



**PRELIMINARY DECISION
SA Power Networks
determination 2015–16 to
2019–20**

**Attachment 17 – Negotiated
services framework and criteria**

April 2015

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Note

This attachment forms part of the AER's preliminary decision on SA Power Networks' 2015–20 distribution determination. It should be read with all other parts of the preliminary decision.

The preliminary decision includes the following documents:

Overview

Attachment 1 – Annual revenue requirement

Attachment 2 – Regulatory asset base

Attachment 3 – Rate of return

Attachment 4 – Value of imputation credits

Attachment 5 – Regulatory depreciation

Attachment 6 – Capital expenditure

Attachment 7 – Operating expenditure

Attachment 8 – Corporate income tax

Attachment 9 – Efficiency benefit sharing scheme

Attachment 10 – Capital expenditure sharing scheme

Attachment 11 – Service target performance incentive scheme

Attachment 12 – Demand management incentive scheme

Attachment 13 – Classification of services

Attachment 14 – Control mechanism

Attachment 15 – Pass through events

Attachment 16 – Alternative control services

Attachment 17 – Negotiated services framework and criteria

Attachment 18 – Connection policy

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Shortened forms

Shortened form	Extended form
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
augex	augmentation expenditure
capex	capital expenditure
CCP	Consumer Challenge Panel
CESS	capital expenditure sharing scheme
CPI	consumer price index
DRP	debt risk premium
DMIA	demand management innovation allowance
DMIS	demand management incentive scheme
distributor	distribution network service provider
DUoS	distribution use of system
EBSS	efficiency benefit sharing scheme
ERP	equity risk premium
Expenditure Assessment Guideline	Expenditure Forecast Assessment Guideline for electricity distribution
F&A	framework and approach
MRP	market risk premium
NEL	national electricity law
NEM	national electricity market
NEO	national electricity objective
NER	national electricity rules
NSP	network service provider
opex	operating expenditure
PPI	partial performance indicators
PTRM	post-tax revenue model
RAB	regulatory asset base
RBA	Reserve Bank of Australia
repex	replacement expenditure

Shortened form	Extended form
RFM	roll forward model
RIN	regulatory information notice
RPP	revenue and pricing principles
SAIDI	system average interruption duration index
SAIFI	system average interruption frequency index
SLCAPM	Sharpe-Lintner capital asset pricing model
STPIS	service target performance incentive scheme
WACC	weighted average cost of capital

17 Negotiated services framework and criteria

The NER requires us to make constituent decisions on:

- the negotiating framework that is to apply to SA Power Networks (which may be as proposed by the distributor, some variant of it, or a framework substituted by us),¹ and
- a decision on the negotiated distribution service criteria (NDSC) for the distributor.²

SA Power Networks provides a number of negotiated distribution services (see attachment 13). SA Power Networks submitted a negotiating framework as part of its regulatory proposal.³

The NDSC set out criteria that a distributor must apply in negotiating terms and conditions including the prices for negotiated distribution services. The NDSC also contain the criteria that a commercial arbitrator must apply to resolve disputes about such terms and conditions and/or prices. This section sets out our preliminary decision on SA Power Networks' negotiating framework and NDSC.

17.1 Preliminary decision

Negotiating framework

We propose a variation to SA Power Networks' proposed negotiating framework for the 2015–20 regulatory control period.⁴ Specifically, our preliminary decision is to delete the word 'classification' at section 3 and schedule 1 of the negotiating framework and replace it with 'category'.

Negotiated distribution service criteria

Our preliminary decision is to retain the NDSC that we published on our website for SA Power Networks in November 2014⁵ for the 2015–20 regulatory control period. The NDSC give effect to the negotiated distribution service principles.⁶ We consider SA Power Networks proposed inclusion of 'economic' costs at criteria 3, 5, 12 and 13 would not reflect the NER. Therefore, we reject SA Power Networks' proposed NDSC.

¹ NER, cl. 6.12.1(15).

² NER, cl. 6.12.1 (16).

³ SAPN, *Regulatory proposal – Proposed negotiated framework— Attachment 18.1* October 2014.

⁴ NER, cl. 6.12.1(15).

⁵ AER, *Proposed Negotiated Distribution Service Criteria for Energex, Ergon Energy and SA Power Networks – period commencing 1 July 2015*, November 2014.

⁶ NER, cl. 6.7.1.

17.2 AER's assessment approach

Negotiating framework

To be approved, a proposed negotiating framework must specify the obligations in clause 6.7.5(c) of the NER. We examined whether SA Power Networks' proposed negotiating framework has done that.

Negotiated distribution services criteria

We consider NDSC that reflect the negotiated distribution service principles would satisfy the NER. Therefore we assessed whether our proposed NDSC and SA Power Networks' proposed NDSC reflect the negotiated distribution service principles in clause 6.7.1 of the NER.

17.3 Reasons for preliminary decision

Negotiating framework

A negotiating framework must specify a number of minimum requirements set out in the NER.⁷ Those requirements include, among other things, a statement that a distributor will negotiate in good faith and a description for dealing with disputes.

Table 17.1 summarises our assessment of SA Power Networks' proposed negotiating framework. It shows that each of the NER requirements for a negotiating framework is addressed.

Table 17.1 AER's assessment of SA Power Networks' proposed negotiating framework

NER requirements	AER assessment of SAPN
Requirement for a distributor and applicant to negotiate in good faith— cl. 6.7.5(c)(1)	Section 4 of SAPN's framework
Requirement for a distributor to provide all such commercial information reasonably required to enable the applicant of a negotiated distribution service to engage in effective negotiations— cl. 6.7.5(c)(2)	Section 6 of SAPN's framework
Requirement for a distributor to identify and inform the applicant of the reasonable costs of providing the negotiated service; demonstrate the charges reflect costs and have appropriate arrangements for assessment and review of the charges and the basis on which they are made— cl. 6.7.5(c)(3)	Section 6.1 of SAPN's framework
Requirement for the applicant to provide all such commercial information reasonably required for a distributor to engage in effective negotiation— cl. 6.7.5(c)(4)	Section 5 of SAPN's framework
Requirement to specify a reasonable period of time for commencing, progressing and finalising negotiations; and a requirement for each party to use their reasonable endeavours to adhere to those time periods during the	Section 9 of SAPN's framework

⁷ NER, cl. 6.7.5(c).

NER requirements	AER assessment of SAPN
negotiation— cl. 6.7.5(c)(5)	
Requirement to specify a process for dispute resolution in accordance with the relevant provisions for dispute resolution— cl. 6.7.5(c)(6)	Sections 15 and 25 of SAPN's framework
Requirements to specify arrangements for the payment of a distributor's reasonable direct expenses incurred in processing the application to provide the negotiated distribution service— cl. 6.7.5(c)(7)	Sections 16 and 26 of SAPN's framework
Requirement for a distributor to determine the potential impact of the provision of a negotiated distribution service on other distribution network users— cl. 6.7.5(c)(8)	Sections 13 and 24 of SAPN's framework
Requirement for a distributor to notify and consult with any affected distribution network user and ensure that the provision of the negotiation distribution service does not result in noncompliance with obligations in relation to other network users under the NER— cl. 6.7.5(c)(9)	Section 24 of SAPN's framework.
Requirement that the distributor publish the results of negotiations on its website – cl. 6.7.5(c)(10)	Sections 17A and 27 of SAPN's framework

Source: AER analysis.

