Framework and approach

Evoenergy (ACT)

Regulatory control period commencing 1 July 2024

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AUSTRALIAN ENERGY REGULATOR

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Executive summary

The Framework and Approach (F&A) process is the first step in a two-year regulatory process to determine efficient prices for electricity distribution and transmission services. It determines which services we will regulate, and why, and, the broad nature of the regulatory arrangement. This includes whether we regulate prices in the form of a price or revenue cap and the incentives schemes we intend to apply for the next regulatory control period. We also need to set out our position on service classification as this determines the share of costs borne by customers. The F&A sets the foundation for the regulatory reset and the revenue proposal.

Dealing with uncertainty in an energy market under transition

The F&A process for the 2024–29 regulatory control period is being produced at a monumental time, with the considerable evolution in the energy market. We are beginning to see exciting growth, with the rapid uptake of new technologies, recent and ongoing regulatory changes, increased distributed energy resources (DER) penetration, potential investments in community batteries and the consequent transition of networks to platforms for services, has introduced the possibility of a range of new services distribution networks want to provide.

The move of traditional network businesses towards a Distribution System Operator (DSO) model will change the way that networks and consumers interact, as well as with third-party providers who may provide some of the services of the future. The pace of this evolution is something that networks, customers and regulators are avidly assessing, and there is the potential for new services to drive considerable benefits for both networks and consumers. There are nevertheless still questions surrounding the new business models and competing providers and policies that may emerge.

In response to changes in the regulatory environment the businesses involved in this reset, made requests to amend and replace their F&As, and for the AER to consider a number of new services. This included rule changes recognising two way energy flows and the treatment of regulated stand-alone power systems (SAPS). It is not expected that each network will be impacted in the same way by the emergence of new technologies, and this has factored into our consideration of proposed new services. For example, network ownership of community batteries is not expected to play a large role in all jurisdictions

There are a number of ongoing processes, both internal and external which may affect the positions we have outlined in this document. This includes work by the Energy Security Board (ESB) (National Electricity Market (NEM) 2025), the Australian Electricity Market Committee (AEMC) metering review, and our own incentives review. The stimulation of the market for emerging services is something we will continue to monitor with interest given the potential for it to drive outcomes in the long term interests of the consumers. Where required, we will continue to and make appropriate changes, where we are presented with a material change in circumstances.

Summary of positions

This F&A has been the subject of wide consultation with a range of stakeholders and has also dived into complex and sometimes contentious issues. Through this extensive process, we have arrived at the below positions on key issues:

- We are proposing to list activities related to ***regulated SAPS as part of the common distribution service.***
- We are proposing to ***include exports as a part of the common distribution service*****,** which will not be listed separately.
- We are not proposing to list the ***leasing of excess battery capacity*** as an unregulated distribution service.
- We are not proposing to classify a new separate **asset facilitation service** for the leasing of excess battery capacity.
- We are not proposing to classify or list ***system support services*** at this stage, and will consider it further as a material change in circumstance if required.
- We are proposing to align **connection services** with the **terminology** used in Chapter 5A of the National Electricity Rules.
- We are maintaining a **revenue cap** as the form of control for standard control services.
- We are maintaining a **price cap** as the form of control for alternative control services.
    - We have added a margin and tax to the formula for calculating quoted ancillary network services.
- We are proposing to apply the same **incentives** as were approved for the current 2019-24 regulatory control period, including the new customer service incentive scheme.
    - We intend to apply any outcomes from our incentives review.
- We will apply the **Expenditure assessment guideline.**
- We will apply **forecast depreciation.**

Providing flexibility

We consider that the new battery-related services proposed by the networks are being delivered in an embryonic market. Our position of maintaining a number of the current arrangements will allow the necessary space for this market to develop, while mitigating the potential risks of discriminatory behaviour and cross-subsidisation from distributors that will not promote the long-term interest of consumers. The approach to classifying the range of services, and underlying activities presented in this final F&A is sufficient for the proposals for distribution and transmission services presented to us in this F&A process.

We consider that the approaches we have outlined in this F&A balance the need for certainty for networks, with the flexibility needed to adapt to ongoing changes in this dynamic energy market.

Our decision also signals that many of the emerging technologies have broader implications for the delivery of services outside of the F&A and should be considered in a broader context and for the future of a market that delivers in the best interests of consumers.

1 Classification of distribution services

Service classification determines the nature of economic regulation, if any, applicable to distribution services. This is important because the prices that customers pay for services are reflected in the way services are classified, and classification determines the share of costs borne by customers.

Applying the classification process prescribed in the National Electricity Rules (NER), we may classify services so that we:

- directly control prices of some distribution services[1]
- allow parties to negotiate services and prices and only arbitrate disputes if necessary, or
- do not regulate some distribution services at all.

Our classification decisions therefore determine which services we will regulate and how distributors will recover the cost of providing those regulated services.

Table 1.1 provides an overview of the service classification options available to us for the purposes of economic regulation under the NER.

Table 1.1 Classification of distribution services

Classification		Description	Regulatory treatment
Direct control service	Standard control service	Services that are central to electricity supply and therefore relied on by most (if not all) customers such as building and maintaining the shared distribution network. Most distribution services are classified as standard control.	We regulate these services by determining prices or an overall cap on the amount of revenue that a distributor may earn for all standard control services. All customers via their regular electricity bill share the costs associated with these services. The assets that provide these services are paid for by all customers through the Regulated Asset Base (RAB). The revenue that is recovered from customers is through the use of network tariffs – in particular Distribution Use of System (DUoS) charges.
	Alternative control service	Customer specific or customer requested services. These services may also have potential for provision on a competitive basis rather than only by the local distributor.	We set service specific prices to provide a reasonable opportunity to enable the distributor to recover the efficient cost of each service from customers using that service. Where the costs of providing the service are "directly attributable to the person to whom the service is provided" is also a defining characteristic of alternative control services.[2]

1 Control mechanisms available for each service depend on their classification. Control mechanisms available for direct control services are listed by clause 6.2.5(b) of the NER. These include caps on revenue, average revenue, prices and weighted average prices. A fixed price schedule or a combination of the listed forms of control are also available. Negotiated services are regulated under part D of chapter 6 of the NER.

2 NER cl. 6.2.2(c)(5).

Classification	Description	Regulatory treatment
Negotiated service	Services we consider require a less prescriptive regulatory approach because all relevant parties have sufficient countervailing power to negotiate the provision of those services.	Distributors and customers are able to negotiate service and price according to a framework established by the NER. We are available to arbitrate if necessary.
Unregulated distribution services	We will not classify contestable distribution services.	We have no role in regulating these services.
Non-distribution services	Services that are not distribution services.[3]	We have no role in regulating these services.

1.1 Relationship with other elements of the regulatory framework

There are strong interrelationships with service classification and other elements of the regulatory framework. Some of these interrelationships are illustrated in Figure 1.1. Service classification acts as the central hub upon which our other regulatory tools, used in the distribution determination turn. For example, service classification determines the nature of economic regulation, if any, applicable to distribution services. This then determines how prices are set, whether through a revenue cap in the case of standard control services or a price cap in the case of alternative control services. Service classification feeds directly into the components that make up the revenue cap and as a result, our building block assessment. Service classification also drives ring-fencing outcomes, particularly around certain obligations in clauses 3 and 4 of the Ring-fencing guideline.[4]

As a result, our service classification decisions, and other issues that are decided through the F&A, form the regulatory foundation of the distribution determination we make for each distributor, for each five-year regulatory control period in determining the total amount of revenue recovered from consumers.[5]

[3] The NER defines a distribution service as a service provided by means of, or in connection with, a distribution system. NER, Chapter 10, glossary. In some situations, we may decide to not classify certain distribution services or remove regulation altogether. This outcome is likely to occur where the proposed service is provided into a fully contestable market. As a result, distributors may not compete in these markets directly. A current example in many jurisdictions is the provision of type 1-4 metering services.

[4] AER, *Ring-fencing Guideline Electricity Distribution, Version 3*, November 2021, p. 6.

[5] AER, Explanatory Statement, *Electricity Distribution Service Classification Guideline*, September 2018. p. 1.

Figure 1.1 Interaction between service classification and other elements of the regulatory framework

Source: AER

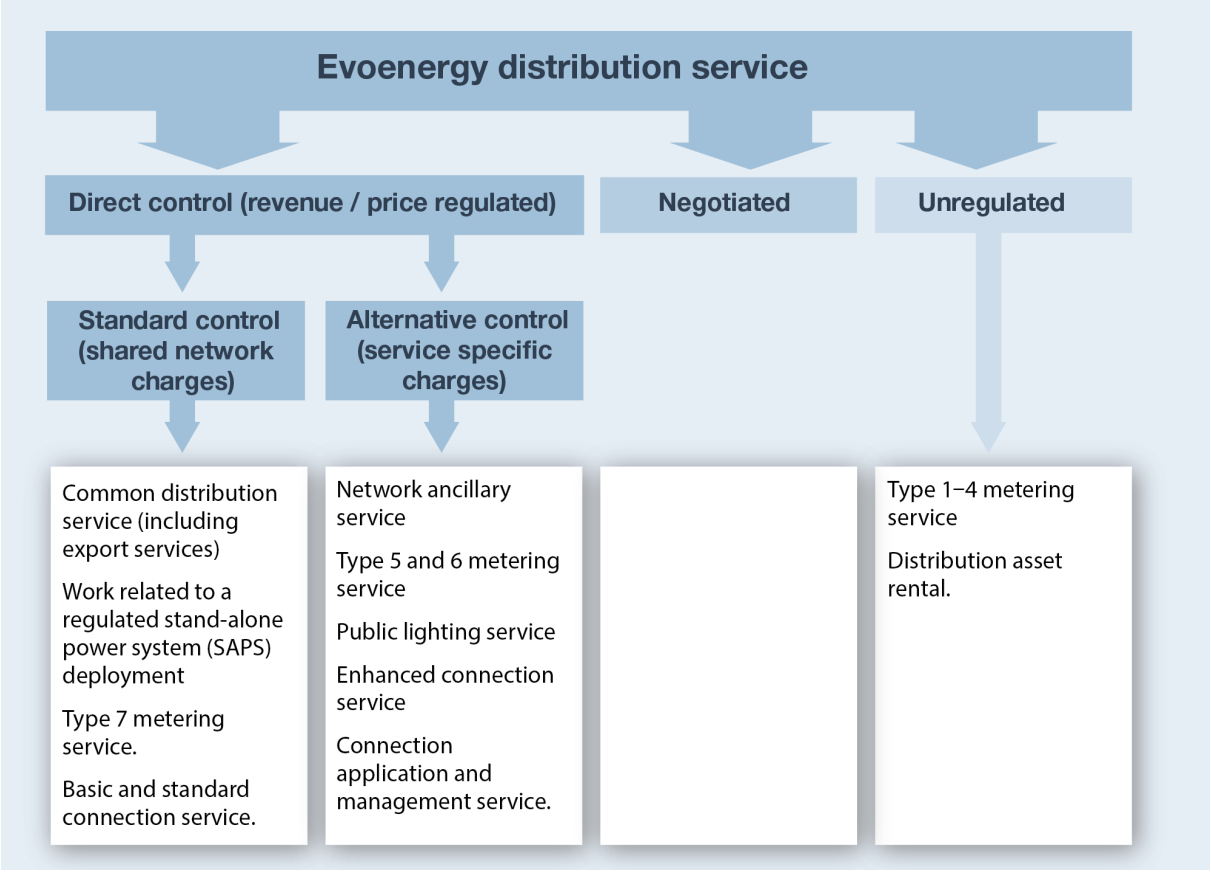
1.2 AER's proposed position

Consistent with our service classification approach in the current period, we also propose to group distribution services provided by Evoenergy as:

- common distribution services
- network ancillary services
- metering services
- connection services
- public lighting services
- unregulated distribution services.

An overview of our proposed service classifications for Evoenergy is set out in Figure 1.2.

Figure 1.2 Proposed classification of Evoenergy distribution services



Note: No services have been classified as negotiated services for the next regulatory control period.

Source: AER

In this F&A, our proposed position, to be confirmed in the final decision, is to make a number of changes to the service classification list for Evoenergy for the 2024–29 regulatory control period. These changes include:

- additions or changes to service names and groupings to align with the Electricity distribution service classification guideline 2018 (Service classification guideline)
- departures from the service classification guideline to meet jurisdictional and operational requirements and further refinements to rationalise the range of listed activities within a particular service grouping
- the introduction of new services or activities as a result of changes to the regulatory environment, or following the assessment of distributor requests.

These proposed changes are discussed at a high level below.

1.2.1 Alignment with the Service classification guideline's baseline list

The Service classification guideline introduced a baseline list of services.[6] Distributors are able to depart from the baseline list of services for jurisdictional and operational reasons,

[6] AER, *Electricity Distribution Service Classification Guideline*, September 2018, Appendix A, p. 26.

where the benefits of change outweigh any detriments, the need to add new services, or any other relevant factor.[7]

The following services have been aligned to the service classification baseline list by changing the name of an existing service grouping and/or its description, or adding a new service grouping from the baseline. These services deed not need adjustment for jurisdictional requirements and have been added to the ACT service classification table without requiring departure:

- Access permits, oversight and facilitation
- Authorisation and approval of third party service providers design, work and materials
- Sale of approved materials or equipment
- Customer requested provision of electricity network data
- Third party funded network alterations or other improvements
- Inspection and auditing services
- Customer requested planned interruption
- Customer or third party initiated network asset relocation/re-arrangement
- Design related services
- Auxiliary metering services (Type 5 to 7 metering installations).
- Meter recovery and disposal – type 5 and 6 (legacy meters)
- Connection application and management services
- Enhanced connection services.

1.2.2 Departures from the baseline list for jurisdictional and operational reasons

During our consultation with Evoenergy, it was noted that a number of services, which while aligned as closely to the baseline services list as possible, required departure from the baseline due to jurisdictional or operational reasons. Some departures from the baseline list are due to jurisdictional conditions which require a different classification

Service groupings which depart from the baseline list of services, provided in our Service classification guideline are:

- Types 5 and 6 meter maintenance, reading and data services (legacy meters).
- Connections service grouping including; basic, standard and negotiated connection services.

1.2.3 New services/activities

When considering whether a new service or activity should be added to the classified service list included we considered:

[7] AER, *Electricity Distribution Service Classification Guideline*, September 2018, p. 23, NER cl. 6.2.8(c)(3)

- any new services or activities requested as a result of regulatory change, technological advancement – including the changing market environment, jurisdictional requirements or other operationally relevant factors.

The new services added to Evoenergy's classified services list include:

- Common distribution services; to include regulated SAPS.

The above lists are not exhaustive and changes that affect how the service is delivered or classified, along with the reasoning for our positions, are discussed throughout this paper.

2 Final assessment and positions

This chapter sets out our position on the classification of distribution services provided by Evoenergy in the 2024−29 regulatory control period

2.1 Our assessment approach

We are guided by the Service classification guideline, which was developed to provide a practical explanation of how we classify distribution services and to improve clarity, transparency and predictability of the process.[8]

The Service classification guideline does not bind the AER, however we are required to set out our reasons for any departure from the guideline to provide transparency to stakeholders in circumstances where our approach differs from that in the classification guideline.[9] Since the publication of the Service classification guideline and the current F&A, developments resulting from both regulatory changes and our own work, require additional considerations for service classification and include:

- the rule changes to the framework for SAPS, to incorporate SAPS as a distribution service
- access, pricing and incentive arrangements for the DER rule change
- the AEMC flagging a review of the metering services framework[10]
- our 2021 review of the national Ring-fencing guideline.[11]

The rule requirements for classification are set out in Appendix B: Rule requirements for classification.

