



FINAL DECISION
Essential Energy
Distribution Determination

2019 to 2024

Attachment 12
Classification of services

April 2019

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Note

This attachment forms part of the AER's final decision on the distribution determination that will apply to Essential Energy for the 2019–2024 regulatory control period. It should be read with all other parts of the final decision.

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

The final decision includes the following attachments:

Overview

Attachment 1 – Annual revenue requirement

Attachment 2 – Regulatory asset base

Attachment 4 – Regulatory depreciation

Attachment 7 – Corporate income tax

Attachment 9 – Capital expenditure sharing scheme

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A Service classification for Essential Energy's distribution services for the 2019–24 regulatory period4

A Service classification for Essential Energy's distribution services for the 2019–24 regulatory period¹

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

¹ The examples and activities listed in the 'Further description' column are not intended to be an exhaustive list and some distributors may not offer all activities listed. Rather the examples provide a sufficient indication of the types of activities captured by the service.

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

| Service group/Activities included | Further description | Current Classification 2014–19 | Proposed classification 2019–24 |
|-----------------------------------|--|--------------------------------|---------------------------------|
| | separately classified including any activity relating to that service. | | |

Ancillary services – Services closely related to common distribution services but for which a separate charge applies.

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

| Service group/Activities included | Further description | Current Classification 2014–19 | Proposed classification 2019–24 |
|---|--|--------------------------------|---------------------------------|
| | <p>by applicants</p> <ul style="list-style-type: none"> 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. | | |
| Contestable network commissioning and decommissioning | The commissioning and decommissioning of network equipment associated with ASP Level 1 contestable works. Includes equipment checks, tests and activities associated with setting or resetting network protection systems and the updating of engineering systems. | Alternative control | Alternative control |
| Access permits, oversight and facilitation | <p>Activities include:</p> <ul style="list-style-type: none"> a distributor issuing access permits or clearances to work to a person authorised to work on or near distribution systems including high and low voltage. a distributor issuing confined space entry permits and associated safe entry equipment to a person authorised to enter a confined space. a distributor providing access to switch rooms, substations and the like to a non-LNSP party who is accompanied and supervised by a distributor's staff member. May also include | Alternative control | Alternative control |

| Service group/Activities included | Further description | Current Classification 2014–19 | Proposed classification 2019–24 |
|---|--|--------------------------------|---------------------------------|
| | <p>a distributor providing safe entry equipment (fall-arrest) to enter difficult access areas.</p> <ul style="list-style-type: none"> specialist services (which may involve design related activities and oversight/inspections of works) where the design or construction is non-standard, technically complex or environmentally sensitive and any enquiries related to distributor assets. facilitation of generator connection and operation of the network. facilitation of activities within clearances of distributor’s assets, including physical and electrical isolation of assets. provision of approved materials/equipment to ASPs for connection assets that will become part of the shared distribution network. assessing an application from an ASP or manufacturer to consider approval of alternative material and equipment items that are not specified in the distributor’s approved materials list. | | |
| Notices of arrangement and completion notices | A distributor may be required to perform work of an administrative nature where a local council requires evidence in writing from the distributor that all necessary arrangements have been made to supply electricity to a development. This may include receiving and checking subdivision plans and 88 B | Alternative control | Alternative control |

| Service group/Activities included | Further description | Current Classification 2014–19 | Proposed classification 2019–24 |
|-----------------------------------|--|--------------------------------|---------------------------------|
| | <p>instruments, copying subdivision plans, checking and recording easement details, assessing supply availability, liaising with developers if errors or changes are required and preparing notifications of arrangement.</p> <p>A distributor may also be required to provide a completion notice (other than a notice of arrangement). This applies where the customer/developer or ASP requests distributor to provide documentation confirming progress of work. Usually associated with discharging contractual arrangements (e.g. progress payments) to meet contractual undertakings.</p> | | |
| Network related property services | <p>Property tenure services related to obtaining deeds of agreement, deeds of indemnity, leases, easements or other property tenure in relation to property rights associated with connection or relocation.</p> <p>Conveyancing inquiry services relating to the provision of property conveyancing information at the request of a customer.</p> | Alternative control | Alternative control |
| Site establishment services | <p>Activities include, but not limited to:</p> <ul style="list-style-type: none"> Site establishment, including liaising with the Australian Energy Market Operator (AEMO) or market participants for the purpose of establishing NMIs in market systems, for new premises or for any existing premises for which AEMO requires a new NMI and for validation of and updating network load data. This includes processing and assessing | Alternative control | Alternative control |

