



DRAFT DECISION **Essential Energy** **Distribution determination**

2019–24

Attachment 12 – Classification **of services**

November 2018

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Note

This attachment forms part of the AER's draft decision on the distribution determination that will apply to Essential Energy for the 2019–24 regulatory control period. It should be read with all other parts of the draft decision.

The draft decision includes the following attachments:

Overview

Attachment 1 – Annual revenue requirement

Attachment 2 – Regulatory asset base

Attachment 3 – Rate of return

Attachment 4 – Regulatory depreciation

Attachment 5 – Capital expenditure

Attachment 6 – Operating expenditure

Attachment 7 – Corporate income tax

Attachment 8 – Efficiency benefit sharing scheme

Attachment 9 – Capital expenditure sharing scheme

Attachment 10 – Service target performance incentive scheme

Attachment 11 – Demand management incentive scheme

Attachment 12 – Classification of services

Attachment 13 – Control mechanism

Attachment 14 – Pass through events

Attachment 15 – Alternative control services

Attachment 16 – Negotiated services framework and criteria

Attachment 17 – Connection policy

Attachment 18 – Tariff structure statement

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Shortened forms

Shortened form	Extended form
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
ASP	accredited service provider
distributor	distribution network service provider
F&A	framework and approach
NEL	National Electricity Law
NER	National Electricity Rules
NSP	network service provider
RAB	regulatory asset base

12 Classification of services

Service classification determines the nature of economic regulation, if any, applicable to specific distribution services. Classification is important to customers as it determines which network services are included in basic electricity charges, the basis on which additional services are sold, and those services we will not regulate. Our decision reflects our assessment of a number of factors, including existing and potential competition to supply these services.

We are required to make a decision on the classification of each distributor's distribution services.¹ We are classifying services consistently for Ausgrid, Endeavour Energy and Essential Energy (Essential), with the exception of some modifications to allow Essential to provide some contestable services in circumstances where alternative service providers are not available. In addition Essential has requested classification for connections made under Chapter 5 of the National Electricity Rules (NER). Despite these departures, our reasoning concerning classification is much the same for each of the New South Wales (NSW) distributors. We therefore sometimes refer to the NSW distributors collectively in this attachment.

The classification of distribution services must be as set out in the relevant framework and approach paper (F&A) unless we consider that a material change in circumstances justify departing from that proposed classification.² We set out our proposed approach to the classification of distribution services for the NSW distributors in our F&A.³ We proposed to group NSW distribution services as follows:

- common distribution services (formerly 'network services')
- ancillary services
- metering services
- connection services
- public lighting services
- unregulated distribution services.

12.1 Draft decision

Our draft decision for Essential is to retain much of the classification structure set out in our F&A, with the exception of two significant changes that have arisen due to a material change in circumstance between the publishing of the F&A and this draft determination. Our draft decision is to change to the definition of the common distribution service to include a new activity: rectification of simple customer fault. We

¹ NER, cl. 6.12.1(1).

² NER, cl. 6.12.3(b).

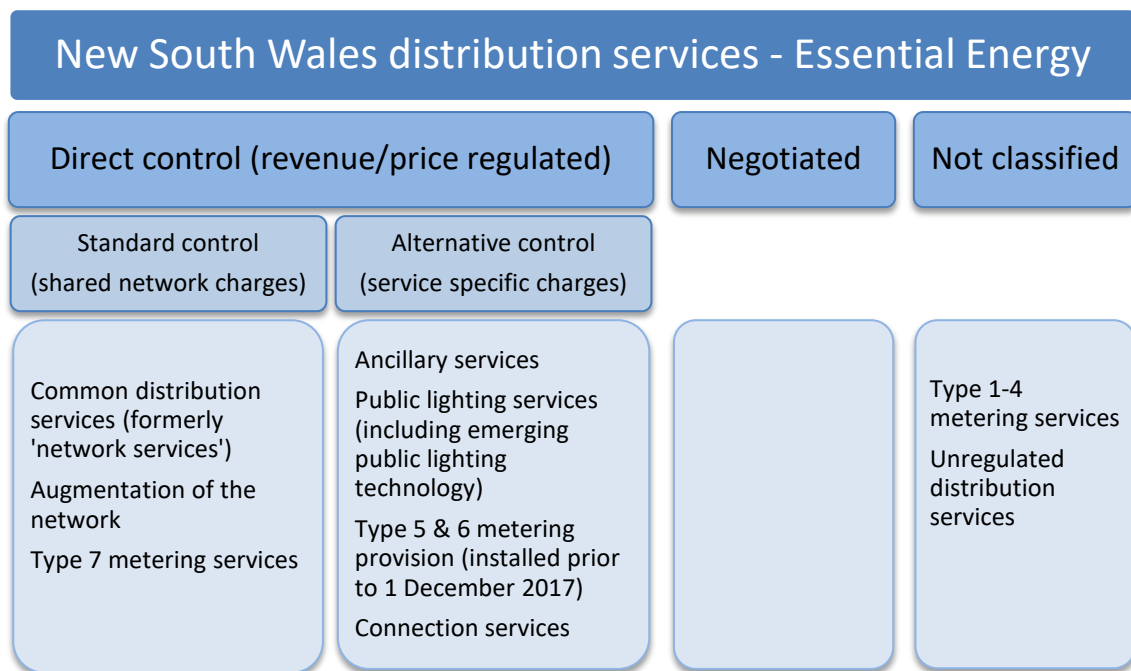
³ AER, *Final framework and approach for NSW electricity distributor – Regulatory control period commencing 1 July 2019*, July 2017.

are also changing the classification of certain contestable services that were previously not classified to alternative control to reflect the absence of accredited service providers in some parts of Essential's distribution area. We discuss these changes in detail in section 12.5.

