



FINAL DECISION

AusNet Services Distribution Determination 2021 to 2026

Attachment 18 Connection policy

April 2021

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Note

This attachment forms part of the AER's final decision on the distribution determination that will apply to AusNet Services for the 2021–26 regulatory control period. It should be read with all other parts of the final decision.

The final 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 12 – Customer service incentive scheme

Attachment 13 – Classification of services

Attachment 14 – Control mechanisms

Attachment 15 – Pass through events

Attachment 16 – Alternative control services

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Attachment 19 – Tariff structure statement

Attachment A – Negotiating framework

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18 Connection policy

We are required to make a decision on the connection policy that is to apply to AusNet Services for the 2021–26 regulatory control period. This may be the connection policy prepared by a distributor, some variant of it, or a policy substituted by the AER.¹

A connection policy sets out the nature of connection services offered by a distributor, when connection charges may be payable by retail customers and how those charges are calculated. It also:

- must be consistent with:²
 - the connection charge principles set out in chapter 5A of the National Electricity Rules (NER)
 - the connection policy requirements set out in part DA of chapter 6 of the NER
 - our connection charge guidelines published under chapter 5A,³ and,
- must specify:⁴
 - the categories of persons that may be required to pay a connection charge and the circumstances in which such a requirement may be imposed
 - the aspects of a connection service for which a connection charge may be made
 - the basis on which connection charges are determined
 - the manner in which connection charges are to be paid (or equivalent consideration is to be given)
 - a threshold (based on capacity or any other measure identified in the connection charge guidelines) below which a retail customer (not being a non-registered embedded generator or real estate developer) will not be liable for a connection charge for an augmentation other than an extension.

The AER's connection charge guidelines for electricity retail customers

A connection policy must be consistent with our connection charge guidelines for electricity retail customers. The purpose of our guideline is to ensure that connection charges:⁵

¹ NER, cl 6.12.1(21).

² NER, cl 6.7A.1(b)(1).

³ AER, *Connection charge guideline for electricity retail customers, Under chapter 5A of the National Electricity Rules Version 1.0*, June 2012.

⁴ NER, cl 6.7A.1(b)(2).

⁵ NER, cl 5A.E.3(b); AER, *Connection charge guideline for electricity retail customers, Under chapter 5A of the National Electricity Rules Version 1.0*, June 2012, p. 11.

- are reasonable, taking into account the efficient costs of providing the connection services arising from the new connection or connection alteration
- provide, without undue administrative cost, a user-pays signal to reflect the efficient costs of providing the connection services
- limit cross-subsidisation of connection costs between different classes (or subclasses) of retail customers
- are competitively neutral, if the connection services are contestable.

18.1 Final decision

We have taken into account AusNet Services' revised revenue proposal, submissions raised by stakeholders and our draft decision in reaching our final decision. Our final decision is to apply a variant of the connection policy proposed by AusNet Services for the 2021–26 regulatory control period, specifically regarding its proposed threshold level for where upstream augmentation charges will apply, because parts of its revised connection policy are not consistent with:

- our connection charge guidelines for electricity retail customers under chapter 5A.
- the threshold levels of all other jurisdictions of the national electricity market (NEM).

The reasons for the above rejection and the variations that we have made are explained in section 18.5. Our approved connection policy can be found in appendix A to this attachment.

18.2 AusNet Services' revised proposal

In the revised proposal AusNet Services accepted the majority of our proposed changes in the draft decision to its original connection policy. However, it submitted the following contentions:⁶

- It has not updated the augmentation threshold of 10 kilovolt amperes (kVA) on single-wire earth return (SWER) lines. This change would enable customers to upgrade existing distribution transformers at no cost and therefore increase cross-subsidisation.
- It has not accepted our change that the augmentation threshold for new connections other than on SWER lines to 100 amperes (A) per phase for multiphase connections.

AusNet Services also proposed the following additions to the original connection policy:

⁶ AusNet Services, *Electricity Distribution Price Review 2021–26 Revised Regulatory Proposal*, December 2020, p.168.

- amendments to the upstream augmentation rates to better reflect the cost of extending high voltage (HV) feeders connected to Rapid Earth Fault Current Limiter (REFCL) feeders.
- a change to ensure that embedded generators pay the tax costs associated with their connection, so that other customers do not unfairly incur these costs.
- including the company tax liability arising from customer contributions received from works under Alternative Control Services.

18.3 Submissions

The Consumer Challenge Panel, sub-panel 17 (CCP17) supported AusNet Services' actions outlined in section 11.1 of the revised proposal, including SWER connections augmentation threshold to 10kVA, and updating cost recovery for REFCL feeders.⁷

18.4 Assessment approach

We examined the revised connection policy against the requirements of Part DA of chapter 6 as stated above—whether it:

- is consistent with the connection charge principles set out in chapter 5A of the NER, and our connection charge guidelines
- contains all the information for new customers as prescribed by the NER.

In addition, we also examined whether:

- other connection related charges included in the connection policy, such as metering installation charges, are consistent with the service classification of this final determination.
- the connection policy contains terms that are not fair and reasonable.

18.5 Reasons for final decision

18.5.1 Including the net tax liability arising from capital contribution from large embedded generators

In its revised proposal, AusNet Services submitted that:⁸

- This change will reduce the cross-subsidy paid by our customers to large embedded generator connections and to maintain competitive neutrality between generators connecting to the transmission and distribution networks.
- As generators connecting to the transmission network contribute to the economic tax cost borne by the transmission network service providers on the capital portion

⁷ CCP17, *Submission on the Victorian EDPR Revised Proposal and draft decision 2021–26*, January 2021, p. 96.

⁸ AusNet Services, *Electricity Distribution Price Review 2022-26 Revised Regulatory Proposal*, December 2020, p.170.

of their connection, applying the same charges to distribution-connected generators achieves parity in this respect.

- These connections are bespoke and generally only benefit the individual application.
- The wider customer base currently pays the tax costs associated with these connections. This is a cross-subsidy that it does not believe is well-understood nor intended.
- Both AusNet Services and its customers are exposed to forecasting risk regarding these connections. That is, if the forecast is too high, a higher amount of tax contribution will be paid by customers than is required. If the forecast is too low, the distributor will bear tax costs for which it will not be compensated.
- There is a high degree of uncertainty over the volume of these connections. These are very lumpy and heavily influenced by Government policy support for renewable generation in Victoria which contributes to the uncertainty around these forecasts.

In response to our information request, AusNet Services further advised that:⁹

It consulted on this proposed approach to the tax treatment of capital contributions for large embedded generators as part of its Revised Proposal engagement program. This comprised several sessions attended by a range of stakeholders (including the AER, Vic Government, a range of customer advocates, the Customer Forum, its internal Customer Consultative Committee (CCC) and new energy service providers) and its intention to directly charge embedded generators the tax cost associated with their connection, removing the current cross subsidy, was described in detail.

We accept the AusNet Services revised proposal to charge the net tax liability (netting off future depreciation reverse cash flow) arising from the capital contribution of embedded generators larger than 1.5 MW. This is on the basis that:

- AusNet Services has consulted with relevant stakeholders on the proposal
- the tax liability is part of the cost incurred by AusNet Service for such new connections
- the process will align the connection cost structure with transmission connected generators
- the CCP17 supported the change
- if the tax liability is not included in the capital contribution calculation of these embedded generators, this cost will be paid by the entire customer base, rather than the beneficiary of the connection .

⁹ AusNet Services, *Information Request 094*, March 2021.

However, an important principle is that distributors do not ‘double-dip’ or recover this tax cost (or any other costs) through different revenue mechanisms. This is clear from the connection charge principle that a capital contribution may only be required if the provision for the costs has not already been made through the existing distribution use of system (DUoS) charges or an applicable tariff. It is therefore important that this tax component must not be included in the post-tax revenue model to avoid double recovery.

18.5.2 Including the net tax liability arising from capital contribution from works under Alternative Control Services

Our decision is to reject this change, because the control mechanism set out in the Framework and Approach (F&A) does not allow this charging method. As explained in the draft decision for similar charging method proposed in AusNet Services’ initial regulatory proposal, tax components cannot be part of the charges under Alternative Control Services, because:¹⁰

...the limitations set out in the NER on changes to control mechanism formulae following publication of the relevant F&A as being designed to limit the ability to make amendments after this point.

18.5.3 Change in service classification for connection of large embedded generators

AusNet Services also proposed to reclassify the connection of large embedded generators from standard control service to alternate control service.¹¹ We do not agree to this proposed change. Our reason for not agreeing to this change is discussed in attachment 13 – Classification of services.

18.5.4 Threshold for capital contribution for network extension or shared network augmentation.

AusNet Services sought to retain its proposal in the initial connection policy to set the threshold for:¹²

- SWER connections at 10 kVA
- all other connections at 100A in aggregate across all phases, for example 100A single phase or 33A 3-phase supply, because this level is consistent with the

¹⁰ AER, *Draft Decision, AusNet Services, CitiPower, Jemena, Powercor, and United Energy Distribution Determination 2021 to 2026, Attachment 14 - Control mechanisms*, September 2020, p.11–35.

¹¹ AusNet Services, *Electricity Distribution Price Review 2022–26 Revised Regulatory Proposal*, 3 December 2020 p.170.

¹² AusNet Services, *Electricity Distribution Price Review 2022–26 Revised Regulatory Proposal*, 3 December 2020 p.169.

deemed standard connection agreement set out by the Essential Services Commission of Victoria (ESCV) in 2018.

Regarding the first matter, we have already approved the 10 kVA threshold for SWER connections in the draft decision. Hence, there will be no further changes.

With respect to the second matter, we rejected the originally proposed threshold in the draft decision. We amended the threshold level to 100A 3 phase (meaning 100A per phase or 70 kVA).

For the final decision, we maintain that AusNet Services' upstream charge threshold be amended to 100A per each of the three-phase supply, because:

- The proposed 100A in total threshold is the default capacity availability specified by the ESCV.¹³ It is about the minimum capacity entitlements by all customers in Victoria; rather than a delineation line on who should contribute to upstream cost when a new small customer is seeking connection, as contemplated by the NER.
- The threshold value recommended in our connection charge guideline (at 100A three-phase) is consistent with Victorian distributors' tariff proposals that set the threshold for residential and small commercial customers at consuming up to 160 MWh per annum.¹⁴
- A 100A three-phase connection can consume 160 MWh of energy only if it operated at full power for 6.4 hours a day every day of the year. Hence, this threshold is consistent with the threshold for small connection expressed in the distributor's tariff proposal.
- This threshold is being applied to all other distributors in the NEM.

We maintain that AusNet Services' upstream charge threshold be amended to 100A 3 phase or 100A per each of the three-phases of a three phase supply.

18.6 Upstream charge rates

In the draft decision we benchmarked AusNet Services' proposed upstream augmentation unit rates in Table 2-4 (of the proposed connection policy) against its historical cost.

18.6.1 Comparison with historical cost

We calculated that AusNet Services' historical average overall network cost at low voltage level to be about \$5,481.48 per kVA based on its latest Economic

¹³ Essential Services Commission, *Decision: Deemed distribution contract variations: AusNet Services, CitiPower, Powercor, United Energy and Jemena*, April 2018, p10.