| Service group/Activities included | Further description | Current Classification 2014–19 | Proposed classification 2019–24 |
|-----------------------------------|--|--------------------------------|---------------------------------|
| | <p>requests for a permanently unmetered supply device.</p> <ul style="list-style-type: none"> • Site alteration, updating and maintaining national metering identifier (NMI) and associated data in market systems. • NMI extinction, processing a request by the customer or their agent for permanent disconnection and the extinction of a NMI in market systems. • Confirming or correcting metering or network billing information in market business to business or network billing systems, due to insufficient or incorrect information received from retailers or metering providers. | | |
| Network safety services | <p>Examples include:</p> <ul style="list-style-type: none"> • provision of traffic control services by the distributor where required • fitting of tiger tails, high load escort • de-energising wires for safe approach (e.g. for tree pruning) • work undertaken to determine the cause of a customer fault where there may be a safety impact on the network or related component • Neutral integrity test – where customers request the distributor to investigate the occurrence of mild electric shocks within a customer’s premises to determine whether the fault exists within the customer’s installation or on the | N/A | Alternative control |

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

| Service group/Activities included | Further description | Current Classification 2014–19 | Proposed classification 2019–24 |
|--|---|--------------------------------|---------------------------------|
| | service outside of normal business hours. | | |
| Attendance at customers' premises to perform a statutory right where access is prevented. | A follow up attendance at a customer's premises to perform a statutory right where access was prevented or declined by the customer on the initial visit. This includes the costs of arranging, and the provision of, a security escort or police escort (where the cost is passed through to the distributor). | Alternative control | Alternative control |
| Inspection services – Private electrical installations and accredited service providers (ASPs) | <p>Inspection of and reinspection by a distributor, for safety purposes, of:</p> <ul style="list-style-type: none"> • private electrical wiring work undertaken by an electrical contractor and contestable works undertaken by ASPs. • the investigation, review and implementation of remedial actions that may lead to corrective and disciplinary action of an ASP due to unsafe practices or substandard workmanship. • private inspection of privately owned low voltage or high voltage network infrastructure (i.e. privately owned distribution infrastructure before the meter). | Alternative control | Alternative control |
| Provision of training to third parties for network related access | Training services provided to third parties that result in a set of learning outcomes that are required to obtain a distribution network access authorisation specific to a distributor's network. Such learning outcomes may include those necessary to demonstrate competency in the distributor's electrical safety | N/A | Alternative control |

| Service group/Activities included | Further description | Current Classification 2014–19 | Proposed classification 2019–24 |
|--|---|--------------------------------|---------------------------------|
| | rules, to hold an access authority on the distributor’s network and to carry out switching on the distributor’s network. Examples of training might include high voltage training, protection training or working near power lines training. | | |
| Security lights | Customer requested flood lighting services | N/A | Alternative control |
| Off-peak conversion | Customer requested alteration of load control equipment for the purposes of converting a customer from peak to off-peak electricity supply. | Alternative control | Alternative control |
| Authorisation of ASPs | <p>Activities include</p> <ul style="list-style-type: none"> annual authorisation of individual employees and sub-contractors of ASPs and additional authorisations at request of ASP and other administrative services performed by the distributor relating to work performed by an ASP, and | Alternative control | Alternative control |
| Customer initiated asset relocations | <p>Relocation of assets that form part of the distribution network in circumstances where the relocation was:</p> <ul style="list-style-type: none"> initiated by a third party (including a customer); or could impact the safety or security of the network. | N/A | Alternative control |
| Termination of cable at zone substation – distributor required performance | <p>The termination of cable at zone substations and first joint out, where:</p> <ul style="list-style-type: none"> a work health and safety assessment determines that an | N/A | Alternative control |