Figure 12.1 summarises our draft decision on service classifications for Essential for the 2019–24 regulatory control period.

Appendix A sets out our detailed classification decisions. We present changes in our classification approach since our F&A in highlighted text.

Figure 12.1 AER draft decision on 2019–24 service classification for Essential Energy



Our classification of services determines, at a very high level, how costs associated with the services will be recovered. How service charges are set is not determined as part of classification. We discuss that detail in the control mechanism attachment.⁴

12.2 Essential Energy’s proposal

In its regulatory proposal, Essential largely adopted the classification approach set out in our F&A, including:

- no negotiated distribution services
- alternative control classification for type 5 and 6 meter provision
- moving emergency recoverable works to common distribution services.

⁴ Refer to Attachment 13 – Control mechanisms and Attachment 15 – Alternative control services.

They also requested a number of new services to be classified due to a material change of circumstances arising between the final F&A and the regulatory proposal, which include:

- provider of last resort services; and
- connections under Chapter 5 and the NER.

Our approach to these requests and other departures from the final F&A is detailed in section 12.5.

12.3 AER's assessment approach

In conducting our assessment of distribution service classification, we commence on the basis that we:

- classify the service, rather than the asset – we can only decide on service classification if we understand what the service being provided is. That is, distribution service classification involves the classification of services distributors supply to customers rather than the classification of:
 - the assets used to provide such services
 - the inputs/delivery methods distributors use to provide such services to
 - customers
 - services that consumers or other parties provide to distributors.
- classify distribution services in groups – our general approach to service classification is to classify services in groupings rather than individually. This obviates the need to classify services one-by-one and instead defines a service cluster, that where a service is similar in nature it would require the same regulatory treatment. As a result, a new service with characteristics that are the same or essentially the same as other services within a group might simply be added to the existing group and hence be treated in the same way for ring-fencing purposes. This provides distributors with flexibility to alter the exact specification (but not the nature) of a service during a regulatory control period. Where we make a single classification for a group of services, it applies to each service in the group.

In making our classification decisions, we may:

- classify a service so the distributor may recover related costs from all customers (direct control – standard control service)
- classify a service so the user benefiting from the service pays (direct control – alternative control service)
- allow customers and distributors to negotiate the provision and price of some services – we will arbitrate should negotiations stall (negotiated distribution service)
- not classify a service – we have no regulatory control over this service or the prices charged by the distributor (unregulated service).

AEMC Rule change affecting classification

In 2017, the AEMC revised the rules governing service classification.⁵ The Contestability of Energy Services rule change was designed to make the service classification process more transparent. It provides more flexibility in classifying services by removing the requirement to not depart from a previous classification unless the new classification is "clearly more appropriate".⁶ The rule change also amends the existing threshold that must be satisfied before the AER can change a service classification between the F&A and the determination from "unforeseen circumstances" to "a material change in circumstances".⁷ Finally, the rule change required us to publish a Distribution Service Classification Guideline detailing our approach to service classification to provide additional clarity, transparency and predictability to our classification process.⁸ We published the Guideline on 27 September 2018 and it took effect 1 October 2018.⁹

The rule change also allowed for transitional arrangements for certain jurisdictions. The previous rule: 6.2.1(d) and 6.2.2(d), which requires us not to depart from a previous classification unless the new classification is clearly more appropriate, still applies in jurisdictions where the F&A had been published at the time the rule change took effect, on 19 December 2017.¹⁰ In addition, the approach taken to classification within the Guideline does not apply to these jurisdictions, which includes the NSW distributors.¹¹

Our classification approach

In deciding whether to classify services as either direct control or negotiated services, or to not classify them, the NER require us to have regard to the 'form of regulation factors' set out in the NEL.¹² The form of regulation factors includes the presence and extent of barriers to entry by alternative providers and the extent to which any distributor market power is likely to be mitigated by any countervailing user or prospective user market power. The NER also require us to consider the previous form of regulation applied to services, the desirability for consistency in the form or regulation for similar services and any other relevant factor.¹³

For services we intend to classify as direct control, the NER require us to have regard to a further range of factors.¹⁴ These include the potential to develop competition in provision of a service and how our classification may influence that potential; whether

⁵ See: <https://www.aemc.gov.au/rule-changes/contestability-of-energy-services>.

⁶ NER, version 103, cl. 6.2.1(d), 6.2.2(d).

⁷ NER cl. 6.12.3(b).

⁸ NER, cl. 6.2.3A.

⁹ See: <https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/distribution-service-classification-guidelines-and-asset-exemption-guidelines>.

¹⁰ NER cl. 11.104.3.

