



Aurora Energy

POLICY:

CUSTOMER CAPITAL CONTRIBUTIONS

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1. Purpose

Capital Contributions are payments in cash or kind made by persons intending to connect to Aurora's distribution network to enable that person to access network services under the standard suite of network tariffs.

A Capital Contribution is levied to ensure that costs for that particular connection are borne by the party requesting the connection and not the entire customer base.

Aurora is a Tasmanian Government owned company licensed under section 17 of the Electricity Supply Industry Act 1995 (ESI Act) to provide distribution network services on mainland Tasmania. As a natural monopoly provider, Aurora is subject to economic regulation by the Australian Energy Regulator (AER) under Chapter 6 of the National Electricity Rules (NER), the Tasmanian Electricity Code (TEC), various Regulatory guidelines, and Pricing Determinations.

This document sets out the principles and policy to be applied by Aurora when calculating a Capital Contribution for works associated with:

- establishing a new connection to Aurora's distribution network;
- modifying an existing connection to Aurora's distribution network; or
- upstream network augmentation required to support a new or modified connection to Aurora's distribution network.

2. Scope

This policy applies to all new load connections and embedded generator connections made to Aurora's distribution network, and to all modifications to existing load connections and generator connections to Aurora's distribution network. For completeness, developers constructing residential and non-residential subdivisions are also covered in this policy despite offering no load.

3. Definitions

In this policy,

"AER" means the Australian Energy Regulator as established under Section 44AE of the Competition and Consumer Act 2010,

"Aurora" means Aurora Energy Pty Ltd (ABN 85 082 464 622), its nominees and successors in its capacity as a Distribution Network Service Provider (DNSP) in Tasmania,

"Basic Connection Service" means a service wire for a single or three-phase connection (≤ 30 metres) plus service fuses for overhead connections or connecting customers' service mains to single or multiple fuses within an underground cabinet or turret,

"connection" has the same meaning as in the *TEC*,

"connection point" means the point on the distribution network where the use of assets changes from being shared with customers generally to being fully dedicated to a customer or group of customers requiring customer connection services at the time,

"connection assets" are distribution assets for the sole use of a customer,

“connection works” means the total works to connect a customer, including connection assets, extensions and any network augmentation,

“connection service” means a service relating to a new connection or connection alteration for a customer,

“customer” means a person (individual or corporation) who requires connection services for a new or modified connection,

“developer” means a person (individual or corporation) who constructs subdivisions to allow future customers to connect where they are not the customer,

“development main” means an extension or augmentation to the distribution network necessitated by a customer’s request for connection services that requires a customer contribution of greater than \$500 by subsequent customers where they request to connect to the connection works of the original customer (the development main),

Active development mains require equitable refunding of customer contributions when subsequent customers connect,

“distribution network” has the same meaning as in the *ESI Act*,

“embedded generator” means a person (individual or corporation) who engages in the activity of owning, controlling, or operating a generator that supplies electricity to a distribution network and who holds or is deemed to hold a licence or has been exempted from the requirement to obtain a licence under a regulation of the *ESI Act*,

“ESI Act” means the Electricity Supply Industry Act 1995,

“financial” means cash or similar,

“HV” means High Voltage,

“High Voltage” has the same meaning as in the TEC,

“Irrigation Installation” means an installation for which all or a significant part of the anticipated consumption is by one or more irrigation pumps,

“large customer” means an installation that is not a Residential Connection with demand above 100 ampere three-phase LV supply,

“load connection” means a connection other than for an embedded generator,

“LV supply” means Low Voltage supply,

“Low Voltage” has the same meaning as in the TEC,

“National Electricity Rules” or **“NER”** has the same meaning as in the ESI Act,

“National Energy Customer Framework” or **“NECF”** means the national framework that passed the South Australian Parliament and will be applied in Tasmanian and comprises:

- the National Energy Retail Law (NERL);
- the National Energy Retail Regulations;
- the National Energy Retail Rules (NERR); and
- various amendments to the National Electricity Rules,

“non-financial” means not financial,

“Prudential Requirement” means an arrangement to minimise the financial risks associated with a request for connection works,

“Residential Connection” means a separately metered self-contained dwelling such as a house, villa unit, flat or apartment that is the principal place of residence of the occupant,

“shared assets” means distribution assets used by more than one customer,

“shared distribution network” is that part of the distribution network comprising shared assets,

“small customer” means an installation with demand less than 100 ampere three-phase LV supply, and includes all Residential Connections,

“Tasmanian Electricity Code” or **“TEC”** has the same meaning as “Code” in the *ESI Act*,

“Upstream augmentation costs” means costs associated with works on the shared distribution network (upstream of the connection point) required to enable the provision of connection services.

4. Discussion

Capital Contributions are intended to limit the potential for costs associated with the creation of new connections or the modification of existing connections to be apportioned across the network charges of Aurora’s general customer base. This may occur where the costs of designing, constructing, installing and commissioning the new or modified connection is less than the amount that could be reasonably expected to be recovered over time through the application of network tariffs.

