



# Jemena Electricity Networks (Vic) Ltd

## Jemena 2021-26 Electricity Distribution Price Review - Revised Proposal

Attachment 02-01

Response to the AER's draft decision - Classification of services



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## Glossary

current regulatory period	The regulatory control period covering 1 January 2016 to 31 December 2020
draft decision	The draft decision on the determination that will apply to setting JEN's distribution prices for the next regulatory period
F&A paper	Framework and approach paper <sup>1</sup>
initial proposal	The initial regulatory proposal to the AER for the setting of regulated pricing for JEN for the next regulatory period
next regulatory period	The regulatory control period covering 1 July 2021 to 30 Jun 2026
revised proposal	JEN's response to the draft decision, of which this document forms part.

<sup>1</sup> AER, *Final framework and approach, Victorian distributors, Regulatory control period commencing 1 January 2021*, January 2019. Note, since the release of the F&A paper the date for commencement of the next regulatory period has been shifted to 1 July 2021.

## Abbreviations

JEN	Jemena Electricity Networks (Vic) Ltd
NER	National Electricity Rules
AER	Australian Energy Regulator
DNSP	Distribution Network Service Provider
F&A	Framework and Approach
ESCV	Essential Service Commission of Victoria

## Overview

A key part of the Australian Energy Regulator's (AER's) price review processes is to identify and classify the services provided by Distribution Network Service Providers (DNSPs). This decision will apply for the provision of services over the 2021-26 regulatory control period (**next regulatory period**).

In its 2021-26 draft decision<sup>2</sup> (**draft decision**), the AER considered a range of services and their classification proposed by Jemena Electricity Networks (Vic) Ltd (**JEN**). The AER accepted the services and their classifications, and some minor changes were identified. JEN agrees with the classification of services as outlined in the draft decision that will apply to JEN for the next regulatory period and outlines these in this Revised Proposal (**revised proposal**).

## Customer impacts

### What this means for our customers:

Having clarity on the types of services is important because it gives clarity to our customers—including electricity retailers—on what services they can procure from us. It also helps clarify which of the services are classified as common distribution services and included in our network charges; the basis on which the other user-requested services are charged; and those services that are not regulated by the AER.

The approach to classifying services in the next regulatory period—using the AER's new service classification guideline—is an improvement over the approach taken in the **current regulatory period**. The schedule of service classifications in Appendix A:

- Provides clarity to our customers on the types of services we provide.
- Determines which of the services are classified as common distribution services and are therefore included in the network charges, the basis on which other user-requested services are charged, and those services that are not regulated by the AER.
- Aligns with the new service classification guideline, which creates greater consistency across the National Electricity Market, so customers have confidence that the services we provide have maximum alignment with the services provided by all electricity distribution businesses.
- Aligns with things our customers seek, rather than the activities we perform – in particular truck and wasted truck services.
- Better aligns with the AER's ring-fencing guideline and therefore provides greater clarity on competitive and regulated services – promoting competition, in the long term interests of customers.

## JEN's response to the draft decision

A summary of the key service classification items outlined in the AER's draft decision and our response, in this revised proposal, to each of these is outlined in Table OV-1.

<sup>2</sup> AER, *Draft Decision, Jemena Distribution Determination 2021 to 2026, Attachment 13, Classification of services*, September 2020.

