

Energex and Ergon Energy Network Submission

31 October 2022







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INTRODUCTION

Energex Limited (Energex) and Ergon Energy Corporation Limited (Ergon Energy Network) are part of the Energy Queensland Group, and distribution network service providers (DNSPs) operating in Queensland. Energex delivers electricity to more than 1.4 million households and businesses in South-East Queensland, while Ergon Energy Network supplies electricity to more than 740,000 households and businesses across the rest of Queensland, an area that spans 97% of the geographic area of Queensland.

As Energex and Ergon Energy Network are natural monopolies, we are subject to economic regulation by the Australian Energy Regulator (AER) under Chapter 6 of the National Electricity Rules (the Rules). Under the current regulatory framework, we periodically (generally every five years) submit regulatory proposals and tariff structure statements setting out, amongst other things, our proposed expenditures, revenue allowances and tariff structures to the AER. The AER assesses our proposals and sets the efficient revenues and prices that we can recover from customers over a forthcoming five-year regulatory control period. Our next regulatory control period runs from 1 July 2025 to 30 June 2030 (the 2025-30 regulatory control period).

The process of determining the efficient revenues and prices is referred to as the regulatory determination or reset process. It spans multiple years and involves extensive engagement with the AER, our customers, and other stakeholders. The Framework and Approach Paper (F&A) is the first step in this process. The F&A provides guidance to distributors in developing regulatory proposals as well as facilitating early customer engagement. It sets out the AER's decisions and proposed approach on several key distribution determination matters including which of our distribution services will be subject to regulation, how the services will be regulated and the application of incentive schemes.

Chapter 6 of the Rules provides that, if an existing F&A is in place, distributors may request that the AER amend or replace an existing F&A at least 32 months prior to the end of the current regulatory control period. Following a review of the current Queensland F&A, Energex and Ergon Energy Network request that the AER amend the current F&A. The ongoing transition in the energy market and changes in the regulatory framework necessitate amendments to the existing F&A particularly in relation to the classification of services.



CLASSIFICATION OF SERVICES

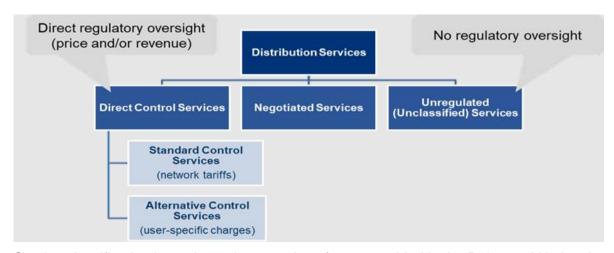
Overview

The classification of services is the foundation of the regulatory framework. It determines which distribution services will be regulated by the AER and how the costs of the regulated services will be recovered. Distributors can either spread the costs of providing distribution services across all customers and recover them via network tariffs or directly attribute the costs to the specific customers that benefit or request the services. Service classification also impacts distributors' ringfencing, cost allocation and shared asset obligations.

Under the current Rules, the AER may:

- classify distribution services as direct control services. These services are subject to direct regulatory oversight by the AER via revenue or price setting. Direct control services are further classified as either standard control services or alternative control services.
- classify distribution services as a negotiated distribution service. These services are subject to a more light-handed form of regulatory oversight via a negotiating framework.
- not classify a distribution service. These services are not subject to regulatory oversight.

The figure below summarises the classification of services process.



Service classification is made against a series of tests provided in the Rules and National Electricity Law that help determine the appropriate classification. Furthermore, the AER has developed and published a classification of services guideline to improve the clarity, transparency, and predictability in the service classification process. The guideline sets out how the AER will



classify services and includes a baseline list of services and proposed classifications. The guideline is not binding on the AER, but the AER may only depart from the guideline (and previous service classifications) where a different classification is clearly more appropriate.

Proposed service classification for the 2025-30 regulatory period

For the 2025-30 regulatory control period, we propose the service classifications summarised in Table 1, below. The proposed service classifications largely retain our current 2020-25 regulatory control period service classifications.

Table 1 Proposed 2025-30 regulatory control period classification of services

Standard control services	Alternative control services	Unregulated distribution services	Negotiated services
Common distribution services Connection services: • premises connections for small customers¹ • network extensions and augmentation Type 7 metering services	Premises connections for major customers² Connection application and management services Enhanced connection services Metering services (Type 5 and 6 metering services) Public lighting Network ancillary services	Metering service (Type 1-4 metering services) Distribution services provided in unregulated isolated networks (Ergon Energy Network only) Hayman Island undersea cable (Ergon Energy Network only)	No services

¹ Small and major customers are as defined in the distributors' connection policies.

² Small and major customers are as defined in the distributors' connection policies.



However, we propose to make several amendments to the activities within the current service groupings for the 2025-30 regulatory control period. These amendments are set out below.

Common distribution services

Common distribution services refer to a group of the core network activities related to the use of the shared network to support the conveyance or flow of electricity to and from network customers. These services are currently classified as a standard control service and this classification remains appropriate as these are provided on a monopoly basis and benefit all customers.

However, we propose the following amendments to the activities included in the common distribution services group.

Regulated Stand-Alone Power Systems (SAPS)

SAPS are electricity supply arrangements that are not physically connected to the electricity grid. As a result of technological advancements, SAPS are increasingly becoming technically and economically viable options for providing electricity services to some customers. This is typically in circumstances where the costs of maintaining a physical connection to the main electricity grid become prohibitive.

The recent National Electricity Amendment (Regulated stand-alone power systems) Rule 2022 (Rule change) removed the barriers to distributors providing SAPS. The Rule change determined that a distribution service provided by a regulated SAPS is to be treated the same as other distribution services for the purposes of classification. The Rule change also stipulated that the distribution services provided by regulated SAPS are to be classified as a standard control service.