¹⁴ AusNet Services, *Revised Tariff Structure Statement 2022–26*, December 2020; Jemena, *Att 12-01 Tariff Structure Statement for 1 July 2021 to 30 June 2026*, December 2020; CitiPower, *APP06 - Tariff Structure Statement 2021–26*, December 2020; Powercor, *APP06 - Tariff Structure Statement 2026–26*, December 2020; United Energy, *APP06 – Tariff Structure Statement 2021–26*, December 2020.

Benchmarking Regulatory Information Notices report for 2018–19.¹⁵ This represents a charging rate of \$4,056 and \$2,686 per kVA for residential and non-residential customers connecting at the low voltage networks respectively. This historical cost is higher than AusNet Services' proposed charge rates for shared network augmentation for low voltage networks at \$1,191.75 and \$872.60 for residential and non-residential customers respectively.

18.6.2 Our conclusion on the proposed upstream cost based on the above comparisons

In AusNet Services' revised proposal new rates were presented. AusNet Services proposed a revision to its augmentation unit rates to revise down the unit rates for non-REFCL connected customers and a new set of unit rates for REFCL connected customers. The new rates under each of the classifications were lower than the amounts we accepted in our draft decision.

We conclude that AusNet services' proposed marginal cost for shared network augmentation is reasonable because the rate is less than the actual historical cost, which is a good representation of the long run marginal cost.

¹⁵ AusNet Services, *Economic Benchmarking RIN*, July 2019.

Shortened forms

Shortened form	Extended form
AER	Australian Energy Regulator
CCP17	Consumer Challenge Panel, sub-panel 17
distributor	distribution network service provider
DUoS	distribution use of system
ESCV	Essential Services Commission of Victoria
F&A	framework and approach
NEM	National Electricity Market
NER	National Electricity Rules
REFCL	Rapid Earth Fault Current Limiter
SWER	single-wire earth return

A AER approved connection policy for AusNet Services

AER modified version

Distribution Connection Policy

Effective from 1 July 2021

PUBLIC



About AusNet Services

AusNet Services is a major energy network business that owns and operates key regulated electricity transmission and electricity and gas distribution assets located in Victoria, Australia. These assets include:

- A 6,574 kilometre electricity transmission network that services all electricity consumers across Victoria;
- An electricity distribution network delivering electricity to approximately 660,000 customer connection points in an area of more than 80,000 square kilometres of eastern Victoria; and
- A gas distribution network delivering gas to approximately 572,000 customer supply points in an area of more than 60,000 square kilometres in central and western Victoria.

AusNet Services' purpose is 'to provide our customers with superior network and energy solutions.' The AusNet Services company values are:

- We work safely
- We do what's right
- We're one team
- We deliver

For more information visit: www.ausnetservices.com.au

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1 Introduction

1.1 Purpose of this document

This document is our connection policy for our electricity distribution network. It has been developed in accordance with the requirements of the National Electricity Rules (NER) and the connection charge guidelines¹ published by the Australian Energy Regulator (AER).

This Connection Policy sets out the circumstances where we a retail customer or real estate developer may be required to pay a connection charge for the provision of a connection service.² It specifies:

- The categories of persons that may be required to pay a connection charge and the circumstances in which such a requirement may be imposed;
- The aspects of a connection service for which a charge may be made;
- The basis on which connection charges are determined;
- The way connection charges are to be paid (or equivalent consideration is to be given); and
- The threshold below which a retail customer (not being a non-registered embedded generator or a real estate developer) will not be liable for a connection charge for an augmentation.³

1.2 Commencement date

This Connection Policy applies from 1 July 2021 and supersedes the previous version published on 28 July 2018.

1.3 Chapter 5A

The NER establishes two connection regimes:

- Chapter 5 of the NER creates a framework for connecting load for a registered or intending market participant, and connecting generation or large embedded generators which exceed the exemption limit (currently 5 MW) for registration as a participant with the Australian Energy Market Operator (AEMO).
- The regime in Chapter 5A applies to connecting load for retail customers, or a retailer or other person on behalf of a retail customer, or a real estate developer. It also applies to non-registered embedded generators and micro embedded generators (that is, embedded generator connections that comply with Australian Standard AS4777).

The Chapter 5A connection process is shorter and more flexible than the Chapter 5 process. This Connection Policy applies only to Chapter 5A connections.

1.4 Other relevant documents

This Connection Policy should be read in conjunction with the following documents:

¹ AER, Connection Charge Guidelines for Electricity Retail Customers under Chapter 5A of the National Electricity Rules, Version 1.0, June 2012.

² In accordance with Clause 6.7A.1 of the NER.

³ A customer would be required to pay for an extension, where the customer is located outside the present boundaries of the distribution network.

- Our approved Annual Pricing Proposal, which sets out the fees for connection services and ancillary network services.
- Our minimum system requirements for inverter systems, including photovoltaic installations.
- The Model Standing Offer (MSO) for basic connection services, which sets out the terms and conditions for providing a connection between the distribution system and a retail customer's premises.
- The MSO for basic connection services (Basic Micro Embedded Generation), which sets out the terms and conditions for connecting a retail customer who is a micro embedded generator.
- The MSO for standard connection services, which sets out the terms and conditions for underground extension connection services within a specified distance from the distribution network.
- The electricity distribution contract, which sets out the terms and conditions on which we will maintain the connection.

These documents are available at:

- <https://www.ausnetservices.com.au/en/New-Connections/Electricity-Connections>; and
- <https://www.esc.vic.gov.au/electricity-and-gas/codes-guidelines-policies-and-manuals/deemed-distribution-contract-variations-review-2018#tabs-container2>

1.5 Structure of this document

The remainder of this document is structured as follows:

- Section 2 provides an overview of the connection charging principles.
- Section 3 explains the charging arrangements for basic connections.
- Section 4 explains the charging arrangements for standard connections.
- Section 5 describes the arrangements for negotiated connections for small customers.
- Section 6 sets out the connection charging arrangements applying to real estate developers.
- Section 7 addresses other matters relevant to a connection, including security deposits and fees, payment of connection charges, and dispute resolution.

2 General connection pricing principles

2.1 Overview of connection services

Distribution connection services encompass the services required to connect premises to our distribution network. The connection services generally include the design, construction and energisation of connection assets.

In some circumstances, the new connection or connection alteration may require augmentation of the shared distribution network to ensure sufficient capacity to service the connection. The new connection or connection alteration may also require a network extension to enable the connection of the standard service line to the distribution network.

The following diagrams illustrate the typical connections for a residential customer for overhead and underground supply.

Figure 1: Typical overhead connection for residential customer

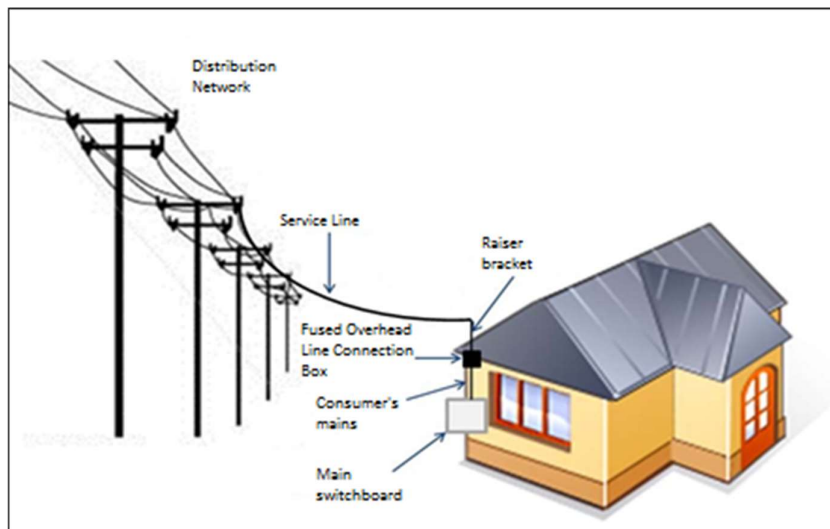
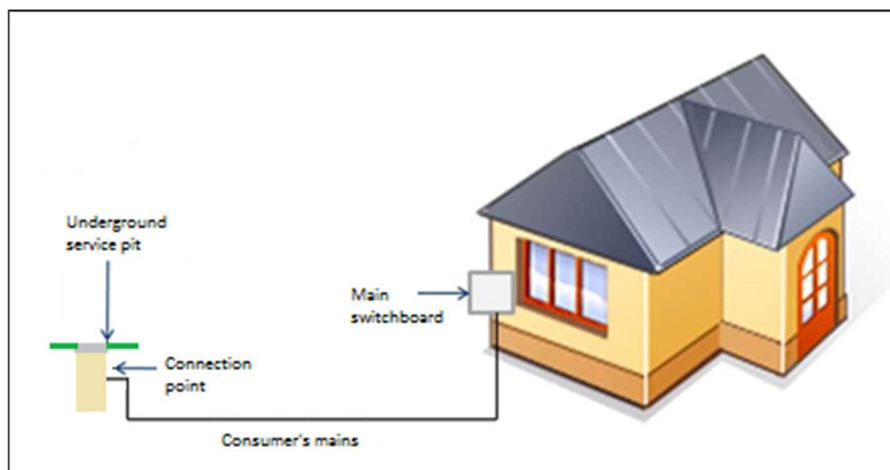


Figure 2: Typical underground connection for residential customer



There are different types of connection services, depending on:

- The customer classification of the applicant for the purposes of connection charging;
- The nature of the connection; and
- Whether line capacity is readily available in the existing distribution network.

The following sections detail the customer classifications, the classification of connection services and the connection charges that may be applicable.

2.2 Classification of customers

In broad terms, the connection service requirements and the associated charges will depend on the type of customer and the nature and location of the connection service. For this Connection Policy, it is useful to identify the different classes of customers:

- Residential and small commercial premises not requiring any network augmentation;
- Customer connections requiring network augmentation;
- Customers requesting temporary supply;
- Customers requesting an unmetered supply;
- Micro embedded generators;
- Embedded generators, other than micro embedded generation;
- Real estate developers; and
- Rapid Earth Fault Current Limiters (REFCL) HV customers.

Within these customer classes, we distinguish between customers on the basis of their network requirements, including:

- Energy consumption;
- Maximum demand; and
- Electricity import and export capacity.

The connection application process and the contractual arrangements vary accordingly.

2.3 Basic, standard and negotiated connection services

When an application is made for a new connection or alteration to an existing connection, we will offer:

- A basic connection service; or
- A standard connection service; or
- A negotiated connection service.

The type of connection service we offer will depend on the nature of the connection required and the network capacity available.

The table below sets out where in this document each type of connection is explained in detail. For connection types where one or more of the basic, standard or negotiated connections are available, the choice of service will often depend on the customer's particular circumstances.

Table 2-1: Further information for each type of connection

A connection for is covered in ...		
	Basic connection	Standard connection	Negotiated connection
Residential and small business overhead	Section 3	Section 4	Section 5
Residential and small business underground	Section 3	Section 4	Section 5
Micro embedded generation	Section 3	n/a	Section 5
Temporary connection	Section 3	n/a	Section 5
Unmetered supply	n/a	n/a	Section 5
Customer connections requiring augmentation	n/a	n/a	Section 5
Embedded generation connections	n/a	n/a	Section 5
Real estate developments	n/a	n/a	Section 5

2.3.1 Basic connection service

As the name suggests, the [basic connection service](#) is the most straightforward connection and will apply in [most](#) cases. If [a](#) property is eligible for a basic connection, all [a customer is required](#) to do is contact [their](#) chosen electricity retailer to [request](#) the connection and provide the necessary paperwork from [their](#) registered electrical contractor (electrician).