Table OV–1: Key elements of the AER’s draft decision and our revised proposal

Initial proposal	AER draft decision	Revised proposal
<p>JEN’s proposed classification of services consistent with the AER’s final framework and approach (<b>F&amp;A</b>) paper and provided some further clarifications.</p> <p>JEN delineated alternative control services between fee-based and quoted services and distinguished some connection management and applications services between basic and non-basic connections in the service classification schedule.</p>	<p>The AER retained the structure and classification as set out in the AER’s final F&amp;A paper.</p> <p>The AER did not agree with our proposed delineation of alternative control services between fee-based and quoted services. Further, the AER did not agree with our proposed distinction between basic and non-basic connections in the service classification schedule, noting that the most appropriate place to make these delineations and distinctions is in the DNSP’s proposed pricing for the relevant alternative control services.</p>	<p>Accept. JEN will make these delineations and distinctions in its pricing proposal.</p>
<p>JEN added temporary disconnection and reconnection services in the connection management and applications services.</p>	<p>The AER made minor amendments to clarify that the service description of temporary connections includes temporary disconnection and reconnection services.</p>	<p>Accept.</p>
<p>JEN included a new metrology service due to the Global Settlement rule change.<sup>3</sup></p>	<p>The AER added the new metrology service to the auxiliary metering services for types 5-7 metering group.</p>	<p>Accept.</p>
<p>All other services and service classifications as outlined in JEN’s initial proposal.</p>	<p>The AER accepted our proposed services and service classifications.</p>	<p>Accept.</p>

<sup>3</sup> AEMC, *Rule determination, Global Settlement and Market Reconciliation*, 6 December 2018.

# 1. Classification of services

In making a determination, the AER is required to classify the services provided the DNSP. As a part of the electricity distribution price review process for making the classifications, we propose to the AER what services we want to provide our customers and how they are classified. The AER then considers these and after public consultation, makes a determination on what services will be provided by us. The form of price control applied to them in the next regulatory period.

Below, we summarise this process and our final position on the services and classifications.

## 1.1 Initial proposal

In our initial proposal submitted to the AER in January 2020, we proposed distribution services and their classification consistent with classifications outlined in the AER's F&A Paper. In making this submission, we also made several modifications to give greater clarity around the services we propose to provide in the next regulatory period. We:

- clarified that the *field-based de-energisation service* comprises a fuse removal, and *field-based energisation service* comprises a fuse insertion,
- added *temporary disconnection of premises at the distribution pole* and *reconnection after temporary disconnection* services in the connection application management services grouping,
- delineated alternative control services between fee-based and quoted services,
- distinguished some *connection application management* services into basic and non-basic connection services, and
- added the metrology service pertaining to non-contestable unmetered loads as a result of the Global Settlement Rule change.

We proposed to apply fixed prices where the scope of the alternative control services is predictable, and the activities involved in providing the service are generally uniform. For the remaining alternative control services, we proposed prices will be quoted by way of a cost-pass through—using labour rates approved by the AER, along with the cost of materials and contractors—because the activities involved in providing the service varies significantly between customer requests and prices can only be determined when the scope of the work is known.

## 1.2 Draft decision

In the draft decision, the AER:

- restated its approach to service classifications as set out in the AER's final F&A paper<sup>4</sup>
- made minor amendments to clarify that the service description of *temporary connections* include temporary disconnection and reconnection services
- added the new metrology service to the auxiliary metering services for types 5-7 metering group
- rejected JEN's delineation of alternative control services between fee-based and quoted services in the service classification schedule, noting that delineation best resides within the DNSP's proposed pricing for the relevant alternative control services
- rejected JEN's distinguishing some connection management and applications services between basic and non-basic connections in the service classification schedule, noting that the most appropriate place to make these distinctions is in the pricing proposal for the relevant alternative control service.

<sup>4</sup> AER, *Final framework and approach, Victorian distributors, Regulatory control period commencing 1 January 2021*, January 2019.

The AER accepted all other aspects of our services and their classification.

### 1.3 Revised proposal

JEN accepts the AER's Draft Decision<sup>5</sup> without any amendments.

We accept the AER's explanation that the appropriate place to delineate alternative control services between fee-based and quoted services; and distinguish basic connection, and non-basic connection services is in the pricing proposal for the relevant alternative control service.

Based on this, we outline our final approach to service classification in Table A1-1 of Appendix A of this Attachment.

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<sup>5</sup> AER, *Draft Decision, Jemena Distribution Determination 2021 to 2026, Attachment 13, Classification of services*, September 2020.



