections such as bank guarantees and capacity charges. Bank guarantees provide upfront financial security that can be called upon to recover unrecovered costs if the customer fails to meet its obligations. Capacity charges ensure that customers continue to pay for the network capacity reserved for them, regardless of actual usage, reducing the risk of revenue shortfalls if demand is lower than forecast.

Together, these mechanisms significantly limit the likelihood that unrecovered costs are passed through to other customers. However, because connection assets currently sit in our RAB, any shortfall that these protections do not cover is ultimately recovered from other customers. Under our proposal, the share of these assets attributable to an identified data centre would sit outside the RAB, so any shortfall on that share would remain between Ausgrid and the data centre operator.

**Lower bills for all customers**

Both our proposal and the current arrangements support lower bills across the wider customer base. In either case, data centre operators pay standard charges for their use of upstream network infrastructure, ensuring they make an ongoing contribution to the fixed costs of the shared network. This improves the utilisation of existing assets and reduces the revenue that needs to be recovered from other customers under the revenue cap.[50]

Classifying shared connection assets as negotiated distribution services does not change this outcome. The upstream network remains shared and continues to be funded on the same basis as today. The primary driver of bill reductions, increased load contributing to fixed network costs, therefore applies under both approaches.

The exception may be where upstream transmission augmentation is required to enable data centre connections. This is an area of ongoing industry collaboration to ensure other customers do not carry any unnecessary additional cost burden.

**Process is a further point of difference**

[50] Under a standard control revenue cap, the AER sets Ausgrid's total allowed revenue each year, which must be recovered from customers through network tariffs. When electricity throughput increases (e.g. from new data centre connections), the same revenue is spread over more units of energy, reducing the per-unit network price. Higher utilisation of the existing network therefore translates directly into lower average network charges for all customers.

Our proposal also differs from the current arrangements in process. Under the current standard control framework, data centre connection investments are subject to standard regulatory processes, including ex ante approval. While appropriate for shared network investments, these processes can be complex and time-consuming when applied to large, bespoke connections for a specific customer.

By contrast, a negotiated service model would allow for more streamlined, bilateral arrangements between Ausgrid and the data centre operator. This enables greater flexibility in how scope, timing, cost recovery and risk allocation are structured, and can support faster decision-making and delivery.

This flexibility may become increasingly important as the volume and scale of data centre connections grow, and as operators seek greater certainty and speed of delivery. These arrangements would continue to operate within the broader regulatory framework, including AER oversight where relevant.

## 5.5 How we have incorporated the views of others

We tested our proposal with our CCC at a meeting on 9 September 2026, and received a written submission from Sutherland Shire Council and technical feedback from the City of Sydney Council staff. Members agreed that data centres, as the beneficiaries of their connections, should bear the cost of the assets needed to connect them. Both the Sutherland Shire Council submission and the City of Sydney Council staff feedback supported full cost recovery from data centres, so that the costs of their connections are not passed on to other customers. No member opposed the approach, but members raised two further issues.

A CCC member encouraged us to use the connection process to encourage data centres to make their demand more flexible. The member noted that data centres could deliver network benefits if their operations and backup capacity are well integrated with the network, and asked that we not miss the chance to capture those benefits.

We agree that data centres could support the network in this way. We are already working with data centres on their potential for demand flexibility and network support, including through research, and will continue to look for ways to encourage it through our connection arrangements. This is consistent with the direction of national and NSW reforms. In December 2025, the ECMC recommended that officials explore options to integrate new load growth efficiently into the grid as data centre demand increases, including by developing a framework to facilitate demand flexibility.[51]

A CCC member asked how data centre connections are prioritised against other large business connections. We explained that there is no fast lane for data centres. Data centre connections are now managed through capacity commitment contracts with negotiated milestones. These milestones ensure each project is progressing, so that network capacity is not held by applicants that are not ready to proceed.

## 5.6 Regulatory checklist

The table below summarises how the service classification factors in Chapter 6 of the NER apply to data centre connection services.

| Key consideration | Application to data centre connections | Assessment |
|---|---|---|
| **Classification as a direct control service – NER cl 6.2.1** | Data centre connection services use the regulated shared network and are currently classified as SCS. The NER allows these services to be classified as either direct control or negotiated distribution services, so this factor does not on its own favour one option. | **Supports direct control or negotiated** |
| **Form of regulation factors – NER cl 6.2.1 / NEL s 2F** | Ausgrid is the only provider of shared network connection services in its area, and there are no close substitutes. However, data centre operators are large, sophisticated customers with the ability to negotiate bespoke terms, | **May support negotiated** |

[51] AEMC, Draft rule determination: National Electricity Amendment (Improving the NEM access standards – Package 2) Rule 2026, 12 March 2026, p. 133.

| Key consideration | Application to data centre connections | Assessment |
|---|---|---|
| | which may offset Ausgrid's market power and supports considering a negotiated approach. | |
| **Potential for competition – NER cl 6.2.2** | Dedicated connection assets are already contestable and would remain so. Shared network assets are a natural monopoly under all options, so the choice of classification would not materially affect competition. | **Neutral across options** |
| **Cost attribution – NER cl 6.2.2** | Connection costs are directly attributable to an identifiable data centre operator. This points towards direct cost recovery, which Individually Calculated Tariffs already achieve under a SCS approach, and which alternative control or negotiated services could achieve more directly. | **Supports direct cost recovery under any option** |
| **Consistency with the treatment of the underlying asset – NER cls 6.2.1 and 6.2.2** | Upstream shared assets remain part of the standard control network under all options. An alternative control model would require a separate RAB and rules for allocating assets between it and the standard control RAB. | **Supports standard control or negotiated** |
| **Administrative efficiency and customer outcomes – NER cl 6.2.2** | Standard control processes, including ex ante approval, can be complex and slow for large, bespoke connections. Negotiated services offer a more streamlined pathway within an established framework. Alternative control has no established framework and is the least certain option. | **May support negotiated** |

