



30 April 2018

Mr Chris Pattas
General Manager, Networks
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Dear Mr Pattas

Request to replace the 2014 framework and approach paper

CitiPower, Powercor and United Energy are seeking the Australian Energy Regulator (**AER**) to replace or amend the 2014 Victorian framework and approach papers (**F&A**) for the 2021–2025 regulatory control period.

The National Electricity Rules (**Rules**) require that we outline our reasons for requesting a replacement F&A.¹ A number of national and Victorian policy developments have occurred since the 2014 F&A was developed. This means a new F&A is needed to reflect regulatory arrangements, particularly service classifications.

The AER will be consulting on its service classification guideline and our F&A at the same time. We look forward to engaging closely with the AER in both these reviews. It is important that we have sufficient time to understand the guideline's implications for our service classification proposals.

1 Service classification

A number of the service descriptions and classifications will need to change for the 2021–2025 regulatory control period due to the following policy changes:

- Ring fencing guideline—this guideline places restrictions on negotiated and unclassified (**non-direct control**) services. To date, we have continued providing important non-direct control services because the AER has granted us waivers. However, these waivers expire at the end of the 2016–2020 regulatory control period.² Ring fencing has therefore triggered the need to re-consider the appropriateness non-direct control services' current classifications to ensure we can continue providing them.
- Service classification rule change—in 2017 the Australian Energy Market Commission published the National Electricity Amendment (Contestability of energy services) Rule. The requirement on the AER to develop a service classification guideline by 30 September 2018 and modifications to the service classification rules may drive changes to service classifications.
- Application of Chapter 5A of the Rules—in July 2016 an amendment to the *National Electricity (Victoria) Act 2005* commenced, which applied Chapter 5A of the Rules and the AER's connection charge guideline to Victorian distributors. To align service classifications with the new arrangements and our connection charge policies, we will be seeking connection services to be re-defined and re-classified.

¹ Rules, 6.8.1(c)(1).

² AER, Notice of ring-fencing waiver: CitiPower; Notice of ring-fencing waiver: Powercor; Notice of ring-fencing waiver: United Energy, 18 December 2017.

Our initial views on service classification changes are outlined in appendix A. We have sought to adopt the AER's service classification template, based on the recent service classification decisions for New South Wales and South Australian distributors, wherever possible to aid stakeholders' understanding of our proposal. In some cases, however, jurisdictional differences have required us to depart.

2 Form of control

We propose to continue applying a revenue cap for standard control services.

Similarly, we seek the continuation of a revenue cap for regulated metering services. A revenue cap is consistent with the principle of efficient cost recovery and reflects the basis upon which Victorian distributors undertook the mandated roll out of Advanced Metering Infrastructure (**AMI**). We also propose that meter exit fees continue to apply. This will ensure that, if metering contestability is introduced, customers switching to competitive metering services pay their fair share for existing meters rather than allowing this cost to be borne by others.

3 Incentive schemes

Consistent with the 2016–2020 regulatory control period, we propose the following incentive schemes apply in 2021–2025:

- capital expenditure sharing scheme
- efficiency benefit sharing scheme
- service target performance incentive scheme
- f-factor incentive scheme
- demand management incentive scheme and demand management innovation allowance.

We would welcome the opportunity to meet with you to discuss this letter. Please contact Frans Jungerth on 03 9683 2022 or fjungerth@powercor.com.au if you have any questions.

Yours Sincerely



Renate Vogt
General Manager, Regulation
CitiPower, Powercor & United Energy



A Proposed 2021–2025 service classification—initial views

Service group	Further description	Proposed Classification	Comments
Common distribution service (formerly 'network services')	<p>The suite of activities involved in the provision of the distribution network for the conveyance of electricity (including the service that ensures the integrity of the related distribution system) and includes, but is not limited to, the following:</p> <ul style="list-style-type: none"> • The planning, design, repair, maintenance, construction and operation of the distribution network • The relocation of assets that form part of the distribution network but not relocations requested by a third party (including a customer) • Works to fix damage to the network (including emergency recoverable works) • Inspection of privately owned low voltage or high voltage network infrastructure (i.e. privately owned distribution infrastructure before the meter). • Support for another distributor during an emergency event • Network demand management for distribution purposes • Training internal staff and contractors undertaking direct control services • Emergency disconnect for safety reasons and work conducted to restore a failed component of the distribution system to an operational state upon investigating a customer outage • Supply abolishment (basic connection) • Dial before you dig services • Bulk supply point metering • Establishment and maintenance of national metering identifiers (NMIs) in market and/or network billing systems. <p>Such services do not include a service that has been separately classified, including any activity relating to that service.</p>	Standard control	<p>This is generally consistent with the AER's classification template (which is largely based on recent classifications in New South Wales and South Australia). Changes include the addition of:</p> <ul style="list-style-type: none"> • inspection of privately owned infrastructure as required for Victorian distributors by the <i>Electricity Safety Act 1998</i> • basic connection supply abolishment is a standard control service in Victoria. If this was an alternative control service (ACS), customers may not notify their distributors of a required abolishment (to avoid a charge), meaning abandoned sites may be left live • dial before you dig services.
Ancillary services – Services closely related to common distribution services but for which a separate charge applies			