Levying capital contributions is supported by the Regulatory framework that applies to Aurora under Part K of Chapter 6 of the NER, Part E of Chapter 6 of the TEC, and in the draft legislation and rules supporting the National Energy Customer Framework.

5. Policy & Principles

5.1. Principles

Any policy needs to be equitable, transparent and consistent in its application.

Connection charges should be reasonable and provide, without undue administrative cost, a user pays signal taking into account the efficient costs of providing the connection services arising from the new or modified connection.

The connection of a new customer or modification of an existing connection to Aurora’s distribution network to meet the changed requirement of a customer should not impose undue costs upon other customers of the shared distribution network and therefore limit cross-subsidisation of connection costs between different classes (or subclasses) of customer.

Subdivisions will be treated as a non-network construction project with the cost for all infrastructure being borne by the developer making the request.

The policy should ensure that the financial risk associated with new electrical infrastructure is shared equitably between stakeholders.

A Capital Contribution should allow all customers to access the shared network using a standard tariff.

5.2. Policy Statement

Aurora will require a customer requesting a new or modified connection to Aurora's distribution network to make a contribution (a "Capital Contribution") towards that connection. A customer not wishing to provide a capital contribution may instead, choose supply from a stand-alone power system and avoid a network connection altogether.

Any customer requesting a new or modified connection will pay the direct costs of the assets dedicated to that connection (connection works) up to a defined point on the distribution network termed the connection point. Large customers may also be required to fund, as a further capital contribution, a portion of any upstream augmentation costs beyond the connection point.

All financial components of a Capital Contribution should be paid as a single up-front amount prior to any works commencing.

The value of the Capital Contribution should be calculated based on the optimally sized assets required by the new or modified connection.

A Prudential Requirement may be required in conjunction with a Capital Contribution.

A customer that has made a Capital Contribution towards the cost of a connection may be eligible for a refund of a portion of that Capital Contribution should another customer subsequently connect to the Aurora-owned distribution assets provided solely in respect of the original connection in accordance with the Development Mains Procedure (refer section 6.2.4).

6. Basis for Charging

6.1. New Connections

6.1.1. Basic Connection Service

All Customers will make a Capital Contribution for the provision of Basic Connection Services. The Basic Connection Service charge will vary depending on whether the customer requests an overhead or underground service and the number of fuses (or phases of supply).

6.1.2. New Connections in Rural Areas

Small Customers

Due to the connection variations in rural networks (some HV some LV), Aurora will choose the most appropriate connection type and charge a small customer the comparative urban standard connection charge.

Large Customers

Large customers in rural areas are treated in accordance with section 6.1.4.

6.1.3. Small Customer Connections

All customers will make a Capital Contribution for the provision of connection assets (including any dedicated transformer) plus the cost of any network extensions up to the connection point. (Development Main Policy also applies).

No contribution to upstream augmentation will be charged.

6.1.4. Large Customer Connections

All customers will make a Capital Contribution for all connection works including extension works and dedicated connection assets (including the cost of any dedicated transformer) including network augmentation if applicable. (Development Main Policy also applies).

All customers contribute a pro-rata amount of upstream augmentation costs that is based on the expected kVA of the connecting customer.

For HV installations the customer owns the private HV installation and is responsible for all operation and maintenance costs associated with the connection assets.

6.1.5. Residential and Non Residential Connections – Above Standard Assets

Where a customer requests a standard of service that is higher than the “Basic Connection Service”, the customer is required to pay all additional costs in the form of a Capital Contribution.

If Aurora chooses to undertake works in excess of the minimum practical works to provide the requested connection services, the customer will not be required to provide a Capital Contribution toward these additional Aurora initiated costs.

6.1.6. Irrigation Connections

Consistent with the State Government Policy promoting growth in irrigation farming, irrigation connections are not required to provide a Capital Contribution toward the cost of a single dedicated transformer for an irrigation installation. Irrigation connections will receive an irrigation allowance towards required connection works along a public road and the first span of low-voltage conductor that crosses private property from Aurora’s mains in the street.

If an irrigation installation requires more than one transformer, the customer is required to pay for each additional transformer. However, centre pivot installations that require a separate transformer for the centre pivot are not required to provide a Capital Contribution toward the cost of that transformer.

6.1.7. Micro Embedded Generators (up to 30kW three phase, 10kW single phase)

The Capital Contribution payable by Micro Embedded Generators is based on the same principles as a Small Customer Connection.

6.1.8. Other Embedded Generators (>30kW three phase, >10kW single phase)

The Capital Contribution payable by Other Embedded Generators is based on the same principles as a Large Customer Connection.

6.1.9. Subdivisions

Non- Residential Subdivisions (Commercial and Industrial Subdivisions)

The developer is charged a Capital Contribution equal to the entire cost of Aurora providing the basic HV and LV backbone infrastructure (poles and wires or underground cable). No charge will be levied for the provision of transformers, which are provided when the subdivision blocks are connected by customers.