[We](#) offer two classes of [basic connection service](#):

- A basic connection service, where connection between the distribution system and the customer's premises requires minimal or no augmentation of the distribution network.
- A basic micro embedded generation connection service, which is for the connection of micro embedded generators with a maximum capacity less than 5 kVA per phase, or more than 3.5 kVA if connected to a [single-wire earth return \(SWER\)](#) powerline.

A retail customer is only eligible for a [basic connection service](#) if the proposed connection satisfies certain conditions. These conditions are described in Chapter 3 of this Connection Policy and in the relevant Model Standing Offer (MSO). If a retail customer is not eligible for a [basic connection service](#) or prefers to negotiate the terms and conditions of the connection service, [we](#) will offer a [negotiated connection service](#).

2.3.2 Standard connection service

[We](#) offer a [standard connection service](#) for underground connections within a specified distance from the distribution network, as set out in [section 4.2 of this Connection Policy and Table 4-1](#). This service includes trenching and boring under roads, if required. Underground connections that require longer [connections](#) are classified as [a negotiated connection service](#).

2.3.3 Negotiated connection service

A connection that does not meet the requirements of a basic or standard connection service is a negotiated connection service.

Most negotiated connection services are classified as a standard control service, meaning that the connection charges are approved by the AER.

An enhanced connection service is a specific type of negotiated connection service. This is a connection where the service is provided:

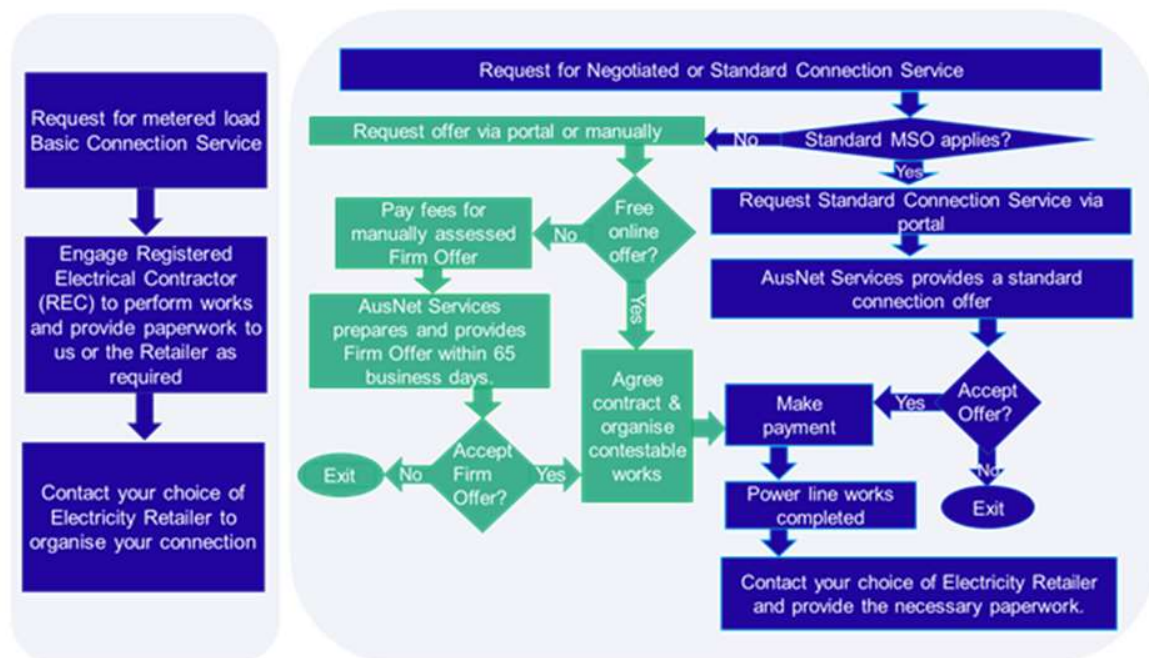
- With higher reliability standards, or lower reliability standards (where permissible) than those specified in the NER or any other applicable regulatory instruments; or
- At service levels or plant ratings in excess of those required by the regulatory framework to be provided by us.

Enhanced connection services have been classified by the AER as alternative control services and connection charges will be calculated as quoted services.

2.4 Connection process and expedited connections

The figure below shows the typical steps required when arranging an electricity supply to a property. It illustrates the simplified process for obtaining a [basic connection service](#) or [standard connection service](#), which does not require any negotiation between the connection applicant and us.

Figure 3: Process for arranging an electricity supply



We will use our best endeavours to provide a connection applicant with an offer for:

- A basic connection services MSO within 10 business days, or
- A standard connection services MSO within 20 business days.⁴

We will notify the connection applicant within 10 business days if their request does not satisfy the relevant qualifying conditions applying to that service. In those circumstances, the customer will require a [negotiated connection service](#).

If a connection applicant does not require a connection offer or a signed agreement for a [basic connection service](#), the applicant may [apply for an expedited connection](#). An expedited

⁴ We will provide an offer within 10 business days of conducting a site-specific assessment or site inspection. It may take up to 10 business days to conduct a site-specific assessment or site inspection.

connection request requires the applicant to contact their electricity retailer and provide the necessary paperwork from a Registered Electrical Contractor.

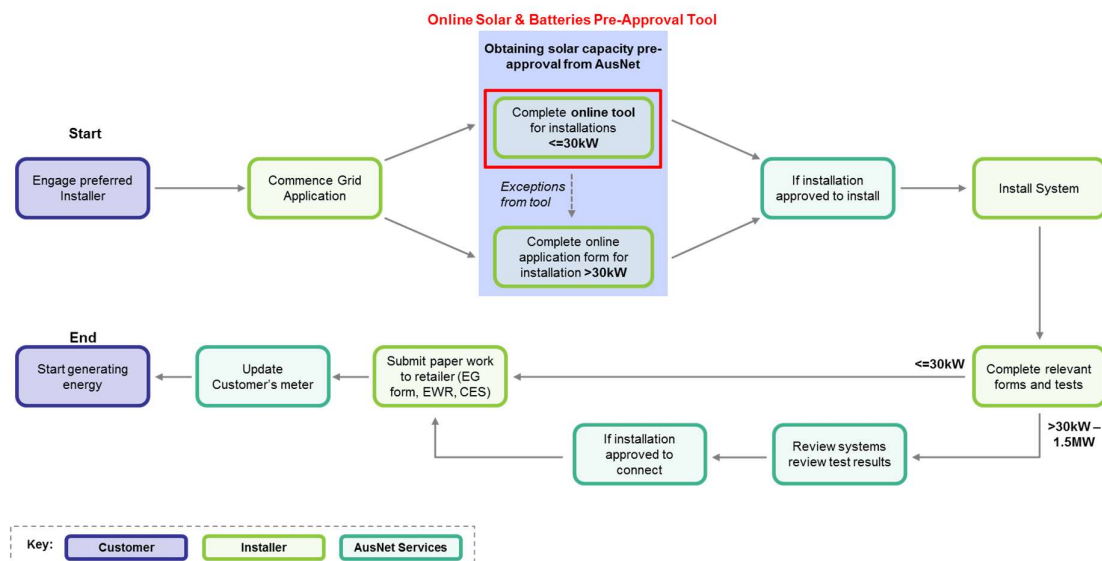
For an expedited connection, we are taken to have made, and the connection applicant is taken to have accepted, a connection offer in accordance with the relevant MSO on the date we receive the application. An expedited connection is subject to the same qualifying conditions as a basic connection service. We will notify the customer as soon as possible if it becomes evident that these conditions are not satisfied.

2.4.1 Connections of embedded generation

We have an online tool that instantly assesses applications to connect solar and/or battery systems up to 10 kVA maximum inverter capacity per phase (all SWER connections must be assessed on a case by case basis) and 5 kW (3.5 kW for SWER) total export limit per phase. This online tool can be found on our website: <https://www.ausnetservices.com.au/New-Connections/Solar-and-Battery-Connections/Small-Simple-Solar-Installations/Pre-approval-Tool-Welcome>

For systems greater than 30 kVA capacity and 15 kVA export, the connection applicant must apply for a manual technical assessment using the link above.

Figure 4: Diagram of process for embedded generator connections



2.5 Overview of connection charges

The charges payable for a connection application will depend on the nature of the connection service required, the demand and consumption profile and the work involved in establishing the connection. The connection charges that a connection applicant may be required to pay can include one or more of the following cost components:⁵

- Fees for connection services;
- A capital contribution (CC) charge;
- Metering costs;

⁵ These components are set out in clause 5A.B.2(b)(5) of the NER and, in relation to pioneer schemes, clause 6.1.5 of the AER's connection charge guidelines for electricity retail customers.

- Costs of minor variations;
- Other incidental costs; and
- Charges payable to account for any pioneer schemes (also known as reimbursement schemes).

The table [below](#) describes each of these cost elements.

Table 2-2: Summary of connection fees and charges

Fee or charge group	Description
Connection Service Fee	<p>These fees cover the cost of the connection assets or alteration of the existing connection, including design, construction, commissioning and energisation of connection assets. The various connection services offered by us are defined in Table 2-3 in section 2.6 of this Connection Policy. The fees for these services are approved annually by the AER.</p> <p>Fees for connection services will need to be paid directly by the connection applicant.</p>
Capital Contribution Charge	<p>CCs for extension or augmentation of the distribution system (including the customer's connection assets) may apply to connections where the expected demand exceeds an augmentation threshold. Our augmentation threshold is:</p> <ul style="list-style-type: none"> • 10 kVA on SWER lines⁶, or • 100A single phase, or 100A per phase of a multi-phase supply. <p>The rationale for these thresholds is discussed in section 2.7 of this Connection Policy.</p> <p>All connection applicants will pay a CC for any new network extensions required for their new connection or connection alteration, in addition to any augmentation of the connection assets.</p> <p>CCs are calculated in accordance with section 2.7 of this Connection Policy.⁸ CCs do not apply in relation to basic connection services.</p>
Metering costs	<p>The connection may require a change of meter, which would incur a metering charge. The metering costs will be charged in accordance with our published fees.</p>
Minor variations	<p>These costs arise if the connection requirements vary from the standard specifications as detailed in the applicable MSO or as otherwise agreed with the connection applicant.</p>
Other incidental costs	<p>The connection applicant may be required to pay incidental costs arising from the connection, as detailed in the relevant MSO or as otherwise agreed with the connection applicant.</p>

⁶ SWER line means a single wire earth return (that is, a single-wire electricity distribution line which supplies single phase electrical power such that the earth is used as the return path for the current).

⁸ [Our CCs](#) are calculated in accordance with section 5 of the AER's guidelines and the connection charge principles in clause 5.A.E1(c) of the NER.