| Service group/Activities included | Further description | Current Classification 2014–19 | Proposed classification 2019–24 |
|---|---|--------------------------------|---------------------------------|
| | <p>ASP should not be given the required access to the zone substation; and</p> <ul style="list-style-type: none"> the connection is fully dedicated to the specific customer connecting. | | |
| <p>Metering services – The NSW distributors will remain responsible for the provision of type 5 and 6 meters up to 30 November 2017 in their respective distribution areas. They will continue to be responsible for those meters until they are replaced (and entitled to levy associated charges). We refer to these meters as ‘legacy meters’. New meters (that will be type 1 to 4 meters) installed from 1 December 2017 are referred to as ‘contestable meters’.</p> | | | |
| Type 1 to 4 metering services | Type 1 to 4 meters and supporting services are competitively available. | Not classified | Not classified |
| Type 5 and 6 meter provision (prior to 1 December 2017) | Recovery of the capital cost of type 5 and 6 metering equipment installed prior to 1 December 2017. | Alternative control | Alternative control |
| Type 7 metering services | <p>Administration and management of type 7 metering installations in accordance with the NER and jurisdictional requirements. Includes the processing and delivery of calculated metering data for unmetred loads, and the population and maintenance of load tables, inventory tables and on/off tables.</p> | Standard control | Standard control |
| Types 5 and 6 meter maintenance, reading and data services (legacy meters) | Meter maintenance covers works to inspect, test, maintain and repair meters. Meter reading refers to quarterly or other regular reading of a meter. Metering data services are those that involve | Alternative control | Alternative control |

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

| Service group/Activities included | Further description | Current Classification 2014–19 | Proposed classification 2019–24 |
|--|--|--------------------------------|---------------------------------|
| Meter recovery and disposal – type 5 and 6 (legacy meters) | Activities include: <ul style="list-style-type: none"> at the request of the customer or their agent to remove and dispose of type 5 or 6 current transformer (CT) meters where a permanent disconnection has been requested. disposing of type 5 or 6 whole current (WC) meters which may otherwise be removed and disposed of by the incoming metering provider. | N/A | Alternative control |
| Distributor arranged outage for purposes of replacing meter | At the request of a retailer or metering coordinator provide notification to affected customers and facilitate the disconnection/reconnection of customer metering installations where a retailer planned interruption cannot be conducted. | N/A | Alternative control |
| Customer requested provision of additional metering/consumption data | Customer requested provision of data in excess of requirements under rule 28 of the National Electricity Retail Rules (two requests per annum are permitted under this rule). | Alternative control | Alternative control |
| Connection services² | | | |
| Premises connection assets | Includes any additions or upgrades to the connection assets | A. Not classified | A. Alternative control |

² Includes connections made under Chapter 5 and 5A of the NER

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

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

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

| Service group/Activities included | Further description | Current Classification 2014–19 | Proposed classification 2019–24 |
|--|---|--------------------------------|---------------------------------|
| | <ul style="list-style-type: none"> • reserve or duplicate supplies (beyond what a distributor is required to provide). • unless a work health and safety assessment determines that an ASP should not be given the required access, the termination of cable at zone substations and first joint out (where the connection is fully dedicated to the specific customer connecting). • Inspection, maintenance (including fault and emergency) and testing of customer assets including HV assets. Including standard distribution and sub-transmission type assets but excluding emerging technology assets such as PV, batteries. | | |
| Public lighting | | | |
| Public lighting | Provision, construction and maintenance of public lighting and emerging public lighting technology. | Alternative control | Alternative control |
| Unregulated distribution services | | | |
| Distribution asset rental | Rental of distribution assets to third parties (e.g. office space rental, pole and duct rental for hanging telecommunication wires etc.). | N/A | N/A |

| Service group/Activities included | Further description | Current Classification 2014–19 | Proposed classification 2019–24 |
|---|--|--------------------------------|---------------------------------|
| Contestable metering support roles | Includes metering coordinator (except where the distributor is the initial metering coordinator), metering data provider and metering provider for meters installed or replaced after 1 December 2017. | N/A | N/A |
| Provision of training to third parties for non-network related access | Training programs provided to third parties, which are not ASPs or contractors. | N/A | N/A |
| Type 5 and 6 meter data management to other electricity distributors | The provision of type 5 and 6 meter data management to other electricity distributors. | N/A | N/A |

Non-distribution services – Although this table relates to distribution services, we have included the below non-distribution services provided by Essential Energy for clarity.

| | | | |
|-------------------|--|-----|--------------------------|
| Generation assets | Non-standard control generation assets. E.g. Nymboida and Oaky Hydro and Western Plains Zoo Solar in NSW | N/A | Non-distribution service |
| Water | Broken Hill and Water Rights as (the former) Nymboida Hydro Plant in NSW | N/A | Non-distribution service |