For this reason, Energex and Ergon Energy Network propose to add the following activity related to regulated SAPS as part of the common distribution services group for the 2025-30 regulatory control period.

Work related to a regulated stand-alone power systems (SAPS) deployment, operation and maintenance (including fault and emergency repairs) and customer conversion activities



The description of this activity aligns with the AER's proposed approach in the Final F&A for New South Wales (NSW) businesses.³ Relatedly, we have also inserted a footnote in the service classification table that clarifies that works to fix damage to the network caused by third parties may include the provision of temporary SAPS.

Customer export services

The Australian Energy Market Commission's (AEMC's) recent 2021 Access, Pricing and Incentive arrangements for Distributed Energy Resources Rule change introduced reforms to support the integration of more distributed energy resources (solar PV systems, battery storage systems, electric vehicles etc.) into the electricity grid. The Rule change recognised the changing role of electricity networks from delivering electricity one-way to end-users to facilitating two-way power flows to and from end-users. That is, distributors now provide both consumption and export services to customers owing to the uptake of distributed energy resources.

We have been providing export services for many years prior to export services being explicitly recognised under the Rules. Thirty per cent of our combined 2.3 million residential and business customers have installed solar. The AEMC's Rule change now requires us to explicitly consider export services related planning and investments.

We note that the AER extensively considered the issue of the treatment of export services as part of the F&A process for the NSW businesses. We support the AER's position in the Final F&A for NSW businesses, to recognise that export services are part of common distribution services but not to list them as a separate activity – this is consistent with the treatment of consumption services, which are not separately listed.

Rectification of simple customer faults

Energex and Ergon Energy Network propose to add a 'rectification of simple customer fault' activity under the 'common distribution service' group for the 2025-30 regulatory control period. This activity allows our crews to rectify simple customer faults that are generally located behind the meter on customers' premises that are discovered when investigating customer outages. We

³ AER, Framework and approach Ausgrid, Endeavour Energy and Essential Energy (New South Wales) Regulatory control period commencing 1 July 2024, July 2022.



consider that this activity will significantly improve customer experience and potentially reduce costs of repeated visits to customer premises.

The AER has previously considered this activity, notably in NSW and Tasmania. For this activity, we propose to adopt the same set of restrictions approved by the AER in these jurisdictions. These are that:

- the need for rectification work is discovered in the course of the provision of distribution services
- the work performed is the minimum required to restore safe supply
- the work can be performed in less than thirty minutes and does not normally require a second visit.

Other minor amendments

Energex and Ergon Energy Network also propose some minor wording amendments to several activities listed under the 'common distribution service' grouping to better align with the wording in the classification of service guideline's baseline list of services. We have included the amendments in the proposed 2025-30 service classification table provided as Attachment 1.

Connection services

Connection services are a group of services related to connecting customers to the shared network. We propose to maintain the current service classification arrangements in Queensland on the basis that the contestability framework is unchanged. We propose to maintain a standard control service classification for our premises connections for small customers (basic customer connections), which is departure from the service classification guideline. The classifications for other connections services are consistent with the service classification guideline.

Enhanced connection services – export services

We note that, in the NSW F&A, in relation to the 'enhanced connection services', which are currently classified as alternative control services, the AER added clarification that enhanced connections services include both consumption and export services. We support this approach and propose to also adopt it. We consider that this would accommodate customers funding requested network upgrades to account for a particular level of export capacity that is beyond the intrinsic hosting capacity of the local network.



Network Ancillary Services

Network ancillary services are those services closely related to common distribution services but requested by customers or third parties. A specific charge can be applied for these services and therefore an alternative control service classification is appropriate. We propose amendments to some of our network ancillary services as outlined below.

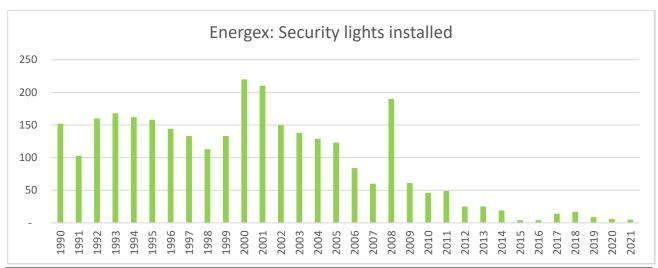
Security lights

Security lighting services are provided to private premises by attaching security lights to network infrastructure to provide lighting and improve the security.

In recent years, the volumes of new security lights have decreased significantly particularly in the Energex distribution area as shown in Figure 1. Since 2015, Energex has installed eight new security lights annually compared to an annual average of over 110 in the prior years. The low volumes means that it is now costly for both the business and customers to maintain systems and processes for the provision of new security lights. Importantly, extremely cost effective and easy to install security lighting solutions are now widely available to customers. We consider that this explains the decline in the volumes of new security lighting services that we have provided to customers.

For these reasons, Energex and Ergon Energy Network propose to cease providing security lights to new customers in the next regulatory control period. We will continue to maintain and operate security lights for our existing customers until they transition to alternative solutions.

Figure 1 Security Lights Installed (Energex)





CONTROL MECHANISMS

Control mechanisms determine how the AER will regulate a distributor's direct control services (i.e., the services the AER elects to regulate during the regulatory control period). The Rules specify that a distribution determination must impose controls over the prices of direct control services, revenue to be derived from the direct control services or both.⁴ Furthermore, the form and formulae of the control mechanisms must be set out in the F&A.⁵ The AER may only depart from the formulae set out in the F&A if there is a material change in circumstances.