Connection application related services	<p>Activities include:</p> <ul style="list-style-type: none"> Assessing connection applications or a request to undertake relocation of network assets as contestable works and preparing offers Processing preliminary enquiries requiring site specific or written responses Undertaking planning studies and associated technical analysis (e.g. power quality investigations) to determine suitable/feasible connection options for further consideration by applicants Liaising with groups representing multiple connecting parties (e.g. community group upgrades) Site inspection in order to determine the nature of the connection service sought by the connection applicant and ongoing co-ordination for large projects Registered participant support services associated with connection arrangements and agreements made under Chapter 5 of the Rules. 	ACS	This is generally consistent with the AER's classification template with the addition of processing group connections
Access permits, oversight and facilitation for 3 rd party works and activities	<p>Activities include:</p> <ul style="list-style-type: none"> A distributor issuing access permits or clearances to work to a person authorised to work on or near distribution systems including high and low voltage. A distributor issuing confined space entry permits and associated safe entry equipment to a person authorised to enter a confined space. A distributor providing access to switch rooms, substations and the like to a non-Local Network Service Provider party who is accompanied and supervised by a distributor's staff member. May also include a distributor providing safe entry equipment (fall-arrest) to enter difficult access areas. Specialist services (which may involve design related activities and oversight/inspections of works) where the design or construction is non-standard, technically complex or environmentally sensitive and any enquiries related to distributor assets. Facilitation of generator connection and operation of the network. Activities related to 'shared asset facilitation' of distributor assets Facilitation of activities within clearances of distributor's assets, including physical and electrical isolation of assets Sales of approved materials/equipment to third parties for connection assets that are gifted back to become part of the shared distribution network. 	ACS	This is generally consistent with the AER's classification template, however, this group relates to services provided at a third party's request. Where provided in relation to operating the network, these services form part of common distribution services.

Notices of arrangement and completion notices for 3 rd party works and activities	<p>A distributor may be required to perform work of an administrative nature where a local council requires evidence in writing from the distributor that all necessary arrangements have been made to supply electricity to a development. This may include receiving and checking subdivision plans, copying subdivision plans, checking and recording easement details, assessing supply availability, liaising with developers if errors or changes are required and preparing notifications of arrangement.</p> <p>A distributor may also be required to provide a completion notice (other than a notice of arrangement). This applies where the real estate developer requests the distributor to provide documentation confirming progress of work. Usually associated with discharging contractual arrangements (e.g. progress payments) to meet contractual undertakings.</p>	ACS	As above.
Network related property services for 3 rd party works and activities	<p>Property tenure services related to providing advice on, or obtaining: deeds of agreement, deeds of indemnity, leases, easements or other property tenure in relation to property rights associated with a connection or relocation.</p> <p>Conveyancing inquiry services relating to the provision of property conveyancing information at the request of a customer.</p>	ACS	As above.
Network safety services	<p>Examples include:</p> <ul style="list-style-type: none"> • Provision of traffic control and safety observer services by the distributor where required • Fitting of tiger tails and aerial markers • High load escorts • Customer initiated outage (e.g. to allow customer and/or contractor to perform maintenance on the customer's assets, work close or for safe approach) • Site visit relating to location of underground cables/assets 	ACS	This is generally consistent with the AER's classification template with the addition of undertaking site visits to assist third parties to locate underground assets. This is a service being requested of some distributors.
Planned Interruption – customer requested	Where the customer requests to move a distributor planned interruption and agrees to fund the additional cost of performing this distribution service outside of normal business hours.	ACS	This is consistent with the AER's classification template.
Inspection and auditing services	<p>Activities include:</p> <ul style="list-style-type: none"> • Inspection and reinspection by a distributor, of gifted assets or assets that have been installed or relocated by a third party • Investigation, review and implementation of remedial actions that may lead to corrective and disciplinary action of a third party service provider due to unsafe practices or substandard workmanship • Auditing of a third party service provider's work practices in the field • Re-test at a customer's installation, where the installation fails the initial test and cannot be connected. 	ACS	This is consistent with the AER's classification template

