

Jemena Electricity Networks (Vic) Ltd

2016-20 Electricity Distribution Price Review Regulatory Proposal

Revocation and substitution submission

Attachment 2-1 Classification of services

Public

6 January 2016



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ABBREVIATIONS

AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
AMI OIC	Advanced Metering Infrastructure Order in Council
F&A paper	The AER's <i>Final Framework and Approach for the Victorian Electricity Distributors, Regulatory control period commencing 1 January 2016</i> , 24 October 2014
Guideline 14	Electricity Industry Guideline 14
NER	National Electricity Rules
NEVA	National Electricity (Victoria) Act
Optimal NEO Position	The position which contributes to the achievement of the NEO to the greatest degree and best promotes the long term interests of consumers of electricity





OVERVIEW

Key messages

- We generally agree with the classification of services as outlined in the preliminary determination.
- We have modified this proposal to accommodate:
 - the late change in the service classification for dedicated public lighting operation, maintenance, repair and replacement service from negotiated service classification to alternative control service classification
 - including the additional alternative control service—customer access to metering data—for instances where customers do not use Jemena’s free online portal service.
- We are concerned with the creation of the ‘metering types 5 and 6 and smart metering services offered by the distributor – regulated service’ service and its classification due to recent changes in the creation of a contestable metering service rule change.

1. The April 2015 proposal (together with any supporting material contained or referred to in the April 2015 proposal) is incorporated into, and forms part of this submission.
2. The table below summarises our response to the preliminary decision.

Table 1–1: Overview of our submission response to the preliminary decision on service classification

Category	AER preliminary decision	Our response to the preliminary decision	Our submission
Standard control services	Retained service classifications as outlined in the final framework and approach paper (F&A paper). ¹		Adopts all of the preliminary decision.
Alternative control Services	Retained service classifications as outlined in the final F&A paper and added OMR ² public lighting services to alternative control service classification.		Seeks to clarify the definition of smart metering services
Negotiated services	Retained public lighting services classifications as outlined in the final F&A paper, except for reclassification of OMR public lighting services.		Adopts all of the preliminary decision.
Unregulated services	Retained service classifications as outlined in the final F&A paper.		Adopts all of the preliminary decision.

¹ AER, *Final Framework and Approach for the Victorian Electricity Distributors, Regulatory control period commencing 1 January 2016*, 24 October 2014.

² Operation, maintenance, repair and replacement of distributor-owned public lighting assets

1. INTRODUCTION

3. The National Electricity Rules (**NER**) require us to propose the form of regulation to apply over the regulatory period, including how each network service we provide is to be regulated ('the classification of distribution services'³), and for services that are to be directly regulated, the form of price control to apply ('the control mechanisms'⁴), taking account of the Australian Energy Regulator's (**AER's**) position in its framework and approach paper.⁵
4. If we are to manage our business in a way that promotes the **Optimal NEO Positon**,⁶ each of these elements needs to be responsive and adaptable to changing circumstances—including changes in the way our network is used as new technologies and new market players emerge and develop. I.e., the form of regulation for our different network services needs to be adaptable to reflect new competitive tensions that may emerge during the regulatory period.
5. The following sections provide:
 - an overview of our April 2015 proposal
 - an overview of the preliminary decision
 - our response to the preliminary decision and this submission
6. on the classification of services for the 2016 regulatory period.

³ NER cl 6.8.2(c)(1)(i) and (ii) require us to include a classification proposal in our regulatory proposal

⁴ NER cl 6.8.2(c)(3) requires our regulatory proposal to demonstrate the application of the control mechanism, as set out in the framework and approach paper, and the necessary supporting information, for services classified as alternative control services. However the NER do not prevent us from proposing changes to the formula that gives effect to the control mechanism, and the AER is able to amend its formulae if the AER considers that unforeseen circumstances justify departing from the formulae.

⁵ NER cl 6.8.1(a)(2) requires the AER to publish a framework and approach paper to apply for the 2016 regulatory period if it has signalled its intent to make an amended or replacement framework and approach paper. Among other things the framework and approach paper must set out the AER's proposed approach to the classification of services, the formula to give effect to the control mechanisms and the application of the incentive schemes.

⁶ The position which contributes to the achievement of the NEO to the greatest degree and best promotes the long term interests of consumers of electricity

2. CLASSIFICATION OF SERVICES

2.1 JEN'S APRIL 2016 PROPOSAL

7. We proposed service classifications as outlined in the final F&A paper⁷ for the 2016 regulatory period—that is, they were unchanged. Our proposed classification was broadly in line with the classification that applied in the 2011 regulatory period.