Control mechanism for standard control services

Energex and Ergon Energy Network propose to continue with the current revenue cap for standard control services for the 2025-30 regulatory control period. A revenue cap has always applied to Energex and Ergon Energy Network, and we consider that it remains the best control mechanism moving forward.

Proposed formulae for the revenue cap

Energex and Ergon Energy Network propose some minor amendments to the current revenue cap formulae. We have completed the transition to version 2 of the Service Target Performance Incentive Scheme (STPIS); therefore, the transition formulae are no longer required. Our proposed formulae for the 2025-30 regulatory control period are set out below.

Figure 2 Revenue cap formulae

1.
$$TAR_t \ge \sum_{i=1}^n \sum_{j=1}^m p_t^{ij} q_t^{ij}$$
 where $i=1,\ldots,n$ and $j=1,\ldots,m$ and
$$t=1,2,3,4,5$$

2.
$$TAR_t = AAR_t + I_t + B_t + C_t$$
 where $t = 1,2,3,4,5$

3.
$$AAR_t = AR_t$$
 where $t = 1$

4.
$$AAR_t = AAR_{t-1} \times (1 + \Delta CPI_t) \times (1 - X_t)$$
 where $t = 2,3,4,5$

⁴ Cl 6.2.5 (a).

⁵ Cl 6.12.3 (c) and Cl 6.12.3 (c1).



Where:

t is the regulatory year with t = 1 being the 2025-26 financial year

 TAR_t is the total annual revenue for year t

 p_t^{ij} is the price of component 'j' of tariff 'i' for year t

 q_t^{ij} is the forecast quantity of component 'j' of tariff 'i' for year t

 AR_t is the annual smoothed revenue requirement in the Post Tax Revenue Model for year t

 AAR_t is the adjusted annual smoothed revenue requirement for year t

 I_t is the sum of incentive scheme adjustments for year t. To be decided in the distribution determination.

 B_t is the sum of annual adjustment factors to balance the unders and overs account for year t. To be decided in the distribution determination.

 C_t the approved pass-through amounts (positive or negative) for year t, as determined by the AER. It will also include any annual or end of period adjustments for year t. To be decided in the distribution determination.

Δ*CPI*_t is the annual percentage change in the Australian Bureau of Statistics' (ABS) Consumer Price Index All Groups, Weighted Average of Eight Capital Cities from December in year t–2 to December in year t–1. For example, for the 2025–26 year, t–2 is December 2023 and t–1 is December 2024.

 X_t is the X factor in year t, incorporating annual adjustments to the PTRM for the trailing cost of debt where necessary. To be decided in the distribution determination

Control mechanism for alternative control services

Energex and Ergon Energy Network propose to continue with the current price caps for alternative control services for the 2025-30 regulatory control period. With alternative control services being customer specific services, caps of the prices that can be charged to customers remain the appropriate control mechanism.



Proposed formulae for the alternative control service

Energex and Ergon Energy Network propose to continue with the current formula for fee-based alternative control services, which include legacy metering services (type 6), public lighting, network ancillary services and connection related services. The formula is set out below

Figure 3 Alternative control services (fee-based)

1.
$$\bar{p}_t^i \ge p_t^i$$
 where $i = 1, ..., n$ and $t = 1,2,3,4,5$

2.
$$\bar{p}_t^i = \bar{p}_{t-1}^i \times (1 + \Delta CPI_t) \times (1 - X_t^i) + A_t^i$$
 where $i = 1, ..., n$ and $t = 1, 2, 3, 4, 5$

Where:

t is the regulatory year with t = 1 being the 2025-26 financial year

 \bar{p}_t^i is the cap on price of service 'i' for year t

 p_t^i is the price of service 'l' in year t. The initial value to be decided in the distribution determination

 \bar{p}_{t-1}^i is the cap on price of service 'i' for year t-1

 ΔCPI_t is the annual percentage change in the Australian Bureau of Statistics' (ABS) Consumer Price Index All Groups, Weighted Average of Eight Capital Cities from December in year t–2 to December in year t–1. For example, for the 2025–26 year, t–2 is December 2023 and t–1 is December 2024.

 X_t^i is the X factor for service 'i' for year t. The X factors are to be decided in the distribution determination

 A_t^i is the sum of any adjustments for service 'i' for year t. To be decided in the distribution determination.

For quoted alternative control services, Energex and Ergon Energy Network propose amendments to the current formula. In particular, we propose the inclusion of a margin and tax component in the current cost build-up formula. The inclusion of these factors is consistent with the AER's current distribution determinations for TasNetworks and South Australia Power Networks and recent NSW F&A. We agree that the inclusion of these components promotes competitive neutrality and enables distributors to recover their efficient costs. The proposed formula for the 2025-30 regulatory control period is set out below.



Figure 4 Alternative control services (Quoted services)

1. Price = Labour + Contractor Services + Materials + Margin + Tax

Where:

t is the regulatory year with t = 1 being the 2025-26 financial year

Price is charge paid by the customer

Labour are the labour costs directly incurred in the provision of the service which may include labour on-costs, fleet on-costs and overheads. Labour is escalated annually by $(1 + \Delta CPI_t) \times (1 - X_t^i)$

 ΔCPI_t is the annual percentage change in the Australian Bureau of Statistics' (ABS) Consumer Price Index All Groups, Weighted Average of Eight Capital Cities from December in year t–2 to December in year t–1. For example, for the 2025–26 year, t–2 is December 2023 and t–1 is December 2024.

 X_t^i is the X factor for service 'i' for year t. The X factors are to be decided in the distribution determination and will be based on the approach the distributor undertakes to develop its initial prices.

Contractor Services are the costs associated with the use of external labour including overheads and any direct costs incurred. The contracted services charge applies the rates under existing contractual arrangements. Direct costs incurred are passed on to the customer.

