5.17

Connection Policy

Ausgrid

Connection Policy – Charging for Customer Connection Services

Purpose

This policy is Ausgrid's Connection Policy prepared in accordance with the National Electricity Rules (the Rules) and the AER Connection Charge Guidelines. It outlines the circumstances when a customer is required to pay Ausgrid for connection services and how these connection charges are calculated.

Applies to

Customers requesting a new connection, or connection alteration under Chapter 5A of the Rules.

Effective period

This policy applies to the period from 1 July 2019 to 30 June 2024.

Introduction

In NSW, the majority of work to establish a new, or alter an existing, connection to Ausgrid's distribution system is performed by Accredited Service Providers (ASPs). Ausgrid determines whether work required to make a new connection or connection alteration is a contestable service according to the AER service classification.

There are some connection services that can only be provided by Ausgrid and for which Ausgrid charges the customer. These services and associated charges are regulated by the Australian Energy Regulator (AER).

Table of Contents

1 Key principles and requirements 2
2 Maximum capacity 4
3 Financial guarantee for Ausgrid works 5
4 Pioneer Reimbursement Scheme 6
5 Dictionary 7

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1 Key principles and requirements

1.1 Connection services funded by the customer

Connection services funded by the connection customer are:

1. **Contestable services provided by an ASP**. This includes the design and construction of connection assets at the customer's premises and may include augmentation of the distribution system. These services are provided to the customer by ASPs in the contestable marketplace and are known as contestable services.

2. **Ancillary services** that can only be provided by Ausgrid and that are either necessary for the connection or requested by the customer. Connection charges for ancillary services are regulated by the AER and are published on Ausgrid's website.

3. **Customer requirements**. Where a customer requests a higher standard of supply beyond the least cost technically acceptable standard offered by Ausgrid, the customer is required to fund the marginal cost of the additional work Ausgrid incurs.

4. **Pioneer scheme contribution**. Where a new customer uses a network extension that was paid for by another customer within 7 years, the new customer may be required to make a payment towards the cost of the extension assets.

1.2 Ausgrid provided augmentation works

There are certain types of augmentation that are required to provide for a customer connection but that Ausgrid will carry out. These works are classified as standard control services and Ausgrid does not charge the customer a connection charge for providing these works.

In these circumstances Ausgrid may require the customer to provide a financial guarantee to cover its costs as set out in section 3 of this policy.

1.3 Contestable services

If Ausgrid determines that any of the required work is a contestable service, the customer must engage a suitably accredited and authorised Accredited Service Provider (ASP) to complete this work, The charges for contestable services are unregulated and subject to agreement between by the customer and their selected ASP.

The contestable services required for a new connection or connection alteration may include:

- providing and installing connection assets at the customer's connection point and also within the customer's electrical installation;
- providing and installing an extension from the connection point to Ausgrid's existing network boundary; and
- augmenting the existing Ausgrid network (except for retail customers below the threshold in section 1.4 of this policy).

Distribution system assets that are constructed as a contestable service must be gifted to Ausgrid as a contributed asset and form part of Ausgrid's network when they are energised.

1.4 Threshold for retail customers

Ausgrid does not require a retail customer (other than a real estate developer or a non-registered embedded generator) to fund an augmentation of the existing network if they are a low voltage customer with maximum capacity less than:

- 100 amps single phase for a customer in a rural area; or
- 100 amps per phase, three phase, in a non-rural area.

1.5 Scope of augmentation works

Ausgrid specifies the least cost technically acceptable standard for works required to make the new connection or connection alteration in accordance with its network policies, standards and legal obligations to adequately supply the assessed maximum demand.

If a real estate developer applies for a new connection or connection alteration, or the connection services are provided under a negotiated connection contract, Ausgrid's assessment of the electrical load requirements of customers may include forecast load growth.

1.6 Customer requirements

If a customer requests any alternative or additional augmentation works to the standard Ausgrid construction, and Ausgrid agrees with the request, the customer is required to pay any additional costs incurred by Ausgrid. This charge is payable to Ausgrid and determined as follows:

- labour costs are calculated by multiplying the estimated number of hours to complete the work by the relevant hourly ancillary service rate; and
- all other costs, including material and subcontract costs, are charged at cost.