Fee or charge group	Description
Pioneer Scheme Charge	Where a connection is made to an extension funded by an original customer, <u>we</u> may be required to refund customers already connected to the extension under a pioneer scheme (reimbursement scheme). The connection applicant (the subsequent customer) may be required to share costs of the original customer's connection by making an appropriate contribution towards the cost of the shared line.

Further information on the calculation of these cost components is provided in later sections of this Connection Policy and in the [MSO](#) for [basic connection services](#) and the [MSO](#) for [standard connection services](#).

2.6 Regulation of connection fees

As noted in the previous section, the connection service fee is a component of the total cost of a connection. The AER classifies connection services depending on the nature of the service and the extent of competition in the provision of the service.

The AER's connection charge guideline requires us to apply different connection charges depending on the AER's service classification. Given this requirement, the table below maps our connection services to the AER's service classification for regulatory purposes.

Table 2-3: Connection services and the AER's service classification

Service group	Further description	AER's Service Classification
Basic connection service	Means a <i>connection service</i> related to a <i>connection</i> (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: (a) either: 1. the retail customer is typical of a significant class of retail customers who have sought, or are likely to seek, the service; or 2. the retail customer is, or proposes to become, a micro embedded generator; and (b) the provision of the service involves minimal or no augmentation of the distribution network; and (c) a MSO has been approved by the AER for providing that service as a basic connection service.	Alternative control
Standard connection service	Means a connection service (other than a basic connection service) for a particular class (or sub-class) of connection applicant and for which a MSO has been approved by the AER.	Standard control
Negotiated connection	Means a connection service (other than a basic connection service) for which a DNSP provides a connection offer for a negotiated connection contract. This includes connections under Chapter 5 of the NER.	Standard control

Service group	Further description	AER's Service Classification
Connection application and management services	<p>Connection application related services</p> <p>Works initiated by a customer or retailer that are specific to the connection point. This includes, but is not limited to:</p> <ul style="list-style-type: none"> • field based de-energisation and re-energisation • non-basic supply abolishment or reposition non-basic connection • temporary connections (e.g. for builder's supply, fetes etc.) • overhead service line replacement – customer requests the existing overhead service to be replaced (e.g. because of a point of attachment relocation). No material change to load • protection and power quality assessment • supply enhancement (e.g. upgrade from single phase to three phase) • customer requested change requiring primary and secondary plant studies for safe operation of the network (e.g. change protection settings) • upgrade from overhead to underground service • rectification of illegal connections or damage to overhead or underground service cables • calculation of a site specific distribution loss factor on request in respect of a generating unit up to 10 MW or a connection point for an end-user with actual or forecast load up to 40 GWh per annum capacity, as per clause 3.6.3(b1) of the NER • calculation of site specific loss factors when required under the NER • power factor correction • embedded network management • 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 • liaising with groups representing multiple connecting parties (e.g. community group upgrades) • site inspection in order to determine the nature of the connection service sought by the connection applicant and ongoing co-ordination for large projects • registered participant support services associated with connection arrangements and agreements made under Chapter 5 of the NER. 	Alternative control

Service group	Further description	AER's Service Classification
Enhanced connection services (a specific type of negotiated connection service)	Other or enhanced connection services provided at the request of a customer or third party that include those that are provided: <ul style="list-style-type: none"> with higher reliability standards, or lower reliability standards (where permissible) than those specified in the NER or any other applicable regulatory instruments. This includes reserve feeder installation and maintenance. at service levels or plant ratings in excess of those required by the regulatory framework to be provided by <u>us</u>. 	Alternative control
<u>Public lighting</u>	<u>Public lighting services (including emerging public lighting technology), including:</u> <ul style="list-style-type: none"> <u>operation, maintenance, repair and replacement of public lighting services;</u> <u>alteration and relocation of public lighting assets;</u> <u>new public lighting services; and</u> <u>provision, construction and maintenance of emerging public lighting technology.</u> 	<u>Alternative control</u>

The AER regulates the fees that we charge for the connection services set out above. The fees and the regulatory arrangements for annual changes are detailed in the current Victorian electricity distribution determination. We submit an annual pricing proposal for the AER's approval to update the applicable fees in accordance with the AER's determination.

For a complete list of our current services and fees, please refer to our Annual Pricing Proposal: <https://www.ausnetservices.com.au/Misc-Pages/Links/About-Us/Charges-and-revenues/Network-tariffs>

2.7 Capital contributions

A CC is a contribution paid by the connection applicant towards the cost of extending or augmenting the distribution network or installing or upgrading new connection assets required to enable the new connection or connection alteration to be made. Where a CC is required, we will specify the amount of the contribution in the connection offer. The CC must be paid as a lump sum before we will commence any works.

CCs for network augmentation (other than a network extension beyond the standard service line) are not required where:

- The connection service is offered under the terms and conditions of a basic connection offer; or
- Maximum demand at the connection point does not exceed:
 - 10kVA on SWER lines, or
 - 100A single phase, or 100A per each of the phases of a multi-phase low voltage supply (the augmentation threshold).

These maximum demand thresholds have been determined having regard to the principles set out in the AER guidelines for setting such thresholds. Based on the limited available capacity on SWER lines, the rural nature of our distribution network, and the average size of the connecting customers, we consider that a threshold above 10kVA for SWER connections would drive significant augmentation costs that would be unfair to share across all customers.

Where applicable, the CC amount will be calculated in the following manner:

$$\text{Capital Contribution (CC)} = \text{ICCS} + \text{ICSN} - \text{IR}(n=X)$$

Where:

ICCS = Incremental Cost Customer Specific

ICSN = Incremental Cost Shared Network

IR (n=X) = Incremental Revenue.

A **CC** is only payable where the incremental costs exceed the incremental revenue (i.e. $CC > \$0$).

2.7.1 Incremental cost of customer specific connection assets

The Incremental Cost Customer Specific (ICCS) is the incremental costs **we incur** that are specific to the connection, such as network extension assets and augmentation of connection assets at the premises. The ICCS is calculated as the sum of the incremental costs specific to the connection, such as:

- **D**esign and construction of new customer-specific connection assets;
- **D**esign and augmentation of any existing connection assets at the customer's premises;
- **N**etwork extension costs;
- **A**dministration costs (including design and certification costs);
- **T**ender costs (where applicable); and
- **T**he provision of any other connection services that are to be used solely by the connection applicant.

Overheads will be applied in addition to the costs specific to the connection.

For the ICCS, **we** will:

- **D**etermine the cost in a fair and reasonable manner and ensure that the cost estimate is reflective of the efficient cost of performing the service;
- **C**alculate the cost on the basis of the least cost, technically acceptable standard necessary for the connection⁹, unless the connection applicant requests a connection service (or part thereof) to be provided to a higher standard. In these circumstances, the connection applicant is required to pay for the additional cost of providing the services to the higher standard; and
- **I**nclude the relevant operating and maintenance costs for servicing the connection in the calculation of incremental cost and incremental revenue.

Where **we** elect to provide the service to a higher standard or capacity than necessary to meet the connection applicant's requirement (other where the applicant is a real estate developer), **we** will not charge the connection applicant for the additional cost. Where the connection applicant is a real estate developer, **we** may provide the service to a higher capacity to efficiently provide for forecast load growth at that location, and may charge the developer accordingly. The treatment of connection applications from real estate developers is discussed in Chapter 6 of this Connection Policy.

2.7.2 Incremental cost of shared network

The Incremental Cost Shared Network (ICSN) is the network cost **we** incur as a result of **a** new or altered connection, but which is not specific to the connection e.g. network augmentation (other

⁹ The **least cost, technically acceptable** standard may also depend on the location and nature of the connection. Please refer to section 7.3 of this Connection Policy for further details.

than an extension beyond the standard service line). The ICSN is determined on the basis of unit rates:

$$\text{ICSN} = \text{Unit Rate} \times \text{Demand Estimate}$$

Where:

Unit Rate = Average cost of augmentation (other than an extension beyond standard service line) per unit of added capacity, expressed as \$/kVA

Demand Estimate = Estimated maximum demand at the connection point, measured in kVA

We will apply the above ICSN formula when the connection applicant's expected demand is above the augmentation thresholds as described in section 2.7 [of this Connection Policy](#). The unit rates used to determine the ICSN are consistent with our approach in the AER's Electricity Distribution Determination for the [previous](#) 2016-20 regulatory period, [except for the inclusion of REFCL specific rates](#).

[We propose to include Marginal Cost of Reinforcement \(MCR\) with REFCL variations in each connecting customer's CC. The MCR concept, and underlying basis for its calculation, aligns with the ICSN component of the Customer Contribution Formula. In parts of the network where REFCL technology is operating, the cost of augmentation for new HV connected load contributes to the eventual need to upgrade the upstream distribution system REFCL technology.](#)

The calculated unit rates reflect the average cost of shared network augmentation recently undertaken by us, on a \$/kVA basis, for the following network components:

- Low voltage mains;
- Distribution substation;
- Higher voltage feeder ([REFCL or non-REFCL](#));
- Zone substation ([REFCL or non-REFCL](#)); and
- Sub-transmission line.

The unit rates vary according to the network component requiring augmentation, reflecting the cost that we incur in adding each unit of capacity to the network (measured in kVA), exclusive of overhead costs. The unit rates reflect the useful life of the network assets and the assumed period that the connection applicant is expected to use the network.

The applicable unit rates for residential and business customers in 2020 are presented in the following table.

Table 2-4: Augmentation unit rates, (\$ per kVA, \$2020 excluding overheads)

	Residential customers (non-REFCL)	Business customers (non-REFCL)	Residential customers (REFCL)	Business customers (REFCL)
LV feeder	\$743,751	\$440,845	\$743,751	\$440,845
Distribution substation	\$592,256	\$351,049	\$592,256	\$351,049
HV feeder	\$348,482	\$206,557	\$412,783	\$244,670

	<u>Residential customers (non-REFCL)</u>	<u>Business customers (non-REFCL)</u>	<u>Residential customers (REFCL)</u>	<u>Business customers (REFCL)</u>
Zone substation	<u>\$251,370</u>	<u>\$148,995</u>	<u>\$315,671</u>	<u>\$187,109</u>
Sub-transmission line	<u>\$51,526</u>	<u>\$30,541</u>	<u>\$51,526</u>	<u>\$30,541</u>

Source: AusNet Services

In addition to the quoted augmentation unit rates presented in Table 2-4 above, we will apply:

- Price escalation in each year according to movements in the Consumer Price Index (CPI); and
- An overhead charge.

In determining the connection applicant's demand estimate for the purposes of the ICSN calculation, we will:

- Apply an average diversity factor for the corresponding customer type to estimate the customer's expected contribution to system peak, coincidental demand; and
- In the case of a request to alter or upgrade an existing supply, apply an average diversity factor to the estimated increase in the connection applicant's maximum demand at the time of system peak.

In respect of these diversity factors:

- The cumulative diversity factor applied will vary depending on the point of connection; and
- The diversity factors vary for residential and business customers, reflecting the variations in the expected load placed on the network by different types of customers.

We will apply the unit rates listed in Table 2-4 for all negotiated load connections where the cost-revenue test is applied, except for very large high voltage customers that require major upstream augmentation such as the establishment of a new zone substation and/or 66_kV feeder assets including major upgrades. In such cases, we will estimate the cost of the shared network components used by the customer, having regard to the amount of capacity required to meet specific connection requirements and the retail customer's estimated maximum demand.