Materials is the cost of materials directly incurred in the provision of the service, material storage and logistic on-costs and overheads.

Margin The definition to be decided in the distribution determination.

Tax The definition to be decided in the distribution determination



INCENTIVE SCHEMES

Energex and Ergon Energy Network continue to support the application of the incentive schemes set out in the Rules. The incentive schemes enhance the current incentive-based regulatory framework applied by the AER by encouraging distributors to be more efficient, maintain or improve service performance and pursue alternatives to supply side solutions.

Service Target Performance Incentive Scheme (STPIS)

The AER currently applies a STPIS to Energex and Ergon Energy Network. We propose that the STPIS continue to apply in the 2025-30 regulatory control period. The STPIS provides distributors with incentives to maintain and improve service performance where customers are willing to pay for the improvements. The AER's STPIS comprises two mechanisms:

- a service incentive factor (s-factor) that provides an incentive to maintain average service levels.
 That is, distributors are rewarded and penalised for better or worse performance against set targets via annual adjustments to approved network revenues.
- a Guaranteed Service Level (GSL) payments scheme that provides payments directly to customers where certain levels of service are not met.

The STPIS GSL scheme does not currently apply in Queensland as a jurisdictional GSL payment scheme is in place.

For the 2025-30 regulatory control period, we propose to mostly retain the current STPIS parameters as set out in the table below.

Table 2 STPIS Parameters

Matter	Current 2020-25 regulatory period	F&A positions
Revenue at risk	±2 per cent	No change
Segmenting the network	Energex: central business district (CBD), urban and rural Ergon Energy Network: urban, short rural and long rural	No change



Matter	Current 2020-25 regulatory period	F&A positions
Applicable components and parameters for the s-factor	Reliability: system average interruption duration index (SAIDI) and system average interruption frequency index or (SAIFI) Customer service: telephone	The continued application of the telephone answering (customer service) under the STPIS, will depend on the outcomes of the development of a customer service incentive scheme (CSIS)
Performance targets	answering Based on average performance over the previous 5 years	No change in methodology
Excluded events	Applied the methodology indicated in the STPIS and the 2.5 beta method for calculating major event days (MED)	No change in methodology
Incentive rates	Applied the methodology indicated in the national STPIS and the value of customer reliability (VCR) developed by the AER in 2019.	No change in methodology
GSL	Not applied	Not applied

Revenue at risk

Energex and Ergon Energy Network propose to continue with a lower revenue at risk cap of ±2 per cent relative to the STPIS default cap of ±5 per cent. The revenue at risk cap sets the maximum annual revenue increment or decrement under the scheme i.e., it caps the annual rewards and penalties. We consider that as we have consistently improved our reliability performance through consistently outperforming the STPIS targets, a higher powered incentive scheme is not necessary.

Performance measures

The STPIS provides for reliability, quality of services and customer service performance measures. Unplanned SAIDI and SAIFI currently apply to Energex and Ergon Energy Network as the reliability measures. We propose that that these two measures continue as the reliability measures in the 2025-30 regulatory period as Energex and Ergon Energy Network do not currently report on the other reliability measure: momentary average interruption frequency index (MAIFI).

In relation to the customer services, the AER recently developed the new CSIS, which incentivises distributors to provide customer services that reflect customer preferences and are not covered by



the STPIS. If customers agree to the application the CSIS, we propose that the customer service component of the STPIS (i.e., telephone answering) not apply in the next regulatory period unless there is strong customer support for it.

Customer Service Incentive Scheme

The AER published the Customer Service Incentive Scheme (CSIS) in July 2020, and it does not currently apply to Energex and Ergon Energy Network. The CSIS is designed to incentivise distributors to maintain and improve customer services not covered by the STPIS. The CSIS is a principles-based scheme which requires distributors to engage and collaborate with customers to design a scheme that reflects specific customer preferences and priorities.

Subject to customer support, Energex and Ergon Energy Network propose that the CSIS apply in the 2025-30 regulatory control period. We will engage with our customers regarding the application of a CSIS in the 2025-30 regulatory control period. If there is support, we will collaborate with customers to determine the performance measures which should be captured under the scheme and the penalties and rewards which should apply to each measure.

Capital Expenditure Sharing Scheme

The Capital Expenditure Sharing Scheme (CESS) incentivises distributors to undertake efficient capital expenditure during a regulatory control period. Version 1.0 of CESS currently applies to Energex and Ergon Energy Network.

Energex and Ergon Energy Network note that the AER is currently contemplating changes to the CESS as one of the outcomes from the AER's 2022 review of incentive schemes for regulated networks. Our view is that a case has not been made to amend the current version of CESS. We consider that the current version of the CESS remains fit-for-purpose and propose that this continues to apply in the 2025-30 regulatory control period.

Efficiency Benefit Sharing Scheme

The Efficiency Benefit Sharing Scheme (EBSS) provides a continuous incentive for DNSPs to achieve operating expenditure efficiency gains across the regulatory control period. Version 2.0 of the EBSS currently applies to Energex and Ergon Energy Network. We propose that this version of the EBSS continues to apply in the 2025-30 regulatory control period.



Demand Management Incentive Scheme

The demand management incentive scheme (DMIS) incentivises distributors to undertake efficient expenditure on non-network options focusing on demand management. Version 1.0 of the DMIS currently applies to Energex and Ergon Energy Network. We propose that this version of the DMIS continues to apply in the 2025-30 regulatory control period.

Demand Management Innovation Allowance Mechanism

The demand management innovation allowance mechanism provides research and development funding for distributors to pursue innovative non-network solutions. We propose that this mechanism continues to apply in the 2025-30 regulatory control period.



