



Ms Jasmine Tan  
Australian Energy Regulator  
360 Elizabeth Street  
Melbourne VIC 3000

7 June 2017

Dear Jasmine

**Response to questions on CitiPower and Powercor waiver application**

Thank you for your questions on CitiPower and Powercor's (**us** and **we**) ring fencing waivers application. Below we have restated your questions and have provided our response. We note these responses do not include all our reasoning for the waivers as this is provided in the waivers application.

*As discussed, we're after some clarification around the PNS branding, as well as the differences between the requested Powercor Network Services branding waiver and CitiPower and Powercor branding waiver.*

As context for the proceeding responses, in the past Powercor Network Services' competed for unregulated work and its brand was promoted. Now, Powercor Network Services is a provider of field and design services to us, the contestable service provider and third parties.<sup>1</sup> It operates as a sub-contractor and does not provide services directly to customers (be it wind / solar / real estate developers, commercial or residential customers).

Use of Powercor Network Services' brand is being phased out. Powercor Network Services' employees (in particular, its field crews) are now branded CitiPower and Powercor, because the majority of the work they undertake is for us. Nevertheless, there are some legacy uniforms, fleet, advertising material and contracts still branded Powercor Network Services. We are seeking a waiver for the Powercor Network Services entity name and for the use of legacy branding until these can be changed prior to the expiry of the waiver.

beon is the entity and brand that engages directly with customers, for example by participating in competitive tenders, contracting directly with developers / customers and managing competitive works.<sup>2</sup> beon and other third parties occasionally subcontract Powercor Network Services to provide it with field crew or design work.<sup>3</sup> Given many of Powercor Network Services' field crew have uniforms and fleet are branded CitiPower and Powercor, in limited circumstances we are seeking a waiver for the CitiPower and Powercor brand to appear in respect to contestable services as described in our waiver application.

*e.g. At the bottom of page 8 of the waiver application, it says "More recently, the use of the*

---

<sup>1</sup> CitiPower and Powercor, Compliance strategy, May 2017, p. 5.

<sup>2</sup> CitiPower and Powercor, waiver application, May 2017, p. 8.

<sup>3</sup> CitiPower and Powercor, waiver application, May 2017, p. 8.

REGISTERED OFFICE

40 Market Street, Melbourne VIC Australia Telephone: (03) 9683 4444 Facsimile: (03) 9683 4499

Address all Correspondence to: Locked Bag 14090, Melbourne VIC 8001 Australia

CitiPower Pty ABN 76 064 651 056 General Enquiries: 1300 301 101 www.citipower.com.au

Powercor Australia Ltd ABN 89 064 651 109 General Enquiries: 13 22 06 www.powercor.com.au

*brand has been phased out – no new material is created with the Powercor Network Services brand... beon Energy Solutions (contestable service provider) has been created with distinct and separate branding...”, then on page 9, second dot point under ‘2.3.2 Reasons for seeking a waiver’, it says “it will take time to rebrand Powercor Network Services, the process for which includes developing, internally consulting on and receiving Board approval for a new brand.”*

*We’re interested to understand:*

*What you mean by ‘rebranding PNS’*

We are referring to the entity’s name, which contains the word ‘Powercor’. Our interpretation of the guideline is it requires Powercor and Powercor Network Services to have distinct branding. As outlined in our waiver application, Powercor Network Services will be rebranded, however, this will take some time.

Additionally, there is legacy branding material—field crew uniforms, fleet, advertising material and contracts—that still bear the Powercor Network Services name (which in turn has ‘Powercor’ in it). The waiver will also provide us with time to ensure these are taken out of service.

That is, we are seeking a waiver for both the entity’s name and the associated uniforms, fleet, advertising material and contracts that bear the name.

*What services are provided using PNS branding? & Who are the large commercial and industrial customers they would be provided to?*

Powercor Network Services now provide sub-contracting services to us, beon and third parties. They do not provide services directly to end customers such as industrial or commercial customers.