However, we propose one variation to SA Power Networks' proposed negotiating framework for the 2015–20 regulatory control period.⁸ Our preliminary decision is to vary the use of the word 'classification' at section 3 of the negotiating framework.

This variation was raised in a submission from Trans Tasman Energy Group (TTEG).⁹

TTEG made a submission on SA Power Networks' proposed negotiating framework and its proposed NDSC. TTEG submitted that SA Power Networks' proposed use of the word 'classification' in Part A, section 3 of its framework titled 'Classification of negotiated distribution services' is confusing. TTEG noted that it is our role to classify services and that to avoid confusion an alternative term should be adopted. We agree with this point. Our preliminary decision is to amend Part A, section 3 and Schedule 1 of the negotiating framework by using 'category' and removing any reference to 'classification'.

A copy of SA Power Networks' framework is at appendix A. In reading SA Power Networks' framework, our preliminary decision is to delete:

- 'Part, 3. Classification of negotiated distribution services' and replace it with text in attachment B
- 'classification' from the title and table headings of schedule 1 and replace it with 'categorisation'

but to otherwise adopt SA Power Networks' proposed negotiating framework.

⁸ NER, cl. 6.12.1(15).

⁹ Trans Tasman Energy Group, *Submission on SAPN's regulatory proposal*, 30 January 2015, item 4. TTEG also submitted that item 12 of SAPN's negotiating framework appeared to be a new clause. We have reviewed SAPN's negotiating framework for 2010–15 and confirm that item 12 is contained in that framework and therefore is not a new clause.

Negotiated distribution services criteria

In November 2014, we published an invitation for submissions on our proposed NDSC for SA Power Networks. We received a submission from SA Power Networks.¹⁰

SA Power Networks submitted that negotiating parties can have differing interpretations of the meaning of the word 'costs'. SA Power Networks submitted that negotiated distribution services charges should recover, at a minimum, the economic costs to provide the assets and services, including an allocation for overheads. It goes on to submit that these costs should include at least a return on the capital employed, using an appropriate weighted average cost of capital; the depreciation cost of the assets; the operating costs; and an allowance for tax obligations. These costs should be subject to indexation to account for inflation.¹¹

SA Power Networks submitted that differing interpretations of the meaning of 'costs' is the basis for a protracted negotiation which is now in a formal dispute resolution process. For this reason, SA Power Networks submitted that we amend our proposed NDSC to clarify that negotiated prices reflect the economic costs incurred by a distributor in providing these services.¹² Alternatively SA Power Networks submitted that we include the definition of 'costs' contained in its negotiating framework in the NDSC.

We have considered SA Power Networks' proposed inclusion of 'economic' costs. We consider that the inclusion of 'economic' costs is unlikely to prevent future disputes. We also consider that adopting 'economic' would be a departure from the NER. The NDSC must give effect to and be consistent with the negotiated distribution services principles set out in the NER.¹³ While the NER does not define 'costs', the objective of the regulatory framework is that consumers only fund the efficient cost of safe and reliable network services.¹⁴ Further, chapter 6 of the NER, including provisions relating to negotiated distribution services, refers only to 'efficient costs' or 'costs'.¹⁵

We are not satisfied that including the definition of 'costs' contained in the proposed negotiating framework will resolve future customer disputes on the meaning of costs, which appears to be SA Power Networks' goal. This is because SA Power Networks must comply with both the negotiating framework and the NDSC when it is negotiating the terms and conditions of access to negotiated distribution services.¹⁶

¹⁰ SAPN, *Proposed negotiated distribution service criteria – SA Power Networks*, 30 January 2015.

¹¹ SAPN, *Proposed negotiated distribution service criteria – SA Power Networks*, 30 January 2015, pp. 1 and 2.

¹² SAPN proposed that 'economic' be inserted at criteria 3, 5, 12 and 13 of our proposed NDSC – SAPN, *Proposed negotiated distribution service criteria – SA Power Networks*, 30 January 2015, pp. 3 and 4.

¹³ NER, cl. 6.7.4(b) and cl. 6.7.1.

¹⁴ NEL, s. 7.

¹⁵ For example, cl. 6.7.1(1) and (7).

¹⁶ NER, cl. 6.7.2(a)(1) and (2).

Therefore, we consider the inclusion of 'economic' costs as defined by SA Power Networks would not give effect to or be consistent with the relevant principles set out in the NER.

The NDSC we have decided to apply to SA Power Networks follows:

National Electricity Objective

1. The terms and conditions of access for a negotiated distribution service, including the price that is to be charged for the provision of that service and any access charges, should promote the achievement of the national electricity objective.

Criteria for terms and conditions of access

Terms and Conditions of Access

2. The terms and conditions of access for a negotiated distribution service must be fair and reasonable and consistent with the safe and reliable operation of the power system in accordance with the NER.
3. The terms and conditions of access for a negotiated distribution service (including in particular, any exclusions and limitations of liability and indemnities) must not be unreasonably onerous taking into account the allocation of risk between a distributor and any other party, the price for the negotiated distribution service and the costs to a distributor of providing the negotiated distribution service.
4. The terms and conditions of access for a negotiated distribution service must take into account the need for the service to be provided in a manner that does not adversely affect the safe and reliable operation of the power system in accordance with the NER.

Price of Services

5. The price for a negotiated distribution service must reflect the costs that a distributor has incurred or incurs in providing that service, and must be determined in accordance with the principles and policies set out in the relevant Cost Allocation Method.
6. Subject to criteria 7 and 8, the price for a negotiated distribution service must be at least equal to the cost that would be avoided by not providing that service but no more than the cost of providing it on a stand-alone basis.
7. If a negotiated distribution service is a shared distribution service that:
 - i. exceeds any network performance requirements which it is required to meet under any relevant electricity legislation: or
 - ii. exceeds the network performance requirements set out in schedule 5.1a and 5.1 of the NER,

then the difference between the price for that service and the price for the shared distribution service which meets network performance requirements must reflect a distributor's incremental cost of providing that service (as appropriate).

8. If a negotiated distribution service is the provision of a shared distribution service that does not meet or exceed the network performance requirements, the difference between the price for that service and the price for the shared distribution service which meets, but does not exceed, the network performance requirements should reflect the cost a distributor would avoid by not providing that service (as appropriate).
9. The price for a negotiated distribution service must be the same for all Distribution Network Users unless there is a material difference in the costs of providing the negotiated distribution service to different Distribution Network Users or classes of Distribution Network Users.
10. The price for a negotiated distribution service must be subject to adjustment over time to the extent that the assets used to provide that service are subsequently used to provide services to another person, in which case such adjustment must reflect the extent to which the costs of that asset are being recovered through charges to that other person.
11. The price for a negotiated distribution service must be such as to enable a distributor to recover the efficient costs of complying with all regulatory obligations or requirements associated with the provision of the negotiated service.

Criteria for access charges

Access Charges

12. Any charges must be based on costs reasonably incurred by a distributor in providing distribution network user access, and, in the case of compensation referred to in clauses 5.5(f)(4)(ii) and (iii) of the NER, on the revenue that is likely to be foregone and the costs that are likely to be incurred by a person referred to in those provisions where an event referred to in those provisions occurs (as appropriate).
13. Any charges must be based on costs reasonably incurred by a distributor in providing transmission network user access to services deemed to be negotiated distribution services by clause 6.24.2(c) of the NER, and, in the case of compensation referred to in clauses 5.4A(h) to (j) of the NER, on the revenue that is likely to be foregone and the costs that are likely to be incurred by a person referred to in those provisions where an event referred to in those provisions occurs (as appropriate).