OTHER MATTERS

Expenditure forecast assessment guidelines

The expenditure forecast guideline sets out the suite of assessment and analytical tools and techniques used by the AER in assessing our capital and operating expenditure proposals. The guideline is not binding on the AER or distributors. However, any departure from the guideline in making the distribution determination must be supported by reasons and substantiating information.

We accept the application of the guideline and associated guidance notes published by the AER since the publication of the guideline. We also welcome the AER's recently published the Better Resets Handbook – Towards Consumer Centric Network Proposals.

Depreciation

Under the current Rules, the regulatory asset base is rolled forward from one regulatory year to the next by adding capital expenditure, indexing for inflation, and subtracting depreciation and asset disposals. Depreciation represents the decline in value of assets.

The Rules set out that the AER must indicate, in the F&A, whether depreciation for establishing the regulatory asset base as at the commencement of the following regulatory control period (the 2030-35 regulatory control period in this instance) is to be based on actual or forecast capital expenditure.⁶

We support the AER continuing to use forecast depreciation if the CESS continues to apply in 2030-35.

Dual function assets

Dual function assets are transmission assets that form part of a distribution network. The Rules require distributors that own, control, or operate dual function assets to advise the AER at least 32 months prior to the end of the current regulatory control period (by 31 October 2022 for the current



regulatory period) of the value the dual function assets which provide standard control services.⁷ The AER then decides, based on the materiality of the value of the dual function assets, whether to price these assets according to transmission or distribution pricing rules.

This matter is not applicable to Energex and Ergon Energy Network, as neither distributor controls, owns or operates dual function assets due to a permanent derogation in the Rules relating to the definition of a 'transmission network' in Queensland.⁸

⁷ Cl 6.25 (a).



ATTACHMENT 1 – PROPOSED 2025-30 SERVICE CLASSIFICATION TABLE





Part of the Energy Queensland Group

Service group	Further description	Current classification 2020-25	Proposed classification 2025-30	Energex and Ergon Energy Network Comments
Common distribution se integrity)	ervice—use of the distribution network for the conveyance/flow of e	lectricity (includi	ng the services	relating to network
Common distribution service	 The suite of activities that includes, but is not limited to, the following: 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 network⁹ and (including emergency recoverable works caused by a customer or third party) support for another distributor network during an emergency event procurement and provision of network demand management activities for distribution purposes training internal staff and contractors undertaking direct control services 	Standard control	Standard Control	 Inserted a footnote that clarifies that works of fix damage to the network may include the provision of temporary SAPS Inserted a footnote that clarifies that shared asset facilitation refers to administrative costs of providing the unregulated services Added a new activity relating to rectification

⁹ May include the provision of temporary stand-alone power systems to restore supply.



Service group	Further description	Current classification 2020-25	Proposed classification 2025-30	Energex and Ergon Energy Network Comments
	 activities related to 'shared asset facilitation' of distributor assets¹⁰ 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 rectification of simple customer faults where: the need for rectification work is discovered in the course of the provision of distribution services the work performed is the minimum required to restore safe supply the work can be performed in less than thirty minutes rectification of simple customer fault relating to a life support customer or other critical health and safety issues the distributor is able to address establishment and maintenance of national metering identifiers (NMIs) in market and/or network billing systems, and other market and regulatory obligations 			of simple customer faults Added a new activity relating to SAPS Minor amendments to align with the base line list of services

¹⁰ Revenue for these services is charged to the relevant third party and is treated in accordance with the shared asset guideline. 'Shared asset facilitation' refers to administrative costs of providing the unregulated service.



Service group	Further description	Current classification 2020-25	Proposed classification 2025-30	Energex and Ergon Energy Network Comments
	 bulk supply point metering – activities relating to monitoring the flow of electricity through the distribution network ongoing inspection of private electrical works (not part of the shared network) required under legislation for safety reasons Work related to a regulated stand-alone power systems (SAPS) deployment, operation and maintenance (including fault and emergency repairs) and customer conversion activities¹¹ Such services do not include a service that has been separately classified, including any activity relating to that service. 			
Connection services – s	services relating to the electrical or physical connection of a custor	ner to the network	ζ.	
Basic connection services - premises connections	Means a connection service related to a connection (or a proposed connection) between a distribution system and a retail customer's premises (excluding a non-registered embedded generator's premises) in the following circumstances: (a) either:	A. Standard control	A. Standard control	Minor amendments to premises connections to explicitly exclude additions or upgrades, which are classified as an ACS

¹¹ Includes simple customer fault rectification on generation service of regulated SAPS.

Service group	Further description	Current classification 2020-25	Proposed classification 2025-30	Energex and Ergon Energy Network Comments
	(1) the retail customer is typical of a significant class of retail customers who have sought, or are likely to seek, the service; or			
	(2) the retail customer is, or proposes to become, a micro embedded generator; and			
	(b) the provision of the service involves minimal or no augmentation of the distribution network; and			
	(c) a model standing offer has been approved by the AER for providing that service as a basic connection service			
	Premises connections are includes any additions or upgrades new connection assets located on the customer's premises for: A. small customers. 12			
Standard connection services – premises connections	Means a connection service (other than a basic connection service) for a particular class (or sub-class) of connection applicant and for which a model standing offer has been approved by the AER.	A. Alternative control	A. Alternative control	Minor amendments to premises connections to explicitly exclude additions

¹² Generally, small customers are those customers who connect under the Standard Asset Customer tariff classes as per the distributor's pricing proposal, excluding real estate developments as set out in the distributor's connection policy.

