

Attachment 4: Classification of services

Regulatory proposal for the ACT electricity distribution network 2019–24
January 2018

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4.1. Introduction

The purpose of this attachment is to outline Evoenergy's proposed classification of services for the 2019–24 regulatory control period, including where Evoenergy's proposal may differ from that outlined by the Australian Energy Regulator (AER) in its *Framework and Approach* paper.

4.2. Service classification

Service classification refers to the process of determining which services offered by Evoenergy are to be subject to economic regulation under the National Electricity Rules (Rules) and whether those services will be subject to:

- direct regulatory oversight by the AER as a Direct Control Service subject to revenue or price control;
- direct regulatory oversight by the AER as an Alternative Control Service, which involves controls on the costs of specific services offered to individual customers;
- a more light-handed form of regulatory oversight, such as through the application of a negotiating framework; and
- no regulatory oversight, such as where a service is unclassified.

The classification that is applied to Evoenergy's Direct Control Services will have a direct bearing on whether the costs of the services are recovered from:

- all customers through Distribution Use of System charges and Transmission Use of System charges, where classified as Standard Control Services (the method by which these charges are established is discussed in Attachment 11 Control mechanisms); or
- those customers requesting the service, where classified as Alternative Control Services (the method by which these charges are established is discussed in Attachment 14 Alternative Control Services).

4.3. Outcomes of the Framework and Approach

The AER Framework and Approach paper sets out its proposed approach and rationale for the classification of Evoenergy's services for the 2019–24 regulatory control period. The AER's proposed classification is outlined in Figure 4.1.

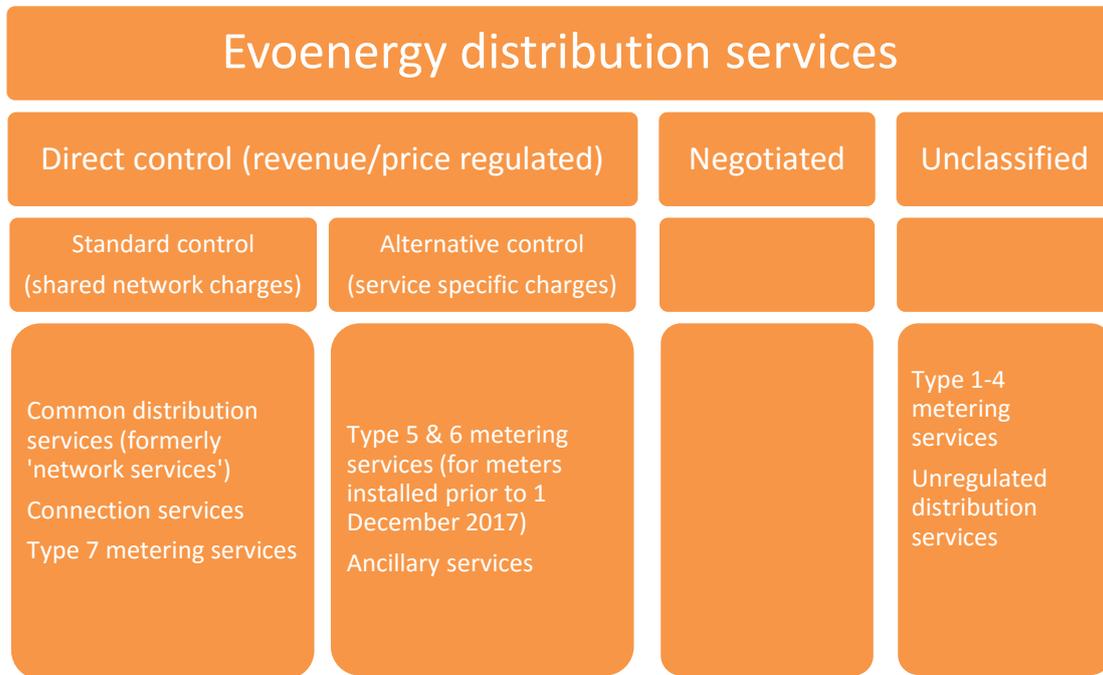
The AER's decision on service classification in the Framework and Approach paper is not binding for its determination on Evoenergy's regulatory proposal. However, under the Rules, the AER may only change its classification approach if unforeseen circumstances arise which justify a departure from the decision in the Framework and Approach paper.¹

Subsequent to the Framework and Approach paper being published, the AER informed Evoenergy that Type 5 meters may continue to be installed until 31 March 2018 (rather than 30 November 2017) where a service order has been received by Evoenergy by

¹ Rules, clause 6.12.3(b).