Connecting customers will only receive a **partly connected electrical service** (back bone HV and LV infrastructure provided by developer). The connecting customer is responsible for organising connection including transformer as required. Standard connection service charges, subject to customer class, will apply to connecting customers provided no extension works are required. Pro-rata upstream augmentation costs may also apply to connecting large customers.

Residential Subdivisions

The developer is charged a Capital Contribution equal to the cost of Aurora providing the basic HV and LV backbone infrastructure (including public lighting, poles and wires or underground cable, cabinets/turrets) and upstream augmentation costs, excluding transformers, as estimated by Aurora.

Connecting customer will receive a **fully connected electrical service**. The connecting customer is responsible for organising connection. Basic Connection Service charges will apply to connecting residential customers provided no extension works are required.

6.2. Aurora's Treatment of Issues associated with Customer Connections

6.2.1. Augmentation of the Shared Network

Large customers, developers (residential subdivisions) and embedded generators (>30kW three phase, > 10 kW single phase) are required to contribute to upstream augmentation costs.

The amount payable will take into account any discounted tariff revenue offset applicable and whether the works are within a 10 year development horizon.

For large customers a Capital Contribution to upstream augmentation costs is required where the incremental costs associated with the connection of the large customer are greater than the future incremental tariff revenues received.

Developers and embedded generators that are required to contribute to upstream augmentation costs of the shared network are not eligible for discounted tariff revenue offset since they contribute no tariff revenues, however they may be relieved from the full cost where the augmentation works on the shared network are within a 10 year development horizon.

6.2.2. Modification of Existing Connections

Customers requesting a modified connection are responsible for the full cost of modified connection assets and will be charged a Capital Contribution equal to the full cost of the modification works.

Aurora is responsible for the cost of alterations to the shared distribution network to accommodate the modified connection **except** in the instance of a large customer requesting modification of an existing connection.

6.2.3. Replacement Costs

There is no Capital Contribution applicable to the scheduled replacement of distribution assets by Aurora.

Connection assets – full cost borne by Aurora at time of replacement.

Shared assets – full cost borne by Aurora at time of replacement.

Should a customer seek to replace assets at a time sooner than that proposed by Aurora that customer request will be treated as a request for a modified connection.

6.2.4. Development Mains

Aurora's existing Development Mains Policy (reimbursement scheme) will be retained and applies with respect to either connection works or network augmentations funded by a customer where subsequent customers connect and benefit from assets funded by existing customers within seven years of the initial Capital Contribution.

Subsequent customers connecting to the development main, contribute to the cost of the development main based on the number of customers that are contributing, or have contributed to the development main. Subsequent customers also receive an equal refund when additional customers connect to the development main.

6.2.5. Temporary Installations

A developer or end use customer must pay all costs associated with the establishment and removal of the temporary connection assets and the return (in good order) of any reusable equipment provided free of charge by Aurora (to a nominated Aurora depot location).

A security fee or deposit may be charged for the security of this equipment in accordance with Aurora's Distribution Credit Policy.

6.2.6. Group Applications for connection

There is nothing in this policy preventing customers sharing the costs of connection works common to each prospective customer development. There is likely to be connection works particular to each development which would be funded separately by each party but where there is the opportunity to share costs, this is encouraged.

6.2.7. Discounted Tariff Revenue Offset

A discounted tariff revenue offset only applies to upstream augmentation costs that have received a contribution by large customer. Where the incremental costs associated with the connection of the large customer are greater than the future incremental tariff revenues received, the large customer is required to contribute to upstream augmentation costs.

Where a contribution to upstream augmentation costs is required, the calculation of the upstream augmentation costs payable by the large customer should include a discounted tariff revenue offset.

6.2.8. Public Lighting

Public lighting to be installed in Residential Subdivisions is the responsibility of the developer. There are no obligations on the developer to provide Public Lighting in new Non-Residential Subdivisions.

Customers can request the installation of Public Lighting near their premises (in accordance with any council requirements) at full cost to those customers.

7. Relationship of Capital Contributions Policy to other policies

This policy should not be read in isolation from other Regulatory instruments, policies and processes that support connection works.

This Policy relates to the following:

- Credit Policy.
- Aurora Development Mains Policy – Defined in the New Customer Capital Contributions Procedure.

8. Management of Policy

The Commercial Manager in the Network division of Aurora administers the development, revision and publication of this Policy.

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9. References

National Electricity Rules
National Energy Customer Framework
Tasmanian Electricity Code
Aurora Distribution Credit Policy
Electricity Supply Industry Act 1995

10. Disclaimer

While Aurora will periodically review this policy to account for the impact of any future changes to legislation or regulation, Aurora does not make any representation or warranty, express or implied, as to the currency, accuracy, reliability or completeness of this policy, or the information contained in it. It is the customer's responsibility to ensure that the arrangements applicable to a specific investment are confirmed with Aurora at the time that an application to connect is made.