*Regulated service provision*

Powercor Network Services provides network design and field crew services to CitiPower and Powercor.

*Unregulated service provision*

Via entities such as beon, Powercor Network Services indirectly provides unregulated design and field reticulation services to wind / solar / and real estate developers within the developments. Powercor Network Services’ field crews are linesmen but not licensed electricians and therefore they cannot (and do not) provide services to residential or commercial customers such as installing solar PV which require qualified electricians.

*Branding*

Given the presence of *legacy* Powercor Networks Services’ uniforms, fleet, advertising material and contracts with end customers, this brand is occasionally (but rarely) used in connection with both these regulated and unregulated services.

As outlined in the application, prematurely retiring this legacy material would result in additional costs to us by requiring the purchase of new uniforms that bear the CitiPower and Powercor brand. However, we will remove this legacy material before the waiver expires.

*Are these the same for the CitiPower and Powercor branding? If not, how are they different?*

The majority of Powercor Network Services’ staff are branded CitiPower and Powercor because

we occupy around 98% per cent of their time.<sup>4</sup> As a result, when beon or third parties engage Powercor Network Services, the field crew that arrive on site may be branded CitiPower and Powercor (or Powercor Network Services if wearing a legacy uniform). We are seeking a temporary waiver for the use of our brand in relation to these services until it is possible to re-brand Powercor Network Services' crews and fleet when they undertake work for beon or third parties.

*With respect to the services listed in section 2.2 of your waiver application, could you please indicate your view on how these services should be classified at the next Determination? That is, we are interested to know whether you expect these services should be re-classified to better align with the obligations in the ring-fencing guideline and what the alternative classification should be. Our agreement for waiver would be subject to a prima facie case for classification change.*

The Australian Energy Markets Commission (**AEMC**) is considering a rule change request from the Coalition of Australian Governments that if successful, would enable the Australian Energy Regulator (**AER**) to develop a service classification guideline. In addition to this, the AER's approach to service classification is evolving, for example in the New South Wales (**NSW**) Preliminary Framework and Approach where the negotiated classification has not been applied. We are not in a position to pre-empt the AER's approach to service classification for Victorian distributors given the potential for a new guideline and the AER's evolving approach. We will outline our preferences and case for specific classifications during the next determination process.

Nevertheless, we consider there to be a prima facie case for the services for which we are seeking a waiver to be re-classified as direct control services. In our waiver application, we highlighted that there are non-contestable elements to each of the seven services for which we are seeking a waiver. Hence, there is a continuing role for distributors to play in their provision. With ring fencing, this is only likely to occur if the services (or a variation of the services as currently described) are classified as direct control in the next determination.

Should the preliminary service classifications outlined in the NSW Preliminary Framework and Approach be applied to the service descriptions for which we are seeking a waiver, we note the following four services would be direct control services:

Victorian service description	NSW service description and classification
Alteration and relocation of distributor public lighting assets	Public lighting; alternative control
New public lights - that is, new lighting types not subject to a regulated charge and new public lighting at greenfield sites	Public lighting; alternative control
Emergency recoverable works	Common distribution services; standard

<sup>4</sup> CitiPower and Powercor, waiver application, May 2017, p. 11.

	control
Installation, repair, and maintenance of watchman lights	Networks safety services or public lighting; alternative control

While the circumstances in NSW and Victoria differ, this further provides a prima facie case for services being re-classified as direct control. The remaining services for which we are seeking a waiver were not considered in the NSW Preliminary Framework and Approach. On these services we provide the following comments:

- **reserve feeder construction**—while it is rarely requested, this service sometimes requires network augmentation to facilitate the reserve feeder. Only distributors can undertake augmentations, meaning we may not be able to provide the service without a waiver or alternatively, the augmentation cost would have to be included in the regulatory asset base. In the future this service, or at least a subset of it, is therefore likely to be re-classified as alternative control so that it continues to be provided in a cost reflective manner;
- **Collection of meter data, processing and storage of meter data, and provision of access to meter data for type 1-4 metering installations (excluding smart meters)**—we do not operate a metering business that competes for type 1-4 metering services and we do not expect this waiver to cover any such activities. Rather, as a distributor (not a meter provider) we receive type 1-4 metering data from metering data providers for period billing and to make the data available to customers upon request as required by the National Electricity Rules (NER). At the next determination we will seek clarification from the AER whether the service as described is captured by this ‘Collection of meter data, processing and storage of meter data, and provision of access to meter data for type 1-4 metering installations (excluding smart meters)’ service, or whether it is captured by the ‘Network Services’ group of standard control services. In the meantime we are seeking this waiver to ensure we meet ring fencing obligations in our provision of this service as required by the NER; and
- **non-standard connections**—as set out in our waivers application, this service can only be provided by distributors, meaning there is a prima facie case for it to be a standard control service at the next determination.

*On page 8, you discuss the use of the Powercor Network Services brand and note that it currently appears on uniforms, fleet, advertising material and contracts. Please can you explain what is meant by 'advertising material' and provide examples? That is, we think this waiver should be restricted to old stock of existing promotional material only.*

The advertising material aspect was not the main driver of this waiver, but rather, it was to provide time to rebrand the Powercor Network Services entity, time to rebrand legacy fleet and for contracts for the provision of competitive works to be novated to beon.

In respect to advertising material, the waiver will enable us to identify and remove Powercor Network Services advertising material already in circulation without breaching ring fencing obligations in the period before this is competed. The only type of advertising material we have identified to date are stand up posters (e.g. for use at events). While these should no longer be used as the brand is no longer actively promoted, we are not yet able to confirm this given the expanse of our network and number of regional depots and employees.

We are satisfied that the waiver would only apply to existing advertising material and we will commit to removing any such advertising material within six months. However, we note that letterheads and invoices with Powercor Network Services brand will still be printed as they are needed until all contracts are novated and the entity's name is changed—although we do not consider these to be advertising material.

*On the same page, you state: "More recently, the use of the brand has been phased out - no new material is created with the Powercor Network Services brand and there are few instances of it still appearing. Energy Solutions Pty Ltd, trading as beon... has been created with distinct and separate branding as the vehicle for the provision of unregulated services." Please can you confirm that, as soon as the uniforms, fleet, advertising material and contracts expire, they will not be replaced with 'Powercor' or 'CitiPower' branded items?*

That's correct, new uniforms, fleet, advertising material and contracts made with customers will not bear the Powercor Network Services brand. As these expire they are being replaced with either the CitiPower / Powercor brand or the beon brand as appropriate.

*At section 2.4, you discuss the use of CitiPower and Powercor branding in connection with non-direct control services. Please can you explain when you would expect to cease using the CitiPower and Powercor brands in field work for third parties and affiliates and how compliance with the Guideline would eventually be achieved?*

We expect to achieve compliance with the branding and cross promotion provisions without a waiver by 2021 when our waiver would expire.

Compliance will be achieved by requiring Powercor Network Services' field crew performing unregulated work for beon or third parties to wear beon branded shirts / coveralls or wear unbranded high visibility clothing over branded shirts / coveralls to cover the CitiPower and Powercor branding.

Subject to further considering any potential safety implications, magnets will be placed over branded fleet and equipment when Powercor Network Services field crew perform unregulated work for beon or third parties.

Our service agreement with Powercor Network Services has been renegotiated to ensure in the future, it will not use CitiPower and Powercor branding in connection with non-direct control services.

Please don't hesitate to contact Frans Jungerth if you have any further questions on (03) 9683 2022 or [fjungerth@powercor.com.au](mailto:fjungerth@powercor.com.au).

Yours Sincerely



**Brent Cleeve**  
**Head of Regulation**