Provision of training to third parties for network related access	Training services provided to third parties that result in a set of learning outcomes that are required to obtain a distribution network access authorisation specific to a distributor's network. Such learning outcomes may include those necessary to demonstrate competency in the distributor's electrical safety rules, to hold an access authority on the distributor's network and to carry out switching on the distributor's network. Examples of training might include high voltage training, protection training or working near power lines training.	ACS	This is consistent with the AER's classification template
Security lights	Operation and maintenance of equipment mounted on a distribution pole used for security services, e.g. nightwatchman lights Note: excludes connection services.	ACS	This is generally consistent with the AER's classification template, with the removal of providing new security lights as this service is now rarely requested.
Customer initiated network asset relocations/re-arrangements ³	Relocation of assets that form part of the distribution network in circumstances where the relocation was initiated by a third party (including a customer).	Standard control	This is consistent with the current service classification. Under the Essential Services Commission of Victoria's guideline number 14, customers are charged a contribution (notwithstanding the standard control classification).
Requested provision of electricity network data	Requests for the provision of electricity network data requiring customised investigation, analysis or technical input (e.g. requests for zone substation data), where there is no demonstrable net benefit to the distribution network.	ACS	This is consistent with the AER's classification template.
Service visit	A service truck visit where the issue does not relate to the mis-operation of the distributor's equipment or infrastructure.	ACS	This is consistent with the current service classification.
Type 1 to 4 metering services	Type 1 to 4 metering installations ⁴ and supporting services are competitively available.	Unclassified	This is consistent with the AER's classification template

³ This classification applies where a customer contribution is calculated and applied in accordance with Essential Services Commission (ESCV) Guideline 14 or where a customer contribution is calculated and applied in accordance with any other relevant Victorian legislation or regulation, including regulations made under the *National Electricity (Victoria) Act, 2005*. The party requesting such works under this classification must pay the net cost of the works, subject to any rebates specified in Guideline 14 or by any other relevant Victorian legislation or regulation.

⁴ Includes the instrument transformer, as per the definition of a 'metering installation' in Chapter 10 of the NER.

Type 5 and 6 (inc smart metering) services where the distributor remains responsible	<p>Includes:</p> <ul style="list-style-type: none"> • Recovery of the cost of type 5 and 6 metering equipment including communications network (including meters with internally integrated load control devices). • Testing, inspecting, investigating, maintaining or altering existing type 5 or 6 metering installations or instrument transformers. • Quarterly or other regular reading of a metering installation. • Metering data services that involve the collection, processing, storage and delivery of metering data, the provision of metering data from the previous two years, remote or self-reading at difficult to access sites, and the management of relevant NMI Standing Data in accordance with the NER. • Meter exit services, including metering installation removal and disposal at the request of the customer or their agent • At the request of a retailer or metering coordinator, a distributor provides notification to affected customers, and isolates power at a customer’s premises to facilitate the replacement of the existing metering installation by an external metering provider. 	ACS	Under the Victorian government Order no. s 346, Advanced Metering Infrastructure is classified as type 5 and is a regulated service. This metering group is consistent with the current metering arrangements.
Type 5 to 7 (inc smart metering) ancillary services where the distributor remains responsible	<p>Activities include:</p> <ul style="list-style-type: none"> • Requests to test, inspect, investigate, maintain or alter an existing type 5 or 6 metering installation or instrument transformer. • Non-standard metering services for Type 5 to 7 meters and any other meter types introduced. • Works to re-seal a type 5 or 6 meter due to customer or third party action (e.g. by having electrical work done on site). • Remote de-energisation and re-energisation • Remote meter configuration • Field based special meter read (including a manual meter read) • Office based special meter read • Access to additional metering data 	ACS	As above.
Type 5 and 6 (inc smart metering) services where the distributor is not responsible		Unclassified	Should the Victorian government introduce contestability, this service would apply to new meters installed after contestability begins.
Type 7 metering services	Administration and management of type 7 metering installations in accordance with the NER and jurisdictional requirements. Includes the processing and delivery of calculated metering data for unmetered loads, and the population and maintenance of load tables, inventory tables and on/off tables.	ACS	This is consistent with the AER’s classification template