The above therefore constitutes our constituent decisions on the negotiating framework and NDSC to apply to SA Power Networks for the 2015–20 regulatory control period.

17.4 Further submissions

Finally, TTEG raised concerns that SA Power Networks' connection policy, while referring to negotiations, did not reference SA Power Networks' negotiating framework.

That is, TTEG contends that all negotiated services, which include connections, must follow the negotiating framework.¹⁷ SA Power Networks' connection policy only applies to connections classified as standard control services. The negotiating framework only applies to services we have classified as negotiated distribution services. For this reason, it is not necessary for the documents to be cross-referenced.

TTEG also submitted that SA Power Networks must be required to consult or negotiate with stakeholders on its vegetation management and that such consultation or negotiation should be done within the negotiating framework.¹⁸ Such an approach is not necessary. This is because the NER require us to have regard to a range of opex and capex factors when considering SA Power Networks' regulatory proposal.¹⁹ One of the factors is for us to have regard to the extent to which the opex or capex forecast includes expenditure to address the concerns of any electricity consumers to the extent those concerns have been identified by SA Power Networks in the course of its consumer engagement.²⁰ These provisions therefore compel SA Power Networks to engage on expenditure proposals like vegetation management.

¹⁷ Trans Tasman Energy Group, *Submission on SAPN's regulatory proposal*, 30 January 2015, item. 3.

¹⁸ Trans Tasman Energy Group, *Submission on SAPN's regulatory proposal*, 30 January 2015, item 5.

¹⁹ NER, cl. 6.5.6(e) and 6.5.7(e).

²⁰ NER, cl. 6.5.6(e)(5A) and 6.5.7(e)(5A).

A SA Power Networks' negotiating framework



Negotiating Framework SA Power Networks

2015 – 2020

June 2014

SA Power Networks
www.sapowernetworks.com.au

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PREAMBLE

- A. Chapter 6 of the National Electricity Rules (the Rules) requires that:
- a) a Distribution Network Service Provider prepare a document setting out the procedure to be followed during negotiations between it and any person (Service Applicant) who wishes to receive a negotiated distribution service, as to the terms and conditions of access for the provision of the service (clause 6.7.5(a));
 - b) The negotiating framework complies with and is consistent with the applicable requirements of the Distribution Network Service Provider's distribution determination (clause 6.7.5(b)); and
 - c) The negotiating framework complies with and is consistent with the applicable requirements of clause 6.7.5(c), which sets out the minimum requirements for a negotiating framework.
- B. This document replaces SA Power Networks' Negotiating Framework 2010 – 2015. It has been prepared in accordance with SA Power Networks' obligations under clause 6.7.5(a) of the Rules.
- C. This document applies to SA Power Networks and any Service Applicant who applies to receive a negotiated distribution service.
- D. SA Power Networks provides a number of negotiated distribution services which fall into one of two classifications:
- a) **Individually Negotiated Services**, which are services for which an individual quotation, terms and conditions of supply and charges will be prepared and for which no indicative price is published by SA Power Networks in its Indicative Price List; and
 - b) **Indicative Price List Services**, which are services for which an indicative price is given in the Indicative Price List published annually by SA Power Networks in its Tariff Manual, which is available via the SA Power Networks website.
- E. This document specifies the Negotiated Distribution Service Criteria, information disclosure process, and identifies the timetable that will apply to each classification of negotiated distribution services, noting that, in relation to the determination of access disputes, Part 10 of the National Electricity Law (NEL) and Part L of the National Electricity Rules (Rules) are applicable.
- F. This document also specifies the process for the annual publication of the indicative prices and what information is disclosed for Indicative Price List Services.
- G. The structure of SA Power Networks' Negotiating Framework is illustrated in Figure 1.
- H. Various provisions of the NEL and the Rules are relevant to the provision of negotiated distribution services by SA Power Networks. This negotiating framework is subject to the provisions of the NEL and the Rules, which may include provisions that are specific to South Australia in Chapter 9 of the Rules.

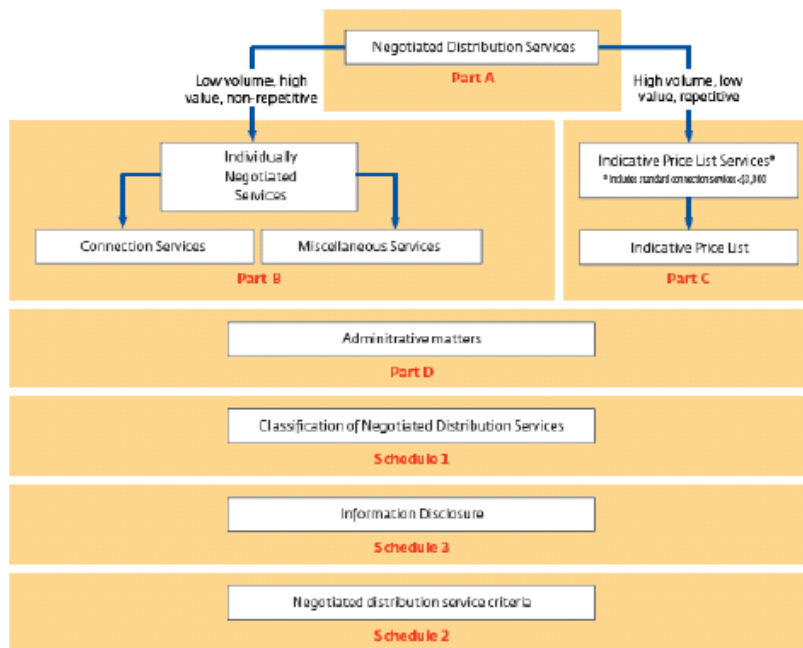


Figure 1 - Structure of SA Power Networks' Negotiating Framework

STRUCTURE OF NEGOTIATING FRAMEWORK

1. Structure of Negotiating Framework

- 1.1 Part A of this Negotiating Framework sets out arrangements for the classification of negotiated distribution services and the commercial obligations applicable to SA Power Networks and Service Applicants.
- 1.2 Part B contains the provisions for Individually Negotiated Services.
- 1.3 Part C contains the provisions for Indicative Price List Services.
- 1.4 Part D contains administrative provisions that apply to both classifications of negotiated distribution services.

PART A PROVISIONS APPLICABLE TO ALL NEGOTIATED DISTRIBUTION SERVICES

2. Application of Negotiating Framework

- 2.1 This Negotiating Framework applies to SA Power Networks and:
- a) each Service Applicant who has made an application in writing to SA Power Networks for the provision of a negotiated distribution service or a variation to an existing negotiated distribution service; and
 - b) each Service Applicant or prospective Service Applicant participating in consultation on the provision of a negotiated distribution service or a variation to an existing negotiated distribution service.
- 2.2 SA Power Networks and any Service Applicant who wishes to receive a negotiated distribution service or vary an existing negotiated distribution service from SA Power Networks must comply with the requirements of this Negotiating Framework.
- 2.3 The requirements set out in this Negotiating Framework are additional to any requirements or obligations contained in Rules 5.3 (Establishing or Modifying Connection) and 5.5 (Access arrangements relating to Distribution Networks). In the event of any inconsistency between this Negotiating Framework and any other requirements in the Rules, the requirements of the Rules will prevail.
- 2.4 Nothing in this Negotiating Framework or in the Rules will be taken as imposing an obligation on SA Power Networks to provide any service to the Service Applicant.