30 November 2017. These meters will be subject to the existing price cap form of control and are to be classified as Alternative Control Services. Should these meters not be installed by 31 March 2018, a new service order to the competitive metering coordinator will need to be issued.

Figure 4.1. AER’s proposed classification of Evoenergy’s services, 2019–24



Source: AER

4.3.1 Summary of changes to the last Distribution Determination

The AER’s Framework and Approach paper proposed some changes to the service classifications for the 2019–24 regulatory control period. The proposed changes in service classification include:

- Type 7 metering which moves from being an Alternative Control Service to a Standard Control Service.

The main implication for those services that have changed classification from an Alternative Control Service to a Standard Control Service is that the costs of providing those services will be recovered through charges levied on all customers, rather than directly on the customer requesting the service.

4.4. Classification proposal

As part of this regulatory proposal, Evoenergy is required to provide a classification proposal that shows how its distribution services, in its opinion, should be classified. If its proposed classification differs from the AER’s likely classification, Evoenergy must include reasons for the difference.

Evoenergy accepts the broad classification of service set out by the AER in its Framework and Approach paper. This includes classifying common distribution services as Standard Control Services, Type 5/6 metering services as Alternative Control Services, and all other services classified as unregulated. Evoenergy also accepts the AER's decision that there will be no Negotiated Services in the 2019–24 regulatory control period. Evoenergy proposes to introduce some new service charges as Ancillary Services, which relate to services currently carried out as quoted services, with considerable regularity. See Attachment 14 (Alternative Control Services) for more detail on these proposed new charges.

One area where Evoenergy requires greater clarification from the AER is the classification of a connection service that is non-standard. This occurs when a customer requires a connection above the least-cost technically acceptable solution. In the Framework and Approach paper all customer connection services are classified as Standard Control. However, there is no reference to how Evoenergy should administer a customer connection where the customer requires a connection to the network that is in excess of the least-cost technically acceptable solution.

Evoenergy proposes to address this by continuing to apply its Connections Policy. Evoenergy does not propose to make any changes to the section of the Connections Policy relating to 'requirements above least cost technically acceptable standard (LCTAS) and special requirements' between the 2014–19 and 2019–24 regulatory control periods. Evoenergy proposes to continue to adopt the policy whereby customers requesting a connection service of a higher standard than the LCTAS, or with special requirements, will be required to pay the additional costs.

Following explanation of the applicable classifications under the Rules, Table 3 of the Connections Policy sets out the AER classification of services and the basis for connection charges. Row E of this table addresses 'Customer requirements above the ... LCTAS and special connection requirements', specifies an 'Alternative control' service classification, and describes the basis for connection charges as: 'The charges will be set to fully recover the cost of the above standard requirements and special connection requirements. The charges will generally be on a quoted basis.' More information is provided in Chapters 3 and 4 of the Connections Policy.

Special requirements may be related to legal or statutory requirements, specific site requirements, or other parameters of the job. Examples of above standard requirements include:

- provision of a chamber substation instead of a padmount substation;
- higher reliability;
- better security of supply;
- excess length of cable to supply a substation at the back of a customer's block to satisfy architectural requirements;
- provision of a basement substation; and
- developer requirements for subdivision estate reticulation.

Special connection requirements may also be a result of the works scope or parameters rather than customer/developer preferences. For example:

- difficult ground conditions with high rock content;
- difficult site access; and

- significant additional costs related to traffic management.

Evoenergy considers that the Connections Policy treatment of special customer requirements, described above, corresponds in the ACT context to the treatment afforded to these services in NSW.

4.4.1 Unregulated services

Evoenergy provides a range of other services (unregulated services) that do not fall within the definition of a distribution service. These activities are not regulated by the AER and therefore are not subject to the Distribution Determination process.

Shortened forms

Term	Meaning
ACT	Australian Capital Territory
AER	Australian Energy Regulator
LCTAS	least cost technically acceptable standard
NSW	New South Wales
Rules	National Electricity Rules