2.2 PRELIMINARY DECISION

8. The preliminary decision retained the proposed service classification from the final F&A paper except for dedicated public lighting services.

Box 2–1: Preliminary decision classification of services for the 2016 regulatory period

The preliminary decision indicated a preference for the following classification:

- Standard control services—electricity distribution network services, new connection services requiring augmentation, customer initiated undergrounding and/or rearrangement of distribution assets, and supply abolishment's (up to 100 amps)
- Alternative control services—routine connections; metering for residential and small business customers (type 4 'smart meter' which the Victorian Government deemed under a derogation to be a type 5 or 6 meter⁸); type 7 metering; ancillary network services;⁹ ancillary metering services; and operation, maintenance, repair and replacement of distributor-owned public lighting assets
- Negotiated services—new public lighting services (including greenfield sites); alteration and relocation of public lighting assets; and construction of reserve feeders
- Unregulated services¹⁰—emergency recoverable works; type 1-4 metering; type 5-6 smart metering subject to competition; supply enhancement at customer request; provision of possum guards; and installation, repair, and maintenance of watchman lights.

9. The preliminary decision departed from the classification in the final F&A paper on dedicated public lighting services and classified these services as alternative control services for the 2016 regulatory period—that is, the service classification for these services will remain the same as in the 2011 regulatory period.
10. The AER restated its approach to classification of metering services. As metering competition is expected to be introduced during the 2016 regulatory period, the preliminary decision considers it is necessary to classify two kinds of metering services:

⁷ AER, *Final Framework and Approach for the Victorian Electricity Distributors, Regulatory control period commencing 1 January 2016*, 24 October 2014.

⁸ NER, CI 9.9C. The exclusivity period and other aspects of the current Victorian derogation in clause 9.9C of the NER will be extended until 1 December 2017 when the new Chapter 7 of the NER under the final rule commences, and the derogation will then cease to operate. The expiry of this derogation was determined in the *AEMC Rule Determination, National Electricity Amendment (Expanding competition in metering and related services) Rule 2015*, 26 November 2015.

⁹ Ancillary network services are 'fee-based' and 'quoted' alternative control services.

¹⁰ Termed unclassified by the AER.

1. Metering services provided to residential and small business customers by the distributor under the AMI Order in Council¹¹ (**AMI OIC**) and which continue to be supplied by the distributor until replaced by a competitively supplied meter will be classified as alternative control services.
 2. Type 5 and 6 metering services supplied on a competitive basis to new residential and small business customers up to 160 MWh will be unclassified.¹² This unclassified service will only be offered once metering becomes fully competitive.
11. The preliminary decision noted that all Victorian distributors—JEN included—adopted the AER’s proposed classification of metering services.
 12. The preliminary decision summarised the current and preliminary classification of metering services in *Table 13.1 in Attachment 13 – Classification of services, Jemena Preliminary decision 2016-20*, which is reproduced in Table 2–1.

Table 2–1: Reproduction of the AER’s metering services classification

Current classification	Preliminary decision on metering classification
Metering types 1 to 4 – unclassified	Metering types 1 to 4 (excluding smart meters) – unclassified
Metering types 5 and 6 and smart meters - regulated service – unclassified (subject to AMI CROIC)	<p>Metering types 5 and 6 and smart meters - regulated service - alternative control. This includes installation (including on site connection of a meter at a customer’s premises, and on site connection of an upgraded meter at a customer’s premises where the upgrade was initiated by the customer), provision, maintenance, reading and data services. Meter provision refers to the capital cost of purchasing the metering equipment to be installed. Meter maintenance covers works to inspect, test, maintain, repair and replace meters. Meter reading refers to quarterly or other regular reading of a meter. Metering data services involve the collection, processing, storage, delivery and management of metering data.</p> <p>Service description as above, however the provision of this service only commences when competition in metering is introduced.</p>
Metering types 5 and 6 and smart meters - unregulated service – unclassified (service not currently provided)	<p>Metering types 5 and 6 and smart meters - unregulated service – unclassified – This includes installation (including on site connection of a meter at a customer’s premises, and on site connection of an upgraded meter at a customer’s premises where the upgrade was initiated by the customer), provision, maintenance, reading and data services. Meter provision refers to the capital cost of purchasing the metering equipment to be installed. Meter maintenance covers works to inspect, test, maintain, repair and replace meters. Meter reading refers to quarterly or other regular reading of a meter. Metering data services involve the collection, processing, storage, delivery and management of metering data.</p>
Meter type 7 – Alternative control	Meter type 7 – Alternative control
Auxiliary metering services – alternative control	Auxiliary metering services – Alternative control

13. The preliminary decision noted that the AMI OIC states that an exit fee must be paid to the relevant distributor where a residential or small business customer switches to an alternative meter provider. The exit fee will be classified as alternative control service.