3. Classification of negotiated distribution services

- 3.1 The negotiated distribution services provided by SA Power Networks are divided into two classifications:
- a) **Individually Negotiated Services** which are services for which an individual quotation, terms and conditions of supply and charges will be prepared and for which no indicative price is published by SA Power Networks in its Indicative Price List. Part B of this Negotiating Framework contains the provisions for Individually Negotiated Services; and
 - b) **Indicative Price List Services**, which are services for which an indicative price is given in the Indicative Price List published annually by SA Power Networks. Part C of this Negotiating Framework contains the provisions for Indicative Price List Services.
- Note:** where a Service Applicant chooses to negotiate an Indicative Price List Service, the negotiation will be conducted as an Individually Negotiated Service.
- 3.2 SA Power Networks will determine the classification of each of its negotiated distribution services.
- 3.3 Schedule 1 of this Negotiating Framework indicates the initial classifications applying to each of the negotiated distribution services provided by SA Power Networks. For a number of services, the service may be either an Individually Negotiated Service or an Indicative Price List Service depending on whether the service is repetitive or non-repetitive. Generally, services that are repetitive in nature and occur in relatively high volumes will be detailed in the Indicative Price List, whereas services that are non-repetitive will not appear in the Indicative Price List.

3.4 SA Power Networks may re-classify its negotiated distribution services on an annual basis. Any such re-classification, and the basis for the re-classification, will be explained in SA Power Networks' Indicative Price List publication as referred to in clause 20 and Schedule 3.

4. Obligation to negotiate in good faith

4.1 SA Power Networks and the Service Applicant must negotiate in good faith the terms and conditions for the provision by SA Power Networks of the negotiated distribution service sought by the Service Applicant.

5. Provision of Commercial Information by Service Applicant

5.1 SA Power Networks may give notice to the Service Applicant requesting Commercial Information held by the Service Applicant that is reasonably required by SA Power Networks to enable it to engage in effective negotiations with the Service Applicant in relation to the application.

Confidentiality Requirements

5.2 For the purposes of this clause 5, Commercial Information does not include:

- a) confidential information provided to the Service Applicant by another person; or
- b) information that the Service Applicant is prohibited, by law, from disclosing to SA Power Networks.

5.3 Commercial Information may be provided by the Service Applicant subject to reasonable conditions, which may include a condition that SA Power Networks not disclose the Commercial Information to any other person unless the Service Applicant consents in writing to the disclosure or it is otherwise compelled to do so by law.

5.4 In respect of any confidential information that may be provided by the Service Applicant to SA Power Networks, the Service Applicant may require SA Power Networks to enter into a confidentiality agreement in respect of this information, on terms reasonably acceptable to both parties, with the Service Applicant.

5.5 A consent to disclose information provided by the Service Applicant in accordance with clause 5.3 may be subject to the condition that the person to whom SA Power Networks discloses the Commercial Information is also subject to a condition that the person does not provide any part of that commercial information to any other person without the consent of the Service Applicant.

6. Provision of Commercial Information by SA Power Networks

- 6.1 SA Power Networks must provide the following Commercial Information to the Service Applicant, upon written request, where such information is reasonably required by the Service Applicant to enable them to engage in effective negotiations with SA Power Networks for the provision of a negotiated distribution service¹:
- a) a description of the nature of the negotiated distribution service including what SA Power Networks would provide to the Service Applicant as part of that service;
 - b) the charges applicable for providing the service based on the information that is available to SA Power Networks;
 - c) the terms and conditions upon which SA Power Networks would provide the negotiated distribution service to the Service Applicant;
 - d) the reasonable costs and/or the increase or decrease in costs (as appropriate) in providing the negotiated distribution service to the Service Applicant;
 - e) a demonstration to the Service Applicant that the charges for providing the negotiated distribution service are in compliance with SA Power Networks' Negotiating Distribution Service Criteria (NDSC) and CAM (Cost Allocation Methodology);
 - f) information referred to under Clause 12 in relation to the assessment and review of the basis of charges; and
 - g) any other information that the Service Applicant reasonably requires to enable effective negotiation on the price and the terms and conditions associated with the provision of the negotiated distribution service.
- 6.2 For the purposes of clause 6.1, SA Power Networks will only provide information that is materially and clearly relevant to the negotiations. Service Applicants must be able to substantiate the reasonableness of any information request.

Confidentiality Requirements

- 6.3 For the purposes of clause 6.1, Commercial Information does not include:
- a) confidential information provided to SA Power Networks by another person; or
 - b) information that SA Power Networks is prohibited, by law, from disclosing to the Service Applicant.
- 6.4 SA Power Networks may provide the Commercial Information in accordance with clause 6.1 subject to relevant conditions including the condition that the Service Applicant must not disclose the Commercial Information to any other person unless SA Power Networks consents in writing to the disclosure. SA Power Networks may require the Service Applicant to enter into a confidentiality agreement with SA Power Networks, on terms reasonably acceptable to both parties, in respect of Commercial Information provided to the Service Applicant.
- 6.5 A consent provided to a Service Applicant in accordance with clause 6.4 may be subject to the condition that a person to whom the Service Applicant discloses the Commercial

¹ Noting that in the case of *Indicative Price List Services*, in the first instance a *Service Applicant* should refer to the information provided in the annual *Indicative Price List* publication, as required under clause 20.

Information must enter into a separate confidentiality agreement with SA Power Networks.

7. Negotiating Distribution Service Criteria

7.1 In developing its prices for negotiated distribution services, SA Power Networks will comply with:

- 7.1.1 the AER approved Negotiating Distribution Service Criteria which are reproduced in Schedule 2; and
- 7.1.2 any local jurisdictional requirements.

PART B PROVISIONS APPLICABLE TO INDIVIDUALLY NEGOTIATED SERVICES

8. Types of Individually Negotiated Services

8.1 Two different types of Individually Negotiated Services are provided by SA Power Networks:

- a) **Negotiated Connection Services**, which are connection services (relating to a new connection for premises, or services relating to a connection alteration for premises including any associated extension or augmentation of the network) provided under a Negotiated Connection Contract.

A Negotiated Connection Contract may be agreed between SA Power Networks and a connection applicant where the connection service sought by a connection applicant is neither a basic connection service nor a standard connection service, or where the connection service sought is a basic connection service or a standard connection service but the connection applicant elects to negotiate the terms and conditions on which the connection service is to be provided.

Negotiated Connection Services are dealt with under SA Power Networks' Connection Policy, which is available via SA Power Networks' website.

- b) **Miscellaneous Services**, which are all other Individually Negotiated Services that are not connection services. This category includes services otherwise considered indicative price list services, where the Service Applicant has advised SA Power Networks that the Service Applicant has elected to negotiate the terms and conditions on which an indicative price list service is to be provided.

Note: connection services that are basic connection services are indicative price list services and are dealt with under Part C of this Negotiating Framework.