¹¹ NER cl. 6.2.8(c).

¹² NER, cl. 6.2.1(c); NEL, s. 2F.

¹³ NER, cl. 6.2.1(c).

¹⁴ NER, cl. 6.2.2(c).

the costs of providing the service are attributable to a specific person; and, the possible effect of the classification on administrative costs.

The version of the NER applicable to this determination¹⁵ specifies that for a service regulated previously, unless a different classification is clearly more appropriate, we must:¹⁶

- not depart from a previous classification (if the services have been previously classified), and
- if there has been no previous classification but the service has been regulated, such as under a separate regulatory regime, the classification should be consistent with the previously applicable regulatory approach.

In some cases, another regulator, such as a state or territory economic regulator, may previously have regulated a service.

In the case of some distribution services, we may determine there is sufficient competition such that there is no need for us to classify the service as either a direct control or negotiated distribution service. That is, the market is sufficiently competitive, allowing customers to shop around for the best price. We refer to these distribution services as 'unregulated distribution services'.

12.3.1 Interrelationships

In assessing what services we classify, we are setting the basis for what charges can be made for those services. To allow charges to be recovered for standard control services, assets associated with delivering those services are added to the regulatory asset base (RAB). A RAB may also be constructed for the capital costs associated with an alternative control service. There will usually be operating costs associated with the provision of a service as well.

The assets that make up the RAB and the operating costs that relate to any particular service form a starting point for our assessment of the distributor's proposal for recovering revenues through charges for their services. Classification of services will therefore influence all revenue components of our decision.

There are assets and operating costs associated with the services provided by distributors. We set the revenues the distributor may collect from customers to recover their asset and operating costs. That revenue is recovered through tariffs the distributor develops to charge to its customers. The regulatory regime establishes incentives such as the Efficiency Benefit Sharing Scheme (EBSS) and the Capital Expenditure Sharing Scheme (CESS) to encourage the provision of services as efficiently as possible. All of these factors interrelate with each other. We must be cognisant of these interrelationships when we make our determinations.

¹⁵ NER, Version 103, expired 18 December 2017.

¹⁶ NER, cll. 6.2.1(d) and 6.2.2(d).

12.4 Draft decision

Our draft decision is to depart from the classifications set out in our F&A for a limited number of services. This includes revising the description of activities that form part of the common distribution service and to commence regulating a small number of contestable services and classify them as alternative control services. In addition to that, our draft decision is to classify connections made under Chapter 5 of the NER, for Essential. Chapter 5 connections were previously not classified. These adjustments have arisen due to a material change in circumstances since the final F&A was published. We discuss these departures in detail below.

12.5 Reasons for draft decision

This section sets out our reasons for our draft decision on the distribution service classifications for Essential.

The NER require our position on service classification to be as set out in our F&A unless a material change in circumstances justify a change in our classification approach.¹⁷

12.5.1 Rectification of simple customer fault

Our draft decision is to expand the list of activities that forms part of the bundled common distribution service provided by the NSW distributors. The additional activity allows simple rectification of customer faults to restoration of safe power supply under a specific set of circumstances. These circumstances include when:

- the need for rectification work is discovered in the course of the provision of distribution services,
- the work performed is the minimum required to restore safe supply, and
- the work can be performed in less than twenty minutes and does not normally require a second visit.

The need for the definition of the common distribution service for NSW distributors to be expanded stems from the implementation of the Ring-fencing Guideline. We consider the implementation of the Guideline represents a material change of circumstance because the Guideline creates a hard division between activities a distributor may and may not provide.

We are aware that a stringent application of our Ring-fencing Guideline could result in poor outcomes for customers in a small number of instances. This situation arises when a distributor's field crews encounters a supply outage caused by customer

¹⁷ NER, Version 103, cl. 6.12.3(b). (expired 18 December 2017).

assets (rather than network assets). In these situations, NSW distributors have restored power supply, in breach of the Guideline, to avoid unduly extending a power outage.¹⁸ Further, a separate visit by an electrical contractor would result in additional costs for the customer. By undertaking this work, a distributor is taking work away from electrical contractors. As a compromise, Ausgrid proposed to make these repairs only where it considers an affected customer is vulnerable.¹⁹ We are concerned this approach is subjective and not well defined. Our preferred approach has a clearer threshold and we welcome submissions.

We consider that this issue reflects the interaction between the unique jurisdictional arrangements for contestability in NSW and the ring-fencing obligations of all distributors. As customer connection infrastructure is provided by contestable accredited service providers (ASPs) in NSW, the connection between customer-owned assets and network assets is located further upstream within the network compared to other jurisdictions. This can make it challenging for NSW distributors to determine whether a fault is caused by network-owned assets or customer-owned assets when speaking to a customer over the phone. As a result, NSW distributors are more likely to dispatch a service truck to a customer's premises to investigate a fault, only to find that the cause of the fault lies on the customer side of the connection.

Essential has noted it is preparing to report a number of incidences of this issue on their network.²⁰ The NSW distributors have provided the following examples of the sort of issues they have experienced:

- Elderly customers without power outside business hours, who would be without power for a significant period.
- Some customers in regional areas without mobile phone service who may be unable to contact an electrical contractor to perform rectification works.
- Customers whose service fuses have been stolen and are without power.
- Customers without power whose water tanks (required for livestock and human consumption) require electricity to function.
- 'T-Joint' connection arrangements that require multiple distributor visits for simple repairs and including planned outages for customers that may be otherwise unaffected.