We will also include the relevant operating and maintenance costs for servicing the connection in the calculation of the incremental cost of shared network.

The process for determining the estimated maximum demand is described in greater detail in section 2.9 of this Connection Policy.

2.7.3 Incremental revenue calculation

The Incremental Revenue (IR(n=X)) is the present value of the incremental revenue stream expected to be received from the new or altered connection over a pre-defined period. For residential premises, this is 30 years. For commercial and industrial premises, the period varies depending on the nature of the business and will be defined in the connection offer to a maximum of 15 years.

To estimate the incremental revenue, we will:

- When calculating the present value of the revenue stream, apply the pre-tax weighted average cost of capital as:
 - set out in the AER's s Final Distribution Determination, or

- updated annually in accordance with the AER's Final Distribution Determination;
- Use the price profile in the Final Distribution Determination and apply a flat profile in real terms thereafter;
- Remove the component attributable to shared network augmentation costs from the network tariff where a customer's expected demand is below the augmentation threshold (in accordance with the AER connection charging guideline, clause 5.3.1(b)); and
- Include the component attributable to incremental operational and maintenance costs in the network tariff.

All CCs will be calculated specifically for the connection applicant except in the case of standard connection services, where we will apply pre-calculated CCs. Standard connection services are discussed in Chapter 4 of this Connection Policy.

2.8 Higher standards under Electricity Safety (Bushfire Mitigation) Regulations

The least cost technically acceptable standard may depend on the location of the connection. For example, a higher standard may apply in areas specified as hazardous bushfire risk areas for the purposes of the Electricity Safety (Bushfire Mitigation) Regulations 2013. In these circumstances, the connection applicant will be required to pay for the additional cost of providing the services to the higher standard.

A codified area will usually require the use of covered or insulated conductor. A supply fed from a zone substation supported by REFCL technology or its transfer feeders may require additional works to maintain the capacity prescribed by the Electricity Safety (Bushfire Mitigation) Regulations 2013.

2.9 Measuring demand and consumption

Where the connection applicant is required to make a CC, the connection offer will set out the demand and consumption estimates used to determine the CC.

In general, the demand and consumption estimates will reflect the information supplied in the connection application. However, we may also have regard to the actual consumption and demand information from existing connections with similar characteristics. The demand and consumption estimates will account for the load characteristics, which will reflect the impacts of any embedded generation relevant to the connection offer.

Where we and the connection applicant cannot agree on the demand and consumption estimates for use in determining the CC payable, we will apply a provisional estimate.

Where a provisional estimate is applied, the connection applicant may be subject to an additional charge or receive a refund of an upfront security deposit once the difference between the actual consumption and demand and provisional estimates of consumption and demand is assessed.

We will assess the additional charge or security deposit refund payable within three years of the connection being energised. The amount of the additional charge or security deposit refund will be the difference between the actual CC paid and the contribution calculated using the actual demand and consumption.

A security deposit refund will only be paid where the connection applicant is still solvent and continuing to utilise the premises at the contracted demand rates.

2.10 Pioneer schemes

It is important that customers share in the costs of extending the network. Cost sharing arrangements or 'Pioneer Schemes' ensure that a customer that initially funds a network extension recovers part of their expenditure when other customers subsequently make use of that

asset. For new connections that require network extensions, we will apply a Pioneer Scheme in accordance with the AER's connection charge guidelines.

The Pioneer Scheme means that a connection applicant may be required to contribute to the costs of an existing line that is subject to the scheme as part of their connection fees and charges. The amount the customer will need to pay will be identified in our connection offer. If other customers subsequently connect, the connection applicant may recover a proportion of the contribution they paid from the subsequent customers.

We apply the following principles under the Pioneer Scheme:

- The scheme applies for seven years after the network extension is complete.
- Capital contributions made in relation to an augmentation or alterations that did not involve a network extension are not subject to the Pioneer Scheme.
- Each extension is subject to a separate cost sharing arrangement under the Scheme, even if it connects to a pre-existing extension.
- The capital contribution paid by the customer for the network extension (which includes contributions to upstream augmentation and connection assets) is the maximum amount that may be recovered from new customer(s).
- The reimbursement amount payable by new customer(s) in relation to a network extension is based on the depreciated value of the relevant assets at the time of the connection application and the relative usage made by the new and existing customers, taking into account:
 - the physical attributes of the assets to be used by the new customer(s) (for example, length of line) relative to other customers already connected to the extension;
 - the amount of electricity demand forecast to be used by the new customer(s) relative to other customers already connected to the extension; and
 - the depreciated value of the assets, calculated on a straight line basis over a period of 20 years for the purpose of the scheme.
- A reimbursement under the Pioneer Scheme will only be paid where the minimum threshold is met. In accordance with the AER's connection charge guideline, the reimbursement threshold is \$ 1,156 for 2020.¹⁰
- Where a reimbursement is payable, the payment is made to the original connection applicant(s) that contributed to the relevant network extension.
- Where the network extension was built by a third party, we estimate the cost of the extension and adopt this as the amount we would have charged to build the extension.
- Where the original extension was built to a higher standard or capacity than the least cost technically acceptable standard required by the original customer, the cost of constructing the network extension to the least cost technically acceptable standard will be used for the purpose of the Pioneer Scheme.
- In relation to real estate developments, the Pioneer Scheme only applies to customers connecting to the extension assets outside the pioneer developer's site boundary and not to premises connecting within the development.
- The Pioneer Scheme replaces our earlier cost sharing arrangements. We will resolve any inconsistencies arising from earlier schemes and the current Pioneer Scheme by exercising reasonable discretion, having regard to the AER's connection charge guidelines and our previous practices.

¹⁰ This figure reflects the AER's threshold of \$1,000 (2012 dollars), updated for CPI. The threshold will be updated annually by applying ABS CPI All Groups, Weighted Average of Eight Capital Cities, March to March Quarter.

2.11 Other cost sharing arrangements

We may offer alternative cost sharing arrangements to those provided by the Pioneer Scheme.

Alternative cost sharing arrangements are specifically designed for circumstances where land adjacent to a development is expected to be rezoned for real estate development. In these cases, it is important that the electricity infrastructure is appropriately sized and the associated costs are shared appropriately between the initial and subsequent customers.

In broad terms, the alternative cost sharing will apply a \$/lot rate to reflect an appropriate contribution to the initial costs of the infrastructure. The calculation of the \$/lot rate and the payment arrangements will be subject to negotiation between us and the developer.

Where these cost sharing arrangements apply, it is not necessary or appropriate to apply the Pioneer Scheme.

3 Basic connection services

3.1 Qualifying conditions

The majority of our new connections for load and solar Photovoltaics (PVs) do not require any augmentation. As such, the connection application process is relatively simple and the connection timeframes are typically within 10 business days from the customer's acceptance of a connection offer.

For a connection to be classified as a basic connection service, the proposed connection must satisfy several qualifying conditions, which are set out in the table below. These qualifying conditions ensure that more complex connections, including those requiring augmentation of the distribution network, are not inappropriately classified as basic connection services.

Table 3-1: Qualifying conditions for basic connection services

Basic <u>connection service</u>	Qualifying conditions
Customer connection to the distribution network	<p>For connection of residential and small business premises where:</p> <ul style="list-style-type: none"> • <u>A</u> low voltage supply with the necessary capacity is available; • <u>Minimal</u> or no augmentation is required; • <u>The maximum connection capacity does not exceed 100A¹¹ in total with no more than 40A per phase;</u> • <u>The connection complies with our technical and metering requirements, as outlined in the relevant <u>MSO</u>; and</u> • <u>The proposed connection is not to a SWER line.</u>
Embedded generator connection to the distribution network	<p>For connection of a micro embedded generator where:</p> <ul style="list-style-type: none"> • <u>A</u> low voltage supply with the necessary capacity is available; • <u>The export capability and inverter capacity is consistent with the requirements of AS4777;</u> • <u>The proposed connection satisfies <u>our</u> safety and technical requirements;¹²</u> • <u>Minimal</u> or no network augmentation is required; • <u>The <u>total maximum export of all micro embedded generating units connected</u> must not exceed:</u> <ul style="list-style-type: none"> ○ <u>5kVA</u> in the case of single-phase connections per phase; and ○ <u>3.5kVA</u> in the case of SWER connections. • <u>The total maximum inverter capacity of all micro embedded generating units connected must not exceed <u>10kVA per phase</u></u>

¹² Our safety and technical requirements are specified in the MSO. It should be noted that these requirements may change from time to time in response to technological developments and operational experience.

¹² Our safety and technical requirements are specified in the MSO. It should be noted that these requirements may change from time to time in response to technological developments and operational experience.

Basic connection service	Qualifying conditions
	<u>and all SWER connections must be assessed on a case by case basis.</u>

Source: AusNet Services, Attachment Model Standing Offer for Basic Connection Services Basic Micro Embedded Generation (Inverter Energy System – Battery, Solar, Wind).

If the above conditions are not satisfied, the connection application will be classified as a standard connection service or negotiated connection service (see Chapters 4 and 5 of this Connection Policy).

It should also be noted that connection applicants who are entitled to a basic connection service or standard connection service have a right to negotiate the terms and conditions of their connection offer. Where the connection applicant prefers a negotiated outcome, the MSO (and the associated processes) for basic connection services do not apply. In these circumstances, we will offer a negotiated connection service (see Chapter 5 of this Connection Policy).

3.2 Basic customer connections to the distribution network

We will provide the following basic connection services for customer connections to the distribution network:

Table 3-2: Basic connection types for customer connections

Connection types	Description
Routine connection of new premises – customers up to 100A	<p>Connection services to customers making connection of a new premise to the network. This service includes:</p> <ul style="list-style-type: none"> • the provision of a service cable in areas with overhead supply; and • making a connection in an existing pit for customers in underground supply areas. <p>See <u>Table 3-3</u> for further details.</p>
Temporary connections and disconnections	Distributors provide temporary connection and/or disconnection services to specific customers on request. This is most commonly used for construction sites, although other examples include blood bank vans and community fetes.

We offer several different types of connections as basic connection services. The table below describes each of these services.