9. Process and Timeframe for providing Connection Services

9.1 The timeframe for commencing, progressing and finalising negotiations in relation to applications for all connection services are set out in SA Power Networks' Connection Policy, which is available via the SA Power Networks website. SA Power Networks and the Service Applicant will use reasonable endeavours to adhere to the time periods specified in that Connection Policy.

10. Contestability of parts of Connection Services

10.1 Matters relating to contestability of parts of connection services are set out in SA Power Networks' Connection Policy, which is available via the SA Power Networks website.

11. Timeframe for negotiations of Miscellaneous Services

11.1 Clause 11.2 and Table 1 set out the timeframe for commencing, progressing and finalising negotiations in relation to applications for Miscellaneous Services. The timeframe set out in clause 11.2 may be suspended in accordance with clause 14.

11.2 **Timeframes:**

- a) The specified time for commencing, progressing and finalising negotiations with a Service Applicant is as set out in Table 1.
- b) SA Power Networks and the Service Applicant will use reasonable endeavours to adhere to the time periods specified in Table 1 and may, by agreement, extend any such time period.

- c) The preliminary program finalised under event “C” in Table 1 may be modified from time to time by agreement between the parties, where such agreement must not be unreasonably withheld. Any such amendment to the preliminary program will be taken to be a reasonable period of time for commencing, progressing and finalising negotiations with a Service Applicant for the provision of the negotiated distribution service.

Table 1 – Timetable for Miscellaneous Services

Event		Indicative timeframe: X plus ²
A.	Receipt of an application to negotiate in respect of a negotiated distribution service, including advice that a Service Applicant wishes to negotiate in respect of an Indicative Price List Service. The application must be made by completing an Application Form in accordance with SA Power Networks’ publications or as otherwise agreed with SA Power Networks. The application must include all information required by SA Power Networks to make an offer and the Service Applicant must pay the application fee where requested.	Clock Starts (0 Business Days)
B.	Parties discuss a preliminary negotiation programme with milestones that represent a reasonable period of time for commencing, progressing and finalising negotiations.	15 Business Days
C.	Parties finalise negotiation programme, which may include, without limitation, milestones relating to: <ul style="list-style-type: none"> • the provision of Commercial Information by SA Power Networks and the Service Applicant in relation to clauses 5 and 6; • notification and consultation with any affected distribution network users in relation to clause 13; • the negotiated distribution service being specified by the Service Applicant; and • the notification by SA Power Networks of its charges related to processing the application and the payment of those charges by the Service Applicant as per clause 16. 	30 Business Days;
D.	Parties progress negotiations and the Service Applicant specifies to SA Power Networks the exact negotiated distribution service that is required to be provided.	40 Business Days
E.	Parties finalise negotiations.	65 Business Days

12. Assessment and Review of Charges and Basis of Charges

12.1 SA Power Networks will annually assess and review proposed charges for the Miscellaneous Service and the basis upon which those charges are made.

12.2 SA Power Networks must make information on the assessment and review available to the Service Applicant in accordance with clause 6.

² 'X' being the date that the application or advice is received by SA Power Networks.

13. Determining impact on, and consultation with, affected distribution network users

- 13.1 SA Power Networks will determine the potential impact on distribution network users, other than the Service Applicant, of the provision of each negotiated distribution service.
- 13.2 SA Power Networks must notify and consult with any affected distribution network users and take reasonable steps to ensure that the provision of the negotiated distribution service does not result in non-compliance with obligations to other distribution network users under the Rules.

14. Suspension of Timeframe for Provision of a negotiated distribution service

- 14.1 The timeframes for negotiation of provision of an Individually Negotiated Service in Table 1, or the timeframes that have been otherwise agreed between the parties, are suspended if:
 - a) a dispute in relation to the Individually Negotiated Service has been notified to the AER under Part 10 of the NEL, such suspension being from the date of notification of that dispute to the AER until the earlier of:
 - (i) the withdrawal of the dispute under section 126 of the NEL;
 - (ii) the termination of the dispute by the AER under section 131 or 132 of the NEL; or
 - (iii) determination of the dispute by the AER under section 128 of the NEL;
 - b) within 10 Business Days or as otherwise agreed between the parties³ of SA Power Networks requesting additional Commercial Information from the Service Applicant pursuant to clause 5, the Service Applicant has not supplied that Commercial Information;
 - c) without limiting clauses 14.1 a) or 14.1 b), the Service Applicant does not promptly conform with any of its obligations as required by this Negotiating Framework or as otherwise agreed between the parties;
 - d) SA Power Networks has been required to notify and consult with any affected distribution network users under clause 13. Under these circumstances, the timeframes will be suspended from the date of notification to the affected distribution network users until the end of the time limit specified by SA Power Networks for any affected distribution network users, or the receipt of such information from the affected distribution network users whichever is the later regarding the provision of the negotiated distribution service;
 - e) The Service Applicant has not paid the application fee by the due date, with the suspension ceasing once the application fee is paid.
- 14.2 Each party will notify the other party if it considers that the timeframe has been suspended, within 5 Business Days of the relevant suspension event occurring.

Note: an application is not terminated by a suspension, unless a termination notice is issued under clause 17.

³ If no agreement then 10 business days is the time period.

15. Dispute Resolution

15.1 Where negotiations with the Service Applicant fail to agree on the price or the terms and conditions of the service, it will be referred to the AER's dispute resolution processes in accordance with Part 10 of the NEL and Part L of the Rules, as applicable.

16. Payment of SA Power Networks' application fee

16.1 SA Power Networks may request from the Service Applicant an application fee relating to SA Power Networks' reasonable direct expenses associated with processing the Service Applicant's application for the service.

16.2 The Service Applicant must pay the application fee within 10 business of receipt of the request, for SA Power Networks to process the application and commence negotiations.

17. Termination of Negotiations

17.1 The Service Applicant may elect not to continue with its application for a negotiated distribution service and may terminate the negotiations by giving SA Power Networks written notice of its decision to do so.

17.2 SA Power Networks may terminate a negotiation under this framework by giving the Service Applicant written notice of its decision to do so where:

- a) SA Power Networks believes on reasonable grounds that the Service Applicant is not conducting the negotiation under this Negotiating Framework in good faith;
- b) the Service Applicant consistently fails to comply with the requirements of the Negotiating Framework;
- c) the Service Applicant fails to comply with an obligation in this Negotiating Framework to undertake or complete an action within a specified or agreed timeframe, and does not complete the relevant action within 20 Business Days of a written request from SA Power Networks;
- d) the Service Applicant fails to make required payments in relation to the negotiation or provision of the service; or
- e) an act of Solvency Default occurs in relation to the Service Applicant.

17A. Publication of negotiation results

17.3 SA Power Networks will publish the results of negotiations on its website.

PART C PROVISIONS APPLICABLE TO INDICATIVE PRICE LIST SERVICES

18. Establishing the price list and information disclosure for Indicative Price List Services

18.1 SA Power Networks will utilise the following process to establish the indicative pricing and Information Disclosure for its Indicative Price List Services:

- a) SA Power Networks will submit this Negotiating Framework incorporating the Information Disclosure requirements to the AER with its Regulatory Proposal, for the approval of the AER;
- b) SA Power Networks will publish the approved Negotiating Framework, incorporating the Negotiating Distribution Service Criteria and Information Disclosure requirements;
- c) SA Power Networks will publish its Indicative Price List in accordance with clause 20; and
- d) the dispute provisions which apply to SA Power Networks and Service Applicants or prospective Service Applicants are set out in clause 25.

