



Jemena Electricity Networks (Vic) Ltd

2021-26 Electricity Distribution Price Review Regulatory Proposal

Attachment 07-06

Classification of services



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Glossary

Next regulatory period The Regulatory Control Period covering 1 July 2021 to 30 June 2026.

Abbreviations

| | |
|------------|---------------------------------------|
| JEN | Jemena Electricity Networks (Vic) Ltd |
| NER, Rules | National Electricity Rules |
| AER | Australian Energy Regulator |
| DNSP | Distribution Network Service Provider |
| F&A | Framework and Approach |

Overview

Jemena Electricity Networks (Vic) Ltd (**JEN**) is regulated in accordance with the National Electricity Rules (**NER, Rules**). Under these Rules, our services are classified into groups largely informed by the degree of competition for providing these services.

The Australian Energy Regulator's (**AER**) process for classifying services is undertaken in a number of steps. The first step considers:

- whether a service is a distribution service
- the form of regulation (if any) previously applicable to the relevant service or services and
- the desirability of consistency in the form of regulation.

If the AER determines that a service should be regulated under the first step, it will then undertake a further review by considering the following factors¹:

- the potential for the development of competition in the relevant market and how the classification might influence that potential
- the possible effects of the classification on administrative costs of the AER, the distribution network service provider (**DNSP**) and users or potential users
- the regulatory approach (if any) applicable to the relevant service immediately before the commencement of the distribution determination for which the classification is made
- the desirability of a consistent regulatory approach to similar services (both within and beyond the relevant jurisdiction)
- the extent the costs of providing the relevant service are directly attributable to the person to whom the service is provided.

The NER requires us to propose how our distribution services should be classified². To support our regulatory proposal, we considered the AER's preferences for classifying services outlined in its final Framework and Approach (**F&A**) for the 2021-25 regulatory control period³.

On 12 April 2019, the Victorian Minister for Energy, Environment and Climate Change wrote to the Victorian DNSPs and AER, indicating a policy change to change the regulatory year of the Victorian DNSPs from a calendar year to a financial year; this means the newly defined regulatory period will be from 1 July 2021 to 30 June 2026 (**next regulatory period**). Consistent with this policy decision, we propose the F&A⁴ commences for the next regulatory period.

This attachment outlines our services and proposed service classifications for the next regulatory period. Our proposed services groupings and classifications are consistent with the distribution services classification outlined in the AER's F&A.

We consider that consistency with the AER's proposed classifications provide customers and stakeholders with confidence that prices and charges for our common distribution services and alternative control services will continue to be directly regulated by the AER. The service classifications are outlined in Table A1–1.