# 6 Legacy metering

## 6.1 Overview

Ausgrid proposes that routine legacy metering services, currently the ACS group "Metering services (Type 5 to 6 metering installations and legacy meters)", be classified as an SCS for the 2029-34 regulatory control period, with effect from 1 July 2029.[52]

The proposal is confined to the provision of routine legacy metering services. Customer-initiated metering services whose costs are directly attributable to the requesting party (e.g. special meter reading and testing) should remain ACS. Type 7 metering services remain SCS, and type 1 to 4 metering services remain contestable and unclassified. Legacy metering costs would be recovered within our single revenue cap for standard control services (Attachment B, section 3.6).

## 6.2 Our proposed classification for 2029-34 period

| Service group / Activities included | Further description | Current classification 2024-29 | Proposed classification 2029-34 |
|---|---|---|---|
| **Metering services (Type 5 and 6)** | Metering services (Type 5 to 6 metering installations and legacy meters) | Alternative control services | Standard control services |

## 6.3 Background

The AER's framework and approach for the 2024-29 period classified legacy metering services as ACS.[53] The AEMC's review of the regulatory framework for metering services, completed on 30 August 2023, confirmed a target of 100 per cent replacement of distributor-owned legacy meters with smart meters by 30 June 2030.[54] The AER treated the review as a material change in circumstances justifying departure from the framework and approach classifications under NER cl 6.12.3(b).[55]

In its draft decisions, the AER recommended that distributors reclassify legacy metering services as SCS, on the basis that recovery across all customers was likely to reduce material price impacts through the metering transition and that all energy users share the network benefits of that transition.[56] Endeavour Energy and Essential Energy adopted the recommendation, and legacy metering costs in those networks have been recovered as SCS since 1 July 2024.[57] The AER accepted the same reclassification for SA Power Networks, Energex and Ergon Energy from 1 July 2025.[58] On 28 November 2024, the AEMC made its Accelerating smart meter deployment rule, requiring replacement of all legacy meters across the National Electricity Market by 2030.[59]

Ausgrid retained the alternative control classification for 2024-29, with an amended price cap structure control mechanism. We submitted at the time that reclassification offered insufficient benefit to outweigh the

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52 AER, Final Decision, Ausgrid, Endeavour Energy, Essential Energy (NSW) and Evoenergy (ACT) Distribution Determination 2024–29, Attachment 13 – Classification of services, April 2024, Appendix A, pp. 25–26.

53 AER, Final Decision Attachment 13 (2024–29), April 2024, p. 3.

54 AER, Final Decision Attachment 13 (2024–29), April 2024, p. 2, citing AEMC, Final report, Review of the regulatory framework for metering services, 30 August 2023.

55 AER, Final Decision Attachment 13 (2024–29), April 2024, p. 10.

56 AER, Final Decision, Ausgrid Final decision 2024-29, Attachment 20 – Metering services, April 2024, p. 3.

57 AER, Final Decision Attachment 13 (2024–29), April 2024, pp. 9, 11.

58 AER, Final Decision, SA Power Networks Distribution Determination 2025–30, Attachment 20 – Metering services, April 2025; AER, Final Decision, Energex Distribution Determination 2025–30, Attachment 20 – Metering services, April 2025; AER, Final Decision Overview, Ergon Energy Distribution Determination 2025–30, April 2025.

59 AEMC, National Electricity Amendment (Accelerating smart meter deployment) Rule 2024, Final determination, 28 November 2024.

burden of changing part-way through the period, and that customer outcomes did not differ materially between the two classifications at that stage of the transition. The AER accepted that position.[60]

## 6.4 Why circumstances will be different from 1 July 2029

Keeping the existing classification was the better option for 2024–29. Around 1.18 million legacy meters were still in use at the start of that period, their costs had not been fully recovered, and the replacement program was still building up.[61]

The position will be very different in 2029-34, for three reasons:

1. The fleet will be residual. Under the AEMC's rule, retailers and metering coordinators must replace all legacy meters by 2030.[62] Ausgrid forecasts approximately 300,000 legacy meters in service at the start of the period. The service will therefore operate at a very small fraction of the scale for which the current alternative control settings were designed.
2. Capital recovery will be complete. The AER's final decision fully depreciates Ausgrid's metering asset base within the 2024-29 period, leaving a forecast closing RAB of $3.2 million at 30 June 2029, mostly shared assets.[63] What remains is almost entirely operating expenditure: meter reading, maintenance and data processing for the remaining fleet, and wind-down activities including final reads, meter recovery, data retention and systems decommissioning. The AER's final decision projects metering operating expenditure of $14.5 million ($2023-24) in 2028-29,[64] and the residual requirement across 2029-34 will be lower again.
3. Diseconomies of scale will be at their greatest. The AER revised metering cost recovery for 2024-29 because a large fixed cost base would otherwise be recovered from a rapidly declining customer population, and because per-meter reading costs rise as the fleet shrinks and becomes more dispersed.[65] Both effects are strongest at the end of the transition, when fixed systems, scheduling and workforce costs support only the final tranche of meters spread across the network area.

## 6.5 How we have incorporated the views of others

Between now and the AER's 2027 F&A paper, we will engage with customers and other stakeholders on our proposed approach to legacy metering. We do not expect the proposal to raise significant concerns, as the AER has previously approved the same classification for other distribution networks.