In its submission to our Issues Paper, Cotton Australia highlighted the importance of reliable electricity supply at minimal cost.²¹ In Cotton Australia's view, an overly complex system, which does not allow for simple repairs, will cause undue stress for

¹⁸ AER, *Quarterly compliance report April - June 2018*, 10 September 2018, pp. 14-15; AER, *Quarterly compliance report January - March 2018*, 29 May 2018, p. 10.

¹⁹ Ausgrid Regulatory proposal, *Attachment 11.01 Ausgrid's Classification Proposal*, p. 5.

²⁰ Essential Energy are preparing a report of minor breaches to the ring-fencing Guideline in relation to simple supply restoration.

²¹ Cotton Australia, *Submission on Essential Energy 2019-24 Regulatory Proposal*, 6 August 2018, p. 2.

regional customers, who face greater delays in obtaining electrical contractors to perform work. We consider that our proposed solution would substantially address the issues highlighted by Cotton Australia, by permitting NSW distributors to restore supply in a timely way before referring substantive repairs to appropriate contractors.

In its proposal, Ausgrid proposed amending the common distribution service description in its proposed service classification table as:

“... rectification of a simple customer fault (e.g. fuse) relating to a life support customer or **a customer whose health and safety may be placed at risk if they are required to source restoration services from contestable markets.**” (Emphasis denotes Ausgrid’s proposed changes to the common distribution service description).²²

This is also relevant to our decision on Essential. In this draft decision for Essential, we have decided to include an additional activity as part of the common distribution service offered by all NSW distributors: 'rectification of a simple customer fault'. The distributors must only perform this service under specific circumstances. These circumstances are when:

- the need for rectification work is discovered in the course of the provision of distribution services,
- the work performed is the minimum required to restore safe supply, and
- the work can be performed in less than twenty minutes and does not normally require a second visit.

We consider these restrictions are a pragmatic approach to solving a problem that will be beneficial to consumers. Moreover, this approach does not limit rectification of a simple customer fault to vulnerable customers only. Rather our approach provides DNSPs with an ability to repair simple customer faults where there is no incremental cost on the regulated business, minimal impact on the competitiveness of contestable markets, and results in more rapid resolution of power supply issues for customers. At the same time, the compromise will not result in a material disruption to services rightly provided by electrical contractors (including ASPs). As these activities are provided on an irregular basis, and the incremental cost of rectification per incident is very low, by definition, we do not anticipate any impact on DNSPs' costs or required revenues. We welcome stakeholder feedback on this approach.

12.5.2 Essential Energy as the 'provider of last resort'

Our draft decision is to classify some contestable services, particularly those that relate to connections in the Essential service area, as alternative control. This is a change from the position published in our F&A, where we proposed not to regulate these services (i.e. not classify them)

²² Ausgrid, *Regulatory Proposal 2019-24*, April 2018, p. 205.

The need for this change arose after the F&A was published, due to the implementation of the Ring-fencing Guideline on 1 January 2018. Consequently, we consider the change necessary as a result of a material change in circumstances.

Essential first alerted us to the need to ensure supply of services, in regional and remote locations within their service area, in a ring-fencing waiver application made in September 2017.²³ In its application, Essential requested a "provider of last resort" waiver. The list of services it requested for the "provider of last resort" waiver include:

- All services allowed for under the NSW ASP Scheme including:
 - Level 1 customer connection services including both overhead and underground, and including related network extensions or augmentations
 - Level 2 services such as disconnect and reconnect, work on underground service conductors, and work on overhead service conductors; and
 - Level 3 design services for both overhead and underground network electricity assets.
- Customer initiated asset relocations;
- Connections negotiated under Chapter 5 of the NER; and
- Inspection, maintenance and testing of customer assets including HV assets (this is for standard distribution and sub-transmission type assets and excludes emerging technology assets such as PV, batteries, etc.).

Essential submitted that the contestable services included in its waiver application, were offered where no other service provider is willing to offer services at a reasonable price and/or on reasonable terms.²⁴ Essential further submitted a list of controls²⁵ it would be willing to implement, to ensure that the provision of contestable services did not impinge on existing competition, or the development of it. These controls include:

- refer customers to the published list of ASPs maintained by the NSW Government;
- direct customers who are unable to find any ASP to do the job to complete a form on Essential's website which will ask them for information like a description of job, location information, any specific timing requirements, and which ASPs they have sought quotes from;
- post proposed jobs on their website and provide ASPs with 1-2 weeks to register interest in undertaking the work;
- only undertake the work only if no interest is registered by ASPs;

²³ See: <https://www.aer.gov.au/networks-pipelines/ring-fencing/ring-fencing-waivers/essential-energy-ring-fencing-waiver-july-2017>.

²⁴ Essential Energy, *Waiver application: Provider of last resort*, September 2017, p. 3.

²⁵ Essential Energy, *Response to the AER's draft Decision - ring-fencing waivers*, November 2017, p. 2.