¹¹ Advanced Metering Infrastructure Order in Council made by the Governor of Victoria under section 15A and section 46D of the Electricity Industry Act 2000 (Vic) and published in the Victoria Government Gazette on 28 August 2007, including amendments up to 30 July 2015.

¹² A 'new customer' includes an existing customer who elects to replace an existing meter.

14. With respect to classifying new connections requiring augmentation, the preliminary decision is to continue classifying the service as direct control and standard control services on the basis that they will continue to be subject to Electricity Industry Guideline 14 (**Guideline 14**)¹³ or the AER's Connection Guideline.¹⁴
15. The preliminary decision added three alternative control services to the table of services:
 - Special meter read (including a manual meter read)
 - Prescribed metering services (public lighting)—a charge for reading meter data for a type 7 meter
 - Customer access to metering data

2.3 JEN'S RESPONSE AND THIS SUBMISSION

16. JEN largely maintains its preferred service classification as proposed in its April 2015 proposal.
17. We welcome the preliminary decision on the classification of dedicated public lighting services as an alternative control service for the 2016 regulatory period. JEN has incorporated this change into this submission. Our classification of services in this submission (shown in Appendix A1) is largely consistent with the preliminary decision.

2.3.1 CONNECTION SERVICES

18. We note that recent changes to the Electricity Industry Act and National Electricity (Victoria) Act (**NEVA**) tabled before the Victorian parliament on 8 December 2015¹⁵. The bill will amend the NEVA to apply the framework set out in Chapter 5A of the NER in Victoria within the 2016 regulatory period. The bill also inserts a regulation making power into the act, including the power to make Victoria-specific provisions for undergrounding and relocation of distribution assets.
19. Prior to this, Guideline 14 was the guiding instrument for determining connection charges payable to the network. For the purposes of classifying services, JEN does not envisage any material differences because the new requirements align to the service classification in the final F&A Paper:
 - Basic connection service—Aligns with the new and temporary alternative control connection service
 - Standard connection service¹⁶—JEN does not propose to offer connection service (other than a *basic connection service*) under a model standing offer
 - Negotiated connection service¹⁷—Aligns with the large connection service as charged under Guideline 14.

2.3.2 ADDITIONAL ALTERNATIVE CONTROL SERVICES

20. In our April 2015 proposal, we submitted fees for special manual meter read and 'reading' meter data for a type 7 metering services for public lighting. Both the proposed fees were endorsed¹⁸ in the preliminary decision.

¹³ Essential Services Commission of Victoria, Electricity Industry Guideline No.14, April 2004.

¹⁴ AER, *Final framework and approach for the Victorian Electricity Distributors – Regulatory control period commencing 1 January 2016*, October 2014 p. 39

¹⁵ National Electricity (Victoria) Further Amendment Bill 2015.

¹⁶ 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.

¹⁷ Provided under NER, Chapter 5A, Part C – Negotiated connection

21. We have included a fee for ‘customer access to metering data’ in our revised regulatory proposal, chargeable in instances where customers do not use our free online portal service (Electricity Outlook¹⁹). The cost build-up of the fee is discussed in Attachments 10-1 and modelled in Attachment 10-2.

2.3.3 TYPE 5, 6 AND SMART METERS

22. Despite the general acceptance, JEN is concerned with the creation of the metering service for ‘type 5 and 6 and smart meters’.
23. On 26 Nov 15 the Australian Energy Market Commission (**AEMC**) made a *Rule Determination, National Electricity Amendment (Expanding competition in metering and related services) Rule 2015*. Under the new Chapter 7 of the NER, AEMO is required to implement market based operational changes to effect this change. In working group discussion, AEMO indicated that it requires all the Victorian smart meters installed prior to commencement of metering competition—which the Victorian Government deemed under a derogation to be a type 5 or 6 meter²⁰—to be reclassified as type 4 meters. This creates a number of problems:
- The metering services for smart meters rolled out under the AMI OIC will be classified as alternative control service or standard control services,²¹ however the preliminary decision classifies metering services for type 1-4 as unregulated services
 - Even though the AMI OIC requires the service for smart meters to be classified as an alternative control service, the absence of a service (and corresponding regulated price) means that JEN is not able to recover its efficient cost for providing this service
 - JEN notes that within the grouping of ‘type 5 and 6 and smart meter’ the smart meter is not a defined term in the NER and therefore in the absence of clarification, a possible interpretation is to classify metering services for smart meters rolled out under AMI OIC as type 4 and therefore be unregulated services.
24. Ideally this issue would be resolved through by creating a new meter type for the smart meters rolled out under AMI OIC as was proposed by the Victorian distribution businesses²² to the consultation on the contestable metering, however this recommendation was not adopted.²³ The next best alternative is for the AER to define ‘smart meter’ as those meters deployed under the AMI OIC to ensure the grand-fathering of this fleet of meters and for the avoidance of doubt in the substitute determination.