We have a three step process we undertake in the classification of services, which includes:

Step 1

We must first satisfy ourselves that a service is a 'distribution service'. The NER defines a distribution service as a service provided by means of, or in connection with, a distribution system.[12] A distribution system is a 'distribution network, together with the connection assets associated with the distribution network, which is connected to another transmission or distribution system'[13]

Step 2

We then consider whether economic regulation of the service is necessary. When we do not consider economic regulation is warranted, we will not classify the service.[14] If economic

8 AER, *Electricity Distribution Service Classification Guideline*, September 2018, p. 4.
9 NER cl. 6.2.8(c)(1).
10 AEMC, *Review of the regulatory framework for metering services*, 18 November 2021.
11 AER, *Ring-fencing Guideline Electricity Distribution, Version 3*, November 2021.
12 NER, chapter 10, glossary.
13 NER, chapter 10, glossary
14 NER, cl 6.2.1(a) note.

regulation is necessary, we consider whether to classify the service as either a direct control, a negotiated distribution service, or leave it as an unregulated distribution service.

Step 3

When we consider that a service should be classified as direct control, we further classify it as either a standard control or alternative control service. As part of that process, we commence on the basis that we:

- classify the service, rather than the asset[15] – we can only decide on service classification by reference to the service that is being provided. That is, distribution service classification involves the classification of services distributors directly supply to customers. It does not involve the classification of:
  - the assets used to provide such services
  - the inputs/delivery methods distributors use to provide such services to customers
  - services that consumers or other parties provide to distributors.
- classify distribution services in groups[16] – our general preference in service classification is to classify services in groupings rather than individually. This obviates the need to classify services one-by-one and instead defines a service cluster, that where a service is similar in nature it would require the same regulatory treatment. As a result, a new service with characteristics that are the same or essentially the same as other services within a group might simply be added to the existing grouping and hence be treated in the same way for ring-fencing purposes. This provides distributors with flexibility to alter the exact specification (but not the nature) of a service during a regulatory control period. Where we make a single classification for a group of services, it applies to each service in the group.

Further, when considering whether a direct control service should be classified as a standard control service or an alternative control service, under the NER[17] we must also have regard to:

- the potential for development of competition in the relevant market and how the classification might influence that potential
- the possible effects of the classification on administrative costs of the AER, the distribution network service provider (DNSP) and users or potential users of the relevant service
- the regulatory approach (if any) applicable to the relevant service immediately before the commencement of the distribution determination for which the classification is made
- the desirability of a consistent regulatory approach to similar services (both within and beyond the relevant jurisdiction)

15 AER, *Electricity Distribution Service Classification Guideline*, September 2018, p. 7.; AER, *Final framework and approach for AusNet services, CitiPower, Jemena, Powercor and United Energy*, January 2019, p. 20.

16 NER, cl. 6.2.1(b).

17 NER cl. 6.2.2.

- the extent the costs of providing the relevant service are directly attributable to the person to whom the service is provided
- any other relevant factor.[18]

The result of this classification process determines how distributors will recover the cost of providing services.[19] Distributors recover standard control service costs by averaging them across all customers using the shared network. This shared network charge forms the core distribution component of an electricity bill. In contrast, for an alternative control service, distributors will charge a specific user benefiting from the use of a particular service directly. Alternative control classification is akin to a 'user-pays' system. We set service specific prices to enable the distributor to recover the full efficient cost of each service from the customers using that service. At a high level, we will classify a service as an alternative control service if it is either:

- potentially contestable, and/or
- it is a monopoly service used by a small number of identifiable customers on a discretionary or discrete basis and the costs can be directly attributed to those customers.

Negotiated services are those where distributors and customers negotiate service provision and price under a framework established by the NER. Our role is to arbitrate disputes where distributors and prospective customers cannot agree. Two instruments support the negotiation process (and form part of our distribution determination even where we do not classify any services as negotiated):

- Negotiating distribution service criteria—sets out the criteria distributors are to apply in negotiating the price, and terms and conditions, under which they supply distribution services. We will also apply the negotiating distribution service criteria in resolving disputes.
- Negotiating framework—sets out the procedures a distributor and any person wishing to use a negotiated distribution service must follow in negotiating for provision of the service.

In the case of some distribution services, we may determine there is sufficient competition that there is no need for us to classify the service as either a direct control or negotiated distribution service. That is, the market is sufficiently competitive, allowing customers to shop around for the best price. We refer to these distribution services as 'unregulated distribution services'. Broadly, pursuant to our Ring-fencing guideline, this means that while the distributor will continue to provide existing regulated distribution services, all unregulated distribution services or new services that come into existence within a regulatory control

[18] NER cl. 6.2.2.

[19] We regulate distributors by determining either the prices they may charge for services (by a price cap for alternative control services), or by determining the revenues they may recover from customers through the revenue cap for standard control services. In some case, where we determine a competitive market is well established, distributors may not provide the service without a waiver from ring-fencing obligations (unregulated services).

period must be separated from direct control services unless the distributor applies for, and receives, a waiver under the guideline.[20]

2.2 Reasons for our decision

This section sets out our proposed service classification decision, together with our reasoning for Evoenergy's 2024−29 regulatory control period for each service group.

Appendix C: Proposed service classification of Evoenergy's distribution services 2024−29 contains our proposed classification decision for ACT's electricity distribution services.

2.2.1 Common distribution service

The common distribution service grouping is a suite of activities concerned with providing a safe and reliable electricity supply to customers.[21] Activities within the common distribution service group are intrinsically tied to the network infrastructure and the systems that support the shared use of the distribution network by customers. Customers use or rely on access to common distribution service activities on a regular basis.

Providing a common distribution service involves a variety of different activities, such as the construction and maintenance of poles and wires used to transport energy across the shared network. The precise nature of activities provided to plan, design, construct and maintain the shared network are changing as traditional distribution networks transition towards a DSO Model[22] and as networks accommodate increasing Distributed Energy Resources (DER) and two-way electricity flows. Regardless of what activities make up the common distribution service, this service group reflects the provision of access to the shared electricity network to customers.

Our proposed position is to retain the current standard control classification for common distribution services. This is consistent with the 2019–24 F&A decision.[23] We set out detailed reasoning for our decision in that F&A, and for further detail we direct stakeholders to the F&A for the 2019−24 regulatory control period.[24]

In addition to the standard control services being retained, Evoenergy has also requested new activities to be included either as part of the common distribution service or as new stand-alone standard control services.

2.2.1.1 Regulated stand-alone power systems (SAPS)

Our final position is to treat regulated SAPS for the purposes of service classification as an activity under the common distribution service grouping.

20 AER, *Ring-fencing guideline electricity distribution, Version 3*, November 2021; AER, *Electricity distribution ring-fencing guideline explanatory statement, Version 3*, November 2021.

21 NER, Chapter 10: Glossary.

22 Under the DSO Model distributors operates as an independent platform operator and is incentivised to support third party owned DER that allows more efficient network operations. While there are a number of DSO models being trialled internationally, the model is still in its formative stage in Australia. For more info see: AEMO, *Inquiry into modernising Australia's electricity grid, submission 47*, p. 12.

23 NER, cl. 6.2.2(a).

24 AER, *Final framework and approach for ActewAGL, 2019–24*, July 2017, pp. 20-22.

The *National Electricity Amendment (Regulated stand-alone power systems) Rule (Rule 2022)* determined that a distribution service provided by a regulated SAPS is to be treated the same as other distribution services for the purposes of classification. Further, the rule change stipulates that the distribution services provided by regulated SAPS are to be classified as a standard control service.[25]

In response to the rule change, distributors have requested the inclusion of a new activity, to be classified as part of the common distribution service, called "work related to a distributor-led SAPS deployment, operation and maintenance and customer conversion activities".[26]

Our proposed approach is to treat regulated SAPS as a new activity under the common distribution service grouping, rather than as a stand-alone service. This is consistent with our classification approach, as outlined in section 2.1 and in the Service classification guideline.[27]

Further, in consultation with the businesses, in our Preliminary position paper we proposed a change to the description of the regulated SAPS service to: "work related to a regulated SAPS deployment, operation (fault and emergency) and maintenance and customer conversion activities". We reasoned that this change would allow distributors to respond to outages related to both the generation and distribution elements of SAPS, the same as they would to faults and emergencies that may arise within their NEM-connected distribution system.[28]

Stakeholder submissions

Distributors' and other stakeholder submissions agreed with the approach we set out in our position paper.[29] The Public Interest Advocacy Centre (PIAC) proposed an alternate approach in its submission, which supported full network ownership and management of both the distribution and generation aspects of regulated SAPS. It also supported that all related capital expenditure (capex) should be included in the RAB. The submission states that the leasing of generation components of SAPS "creates inefficiencies and barriers to the deployment of SAPS without providing any benefits or removing any risk".[30] Its submission also suggested that further clarity could be provided to the operation of SAPS systems by "including fault and emergency repairs".[31]

25 Rule 2022, cl. 6.2.1A(b),(c).

26 Ausgrid, *Request to replace the AER's Framework and Approach Paper*, October 2021, pp, 17-19; Endeavour Energy, *Request to replace the AER's Framework and Approach Paper*, October 2021.

27 AER, *Electricity Distribution Service Classification Guideline*, September 2018, p.8.

28 AER, *Framework and Approach for NSW, ACT, TAS &NT; Preliminary position paper*, April 2022, p. 7-8.

29 Ausgrid RCP, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p 2, Essential Energy, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p., CCP26 , *Submission on the 2024–29 Framework and approach - Preliminary position paper* May 2022, Evoenergy, *Submission on the 2024–29 Framework and approach - Preliminary position paper,* May 2022, TasNetworks, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022.

30 PIAC, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p 3.

31 PIAC, *Submission on the 2024–29 Framework and approach - Preliminary position paper,* May 2022, p 3.

Our response to submissions

We agree that the operation of a regulated SAPS is not limited to fault and emergency, and that the additional wording suggested by PIAC provides this clarity. We propose that the final wording of the regulated SAPS activity to appear as: "work related to a regulated stand-alone power system (SAPS) deployment, operation and maintenance (including fault and emergency repairs), and customer conversion activities".

2.2.1.2 Provision of temporary SAPS after an emergency

Our proposed position is not to include the provision of temporary SAPS as a listed activity under the common distribution service grouping. This confirms the position we took in our position paper, that distributors already have sufficient flexibility to provide temporary SAPS to support the network in the event of an emergency.

Stakeholder submissions

Distributors and other stakeholder submissions agreed with this approach.[32] PIAC's submission stated that there "may be aspects of emergency SAPS provision and operation that are fundamentally different to the existing network activities", which may include "installation, maintenance, repairs, refuelling and remediation, requiring access to private land and differently specialised staff and contractors". PIAC outlined that the interests of consumers would be supported where distributors were able to provide temporary SAPS installations to private customers.[33] ENTATAS[34] submitted that it is the responsibility of consumers, regardless of circumstance that "they should provide contingency measures for their own personal circumstances". [35] Further, that "…it is not the role of the entire customer base to pay for items that should be reasonably provided by the individual consumer."[36]

Reasons for our decision

We consider distributors already have discretion to provide temporary SAPS to support the network at times of emergency or to fix damage to the network, as part of the common distribution service responsible for the planning, repair maintenance and operation of the network. Where a distributor chooses to utilise temporary SAPS to support network operations during or in response to emergencies, investment in such devices falls within the parameters of this activity, without the need for further recognition in the classified services list.

Such investment, if material, would need to meet the capex criteria. Further, our Preliminary position paper contended that the use of temporary SAPS could be considered as an input to the activity of 'works to fix network damage', or part of the 'repair, maintenance and

[32] Essential Energy, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p 3.; Origin Energy, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022; TasNetworks, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p 3.

[33] PIAC, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p 4.

[34] ENTATAS is a registered entity not an acronym.

[35] ENTATAS, *Submission on the 2024–29 Framework and approach - Preliminary position paper,* June 2022, p. 9.

[36] ENTATAS, *Submission on the 2024–29 Framework and approach - Preliminary position paper,* June 2022, p. 9.

operation' of the network. [37] This is because the use of temporary SAPS is not a service which is offered and charged to customers on a stand-alone basis.[38] In our Service classification guideline, we set out our intention that the list of activities/services that sit beneath a service grouping is not intended to be exhaustive.[39]

We acknowledge that in practice the provision of emergency SAPS is but one of many possible solutions to addressing distributor's day-to-day operation and management of the network. Our role within service classification is not to prescribe how these activities are conducted, and we consider the existing service descriptions already provides distributors with sufficient flexibility.

We do not agree with PIAC's submission regarding the provision of temporary SAPS to private customers. Distributors providing temporary SAPS to private customers would compete in the contestable market for the provision of temporary generation services. Private customers can elect to mitigate their own risk of unplanned outages by contracting these services from third parties, in accordance with their own circumstances and risk tolerance.

2.2.1.3 Leasing of excess battery capacity

Our final position maintains that the provision of the leasing of excess battery capacity by electricity distributors is not a classified service and is subject to the obligations clearly set out in our recent Ring-fencing guideline amendments.[40]

Ausgrid and Endeavour Energy raised an intention to install batteries to manage constraints as an alternative to network upgrades, with the possibility of leasing excess battery capacity as an unregulated distribution service.[41] The businesses recognised that the leasing of excess battery capacity is a contestable service.[42] and its provision by regulated networks is subject to obligations set out in our Ring-fencing guideline.[43] The businesses request was that the leasing of excess capacity in batteries be recognised as an unregulated distribution service, either by extending the definition of 'Distribution asset rental'[44] or as a stand-alone 'Platform asset usage', and not classified.[45]

In our Preliminary position paper, we considered that under the NER we have no obligation to recognise unregulated activities – rather, our function is to "classify" regulated distribution services. Consequently, we formed the view that we do not need to "recognise" a request for the leasing of excess battery capacity as an unregulated service. Further, we considered that the AER's view on the regulatory characterisation and treatment of the battery leasing

37 AER, *Framework and approach; Preliminary position paper, NSW, ACT, TAS and NT businesses, Regulatory control period commencing 1 July 2024,* April 2022, p.8.

38 AER, *Electricity Distribution Service Classification Guideline*, September 2018, p. 7.

39 AER, *Electricity Distribution Service Classification Guideline*, September 2018, p. 8.

40 AER, *Electricity Distribution Ring-fencing Guideline, Version 3*, November 2021, p. 7.

41 Ausgrid, *Request to replace the AER's Framework and Approach Paper*, October 2021, pp, 20,32; Endeavour Energy, *Request to replace the AER's Framework and Approach Paper*, October 2021, pp. 8-9, 28.

42 Ausgrid, *Request to replace the AER's Framework and Approach Paper*, October 2021, pp, 17-19; Endeavour Energy, *Request to replace the AER's Framework and Approach Paper*, October 2021, pp. 8-9.