Emergency maintenance of failed metering equipment not owned by the distributor (contestable meters)	The distributor is called out by the customer or their agent (e.g. retailer, metering coordinator or metering provider) due to a power outage where an external metering provider's metering equipment has failed or an outage has been caused by the metering provider and the distributor has had to restore power to the customer's premises. This may result in an unmetered supply arrangement at this site. This fee will also be levied where a metering provider has requested the distributor to check a potentially faulty network connection and when tested by the distributor, no fault is found.	ACS	This is consistent with the AER's classification template
Embedded networks	Processing embedded network requests	ACS	This is a new service group to recover the cost of processing embedded network requests directly from the embedded network operator rather than all customers. The number of embedded networks and hence these costs are increasing.
Connection services	Basic connections (connection services provided under Chapter 5A of the Rules and defined in each distributors' approved connection policy), which include: <ul style="list-style-type: none"> • New connections • Basic temporary connections • Micro embedded generator connections 	ACS	Connection services are defined in each distributors' connection policy which must be approved by the AER. This service definition better aligns with the Rules than classifying an individual component of the connection. For example, whether an augmentation is undertaken, does not translate into whether an augmentation is charged—under Chapter 5A, basic connections are not charged augmentation whereas non basic connections are.
	Non-basic connections (includes standard and negotiated connections under Chapter 5A of the Rules and defined in each distributors' approved connection policy and connections under Chapter 5 of the Rules), which include: <ul style="list-style-type: none"> • Premises connection services – includes any additions or upgrades to the connection assets located on the customer's premises (note: excludes all metering services). • Extensions – includes an enhancement required to connect a powerline or facility outside the present boundaries of the transmission or distribution network owned or operated by a distributor • Network augmentations – includes any shared network enlargement/ enhancement undertaken by a distributor which is not an extension. <p>These services are subject to customer contributions determined according to the Victorian Distributors' respective Connection Policies.</p>	Standard control	

Non-standard connection services	<p>Other or enhanced connection services provided at the request of a customer or third party that include those that are:</p> <ul style="list-style-type: none"> • Provided with higher quality of reliability standards, or lower quality or reliability standards (where permissible) than required by the Rules or any other applicable regulatory instruments; • In excess of levels of service or plant ratings required to be provided by the Victorian distributors; • Other additional customer dedicated connection lines/assets (including reserve feeders) • Reserve feeder maintenance • Connections provided to multiple parties under a common process (e.g. community group upgrades) 	ACS (quoted)	This is generally consistent with the AER's classification template.
Connection management services	<p>Works initiated by a customer or retailer which are specific to the connection point. Includes, but is not limited to:</p> <ul style="list-style-type: none"> • Field based de-energisation⁵ and re-energisation • Non basic supply abolishment or reposition connection • Overhead service line replacement – customer requests the existing overhead service to be replaced (e.g. as a result of a point of attachment relocation). No material change to load • Protection and power quality assessment • Customer requested change requiring secondary and primary plant studies for safe operation of the network (e.g. change protection settings) • Upgrade from overhead to underground service • Rectification of illegal connections or damage to overhead or underground service cables • Calculation of a site specific distribution loss factor on request in respect of a generating unit up to 10 MW or a connection point for an end-user with actual or forecast load up to 40 GWh per annum capacity, as per clause 3.6.3(b1) of the NER. 	ACS	This is generally consistent with the AER's classification template.
Public lighting	<ul style="list-style-type: none"> • Operation, maintenance, repair and replacement public lighting services • Alteration and relocation of public lighting assets • New public lighting services incl. greenfield sites & new light types (distributor provided) • Provision, construction and maintenance of emerging public lighting technology. 	ACS	These service descriptions reflect the Essential Services Commission of Victoria's Public Lighting Code.

⁵ De-energisation services related to business as usual activities and de-energisation services that may relate to changing over meter types

Network tariff class change request	Where a customer changes tariff class e.g. between residential, commercial or industrial classes. For example, this may occur due to a site development that changes the site's nature and the distributor needs to verify (on site) the site's new characteristics.	ACS	The service does not apply to changes within a tariff class. That is, a residential customer changing from a flat tariff to a time of use tariff would not be charged.
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