Service group	Further description	Current classification 2020-25	Proposed classification 2025-30	Energex and Ergon Energy Network Comments
	Premises connections are includes any additions or upgrades to new connection assets located on the customer's premises for: A. major customers. ¹³ B. small customers. ¹⁴	B. Standard control	B. Standard control	or upgrades, which are classified as an ACS
Standard connection services – network extension	Means a connection service (other than a basic connection service) for a particular class (or sub-class) of connection applicant and for which a model standing offer has been approved by the AER. Network extension means an enhancement required to connect a power line or facility outside the present boundaries of the transmission or distribution network owned or operated by a network service provider to facilitate:	A. Alternative control B. Standard control C. Standard control	A. Alternative control B. Standard control C. Standard control	

¹³ Generally, major customers are those customers who connect under the Individually Calculated Customer and Connection Asset Customer tariff classes as per the distributor's pricing proposal, including real estate developments as set out in the distributor's connection policy.

¹⁴ Generally, small customers are those customers who connect under the Standard Asset Customer tariff classes as per the distributor's pricing proposal, excluding real estate developments as set out in the distributor's connection policy.

Service group	Further description	Current classification 2020-25	Proposed classification 2025-30	Energex and Ergon Energy Network Comments
	A. a new or altered major customer connection ¹⁵ , where the network extension will be dedicated to the exclusive use of the major customer at the time of installation and energisation and there is no reasonable likelihood that the network extension will be used to supply another customer or customers within the time period set out in the distributor's Connection Policy.			
	B. a new or altered major customer connection ¹⁶ , where the distributor considers there is a reasonable likelihood that the network extension will be used to supply another customer or customers within the time period set out in the distributor's Connection Policy (i.e., will form part of the shared network).			
	C. a new or altered small customer connection. 17			

¹⁵ Generally, major customers are those customers who connect under the Individually Calculated Customer and Connection Asset Customer tariff classes as per the distributor's pricing proposal, including real estate developments as set out in the distributor's connection policy.

¹⁶ Generally, major customers are those customers who connect under the Individually Calculated Customer and Connection Asset Customer tariff classes as per the distributor's pricing proposal, including real estate developments as set out in the distributor's connection policy.

¹⁷ Generally, small customers are those customers who connect under the Standard Asset Customer tariff classes as per the distributor's pricing proposal, excluding real estate developments as set out in the distributor's connection policy.

Service group	Further description	Current classification 2020-25	Proposed classification 2025-30	Energex and Ergon Energy Network Comments
Standard connection services – Augmentations	Standard connection service means a connection service (other than a basic connection service) for a particular class (or sub-class) of connection applicant and for which a model standing offer has been approved by the AER. Augmentation means any shared network enlargement/enhancement undertaken by a distributor, which is not an extension, to facilitate: A. a new or altered major customer connection. 18 B. a new or altered small customer connection. 19	A. Standard control B. Standard control	A. Standard control B. Standard control	
Negotiated connection services – premises connections	Means a connection service (other than a basic connection service or standard connection service) for which a DNSP provides a connection offer for a negotiated connection contract.	A. Alternative control	A. Alternative control	Minor amendments to premises connections to explicitly exclude additions

¹⁸ Generally, major customers are those customers who connect under the Individually Calculated Customer and Connection Asset Customer tariff classes as per the distributor's pricing proposal, including real estate developments as set out in the distributor's connection policy.

¹⁹ Generally, small customers are those customers who connect under the Standard Asset Customer tariff classes as per the distributor's pricing proposal, excluding real estate developments as set out in the distributor's connection policy.

Service group	Further description	Current classification 2020-25	Proposed classification 2025-30	Energex and Ergon Energy Network Comments
	Premises connections are includes any additions or upgrades to new connection assets located on the customer's premises for: A. major customers. ²⁰ B. small customers. ²¹	B. Standard control	B. Standard control	or upgrades, which are classified as an ACS
Negotiated connection services – Network extensions	Means a connection service (other than a basic connection service or standard connection service) for which a DNSP provides a connection offer for a negotiated connection contract. Means an enhancement required to connect a power line or facility outside the present boundaries of the transmission or distribution network owned or operated by a network service provider to facilitate:	A. Alternative control B. Standard control C. Standard control	A. Alternative control B. Standard control C. Standard control	

²⁰ Generally, major customers are those customers who connect under the Individually Calculated Customer and Connection Asset Customer tariff classes as per the distributor's pricing proposal, including real estate developments as set out in the distributor's connection policy.

²¹ Generally, small customers are those customers who connect under the Standard Asset Customer tariff classes as per the distributor's pricing proposal, excluding real estate developments as set out in the distributor's connection policy.

Service group	Further description	Current classification 2020-25	Proposed classification 2025-30	Energex and Ergon Energy Network Comments
	A. a new or altered major customer connection, ²² where the network extension will be dedicated to the exclusive use of the major customer at the time of installation and energisation and there is no reasonable likelihood that the network extension will be used to supply another customer or customers within the time period set out in the distributor's Connection Policy.			
	B. a new or altered major customer connection, ²³ where the distributor considers there is a reasonable likelihood that the network extension will be used to supply another customer or customers within the time period set out in the distributor's Connection Policy (i.e., will form part of the shared network).			
	C. a new or altered small customer connection. ²⁴			

²² Generally, major customers are those customers who connect under the Individually Calculated Customer and Connection Asset Customer tariff classes as per the distributor's pricing proposal, including real estate developments as set out in the distributor's connection policy.

²³ Generally, major customers are those customers who connect under the Individually Calculated Customer and Connection Asset Customer tariff classes as per the distributor's pricing proposal, including real estate developments as set out in the distributor's connection policy.

²⁴ Generally, small customers are those customers who connect under the Standard Asset Customer tariff classes as per the distributor's pricing proposal, excluding real estate developments as set out in the distributor's connection policy.