- publish a price guideline on Essential's website to help customers assess whether they are getting value for money (i.e. cost of conducting simple services and a per km cost of travel); and
- leverage the regional office exemption available within the ring-fencing Guideline – this exemption covers approximately 30 per cent of Essential's depots, mainly in the west of the state - to reduce costs to customers.

In our final decision on ring-fencing waiver applications, we decided that a provider of last resort waiver was not the appropriate response to the issues raised.²⁶ Instead, our decision was that a classification of alternative control is better suited to services where competition is developing.

We remain of this view. An alternative control classification provides increased transparency, for both customers and competing ASPs. We set prices for alternative control services on a full cost recovery basis, which allows the distributor to recover the efficient cost of providing the service. These prices are publicly available, providing competitors complete transparency regarding the prices distributors can charge.

The contestable services Essential wants to offer will be provided to an identifiable sub-set of customers, to whom the costs of providing the services are directly attributable. Furthermore, we consider that the classification will not add to the administrative costs of the service to Essential, customers, or us. Instead, the service will only be provided when customers will be better off, either financially or in terms of the timeliness of provision, or both. A classification of alternative control meets all of these factors.²⁷

Where there is adequate competition for the provision of a service, we prefer not to regulate the service. However, the circumstances faced by Essential's customers in regional and remote areas may be different to areas of NSW where populations mean there is choice in service providers. In our ring-fencing waiver decision, we suggested that Essential begin implementing its self-imposed controls as soon as reasonably practicable.²⁸ We understand that Essential is doing this to ensure that it is not competing where ASPs are operating. Essential's self-imposed controls enables ASPs to effectively have a 'first right of refusal' over contestable works requested by customers in regional locations, until our final service classification determination for Essential commences on 1 July 2019. We will continue to monitor this approach on the effect of competition during the forthcoming regulatory period.

12.5.3 Connections under Chapter 5 of the NER

Our draft decision is to classify connections made under Chapter 5 of the NER, for Essential, as alternative control and standard control consistent with the approach and

²⁶ AER, *Ring-fencing waiver applications - Final Decision*, December 2017, p. 84.

²⁷ NER, cl. 6.2.2(c).

²⁸ AER Ring-fencing waiver applications final decision - December 2017, p. 85.

reasoning for connections made under Chapter 5A of the NER. Connections made under Chapter 5, which typically relate to dedicated large-scale connections, are not currently classified. Prior to the implementation of the Ring-fencing Guideline, these connections were provided through negotiated commercial agreements and typically funded by the connecting customer. The Ring-fencing Guideline prevents Essential from providing unregulated services under its own brand name. Therefore, we consider the implementation of the Ring-fencing Guideline a material change of circumstances which justifies a change to the classification approach for this service.

Connections made under Chapter 5 of the NER have similarities with those made under Chapter 5A. As a result, our approach is to classify them in a similar manner. Dedicated components of the connection, premises connections, are classified alternative control, in line with our approach detailed in section 12.5.2. We expect that Chapter 5 premises connection services will be provided by the distributor on an infrequent basis, if at all, because Essential will provide ASPs with the 'first right of refusal' for this work. Extensions and Augmentations made under Chapter 5 are classified as standard control services, with the costs recovered from the connecting customer subject to the cost revenue test.

Connections made under Chapter 5 of the NER are not subject to distributor's connection policies. However, there is nothing to stop Essential from negotiating these connections in good faith²⁹ under terms similar to those outlined in its connection policy for negotiated connections. This approach allows Essential to charge the connecting customer for premises connections, and to split extension and augmentation charges in a manner consistent with past practice. We welcome stakeholder feedback on this approach.

Summary

Our draft decision is to reclassify connection services; customer initiated asset relocations; inspection, maintenance and testing of customer assets including high voltage assets; the contestable elements of chapter 5 connections; and non-standard connection services as alternative control. Further, we classify the extension and augmentation components of connections made under Chapter 5 as standard control.

We highlight all changes made since the final F&A in the table (appendix A) below. Apart from the issues discussed above, our draft decision is to adopt the approach we outlined in our final F&A.

²⁹ See NER, cl. 5.3AA(d).

A Proposed service classification of Essential Energy's distribution services for 2019–24³⁰

Service group/Activities included	Further description	Current Classification 2014–19	Proposed classification 2019–24
Common distribution services			
Common distribution services (formerly 'network services')	<p>The suite of services involved in the use of the distribution network for the conveyance of electricity (including the service that ensures the integrity of the related distribution system) and includes but is not limited to the following:</p> <ul style="list-style-type: none"> the planning, design, repair, maintenance, construction and operation of the distribution network the relocation of assets that form part of the distribution network but not relocations requested by a third party (including a customer) works to fix damage to the network (including emergency recoverable works) or to support another distributor during an emergency event 	Standard control	Standard control

³⁰ The examples and activities listed in the 'Further description' column are not intended to be an exhaustive list and some distributors may not offer all activities listed. Rather the examples provide a sufficient indication of the types of activities captured by the service.