# **Appendix A - Revised proposal - classification of distribution services for the 2021-26 regulatory period**

## A1. Revised proposal – classification of distribution services for the 2021-26 regulatory period

**Table A1–1: JEN’s proposed service classification of distribution services for the next regulatory period**

Service group	Service description	AER draft decision	JEN revised proposal
Common distribution service - use of the distribution network for the conveyance/flow of electricity (including the services relating to network integrity)			
Common distribution service (formerly ‘network services’)	<p>Common distribution service includes a suite of activities related to the provision of safe and reliable electricity to customers. These activities are related to the distribution network infrastructure and systems that support the shared use of the network by customers.</p> <p>They include, but are not limited to, the following:</p> <ul style="list-style-type: none"> <li>the planning, design, repair, maintenance, construction and operation of the distribution network</li> <li>works to fix damage to the network (including emergency recoverable works)</li> <li>support for another distributor during an emergency event</li> <li>procurement and provision of network demand management activities for distribution or system reliability, efficiency or security purposes</li> <li>activities related to ‘shared asset facilitation’ of distributor assets<sup>6</sup></li> <li>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</li> <li>establishment and maintenance of National Metering Identifiers (NMI) in market and/or network billing systems, and other market and regulatory obligations</li> <li>ongoing inspection of private electrical networks (not part of the shared network) required under legislation for safety reasons<sup>7</sup></li> <li>supply abolishment of basic connection</li> <li>customer safety information, e.g. ‘dial before you dig’ services</li> <li>bulk supply point metering - activities relating to monitoring the flow of electricity through the distribution network</li> <li>third party initiated network asset relocations/re-arrangements under the Victorian Essential Services Commission (ESCV) Guideline 14<sup>8</sup></li> <li>transmission network support.</li> </ul>	Standard control	Standard control
Network ancillary services – customer and third party-initiated services related to common distribution services			
Access permits,	Activities include:	Alternative control	Alternative control

<sup>6</sup> 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. It does not refer to the costs associated with providing the unregulated service itself.

<sup>7</sup> The Victorian *Electricity Safety Act 1998*, s 113F, requires Vic DNSPs to inspect overhead private electric lines.

<sup>8</sup> This classification applies where a customer contribution is calculated and applied in accordance with the ESCV Guideline 14 or where a customer contribution is calculated and applied in accordance with any other relevant Victorian legislation or regulation, including regulations made under the National Electricity (Victoria) Act 2005. The party requesting such works under this classification must pay the net cost of the works, subject to any rebates specified in Guideline 14 or by any other relevant Victorian legislation or regulation.

Service group	Service description	AER draft decision	JEN revised proposal
oversight and facilitation	<ul style="list-style-type: none"> <li>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</li> <li>a distributor issuing confined space entry permits and associated safe entry equipment to a person authorised to enter a confined space</li> <li>a distributor providing access to switch rooms, substations and other network equipment 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</li> <li>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</li> <li>facilitation of generator connection and operation of the network</li> <li>facilitation of activities within clearances of a distributor's assets, including physical and electrical isolation of assets.</li> </ul>		
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	<p>Examples include:</p> <ul style="list-style-type: none"> <li>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 may include 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.</li> <li>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.</li> </ul>	Alternative control	Alternative control
Network related property services	<p>Activities include:</p> <ul style="list-style-type: none"> <li>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 property tenure in relation to property rights associated with a connection or relocation</li> <li>conveyancing inquiry services relating to the provision of property conveyancing information at the request of a customer.</li> </ul>	Alternative control	Alternative control