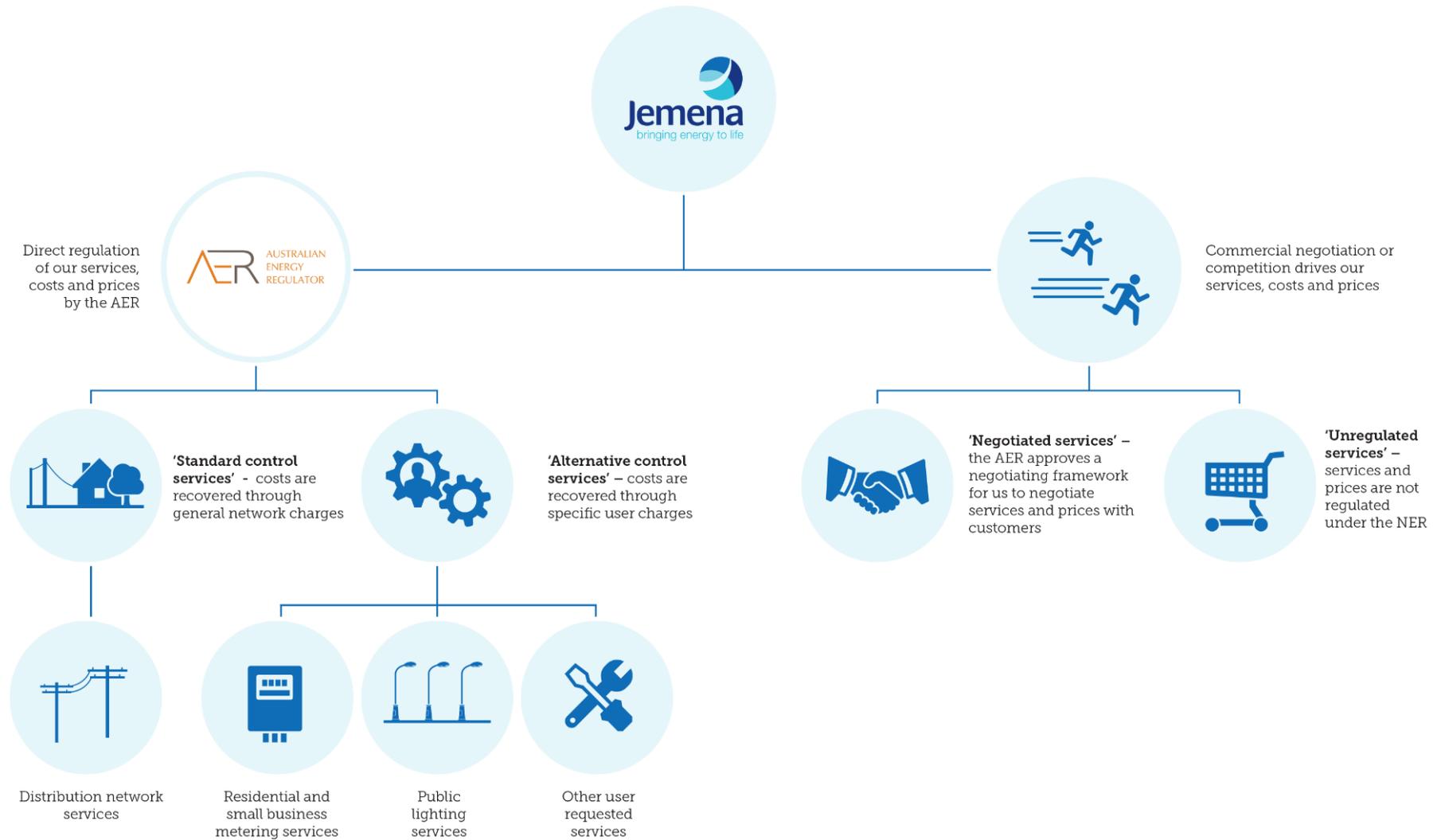
¹ NER cl 6.2.2(c).

² NER cl 6.8.2(c)(1).

³ AER, *Final framework and approach AusNet Services, CitiPower, Jemena, Powercor and United Energy, Regulatory control period commencing 1 January 2021*, January 2019.

⁴ AER, *Final framework and approach AusNet Services, CitiPower, Jemena, Powercor and United Energy, Regulatory control period commencing 1 January 2021*, January 2019.

Figure OV-1: Outline of service classification



1. Classification of distribution services

Our proposed services classification is consistent with the distribution services classification outlined in the AER's F&A. Further we have made the following clarifications in accordance with the AER's guidance in the F&A:

- clarified that the de-energisation service may comprise either simple field-based de-energisation service or the disconnection of premises at the distribution network. The former consists of fuse removal at the premises, whereas the latter involves more involved work (e.g. at the pole or above a shop veranda or in a service pit). We have similarly clarified that re-energisation may involve either energisation or reconnection services⁵
- distinguished some connection application management services into basic and non-basic connection services
- added the metrology service pertaining to non-contestable unmetered loads as a result of the Global Settlement Rule change.⁶

We propose to apply fixed prices where the scope of the alternative control services is predictable and generally uniform. These services are referred to as fee-based alternative control services.

For the remaining alternative control services, 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 scope of the service usually varies significantly between customer requests and prices can only be determined when the scope of the work is known. These services are referred to as quoted alternative control services.

This is consistent with the AER's position in the F&A that the delineation between fee-based and quoted services best sits within the distributor's proposed pricing for relevant services⁷ (see Table A1–1 for further details).

The AER has not classified any negotiated distribution service in the final F&A. Nonetheless, we have prepared a negotiating framework in accordance with the NER⁸. The negotiating framework is set out in Attachment 7-10 of this regulatory proposal.

⁵ In the F&A, the AER noted that customers may request a range of disconnection or de-energisation services, for a range of reasons and that the description of the connection application and management services is sufficiently broad, to be able to include the variations of connection applications that customers might request and allows the distributor to list the individual services/activities it provides along with its proposed prices. AER, *Final framework and approach AusNet Services, CitiPower, Jemena, Powercor and United Energy, Regulatory control period commencing 1 January 2021*, January 2019, p 40.