¹⁸ AER Preliminary decision, Jemena distribution determination 2016 to 2020, Attachment 16 – Alternative control services, Appendix A.1, Table 16.13, October 2015

¹⁹ <http://jemena.com.au/home-and-business/electricity/my-electricity-supply/monitor-my-electricity-usage>

²⁰ NER, CI 9.9C.

²¹ Advanced Metering Infrastructure Order in Council, cl 5K (a).

²² Victorian Distribution Network Service Providers’ submission to the AEMC’s additional consultation on specific issues related to metering contestability, p 14.

²³ AEMC, *Rule Determination, National Electricity Amendment (Expanding competition in metering and related services) Rule 2015*, 26 November 2015, p 528.

Appendix A
Service classification
Revocation and substitution submission

A1. REVISED PROPOSAL SERVICE CLASSIFICATION

Table–2: Detailed services classification

Service	Initial proposal service classification	Revised proposal service classification	AER preliminary decision service classification
Network Services			
Planning the distribution network	Standard control service	Standard control service	Standard control service
Designing the distribution network	Standard control service	Standard control service	Standard control service
Constructing the distribution network	Standard control service	Standard control service	Standard control service
Maintaining the distribution network and connection assets	Standard control service	Standard control service	Standard control service
Operating the distribution network and connection assets for DNSP purposes	Standard control service	Standard control service	Standard control service
Administrative support (call centre, billing, etc)	Standard control service	Standard control service	Standard control service
Emergency response	Standard control service	Standard control service	Standard control service
Location of underground cables (dial before you dig)	Standard control service	Standard control service	Standard control service
Service group—connection services			
Routine connections - customers up to 100 amps	Alternative control (fee-based)	Alternative control (fee-based)	Alternative control (fee-based)
Routine connections - customers above 100 amps	Alternative control (quoted)	Alternative control (quoted)	Alternative control (quoted)
New connections requiring augmentation	Standard control service	Standard control service	Standard control service

Service	Initial proposal service classification	Revised proposal service classification	AER preliminary decision service classification
Repair and replacement of routine connection	Alternative control (fee-based)	Alternative control (fee-based) ²⁴	Alternative control (fee-based)
Supply enhancement at customer request	Unclassified	Unclassified	Unclassified
Customer initiated undergrounding and/or rearrangement of distribution assets serving that customer ²⁵	Standard control service	Standard control service	Standard control service
Supply abolishment (>100 amps)	Alternative control (quoted)	Alternative control (quoted)	Alternative control (quoted)
Supply abolishment (up to 100amps)	Standard control	Standard control	Standard control
Temporary supply services	Alternative control (fee-based)	Alternative control (fee-based)	Alternative control (fee-based)
Temporary disconnect/reconnect services	Alternative control (quoted) ²⁶	Alternative control (fee-based)	Alternative control (fee-based)
De-energisation of existing connections	Alternative control (fee-based)	Alternative control (fee-based)	Alternative control (fee-based)
Energisation of existing connections	Alternative control (fee-based)	Alternative control (fee-based)	Alternative control (fee-based)
PV & small generator installation pre-approval (up to 5 kW)	Alternative control (fee-based)	Alternative control (fee-based)	Alternative control (fee-based)
PV & small generator installation pre-approval (>5kW)	Alternative control (fee-based)	Alternative control (fee-based)	Alternative control (fee-based)
Service group—metering services			
Installation, operation, repair & maintenance, and replacement of type 1-4 metering installations (excluding smart meters)	Unclassified	Unclassified	Unclassified

²⁴ Customers do not request this service. Repair and replacement of routine connections are generally undertaken under the service category 'maintaining the distribution network and connection assets', which the AER has classified as standard control service.

²⁵ This classification applies where a customer contribution is calculated and applied in accordance with Essential Services Commission's Electricity Industry Guideline 14 or, if chapter 5A of the NER applies, the AER's connection guidelines and any applicable Victorian regulatory instruments.