Table 3-3: Routine Connections up to 100A

Service Name	Description
Single overhead (single-phase) connection	<p>Establish a single-phase connection between the connection point at a premises and our distribution system.</p> <p>The connection will be between the connection point and an existing low voltage pole <u>no longer than permitted in the Victorian Service and Installation Rules</u>, on the same side of the street with no requirement to cross another property, and complying with statutory clearance requirements over driveways.¹³</p>
Multi overhead (multiphase) – <u>direct</u> connected meter	<p>Establish a multiphase connection between the connection point at a premises and our distribution system.</p> <p>The connection will be between the connection point and an existing low voltage pole <u>no longer than permitted in the Victorian Service and Installation Rules</u>, on the same side of the street with no requirement to cross another property, and complying with statutory clearance requirement over driveways. The service is dependent upon the requested number of phases being available from existing network assets.</p> <p>A <u>current transformer (CT) connected meter</u> service is also available, but the connection is likely to exceed 100A <u>on any phase a on 3 phase low voltage supply</u> and therefore will be provided as a <u>negotiated connection service</u>.</p>
Single underground (single-phase) connection	<p>Establish a single-phase connection at a connection point between the premises and our distribution system.</p> <p>The connection point will be in an existing service pit or pillar located on the property boundary that has sufficient capacity for the connection requested. The location of the connection point must not require the consumer mains to cross another property.</p>
Multi underground (multiphase) – <u>direct</u> connected meter	<p>Establish a multiphase connection at a 'connection point' between the premises and our distribution system.</p> <p>The connection point will be in an existing service pit or pillar located on the property boundary that has sufficient capacity for the connection requested. The location of the connection point must not require the consumer mains to cross another property.</p> <p>The service is dependent upon the requested number of phases being available from existing network assets.</p> <p>A CT connected meter service is also available, but the connection is likely to exceed 100A <u>on any phase on a 3 phase low voltage supply</u> and therefore will be provided as a <u>negotiated connection service</u>.</p>

¹³ Section 7.4.4 of the Service Installation Rules (SIRs) requires a minimum line clearance of 4.6 metres (including in service sag) over driveways and vehicle accessible areas.

Service Name	Description
Temporary overhead supply	<p>Establish a single-phase connection at a 'connection point' between the premises and our distribution system.</p> <p>The connection point will be on an existing low voltage pole no longer than permitted in the Victorian Service and Installation Rules, on the same side of the street with no requirement to cross another property, and complying with statutory clearance requirements over driveways.</p>

3.3 Basic micro embedded generator connections

For micro embedded generators that qualify as a [basic connection service](#), we conduct an automatic assessment and approval process at no cost to the customer. An expedited application process is available online, whereby the connection application is taken to have accepted our [basic connection service](#) offer by submitting the connection application. Where there [is](#) insufficient information to process an expedited assessment or there are capacity constraints on the network, a manual technical assessment will be undertaken.

[We](#) do not levy a specific connection service fee for basic micro embedded generator connection applications. However, ancillary services may be required of the kind set out in the table below. The cost of these services will be charged to the connection applicant.

Table 3-4: Connection application and management services for micro embedded generation

Service name	Service description
Meter exchange upon installation of a small scale renewable energy generation system	A meter is required to be changed at a site as a result of the installation of a renewable energy installation such as solar generation.
Meter reconfiguration upon installation of a small scale renewable energy generation system	An existing meter is required to be reconfigured at a site as a result of the installation of a renewable energy installation such as solar generation.

3.4 Fees and charges

The following table sets out the fees and charges that may be payable under a [MSO](#) for [basic connection services](#) or [MSO](#) for [basic connection services](#) (Micro Embedded Generation).

Table 3-5: Applicable fees for **basic connection services**

Service charge group	Routine connection of new premises – customers up to 100A	Temporary connections and disconnections	Micro embedded generation
Fees for connection services	✓	✓	✗ ¹⁴
Capital contribution for network extension ¹⁵	✗	✗	✗
Charges for connection augmentation ¹⁶	✗	✗	✗
Capital contribution for network augmentation ¹⁷	✗	✗	✗
Charges for meter type	As required	As required	As required
Minor variations/other incidentals	As required	As required	As required
Reimbursement Payment (Pioneer Scheme) - See section 3.6 below.	As required	✗	As required

3.5 Capital contributions

For **basic connection services**, the connection applicant is not required to pay a **CC** for shared network (upstream) augmentation (such as a requirement to increase the distribution network capacity because of the applicant's connection).

Where a new connection gives rise to a need for a network extension or augmentation of the shared network or existing connection assets, the applicant is required to contribute to the cost of these works. In these circumstances, the connection service is classified as a **standard** or **negotiated connection service** and the relevant provisions described below apply.

3.6 Pioneer Scheme

As explained in section 2.10 **of this Connection Policy, we apply** a Pioneer Scheme in accordance with the AER's connection charge guideline. **To** give effect to this arrangement, a connection applicant may be required to make a reimbursement payment where the proposed connection makes use of a network extension that was initially funded by another customer.

3.7 Payment of connection charges

The total connection charges payable is the sum of the applicable fees and charges set out in

¹⁴ Customers requesting a micro embedded connection will either already have an existing connection service or will request a connection service and pay the relevant service fee for connection to the distribution network.

¹⁵ If a network extension is required, the connection service is a **negotiated connection service**.

¹⁶ If augmentation of the connection assets is required, the connection service is a **negotiated connection service**.

¹⁷ The **basic connection service** does not include connections that require network augmentation.

Table 3-5. We require these charges to be paid as a lump sum at the time the connection offer is accepted, and prior to any construction work being undertaken. Alternatively, the customer may request the connection service through their retailer and the retailer will recover the costs from the customer.

3.8 Further information

Further information on basic connections is available in the following our publications:

- Basic Connections Standing Model Offer; and
- Customer Connection Guide.

These publications, and other related fact sheets, are available from our website: <https://ausnetservices.com.au/New-Connections>

4 Standard connection services

4.1 Qualifying conditions

We offer standard connection services for underground connections that require a network extension, not exceeding a specified distance from the existing low voltage supply. Customers may be eligible for a standard connection service depending on meeting the qualifying conditions for our pole-to-pit MSO.

We currently offer two standard connection services, with additional charges applicable if there is a road crossing or a site-specific Aboriginal cultural heritage due diligence assessment is required. We anticipate adding additional standard connection services during the 2022-26 regulatory period and these will be available on our website: <https://www.ausnetservices.com.au/New-Connections/Electricity-Connections>

A pre-calculated CC calculated in accordance with the formula set out in section 2.7 of this Connections Policy applies to the provision of each standard connection service, and must be paid by the connection applicant in accordance with the MSO. The amount payable is based on average cost and incremental revenue estimates. This approach delivers the following benefits to customers:

- It reduces the volume of customer-specific information required by us to prepare a quote for the connection service; and
- The customer is not required to pay a security deposit, because the capital contribution is based on average data, rather than the customer's particular usage.

We have also identified 'minor variations/other incidentals' that may be required by a customer, where:

- The proposed connection service crosses more than one road; and/or
- A site specific Aboriginal cultural heritage due diligence assessment is required.

To further assist customers, the MSO for standard connection services specifies the costs of these 'minor variations/other incidentals', in addition to specifying the pre-calculated capital contribution for each standard connection service.

The qualifying conditions for each standard connection service closely align with those for basic connection services. The key difference is that for standard connection services, the low voltage supply can be some distance from the customer's premises. Therefore, the qualifying conditions for each standard connection service are:

- A low voltage supply is available with the necessary capacity and within the specified distance from the proposed connection;
- Maximum connection capacity of 100A in total on 3 phase low voltage supply with no more than 40A per phase;
- Compliance with the technical and safety obligations; and
- Connection to a line that is not a SWER line.

We note that the standard connection service applies to single underground extensions, not to connection applications involving multiple underground extensions. If a connection application does not satisfy the qualifying conditions for a standard connection service, the connection will be classified as a negotiated connection service.

4.2 Standard connection to the distribution network

A description of the [standard connection services](#) is set out in the table below. To simplify the presentation of information in Table 4-1, we describe [the underground extension of up to 40 metres to the existing overhead supply for one or two new customers](#).

Table 4-1: Standard connection types for customer connections

Standard connection service	Description
Underground extension (up to 40 metres) to the existing overhead supply, where the service would be used by one new customer	<p>Provision of an underground connection service to a customer's single premises, where requested to do so by the customer, and the proposed connection point is within 40 metres of an existing low voltage pole. This service involves installing an underground service pit and undertaking the necessary trenching and boring.</p> <p>We offer two standard services at different prices, depending on whether the service is single use or dual use. If a road crossing is required, an additional connection service charge applies.</p>
Underground extension (up to 40 metres) to the existing overhead supply, where the service would be used by two new customers	<p>Provision of an underground connection service to a customer's single premises, where requested to do so by the customer, and the proposed connection point is within 40 metres of an existing low voltage pole. This service involves installing an underground service pit and undertaking the necessary trenching and boring.</p> <p>We offer two standard services at different prices, depending on whether the service is for single use (one customer) or dual use (two customers). If a road crossing is required, an additional connection service charge applies.</p>

Source: AusNet Services. Attachment Model Standing Offer for Standard Connection Services Pole-to-Pit Connections

4.3 Fees and charges

The table [below](#) sets out the fees and charges that are payable under a [MSO](#) for the [standard connection services](#). The underground extension to the existing overhead or underground supply does not include [basic connection services](#) for routine new connections and addition of micro EG generation. These [basic connection services](#) must be requested separately.

The table [below](#) simplifies the presentation by only showing the charges that apply for underground extensions to an existing overhead supply or an existing underground supply. The applicable charges are the same in both cases, as they are for each of the [two standard connection services](#) that we offer.

Table 4-2: Applicable fees for the standard connection service

Service Charge Group	Underground extension to the existing overhead supply	Underground extension to the existing underground supply
Fees for the relevant <u>basic connection services</u>	Requested separately	Requested separately
Pre-calculated capital contribution	✓	✓
Minor variations/other incidentals	As required	As required
Reimbursement payment (Pioneer Scheme) - see section 4.5 below.	As required	As required

4.4 Pre-calculated capital contributions

The AER's connection charge guidelines allow distributors to set a pre-calculated CC for connection applicants who are expected to have substantially the same connection service and expected usage characteristics. Pre-calculated CCs are specified in the MSO for Standard Connection Services.¹⁹

The AER's guideline requires that a pre-calculated CC charge must be included in a distribution network service provider's basic or standard connection offers and should:²⁰

- Not create unreasonable cross-subsidisation within the class; and
- Reflect the average or typical CC that would be charged to connection applicants within the class, if the cost-revenue-test was individually applied to each connection applicant's connection service.

To ensure all customers are treated fairly and cross-subsidies are minimised, we have defined our underground connection services so that customers are likely to have similar connection service and usage characteristics.

In addition, as each standard connection service is essentially a basic connection service with a small underground extension, it is important that there is equitable treatment between customers requesting a basic connection service and those requesting a standard connection service. Given this objective, our approach is that a connection applicant for a standard connection service:

- Should pay the AER-approved connection fee for the equivalent basic connection service.
- Should pay the pre-calculated CC; and
- Should not contribute to the augmentation of the shared network, as basic connection service are not subject to these charges

4.5 Pioneer schemes

A connection applicant will be required to make a reimbursement payment where the proposed connection will make use of an existing network mains extension that was funded by an original customer through a CC. However, network extensions that are provided as part of a standard connection service featuring an underground extension to the existing overhead supply are not subject to the Pioneer Scheme, as the reimbursement amount will be below the threshold amount

¹⁹ <https://www.ausnetservices.com.au/-/media/Files/AusNet/New-Connections/Model-Standing-Offer-for-standard-connection-submission.ashx?la=en>

²⁰ AER, Connection charge guidelines for electricity retail customers, June 2012, clause 5.5.2.

(as described in section 2.10 of this Connection Policy). In the case of a [standard connection service](#) including an underground extension to the existing underground supply, the extension is typically provided to real estate developers sub-dividing land and are not subject to Pioneer_Scheme payments.