Service group	Service description	AER draft decision	JEN revised proposal
Network safety services	<p>Examples include:</p> <ul style="list-style-type: none"> <li>provision of traffic control and safety observer services by the distributor where required</li> <li>fitting of tiger tails, possum guards and aerial markers</li> <li>high load escorts</li> <li>site visits relating to location of underground cables/assets</li> <li>third party requests for de-energising wires for safe approach.</li> </ul>	Alternative control	Alternative control
Planned Interruption – customer requested	<p>Examples include:</p> <ul style="list-style-type: none"> <li>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.</li> </ul>	Alternative control	Alternative control
Customer requested supply outage	<p>Examples include:</p> <ul style="list-style-type: none"> <li>customer initiated network interruption (e.g. to allow customer and/or contractor to perform maintenance on the customer's assets, work close to the network or for safe approach, which impacts other networks users).</li> </ul>	Alternative control	Alternative control
Inspection and auditing services	<p>Activities include:</p> <ul style="list-style-type: none"> <li>inspection and reinspection, by a distributor, of gifted assets or assets that have been installed or relocated by a third party</li> <li>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</li> <li>auditing of a third party service provider's work practices in the field</li> <li>re-test at a customer's installation, where the installation fails the initial test and cannot be connected.</li> </ul>	Alternative control	Alternative control
Provision of training to third parties for network related access	<p>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 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.</p>	Alternative control	Alternative control
Authorisation and approval of third party service providers design, work and materials	<p>Activities include:</p> <ul style="list-style-type: none"> <li>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)</li> <li>acceptance of third party designs and works</li> <li>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.</li> </ul>	Alternative control	Alternative control

Service group	Service description	AER draft decision	JEN revised proposal
Security lights	Provision, installation, operation, and maintenance of equipment mounted on distribution equipment used for security services, e.g. nightwatchman lights. Note: excludes connection services.	Alternative control	Alternative control
Customer requested provision of electricity network data	Provision of electricity network data to customers or third parties outside of legislative obligations.	Alternative control	Alternative control
	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 requested 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
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), not provided under ESCV Guideline 14.	Alternative control	Alternative control
Community network upgrades	Collective customer requested network enhancement. Activities related to community requests to augment the network to enable higher PV exports.	Alternative control	Alternative control
Metering Services - activities relating to the measurement of electricity supplied to and from customers through the distribution system (excluding network meters)			
Type 1 to 4 metering services	Type 1 to 4 metering installations <sup>9</sup> and supporting services are competitively available.	Unregulated	Unregulated
Types 5 and 6 meter (including smart metering) services where the distributor remains responsible	Metering services include: <ul style="list-style-type: none"> <li>recovery of the capital cost of type 5 and 6 metering equipment<sup>10</sup> including communications network (including meters with internally integrated load control devices)</li> <li>testing, inspecting, investigating, maintaining or altering existing type 5 or 6 metering installations or instrument transformers</li> <li>quarterly or other regular reading of a metering installation</li> <li>metering data services that involve the collection, processing, storage and delivery of metering data, the provision of metering data, remote or self-reading at difficult to access sites, and the management of relevant NMI Standing Data in accordance with the National Electricity Rules (NER).</li> </ul>	Alternative control	Alternative control
Auxiliary metering services (Type 5 to 7 (including smart meter) where the	Services include: <ul style="list-style-type: none"> <li>requests to test, inspect and investigate, or alter an existing type 5 or 6 metering installation</li> <li>testing and maintenance of instrument transformers for type 5 and 6 metering purposes</li> </ul>	Alternative control	Alternative control

<sup>9</sup> Includes the instrument transformer, as per the definition of a 'metering installation' in Chapter 10 of the NER.

<sup>10</sup> Includes the instrument transformer, as per the definition of a 'metering installation' in Chapter 10 of the NER.