## 6.6 Regulatory checklist

The table below summarises why we consider routine legacy metering services should be classified as an SCS under the service classification framework in Chapter 6 of the NER.

| Key consideration | Application to legacy metering services | Assessment |
|---|---|---|
| **Classification as a direct control service –** NER cl 6.2.1 | Legacy metering is already a direct control service, classified as alternative control for 2024–29.[66] Reclassification changes only how costs are recovered, not the need for direct control. | **Supports direct control** |
| **Form of regulation factors** – NER cl 6.2.1 / NEL s 2F | Ausgrid is the only provider of a closed, declining service. Customers cannot switch provider, and no new type 5 or 6 | **Supports direct control** |

60 AER, Final Decision Attachment 20 (Ausgrid, 2024–29), April 2024, pp. 7–8; AER, Final Decision Attachment 13 (2024–29), April 2024, p. 11.

61 AER, Final Decision Attachment 20 (Ausgrid, 2024–29), April 2024, Table A.5, p. 13.

62 AEMC, National Electricity Amendment (Accelerating smart meter deployment) Rule 2024, Final determination, 28 November 2024.

63 AER, Final Decision Attachment 20 (Ausgrid, 2024–29), April 2024, p. 6 and Table A.3, p. 10.

64 AER, Final Decision Attachment 20 (Ausgrid, 2024–29), April 2024, Table A.5, p. 13.

65 AER, Final Decision Attachment 20 (Ausgrid, 2024–29), April 2024, p. 2.

66 AER, Final Decision Attachment 13 (2024–29), April 2024, p. 3.

| Key consideration | Application to legacy metering services | Assessment |
|---|---|---|
| | meters have been installed since 1 April 2018.[67] Economic regulation remains warranted until the last meter is replaced. | |
| **Potential for competition** – NER cl 6.2.2 | Classification cannot influence competition. Competition in metering operates through the contestable type 1 to 4 framework, which this proposal does not touch. | **Supports standard control** |
| **Cost attribution** – NER cl 6.2.2 | Capital recovery will be complete by 2029, leaving a forecast closing asset base of $3.2 million, mostly shared assets.[68] What remains are a highly fixed cost base serving a small, dispersed fleet. Recovering them from the last legacy customers would drive per-meter charges up as the fleet shrinks, the diseconomy the AER sought to manage in 2024-29.[69] | **Supports standard control** |
| **Consistency with the treatment of the underlying asset** – NER cl 6.2.1 and 6.2.2 | Endeavour Energy and Essential Energy have recovered legacy metering as standard control since 1 July 2024, and the AER accepted the same for SA Power Networks, Energex and Ergon Energy from 1 July 2025.[70] Type 7 metering is already standard control, and the NSW Public Interest Advocacy Centre supported a consistent classification across NSW.[71] | **Supports standard control** |
| **Administrative efficiency and customer outcomes** – NER cl 6.2.2 | The 2024-29 settings were designed for the transition and expire with the period.[72] It also avoids building bespoke alternative control charges for a residual service into our replacement billing systems. | **Supports standard control** |

67 AER, Final Decision Attachment 20 (Ausgrid, 2024–29), April 2024, p. 1.

68 AER, Final Decision Attachment 20 (Ausgrid, 2024–29), April 2024, p. 6 and Table A.3, p. 10.

69 AER, Final Decision Attachment 20 (Ausgrid, 2024–29), April 2024, p. 2.

70 AER, Final Decision Attachment 13 (2024–29), April 2024, p. 11; AER, Final Decision, SA Power Networks Distribution Determination 2025–30, Attachment 20 – Metering services, April 2025; AER, Final Decision, Energex Distribution Determination 2025–30, Attachment 20 – Metering services, April 2025.

71 AER, Final Decision Attachment 20 (Ausgrid, 2024–29), April 2024, p. 7.

72 AER, Final Decision Attachment 20 (Ausgrid, 2024–29), April 2024, pp. 3, 7–8 and 13–14.

# 7 Calibration services

## 7.1 Overview

Specialist standards-level calibration services involve calibrating the reference instruments, or 'standards', that secondary laboratories use to calibrate equipment for DNSPs, transmission network service providers (**TNSPs**) and other organisations.

These services are not currently classified. We propose to classify them as an ACS for the 2029-34 regulatory period. The proposal:

- applies only to services provided to external laboratories
- does not cover the calibration of Ausgrid's own equipment
- does not cover general equipment calibration, which many other laboratories already offer.

## 7.2 Background

The key background points are as follows:

- **What the services are**
  - Primary laboratories calibrate the reference instruments of secondary laboratories, which in turn calibrate individual equipment.
  - The work requires specialised equipment, long calibration histories and skilled engineers.
  - DNSPs, TNSPs and government agencies rely on this chain for regulated testing, trade measurement, commissioning and fault finding.
- **Why we no longer provide them externally**
  - An affiliate of Ausgrid, PLUS ES, provided around 100 to 300 of these calibrations to external laboratories each year.
  - In July 2024, the PLUS ES calibration team transferred to Ausgrid.
  - Specialist standards-level calibration services are not recognised as a distribution service, so ring-fencing obligations have prevented us from offering them externally since the transfer.
- **Current gap left in the market**
  - Local providers offer a narrower scope of services.
  - The National Measurement Institute and overseas laboratories cost about 70 per cent more.

Former customers have asked us to resume the services, and the National Association of Testing Authorities (**NATA**) reports that laboratories are struggling to find a replacement provider.