43 AER, *Electricity Distribution Ring-fencing Guideline, Version 3*, November 2021, p. 7.

44 Endeavour Energy, *Request to replace the AER's Framework and Approach Paper*, October 2021, p. 9.

45 Ausgrid, *Request to replace the AER's Framework and Approach Paper*, October 2021, p. 40.

service has already been clearly addressed through the recent update to the Ring-fencing guideline.[46]

Evoenergy did not make a specific request in relation to the leasing of excess of battery capacity, and while it currently expects to play no role in owning community batteries,[47] it also noted:

> ...we are generally pursuing a model for sourcing battery capacity for network services under contract, we intend always to implement the most cost effective model in the long-term interests of electricity consumers. A distributor-owned battery may in some circumstances meet that objective better than other alternatives. The business case for batteries with a primary purpose of meeting network objectives is often enhanced through the leasing out of excess capacity.[48]

Stakeholder Submissions

Distributors generally disagreed with our proposed position, or considered the outcome sub-optimal.[49] Ausgrid's submission noted that we have a role in recognising its request for classification of both the leasing of excess battery capacity and the facilitation of leasing services. To support this position, Ausgrid quoted the AEMC's 2017 Contestability rule change which, within the context of a distributor using a storage device to provide services direct to customers, states:

> If the DNSP was providing that service to the customer using a storage device connected to its network, then the AER may classify that as a service (depending on whether the AER considered that it was a "distribution service"). It is likely that if the AER decided that this was a distribution service, the AER would determine that this is an unclassified service, i.e. an unregulated contestable service.[50]

Submissions from Ausgrid, Endeavour Energy, Essential Energy and the Ausgrid Reset Customer Panel (RCP) suggested our proposed preliminary position, together with our recent Ring-fencing guideline amendments addressing the regulatory treatment of the battery leasing service, has led to sub-optimal outcomes.[51] The Ausgrid RCP proposed that the

46 AER, *Framework and Approach for NSW, ACT, TAS &NT; Preliminary position paper, April 2022*, p. 9. See, AER, *Electricity Distribution Ring-fencing Guideline Explanatory statement – version 3*, November 2021, p 27, 30.

47 Evoenegy, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p. 2.

48 Evoenegy, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p. 2.

49 For example see PIAC, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p. 4, Ausgrid, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p 2, Essential Energy, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p. 3, ENA, , *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p. 5.; Endeavour Energy, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, pp 6-8.

50 AEMC, *Final determination: Contestability of energy services, Rule 2017*, December 2017, p. 45.

51 PIAC, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p. 4, Ausgrid, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p 2, Essential Energy, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p. 3, ENA, , *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p. 5.; Endeavour Energy, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, pp 6-8.

process which led to this position is akin to putting the 'cart before the horse'[52], while Endeavour Energy submitted that is 'not appropriate for the Ring-fencing guideline to restrict how a service can be classified'.[53] Ausgrid and Essential Energy pointed out that the starting point in the regulatory framework is service classification, with the use of the Ring-fencing guideline and waivers being a secondary process.[54] In addressing the regulatory framework for the regulation of battery solutions, Evoenergy noted it:

> …seeks a regulatory environment for community batteries that is as clear and predictable as possible such that it does not impede implementation of a community battery solution where indicated by prudent planning and assessment.[55]

Similarly, the Energy Networks Australia (ENA) submission highlighted:

> …the development of an optimal long-term policy framework for energy storage devices that better facilitates efficient innovative customer focused outcomes, such as community-scale battery programs, without the time, cost and uncertainty of the current case-by-case approval process. [56]

A number of other submissions accepted the rationale for our preliminary position.[57]

Endeavour Energy, while expressing disagreement with our position, acknowledged that the existing arrangements could represent an intermediate step to trial and gather information on potential future reforms to regulatory controls. Its submission recommended that the related elements of the regulatory framework; namely the guidelines for cost allocation, shared asset and the ring-fencing be updated and harmonised. It also argued that where appropriate controls and revenue sharing arrangements are in place for these services, that ring-fencing specific requirements for batteries should become unnecessary.[58]

Ausgrid's submission proposed a framework for the assessment of community battery investment, which included cost allocation and revenue sharing models that may mitigate harms that the Ring-fencing guideline is seeking to address.[59] The Ausgrid submission canvassed a range of possible options, dependent upon the investment driver, including a 50/50 sharing arrangement for government policy objectives and 100% of unregulated

52 Ausgrid RCP, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p 2.

53 Endeavour Energy, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p 7.

54 Ausgrid, *Submission on the 2024–29 Framework and approach - Preliminary position paper,* May 2022, p 2, Essential Energy, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p 3.

55 Evoenergy, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p 2.

56 Energy Networks Australia, *Submission on the 2024–29 Framework and approach - Preliminary position paper,* May 2022, p. 2.

57 Origin *Submission on the 2024–29 Framework and approach - Preliminary position paper,* May 2022, p 1, CCP26, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p. 9, Endeavour Energy, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p 7.

58 Endeavour Energy, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p 7.

59 Ausgrid, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, pp. 4-7.

revenue returned to customers under an innovation driver.[60] The CitiPower, Powercor and United Energy submission recommended that we explore Ausgrid's proposal.[61]

PIAC supported the deployment of distributor-owned batteries, where it delivers better consumer outcomes, as a standard control service. It expressed concern that dividing the use and services provided by batteries, into monopoly and contestable services, results in sub-optimal outcomes for consumers. It considers that direct participation in contestable markets improves competition and reduces network charges for all customers of the network.[62]

Response to submissions

We acknowledge that, where possible, our approach to service classification and ring-fencing should align.[63] However, it is not always possible to align regulatory reform to the revenue reset timetable, particularly in an energy market under transition. The reset process therefore needs flexibility to adapt to technological and regulatory changes, including developments in the AER's approach to ring-fencing of new emerging services as they occur.

We disagree with Ausgrid's position that, in this F&A process, the AER has a role in classifying the leasing of excess battery capacity. As our role is to classify distribution services, we have no role in recognising a particular service as "unregulated" or "unclassified". In this circumstance, Ausgrid has specifically recommended that the AER not classify the service under clause 6.2.1 of the NER –as Ausgrid indicated that it intends to provide the service as an unregulated one (subject to the Ring-fencing guideline requirements).

Taking that into account, regulation involves decision-making under conditions of uncertainty, and rapid change, and therefore we make our decision based on the current regulatory conditions. [64]

It is in the above context, that we consider that the recent Ring-fencing guideline amendments have addressed the regulatory treatment, and characterisation of the leasing of excess battery capacity as an unregulated service for now. We stated in our explanatory statement to the Ring-fencing guideline that:

> Providing services to support the distribution network are also an important use of batteries that can realise cost savings for consumers. However, we note that this review [that is, in respect of contestable services from batteries] is

60 Ausgrid, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, pp. 4-7.

61 CitiPower, Powercor and United Energy, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p. 3.

62 PIAC, *Submission on the 2024–29 Framework and approach - Preliminary position paper,* May 2022, p. 4.

63 See: AEMC, *Final determination: Contestability of energy services, Rule 2017*, December 2017, pp. 2, 8.; AER, *Ring-fencing Guideline Electricity Distribution*, Version 3, November 2021. p. 6.; AER, *Electricity Distribution Service Classification Guideline*, September 2018. p. 22.; AER, *Explanatory Statement, Electricity Distribution Service Classification Guideline*, September 2018. p. 2.

64 Ausgrid, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p 1. Ausgrid recommends that "use of the leased spare capacity remains an unregulated service…".

considering the provision of services beyond distribution services, where ring-fencing considerations are concerned.[65]

Accordingly, the amendments to the Ring-fencing guideline, which make clear that distributors are prohibited from leasing excess capacity to others, was intended to mitigate the potential risks, but also introduce sufficient flexibility via the waiver process, to allow space for competition and innovation to develop.[66]

We agree with Endeavour Energy's observation that the Ring-fencing waiver approach may not be an efficient long-term regulatory control, particularly where other guidelines require review and updating to account for the energy market transition.[67] However, we consider that the current arrangements allow the necessary space to allow this embryonic market to develop, while mitigating the potential risks of discriminatory behaviour and cross subsidisation.

The waiver process set out in the Ring-fencing guideline also provides us with a rich data source with which to monitor the development of the market for energy storage solutions which will inform the next guideline review and reform process. It also allows for the development of innovative models for distributor ownership and service provision, which present lower market risk and greater customer benefits.[68] As indicated in our explanatory statement to the latest Ring-fencing guideline amendments; battery applications that can demonstrate benefits and reduced harms will be considered favourably.[69]

We recognise Ausgrid proposed a new framework for assessing community battery investments where cost allocation and revenue sharing models could mitigate harms that the Ring-fencing guideline is seeking to address.[70] While we do not have any proposals before us to assess, we do not consider it appropriate at this time to adopt such an approach given the embryonic nature of the market for supplying community batteries. However, we acknowledge the positive initiative in thinking about alternative ways to address concerns about potential market harms. We encourage network businesses to further engage on these issues with us as the market evolves and new business models emerge, and we look forward to assessing any proposals put before us.

We also acknowledge that guidelines, such as the Cost allocation methods, Service classification and Shared asset guidelines have not been reviewed or updated since first published. We also do not routinely update the list of services which are not classified, including for new services being offered by distributors amendments to our regulatory framework and our ring-fencing decisions. We recognise that outcomes could be optimised with better alignment and harmonisation of the interrelated guidelines, taking into account the objectives of regulatory policy, developments in market offerings and the harms that the ring-fencing is seeking to mitigate. Such reviews are time, resource and consultation intensive and need to be prioritised as part of our future work program. Given the alignment between

65 AER, *Explanatory statement, Electricity Distribution Ring-fencing Guideline, Version 3*, November 2021, p 27.

66 AER, *Explanatory statement, Electricity Distribution Ring-fencing Guideline, Version 3*, November 2021, pp. 8-9.

67 Endeavour Energy, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p 7.

68 Ausgrid, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, pp. 4-7.

69 AER, *Explanatory statement, Electricity Distribution Ring-fencing Guideline, Version 3*, November 2021, p 9.

70 Ausgrid, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, pp. 4-7.

our approaches to service classification and the Ring-fencing guideline, a possible future trigger for a review of the guidelines would be when there is a need to review our approach to ring-fencing and waivers.

Reasons for our position

Having taken into account stakeholder submissions, our decision is to retain the position we proposed in the Preliminary position paper, which notes there has been no request from distributors to classify the leasing of excess battery capacity service as provided for under clause 6.2.1(a). It also noted that the recent Ring-fencing guideline amendments have addressed the regulatory treatment of that service.

As outlined in our position paper, our role in service classification is to classify distribution services as either direct control or negotiated. [71] We do not have an explicit role in recognising services as 'unregulated' or 'unclassified'. As highlighted in the AEMC's Contestability of energy services final determination:

> …"unclassified services" is not a service classification within the current service classification framework. However, in practice, the AER have used the term "unclassified" to denote distribution services that are not regulated. [72]

Therefore 'unregulated', or 'unclassified' distribution services emerge as residual services which are not classified as either direct control or negotiated services. Previously when these types of services have been recognised by the AER in its list of "unregulated distribution services", this has been done to provide clarity in respect of the application of the Shared asset guideline or jurisdictional requirements on distributors to provide certain services. In this context, the precise sorting of unclassified services as distribution services or other services has not typically been undertaken. This is the case in respect of the distribution asset rental service grouping which has simply reflected a grouping of services which have previously been subject to the Shared asset guideline.

However, under the Ring-fencing guideline, there are potentially material differences in how those arrangements apply depending on whether a service is recognised as a distribution or other service. For reasons already discussed above, in respect of leasing excess battery capacity, we have considered these matters comprehensively as part of the most recent amendments to the Ring-fencing guideline, such that clarity has already been provided and we do not need to reconsider those positions again within this process. We consider that clarity has already been provided, around the need for distributors to seek a waiver from legal separation if they propose to provide these services, and we do not need to reconsider those positions again within this process.

2.2.1.4 Facilitation service for the leasing of excess battery capacity

Our final position is to not classify a new separate standard control service to allow distribution businesses to recover the costs of facilitation work carried out in leasing of excess battery capacity at this point in time.

[71] AER, *Framework and approach; Preliminary position paper, NSW, ACT, TAS and NT businesses, Regulatory control period commencing 1 July 2024,* April 2022, pp. 5-6.

[72] AEMC, *Final determination: Contestability of energy services, Rule 2017*, December 2017, p. 38.

Ausgrid proposed that the facilitation work needed to lease out excess battery capacity be recognised as a standard control service, as part of the common distribution service. This work would predominantly involve negotiating agreements with third party providers (i.e. retailers, aggregators).[73]

We retain the position we proposed in our Preliminary position paper; that in certain circumstances distributors could use the existing shared asset facilitation service to recover the costs of facilitating the leasing of an asset. This includes circumstances where distributors have obtained a waiver from ring-fencing obligations to provide the leasing service and where unregulated revenues derived are subject to the Shared asset guideline.[74]

Submissions

Ausgrid's submission raised the possibility of a range of cost allocation and revenue sharing models, where the unregulated revenue generated would not be subject to the Shared asset guideline.

In response to whether distributors should be recovering costs from customers for the generation of unregulated revenue, submissions from retailers were divided. Origin Energy stated that where the investment in battery assets are allocated to providing unregulated services, that the costs form part of the unregulated service and should not be recovered from customers.[75] Conversely, Simply Energy submitted that while it agreed with the principle that customers should not be asked to share the costs of establishing unregulated revenue streams, that in the case of batteries, cost recovery may be essential for the economic viability of battery projects.[76]

The Ausgrid RCP stated that it supports innovation in the various business models for batteries, in particular those that include revenue sharing. It noted that its support for Ausgrid's proposal is dependent upon the revenue sharing model and how much Ausgrid would receive. The minimum, it suggested, should be to cover facilitation costs plus an "amount to reflect the aim of the Ring-fencing guideline to prevent cross-subsidisation and over-sizing of the battery".[77]

Reasons for our position

We acknowledge that distributors may be developing models for cost allocation and revenue sharing to test in waiver applications, there remains some uncertainty as to what these models may entail and how they should be regulated. At the time of writing, we have not approved any ring-fencing waiver applications for the leasing of excess battery capacity which involve the departure from established cost allocation and revenue sharing models provided for under the NER. As a result, we consider it prudent not to classify a new stand-alone facilitation service with respect to possible revenue sharing models which have not yet been determined or approved by the AER.

73 Ausgrid, *Request to replace the AER's Framework and Approach Paper*, October 2021, p. 17.

74 AER, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, April 2022, p. 10.

75 Origin Energy, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, pp. 1-2.

76 Simply Energy, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p. 1.

77 Ausgrid RCP, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p1.

We note the NER provisions which allow us to consider changes to service classification at the draft or final decision stage arising from a material change in circumstances that occurs in the intervening period.[78] In meeting that threshold, we consider that there are a range of events, particularly in relation to the development of the market for battery leasing services, other regulatory reforms and the need to assess waiver applications proposing a range of cost and revenue sharing arrangements which may demonstrate the need for such a new facilitation-type service.