1.7 Work outside of normal business hours

If Ausgrid is required, at the customer's request, to perform work outside of normal business hours then Ausgrid will charge its overtime rate for the service.

1.8 Payment of charges

Ausgrid will seek payment of ancillary service fees for all connection services it provides. Generally, an upfront payment will be required prior to the service being performed.

Where Ausgrid completes works under section 1.6 of this policy, if the connection works can be logically segmented into distinct stages of construction then a payment schedule that aligns with the construction stages may be negotiated.

2 Maximum capacity

2.1 Definition

The maximum capacity of a connection is the maximum load approved by Ausgrid that a connected customer may draw from the distribution system.

2.2 When applying to connect

When an applicant submits a connection application to Ausgrid, they must also submit the expected and planned future maximum demand calculations in accordance with AS/NZS 3000. The maximum demand worksheet must be included with a connection application for standard connection services or negotiated connection services.

Ausgrid takes into consideration the capacity applied for, but is not obliged to agree to the requested capacity, and may offer a different figure, taking into account, for example, network limitations, load diversification and timing of augmentation works.

2.3 Exceeding the maximum capacity

If a premises owner exceeds the maximum capacity for their premises, then they are required, at their expense, to either:

- remediate their demand to within the agreed limit (e.g. by installing a load limiting device at their premises); or
- enter into a new connection agreement for a greater maximum capacity.

2.4 Ausgrid may reduce the maximum capacity

Ausgrid may subsequently reduce the maximum capacity of a connection to a premises if:

- the customer's measured demand (as determined by standards published by us from time to time) has remained less than the agreed maximum capacity for at least the previous two years;
- Ausgrid requires the unused network capacity to relieve a forecast network constraint; and
- the premises owner does not have a current negotiated agreement with Ausgrid to reserve this capacity.

Ausgrid will notify the premises owner in writing if this occurs. The revised maximum capacity will not be less than the demand measured during the previous two years.

3 Financial guarantee for Ausgrid works

3.1 Ausgrid works

There are certain types of work that can only be done by Ausgrid due to system security, reliability or health and safety obligations, or because the work requires specialised services that cannot be provided by other parties. To decide if work required for a new connection or connection alteration can only be done by Ausgrid, we carry out a risk assessment and make a decision based on our risk management principles.

Where Ausgrid carries out this work:

- it is funded by Ausgrid as a standard control service and the costs are recovered on an ongoing basis via distribution use of system charges; and
- Ausgrid may require the customer to provide a security fee to ensure the costs are adequately recovered from that customer.

3.2 Security fee is provided as a financial guarantee

The security fee is provided in the form of a financial guarantee.

The financial guarantee is a binding legal agreement the customer commits to pay Ausgrid a minimum level of network revenue each year to cover the costs of the Ausgrid funded augmentation works. The period of the financial guarantee is between 5 and 10 years as determined by Ausgrid.

The financial guarantee is secured by a bank guarantee or other suitable financial instrument as agreed by Ausgrid. Ausgrid is entitled to draw down on the bank guarantee any shortfall in revenue in accordance with the terms stated in the bank guarantee deed.

The financial guarantee is established at the same time as the design of the augmentation and prior to the works being initiated.

3.3 Amount of the security fee

The maximum amount of a security fee will be:

1. the present value of the incremental costs incurred by Ausgrid in undertaking the work; and
2. (if this amount is smaller) the estimated incremental revenue that Ausgrid assesses as having a high risk of not being recovered,

and is determined in accordance with the AER Connection Charge Guidelines.

4 Pioneer Reimbursement Scheme

4.1 Establishing Pioneer schemes

A customer (the original customer) who has fully funded a network extension is entitled to have some of their costs reimbursed by Ausgrid if new customer(s) connect to that network extension within 7 years of the asset being electrified[1] under Ausgrid's pioneer scheme.