## 7.3 Our proposal for the 2029-34 regulatory period

We propose to classify these services as an ACS, as set out in the table below. The service would be limited to calibrating the reference instruments used by secondary laboratories.

| Service group / Activities included | Further description | Current classification 2024-29 | Proposed classification 2029-34 |
|---|---|---|---|
| **Specialist standards-level calibration services** | Calibration of reference instruments (standards) owned by external secondary calibration laboratories, which those laboratories use to calibrate equipment for DNSPs, TNSPs, | Not classified | Alternative control services |

| Service group / Activities included | Further description | Current classification 2024-29 | Proposed classification 2029-34 |
|---|---|---|---|
| | government agencies and other organisations. Excludes the calibration of individual items of equipment. | | |

If the AER does not consider these to be distribution services, we ask it to indicate whether it would consider a ring-fencing waiver allowing Ausgrid to provide them, given their small scale and the lack of a comparable local provider.

## 7.4 Promoting the long-term interests of customers

Our proposal would benefit customers in the following ways:

- **Lower costs**
  - External laboratories would fund part of the fixed cost of our calibration capability, including NATA accreditation, equipment and one to two staff.
  - Lower calibration costs for other networks would flow through to customer bills.
- **Retained local capability**
  - Our internal workload alone cannot sustain a skilled team.
  - External demand would let us keep specialist staff and equipment.
- **Safer, more reliable networks**
  - Timely local calibration supports high voltage testing, commissioning and diagnostics.
  - It also reduces reliance on offshore providers.
- **Low risk**
  - Our Cost Allocation Methodology would continue to apply.
  - All customers would be offered the same terms.
  - The customers are sophisticated laboratories rather than households.

## 7.5 Regulatory checklist

The table below summarises how the service classification factors in Chapter 6 of the NER apply to specialist standards-level calibration services.

| Key consideration | Application to specialist standards-level calibration services | Assessment |
|---|---|---|
| **Classification as a distribution service** – NER cl 6.2.1 | The services are provided in connection with the distribution system. They use the same NATA-accredited laboratory, reference standards and specialist staff that Ausgrid relies on for testing, commissioning and diagnostics on its network, and external demand helps sustain that capability. | Supports classification as a distribution service |
| **Form of regulation factors** – NER cl 6.2.1 / NEL s 2F | The market for these services is small and not functionally competitive. The remaining local providers offer a narrower scope of services, and the alternatives cost approximately 70 per cent more. | Supports direct control |

| Key consideration | Application to specialist standards-level calibration services | Assessment |
|---|---|---|
| **Potential for competition** – NER cl 6.2.2 | Our proposal would restore a provider that exited the market in 2024. It is limited to primary laboratory services and would not extend into general equipment calibration, where competition is well established. | Supports alternative control |
| **Cost attribution** – NER cl 6.2.2 | The cost of each service is directly attributable to the external laboratory that requests it. | Supports alternative control |
| **Consistency with the treatment of similar services** – NER cl 6.2.2 | Other services requested by identifiable customers, such as inspection and auditing services, are already classified as ACS. | Supports alternative control |
| **Administrative efficiency and customer outcomes** – NER cl 6.2.2 | Alternative control pricing can be applied through a standard price list using existing processes. It avoids the cost of establishing a separate ring-fenced entity, which would not be viable given the small scale of the service. | Supports alternative control |

## Appendix A: Ausgrid's proposed service classification for 2029-34 regulatory period

Our proposed service classification for the 2029-34 regulatory period is set out in this Appendix. Proposed amendments and updates to our current table are identified in red text.

| Service group / Activities included | Further description | Current classification 2024-29 | Proposed classification 2029-34 |
|---|---|---|---|
| **Common distribution services —use of the distribution network for the conveyance/flow of electricity (including services relating to network integrity)** | | | |
| Common distribution services | The suite of activities that includes, but is not limited, to the following:<br>• the planning, design, repair, maintenance, construction and operation of the distribution network<br>• the relocation of assets that form part of the distribution network, but not relocations requested by a third party (including a customer)<br>• works to fix damage to the network[73] and recoverable works to fix damage caused by a customer or third party<br>• support for another network during an emergency event<br>• procurement and provision of network demand management activities for distribution purposes<br>• provision of standardised data sets and/or data that is provided to a distributor in accordance with obligations under the Rules.[74]<br>• activities related to 'shared asset facilitation' of distributor assets[75]<br>• training internal staff, accredited service providers (**ASPs**) and contractors undertaking direct control services | Standard control | Standard control |

[73] May include the provision of temporary stand-alone power systems to restore supply.

[74] Where a network receives data from smart meters at no additional cost, this data is considered to be available to customers and stakeholders at no charge.

[75] Revenue for these services is charged to the relevant third party and is treated in accordance with the shared asset guideline. 'Shared asset facilitation' refers to administrative costs of providing the unregulated service.

| Service group / Activities included | Further description | Current classification 2024-29 | Proposed classification 2029-34 |
|---|---|---|---|
| | • rectification of simple customer fault relating to a life support customer or other critical health and safety issues the distributor is able to address<br>• rectification of simple customer faults where:<br>1) the need for rectification work is discovered in the course of the provision of distribution services<br>2) the work performed is the minimum required to restore safe supply<br>3) the work can be performed in less than thirty minutes and does not normally require a second visit<br>• ongoing inspection of private electrical works (not part of the shared network) required under legislation for safety reasons<br>• bulk supply point metering – activities relating to monitoring the flow of electricity through the distribution network<br>• work related to a regulated SAPS deployment, operation and maintenance (including fault and emergency repairs),[76] and customer conversion activities. | | |
| Common distribution services<br>(Distributed batteries) | Leasing out spare capacity in DBESS (<5MW) that is connected to the distribution or sub-transmission network | Not classified | Standard control services |
| Common distribution services<br>(EV charging infrastructure) | Leasing out DNSP-owned EV charging infrastructure to retailers and e-mobility providers | Not classified | Standard control services |
| Common distribution services<br>(Local Energy Precincts – Pilot phase) | Delivering the bundle of activities needed to manage a Local Energy Precinct at the Trial Sites (Charmhaven and Mascot-Botany) under the AER's trial waiver of December 2025, until the trial ends. This includes: | Not classified | Standard control services |