We acknowledge that Ausgrid's intent for the proposed facilitation service, as a standard control service, was also to ensure that the functional separation requirements under the Ring-fencing guideline would not apply to staff involved in the assessment of the battery for network and non-network purposes.[79] This issue may be dealt with appropriately in the re-opening of the service classification upon a material change in circumstances, or otherwise businesses may request a waiver from those functional separation provisions.

In considering a facilitation service to recover the costs of generating unregulated revenue not subject to the Shared asset guideline, we favour principles of equity and fairness in the distribution of unregulated revenue and the sharing of costs. Proposals which demonstrate these principles, and have the support of consumers, will be viewed favourably.

2.2.1.5 System support services

Evoenergy did not request system support services, however this issue was discussed broadly with all stakeholders. We propose not to classify system support services as a direct control service. This is consistent with the approach outlined in our Preliminary position paper.

Ausgrid and Endeavour Energy requested a new service grouping of 'System support services', to be classified alongside the common distribution service as a standard control service.[80] System support services have been described as a "suite of emerging services which supports a two-sided market".[81] In practice, system support services are likely to use platform enabling technologies to manage network capacity through smarter utilisation of existing network assets.[82]

In our Preliminary position paper, we recognised the transition of energy networks to becoming platforms for DER services, including optimising the ability to utilise DER and promote the stability of the electrical system by providing system strength services to AEMO.[83]

In recognising the future need for these types of services, we also noted that they are likely to include activities and services that are:

78 NER cl. 6.12.3(b).

79 Ausgrid RCP, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p 4. Ausgrid states that "the existing SCS classification is appropriate so that electricity distributors can maximise the value of network assets to SCS customers without needing to implement onerous co-location and information sharing requirements."

80 Ausgrid, *Request to replace the AER's Framework and Approach Paper*, October 2021, pp. 15-16, 32, Endeavour Energy, *Request to replace the AER's Framework and Approach Paper*, October 2021, pp. 6, 19.

81 Ausgrid, *Request to replace the AER's Framework and Approach Paper*, October 2021, p. 15.

82 Ausgrid, *Request to replace the AER's Framework and Approach Paper*, October 2021, p. 15.

83 AER, *Framework and Approach for NSW, ACT, TAS &NT; Preliminary position paper*, April 2022, p. 12.

- inputs to the common distribution service
- already set out in the common distribution service
- or a range of billable services to be classified as either alternative control or unregulated services.

Certain billable system support services may also be provided by the contestable market, not by means of, or in connection with a distribution system, and therefore may not be considered a distribution service at all.[84]

We also observed that the development of the market for these services is in its infancy and that further clarification regarding the scope and contestability of such services is likely to be provided through a range of policy reform and rule-change processes currently underway.[85] We considered that in the absence of clearly defined services in the intervening period, that the material change in circumstance provisions within the NER would allow us to consider the need for such new services at either the draft or final decisions, if required.[86]

Stakeholder submissions

The CitiPower, Powercor and United Energy submission focussed on a small number of specific system supports services, including under-frequency load shedding and minimum operational demand, which it said were already part of the common distribution service.[87]

Endeavour Energy agreed with our approach, stating that "there remains uncertainty regarding the specific nature of these system security and support services and under what circumstances they will be provided."[88] Its submission also supported the inclusion of system support services, in classified service lists as a material change in circumstances. This can occur once further clarity is obtained through completion of the DER reform package.[89]

Our Consumer Challenge Panel, sub-panel 26 (CCP26) also agreed with our approach to reviewing system support services later, through the material change in circumstance provisions of the NER. It also suggested that the scope of activities that make up the service should be clearly defined and exhaustive, and that networks should undertake consumer engagement in the process of making such a proposal.[90]

Reasons for our position

We recognise that as networks transition to becoming platforms for DER, the need for system support services will become increasingly important. Such services will provide benefits to both the networks and consumers. However, there is currently limited information available with which to establish the scope of services required to define this service for the purposes of classification. We agree that the DER reform process currently under way

84 AER, *Framework and Approach for NSW, ACT, TAS &NT; Preliminary position paper*, April 2022, pp. 12-14.

85 AER, *Framework and Approach for NSW, ACT, TAS &NT; Preliminary position paper*, April 2022, pp. 12-14.

86 AER, *Framework and Approach for NSW, ACT, TAS &NT; Preliminary position paper*, April 2022, pp. 12-14.

87 CitiPower, Powercor & United Energy, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p. 3.

88 Endeavour Energy, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p. 6.

89 Endeavour Energy, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p. 6.

90 CCP26, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p. 1.

through the ESB post-2025 market design project is likely to provide the clarity needed. We will continue to work with distributors to identify potential system support services that may fit under the above mentioned categories for classification consideration, which may be required under the material change in circumstance provisions.

2.2.1.6 Customer export services

Our final position is not to classify export services as a new standard control service or as part of the list of activities within the existing common distribution service. In doing so, we confirm that export services are already part of the common distribution service and therefore do not require separate classification.

We are also not proposing to classify an 'additional export service'. Customer requests for an export capacity beyond that provided for within a basic or standard connection agreement, can be facilitated through the 'enhanced connection service'. Our final position includes adding a footnote to the 'enhanced connection service', in the service classification list, to clarify that the service is both for consumption and exports.

Ausgrid, Endeavour Energy, Essential Energy, and Evoenergy requested that service classification recognise customer export services as standard control services for the 2024−29 regulatory control period.[91] Further, Ausgrid, Endeavour Energy and Evoenergy also requested adding additional export services as a standard control service.[92]

In our Preliminary position paper, we outlined, consistent with the Service classification guideline, that the common distribution service is a single service relating to the conveyance or flow of electricity through the network for consumers.[93] We stated that the rule change (Rule 2021 - ERC0310[94]), which recognises the two-way flow of energy through the network, is also consistent with that view. In our Preliminary position paper, we asked stakeholders whether we should include export services as a separate activity under the common distribution services grouping, or to assume that exports services are already covered under other activities listed within that broad group.[95] We also requested that distributors provide clarity concerning what might constitute an 'additional export service', and how such a service might be classified.[96]

91 Ausgrid, *Request to replace the AER's Framework and Approach paper*, October 2021, p.16, Endeavour Energy, *Request to replace the AER's Framework and Approach Paper*, October 2021, p. 7, Essential Energy, *Request to replace the AER's Framework and Approach Paper*, October 2021, Evoenergy, *Request to replace the AER's Framework and Approach paper*, October 2021, p. 3.

92 Ausgrid, *Request to replace the AER's Framework and Approach paper,* October 2021, p.16; Endeavour Energy, *Request to replace the AER's Framework and Approach Paper*, October 2021, p. 7, Evoenergy, *Request to replace the AER's Framework and Approach paper*, October 2021, p. 3.

93 AER, *Framework and Approach for NSW, ACT, TAS &NT; Preliminary position paper*, April 2022, p. 15.

94 AEMC, *National Electricity Amendment (Access, Pricing and Incentive arrangements for Distributed Energy Resources) Rule 2021, Rule Determination*, 12 August 2021.

95 Ibid.

96 Ibid.

Stakeholder submissions

Stakeholder submissions were largely supportive of treating export services as part of the common distribution service, and to not have it listed as a separate activity.[97] The only exception was the CCP26 submission, which suggested that "inclusion of export services as a separate activity within the common distribution service would deliver precision and transparency for all stakeholders".[98]

We acknowledge the basis of stakeholder support for this position was the principle provided by the rule change, that export services be treated the same as consumption services.[99] ENA's submission also highlighted that the network's provision of export services, as part of the common distribution service, will be delivered via a number of activities as part of that service bundle. This includes; the planning, design, repair, maintenance, construction and operation of the distribution network; works to fix damage to the network; and procurement and provision of network demand management activities for distribution purposes.[100]

The PIAC submission supported classifying exports as part of the common distribution service to the extent that customers are able to access a minimum level of export capacity without charge, and where there is no material costs imposed on non-solar users. It added that any requests for export services beyond the minimum should be classified as alternative control, reflecting a beneficiary-pays approach to cost recovery, as network augmentation to increase export capacity disproportionately benefits those consumers with additional exports.[101]

In response to our requests for further clarification as to what might constitute an additional export service, submissions demonstrated that the export service is to be conceived as a single service – with varying levels of access to the capacity of the shared network for export capacity. That is, whether a customer is exporting more or less than another customer, the customers are being delivered the same common distribution service, just in varying volumes.

Distributor submissions also demonstrated that 'additional export capacity' might be achieved through a variety of means, with connection policies detailing the load and export limits for

97 Ausgrid, *Submission on the 2024–29 Framework and approach - Preliminary position paper,* May 2022, p. 2, CitiPower, Powercor & United Energy, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p. 2, Endeavour Energy, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p. 3, ENA, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022 pp. 1-5, Essential Energy, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p. 4.; Evoenergy, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p. 3.; Jemena, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, pp 1-2, Origin Energy, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p. 2. Power and Water Corporation, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p.3.; PIAC, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p. 5.; SA Power Networks, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022,TasNetworks, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p. 4.

98 CCP26, *Submission on the 2024–29 Framework and approach - Preliminary position paper* , May 2022, pp. 2,13.

99 AEMC, *National Electricity Amendment (Access, Pricing and Incentive arrangements for Distributed Energy Resources) Rule 2021, Rule Determination*, 12 August 2021., p. 29. See also submissions listed in footnote 90.

100 ENA, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p. 3.

101 PIAC, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p. 5

each connection type, as happens for the consumption/supply service.[102] Endeavour Energy and Ausgrid agreed that there may be some circumstances where a customer requests connection assets to be designed and built to a certain standard to allow for a particular level of export capacity. Where this is the case, the 'enhanced connection service' could accommodate those requests and be classified as a mixture of alternative control and unregulated, dependent upon the contestability arrangements of each jurisdiction.[103]

Origin Energy supported this and stated that where the costs for the provision of additional export capacity can be directly attributable to an individual customer, the service should be classified as alternative control.[104]

Reasons for our position

Our final position is to treat export services as part of the common distribution service ,and to not list it separately . We consider this is consistent with the underlying principles of rule change 2021 (ERC0310[105]). This approach treats the export service the same as consumption service and distributors will be able to operate their networks in relation to forecast network demand requirements, regardless of the direction of that demand. This includes the planning, design, repair, maintenance, construction and operation of the distribution network, as well as works to fix damage and demand management activities.

Our position recognises export service as a single service with varying levels of capacity being made available to standard control customers. It also recognises that the manner in which export capacity is to be requested by standard control customers will be the subject of the connection policy. Connection policies also govern whether a capital contribution or other cost recovery approach is required and the applicable methodology, or whether payment is made direct to third-party providers. These matters are also subject to jurisdictional requirements. For example, in the ACT basic, standard and negotiated connection services, are recovered as standard control services.[106] This differs from other jurisdictions, for example, NSW where connections are deemed contestable and provided under the ASP scheme.[107]

We consider customer requests for export capacity, that go beyond that provided within the common distribution service – requiring design and build that exceeds the minimum technical specification – is covered by the 'enhanced connection service'. Our approach aims to provide clarity that the enhanced connection service can be provided for the purposes of enhanced exports, as well as consumption.

102 SA Power Networks, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, pp.5-8. Essential energy, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, pp. 2,4, Endeavour Energy, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, pp. 1-5, ENA, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p. 5.

103 Endeavour Energy, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, pp. 1-5, Ausgrid, *Submission on the 2024–29 Framework and approach - Preliminary position paper,* May 2022, p.2.

104 Origin Energy, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p. 2.

105 AEMC, *National Electricity Amendment (Access, Pricing and Incentive arrangements for Distributed Energy Resources) Rule 2021, Rule Determination*, 12 August 2021.

106 See Appendix C of this final F&A.

107 See: https://www.energy.nsw.gov.au/government-and-regulation/legislative-and-regulatory-requirements/asp-scheme-and-contestable-works.

We consider that this clarity is best provided through the use of a footnote to the title of the service grouping. While requests for this service may be limited, the allowance within service classification provides distributors with the flexibility required to address such requests.

2.2.2 Network ancillary services

Ancillary services share the common characteristics of being services provided to individual customers on an 'as needs' basis (e.g., meter testing and reading at a customer's request, moving mains, temporary supply, alteration, and relocation of existing public lighting assets). Ancillary services involve work on, or in relation to, parts of a respective distribution network. Therefore, similar to common distribution services only the relevant distributor may perform these services in its distribution area. Network ancillary services are classified as alternative control services on the basis that the costs of providing the relevant service are directly attributable to the person to whom the service is provided.[108]

Evoenergy has not requested additional, new ancillary services. However, as discussed in section 1.2.1, there has been a number of alignments with the Service classification guideline baseline.

2.2.3 Metering services

Our final position is to maintain the existing classification for metering services for Evoenergy for the 2024–29 regulatory control period.

All electricity customers have a meter that measures the amount of electricity they use.[109] However, not all customers have the same type of meter. There are different types of meters which each measure electricity usage in different ways. For example, Type 1 to 4 meters have a remote communication ability. Whereas Type 5 are interval meters and Type 6 are accumulation meters. Type 7 metering services are unmetered connections with a predictable energy consumption pattern (for example, public lighting connections).

Each of these metering types are regulated differently. Type 1 to 4 metering services are contestable and therefore not regulated. While distributors cannot install new Types 5 and 6 meters[110], they may continue to operate and maintain, and recover the capital costs of their existing stock of these 'legacy meters'. As a result Types 5 to 6 metering services are typically classified as alternative control services throughout the NEM.[111] Type 7 metering services are a monopoly provided service, with no potential for competition to develop. As a result, a classification of standard control is appropriate.

Our reasons for our approach to classifying metering services have not changed for the 2024−29 regulatory control period. Therefore, for a full account of our reasoning for our final

108 NER 6.2.2(c)(5).

109 All connections to the network must have a metering installation (NER, cl. 7.3.1A(a)).

110 AEMC, Rule determination, National Electricity Amendment (Expanding competition in metering and related services) Rule 2015.

111 For example, see: AER, *Final framework and approach for AusNet services, CitiPower, Jemena, Powercor and United Energy*, January 2019, p. 105.; *AER, Final framework and approach for Ausgrid, Endeavour Energy and Essential Energy*, 2019–24, July 2017, p. 99.

position in this F&A, we direct stakeholders to the F&A for the 2019−24 regulatory control period.[112]

2.2.3.1 Types 5 and 6 legacy meters

Our final position is to maintain the existing classification of Types 5 and 6 metering services as direct control and further as alternative control services. We will however, continue to monitor any changes in metering policy – particularly in relation to the AEMC's current regulatory framework review for metering services[113] – for a material change in circumstances that suggest this position needs to change.

Evoenergy initially outlined that it was investigating a proposed change in service classification for recovery of operating costs associated with legacy Type 5 and 6 meters. This would move its 5 and 6 meter maintenance, reading and data services (legacy meters) from alternative control to standard control in the ACT.[114] In staff-level consultations, distributors expressed that the transition of these legacy meters to metering coordinators or retailers (through contestability measures) is taking longer than anticipated and declining economies of scale mean that the remaining meters are very expensive on a per meter basis to maintain. The proposed change for including these costs through a classification of standard control, means that they should be able to maintain the remnant of these legacy meters at a much lower cost to the individual.