A pioneer scheme only applies to connection applicants connecting to the network extension at a point outside the boundary of the original customer's site.

4.2 Payment of the refund

Ausgrid may recover the refund amount from the new customer(s) as part of their connection charges.

Ausgrid will pay the refund as soon as practicable after the new customer pays Ausgrid the refunded amount. Ausgrid will pay the refund to either:

- the current owner of the original premises, if the original premises is owned by a single entity; or
- the original connection customer who funded the extension, if the original premises is owned by multiple entities.

4.3 How the refund is calculated

The reimbursement is calculated based on:

- the current value of the network extension assets, depreciated on a straight line basis over a 20 year period; and
- the share of the extension used by the new customer(s) relative to other customer(s) already supplied by the extension in terms of maximum capacity, and/or other physical attributes (e.g. length) as applicable.

The pioneer scheme commences on the date the extension asset was electrified. The reimbursement amount is determined at the date the new customer accepts the connection offer.

4.4 Value of the extension assets

The value of the network extension included in the pioneer scheme is Ausgrid's estimate of the value of the works and only includes the construction works funded by the original customer(s).

If the extension assets were constructed to a higher standard or capacity than the least cost technically acceptable standard required by Ausgrid, then only the cost of constructing the extension to the standard required by Ausgrid will be subject to the pioneer scheme.

[1] However, no amount is payable if the total reimbursement payable to all customers already connected is less than $1000 ($, real, 2012), adjusted for CPI.

5 Dictionary

Terms marked by an asterisk (*) have the meaning given in the Rules, the Electricity Supply Act 1995 and the National Electricity Law as amended from time to time. These terms (as at the time of publication of this policy) are reproduced here for convenience of the reader.

ancillary services	Non-routine services provided to the customer by Ausgrid on an as needed basis and for which ancillary service fees are payable.
augmentation*	Work to enlarge the distribution system or to increase its capacity to transmit or distribute electricity
AER	The Australian Energy Regulator
ASP	An Accredited Service Provider, accredited under the Electricity Supply Act 1995 (NSW).
connection*	a physical link between a distribution system and a retail customer's premises to allow the flow of electricity
connection alteration*	an alteration to an existing connection including an addition, upgrade, extension, expansion, augmentation or any other kind of alteration.
connection point	The agreed point of supply established between Ausgrid and its customer.
contestable service	A service that Ausgrid determines must be provided by an ASP
customer	A retail customer, or a real estate developer who requests (or on whose behalf a request is made for) a new connection or connection alteration.
distribution system	Ausgrid's distribution network, together with the associated connection assets .
extension	An augmentation that requires the connection of a power line or facility outside the present boundaries of the distribution network owned, controlled or operated by Ausgrid.
maximum capacity	As defined in section 2 of this policy
micro embedded generator	A retail customer who operates, or proposed to operate, an embedded generating unit for which a micro EG connection is appropriate (being a connection of the kind contemplated by Australian Standard AS 4777 (Grid connection of energy systems via inverters))
network*	The apparatus, equipment, plant and buildings used to convey, and control the conveyance of, electricity to customers (whether wholesale or retail) excluding any connection assets. In relation to Ausgrid, the electricity network owned, operated or controlled by Ausgrid.
negotiated connection services	Connection services provided under Part C of Chapter 5A, of the Rules.
new connection*	A connection established or to be established, in accordance with Chapter 5 of the NER and applicable energy laws, where there is no existing connection.
the Rules	The National Electricity Rules
real estate developer*	A person who carries out real estate development (being the commercial development of land including its development in one or more of the following ways: • subdivision; • the construction of commercial or industrial premises (or both); and • the construction of multiple new residential premises.)
retail customer	A person to whom electricity is sold by a retailer, and supplied in respect of connection points, for the premises of the person, and includes an embedded generator and a micro embedded generator (as those terms are defined in the Rules).
rural area	An area zoned as rural under a local environment plan made under the Environmental Planning and Assessment Act 1979 (NSW).
standard connection services	Connection services for which a model standing offer for standard connection services has been approved by the AER.