[76] Includes simple customer fault rectification on generation service of regulated SAPS.

| Service group / Activities included | Further description | Current classification 2024-29 | Proposed classification 2029-34 |
|---|---|---|---|
| | • Setting the batteries' safe operating envelope to prioritise network needs and releasing the remaining capacity to third parties to settle and optimise in the NEM<br>• Buying local solar output from commercial and industrial (C&I) customers and enabling its trade in the wholesale market<br>• Paying customers a dividend reflecting the savings the model generates. | | |
| Common distribution services<br>(Local Energy Precincts – BAU phase) | Delivering a business-as-usual version of the Community Power Network concept in new locations, once the AER has confirmed that the pilot has met the success metrics set in the distribution determination. | Not classified | Standard control services |
| Common distribution services<br>(DSO functions) | The bundle of DSO functions needed to operate the network safely, reliably and efficiently with high levels of CER:<br>• prudent visibility of network state and the operational data model, including sharing data with AEMO and transmission networks;<br>• use of dynamic network capacity management capabilities (including communication of import and export limits) for distribution purposes, such as calculating and publishing operating envelopes and managing CER and flexible loads within network limits;<br>• forecasting and adaptive planning;<br>• facilitating markets and customer choice through the standardised data, limits and interfaces market participants need. Includes provision of basic electricity distribution network data, including data that is provided in accordance with legislative obligations, standardised or automated data sets. | Not separately identified; performed as part of common distribution services.<br>The AER has expressly included the use of dynamic network capacity management capabilities and the provision of basic network data in common distribution services for the | Standard control services, expressly included as an additional limb of common distribution services |

| Service group / Activities included | Further description | Current classification 2024-29 | Proposed classification 2029-34 |
|---|---|---|---|
| | | Victorian DNSPs for 2026-31[77] | |
| AEMO requested essential system services (service delivery) | Contestable system support services requested by AEMO, such as:<br>• the RERT, operating reserve and system restart;<br>• FCAS using network batteries and DVMS; and<br>inertia and other system security services requested by AEMO. | Not classified | Standard control services |
| System strength services to Transgrid (service delivery) | Contestable system strength services provided under contract to Transgrid, in its role as the System Strength Service Provider for NSW under the NER, to help it meet the system strength standard. Services may be provided using distribution network assets with grid-forming capability, such as network batteries. | Not classified | Standard control services |
| **Network ancillary services—customer and third party initiated services related to the common distribution service** | | | |
| Design related services | Activities include:<br>• provision of design information, design consultation, design rechecking services in relation to connection and relocation works provided contestably<br>• work of an administrative nature relating to work performed by Level 1 and Level 3 ASPs, including processing work<br>• the provision of engineering consulting (related to the shared distribution network). | Alternative control | Alternative control |
| Contestable network commissioning and decommissioning | The commissioning and decommissioning of network equipment associated with ASP Level 1 contestable works. Includes equipment | Alternative control | Alternative control |

[77] AER, Final decision AusNet Services, Jemena, CitiPower, Powercor and United Energy electricity distribution determinations 2026-31, Attachment 11 - Service classification, April 2026, pp 13-14.

| Service group / Activities included | Further description | Current classification 2024-29 | Proposed classification 2029-34 |
|---|---|---|---|
| | checks, tests and activities associated with setting or resetting network protection systems and the updating of engineering systems. | | |
| Access permits, oversight and facilitation | Activities include:<br>• a distributor issuing access permits or clearances to work to a person authorised to work on or near distribution systems including high and low voltage.<br>• a distributor issuing confined space entry permits and associated safe entry equipment to a person authorised to enter a confined space.<br>• a distributor providing access to switch rooms, substations and the like to a non-Local Network Service Party who is accompanied and supervised by a distributor's staff member. May also include a distributor providing safe entry equipment (fall-arrest) to enter difficult access areas and access to electrical installations secured by a DNSP master lock.<br>• specialist services (which may involve design related activities and oversight/inspections of works) where the design or construction is non-standard, technically complex or environmentally sensitive and any enquiries related to distributor assets.<br>• facilitation of generator connection and operation of the network.<br>• facilitation of activities within clearances of distributor's assets, including physical and electrical isolation of assets. | Alternative control | Alternative control |
| Notices of arrangement and completion notices | • Work of an administrative nature where a local council requires evidence in writing from the distributor that all necessary arrangements have been made to supply electricity to a development. This includes but not limited to: receiving and checking subdivision plans and B instruments, copying subdivision plans, checking and recording easement details, site visits, | Alternative control | Alternative control |