Stakeholder submissions

A further submission from Evoenergy acknowledged our undertaking to continue monitoring any changes from the ongoing AEMC review, noting it was also undertaking its own modelling work for changes in circumstances relevant to service classification for the draft or final decisions.[115] TasNetworks stated in its submission that it acknowledged the possible change of service classification for legacy meters requested by Evoenergy, however noted that it was not considering such a change.[116]

Reasons for our position

Our position to maintain classification of Types 5 and 6 metering service is appropriate, given the current circumstances because:

- The classification of the service is consistent with its classification in the current regulatory control period and also with other jurisdictions.[117]
- The costs of providing the service are directly attributable to the individual to whom the service is provided.[118]

As we indicated in our Preliminary position paper, we acknowledge that the AEMC review on metering services will be relevant to all distributors and we will continue to monitor its

112 AER, *Framework and approach - ActewAGL - Regulatory control period commencing 1 July 2019*, July 2017, pp. 23-26.

113 AEMC, *Review of the regulatory framework for metering services*, 16 September 2021.

114 Evoenergy, *Request to replace the AER's Framework and Approach paper*, October 2021, pp.3-4.

115 Evoenergy, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p. 2.

116 TasNetworks, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, p.6.

117 NER cll. 6.2.2(c)(3),(4).

118 NER cl. 6.2.2(c)(5)

outcomes for implications for our draft and final decisions. We also note there may be a need to make a different decision if the outcomes of the review demonstrate a material change in circumstances, for example, for service classification or the form of control.

We will continue to consult with all stakeholders regarding changes that impact our future decisions.

2.2.4 Connection services

Connection services refer to the services a distributor performs in order to:

- connect a person's home, business, or other premises to the electricity distribution network (premises connection)
- get more electricity from the distribution network than is possible at the moment (augmentation)
- extend the network to reach a person's premises (extension).

In past regulatory determinations, our classification of connection services has largely followed jurisdictional approaches and we have not sought to align connection services terminology across jurisdictions.

As we indicated in our Service classification guideline, while we consider the provisions under Chapter 5A of the NER provide a consistent set of terminology for connections, we realise that there are differences in classification approaches across distributors. These differences arise due to jurisdictional and operational requirements.[119]

Distributors recognised the desirability of consistency of connections terminology across jurisdictions, and the preference we indicated in the Service classification guideline to adopt terminology consistent with that of Chapter 5A of the NER.[120] As a result, we have consulted closely with distributors to align the terminology as consistently, as is reasonably possible, to Chapter 5A of the NER, while retaining flexibility of classification for jurisdictional requirements. We also note that the change of terminology impacts the various connection policies of distributors who will need to ensure that their connection offers align with how connection services are described and classified within service classification.

For Evoenergy, we are proposing to use the following connection service groupings: Basic connections; Standard connections; and Negotiated connections. These, groupings align well with the terminology and descriptions in Chapter 5A of the NER. In addition we have also added an 'enhanced connection service' and 'Connection application and management services'. The latter two services align with connection service groupings in our Service classification guideline[121] and are used to manage services and activities that are related to the connection service grouping.

119 AER, Electricity Distribution Service Classification Guideline, September 2018, pp. 17-21.

120 See AER, *Electricity Distribution Service Classification Guideline,* September 2018, pp. 17-19; Ausgrid, *Request to replace the AER's Framework and Approach Paper*, Appendix A, October 2021, pp. 37-39. Endeavour Energy, *Request to replace the AER's Framework and Approach Paper*, October 2021, p. 11.

121 AER, *Electricity Distribution Service Classification Guideline*, September 2018, p. 21.

2.2.4.1 Basic connection, Standard connection, and Negotiated connection services

Our final position is to classify Basic connections; Standard connections; and Negotiated connections as direct control services, and further as standard control services. We consider this classification is appropriate for the following reasons:

- Evoenergy holds an electricity distribution licence which is the only distribution licence that is currently in place for the ACT. Connection services involve work on, or in relation to, parts of Evoenergy's distribution network. We consider that, similar to common distribution services, there is a regulatory barrier preventing any party other than Evoenergy providing any connection services to its network.[122]
- There is little, if any, prospect for competition in the market for connection services. That is, we are not aware of any ACT Government initiatives to introduce contestability for connection services in the 2024−29 regulatory control period. Therefore, our classification will not influence the potential for competition.[123]
- Retaining the current classification of alternative control will have no material effect on administrative costs to us, Evoenergy, users or potential users.[124] This is because classifying these services as standard control services is consistent with the current regulatory approach.[125]

2.2.4.2 Enhanced connection services

Our final position is to classify 'enhanced connection services' as direct control, and further as alternative control services. Enhanced connection services cover activities to provide customers with a different levels of reliability or quality of service (where permissible) than required by the NER or any other applicable regulatory instruments.

Enhanced connection services is a broad service grouping which accounts for customer requests for connection services that are outside of the minimum technically feasible standard. In practice this can include among other activities; customer requests for higher levels of reliability or three phase electricity; the construction of a second connection from the distribution network to the customer (a reserve feeder); or where a customer requests a supply enhancement.

To provide additional clarity, as discussed in the exports section (section 2.2.1.6), we have added to footnote to the service grouping to indicate that the enhanced connection service is applicable to both consumption and export services.

We consider that an alternative control service classification for the enhanced connection service is appropriate for the following reasons:

- there are barriers to market entry. Distributors approve access and materials connected to their network infrastructure
- the service is provided to an identifiable customer or subset of customers

122 NEL, s. 2F(a).
123 NER, cl. 6.2.2(c)(1)
124 NER, cl. 6.2.2(c)(2)
125 NER, cl. 6.2.2(c)(4)

- the classification of the service in the current regulatory control period.[126]

2.2.4.3 Connection application and management services

Our final position is to classify connection application and management services as direct control, and further as alternative control services. We consider that an alternative control service classification is appropriate for the same reasons as we explained for the classification of the enhanced connection service above. This approach is also consistent with the baseline list in our Service classification guideline.[127]

Connection application and management services is a new service grouping for Evoenergy for the 2024–29 regulatory control period. It consolidates a number of connection-related activities from the service classification list in the current period under a single service grouping. The service grouping which have been consolidated from the current service list are; 'connection application related services' and 'Reconnections/Disconnections'.[128]

The underlying activities in the new service grouping, as described in our service classification baseline list, include, but are not limited to: requests for premises connections; requests for premises connection; premises de-energisation or re-energisation; temporary connections (such as a builder's connection); customer overhead line replacements or re-location; customer requested upgrades to their connection (such as undergrounding) and calculation of site specific loss factors when required under the NER. The description is consistent with the baseline list in the Service classification guideline.[129]

2.2.5 Unregulated services

Unregulated distribution services is the term we use to describe distribution services which we have not classified as either direct control or negotiated services. Services which, after taking account of the form of regulation factors – and all the other factors we must take into consideration – leads us to conclude that regulation is not required, are unregulated. Unregulated is not a service classification and we are under no obligations under the NER to maintain a list of services that we have not classified. We have not proposed any changes to the current list of services we do not regulate. As discussed in previous sections, if it adds clarity to stakeholders, we may consider changes to the list – if presented with a material change in circumstances – at our final decision.

126 NER cll. 6.2.2.(c)(1),(3)(5)

127 NER cl. 6.2.8 (c) also see Appendix B of the *Electricity Distribution Service Classification Guideline*, p. 12.

128 AER, *Final framework and approach for ActewAGL, 2019–24*, July 2017, pp. 81,89

129 AER, *Electricity Distribution Service Classification Guideline*, September 2018, p. 21. See also Appendix A of the *Electricity Distribution Service Classification Guideline*, p. 21 for a complete list of activities.

3 Control mechanisms

This section sets out the control mechanisms to apply to Evoenergy's direct control services for the 2024–29 regulatory control period.

A distribution determination must impose controls over the prices and/or revenues of direct control services.[130] The form and formulae of the control mechanisms in our distribution determination must be as set out in the relevant F&A.[131] There are only limited circumstances in which the AER can depart from this.[132]

For the 2024–29 regulatory control period, our final decision is to apply the current control mechanisms as per the 2019–24 distribution determinations.[133] That is,

- revenue cap for standard control services
- price cap for alternative control services.

We consider these controls have been working well over the current regulatory control periods and have not been presented with compelling reasons to depart from them.

3.1 Revenue cap for standard control services

3.1.1 Final decision

We maintain the revenue cap mechanism for standard control services. The main revenue cap control formulae will mostly stay the same, with minor adjustments for the application of service target performance incentive scheme Version 2.0 (STPIS 2.0).[134] In our distribution determination, we will specify how we calculate the values for relevant inputs used within the formulae and improve transparency of the control mechanism.

Figure 3.1 Revenue cap control formulae to apply for Evoenergy's standard control services

1. $TAR_t \geq \sum_{i=1}^{n} \sum_{j=1}^{m} p_t^{ij} \, q_t^{ij}$ where $i = 1, \ldots, n$ and $j = 1, \ldots, m$ and $t = 1, 2, 3, 4, 5$
2. $TAR_t = AAR_t + I_t + B_t + C_t$ where $t = 1, 2, 3, 4, 5$
3. $AAR_t = AR_t$ where $t = 1$
4. $AAR_t = AAR_{t-1} \times (1 + \Delta CPI_t) \times (1 - X_t)$ where $t = 2, 3, 4, 5$

Where:

Variable	Represents
t	the regulatory year with t = 1 being the 2024–25 financial year.
TAR_t	the total annual revenue for year t.

130 NER, cl. 6.2.5(a).

131 NER, cll. 6.12.3(c) and 6.12.3(c1).

132 NER, cll. 6.12.3(c)(1) and (2); 6.12.3(c1).

133 AER, *Final framework and approach for ActewAGL*, July 2017, pg. 33.

134 AER, *Electricity distribution network service providers – Service target performance incentive scheme Version 2.0*, November 2018.

Variable	Represents
p_t^{ij}	the price of component 'j' of tariff 'i' for year t.
q_t^{ij}	the forecast quantity of component 'j' of tariff 'i' for year t.
AR_t	the annual smoothed revenue requirement in the Post Tax Revenue Model (PTRM) for year t.
AAR_t	the adjusted annual smoothed revenue requirement for year t.
I_t	the sum of incentive scheme adjustments for year t. To be decided in the distribution determination.
B_t	the sum of annual adjustment factors to balance the unders and overs account for year t. To be decided in the distribution determination.
C_t	the approved pass-through amounts (positive or negative) for year t, as determined by the AER. It will also include any annual or end of period adjustments for year t. To be decided in the distribution determination.
ΔCPI_t	the annual percentage change in the Australian Bureau of Statistics' (ABS) Consumer Price Index All Groups, Weighted Average of Eight Capital Cities[135] from December in year t–2 to December in year t–1. For example, for the 2024–25 year, t–2 is December 2022 and t–1 is December 2023.
X_t	the X factor in year t, incorporating annual adjustments to the PTRM for the trailing cost of debt where necessary. To be decided in the distribution determination.

3.1.2 Reasons for final decision

Under clause 6.2.6(a) of the NER, the basis of the control mechanism for standard control services must be of the CPI-X form, or an incentive-based variant.

In determining a control mechanism to apply to standard control services, we must have regard to the factors in clause 6.2.5(c) of the NER. These are:

- need for efficient tariff structures
- possible effects of the control mechanism on administrative costs of us, the distributor, users or potential users
- regulatory arrangements (if any) applicable to the relevant service immediately before the commencement of the distribution determination
- desirability of consistency between regulatory arrangements for similar services (both within and beyond the relevant jurisdiction)
- any other relevant factor.

In our previous F&A decisions, other factors we considered relevant to assessing the most suitable control mechanism for standard control services are: [136]

- revenue recovery
- price flexibility and stability
- incentives of demand side management.

We have not restated our consideration of these factors for this F&A as there has not been a material change in circumstances since our previous considerations, and we are satisfied the current control mechanism for standard control services is fit for purpose. The revenue cap

[135] If the ABS does not or ceases to publish the index, then CPI will mean an index which the AER considers is the best available alternative index.

[136] AER, *Final framework and approach for ActewAGL*, July 2017, pg. 36.

allows for consistency of regulatory arrangements for standard control services across both regulatory control periods and jurisdictions.

Our considerations regarding each of these factors remains as that set out in the 2019–24 F&A.[137]

Stakeholder submissions generally supported our position in the preliminary F&A position paper to maintain the current control mechanism for standard control services.[138] We have not received any feedback that suggests that we should depart from the revenue cap control mechanism.

However, we note there has been a change in the approach to the passthrough of the STPIS rewards and penalties (from a percentage to a dollar amount) which require minor revisions to the formulae that give effect to the revenue cap control mechanism.

Specifically, Evoenergy has completed its transition from STPIS Version 1.2 to STPIS 2.0 in the current regulatory control period.[139] As a result, we have updated the control mechanism formulae to remove the transitional formulae. For the 2024–29 regulatory control period, we intend to apply STPIS 2.0 as an adjustment to the I-factor in Formula 2 in Figure 3.1, continuing its operation from the final years of the 2019–24 regulatory control period.

In our distribution determination, we will specify how we calculate the relevant inputs used in the final F&A revenue cap formulae.

3.2 Price caps for alternative control services

3.2.1 Final decision

We maintain the price cap mechanism for alternative control services. The price cap control formulae will stay the same for metering and fee-based ancillary network services. [140] For quoted ancillary network services, we have added margin and tax components to the formula.

We also require Evoenergy to provide itemised quotes of quoted services to customers prior to them accepting the service. We consider this will provide greater price transparency for customers and reduce the incidence of price shocks.

Figure 3.2 Price cap control formulae to apply to Evoenergy's legacy metering and ancillary fee-based services

1. $\bar{p}_t^i \geq p_t^i$ where $i = 1, \dots, n$ and $t = 1, 2, 3, 4, 5$
2. $\bar{p}_t^i = \bar{p}_{t-1}^i \times (1 + \Delta CPI_t) \times \left(1 - X_t^i\right) + A_t^i$ where $i = 1, \dots, n$ and $t = 1, 2, 3, 4, 5$

Where:

137 AER, *Final framework and approach for ActewAGL*, July 2017, pp. 37–44.

138 Evoenergy, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, pg. 4; CitiPower, Powercor and United Energy, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, pg. 2.

139 AER, *Ausgrid 2019-24 – Final Decision – Attachment 13 – Control Mechanisms*, March 2021, pp. 6–8; AER, *Endeavour Energy 2019-24 – Final Decision – Attachment 13 – Control Mechanisms*, March 2021, pp. 6–8; AER, *Essential Energy 2019-24 – Final Decision – Attachment 13 – Control Mechanisms*, March 2021, pp. 6–8

140 AER, *Final framework and approach for ActewAGL*, July 2017, pg. 48.

Variable	Represents
t	the regulatory year with t = 1 being the 2024–25 financial year.
$\bar{p}_t^i$	the cap on the price of service 'i' for year t.
p_t^i	the price of service 'i' in year t. The initial value is to be decided in the distribution determination.
$\bar{p}_{t-1}^i$	the cap on the price of service 'i' for year t-1.
ΔCPI_t	the annual percentage change in the Australian Bureau of Statistics' (ABS) Consumer Price Index All Groups, Weighted Average of Eight Capital Cities[141] from December in year t–2 to December in year t–1. For example, for the 2024–25 year, t–2 is December 2022 and t–1 is December 2023.
X_t^i	the X factor for service 'i' in year t. The X factors are to be decided in the distribution determination.
A_t^i	the sum of any adjustments for service 'i' in year t. To be decided in the distribution determination.