4.6 Payment of connection charges

The total connection charges payable is the sum of the applicable fees and charges set out in [Table 4-2](#). We require the connection applicant to pay these charges as a lump sum at the time the connection offer is accepted, and prior to any construction work being undertaken.

4.7 Further information

Further information on the [standard connection services](#) is available in the following publications:

- [Standard Connections Model Standing Offer](#); and
- [Customer Connection Guide](#).

These publications, and other related fact sheets, are available from [our website](#): <https://ausnetservices.com.au/New-Connections>

5 Negotiated connection services

This chapter provides information on our negotiated connection services. As previously noted, all connection applicants have the right to negotiate the terms and conditions of their connection offer. Where the connection applicant elects to negotiate the terms and conditions of their connection, the MSOs for basic and standard connection services do not apply.

5.1 Negotiated customer connections to the distribution network

We will provide negotiated connection services for customer connections to the distribution network, as set out in the table below.

Table 5-1: Negotiated connection types for customer connections

Negotiated <u>connection service</u>	Description
Routine connection of new premises – customers over 100A	Routine connection services to customers making connection of a new premise to the network where that customer is above 100A. These services do not require augmentation of the shared network.
New connections requiring augmentation	This service applies in circumstances where: <ul style="list-style-type: none"> • augmentation of the shared network is required; or • a network extension is required outside the scope of a <u>standard connection service</u>; or • alterations are required to existing connection assets.
Rearrangement of existing assets at customer request, excluding alteration and relocation of public lighting assets	Works associated with any rearrangement of existing assets at the customer's request.
Unmetered supply	Unmetered supply is rarely available to connection customers. Telstra and NBN are the primary customers that require unmetered supply.
Enhanced connection services (a specific type of negotiated connection service)	Other or enhanced connection services provided at the request of a customer or third party, including those that are provided: <ul style="list-style-type: none"> • <u>W</u>ith higher reliability standards, or lower reliability standards (where permissible) than those specified in the NER or any other applicable regulatory instruments. This includes reserve feeder installation and maintenance. • <u>A</u>t service levels or plant ratings in excess of those required by the regulatory framework to be provided by <u>us</u>.

5.2 Negotiated embedded generation connections

Where an embedded generator connection does not qualify for the basic micro embedded generation connection then we will offer a negotiated connection service. We will undertake a manual assessment of the PV and small generator installation applications (described in the table below) to determine the technical implications of the proposed connection.

As noted in , a low voltage supply must be available to obtain a negotiated embedded generation connection service. If it is not, a connection application must be made concurrently. Where the connection applicant is also seeking a connection to the distribution network, the network requirements arising from the proposed connection of the embedded generator are considered at the same time. The CC for non-registered embedded generators that are also load customers is calculated based on the total cost of the works required to support both the generation (expected electricity output) and load components of the connection service.

For embedded generators above 5 MW, the contribution may also include an amount to reflect the tax we incur on the capital component of the expenditure, netting off the present value of the reverse cash flow resulting from the depreciation of the CC.

Table 5-2: Approval services for embedded generator connections

Service name	Description
Manual assessment of PV & small generator installation enquiry, 4.6_kW to 15_kW.	These services involve <u>us</u> manually assessing whether or not the connection of a PV or small generator installation at a particular site will have any technical implications for its upstream distribution network and require further augmentation.
Manual assessment of PV & small generator installation enquiry, 15_kW to 30_kW.	This only occurs in situations where a request for preliminary assessment of whether a DER connection would be allowed without network augmentation application is referred by the online site approval web portal for manual assessment.
Manual assessment of PV & small generator installation enquiry, 30_kW to 1.5_MW	A manual assessment will be performed on a quoted basis.

As part of the pre-approval process, we may recommend the customer install an export-limiting device to avoid incurring the cost of upstream augmentation. If the embedded generation applicant chooses not to install an export-limiting device, these augmentation costs would otherwise fall on us and other network customers. In these circumstances, the embedded generation connection applicant must obtain a 'new connection requiring augmentation' service and pay the associated connection costs.

The following ancillary services may also be required on completion of the embedded generation connection.

Table 5-3: Connection application and management services for embedded generation connections

Service name	Service description
Meter exchange upon installation of a small scale renewable energy generation system	The meter at the site must be changed as a result of the installation of a renewable energy installation such as solar generation.
Meter reconfiguration upon installation of a small scale renewable energy generation system	The existing meter at the site must be reconfigured as a result of the installation of a renewable energy installation such as solar generation.

5.3 Fees and charges

The fees and charges that are payable for a [negotiated connection service](#) are subject to negotiation with us. We will determine:

- The technical requirements for the proposed new connection or connection alteration;
- The extent and costs of any necessary augmentation of the distribution system; and
- Any consequent change in charges for distribution use of system services.

In accordance with clause 5A.C.4 of the NER, we charge the connection applicant a reasonable fee (a [negotiation application fee](#)) to cover expenses directly and reasonably incurred by us in assessing the application and making a connection offer.

The table below summarises the applicable fees for [negotiated connection service](#).

Table 5-4: Connection charges for [negotiated connection services](#)

Fees and charges	Routine connections over 100A ²³	New connections requiring augmentation	Re-arrangement of existing assets	Unmetered supply	Embedded generation
Pre-approval service	✗	✗	✗	✗	✓
Negotiation application fee	✗	✓	✗	✓	✓
Design and construction of connection assets	As required	As required	As required	As required	As required
Capital contribution for network extension	✗	As required	✗	As required	As required
Capital contribution for network augmentation	✗	As required	As required	✗	As required

²³ This service applies where there is no augmentation of the shared network required. If the connection requires augmentation, the charges for “New connections requiring augmentation” would apply.

Fees and charges	Routine connections over 100A ²³	New connections requiring augmentation	Re-arrangement of existing assets	Unmetered supply	Embedded generation
<u>Tax cost</u>	✗	✗	✗	✗	<u>As required</u>
Charges for meter type	As required	As required	As required	✗	As required
Minor variations/other incidentals	As required	As required	As required	As required	As required
Reimbursement Payment (Pioneer Scheme) - see section <u>5.6</u>	✓	✓	✓	✗	✗ ²⁴

5.4 Augmentation threshold

As shown in Table 5-4 (above), a CC for network extension or shared network augmentation may apply to some connections. However, a CC is not payable if the capacity of the connection does not exceed the following threshold:²⁵

- 10 kVA for a connection to a SWER line; or
- A maximum capacity of 100A single phase, or 100A per each phase of a multi-phase low voltage supply elsewhere in our distribution network.

The rationale for these thresholds is explained in section 2.7 of this Connection Policy. Any CC is calculated in accordance with the formula, which is also set out in section 2.7 of this Connection Policy.

5.5 Payment of connection charges

The total connection charges payable are the sum of the applicable fees and charges set out in Table 5-4. We require these charges to be paid as a lump sum at the time the connection offer is accepted, and prior to any construction work being undertaken.

5.6 Pioneer scheme

As already noted, the Pioneer Scheme operates to ensure a fair sharing of network extension costs between existing and future customers.

A connection applicant may be required to make a reimbursement scheme payment where the connection will make use of a network extension that is subject to the Pioneer Scheme (i.e. the network extension was funded by an original customer via a CC).

Further detail on the application of the Pioneer Scheme, see section 2.10 of this Connection Policy.

²⁴ As the connection to the distribution network is a qualifying condition for this service, any reimbursement relating to a pioneer scheme would be made as part of the load connection.

²⁵ No augmentation fee is payable if the connection service is offered under the terms and conditions of a basic connection offer (see section 2.7 of this Connection Policy) or a standard connection offer (see section 4.4 of this Connection Policy).

5.7 Security deposits and fees

We may require a connection applicant to provide a security deposit and may withhold a security fee from the deposit where:

- The customer fails to take supply/utilise the capacity of the new or additional assets within the first three years of supply being made available; or
- The customer discontinues the use of the supply without warning; or
- The customer's actual consumption is less than the amount estimated in calculating the CC.

Further information on the application of security deposits and fees is contained in section 7.2 of this Connection Policy.

5.8 Minimum demand agreements

As an alternative to charging a security deposit for a single site connection with minimum demand exceeding 50 kVA, we may negotiate a minimum demand agreement with the customer. Under this arrangement, the customer agrees to be assigned to a minimum demand-based network tariff for a specified period. This approach gives us greater certainty about our ability to recover the costs we incur when providing the connection service. The terms of any such agreement will depend on the circumstances and will be subject to negotiation.

5.9 Further information

Further information on negotiated connections is available from our website: <https://ausnetservices.com.au/New-Connections>

6 Real estate developers

6.1 Overview

Real estate developers are responsible for the design and construction of electrical reticulation and connection assets within the boundaries of their property development. For this [Connection Policy](#), real estate development includes the commercial development of land in one or more of the following ways:

- [R](#)esidential housing and commercial / industrial subdivisions;
- [C](#)onstruction of commercial and / or industrial premises (e.g. shopping centres); and
- [C](#)onstruction of multiple new residential premises.

Connecting real estate developments to [our](#) distribution network typically involves extending the distribution network and augmenting the upstream network. These works are necessary to ensure the network is sized to allow for the expected future electricity demand from the development.

All connections for real estate developments are subject to a Negotiated Connection Offer. Connection applications for real estate development connections will only be accepted from the real estate developer.

6.2 Connection charges

The connection charges for real estate developments are summarised in the table below:

Table 6-1: Applicable charges for [negotiated connection services](#)

Fees and charges	Applicable to a negotiated connection service ?
Negotiation Application Fee	✓
Design and construction of connection assets	As required
CC for network extension and/or modification	As required
CC for network augmentation	As required
Charges for meter type	As required
Minor variations/other incidentals	As required
Reimbursement Payment (Pioneer Scheme)	As required

These charges relate solely to the connection of the real estate development to the distribution network, and are additional to any costs the real estate developer may incur in the design and construction of reticulation assets within the development.

The connection charges are payable in accordance with the terms and conditions set out in [our negotiated connection offer](#).

6.3 Capital contributions

The [CCs](#) for augmentation of the shared network are calculated in accordance with section 2.7 of this Connection Policy, with the exception that the augmentation threshold does not apply (as mandated by the AER's connection charge guidelines and the NER).

A real estate developer is treated as a single customer for the purpose of calculating a **CC**. The estimated incremental revenue from the development includes all the sites/connection services within a real estate development. The incremental costs may include the costs of the connection services and the efficient cost of providing for forecast demand.

6.4 Pioneer **s**cheme

Real estate developers seek to recover their connection costs through the sale of real estate. As such, it is not appropriate to require customers within a development to make payments to share the connection costs. Therefore, developers are typically not entitled to receive the reimbursement payments under the Pioneer Scheme.

There is an exception for line extensions that are outside the developer's site boundary. Under this exception, a developer may receive a rebate if that line extension is later used by a subsequent real estate development outside the initial development. Similarly, developers may be required to make a reimbursement scheme payment where their development makes use of a network extension that is subject to a Pioneer Scheme (i.e. that was funded by an original customer via a **CC**).

As explained in section 2.10 of this Connection Policy, **we** may negotiate alternative cost sharing arrangements with developers, under which a charge is levied on a \$/lot basis. Such arrangements may be a more efficient and administratively simpler way to ensure effective cost sharing.