19. Information Disclosure

19.1 SA Power Networks will comply with the Information Disclosure requirements detailed in Schedule 3.

20. Publication of the price list and information about Indicative Price List Services

20.1 SA Power Networks will publish the Indicative Price List for its Indicative Price List Services to apply from 1st July of each year by 1st June of that year.

20.2 SA Power Networks will provide Commercial information concerning SA Power Networks' Indicative Price List Services as described in the Information Disclosure requirements detailed in Schedule 3.

21. Negotiation of Indicative Price List Services

21.1 Where a Service Applicant advises SA Power Networks that they wish to negotiate the price or terms and conditions relating to Indicative Price List Services, the negotiations will be undertaken in accordance with the arrangements and timeframes detailed in Part B of this Negotiating Framework.

22. Timeframe for negotiations for Indicative Price List Services

22.1 Clause 22.2 and Table 2 set out the timeframe for commencing, progressing and finalising applications for Indicative Price List Services. The timeframe set out in clause 22.2 may be suspended in accordance with clause 14.

22.2 Timeframes:

- a) The specified time for commencing, progressing and finalising applications from a Service Applicant is as set out in Table 2.
- b) SA Power Networks and the Service Applicant will use reasonable endeavours to adhere to the time periods specified in Table 2 and may, by agreement, extend any such time period.

Table 2 - Timetable for Indicative Price List Services

Event	Indicative timeframe
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		X plus ⁴
A.	Receipt of an application for a negotiated distribution service. The application must be made by completing an Application Form in accordance with SA Power Networks' publications or as otherwise agreed with SA Power Networks. The application must include all information reasonably required by SA Power Networks to make an offer and the Service Applicant must pay the application fee where requested.	Clock Starts (0 Business Days)
B.	SA Power Networks provides offer ⁵ for the negotiated distribution service, including the terms and conditions, unless the applicant has agreed to the terms and conditions of a basic connection service in their application, in which case it will be deemed that SA Power Networks has made an offer and the customer has accepted that offer.	10 Business Days
C.	Service Applicant advises that they wish to negotiate the price and/or terms & conditions of the offer.	Go to Part B of this Negotiating Framework.

23. Assessment and Review of Charges and Basis of Charges

- 23.1 SA Power Networks will annually assess and review proposed charges for Indicative Price List Services and the basis upon which those charges are made.
- 23.2 SA Power Networks must make information on the assessment and review available to the Service Applicant in accordance with clause 6.

24. Determining impact on, and consultation with, affected distribution network users

- 24.1 SA Power Networks will determine the potential impact on distribution network users, other than the Service Applicant, of the provision of each negotiated distribution service.
- 24.2 SA Power Networks must notify and consult with any affected distribution network users and take reasonable steps to ensure that the provision of the negotiated distribution service does not result in non-compliance with obligations to other distribution network users under the Rules.

25. Dispute Resolution

- 25.1 Where negotiations with the Service Applicant fail to agree on the price and/or the terms and conditions of the service, the dispute may be referred to the AER's dispute resolution processes in accordance with Part 10 of the NEL and Part L of the Rules, as applicable.

26. Payment of SA Power Networks' application fee

- 26.1 SA Power Networks may request from the Service Applicant an application fee relating to SA Power Networks' reasonable direct expenses associated with processing the Service Applicant's application for the service.

⁴ 'X' being the date that the service application is received.

⁵ SA Power Networks will provide the price for the Negotiated Distribution Services using the indicative price or methodology published in the *Indicative Price List*.

26.2 The Service Applicant must pay the application fee within 10 business of receipt of the request, for SA Power Networks to process the application.

PART D ADMINISTRATIVE PROVISIONS

27. Publication of Results of negotiations on website

27.1 SA Power Networks will publish the following matters on its website:

- a) an annual summary of the Individually Negotiated Services provided to Service Applicants and the total value of those services.
- b) an annual summary of the *Indicative Price List Services* negotiated with Service Applicants.

28. Giving notices

28.1 A notice, consent, information, application or request that must or may be given or made to a party under this document is only given or made if it is in writing and delivered or posted to that party at its address set out below.

Parties to agreement

28.2 If a party gives the other party 3 Business Days notice of a change of its address, a notice, consent, information, application or request is only given or made by that other party if it is delivered, posted or electronically transmitted to the latest address.

SA Power Networks

1 Anzac Highway, Keswick, South Australia 5035

Postal address: GPO Box 77, Adelaide, South Australia 5001

e-mail: customerrelations@sapowernetworks.com.au

Service Applicant

Name: Service Applicant

Address: The nominated address of the Service Applicant provided in writing to SA Power Networks as part of the application.

Time notice is given

28.3 A notice, consent, information, application or request is to be treated as given or made at the following time:

- a) if it is handed to the Service Applicant, on the day that this occurs;
- b) if it is delivered, when it is left at the relevant address;
- c) if it is sent by post, 2 Business Days after it is posted;
- d) if sent by facsimile transmission, on the day the transmission is sent, but only if the sender has a confirmation report specifying a facsimile number of the recipient, the number of pages sent and the date of transmission; or
- e) if sent by e-mail, on the day the e-mail is sent, provided that a confirmation that the e-mail was received by the recipient is received by the sender.

28.4 If a notice, consent, information, application or request is delivered after the normal business hours of the party to whom it is sent, it is to be treated as having been given or made at the beginning of the next Business Day.

29. Miscellaneous

Governing law and jurisdiction

- 29.1 This document is governed by the law of the State of South Australia.
- 29.2 The parties submit to the non-exclusive jurisdiction of the courts of the State of South Australia.
- 29.3 The parties will not object to the exercise of judgment by the courts of the State of South Australia on any basis.

Severability

- 29.4 If a clause or part of a clause of this Negotiating Framework can be read in a way that makes it illegal, unenforceable or invalid, but can also be read in a way that makes it legal, enforceable and valid, it must be read in the latter way.
- 29.5 If any clause or part of a clause is illegal, unenforceable or invalid, that clause or part is to be treated as removed from this Negotiating Framework, but the rest of this Negotiating Framework is not affected.

Time for Action

- 29.6 If the day on or by which something is required to be done is not a Business Day, that thing must be done on or by the next Business Day.

30. Definitions and interpretation

30.1 Definitions

In this document the following definitions apply:

business day means a day on which all banks are open for business generally in Adelaide, South Australia.

commercial information will include at a minimum, the following classes of information in relation to a Service Applicant, where applicable:

- a) details of corporate structure, financial details relevant to creditworthiness and commercial risk and ownership of assets;
- b) technical information relevant to the application for a negotiated distribution service;
- c) financial information relevant to the application for a negotiated distribution service;
- d) details of an application's compliance with any law, standard, Rules or guideline.

connection services are those services defined in accordance with clause 8.1.

connection assets means those assets which are used to provide connection services to a customer at a connection point.

charges means the amount payable by a Service Applicant to SA Power Networks in relation to the provision of a negotiated distribution service.

costs means any costs or expenses incurred by SA Power Networks in complying with this Negotiating Framework or otherwise advancing the Service Applicant's request for the provision of a negotiated distribution service and such other costs or expenses required to provide negotiated distribution services to a Service Applicant, consistent

with the economic concepts applied to economic regulation under the Rules, and in compliance with SA Power Networks' Cost Allocation Methodology and any relevant part of a distribution determination applying to SA Power Networks.

extension means works required for the connection of a customer's supply address outside the boundaries of SA Power Networks' **distribution network** that existed at the time that the Service Applicant's application was made.