Figure 3.3 Price cap control formula to apply to Evoenergy's quoted ancillary network services

1. $Price = Labour + Contractor\ Services + Materials + Margin + Tax$

Where:

Variable	Represents
t	the regulatory year with t = 1 being the 2024–25 year.
$Price$	the charge paid by the customer
$Labour$	the labour costs directly incurred in the provision of the service which may include labour on-costs, fleet on-costs and overheads. Labour is escalated annually by $(1 + \Delta CPI_t) \times (1 - X_t^i)$.
ΔCPI_t	the annual percentage change in the Australian Bureau of Statistics' (ABS) Consumer Price Index All Groups, Weighted Average of Eight Capital Cities[142] from December in year t–2 to December in year t–1. For example, for the 2024–25 year, t–2 is December 2022 and t–1 is December 2023.
X_t^i	the X factor for service 'i' in year t. The X factors are to be decided in the distribution determination and will be based on the approach the distributor undertakes to develop its initial prices.
$Contractor\ Services$	the 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.
$Materials$	the cost of materials directly incurred in the provision of the service, material storage and logistic on-costs and overheads.
$Margin$	definition to be decided in the distribution determination.
Tax	definition to be decided in the distribution determination.

3.2.2 Reason for final decision

In determining a control mechanism to apply to alternative control services, we must have regard to the factors in clause 6.2.5(d) of the NER. These include:

- the potential for development of competition in the relevant market and how the control mechanism might influence that potential

[141] If the ABS does not or ceases to publish the index, then CPI will mean an index which the AER considers is the best available alternative index.

[142] If the ABS does not or ceases to publish the index, then CPI will mean an index which the AER considers is the best available alternative index.

- the possible effects of the control mechanism on administrative costs for us, the distributor and users or potential users
- the regulatory arrangements (if any) applicable to the relevant service immediately before the commencement of the distribution determination
- the desirability of consistency between regulatory arrangements for similar services (both within and beyond the relevant jurisdiction)
- any other relevant factor.

In our previous F&A decisions, another factor we considered relevant to assessing the most suitable control mechanism for alternative control services was cost reflectivity.[143]

For most of these factors, we have not restated our consideration in previous F&A decisions as there has not been any material change in circumstances to alter our position, and we are satisfied that the current control mechanism for alternative control services is fit for purpose. The price cap allows for consistency of regulatory arrangements for alternative control services across both regulatory control periods and jurisdictions.

Our considerations regarding each of these factors, as well as considerations for cost reflectivity, remain as set out in the 2019–24 F&A.[144]

However, we are making two amendments to the quoted services price cap formula with regard to:

- the desirability of consistency between regulatory arrangements for similar services (both within and beyond the relevant jurisdiction)
- cost reflectivity.

3.2.2.1 Inclusion of a margin component in the quoted services price cap formula

Our final F&A includes a margin component for quoted services as we transition to consistent regulatory arrangements for similar services across jurisdictions.

In the preliminary F&A position paper, we observed the inclusion of a margin component in the quoted services formula differed across jurisdictions. In particular, the price cap formula for TasNetworks and SA Power Networks includes a margin component whereas the price cap formulae for other distributors did not.

We accepted the inclusion of a margin in our previous F&A decisions for TasNetworks and SA Power Networks because it was consistent with the principle of competitive neutrality.[145] Its application means provision of quoted services are consistent to that in a competitive market.

The inclusion of a margin is also consistent with the revenue and pricing principles in the National Electricity Law (NEL) which allows for a price or charge for a direct control service to include a return commensurate with the regulatory and commercial risks involved.[146]

143 AER, *Final framework and approach for ActewAGL*, July 2017, pg. 36.

144 AER, *Final framework and approach for ActewAGL*, July 2017, pp. 46–47.

145 AER, *SA Power Networks 2020-25 – Draft Decision – Attachment 13 – Control Mechanisms*, October 2019, pp. 16–17; AER, *TasNetworks 2019-24 – Draft Decision – Attachment 15 – Alternative control services*, September 2018, pp. 14–15.

146 NEL, s 7A(5).

We consider the inclusion of a margin for quoted services is akin to the return on capital for standard control services.

As such, we have included a margin component in the price cap formula for quoted services as it is consistent with the overall regulatory framework and mirrors the arrangements for standard control services.

3.2.2.2 Inclusion of a tax component in the quoted services price cap formula

Our final F&A also includes a tax component to allow quoted services to be more cost reflective.

In previous regulatory determinations, distributors proposed a tax allowance because there were tax costs associated with capital-intensive quoted services even though the works were fully funded by customers.[147] This is because the works were capitalised for accounting purposes which incurred a tax obligation based on the difference between revenue and depreciation.

In these previous determinations, we did not allow inclusion of a tax component for the quoted services as it had not been proposed by distributors for inclusion in our final F&A. The NER only provides for limited circumstances in which the AER can depart from the final F&A.[148]

We consider it is appropriate to include provision for a tax component for quoted services where the tax obligations are unavoidable and incurred in the course of providing quoted services. In these instances we consider that taxes are efficient costs in the provision of quoted services.

Stakeholder submissions on new components

We note stakeholders support the inclusion of the margin and tax components in the quoted services price cap formula.

The inconsistent application of the margin component across jurisdictions has created stakeholder confusion. We proposed to standardise the approach across jurisdictions by making provision for both components in the quoted services formula in the preliminary F&A position paper.[149]

We received submissions from distributors that supported our position to improve the current price cap formulae by adding the margin and tax components to the quoted services formula.[150] In favour of these amendments, the submissions noted that:

147 Jemena, *Attachment 07-07 - Price control mechanisms*, January 2020, pp. 9-11.

148 NER, cll. 6.12.3(c)(1) and (2); 6.12.3(c1).

149 AER, *Preliminary framework and approach – NSW, ACT, TAS and NT businesses,* April 2022, pp. 27-28.

150 Endeavour Energy, *Submission on the 2024–29 Framework and approach - Preliminary position paper,* May 2022, pg. 1; Essential Energy, *Submission on the 2024–29 Framework and approach - Preliminary position paper,* May 2022, pg. 1; Power and Water Corporation, *Submission on the 2024–29 Framework and approach - Preliminary position paper,* May 2022, pg. 7.

- These new components will encourage distributors to provide ancillary services on a more equal basis with standard control services.[151]
- Distributors incur a tax liability in the provision of some quoted services and introducing a tax component would ensure consistency with tax approaches for standard control services.[152]

Considering the feedback we received, and our requirement to consider consistency in regulatory arrangements and cost reflectivity, we have amended the quoted services price cap formula to include these two components. However, we have not defined these new components because we intend to consult further on their definitions and method of calculation during the distribution determination process.

3.2.2.3 Itemised quotes for customers to demonstrate application of control mechanism

Furthermore, we are continuing to encourage greater transparency of quoted services by requiring distributors to provide itemised quotes to the customer. At a minimum, the quotes must contain information on each of the cost components to demonstrate compliance with the control mechanism formula for quoted services. This was originally introduced for the NSW distributors during the 2019–24 regulatory control period in response to stakeholder feedback.[153]

We subsequently applied this approach in our 2021–26 determinations for the Victorian distributors. We consider this approach is best practice and provides greater transparency of the pricing of quoted services for stakeholders. We are proposing to continue to apply this expectation for Evoenergy and all distributors going forward.

Origin Energy supported our position in its submission because it provides transparency to customers and allows them to understand how quoted prices are determined.[154] It also noted that increased standardisation and transparency allows stakeholders to compare price offerings across providers and over time.

151 Evoenergy, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, pg. 4.

152 CitiPower, Powercor and United Energy, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, pg. 2.

153 AER, Ausgrid 2019-24 – Draft Decision – Attachment 13 – Control mechanisms, November 2018, pp. 17–18; AER, *Endeavour Energy 2019-24 – Final Decision – Attachment 13 – Control mechanisms*, November 2018, pg. 15; AER, *Essential Energy 2019-24 – Final Decision – Attachment 13 – Control mechanisms*, November 2018, pp. 16–17.

154 Origin Energy, *Submission on the 2024–29 Framework and approach - Preliminary position paper*, May 2022, pg. 2.

4 Incentive schemes

This section sets out our preliminary position on the application of a range of incentive schemes to Evoenergy for the 2024–29 regulatory control period. Consistent with our Preliminary position paper we propose to apply the following incentive schemes for Evoenergy:

- service target performance incentive scheme (STPIS)
- efficiency benefit sharing scheme (EBSS)
- capital expenditure sharing scheme (CESS)
- demand management incentive scheme (DMIS)
- customer service incentive scheme (CSIS).

We did not receive specific submissions to the Preliminary position paper regarding the application of the above incentive schemes. However, we note that the following submissions provided their general support for the application of these schemes:

- Evoenergy[155]
- Essential Energy[156]
- CitiPower, Powercor and United Energy[157]
- Public Interest Advocacy Centre[158]
- TasNetworks[159]

The distributors noted the ongoing AER incentive schemes review,[160] which may have an impact on the incentive schemes that will apply for the 2024–29 regulatory control period. We intend to apply any outcomes as a result of our incentive schemes review.[161] As the current proposed release of the final decision on the review is a few months after the publication of the final F&A, any changes to the structure of incentive schemes, and how they are applied, may need to be reflected in the draft and final determination as a material change in circumstances.[162]

As the incentive schemes review is still ongoing, we did not include our position on the parameters of the incentive schemes that may apply, or our reasons for applying them in our

155 *Evoenergy - Submission on the 2024–29 Framework and approach - Preliminary position paper - May 2022,* p.5

156 *Essential Energy - Submission on the 2024–29 Framework and approach - Preliminary position paper - May 2022,* p.5

157 *CitiPower, Powercor and United Energy - Submission on the 2024–29 Framework and approach - Preliminary position paper - May 2022,* p.4

158 *Public Interest Advocacy Centre - Submission on the 2024–29 Framework and approach - Preliminary position paper - May 2022*

159 *TasNetworks - Submission on the 2024–29 Framework and approach - Preliminary position paper - May 2022,* p.8

160 This review is due to be finalised by September 2022; https://www.aer.gov.au/networks-pipelines/guidelines-schemesmodels-reviews/review-of-incentive-schemes-for-regulated-networks/initiation.

161 https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/review-of-incentive-schemes-for-regulatednetworks/aer-position.

162 NER cl. 6.12.3(b).

Preliminary position paper.[163] Taking into account stakeholder input, we have set out our reasoning and current approach in this final F&A. We will set out the full application of our final decision on the review of incentive schemes in the draft and final determinations.

4.1 Service target performance incentive scheme (STPIS)

This section sets out our proposed approach and reasons for applying the STPIS to Evoenergy in the next regulatory control period.

Our distribution STPIS[164] provides a financial incentive to distributors to maintain and improve service performance. The scheme aims to ensure that cost efficiencies incentivised under our expenditure schemes do not arise through the deterioration of service quality for customers. Penalties and rewards under the STPIS are calibrated with how willing customers are to pay for improved service. This aligns the distributor's incentives towards efficient price and non-price outcomes with the long-term interests of consumers, consistent with the National Electricity Objective (NEO).

The STPIS operates as part of the building block determination and contains two mechanisms:

- The service standards factor (s-factor) adjustment to the annual revenue allowance for standard control services rewards (or penalises) distributors for improved (or diminished) service compared to predetermined targets. Targets relate to service parameters pertaining to reliability and quality of supply, and customer service.
- A guaranteed service level (GSL) component composed of direct payments to customers[165] experiencing service below a predetermined level. This component only applies if there is not another GSL scheme already in place.[166]

While the mechanics of how the STPIS will operate are outlined in our scheme, we must set out key aspects specific to the distributors in the next regulatory control period at the determination stage, including:

- the maximum revenue at risk under the STPIS
- how the distributor's networks will be segmented for the purpose of setting performance targets
- the applicable parameters for the s-factor adjustment of annual revenue
- performance targets for the applicable parameters in each network segment
- the criteria for certain events to be excluded from the calculation of annual performance and performance targets

163 AER, Framework and approach; Preliminary position paper NSW, ACT, TAS and NT businesses, Regulatory control period commencing 1 July 2024, April 2022, pp. 24–25.

164 AER, *Electricity distribution network service providers - service target performance incentive scheme*, 1 November 2009. Currently under review, however the amendment process is not yet complete.

165 Except where a jurisdictional electricity GSL requirement applies.

166 Service level is assessed (unless we determine otherwise) with respect to parameters pertaining to the frequency and duration of interruptions; and time taken for streetlight repair, new connections and publication of notices for planned interruptions.

- incentive rates that determine the penalties and rewards under the scheme.

4.1.1 Proposed application of the STPIS parameters

Our proposed position is to continue to apply the national STPIS version 2.0 to Evoenergy in the 2024–29 regulatory control period, similar to the parameters currently applied in the current regulatory control period, specifically:

- set revenue at risk at ± 5%
- segment the network according to the urban and short rural feeder categories
- apply the system average interruption duration index or SAIDI, system average interruption frequency index or SAIFI and customer service (telephone answering) parameters. However, if Evoenergy's proposed customer service incentive scheme (CSIS) include a similar performance measure, the telephone answering parameter of the STPIS will not be applied.
- set performance targets based on Evoenergy's average performance over the past five regulatory years
- apply the method in the STPIS for excluding specific events from the calculation of annual performance and performance targets
- apply the latest published value of customer reliability (VCR) values by the AER to set the incentive rates for SAIDI and SAIFI.

We will not apply the GSL component if Evoenergy remains subject to a jurisdictional GSL scheme.

Reasons for our position

Our reasons for applying the STPIS to Evoenergy remain unchanged from that for the current regulatory control period, which is available from https://www.aer.gov.au/networks-pipelines/determinations-access-arrangements/evoenergy-actewagl-determination-2019-24/aer-position.

4.1.2 Interactions with our other incentive schemes

In applying the STPIS, we must consider any other incentives available to the distributor under the NER or relevant distribution determination.[167] The STPIS will interact with our expenditure incentive schemes.

The EBSS provides a distributor with an incentive to reduce operating costs. The STPIS counterbalances this incentive by discouraging cost reductions that lead to a decline in performance. The s-factor adjustment of annual revenue depends on the distributor's actual service performance compared to predetermined targets.

In setting STPIS performance targets, we will consider both completed and planned reliability improvements expected to materially affect network reliability performance.[168]

[167] NER, cl. 6.6.2(b)(3)(iv).

[168] Included in the distributor's approved forecast capex for the next period.

The CESS rewards a distributor if actual capex is lower than the approved forecast amount for the regulatory year. Since our performance targets will reflect planned reliability improvements, any incentive a distributor may have to reduce capex by not achieving the planned performance outcome will be curtailed by the STPIS penalty.