Service group	Further description	Current classification 2020-25	Proposed classification 2025-30	Energex and Ergon Energy Network Comments
Negotiated connection services – Augmentations	Means a connection service (other than a basic connection service or standard connection service) for which a DNSP provides a connection offer for a negotiated connection contract. Augmentation means any shared network enlargement/enhancement undertaken by a distributor, which is not an extension, to facilitate: A. a new or altered major customer connection. ²⁵ B. a new or altered small customer connection. ²⁶	A. Standard control B. Standard control	A. Standard control B. Standard control	
Connection application and management services	Works initiated by a customer or retailer which are specific to the connection point. Includes, but is not limited to: • Connection application related services • de-energisation ²⁷	Alternative control	Alternative control	

²⁵ Generally, major customers are those customers who connect under the Individually Calculated Customer and Connection Asset Customer tariff classes as per the distributor's pricing proposal, including real estate developments as set out in the distributor's connection policy.

²⁶ Generally, small customers are those customers who connect under the Standard Asset Customer tariff classes as per the distributor's pricing proposal, excluding real estate developments as set out in the distributor's connection policy.

²⁷ De-energisation services related to business as usual activities and de-energisation services that may relate to changing over meter types.



Service group	Further description	Current classification 2020-25	Proposed classification 2025-30	Energex and Ergon Energy Network Comments
	 re-energisation temporary connections remove 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 supply enhancement (e.g., upgrade from single phase to three phase) 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 power factor correction 			

Service group	Further description	Current classification 2020-25	Proposed classification 2025-30	Energex and Ergon Energy Network Comments
Enhanced connection services ²⁸	Other or enhanced connection services at the request of a customer or third party include those that are: • provided with higher quality of reliability standards, or lower quality of reliability standards (where permissible) than required by the NER or any other applicable regulatory instruments. • in excess of levels of service or plant ratings required by the distributor. • for embedded generators, including the removal of network constraints.		Alternative control	Inserted a footnote to reference export services.
Metering services ²⁹				

²⁸ Includes for both consumption and export services

²⁹ The Qld distributors will continue to be responsible for existing type 5 and 6 meters until they are replaced (and entitled to levy associated charges). We refer to these meters as 'legacy meters'. New meters (that will be type 1 to 4 meters) installed from 1 December 2017 are referred to as 'contestable meters'. The Qld distributors will continue to be solely responsible for the Mount Isa-Cloncurry supply network, which is not connected to the NEM.



Service group	Further description	Current classification 2020-25	Proposed classification 2025-30	Energex and Ergon Energy Network Comments
Type 1 to 4 metering services	Type 1 to 4 metering installations ³⁰ and supporting services are competitively available.	Unregulated	Unregulated	
Type 5 and 6 meter installation and provision (prior to 1 December 2017)	Recovery of the capital cost of type 5 and 6 metering equipment (including meters with internally integrated load control devices)	Alternative control	Alternative control	
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.	Standard control	Standard control	
Type 5 and 6 meter maintenance, reading and data services (legacy meters)	 Meter maintenance covers works to inspect, test, maintain and repair metering installations. Meter reading refers to quarterly or other regular reading of a metering installation. 	Alternative control	Alternative control	

³⁰ Includes the instrument transformer, as per the definition of a 'metering installation' in Chapter 10 of the NER.



Service group	Further description	Current classification 2020-25	Proposed classification 2025-30	Energex and Ergon Energy Network Comments
	 Metering data services includes, for example: 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. 			
Auxiliary metering services (Type 5 to 7 metering installations)	 Activities include: Off-cycle meter reads for type 5 and 6 meters Requests to test, inspect and investigate, or alter an existing type 5 or 6 metering installation Testing and maintenance of instrument transformers for type 5 and 6 metering purposes Type 5 to 7 non-standard metering services 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) Change distributor load control relay channel on request that is not a part of the initial load control installation, nor part of standard asset maintenance or replacement 	Alternative control	Alternative control	
Type 5 and 6 meter installation and provision	On site installation or upgrade (at a customer's request) by Ergon Energy Network of a type 5 or 6 metering installation at a customer's premises in the Mount Isa-Cloncurry supply network.	Alternative control	Alternative control	





Part of the Energy Queensland Group

Service group	Further description	Current classification 2020-25	Proposed classification 2025-30	Energex and Ergon Energy Network Comments
(Mount Isa-Cloncurry supply network only)	Load control services provided by a type 5 or 6 metering installation are grouped with metering services and classified alternative control.			
	Ergon Energy Network may recover the capital cost of types 5 and 6 metering equipment (including meters with internally integrated load control devices) replaced on or after 1 December 2017, where the replacement was initiated by Ergon Energy Network.			
Types 5 and 6 meter maintenance, reading and data services (Mount Isa-Cloncurry Network)	 Meter maintenance covers works to inspect, test, maintain and repair metering installations. It also includes the removal and disposal of a metering installation at customers' premises. Meter reading refers to quarterly or other regular reading of a metering installation. 	Alternative control	Alternative control	
	 Metering data services are those 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. 			
Additional auxiliary metering services (Mount Isa-Cloncurry supply network only)	Metering services offered by Ergon Energy Network in the Mount Isa-Cloncurry supply network for type 5 and 6 metering installations: Provision and installation of instrument transformers for type 5 and 6 metering purposes	Alternative control	Alternative control	
	Exchange meter – customer requests exchange of their current meter (e.g., for alternative metering configuration/ consolidation of			



Service group	Further description	Current classification 2020-25	Proposed classification 2025-30	Energex and Ergon Energy Network Comments
	multiple meters for one meter), or customer requests exchange of their current meter for a solar photovoltaic meter			
Emergency maintenance of failed metering equipment not owned by the distributor	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.	Alternative control	Alternative control	
Meter recovery and disposal – type 5 and 6 (legacy meters)	 Activities include the removal and disposal of a type 5 or 6 metering installation: at the request of the customer or their agent, where an existing type 5 or 6 metering installation remains installed at the premises and a replacement meter is not required. at the request of the customer or their agent, where a permanent disconnection has been requested where it has not been removed and disposed of by the incoming metering provider. 	Alternative control	Alternative control	
Third party requested outage for purposes of replacing meter	At the request of a retailer or metering coordinator, 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.	Alternative control	Alternative control	