⁶ AEMC, *Rule Determination, Global Settlement and Market Reconciliation*, 6 December 2018. The F&A provides for non-standard metering services for Type 5 to 7 meters and any other meter types introduced. AER, AER, *Final framework and approach AusNet Services, CitiPower, Jemena, Powercor and United Energy, Regulatory control period commencing 1 January 2021*, January 2019, p 105.

⁷ AER, *Final framework and approach AusNet Services, CitiPower, Jemena, Powercor and United Energy, Regulatory control period commencing 1 January 2021*, January 2019, p 39.

⁸ NER cl 6.8.2(5).

Appendix A

Proposed classification of distribution services for the next regulatory period

A1. Proposed service classification of distribution services for the next regulatory period

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

| Service group | Service description | Final F&A | JEN position |
|--|---|---------------------|------------------------------|
| 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. They include, but are not limited to, the following:</p> <ul style="list-style-type: none"> the planning, design, repair, maintenance, construction and operation of the distribution network works to fix damage to the network (including emergency recoverable works) support for another distributor during an emergency event procurement and provision of network demand management activities for distribution or system reliability, efficiency or security purposes activities related to 'shared asset facilitation' of distributor assets⁹ 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 establishment and maintenance of National Metering Identifiers (NMI's) in market and/or network billing systems, and other market and regulatory obligations ongoing inspection of private electrical networks (not part of the shared network) required under legislation for safety reasons¹⁰ supply abolishment of basic connection customer safety information, e.g. 'dial before you dig' services bulk supply point metering - activities relating to monitoring the flow of electricity through the distribution network third party initiated network asset relocations/re-arrangements under ESCV Guideline 14¹¹ transmission network support. | Standard control | Standard control |
| Network ancillary services – customer and third party-initiated services related to common distribution services | | | |
| Access permits, oversight and facilitation | <p>Services include:</p> <ul style="list-style-type: none"> 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 | Alternative control | Alternative control (quoted) |

⁹ 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.

¹⁰ The *Electricity Safety Act 1998*, s 113F, requires Vic DNSPs to inspect overhead private electric lines.

¹¹ This classification applies where a customer contribution is calculated and applied in accordance with the Victorian Essential Services Commission (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 | Final F&A | JEN position |
|---|---|---------------------|------------------------------|
| | <ul style="list-style-type: none"> • 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 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 • 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 a distributor's assets, including physical and electrical isolation of assets. | | |
| 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 (quoted) |
| Notices of arrangement and completion notices | <p>Services include:</p> <ul style="list-style-type: none"> • 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. • 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 (quoted) |
| Network related property services | <p>Services include:</p> <ul style="list-style-type: none"> • 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 • conveyancing inquiry services relating to the provision of property conveyancing information at the request of a customer. | Alternative control | Alternative control (quoted) |
| Network safety services | <p>Services include:</p> <ul style="list-style-type: none"> • provision of traffic control and safety observer services by the distributor where required • fitting of tiger tails, possum guards and aerial markers • high load escorts • site visit relating to location of underground cables/assets • third party request for de-energising wires for safe approach. | Alternative control | Alternative control (quoted) |

| Service group | Service description | Final F&A | JEN position |
|--|---|---------------------|---------------------------------|
| Planned Interruption – Customer requested | Customer requested change to a planned interruption. For example - 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. | Alternative control | Alternative control (quoted) |
| Customer requested supply interruption | 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). | Alternative control | Alternative control (quoted) |
| Inspection and auditing services | <p>Services include:</p> <ul style="list-style-type: none"> • 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 • re-test at a customer’s installation, where the installation fails the initial test and cannot be connected. | Alternative control | Alternative control (quoted) |
| 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 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. | Alternative control | Alternative control (quoted) |
| Authorisation and approval of third party service providers design, work and materials | <p>Services include:</p> <ul style="list-style-type: none"> • 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 (quoted) |
| Security lights | Operation and maintenance of security lights mounted on a distributor’s pole used for security services, e.g. watchman lights. | Alternative control | Alternative control (fee based) |
| | Replacement of security lights mounted on a distributor’s pole that are beyond repair. | Alternative control | Alternative control (quoted) |
| Customer requested provision of data | Provision of electricity network data to customers or third parties outside of legislative obligations. | Alternative control | Alternative control (quoted) |
| | Provision of electricity consumption data to customers or third parties outside of legislative obligations. | Alternative control | Alternative control (fee based) |