4.2 Efficiency benefit sharing scheme

We intend to apply the EBSS to Evoenergy in the 2024−29 regulatory control period if we are satisfied the scheme will fairly share efficiency gains and losses between the distributors and consumers.[169] This will occur only if the operational expenditure (opex) forecast for the following period is based on the distributors' revealed costs. Our distribution determinations for Evoenergy for the 2024−29 regulatory control period will specify if and how we will apply the EBSS. We further discuss when we would and would not apply the EBSS in our final F&A for the Victorian distributors.[170]

Where our findings from the incentive review, and any subsequent changes to the capital incentives guideline require any amendments to the scheme, we will apply them as a material change in circumstances at the draft or final determination.

4.3 Capital expenditure sharing scheme

We intend to apply the CESS to Evoenergy in the 2024−29 regulatory control period. Where our findings from the incentive review and any subsequent changes to the capital incentives guideline require any amendments to the scheme, we will apply them as a material change in circumstance at the draft or final determination.

Reasons for our position

We provided a detailed explanation of the reasons for our decision to apply the CESS in the Framework and Approach for Evoenergy for the 2019–24 regulatory control period. Our reasons for maintaining this approach have not changed for the 2024−29 regulatory control period. Therefore, for a full account of our reasoning for our final position in this F&A, we direct stakeholders to the F&A for the 2019−24 regulatory control period.[171]

We note a focus of our current incentive review is the application of the CESS to ensure that it remains fit for purpose. Although we have not yet finalised any changes to the capital incentives guideline, we consider any changes to the CESS as a result of our review should be reflected in the 2024−29 regulatory control period.

Any changes to the CESS would not apply retrospectively but to capex undertaken in the 2024−29 regulatory control period.

169 NER, cl. 6.5.8(a).

170 AER, *Final framework and approach, AusNet Services, CitiPower, Jemena, Powercor and United Energy, Regulatory control period commencing 1 January 2021*, January 2019, pp. 81–83.

171 AER, *Final framework and approach for ActewAGL*, July 2017, pp. 58-60..

4.4 Demand management incentive scheme (DMIS) and demand management innovation allowance mechanism (DMIAM)

We intend to apply the DMIS and DMIAM to the Evoenergy in the 2024−29 regulatory control period.

Reasons for our position

Distribution businesses can manage demand on their networks to reduce, delay or even avoid the need to install, replace or upgrade expensive network assets. Network assets include equipment like poles, wires, transformers and substations. When used effectively, managing demand to avoid incurring these costs can reduce upward pressure on network charges, which make up about half the cost of electricity bills.

Managing demand on electricity networks can increase the reliability of supply and reduce the cost of supplying electricity. Often, electricity consumers are empowered to manage demand via price signals and enabling technology.

Price signals or financial incentives can reward consumers for using electricity in a way that allows network businesses to keep their costs down. These signals or incentives may come in the form of things like cost-reflective tariffs, congestion pricing, and rebates. Enabling technology often complements price signals by empowering consumers' use of electricity in a way that allows network businesses to keep their costs down. This technology may include things like advanced metering technology, demand response enabling devices, and energy monitoring apps.

The DMIS only provides incentives for the implementation of demand management projects that are efficient and contribute, partially or wholly, to resolving a network constraint. In deciding whether a project is efficient, we require distribution businesses to test the demand management services market. This will increase transparency, promote competition and put downwards pressure on electricity prices. This is because distribution business can only benefit from incentives if they address the network constraint in the most efficient way available.

This incentive structure should encourage best-practice network planning that will deliver value to consumers via lower electricity prices. We believe our incentive scheme will achieve this because distribution businesses will be:

- Selecting efficient projects that deliver the most value to consumers when solving network constraints, regardless of whether these projects constitute a demand-side or supply-side solution.
- Asking third parties to propose demand management solutions, and forming contracts with parties that propose solutions that deliver the most value to consumers.

We will continue providing a demand management innovation allowance, which is a research and development (R&D) fund, because the innovation allowance will complement the new DMIS. It will increase the capacity of distribution business to invest in ideas that may eventually form parts of projects under the incentive scheme.

While not an incentive scheme, the DMIAM provides a R&D fund to help distribution businesses discover new ways of using demand management to keep the costs down for electricity consumers in the future. The objective of the DMIAM is to provide distribution businesses with funding for R&D in demand management projects that have the potential to reduce long-term network costs. This will fund innovative projects that have the potential to deliver ongoing reductions in demand or peak demand.

Any unused funding under the DMIAM will be returned to consumers in the ensuring 2029−34 regulatory control period.

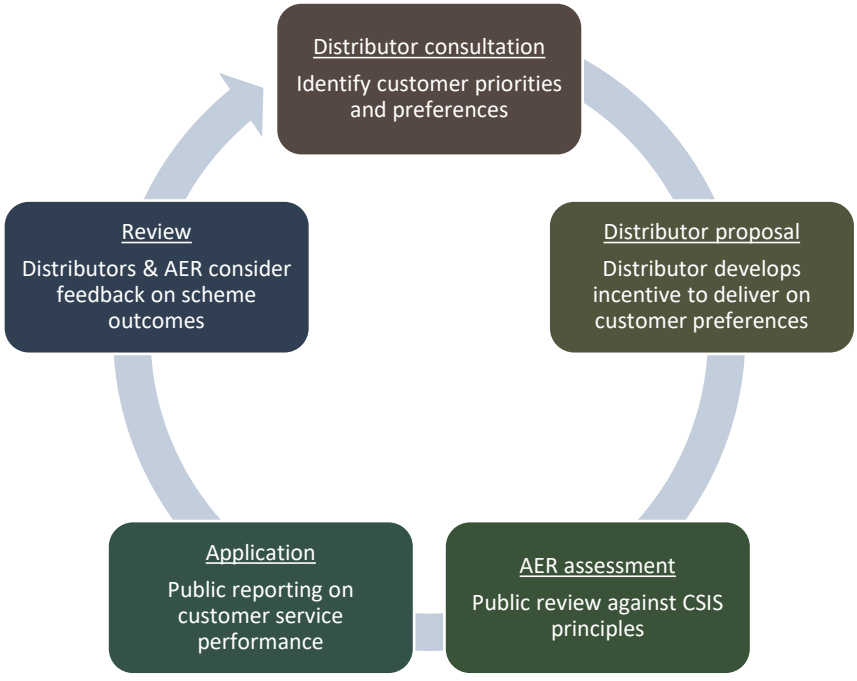
We believe that the DMIS, supported by the DMIAM, will provide long-term benefit to customers.

4.5 Customer service incentive scheme (CSIS)

The CSIS is designed to encourage electricity distributors to engage with their customers and provide customer service in accordance with their preferences. The CSIS allows us to set targets for distributor customer service performance and require distributors to report on performance against those targets. Under the CSIS, distributors may be financially rewarded or penalised depending on how they perform against customer service targets.

The CSIS is a flexible 'principles based' scheme that can be tailored to the specific preferences and priorities of a distributor's customers. This flexibility will allow for the evolution of customer engagement and adapt to the introduction of new technologies. The scheme targets customer preferences and also provides safeguards so that any rewards or penalties are commensurate with improvements or detriments to customer service Figure 4.1 illustrates how the CSIS works in practice.

Figure 4.1 Application of the CSIS



Source: AER, *Explanatory Statement Customer Service Incentive Scheme*, July 2020, p. 4.

Under the CSIS, distributors may propose different 'incentive designs' in their regulatory proposals. For the CSIS to be applied, incentive designs must meet the scheme's principles. Importantly, we will not apply an incentive design unless a distributor can demonstrate that its customers support the incentive design through genuine engagement.

5 Expenditure forecast assessment guideline

This chapter sets out our intention to apply our expenditure forecast assessment guideline (the EFA guideline) including the information requirements applicable to Evoenergy for the 2024−29 regulatory control period. The EFA guideline outlines the assessment techniques we will use to assess a distributor's proposed expenditure forecasts, and the information we require from the distributor.

The EFA guideline uses a nationally consistent reporting framework that allows us to compare the relative efficiencies of distributors and decide on efficient expenditure forecasts. The NER require Evoenergy to advise us by 30 June 2022 of the methodology they propose to use to prepare their forecasts.[172] In the final F&A we must advise whether we will deviate from the EFA guideline.[173] This will provide clarity on how we will apply the EFA guideline and the information Evoenergy should include in its regulatory proposal. This contributes to an open and transparent process and makes our assessment of expenditure forecasts more predictable.[174]

The EFA guideline contains a suite of assessment/analytical tools and techniques to assist our review of the expenditure forecasts distributors include in their regulatory proposals. We intend to have regard to the assessment tools set out in the guideline. The tool kit includes:

- models for assessing proposed replacement and augmentation capex
- benchmarking (including broad economic techniques and more specific analysis of expenditure categories)
- methodology, governance and policy reviews
- predictive modelling and trend analysis
- cost benefit analysis and detailed project reviews.[175]

We exercise judgement to determine the extent to which we use a particular technique to assess a regulatory proposal. We use the techniques we consider appropriate depending on the specific circumstances of the determination. The guideline is flexible and recognises that we may employ a range of different estimating techniques to assess an expenditure forecast.

We provide further guidance on our approach to assessing forecast capex in the following documents:

- an application guideline for the regulatory investment test for distribution (RIT-D)[176]

172 NER, cl. 6.8.1A(b)(1).

173 NER, cl. 6.8.1(b)(2)(viii).

174 As per the requirement NER, cl. 6.8.2(c2) Evoenergy is required to submit expenditure assessment information in its regulatory proposal. Evoenergy's response to the Reset Regulatory Information Notice pertaining to the forecast data will satisfy the information requirements contained in the AER's EFA Guideline as set out in this F&A.

175 AER, *Explanatory statement: Expenditure assessment guideline for electricity transmission and distribution*, 29 November 2013.

176 AER, *Application guidelines: Regulatory investment test for distribution*, December 2018.

- an industry practice application note for asset replacement planning[177]
- an information and communication technologies (ICT) guidance note[178]
- a guidance note for regulation of actionable integrated system plan projects[179]
- an outline of the replacement expenditure (repex) model[180]
- a draft guidance note on distributed energy resources integration expenditure.[181]

For opex, in most cases we take a base-step-trend approach to assessing forecast expenditure and in this context use top down economic benchmarking tools to determine the reasonableness of the forecast rather than a bottom-up assessment approach. However, in exercising our judgement, we may use any analytical tool at our disposal, including assessing individual elements of the forecast using a bottom-up approach.

We continue to develop and use economic benchmarking to inform our expenditure decisions. Economic benchmarking remains a tool we use to assess the relative efficiency of network services providers. We are likely to use a range of benchmarking approaches to assess expenditure forecasts. Benchmarking also provides a source of information to assist both service providers and other interested parties about the relative productivity of individual businesses and the trends in productivity for the industry.

Further to the suite of tools and techniques set out in the EFA guideline, we have also set out our expectations for a distributor's opex and capex proposals in the Better Reset Handbook.[182] We will assess the distributors' proposals against our expectations to determine whether to apply a targeted review.

We did not receive any submissions regarding the application of the EFA guideline.

177 AER, *Industry practice application note, Asset replacement planning*, January 2019.

178 AER, *Non-network ICT capex assessment approach*, November 2019.

179 AER, *Guidance note, Regulation of actionable ISP projects*, March 2021.

180 AER, *AER repex model outline for electricity distribution determinations*, February 2020.

181 AER, *DRAFT DER integration expenditure guidance note*, July 2021.

182 AER, *Better Resets Handbook Towards Consumer Centric Network Proposals*, December 2021, pp. 19–29.

6 Depreciation

This section sets out our position on the approach to calculating depreciation when the RAB is rolled forward to the commencement of the 2029–34 regulatory control period for Evoenergy.

As part of the roll forward methodology, when the RAB is updated from forecast capex to actual capex at the end of the regulatory control period, it is also adjusted for depreciation. The depreciation approach we use to roll forward the RAB can be based on either:

- actual capex incurred during the regulatory control period (actual depreciation). We roll forward the RAB based on actual capex less the depreciation on the actual capex, or
- the capex allowance forecast at the start of the regulatory control period (forecast depreciation). We roll forward the RAB based on actual capex less the depreciation on the forecast capex approved for the regulatory control period.

Our final position, consistent with our preliminary position and the Capital expenditure incentive guideline,[183] is to use the forecast depreciation approach to establish the RAB at the commencement of the 2029–34 regulatory control period for Evoenergy.[184]

The opening RAB at the commencement of the 2024–29 regulatory control period will be established using forecast depreciation, as stated in our previous determination that apply to Evoenergy for the current 2019–24 period. The use of forecast depreciation to establish the opening RAB for the commencement of the 2029–34 period, therefore, maintains the current approach. Evoenergy and stakeholders specifically supported continuing with the use of forecast depreciation for establishing the opening RAB.[185]

Evoenergy is currently subject to the CESS and as set out in section 4 above, we propose to continue to apply the CESS in the 2024–29 period. We are satisfied that the incentive provided by the application of the CESS, in combination with the use of forecast depreciation and our other ex-post capex measures, would be sufficient to achieve the capex incentive objective.[186]

183 AER, *Capital expenditure incentive guideline for electricity network service providers*, November 2013, pp. 21–22.

184 NER, cll. 6.8.1(b)(2)(ix).

185 Evoenergy Energy, *Request to replace the Framework and Approach papers for the 2024–29 regulatory control period*, October 2021, p. 5; Evoenergy, *Response to AER preliminary F&A position*, May 2022, p. 5; CitiPower, Powercor and United Energy, *Submission to AER Framework and approach Preliminary position paper*, May 2022, p. 4; Endeavour Energy, *Response – AER FA preliminary position paper*, May 2022, p. 1; Essential Energy, *Submission to Framework and Approach – Preliminary Position paper for 2024–29*, May 2022, Attachment 1, p. 3; Power and Water Corporation, *Response to AER Preliminary Position Paper*, May 2022, p. 8; Public Interest Advocacy Council (PIAC), *Submission to AER preliminary position paper NSW distribution framework and approach*, May 2022, p. 6; TasNetworks, *Preliminary position paper submission*, May 2022, Attachment 1, p. 8.

186 AER, *Capital expenditure incentive guideline for electricity network service providers*, November 2013, pp. 13–22.

7 Dual function assets

Dual function assets are high voltage transmission assets forming part of the distribution network. Transmission network service providers usually operate these assets. Considering transmission assets as part of a distribution determination avoids the need for a separate transmission proposal. Where a network service provider owns, controls or operates dual-function assets, we are required to consider whether we should price these assets according to the transmission or distribution pricing principles.

According to information submitted by Evoenergy, the distribution business does operate dual function assets under the NER.[187]

Where the value of the dual function assets comprises a material proportion of the distributor's RAB, we may determine that the pricing of the respective services should be regulated under Chapter 6A. The NER requires us, in determining the pricing approaches to apply, to consider impacts on distribution prices and future consumption, production and investment decision. We may also account for other factors we consider relevant.

Evoenergy currently has dual function assets priced as transmission assets under the NER.[188] For the 2019–24 period, these assets were valued at $189.71 million (or 19% of the RAB).[189] Evoenergy has requested that the AER continue to apply transmission pricing to its dual function assets for the 2024–29 regulatory control period. As of 31 July 2021, the value of the dual function assets for Evoenergy was $173.1 million or 18% of the total RAB, being a 1% reduction from the current period.[190]

Our decision

Our decision on dual function asset pricing is binding on us and Evoenergy for the 2024–29 regulatory control period. [191]

Our decision is to continue to apply transmission pricing to Evoenergy's dual function assets. Evoenergy submit that the value of its dual function assets still comprises a material proportion of its RAB and that pricing in respect of those services should be regulated under Part J of Chapter 6A, rule 6.26.[192] This is consistent with the current approach for the 2019–24 regulatory control period, our preliminary position, and Evoenergy's preference.