Service group Network ancillary service	Further description es – Services closely related to common distribution services but f	Current classification 2020-25 or which a separa	Proposed classification 2025-30	Energex and Ergon Energy Network Comments
Access permits, oversight and facilitation	 Activities include: 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. facilitation of activities within clearances of distributor's assets, 	Alternative control	Alternative control	



Service group	Further description	Current classification 2020-25	Proposed classification 2025-30	Energex and Ergon Energy Network Comments
Sale of approved materials or equipment	Includes the sale of approved materials/equipment to third parties for connection assets that are gifted back to become part of the shared distribution network.	Alternative control	Alternative control	
Notices of arrangement and completion notices	 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 includes 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. Provision of 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. 	Alternative control	Alternative control	
Network related property services	Activities include: Network related property services such as property tenure services relating to providing advice on, or obtaining deeds of agreement, deeds of indemnity, leases, easements or other	Alternative control	Alternative control	



Service group	Further description	Current classification 2020-25	Proposed classification 2025-30	Energex and Ergon Energy Network Comments
	 property tenure in relation to property rights associated with a connection or relocation. Conveyancing inquiry services relating to the provision of property conveyancing information at the request of a customer. 			
Network safety services	 Examples include: provision of traffic control and safety observer services by the distributor or third party where required. fitting of tiger tails and aerial markers. third party request for de-energising wires for safe approach high load escorts. 	Alternative control	Alternative control	
Customer requested network outage or rescheduling of a planned interruption	 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. customer initiated network outage (e.g., to allow customer and/or contractor to perform maintenance on the customer's assets, work close to or for safe approach, which impacts other networks users). 	Alternative control	Alternative control	Minor wording change
Attendance at customers' premises to	A follow up attendance at a customer's premises to perform a statutory right where access was prevented or declined by the	Alternative control	Alternative control	



Service group	Further description	Current classification 2020-25	Proposed classification 2025-30	Energex and Ergon Energy Network Comments
perform a statutory right where access is prevented.	customer on the initial visit. This includes the costs of arranging, and the provision of, a security escort or police escort (where the cost is passed through to the distributor).			
Inspection and auditing services	Activities include:	Alternative control	Alternative control	
	 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.			
	after hours examination and/or testing of the consumer mains and main switchboard prior to initial energisation (upon request).			
	after hours visual examination of an electrical installation to reconnect it to a source of electricity (upon request).			
	re-test at a customer's installation, where the installation fails the initial test and cannot be connected.			
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	Alternative control	Alternative control	



Service group	Further description	Current classification 2020-25	Proposed classification 2025-30	Energex and Ergon Energy Network Comments
	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.			
Authorisation and approval of third party service providers' design, work and materials	 Activities include: authorisation or re-authorisation of individual employees and subcontractors of third party service providers and additional authorisations at the request of the third party service providers (excludes training services). acceptance of third party designs and works. assessing an application from a third party to consider approval of alternative material and equipment items that are not specified in the distributor's approved materials list. 	Alternative control	Alternative control	
Security lights (legacy)	Provision, installation, Operation and maintenance of equipment mounted on a distribution equipment used for security services, e.g. nightwatchman lights installed before 30 June 2025	Alternative control	Alternative control	Amendment to service: Energex and Ergon Energy Network are proposing to cease the provision and installation of new security lights.



Service group	Further description	Current classification 2020-25	Proposed classification 2025-30	Energex and Ergon Energy Network Comments		
Customer initiated network asset relocations/re-arrangements	Relocation of assets that form part of the distribution network in circumstances where the relocation was initiated by a third party (including a customer).	Alternative control	Alternative control			
Customer requested provision of electricity network data	Data requests by customers or third parties including requests for the provision of electricity network data or consumption data outside of legislative obligations.	Alternative control	Alternative control			
Third party funded network alterations or other improvements	Alterations or other improvements to the shared distribution network to enable third party infrastructure (e.g., NBN Co telecommunications assets) to be installed on the shared distribution network. This does not relate to upstream distribution network augmentation.	Alternative control	Alternative control			
Public lighting						
Public lighting	Includes the provision, construction and maintenance of public lighting and emerging public lighting technology.	Alternative control	Alternative control			
Unregulated distribution services – (non-exhaustive list)						
Distribution asset rental	Rental of distribution assets to third parties (e.g., office space rental, pole and duct rental for hanging telecommunication wires etc.).	Unregulated	Unregulated			



Service group	Further description	Current classification 2020-25	Proposed classification 2025-30	Energex and Ergon Energy Network Comments
Contestable metering support roles	Includes metering coordinator, metering data provider and metering provider for Type 1 to 4 metering installations.	Unregulated	Unregulated	
Provision of training to third parties for non-network related access	Training programs provided to third parties which are not ASPs or contractors.	Unregulated	Unregulated	
Type 5 and 6 meter data management to other electricity distributors	The provision of type 5 and 6 meter data management to other electricity distributors.	Unregulated	Unregulated	
Distribution services provided in unregulated isolated networks	Ownership and operation of isolated supply networks, other than the Mount Isa-Cloncurry supply network (Ergon Energy Network).	Unregulated	Unregulated	
Hayman Island undersea cable		Unregulated	Unregulated	
Inspection of private network infrastructure	Inspection of privately owned low voltage or high voltage network infrastructure (i.e., privately owned distribution infrastructure before the meter).	Unregulated	Unregulated	