| Service group / Activities included | Further description | Current classification 2024-29 | Proposed classification 2029-34 |
|---|---|---|---|
| | assessing supply availability, liaising with developers if errors or changes are required and preparing notifications of arrangement.<br>• Provision of a completion notice (other than a notice of arrangement). This applies where the distributor is requested to provide documentation confirming progress of work. Usually associated with discharging contractual arrangements (e.g. progress payments) to meet contractual undertakings. | | |
| Network related property services | Activities include:<br>• Network related property tenure services such as property tenure services related to providing advice on or obtaining:<br>• deeds of agreement, deeds of indemnity, leases, easements or other property tenure in relation to property rights associated with connection or relocation.<br>• Conveyancing inquiry services relating to the provision of property conveyancing information at the request of a customer. | Alternative control | Alternative control |
| Site establishment services | Activities include, but not limited to:<br>• Site establishment, including liaising with AEMO or market participants for the purpose of establishing national metering identifiers (**NMIs**) in market systems, for new premises or for any existing premises for which AEMO requires a new NMI and for validation of and updating network load data. This includes processing and assessing requests for a permanently unmetered supply device.<br>• Site alteration, updating and maintaining NMI and associated data in market systems.<br>• NMI extinction, processing a request by the customer or their agent for permanent disconnection and the extinction of a NMI in market systems. | Alternative control | Alternative control |

| Service group / Activities included | Further description | Current classification 2024-29 | Proposed classification 2029-34 |
|---|---|---|---|
| | • Confirming or correcting metering or network billing information in market business to business or network billing systems, due to insufficient or incorrect information received from retailers or metering providers. | | |
| Network safety services | Examples include:<br>• provision of traffic control services by the distributor or third party where required<br>• fitting of tiger tails, and aerial markers<br>• high load escort<br>• third party request for de-energising wires for safe approach<br>• customer requested network inspection undertaken to determine the cause of a customer outage where there may be a safety and or reliability impact on the network or related component and associated works to rectify a customer caused impact on the network.[78] | Alternative control | Alternative control |
| Rectification works to maintain network safety[79] | Issues identified by the distributor, and work involved managing and resolving (including but not limited to):<br>• pre-summer bush fire inspections<br>• customer vegetation, or aerial mains defects. | Alternative control | Alternative control |
| Services provided in relation to a Retailer of Last Resort (**ROLR**) event | The distributor may be required to perform a number of services when a ROLR event occurs. For example:<br>• Preparing lists of affected sites and reconciling data with AEMO listings, arranging estimate reads for the date of the ROLR event, preparing final invoices and miscellaneous charges for affected | Alternative control | Alternative control |

[78] An ACS charge is not applicable where it is determined the customer outage was caused by a fault on the network.
[79] Allows the distributor to conduct rectification works where the customer has failed to do so.

| Service group / Activities included | Further description | Current classification 2024-29 | Proposed classification 2029-34 |
|---|---|---|---|
| | customers, extracting customer data, providing it to the ROLR and handling subsequent enquiries. | | |
| Customer requested network outage or rescheduling of a planned interruption | Examples include:<br>• customer initiated network outage (e.g. to allow customer and/or contractor to perform maintenance on the customers assets, work close or for safe approach)<br>• where the customer requests to move a distributor planned interruption and agrees to fund the additional cost of performing this distribution service outside of normal business hours. | Alternative control | Alternative control |
| Attendance at customers' premises to perform a statutory right where access is prevented. | A follow up attendance at a customer's premises to perform a statutory right where access was prevented or declined by the customer on the initial visit. This includes the costs of arranging, and the provision of, a security escort or police escort (where the cost is passed through to the distributor). | Alternative control | Alternative control |
| Provision of training to third parties for network related access | Training services provided to third parties that result in a set of learning outcomes that are required to obtain a distribution network access authorisation specific to a distributor's network. Such learning outcomes may include those necessary to demonstrate competency in the distributor's electrical safety rules, to hold an access authority on the distributor's network and to carry out switching on the distributor's network. Examples of training might include high voltage training, protection training or working near power lines training. | Alternative control | Alternative control |
| Security lights | Provision, installation, operation, and maintenance of equipment mounted on distribution equipment used for security services, e.g. nightwatchman lights. Note: excludes connection services. | Alternative control | Alternative control |
| Authorisation of ASPs | Includes annual authorisation of individual employees and sub-contractors of ASPs and additional authorisations at request of ASP and other administrative services performed by the distributor relating to work performed by an ASP. | Alternative control | Alternative control |
| Authorisation and approval of third party service providers' design, work and materials | Activities include:<br>• authorisation or re-authorisation of individual employees and subcontractors of third party service providers and additional | Alternative control | Alternative control |

| Service group / Activities included | Further description | Current classification 2024-29 | Proposed classification 2029-34 |
|---|---|---|---|
| | authorisations at the request of the third party service providers (excludes training services)<br>• acceptance of third party designs and works<br>• assessing an application from a third party to consider approval of alternative material and equipment items that are not specified in the distributor's approved materials list. | | |
| Customer initiated or triggered network asset relocations/rearrangements | Relocation of assets that form part of the distribution network in circumstances where the relocation was initiated by a third party (including a customer) or triggered by a customer's non-compliance with network safety or security standards (such as network encroachments). | Alternative control | Alternative control |
| Sale of approved materials or equipment | Includes the sale of approved materials/equipment to third parties for connection assets that are gifted back to the DNSP to become part of the shared distribution network. | Alternative control | Alternative control |
| Provision of non-basic electricity network data | Data requests by customers or third parties for network or consumption data beyond the scope of SCS provision, including the provision of electricity distribution network data or consumption data outside of legislative obligations, including requests for assistance to understand or interpret data, or to identify the data they require to meet their needs. | Alternative control services<br>Currently called the "Provision of electricity network data"[80] | Alternative control services |
| Third party funded network alterations or other improvements | Alterations or other improvements to the shared distribution network to enable third party infrastructure (e.g. NBN Co telecommunications assets) to be installed on the shared distribution network. This does not relate to upstream distribution network augmentation. | Alternative control | Alternative control |
| Inspection and auditing services | Activities include:<br>• inspection and reinspection by a distributor, of gifted assets or assets that have been installed or relocated by a third party | Alternative control | Alternative control |