Service group/Activities included	Further description	Current Classification 2014–19	Proposed classification 2019–24
	<ul style="list-style-type: none"> • network demand management for distribution purposes • training internal staff, accredited service providers (ASPs) and contractors undertaking direct control services • activities related to 'shared asset facilitation' of distributor assets • emergency disconnect for safety reasons and work conducted to determine if a customer outage is related to a network issue • bulk supply metering • rectification of simple customer fault (e.g. fuse) relating to a life support customer. • rectification of simple customer fault where: <ul style="list-style-type: none"> ○ the need for rectification work is discovered in the course of the provision of distribution services, ○ the work performed is the minimum required to restore safe supply, and ○ the work can be performed in less than twenty minutes and does not normally require a second visit. • Such services do not include a service that has been separately classified including any activity relating to that service. 		

Service group/Activities included	Further description	Current Classification 2014–19	Proposed classification 2019–24
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Ancillary services – Services closely related to common distribution services but for which a separate charge applies.

Design related services	<p>Activities includes:</p> <ul style="list-style-type: none"> • provision of design information, design rechecking services in relation to connection and relocation works provided contestably • work of an administrative nature relating to work performed by Level 1 and Level 3 ASPs, including processing work • the provision of engineering consulting (related to the shared distribution network). 	Alternative control	Alternative control
Connection application related services	<p>Activities include:</p> <ul style="list-style-type: none"> • assessing connection applications or a request to undertake relocation of network assets as contestable works and preparing offers • processing preliminary enquiries requiring site specific or written responses • undertaking planning studies and associated technical analysis (e.g. power quality investigations) to determine suitable/feasible connection options for further consideration by applicants • site inspection in order to determine the nature of the 	Alternative control	Alternative control

Service group/Activities included	Further description	Current Classification 2014–19	Proposed classification 2019–24
	<p>connection service sought by the connection applicant and ongoing co-ordination for large projects</p> <ul style="list-style-type: none"> registered participant support services associated with connection arrangements and agreements made under Chapter 5 of the NER. 		
Contestable network commissioning and decommissioning	The commissioning and decommissioning of network equipment associated with ASP Level 1 contestable works. Includes equipment checks, tests and activities associated with setting or resetting network protection systems and the updating of engineering systems.	Alternative control	Alternative control
Access permits, oversight and facilitation	<p>Activities include:</p> <ul style="list-style-type: none"> 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. a distributor issuing confined space entry permits and associated safe entry equipment to a person authorised to enter a confined space. a distributor providing access to switch rooms, substations and the like to a non-LNSP 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. 	Alternative control	Alternative control

Service group/Activities included	Further description	Current Classification 2014–19	Proposed classification 2019–24
	<ul style="list-style-type: none"> 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. facilitation of generator connection and operation of the network. facilitation of activities within clearances of distributor's assets, including physical and electrical isolation of assets. provision of approved materials/equipment to ASPs for connection assets that will become part of the shared distribution network. assessing an application from an ASP or manufacturer to consider approval of alternative material and equipment items that are not specified in the distributor's approved materials list. 		
Notices of arrangement and completion notices	A distributor may be required to perform 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 may include receiving and checking subdivision plans and 88 B instruments, copying subdivision plans, checking and recording easement details, assessing supply availability, liaising with developers if errors or changes are required and preparing	Alternative control	Alternative control

Service group/Activities included	Further description	Current Classification 2014–19	Proposed classification 2019–24
	<p>notifications of arrangement.</p> <p>A distributor may also be required to provide a completion notice (other than a notice of arrangement). This applies where the customer/developer or ASP requests distributor to provide documentation confirming progress of work. Usually associated with discharging contractual arrangements (e.g. progress payments) to meet contractual undertakings.</p>		
Network related property services	<p>Property tenure services related to obtaining deeds of agreement, deeds of indemnity, leases, easements or other property tenure in relation to property rights associated with connection or relocation.</p> <p>Conveyancing inquiry services relating to the provision of property conveyancing information at the request of a customer.</p>	Alternative control	Alternative control
Site establishment services	<p>Activities include, but not limited to:</p> <ul style="list-style-type: none"> • Site establishment, including liaising with the Australian Energy Market Operator (AEMO) or market participants for the purpose of establishing 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. • Site alteration, updating and maintaining national metering 	Alternative control	Alternative control

Service group/Activities included	Further description	Current Classification 2014–19	Proposed classification 2019–24
	<p>identifier (NMI) and associated data in market systems.</p> <ul style="list-style-type: none"> • NMI extinction, processing a request by the customer or their agent for permanent disconnection and the extinction of a NMI in market systems. • 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	<p>Examples include:</p> <ul style="list-style-type: none"> • provision of traffic control services by the distributor where required • fitting of tiger tails, high load escort • de-energising wires for safe approach (e.g. for tree pruning) • work undertaken to determine the cause of a customer fault where there may be a safety impact on the network or related component • Neutral integrity test – where customers request the distributor to investigate the occurrence of mild electric shocks within a customer’s premises to determine whether the fault exists within the customer’s installation or on the network. A fee would be levied where the fault is within the customer’s installation. 	N/A	Alternative control