Submissions did not raise any objections through our consultation process to this position.

Table 7.1 Evoenergy's dual-function assets

	Evoenergy
Dual function assets ($m)	173.1
Proportion of distribution RAB (%)	18

187 Evoenergy, *Request to replace the AER's Framework and Approach paper*, October 2021, p. 3.

188 NER, Chapter 6A, Part J.

189 AER, *Framework and approach - ActewAGL - Regulatory control period commencing 1 July 2019*, July 2017, p. 72.

190 Evoenergy, *Request to replace the AER's Framework and Approach paper*, October 2021, p. 3.

191 NER, cl 6.25(d)

192 Evoenergy, *Request to replace the AER's Framework and Approach paper*, October 2021, p. 3.

	Evoenergy
Current regulatory control period pricing	Transmission
Service provider preference	Transmission
AER decision	Transmission

Source: Evoenergy, *Request to replace the AER's Framework and Approach paper*, October 2021, p. 3.

Appendix A: List of submissions

We received public submissions from the following stakeholders in relation to our Framework and approach for NSW, ACT, TAS & NT: Preliminary position paper.

Stakeholder
Ausgrid
Ausgrid's Reset Customer Panel
CitiPower, Powercor & United Energy
Consumer Challenge Panel 26
Endeavour Energy
Energy Networks Australia
ENTATAS *(this is the registered business name and not an acronym)
Essential Energy
Evoenergy
Jemena Electricity Networks
Origin Energy
Power and Water Corporation
Public Interest Advocacy Centre (PIAC)
SA Power Networks
Simply Energy
TasNetworks

Appendix B: Rule requirements for classification

We must have regard to four factors when classifying distribution services.[193]

- the form of regulation factors in section 2F of the NEL:
  - the presence and extent of any barriers to entry in a market for electricity network services
  - the presence and extent of any network externalities (that is, interdependencies) between an electricity network service provided by a network service provider and any other electricity network service provided by the network service provider
  - the presence and extent of any network externalities (that is, interdependencies) between an electricity network service provided by a network service provider and any other service provided by the network service provider in any other market
  - the extent to which any market power possessed by a network service provider is, or is likely to be, mitigated by any countervailing market power possessed by a network service user or prospective network service user
  - the presence and extent of any substitute, and the elasticity of demand, in a market for an electricity network service in which a network service provider provides that service
  - the presence and extent of any substitute for, and the elasticity of demand in a market for, elasticity or gas (as the case may be)
  - the extent to which there is information available to a prospective network service user or network service user, and whether that information is adequate, to enable the prospective network service user or network service user to negotiate on an informed basis with a network service provider for the provision of an electricity network service to them by the network service provider.[194]
- the form of regulation (if any) previously applicable to the relevant service or services, and, in particular, any previous classification under the present system of classification or under the present regulatory system (as the case requires)[195]
- the desirability of consistency in the form of regulation for similar services (both within and beyond the relevant jurisdiction)[196]
- any other relevant factor.[197]

The NER specify additional requirements for services we have regulated before.[198] They are:

- There should be no departure from a previous classification (if the services have been previously classified); and

193 NER, cl. 6.2.1(c).
194 NEL, s. 2F.
195 NER, cl. 6.2.1(c)(2).
196 NER, cl. 6.2.1(c)(3).
197 NER, cl. 6.2.1(c).
198 NER, cl. 6.2.1(d).

- If there has been no previous classification - the classification should be consistent with the previously applicable regulatory approach.

We must have regard to six factors when classifying direct control services as either standard control or alternative control services.[199]

- the potential for development of competition in the relevant market and how the classification might influence that potential
- the possible effects of the classification on administrative costs of us, the distributor and users or potential users
- the regulatory approach (if any) applicable to the relevant service immediately before the commencement of the distribution determination for which the classification is made
- the desirability of a consistent regulatory approach to similar services (both within and beyond the relevant jurisdiction)
- the extent that costs of providing the relevant service are directly attributable to the customer to whom the service is provided, and
- any other relevant factor.[200]

In classifying direct control services that have previously been subject to regulation under the present or earlier legislation, we must also follow the requirements of clause 6.2.2(d) of the NER.

199 NER, cl. 6.2.2(c).

200 NER, cl. 6.2.2(c).

Appendix C: Proposed service classification of Evoenergy distribution services 2024–29[201]

Service group / Activities included	Further description	Current classification 2019–24	Proposed classification 2024–29
Common distribution services — use of the distribution network for the conveyance/flow of electricity (including services relating to network integrity)			
Common distribution services	The suite of activities that includes, but is not limited to, the following: • 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[202] (including recoverable works caused by a customer or third party) • support for another network during an emergency event • procurement and provision of network demand management activities for distribution purposes • activities related to 'shared asset facilitation' of distributor assets[203] • emergency disconnect for safety reasons and work conducted to restore a failed component of the distribution system to an operational state upon investigating a customer outage • rectification of simple customer fault relating to a life support customer or other critical health and safety issues the distributor is able to address	Standard control	Standard control

[201] 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.

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

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

Service group / Activities included	Further description	Current classification 2019–24	Proposed classification 2024–29
	• establishment and maintenance of National Metering Identifiers (NMIs) in market and/or network billing systems, and other market and regulatory obligations • ongoing inspection of private electrical works (not part of the shared network) required under legislation for safety reasons • bulk supply point metering - activities in relation to monitoring the flow of electricity through the distribution network. • work related to a regulated SAPS deployment, operation and maintenance (including fault and emergency repairs[204]), and customer conversion activities.		
Network ancillary services — customer and third-party initiated services related to the common distribution service			
Design related services	Activities include: • provision of design information, design rechecking services in relation to connection and relocation works provided contestably. • specialist services where the design is non-standard, technically complex or environmentally sensitive and any enquiries related to distributor assets. • the provision of engineering consulting (related to the shared distribution network).	Alternative control	Alternative control
Access permits, oversight and facilitation	Activities include: • 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 other network equipment to a non-Local Network Service Provider party who is accompanied and supervised by a distributor's staff member. May also include a distributor	Alternative control	Alternative control

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

Service group / Activities included	Further description	Current classification 2019–24	Proposed classification 2024–29
	providing safe entry equipment (fall-arrest) to enter difficult access areas. • 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.		
Network related property services	Activities include: • network related property services such as property tenure services related to providing advice on, or obtaining: deeds of agreement, deeds of indemnity, leases, easements or other property tenure in relation to property rights associated with a connection or relocation • conveyancing inquiry services relating to the provision of property conveyancing information at the request of a customer.	Alternative control	Alternative control
Sale of approved materials or equipment	Includes the sale of approved materials/equipment to third parties for connection assets that are gifted back to the DNSP to become part of the shared distribution network.	N/A	Alternative control
Network safety services	Examples include: • provision of traffic control and safety observer services by the distributor or third party where required • fitting of tiger tails, possum guards and aerial markers • third party request for de-energising wires for safe approach • high load escorts.	Alternative control	Alternative control
Rectification works to maintain network safety	Issues identified by the distributor, including but not limited to: • work involved in managing and resolving pre-summer bush fire inspection, • customer vegetation defects, or aerial mains.[205]	Alternative control	Alternative control

[205] Allows the distributor to conduct rectification works where the customer has failed to do so.

Service group / Activities included	Further description	Current classification 2019–24	Proposed classification 2024–29
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
Customer requested network outage or rescheduling of a planned interruption	Examples include: • where the customer requests to reschedule a distributor planned interruption and agrees to fund the additional cost of performing this distribution service outside of normal business hours. • customer initiated network outage (e.g. to allow customer and/or contractor to perform maintenance on the customers assets, work close or for safe approach).	Alternative control	Alternative control
Attendance at customers' premises to perform a statutory right where access is prevented.	A follow up attendance at a customer's premises to perform a statutory right where access was prevented or declined by the customer on the initial visit. This includes 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 and auditing services	Activities include: • inspection and reinspection by a distributor, of gifted assets or assets that have been installed or relocated by a third party • investigation, review and implementation of remedial actions that may lead to corrective and disciplinary action of a third party service provider due to unsafe practices or substandard workmanship • auditing of a third party service provider’s work practices in the field • re-test at a customer’s installation, where the installation fails the initial test and cannot be connected.	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	Alternative control	Alternative control

Service group / Activities included	Further description	Current classification 2019–24	Proposed classification 2024–29
	demonstrate competency in the distributor's electrical safety rules, to hold an access authority on the distributor's network and to carry out switching on the distributor's network. Examples of training might include high voltage training, protection training or working near power lines training. Excludes training for internal staff and contractors undertaking Common distribution services.		
Authorisation and approval of third party service providers' design, work and materials	Activities include: • authorisation or re-authorisation of individual employees and subcontractors of third party service providers and additional authorisations at the request of the third party service provider (excludes training services) • acceptance of third party designs and works • assessing an application from a third party to consider approval of alternative material and equipment items that are not specified in the distributor's approved materials list.	N/A	Alternative control
Customer or third-party initiated network asset relocations/re-arrangements	Relocation of assets that form part of the distribution network in circumstances where the relocation was initiated by a third party (including a customer).	N/A	Alternative control
Customer requested provision of electricity network data	Data requests by customers or third parties including requests for the provision of electricity network data or consumption data outside of legislative obligations.	Alternative control	Alternative control
Third party funded network alterations or other improvements	Alterations or other improvements to the shared distribution network to enable third party infrastructure (e.g. NBN Co telecommunications assets) to be installed on the shared distribution network. This does not relate to upstream distribution network augmentation.	N/A	Alternative control
Metering services — activities relating to the measurement of electricity supplied to and from customers through the distribution system (excluding network meters)			
Type 1 to 4 customer metering services	Type 1 to 4 metering installations and supporting services are competitively available.	Not classified	Not classified

Service group / Activities included	Further description	Current classification 2019–24	Proposed classification 2024–29
Type 5 and 6 meter provision (prior to 1 December 2017)	Recovery of the capital cost of type 5 and 6 metering equipment installed prior to 1 December 2017.	Alternative control	Alternative control
Type 7 metering services	Administration and management of type 7 metering installations in accordance with the NER and jurisdictional requirements. Includes the processing and delivery of calculated metering data for unmetered loads, and the population and maintenance of load tables, inventory tables and on/off tables.	Standard control	Standard control
Types 5 and 6 meter maintenance, reading and data services (legacy meters)	Activities include: • meter maintenance covers works to inspect, test, maintain metering installations. • meter reading refers to quarterly or other regular reading of metering installations including field visits and remotely read meters • metering data services includes, for example: services that involve the collection, processing, storage and delivery of metering data, the provision of data in accordance with regulatory obligations, remote or self-reading at difficult to access sites, and the management of relevant NMI Standing Data in accordance with the NER.	Alternative control	Alternative control
Auxiliary Other metering services (Type 5 to 7 metering installations)	Activities include: • off-cycle meter reads for type 5 and 6 meters • requests to test, inspect and investigate, or alter an existing type 5 or 6 metering installation • testing and maintenance of instrument transformers for type 5 and 6 metering purposes • type 5 to 7 non-standard metering services • works to re-seal a type 5 or 6 meter due to customer or third party action (e.g. by having electrical work done on site) • change distributor load control relay channel on request that is not a part of the initial load control installation, nor part of standard asset maintenance or replacement. • emergency maintenance of metering equipment not owned by the distributor (contestable meters).	N/A	Alternative control

Service group / Activities included	Further description	Current classification 2019–24	Proposed classification 2024–29
Meter recovery and disposal − type 5 and 6 (legacy meters)	Activities include the removal and disposal of a type 5 or 6 metering installation at the request of the customer or their agent, where a permanent disconnection has been requested where it has not been removed and disposed of by the incoming metering provider.	Alternative control	Alternative control
Distributor arranged outage for purposes of replacing metering	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
Connection services — services relating to the electrical or physical connection of a customer to the network[206]			
Basic connection services	Means a *connection service*[207] related to a connection (or a proposed *connection*) between a *distribution system* and a *retail customer's* premises (excluding a non-registered *embedded generator's* premises) in the following circumstances: (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 *model standing offer* has been approved by the AER for providing that service as a basic connection service.	N/A	Standard control
Standard connection services	Means a connection service (other than a basic connection service) for a particular class (or sub-class) of connection applicant and for which a model standing offer has been approved by the AER.	N/A	Standard Control

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

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

Service group / Activities included	Further description	Current classification 2019–24	Proposed classification 2024–29
Negotiated connection services	Means a connection service (other than a basic connection service) for which a DNSP provides a connection offer for a negotiated connection contract.	N/A	Standard control
Enhanced connection services[208]	Other or enhanced connection services provided at the request of a customer or third party that include those that are: • provided with higher quality of reliability standards, or lower quality of reliability standards (where permissible) than required by the NER or any other applicable regulatory instruments • in excess of levels of service or plant ratings required to be provided by the distributor • large embedded generators (beyond the threshold set out in the connection policy).	N/A	Alternative control
Connection application and management services	Works initiated by a customer or retailer which are specific to the connection point. This includes, but is not limited to: • connection application related services • de-energisation • re-energisation • temporary connections (of a size less than the shared network augmentation threshold) as a basic connection service e.g. builder's supply, fetes, etc. • remove or reposition connection • overhead service line replacement – customer requests the existing overhead service to be replaced (e.g. as a result 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)	N/A	Alternative control

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

Service group / Activities included	Further description	Current classification 2019–24	Proposed classification 2024–29
	• 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 • power factor correction.		
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.).	Not classified	Not classified
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.	Not classified	Not classified
Provision of training to third parties for non-network related issues	Training programs provided to third parties for non-network related issues	Not classified	Not classified
Type 5 and 6 meter data management to other electricity distributors	The provision of type 5 and 6 meter data management to other electricity distributors.	Not classified	Not classified

Shortened forms

Terms	Definition
ACS	alternative control services
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulatory
capex	capital expenditure
CCP26	Consumer Challenge Panel, sub-panel 26
CESS	capital expenditure sharing scheme
CSIS	customer service incentive scheme
DEER	Distributed Energy Resources
DMIAM	demand management innovation allowance mechanism
DMIS	demand management incentive scheme
DNSP or distributor	Distribution Network Service Provider
DUoS	Distribution Use of System Charges
EBSS	efficiency benefit sharing scheme
ECA	Energy Consumers Australia
ENA	Energy Networks Australia
ESB	Energy Security Board
F&A	framework and approach
GSL	guaranteed service level
ICT	information and communication technologies
NEL	National Electricity Laws
NEM	National Electricity Market
NEO	National Electricity Objectives
NER	National Electricity Rules
opex	operating expenditure
PIAC	Public Interest Advocacy Centre
RAB	regulated asset base
repex	replacement expenditure
SAIDI	system average interruption duration index
SAIFI	system average interruption frequency index
SAPS	stand-alone power systems
SCS	standard control service
Service classification guideline	Electricity distribution service classification guideline 2018
STPIS	service target performance incentive scheme
VCR	value of customer reliability