[80] AER, Final decision Ausgrid 2024-29 Distribution revenue proposal - Attachment 13 - Service classification, April 2024, p. 24.

| Service group / Activities included | Further description | Current classification 2024-29 | Proposed classification 2029-34 |
|---|---|---|---|
| | • investigation, review and implementation of remedial actions that may lead to corrective and disciplinary action of a third-party service provider due to unsafe practices or substandard workmanship<br>• customer or third-party requested inspection of privately owned low voltage or high voltage network infrastructure (i.e. privately owned distribution infrastructure before the meter)<br>• auditing and inspection of a third-party service provider's work practices in the field<br>• re-test at a customer's installation, where the installation fails the initial test and cannot be connected. | | |
| **Metering services – activities relating to the measurement of electricity supplied to and from customers through the distribution system (excluding network meters)** | | | |
| Type 1 to 4 metering services | Type 1 to 4 customer metering installations and supporting services are competitively available. | Not classified | Not classified |
| Type 7 metering services | Administration and management of type 7 metering installations in accordance with the NER and jurisdictional requirements. Includes the processing and delivery of calculated metering data for unmetered loads, and the population and maintenance of load tables, inventory tables and on/off tables. | Standard control | Standard control |
| Metering services (Type 5 to 6 metering installations and legacy meters) | Activities include:<br>• recovery of the capital cost of type 5 and 6 metering equipment installed prior to 1 December 2017<br>• meter maintenance covers works to inspect, test, alter, maintain and repair<br>• meter reading refers to quarterly or other regular reading of metering installations including field visits and remotely read meters | Alternative control | ~~Alternative control~~<br>Standard control |

| Service group / Activities included | Further description | Current classification 2024-29 | Proposed classification 2029-34 |
|---|---|---|---|
| | • the processing and delivery of metering data for type 5 and 6 metering installations | | |
| Other metering services for Type 5 to 6 metering installations and legacy meters | Activities include:<br>• works to re-seal a type 5 or 6 meter due to customer or third party action (e.g. by having electrical work done on site)<br>• change distributor load control relay channel on request that is not a part of the initial load control installation, not part of standard asset maintenance or replacement services related to legacy meter replacement, such as shared fuses and outages | Alternative control | Alternative control |
| Special meter reading and testing (legacy meters) | Special meter reading and testing services include:<br>• special meter reading for type 5 and 6 meters including move in and move out meter reading (type 5 and 6 meters)<br>• type 5 meter final read on removed type 5 metering equipment<br>• special meter test (for type 5 and 6 meters). | Alternative control | Alternative control |
| Emergency maintenance metering equipment not owned by the distributor (contestable meters) | Customer or third party request to restore power to customer's premises due to metering equipment not owned by the distributor. | Alternative control | Alternative control |
| Meter recovery and disposal − type 5 and 6 (legacy meters) | Activities include the removal and disposal of a type 5 or 6 metering installation at the request of the customer or their agent, where a permanent disconnection has been requested where it has not been removed and disposed of by the incoming metering provider. | Alternative control | Alternative control |
| Distributor arranged outage for purposes of replacing meter | At the request of a retailer or metering coordinator provide notification to affected customers and facilitate the disconnection/reconnection of customer metering installations where a retailer planned interruption cannot be conducted. | Alternative control | Alternative control |

| Service group / Activities included | Further description | Current classification 2024-29 | Proposed classification 2029-34 |
|---|---|---|---|
| **Connection services—services relating to the electrical or physical connection of a customer to the network**[81] | | | |
| Basic connection services | Means a *connection* service[82] related to a *connection* (or a proposed *connection*) between a *distribution system* and a *retail customer's* premises (excluding a non-registered *embedded generator's* premises) in the following circumstances:<br>(a) either:<br>1) the retail customer is typical of a significant class of *retail customers* who have sought, or are likely to seek, the service; or<br>2) the *retail customer* is, or proposes to become, a micro embedded generator; and<br>(b) the provision of the service involves minimal or no *augmentation* of the *distribution network*; and<br>(c) a *model standing* offer has been approved by the AER for providing that service as a *basic connection* service. | A) Not classified (customer initiated)<br>B) Standard control and not classified where undertaken by customer with contribution from DNSP | A) Not classified (customer initiated)<br>B) Standard control and not classified where undertaken by customer with contribution from DNSP |
| Standard connection services | Means a connection service (other than a basic connection service) for a particular class (or sub-class) of connection applicant and for which a model standing offer has been approved by the AER. | A) Not classified (customer initiated)<br>B) Alternative Control (where not contestable for safety/risk reasons)<br>C) Standard Control and not classified where undertaken by customer with contribution from DNSP<br>D) Standard Control | A) Not classified (customer initiated)<br>B) Alternative Control (where not contestable for safety/risk reasons)<br>C) Standard Control and not classified where undertaken by customer with contribution from DNSP |

[81] Applies to both NER chapter 5 and 5A connections.