Indicative Price List means the indicative list of prices for Indicative Price List Services published under clause 20.

Indicative Price List Services are a classification of negotiated distribution services in accordance with clause 3.1.

Individually Negotiated Services are a classification of negotiated distribution services in accordance with clause 3.1.

information disclosure means the information that must be disclosed to Service Applicants for Indicative Price List Services as defined in Schedule 3.

SA Power Networks means SA Power Networks ABN 13 332 330 749.

Miscellaneous Services are a classification of Individually Negotiated Services in accordance with clause 8.1.

negotiated distribution service(s) means those services classified as negotiated distribution services in a current Distribution Determination for SA Power Networks.

Negotiated Distribution Service Criteria are set out in Schedule 2.

price(s) means the amount (Charge) payable by a Service Applicant to SA Power Networks in relation to the provision of a negotiated distribution service.

Service Applicant means the customer requesting the provision of a negotiated distribution service.

solvency default means the occurrence of any of the following events in relation to the Service Applicant:

- a) an originating process or application for the winding up of the Service Applicant (other than a frivolous or vexatious application) is filed in a court or a special resolution is passed to wind up the Service Applicant, and is not dismissed before the expiration of 60 days from service on the Service Applicant;
- b) a receiver, receiver and manager or administrator is appointed in respect of all or any part of the assets of the Service Applicant, or a provisional liquidator is appointed to the Service Applicant;
- c) a mortgagee, chargee or other holder of security, by itself or by or through an agent, enters into possession of all or any part of the assets of the Service Applicant;
- d) a mortgage, charge or other security is enforced by its holder or becomes enforceable or can become enforceable with the giving of notice, lapse of time or fulfilment of a condition;
- e) the Service Applicant stops payment of, or admits in writing its inability to pay, its debts as they fall due;
- f) the Service Applicant applies for, consents to, or acquiesces in the appointment of a trustee or receiver of the Service Applicant or any of its property;

- g) a court appoints a liquidator, provisional liquidator, receiver or trustee, whether permanent or temporary, of all or any part of the Service Applicant's property;
- h) the Service Applicant takes any step to obtain protection or is granted protection from its creditors under any applicable legislation or a meeting is convened or a resolution is passed to appoint an administrator or controller (as defined in the Corporations Act 2001), in respect of the Service Applicant;
- i) a controller (as defined in the Corporations Act 2001) is appointed in respect of any part of the property of the Service Applicant;
- j) except to reconstruct or amalgamate while solvent, the Service Applicant enters into or resolves to enter into a scheme of arrangement, compromise or reconstruction proposed with its creditors (or any class of them) or with its members (or any class of them) or proposes re-organisation, re-arrangement moratorium or other administration of the Service Applicant's affairs;
- k) the Service Applicant is the subject of an event described in section 459C(2)(b) of the Corporations Act 2001; or
- l) anything analogous or having a substantially similar effect to any of the events specified above happens in relation to the Service Applicant.

30.2 Interpretation

In this document, unless the context otherwise requires:

- a) terms defined in the NEL and the Rules have the same meaning in this Negotiating Framework;
- b) a reference to any law or legislation or legislative provision includes any statutory modification, amendment or re-enactment, and any subordinate legislation or regulations issued under that legislation or legislative provision;
- c) a reference to any agreement or document is to that agreement or document as amended, novated, supplemented or replaced from time to time;
- d) a reference to a clause, part, schedule or attachment is a reference to a clause, part, schedule or attachment of or to this document unless otherwise stated;
- e) an expression importing a natural person includes any company, trust, partnership, joint venture, association, corporation, body corporate or governmental agency; and
- f) a covenant or agreement on the part of two or more persons binds them jointly and severally.

SCHEDULE 1. CLASSIFICATION OF NEGOTIATED DISTRIBUTION SERVICES

Negotiated distribution service <small>'B.x (y)' references refer to categorisations defined in SA Power Networks' Distribution Determination by the AER</small>	Classification of Service ⁶	
	Individually Negotiated Service	Indicative Price List Service
B.6 Non-standard network services	All	
B.7 Non-standard connection services	Non-repetitive	Repetitive
B.8 New and upgraded connection point services	Non-repetitive	Repetitive
B.9 Non-standard small customer metering services		All
B.10 Large customer metering services	Non-repetitive E.g. meter types 1-3	Repetitive
B.11 Public lighting services	Contract based	Standard terms and conditions
B.12 Stand-by and temporary supply services	Non-repetitive	Repetitive
B.13 Asset relocation, temporary disconnection and temporary line insulation services	Non-repetitive	Repetitive
B.14 Embedded generation services	Non-repetitive	Repetitive
B.15 Other services		
(a) services provided in connection with the Electricity Metering Code or the Rules.	Non-repetitive	Repetitive
(b) provision of reactive power and energy to a connection point or receipt of reactive power and energy from a distribution connection point.		All
(c) investigation and testing services.	Non-repetitive	Repetitive
(d) asset location and identification services.	Non-repetitive	Repetitive
(e) the transportation of electricity not consumed in the distribution system.	All	
(f) the transportation of electricity to distribution network users connected to the distribution system adjacent to the transmission system.	All	
(g) repair of equipment damaged by a distribution network user or a third party.	All	
(h) provision of:		
• high load escorts,	Non-repetitive	Repetitive
• measurement devices,	All	
• protection systems,	All	
• pole attachments ducts or conduits other than for telecommunications services.	All	

⁶ Shading indicates applicability of either the *Individually Negotiated Service* or *Price List Service* frameworks. Both frameworks apply to many services owing to the high variability of the scope and complexity of services within each category.

Negotiated distribution service <small>'B.x (y)' references refer to categorizations defined in SA Power Networks' Distribution Determination by the AER</small>	Classification of Service ⁶	
	Individually Negotiated Service	Indicative Price List Service
(i) Costs incurred by SA Power Networks as a result of a customer not complying with SA Power Networks' standard connection and supply contract or other obligation.	Non-repetitive	Repetitive
(j) Additional costs incurred by SA Power Networks where service provision could not be undertaken and/or completed as planned due to the actions, or inaction, of a customer or their agent.	Non-repetitive	Repetitive
(k) Provision of a television or radio interference investigation where it is determined that the distribution system is not the cause of the interference.	Non-repetitive	Repetitive
(l) Provision of a supply interruption investigation where it is determined that the distribution system was not the cause of the interruption.	All	
(m) Provision of information to distribution network users or third parties not related to connection enquiries.	Non-repetitive	Repetitive
(n) Recovery of costs associated with the larceny of supply, including the costs associated with repairing or replacing damaged equipment and investigation costs where SA Power Networks determines that larceny of supply has occurred.	All	
(o) Emergency recoverable works, including the repair of damage caused to the distribution network by a third party, where costs are recovered.	All	
(p) Third party connection works charges, for work not undertaken by SA Power Networks.	All	
(q) Provision of access permits or clearance to work on or near the distribution system.	All	
(r) Off-peak conversion services.	All	
(s) Carrying out planning studies and analysis relating to distribution, including sub-transmission and dual function asset connection applications.	All	
(t) Work required for network tariff change requests.	All	
(u) Recovery of debt collection costs.	All	
(v) Negotiation for the provision of services.	All	

Negotiated distribution service <small>'B.x (y)' references refer to categorisations defined in SA Power Networks' Distribution Determination by the AER</small>	Classification of Service ⁵	
	Individually Negotiated Service	Indicative Price List Service
(w) Attendance at the customer's premises to perform a statutory right where access is prevented.	All	Standard terms and conditions
(x) Other lighting services.	Contract based	
(y) Attendance at the customer's premises at the customer's or their agent's request, where it is determined that the fault was not related to SA Power Networks equipment or infrastructure.	Non-repetitive	Repetitive
(z) Provision of relevant regional energy consumption data to Local Government Councils	Non-repetitive	Repetitive
(za) Third party funded network upgrade, enhancement or other improvements including "make-ready" work for NBN Co.		