Service group/Activities included	Further description	Current Classification 2014–19	Proposed classification 2019–24
Rectification works to maintain network safety	Activities include issues identified by the distributor and work involved in managing and resolving pre-summer bush fire inspection customer vegetation defects or aerial mains where the customer has failed to do so.	N/A	Alternative control
Network tariff change request	Activities including a retailer's customer or retailer requesting an alteration to an existing network tariff (for example, a change from a Block Tariff to a Time of Use tariff), requiring the distributor to conduct tariff and load analysis to determine whether the customer meets the relevant tariff criteria. Where a distributor processes changes in its IT systems to reflect a tariff change request.	Alternative control	Alternative control
Services provided in relation to a Retailer of Last Resort (ROLR) event	The distributors may be required to perform a number of services as a distributor when a ROLR event occurs. For example: 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 customers, extracting customer data, providing it to the ROLR and handling subsequent enquiries.	Alternative control	Alternative control
Planned Interruption – Customer requested	Where the customer requests to move a planned interruption and agrees to fund the additional cost of performing this distribution service outside of normal business hours.	N/A	Alternative control

Service group/Activities included	Further description	Current Classification 2014–19	Proposed classification 2019–24
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
Inspection services – Private electrical installations and accredited service providers (ASPs)	<p>Inspection of and reinspection by a distributor, for safety purposes, of:</p> <ul style="list-style-type: none"> • private electrical wiring work undertaken by an electrical contractor and contestable works undertaken by ASPs. • the investigation, review and implementation of remedial actions that may lead to corrective and disciplinary action of an ASP due to unsafe practices or substandard workmanship. • private inspection of privately owned low voltage or high voltage network infrastructure (i.e. privately owned distribution infrastructure before the meter). 	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	N/A	Alternative control

Service group/Activities included	Further description	Current Classification 2014–19	Proposed classification 2019–24
	training might include high voltage training, protection training or working near power lines training.		
Security lights	Customer requested flood lighting services	N/A	Alternative control
Off-peak conversion	Customer requested alteration of load control equipment for the purposes of converting a customer from peak to off-peak electricity supply.	Alternative control	Alternative control
Authorisation of ASPs	<p>Activities include</p> <ul style="list-style-type: none"> 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, and 	Alternative control	Alternative control
Customer initiated asset relocations	<p>Relocation of assets that form part of the distribution network in circumstances where the relocation was:</p> <ul style="list-style-type: none"> initiated by a third party (including a customer); or could impact the safety or security of the network. 	N/A	Alternative control
Termination of cable at zone substation – distributor required performance	<p>The termination of cable at zone substations and first joint out, where:</p> <ul style="list-style-type: none"> a work health and safety assessment determines that an ASP should not be given the required access to the zone substation; and 	N/A	Alternative control

Service group/Activities included	Further description	Current Classification 2014–19	Proposed classification 2019–24
	<ul style="list-style-type: none"> the connection is fully dedicated to the specific customer connecting. 		
<p>Metering services – The NSW distributors will remain responsible for the provision of type 5 and 6 meters up to 30 November 2017 in their respective distribution areas. They will continue to be responsible for those meters until they are replaced (and entitled to levy associated charges). We refer to these meters as ‘legacy meters’. New meters (that will be type 1 to 4 meters) installed from 1 December 2017 are referred to as ‘contestable meters’.</p>			
Type 1 to 4 metering services	Type 1 to 4 meters and supporting services are competitively available.	Not classified	Not classified
Type 5 and 6 meter provision (prior to 1 December 2017)	Recovery of the capital cost of type 5 and 6 metering equipment installed prior to 1 December 2017.	Alternative control	Alternative control
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
Types 5 and 6 meter maintenance, reading and data services (legacy meters)	Meter maintenance covers works to inspect, test, maintain and repair meters. Meter reading refers to quarterly or other regular reading of a meter. Metering data services are those that involve the collection, processing, storage and delivery of metering data and the management of relevant NMI Standing Data in	Alternative control	Alternative control

Service group/Activities included	Further description	Current Classification 2014–19	Proposed classification 2019–24
	accordance with the Rules.		
Special meter reading and testing (legacy meters)	<p>Special meter reading and testing services include:</p> <ul style="list-style-type: none"> • Special meter reading for type 5 and 6 meters and move in and move out metering reading (type 5 and 6 meters) • Type 5 meter final read on removed type 5 metering equipment • Special meter test (for type 5 and 6 meters) • Type 5 and 6 non-standard meter data services • Type 5 and 6 current transformer testing. 	Alternative control	Alternative control
Emergency maintenance of failed metering equipment not owned by the distributor (contestable meters)	<p>The distributor is called out by the customer or their agent (e.g. retailer, metering coordinator or metering provider) due to a power outage where an external metering provider's metering equipment has failed or an outage has been caused by the metering provider and the distributor has had to restore power to the customer's premises. This may result in an unmetered supply arrangement at this site. This fee will also be levied where a metering provider has requested the distributor to check a potentially faulty network connection and when tested by the distributor, no fault is found.</p>	Alternative control	Alternative control
Meter recovery and disposal – type 5 and 6 (legacy meters)	<p>Activities include:</p> <ul style="list-style-type: none"> • at the request of the customer or their agent to remove and 	N/A	Alternative control