[82] Italics denotes definitions in Chapter 5A of the NER.

| Service group / Activities included | Further description | Current classification 2024-29 | Proposed classification 2029-34 |
|---|---|---|---|
| | | (where undertaken by DNSP) | D) Standard Control (where undertaken by DNSP) |
| Non-basic negotiated connection[83] | Means a connection service (other than a basic connection service) for which a DNSP provides a connection offer for a negotiated connection contract. | A) Not classified (customer initiated)<br>B) Alternative Control (where not contestable for safety/risk reasons)<br>C) Standard Control and not classified where undertaken by customer with contribution from DNSP<br>D) Standard Control (where undertaken by DNSP) | A) Not classified (customer initiated)<br>B) Alternative Control (where not contestable for safety/risk reasons)<br>C) Standard Control and not classified where undertaken by customer with contribution from DNSP<br>D) Standard Control (where undertaken by DNSP) |
| Connection management services[84] | Works initiated by a customer or retailer which are specific to the connection point. This includes, but is not limited to:<br>• connection application related services<br>• connection point management services<br>• where, a work health, safety, cyber or network security assessment determines that an ASP should not be given the required access, | Alternative control | Alternative control |

[83] Applies to both NER chapter 5 and 5A connections.
[84] Applies to both NER chapter 5 and 5A connections.

| Service group / Activities included | Further description | Current classification 2024-29 | Proposed classification 2029-34 |
|---|---|---|---|
| | the termination of a cable (including communications cables such as fibre optic) at substations and switching stations along with the first joint out (where the connection is fully dedicated to the specific customer connecting). | | |
| Enhanced connection services[85] | Other or enhanced connection services provided at the request of a customer or third party that include those that are:<br>• provided with different levels of reliability or service, or quality of service (where permissible) than required by the NER or any other applicable regulatory instruments<br>• in excess of levels of service or plant ratings required to be provided by the distributor. | **Premise connections:** Not classified **Extension and augmentations:** Alternative control | **Premise connections:** Not classified **Extension and augmentations:** Alternative control |
| **Specialist standards-level calibration services** | Calibration of reference instruments (standards) owned by external secondary calibration laboratories, which those laboratories use to calibrate equipment for DNSPs, TNSPs, government agencies and other organisations. Excludes the calibration of individual items of equipment. | Not classified | Alternative control |
| **Public lighting** | | | |
| Public lighting | Includes the provision, construction, operation and maintenance of public lighting and emerging public lighting technology. | Alternative control | Alternative control |
| **Unregulated distribution services** | | | |
| Distribution asset rental | Rental of distribution assets to third parties (e.g. office space rental, pole and duct rental for hanging telecommunication wires, EV chargers, etc.). | Not classified | Not classified |
| Contestable metering support services | Includes metering installer, site remediator, metering coordinator (except where the distributor is the initial metering coordinator), metering data provider and metering provider for meters installed or replaced after 1 December 2017. | Not classified | Not classified |

[85] Applies to both NER chapter 5 and 5A connections and includes enhancements for both consumption and export services.

| Service group / Activities included | Further description | Current classification 2024-29 | Proposed classification 2029-34 |
|---|---|---|---|
| Provision of training to third parties for non-network related access | Training programs provided to third parties which are not ASPs or contractors. | Not classified | Not classified |
| Type 5 and 6 meter data management to other electricity distributors | The provision of type 5 and 6 meter data management to other electricity distributors. | Not classified | Not classified |
| AEMO requested essential system services (revenue recovery) | Contestable system support services requested by AEMO, such as:<br>• the RERT, operating reserve and system restart;<br>• FCAS using network batteries and DVMS; and<br>inertia and other system security services requested by AEMO. | Not classified | Unregulated distribution service – not classified |
| System strength services to Transgrid (revenue recovery) | Contestable system strength services provided under contract to Transgrid, in its role as the System Strength Service Provider for NSW under the NER, to help it meet the system strength standard. Services may be provided using distribution network assets with grid-forming capability, such as network batteries. | Not classified | Unregulated distribution service – not classified |
| **Non-distribution services – Although this table relates to distribution services, we have included the below non-distribution services provided by Essential Energy for clarity.** | | | |
| Generation assets | Non-standard control generation assets. E.g. Mullumbimby Hydro | Non-distribution service | Non-distribution service |
| Water | Broken Hill | Non-distribution service | Non-distribution service |
| **Services provided in regional and remote locations into the contestable market,** | | | |

| Service group / Activities included | Further description | Current classification 2024-29 | Proposed classification 2029-34 |
|---|---|---|---|
| **under a set of self-imposed controls – applies to Essential Energy only**[86] | | | |
| Provider of last resort services | All services allowed for under the NSW ASP Scheme including:<br>• Level 1 customer connection services including both overhead and underground, and including related network extensions or augmentations<br>• Level 2 services such as disconnect and reconnect, work on underground service conductors, and work on overhead service conductors<br>• Level 3 design services for both overhead and underground network electricity assets<br>• Customer initiated private asset relocations<br>• Connections negotiated under Chapter 5 or 5A of the NER<br>• Inspection, maintenance (including fault and emergency) and testing of customer assets including high voltage (HV) assets (this is for standard distribution and sub-transmission type assets and excludes emerging technology assets such as solar photovoltaic (PV), batteries, etc.). | Alternative control | Alternative control |
| **Data centre specific connections** | | | |
| **Identified data centre connections – identified user shared assets** | Assets required to connect an identified data centre, or an identified group of data centres, that form part of the shared network and cannot be electrically isolated without affecting supply to other network users | Standard control services | Negotiated distribution services |

[86] Provider of last resort services, provided under a set of controls to ensure that the provision of contestable services does not impinge on existing competition. See AER, Essential Energy Draft Decision 2019-24, Attachment 12, Classification of services – November 2018. pp. 12-15.

| Service group / Activities included | Further description | Current classification 2024-29 | Proposed classification 2029-34 |
|---|---|---|---|
| **Identified data centre connections – dedicated connection assets** | Connection assets used exclusively by an identified data centre that can be electrically isolated without affecting other network users, funded upfront by the data centre operator | Unclassified | Unclassified (no change) |