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**Comments on the AER Service Classification for Common Services workshop –
August 2018**

Dear Moston,

Thank you for the opportunity to attend the Service Classifications workshop in Sydney recently.

The AER's proposal to establish a Distribution Service Classification Guideline (*the Guideline*) will be of significant value in providing a level of consistency and transparency in the delivery of connection services to customers.

As part of a number of AER consumer challenge panels across various distribution companies, the variation in approaches is obvious. Whilst these variations may not be of particular concern for customers who generally only deal with one utility, it is in customers' interest for the guideline to provide a framework to:

- a) identify best practice amongst utilities, with the view of sharing and promulgating best practices across the industry;
- b) demonstrate a level of consistency in the terminology, process and price of connections between utilities, supporting a better understanding of the connections process and cost by customers; and
- c) consider a mechanism to determine connection service price / performance trade-offs, fostering an environment of customer choice, technology application and delivery efficiency.

It is clear that service classifications and the application of Chapter 5A of the National Electricity Rules (NER) have been interpreted and applied differently across distributors. Each of these are compliant, however the question of the interpretation and application being consistent, with measurable performance, able to reflect best practice and ultimately reflecting changing customer requirements is not so clear.

Of interest is the comment by distributors that these variations, especially in areas such as connection policy, reflect fundamental differences in the nature of the utility, features of local customer requirements and local regulatory obligations, such as the provision of contestable services.

Our view is that the Guideline should approach service classifications with the intent that demonstrable jurisdictional requirements apply in *how* the service is delivered, not in the actual nature of the service itself. The proposal to separating the components of the connection process for transparency as an objective of the guideline is strongly supported.

Overall, the hallmarks of the guideline in supporting the long-term interest of consumers are:

1. Consistency in terminology, service definitions and descriptions, with an intent for simplicity and transparency. The proposed 'connection components table' is seen as a useful example for consistency and simplicity.
2. Consistency in interpretation and application of the guidelines, in particular the cost-revenue test framework, which is seen as a very useful and effective application of the guidelines.
3. A level of insensitivity to the contestability of works wherever possible – i.e. decoupling the work to be done, and who does it. The role of market in signalling the efficient cost of work is acknowledged.
4. Obvious 'cascading' of the rules to the guidelines, though clear links back to CH 5A requirements. The guidelines may be a way of supporting more consistent definitions of class of customer, the more effective use of Standard Connection Agreements that are more aligned to customer requirements.
5. Promoting a sense of timeliness in the utility's service delivery, reflecting changing customer requirements. For instance, the tendency for utilities to avoid the use of standard connection contracts as they permit a longer response time might be useful for the companies, but is seen as a poor reflection on meeting the needs of consumers.
6. The guidelines should not restrict customer choice.
7. The guidelines should consider cost and value in the application of the services, permitting the identification and application of any alternatives or initiatives that lead to lower costs or better value for consumers.
8. The guidelines support a 'causer pays' approach wherever it is clear that wider community benefit to all segments of the consumer base does not exist. This approach should be articulated clearly by distributors in cases such as their definition of shared network in augmentation, or the benefit of embedded generation to the wider community .
9. The guidelines should reflect an intent to regularly review the application, performance and impact of the guidelines on customers through a suite of performance or success indicators.

As connections to the network and other services adapt to new technologies and new customer requirements, the guidelines should be flexible and dynamic to ensure they are, as much as feasible, 'future proofed'. For example, as subdivisions embrace 'light footprint' technologies such as embedded generation and storage, the connection services guidelines should encourage and support utilities to deliver innovative, timely and efficient connections.

We would encourage the AER to consider the connection guidelines in light of emerging applications such as microgrids, virtual power stations and the emergence of the Distribution System Operator (DSO) models.

In summary, we believe that the Guidelines will provide a useful way of encouraging transparency and clarity in the delivery of connection services . It is acknowledged that there will always be a level of jurisdictional variation due to demographics, energy mix, network design, historical practice and

regulatory requirements. By providing a level of consistency in the interpretation and application of connection services however - including the requirements of CH 5A of the NER - it will be possible for customers of better understand the value of the connection services. This is in the interest of customers and developers in leading to more informed choices, encouraging efficiency, improved development of new services and, in time, greater trust in the industry.

Regards,

Mike Swanston

AER Consumer Challenge Panel