SCHEDULE 2. NEGOTIATED DISTRIBUTION SERVICE CRITERIA

National Electricity Objective

1. The terms and conditions of access for a negotiated distribution service, including the price that is to be charged for the provision of that service and any access charges, should promote the achievement of the national electricity objective.

Criteria for terms and conditions of access

Terms and Conditions of Access

2. The terms and conditions of access for a negotiated distribution service must be fair and reasonable and consistent with the safe and reliable operation of the power system in accordance with the Rules.
3. The terms and conditions of access for a negotiated distribution service (including in particular, any exclusions and limitations of liability and indemnities) must not be unreasonably onerous taking into account the allocation of risk between a distribution network service provider (DNSP) and any other party, the price for the negotiated distribution service and the costs to a DNSP of providing the negotiated distribution service.
4. The terms and conditions of access for a negotiated distribution service must take into account the need for the service to be provided in a manner that does not adversely affect the safe and reliable operation of the power system in accordance with the Rules.

Price of Services

5. The price for a negotiated distribution service should be based on the costs that a DNSP has incurred or incurs in providing that service, and must be determined in accordance with the principles and policies set out in the DNSP's Cost Allocation Method.
6. Subject to criteria 7 and 8, the price for a negotiated distribution service must be at least equal to the cost that would be avoided by not providing that service but no more than the cost of providing it on a stand alone basis.
7. If a negotiated distribution service is a shared distribution service that:
 - i. exceeds any network performance requirements which it is required to meet under any relevant electricity legislation: or
 - ii. exceeds the network performance requirements set out in schedule 5.1a and 5.1 of the Rules, then the difference between the price for that service and the price for the shared distribution service which meets network performance requirements must reflect a DNSP's incremental cost of providing that service (as appropriate).
8. If a negotiated distribution service is the provision of a shared distribution service that does not meet or exceed the network performance requirements, the difference between the price for that service and the price for the shared distribution service which meets, but does not exceed, the network performance requirements, should reflect the cost a DNSP would avoid by not providing that service (as appropriate).
9. The price for a negotiated distribution service must be the same for all Distribution Network Users unless there is a material difference in the costs of providing the negotiated distribution service to different Distribution Network Users or classes of Distribution Network Users.
10. The price for a negotiated distribution service must be subject to adjustment over time to the extent that the assets used to provide that service are subsequently used to provide services to another person, in which case such adjustment must reflect the extent to which the costs of that asset are being recovered through charges to that other person.
11. The price for a negotiated distribution service must be such as to enable a DNSP to recover the efficient costs of complying with all regulatory obligations or requirements associated with the provision of the negotiated service.

Criteria for access charges

Access Charges

12. Any charges must be based on costs reasonably incurred by a DNSP in providing distribution network user access, and, in the case of compensation referred to in clauses 5.5(f)(4)(ii) and (iii) of the Rules, on the revenue that is likely to be forgone and the costs that are likely to be incurred by a person referred to in those provisions where an event referred to in those provisions occurs (as appropriate).
13. Any charges must be based on costs reasonably incurred by a DNSP in providing transmission network user access to services deemed to be negotiated distribution services by clause 6.24.2(c) of the Rules, and, in the case of compensation referred to in clauses 5.4A(h) to (j) of the Rules, on the revenue that is likely to be foregone and the costs that are likely to be incurred by a person referred to in those provisions where an event referred to in those provisions occurs (as appropriate).

SCHEDULE 3. INFORMATION DISCLOSURE FOR INDICATIVE PRICE LIST SERVICES

SA Power Networks will make available to any person seeking access to Indicative Price List Services or to whom Indicative Price List Services are provided, on request, information describing:

- a) The services for which an indicative Price is provided;
- b) The indicative prices and rates for each Indicative Price List Service, or where it is not reasonably practicable to determine indicative prices or rates, the methodology by which the prices or rates will be determined;
- c) The basis on which it has been determined that such charges are in compliance with the Negotiating Distribution Service Criteria; and
- d) The terms and conditions on which each Indicative Price List Service is to be provided by SA Power Networks.

SA Power Networks will publish annually, a revised Indicative Price List.

SA Power Networks will make available to any person seeking access to Indicative Price List Services or to whom Indicative Price List Services are provided, on request, details of:

- e) Any additions, removals or other modifications to the list of Indicative Price List Services from those previously published, and the basis of such changes; and
- f) Reasonable changes to the pricing of Indicative Price List Services from those previously published and the basis of such changes

B Amended Part A, section 3 of SA Power Networks' negotiating framework

A copy of SA Power Networks' framework is at appendix A. In reading SA Power Networks' framework, our preliminary decision is to delete:

- 'Part, 3. Classification of negotiated distribution services' and replace it with text in this attachment
- 'classification' from the title and table headings of schedule 1 and replace it with 'categorisation'.

3. Categorisation of negotiated distribution services

3.1 The negotiated distribution services provided by SA Power Networks are divided into two categories:

- (a) Individually Negotiated Services which are services for which an individual quotation, terms and conditions of supply and charges will be prepared and for which no indicative price is published by SA Power Networks in its Indicative Price List. Part B of this Negotiating Framework contains the provisions for Individually Negotiated Services; and
- (b) Indicative Price List Services, which are services for which an indicative price is given in the Indicative Price List published annually by SA Power Networks. Part C of this Negotiating Framework contains the provisions for Indicative Price List Services.

Note: where a Service Applicant chooses to negotiate an Indicative Price List Service, the negotiation will be conducted as an Individually Negotiated Service.

3.2 SA Power Networks will determine the categorisation of each of its negotiated distribution services.

3.3 Schedule 1 of this Negotiating Framework indicates the initial categorisations applying to each of the negotiated distribution services provided by SA Power Networks. For a number of services, the service may be either an Individually Negotiated Service or an Indicative Price List Service depending on whether the service is repetitive in nature or non-repetitive. Generally, services that are repetitive in nature and occur in relatively high volumes will be detailed in the Indicative Price List, whereas services that are non-repetitive will not appear in the Indicative Price List.

3.4 SA Power Networks may re-categorise its negotiated distribution services on an annual basis. Any such re-categorisation, and the basis for the re-categorisation, will be explained in SA Power Networks' Indicative Price List publication as referred to in clause 20 and Schedule 3.