Service group/Activities included	Further description	Current Classification 2014–19	Proposed classification 2019–24
	<p>dispose of type 5 or 6 current transformer (CT) meters where a permanent disconnection has been requested.</p> <ul style="list-style-type: none"> disposing of type 5 or 6 whole current (WC) meters which may otherwise be removed and disposed of by the incoming metering provider. 		
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.	N/A	Alternative control
Customer requested provision of additional metering/consumption data	Customer requested provision of data in excess of requirements under rule 28 of the National Electricity Retail Rules (two requests per annum are permitted under this rule).	Alternative control	Alternative control
Connection services³¹			
Premises connection assets	Includes any additions or upgrades to the connection assets located on the customer's premises which are contestable (Note: excludes all metering services).	A. Not classified	A. Alternative control
		B. Standard control	B. Standard control

³¹ **Includes connections made under Chapter 5 and 5A of the NER**

Service group/Activities included	Further description	Current Classification 2014–19	Proposed classification 2019–24
	Premises connection assets can be further described as:		
	(A) Design and construction of premises connection assets (where these services are provided contestably).	C. Not classified	C. Alternative control
	(B) Part design and construction of connection assets that are not available contestably (generally as a result of safety, reliability or security reasons). Those parts of project works that are performed and funded by the distributor except where C applies.		
	(C) Part design and construction of connection assets where a customer requests that connection assets are designed and constructed to an increased standard (beyond that required by the distributors' standards and policies), and where those works are designed and constructed by the distributor (as a result of safety, reliability or security reasons).		
Extensions	An enhancement required to connect a power line or facility outside the present boundaries of the transmission or distribution network owned or operated by a Network Service Provider that:		
	(A) is undertaken by a customer.	A. Not classified	A. Alternative Control
	(B) is undertaken by a customer but partly funded by a NSP (NSP contribution would be classified as a standard control service while the customer funded component of the service would be classified alternative control).	B. Not classified/standard control based on contribution	(D) B. Alternative Control /standard control based on contribution
		C. Standard control	

Service group/Activities included	Further description	Current Classification 2014–19	Proposed classification 2019–24
	(C) is undertaken by a network service provider.		C. Standard control
Augmentations	<p>A. Any shared network enlargement/enhancement undertaken by a distributor, which is not an extension.</p> <p>B. Any shared network enlargement/enhancement undertaken by a customer, but partly funded by a distributor (distributor contribution would be classified as a standard control service while the customer funded component of the service would be classified alternative control).</p> <p>C. Any shared network enlargement/enhancement undertaken by a customer.</p> <p>D. Any shared network enlargement/enhancement undertaken by a distributor where a customer requests that assets are designed and constructed to an increased standard (beyond that required by the distributors’ standards and policies).</p>	<p>A. Standard control</p> <p>B. Not classified/standard control based on contribution</p> <p>C. Not classified</p> <p>D. Not classified</p>	<p>A. Standard control</p> <p>B. Alternative control/standard control based on contribution</p> <p>C. Alternative control</p> <p>D. Alternative control</p>
Reconnections/Disconnections	<p>Disconnection and/or reconnection services (some provided in accordance with the National Energy Retail Rules). Examples include (but are not limited to):</p> <ul style="list-style-type: none"> • Disconnection visit (site visit only) • Disconnection visit (disconnection completed - technical) • Disconnection visit (disconnection completed) 	Alternative control	Alternative control

Service group/Activities included	Further description	Current Classification 2014–19	Proposed classification 2019–24
	<ul style="list-style-type: none"> • Pillar box/pole top disconnection - completed • Reconnection/disconnection outside of business hours • Vacant property - site visit only • Vacant property disconnection (disconnection completed) • Shared service fuse replacement • Rectification of illegal connections • Temporary connections • Remove or reposition connection • Single phase to three phase 		
Non-standard connection services	<p>Customer requested services that typically occur at the time of connection. For example, the following requested customer services:</p> <ul style="list-style-type: none"> • asset relocations requested by a third party (including a customer) which are unlikely to impact on the safety or security of the network. • conversion of aerial bundled cable (i.e. reducing the number of overhead lines by combining them). • reserve or duplicate supplies (beyond what a distributor is required to provide). • unless a work health and safety assessment determines that 	N/A	Alternative control

Service group/Activities included	Further description	Current Classification 2014–19	Proposed classification 2019–24
	<p>an ASP should not be given the required access, the termination of cable at zone substations and first joint out (where the connection is fully dedicated to the specific customer connecting).</p> <ul style="list-style-type: none"> Inspection, maintenance (including fault and emergency) and testing of customer assets including HV assets. Including standard distribution and sub-transmission type assets but excluding emerging technology assets such as PV, batteries. 		
Public lighting			
Public lighting	Provision, construction 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 etc.).	N/A	N/A
Contestable metering support roles	Includes 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.	N/A	N/A

Service group/Activities included	Further description	Current Classification 2014–19	Proposed classification 2019–24
Provision of training to third parties for non-network related access	Training programs provided to third parties, which are not ASPs or contractors.	N/A	N/A
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.	N/A	N/A

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. Nymboida and Oaky Hydro and Western Plains Zoo Solar in NSW	N/A	Non-distribution service
Water	Broken Hill and Water Rights as (the former) Nymboida Hydro Plant in NSW	N/A	Non-distribution service