²⁶ In the April 2015 proposal, JEN inadvertently proposed classification of temporary disconnection/reconnect services as quoted ACS but proposed fees for 'reconnection after temporary disconnect for non-payment'. This inconsistency is corrected in this submission where we propose this service be classified as alternative control fee-based alternative control service.

Service	Initial proposal service classification	Revised proposal service classification	AER preliminary decision service classification
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)	Unclassified	Unclassified	Unclassified
Operation of type 7 metering installations		Alternate control ²⁷	Alternate control
Prescribed metering services (public lighting) — a charge for reading meter data for a type 7 meter	Alternative control (fee-based)	Alternative control (fee-based)	Alternate control
Service sub-group—regulated metering services for type 5, 6 and smart meters			
Installation, operation, repair & maintenance, and replacement of type 5-6 metering installations (including smart meters)	Alternative control (revenue cap)	Alternative control (revenue cap)	Alternative control (revenue cap)
Collection of meter data, processing and storage of meter data, and provision of access to meter data for type 5-6 metering installations (including smart meters)	Alternative control	Alternative control	Alternative control
Meter exit services	Alternative control	Alternative control	Alternative control
Meter restoration services	Alternative control	Alternative control	Alternative control
Meter investigation	Alternative control (fee-based)	Alternative control (fee-based)	Alternative control (fee-based)
Special meter read (including a manual read)	Alternative control (fee-based)	Alternative control (fee-based)	Alternative control (fee-based)
Re-test of type 5 and 6 metering installations (including smart meters) for first tier customers with annual consumption greater than 160 MWh	Alternative control (fee-based)	Alternative control (fee-based)	Alternative control (fee-based)

²⁷ JEN does not offer this service.

Service	Initial proposal service classification	Revised proposal service classification	AER preliminary decision service classification
Service sub-group—unregulated metering services for type 5, 6 and smart meters			
Installation, operation, repair & maintenance, and replacement of type 5-6 metering installations (including smart meters) to new customers ²⁸	Unclassified	Unclassified	Unclassified
Service group—public lighting services			
Operation, maintenance, repair and replacement - shared public lighting assets	Alternative control (fee-based)	Alternative control (fee-based)	Alternative control (fee-based)
Alteration and relocation of DNSP public lighting assets	Negotiated	Negotiated	Negotiated
New public lights (that is, new lighting types not subject to a regulated charge and new public lighting at greenfield sites)	Negotiated	Negotiated	Negotiated

²⁸ A 'new customer' includes an existing customer who elects to replace an existing meter.

Service	Initial proposal service classification	Revised proposal service classification	AER preliminary decision service classification
Service group—ancillary services			
Fault response - not DNSP fault	Alternative control (fee-based)	Alternative control (fee-based)	Alternative control (fee-based)
Wasted attendance - not DNSP fault	Alternative control (fee-based)	Alternative control (fee-based)	Alternative control (fee-based)
Service truck visits	Alternative control (fee-based)	Alternative control (fee-based)	Alternative control (fee-based)
Reserve feeder construction	Negotiated	Negotiated	Negotiated
Reserve feeder maintenance	Alternative control (fee-based)	Alternative control (fee-based)	Alternative control (fee-based)
Rearrangement of network assets at customer request, excluding alteration and relocation of public lighting assets	Alternative control (quoted)	Alternative control (quoted)	Alternative control (quoted)
Auditing design and construction	Alternative control (quoted)	Alternative control (quoted)	Alternative control (quoted)
Specification and design enquiry fees	Alternative control (quoted)	Alternative control (quoted)	Alternative control (quoted)
Elective undergrounding where above ground service currently exists	Alternative control (quoted)	Alternative control (quoted)	Alternative control (quoted)
Damage to overhead service cables caused by high load vehicles	Alternative control (quoted)	Alternative control (quoted)	Alternative control (quoted)
High load escorts - lifting overhead lines	Alternative control (quoted)	Alternative control (quoted)	Alternative control (quoted)
Covering of low voltage lines for safety reasons	Alternative control (quoted)	Alternative control (quoted)	Alternative control (quoted)
After hours truck by appointment	Alternative control (quoted)	Alternative control (quoted)	Alternative control (quoted)
Emergency recoverable works	Unclassified	Unclassified	Unclassified
Provision of possum guards	Unclassified	Unclassified	Unclassified
Installation, repair, and maintenance of watchman lights	Unclassified	Unclassified	Unclassified