Service group	Service description	AER draft decision	JEN revised proposal
distributor remains responsible)	<ul style="list-style-type: none"> <li>non-standard metering services and any other meter types introduced</li> <li>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)</li> <li>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.</li> <li>remote de-energisation and re-energisation</li> <li>remote meter configuration</li> <li>remote special meter read</li> <li>field based special meter read</li> <li>office based special meter read</li> <li>metering exit services</li> <li>administration and management of non-contestable unmetered loads in accordance with the NER and AEMO<sup>11</sup> metrology procedures.</li> </ul>		
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.	Alternative control	Alternative control
Connection Services - services relating to the electrical or physical connection of a customer to the network			
Basic connection services	<p>Provision of a <i>connection service</i><sup>12</sup> related to a connection (or a proposed connection) between a <i>distribution system</i> and a <i>retail customer's</i> premises (excluding a non-registered <i>embedded generator's</i> premises) in the following circumstances:</p> <p>a) either:</p> <ol style="list-style-type: none"> <li>the <i>retail customer</i> is typical of a significant class of <i>retail customers</i> who have sought, or are likely to seek, the service or</li> <li>the <i>retail customer</i> is, or proposes to become, a <i>micro embedded generator</i>, and</li> </ol> <p>b) the provision of the service involves minimal or no <i>augmentation</i> of the <i>distribution network</i>, and</p> <p>c) a <i>model standing offer</i> has been approved by the AER for providing that service as a <i>basic connection service</i>.</p>	Alternative control	Alternative control
Standard connection service	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.	Standard control	Standard control
Negotiated connection service	<p>A connection service (other than a basic connection service) for which a DNSP provides a connection offer for a negotiated connection contract.</p> <p>This includes connections under Chapter 5 of the NER.</p>	Standard control	Standard control
Connection application and	<ul style="list-style-type: none"> <li>Connection applications</li> <li>Works initiated by a customer or retailer that are specific to the connection point. This includes, but is not limited to:</li> </ul>	Alternative control	Alternative control

<sup>11</sup> AEMO, Metrology Procedure, *Part B Metering data validation, substitution and estimation*, version 7.1, 8 October 2019.

<sup>12</sup> Italics denotes definitions in Chapter 5A of the NER.

Service group	Service description	AER draft decision	JEN revised proposal
management services	<ul style="list-style-type: none"> <li>field based de-energisation<sup>13</sup> and re-energisation</li> <li>non basic supply abolishment or reposition non-basic connection</li> <li>temporary connection (e.g. for builder's supply, fetes etc.) including temporary disconnection and reconnections</li> <li>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 changes to load</li> <li>protection and power quality assessment</li> <li>supply enhancement (e.g. upgrade single phase to three phase)</li> <li>customer requested change requiring secondary and primary plant studies for safe operation of the network (e.g. change protection settings)</li> <li>upgrade from overhead to underground service</li> <li>rectification of illegal connections or damage to overhead or underground service cables</li> <li>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</li> <li>calculation of site specific loss factors when required under the NER</li> <li>power factor correction</li> <li>embedded network management</li> <li>assessing connection applications or a request to undertake relocation of network assets as contestable works and preparing offers</li> <li>processing preliminary enquiries requiring site specific or written responses</li> <li>undertaking planning studies and associated technical analysis (e.g. power quality investigations) to determine suitable/feasible connection options for further consideration by applicants</li> <li>liaising with groups representing multiple connecting parties (e.g. community group upgrades)</li> <li>site inspection in order to determine the nature of the connection service sought by the connection applicant and ongoing co-ordination for large projects</li> <li>registered participant support services associated with connection arrangements and agreements made under Chapter 5 of the NER.</li> </ul>		
Enhanced connection services	<p>Enhanced connection services provided at the request of a customer or third party that include those that are:</p> <ul style="list-style-type: none"> <li>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. This includes reserve feeder installation and maintenance.</li> <li>in excess of levels of service or plant ratings required to be provided by the distributor.</li> </ul>	Alternative control	Alternative control
Public Lighting - lighting services provided in connection with a distribution network			

<sup>13</sup> De-energisation services related to business as usual activities and de-energisation services that may relate to changing over meter types.

Service group	Service description	AER draft decision	JEN revised proposal
Public lighting	<ul style="list-style-type: none"> <li>(1) Operation, maintenance, repair and replacement public lighting services.</li> <li>(2) Alteration and relocation of public lighting assets</li> <li>(3) New public lighting services including greenfield sites and new light types (distributor provided)</li> <li>(4) Provision, construction and maintenance of emerging public lighting technology.</li> </ul>	Alternative control	Alternative control