



21 February 2012

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Dear Mr Anderson,

**AER consultation paper on classification of electricity distribution services in the ACT and NSW**

Ausgrid welcomes the opportunity to provide a submission on the AER's consultation paper on classification of electricity distribution services in the ACT and NSW on matters relevant to the framework and approach for the 2014-2109 period (Consultation Paper).

We set out below our view on the main issues arising from the Consultation Paper.

**Connection Services**

The AER is proposing a new grouping of services called a "connections service", comprising services related to the establishment or alteration of a connection to the distribution network, including services that broadly align with our current monopoly services. The AER has also released its draft connections charging guidelines for DNSP comment. As service classification may determine the charging regime applicable to connections services in some cases, Ausgrid's final position on the AER's proposed connections service classification proposal will depend on the outcomes of our review of the final connections charging guidelines.

**Metering Types 5-7 services**

We understand the AER may be considering distinguishing metering types 5-7 services from Distribution Use of System (DUoS) services and classifying and regulating these services as alternative control services. Ausgrid's view is that increasing contestability in relation to types 5-7 metering services should not be a driver of classification in NSW. Given the synergies between metering services and other network services, and the role of metering services as an enabler of demand management and network strategies that maximise consumer welfare in the longer term, metering services types 5-7 should remain a standard control service, charged through DUoS charges.

**Miscellaneous and monopoly services**

The AER has asked the NSW and ACT DNSPs to comment on whether miscellaneous and monopoly services are appropriately defined and how best to group these services for classification purposes. Ausgrid is currently reviewing the definitions of these services to ensure that all services have been included in the definition and all component parts of each service are identified. In our response to the Consultation Paper, we propose some additional monopoly services to address changes arising from the introduction of the National Energy

Customer Framework (NECF). We also propose some additional miscellaneous service fees, including fees to cover certain B2B service orders from retailers and DNSP costs associated with Retailer of Last Resort events.

### **Service groupings for classification purposes**

The AER is proposing to group services for the purposes of classification in the following service groups:

- network services
- metering services
- public lighting services
- fee based services;
- connection services; and
- quoted services.

The Consultation Paper indicates that the AER's preference is to group services in this way for the purposes of applying a common classification to services within each group. The possible exception is for services within the "connection services" grouping, which may have different service classifications and forms of control for the various component distribution services comprising that service group.

To the extent that the AER's proposed service groupings determine a uniform classification of services in those groupings and the form of control to be applied, our view is that it is important that analysis is applied at a sufficiently granular level to ensure that:

- services are appropriately grouped; and
- the groupings themselves are appropriate (for example "quoted" services and "fee based services" refer to the manner in which a service is charged rather than to the nature or characteristics of the service itself).


### **Common approach to service classifications across jurisdictions**

The AER has also asked for comment on whether there should be a common approach to service descriptions and classifications across jurisdictions. In considering whether to move towards a more national approach to service descriptions, our view is that it is important to ensure that the services provided across each jurisdiction are in fact sufficiently similar to warrant the same classification and form of regulation, particularly given jurisdictional differences. There is a risk that in grouping similar-sounding services and applying a common classification, these differences will not be taken into account. This may have operational implications for the provision and funding of those services.

Ausgrid's view is that a sufficiently granular analysis of each electricity distribution service needs to be conducted against the relevant criteria in the National Electricity Rules to determine the appropriate service groupings, classification and form of control for each service. We are currently conducting this review against the Rules criteria and will provide our analysis to the AER as part of our response to the AER's draft Framework and Approach paper.

We cover these issues and others in more detail in the attached response to the Consultation Paper. If you have any questions or wish to discuss this matter in further detail please contact Brendon Crown on (02) 9269 4531.

Yours sincerely,



Peter Birk  
Executive General Manager System Planning and Regulation