6.5 Payment of connection charges

The total connection charges payable by the connection applicant is the sum of the applicable fees and charges set out in Table 6-1 above. At **our** discretion, the payment terms may be subject to negotiation between the parties. In the absence of mutually acceptable terms, the connection cost must be paid as a lump sum at the time the connection offer is accepted, and prior to any construction work being undertaken.

6.6 Security deposits and fees

We require the developer to provide a security deposit and may charge the customer a security fee from the deposit to mitigate the risks to **us from** the development, including the risk that **we** may not recover the projected future revenue from the provision of standard control services.

Further details of the application of security fees are provided in section 7.2 of this Connection Policy.

6.7 Further information

Further information for connection of real estate developments please contact us by calling 1300_360_795 or emailing us via supplyrequest@ausnetservices.com.au.

7 Other matters

7.1 Contestable services

There are certain tasks in the connection process that only we can undertake for safety or operational reasons, such as auditing third party network system designs and connection assets. We will allow customers to arrange most other works, including the tendering and construction of extension works. Works that can be undertaken by a third party are “Contestable Services”, and typically include:

- Project management;
- Some design, including surveying and drafting services; and
- Construction, which includes the provision of all materials and ‘as-constructed’ plans.

The cost of Contestable Services depends on several variables, including:

- The distance of line extension to the property;
- Addressing environmental considerations (such as impacts on trees) or overcoming objections from third parties;
- The type and size of equipment used to provide the amount of supply requested; and
- Meeting regulatory requirements, such as those applied by the Victorian Government and local Councils.

A customer can elect to use an Approved Contractor (instead of us) to provide Contestable Services. An Approved Contractor has demonstrated to us that they have the necessary qualifications, training, experience, and quality systems of work to provide the Contestable Services lawfully and safely. If the customer elects to use an Approved Contractor, the customer can request that we conduct the tender exercise on their behalf. A fee applies for this service.

All Contestable Services designs are subject to approval by us. This ensures the designs are technically appropriate and have considered the overall impact and potential future needs of the electricity network.

When the customer chooses an Approved Contractor to perform Contestable Services, we may require a Refundable Guarantee from the customer to cover any costs associated with fixing faults or defects that may arise from the contractor’s work. Any unused portion of the Refundable Guarantee will be returned after one year from the completion of the connection works.

A compliance audit of the Approved Contractor’s work must be completed to ensure compliance with our construction standards prior to connecting to our system. This inspection is necessary as we are responsible for the safety and future maintenance of the line after connection occurs. The customer must pay the Audit Fee for this inspection and any necessary subsequent inspections.

7.2 Charges for connection services classified as alternative control services

Alternative control services are customer specific or customer-requested services. Where alternative control services are provided by us, the full cost of the service can be recovered from the customers using that service.

Alternative control services are charged on either:

- Fixed fee basis – this is where the scope of the connection service is predictable and the AER has approved a fee for the service, for example basic connection and public lighting operation, maintenance, repair and replacement of public lighting services.

- Quoted basis – using the labour rates approved by the AER, along with a pass through of material, contractor costs and tax. We determine charges on a quoted basis where the scope of the service vary significantly between customer requests and prices can only be determined when the scope of the work is known.

Our method for determining the charge for a connection service on a quoted basis is set out below.

$$\text{Price} = \text{Labour} + \text{Contractor Services} + \text{Materials} + \text{Tax}$$

Where Labour consists of all labour costs directly incurred in the provision of the service which may include labour on-costs, fleet on-costs, overheads and margin. Labour is escalated annually by:

$$(1 + \Delta CPI_t)(1 - X_t^i)$$

Where:

ΔCPI_t is the annual percentage change in the ABS consumer price index (CPI) All Groups, Weighted Average of Eight Capital Cities from the December quarter in year $t-2$ to the June quarter in year $t-1$.

X_t^i is the X factor for service i in year t , incorporating annual adjustments to the PTRM for the trailing cost of debt where necessary.

Contractor Services reflect all costs associated with the use of external labour including overheads and any direct costs incurred. The contracted services charge applies the rates under existing contractual arrangements. Direct costs incurred are passed on to the customer.

Materials reflect the cost of material directly incurred in the provision of the service, material storage and logistics on-costs and overheads.

Tax is an amount, if any, equal to the tax costs in present value terms arising from the provision of the service to a customer, netting off the net present value of the reverse cash flow resulting from the depreciation of the capital contribution.

7.3 Security deposits and fees

In certain circumstances, we may require the payment of a security deposit or bank guarantee and may withhold a security fee from the deposit. We do this in circumstances where we consider there is a significant risk that we may not earn the estimated incremental revenue from the connection services we provide. If a security deposit is charged, we may require an amount to be paid upfront, or we may require a financial security²⁷ to be provided for an amount which is the lesser of:

- The incremental revenue at risk of non-recovery; and
- The incremental cost incurred by us in providing the connection service.

Under these circumstances, where the security deposit is provided as an upfront payment, we will rebate the security deposit via annual instalments, with the annual rebate being:

- Any interest earned on the security, calculated at the interest rate (cost of debt) approved by the AER for the current revenue determination; plus
- The lesser of:
 - the actual incremental revenue received from the customer for the year; or

²⁷ Such as a bank guarantee.

- the security deposit that was paid for that year.

We will not require a security deposit:

- For an amount that exceeds the value of the incremental revenue which is at risk of not being recovered;
- For an amount that exceeds the present value of the incremental costs incurred by us; or
- Where the total value of the network augmentation or connection asset augmentation is valued at less than \$10,000.

7.4 Dispute resolution

If a connection applicant wishes to dispute our connection charges or the terms and conditions of a connection agreement, disputes are managed in accordance with our Customer Complaint and Dispute Resolution Policy and the principles of the International Standard ISO 10002. A copy of the Customer Complaint and Dispute Resolution Policy is available from our website: <https://www.ausnetservices.com.au/Misc-Pages/Links/Contact-Us>

We will endeavour to resolve any disputes in a timely, fair and transparent manner.

A connection applicant is entitled to refer a dispute to the AER. Information on the AER's customer connection dispute resolution process is available on its website: <http://www.aer.gov.au/about-us/dispute-resolution>.

Glossary

Abbreviation	Full Name
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
CC	Capital Contribution
CPI	Consumer Price Index
<u>CT</u>	<u>Current Transformer</u>
DUOS	Distribution Use of System
EG	Embedded Generation
ICCS	Incremental Cost Customer Specific
ICSN	Incremental Cost Shared Network
IR	Incremental Revenue
kVA	Kilovolt amperes
<u>MSO</u>	<u>Model Standing Offer</u>
PV	Photovoltaic
<u>REFCL</u>	<u>Rapid Earth Fault Current Limiters</u>
<u>SWER</u>	<u>Single-wire earth return</u>

Definitions

Alternative Control Services	A distribution service provided by AusNet Services that the AER has classified as an Alternative Control Service under the NER.
Approved Contractor	A contractor approved by AusNet Services that can provide Contestable Services.
Augmentation	Work to enlarge the distribution system or to increase its capacity to distribute electricity.
Australian Energy Regulator (AER)	The AER is an independent statutory authority that is part of the Australian Competition and Consumer Commission. The AER is responsible for the economic regulation of electricity networks in the National Electricity Market.
Basic <u>connection service</u>	A connection service that meets the requirements for a Basic Connection Offer as set out in Chapter 3 of this Connection Policy.
Capital Contribution <u>(CC)</u>	A capital contribution may be charged where a network extension, augmentation or connection assets are required for a new connection or alteration in accordance with this policy.
Codified Area	Defined under the Electricity Safety (Bushfire Mitigation) Regulations as 'Electric Line Construction' areas.
Connection	A physical link between a distribution system and a retail customer's premises to allow the flow of electricity.
Connection alteration	An alteration to an existing connection including an addition, upgrade, extension, expansion, augmentation or any other kind of alteration.
Connection applicant	An applicant for a connection service who is either a retail customer; retailer or other proxy for a retail customer, or a real estate developer.
Connection application	An application made under clause 5A.D.3 of the NER.
Connection assets	Those components of a transmission or distribution system which are used to provide connection services. Connection assets are those assets required to connect an electrical installation to the shared network and are all the assets from the connection point back up to and including the network coupling point.
Connection charge	A charge imposed by a Distribution Network Service Provider for a connection service.
Connection contract	A contract formed by the making and acceptance of a connection offer.
Connection offer	An offer by a Distribution Network Service Provider to enter into a connection contract with a retail customer or a real estate developer.

Connection point	The agreed point of supply established between Network Service Provider(s) and another Registered Participant, Non-Registered Customer or franchise customer.
Connection policy	A document, approved as a connection policy by the AER under Chapter 7, Part E of the NER.
Connection service	Means either or both of the following: (a) a service relating to a new connection for premises; (b) a service relating to a connection alteration for premises.
Contestable Service	A service is contestable where it can be provided on a competitive basis. Contestable Services can be provided by AusNet Services or an Approved Contractor.
Customer	A person or entity that receives, or wants to receive a supply of electricity for a premises, or any other distribution service from AusNet Services.
Distribution Network Service Provider	A person that owns, controls or operates a Distribution Network and the associated connection assets. AusNet Services is a distribution network service provider.
Distribution system	The electrical system used to transport electricity from the high voltage transmission network connection point to distribution network users.
Distribution Use of System (DUOS) charge	The component of the network tariffs which covers costs associated with connection services and/or use of the distribution network for the conveyance of electricity.
Energy	The amount of electricity consumed by a consumer over a period of time. Energy is measured in terms of watt hours, such as kilowatt hours (kWh), megawatt hours (MWh) or gigawatt hours (GWh).
Extension	Work that involves the construction and connection of a power line or facility outside the present boundaries of the distribution network owned, controlled or operated by AusNet Services.
National Electricity Rules	Rules made under the National Electricity Law which govern the operation of the National Electricity Market.
Negotiated <u>connection service</u>	A connection service that is not a <u>basic connection service</u> or a <u>standard connection service</u> .
New connection	A connection established or to be established, in accordance with Chapter 5A of the NER and applicable energy laws, where there is no existing connection.
Non-registered embedded generator	An embedded generator that is neither a micro embedded generator nor a Registered Participant.
Original customer	The connection applicant who triggered the requirement and paid for the construction of an extension asset.
Pioneer scheme	A scheme to enable original customers to receive a partial refund of their capital contributions where the network extension funded by the capital contribution is subsequently used by other customers.

Real Estate Developer	A person who carries out a real estate development.
Real estate development	The commercial development of land including its development in one or more of the following ways: (a) subdivision; (b) the construction of commercial or industrial premises (or both); (c) the construction of multiple new residential premises.
Registered participant	A person who is registered by AEMO in any one or more of the categories listed in rules 2.2 to 2.7 of the NER (in the case of a person who is registered by AEMO as a Trader, such a person is only a Registered Participant for the purposes referred to in rule 2.5A of the NER). However, as set out in clause 8.2.1(a1), for the purposes of some provisions of rule 8.2 of the NER only, AEMO, Connection Applicants, Metering Providers and Metering Data Providers who are not otherwise Registered Participants are also deemed to be Registered Participants.
Standard connection service	A connection service that meets the requirements for a Standard Connection Offer as set out in Chapter 4 of this Connection Policy