| Service group | Service description | Final F&A | JEN position |
|--|--|-----------------------------------|-----------------------------------|
| 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 (quoted) |
| 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 (quoted) |
| 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 (quoted) |
| 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 ¹² 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"> • recovery of the capital cost of type 5 and 6 metering equipment¹³ including communications network (including meters with internally integrated load control devices) • testing, inspecting, investigating, maintaining or altering existing type 5 or 6 metering installations or instrument transformers • quarterly or other regular reading of a metering installation • 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 NER. | Alternative control (revenue cap) | Alternative control (revenue cap) |
| Auxiliary metering services (Type 5 to 7 (including smart meter) where the distributor remains responsible | Services include: <ul style="list-style-type: none"> • requests to test, inspect and investigate, or alter an existing type 5 or 6 metering installation • remote de-energisation and re-energisation • remote meter configuration • remote special meter read • field based special meter read • metering exit services • administration and management of non-contestable unmetered loads in accordance with the NER and AEMO metrology procedures¹⁴ and NER 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 (fee-based) |

¹² Includes the instrument transformer, as per the definition of a 'metering installation' in Chapter 10 of the NER.

¹³ Includes the instrument transformer, as per the definition of a 'metering installation' in Chapter 10 of the NER.

¹⁴ AEMO, Metrology Procedure: Part B Metering data validation, substitution and estimation, version 7.1, 8 October 2019.

| Service group | Service description | Final F&A | JEN position |
|--|---|---------------------|---------------------------------|
| | <p>Other services include:</p> <ul style="list-style-type: none"> testing and maintenance of instrument transformers for type 5 and 6 metering purposes establishing inventory and load tables of new non-contestable unmetered loads¹⁵. This is a once off charge applied in addition to the relevant connection charge. non-standard metering services and any other meter types introduced 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 (quoted) |
| 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 (fee-based) |
| Connection Services - services relating to the electrical or physical connection of a customer to the network | | | |
| Basic connection services | <p>Provision of a connection service¹⁶ 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:</p> <p>either:</p> <ul style="list-style-type: none"> the retail customer is typical of a significant class of retail customers who have sought, or are likely to seek, the service or the retail customer is, or proposes to become, a micro embedded generator, and <ul style="list-style-type: none"> the provision of the service involves minimal or no augmentation of the distribution network and a model standing offer has been approved by the AER for providing that service as a basic connection service. | Alternative control | Alternative control (fee-based) |
| Standard connection service | Provision of 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 | Means a connection service (other than a basic connection service) for which a DNSP provides a connection offer for a negotiated connection contract. This includes connections under Chapter 5 of the NER. | Standard control | Standard control |
| Connection application and management services | <p>Provision of connection management services where the scope of the alternative control services is predictable and generally uniform.</p> <p>Services include:</p> <ul style="list-style-type: none"> temporary <i>basic connections</i> (e.g. temporary connections for builder's supply, fetes etc.) | Alternative control | Alternative control (fee-based) |

¹⁵ Ibid, cl 13.2.2 and 13.3.2.

¹⁶ Italics denotes definitions in Chapter 5A of the NER.

| Service group | Service description | Final F&A | JEN position |
|---------------|---|---------------------|------------------------------|
| | <ul style="list-style-type: none"> • field based de-energisation of <i>basic connections</i> (e.g. fuse removal) • field based energisation of <i>basic connections</i> (e.g. fuse insert) • temporary disconnection <i>basic connections</i> (e.g. disconnection of the supply cable on a pole or in a service pit.) • reconnection of <i>basic connections</i> after temporary disconnection • overhead service line replacement of <i>basic connections</i> – where the 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. • supply enhancement of <i>basic connections</i> (e.g. upgrade single phase to three phase) | | |
| | <p>Provision of connection management services where the scope of the service varies significantly between customer requests and prices can only be determined when the scope of the work is known. These services include, but is not limited to:</p> <ul style="list-style-type: none"> • temporary non-basic connections (e.g. construction of large buildings, public transport infrastructure such as rail lines, roads, tunnels etc.) • temporary disconnection of non-basic connections (e.g. disconnection of supply in a substation) • reconnection of non-basic connection after temporary disconnection • supply abolishment or relocation of non-basic connection assets (e.g. abolishment or relocation of supply cable, substation, etc.) • overhead service line replacement of non-basic connections – 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. • elective undergrounding – customer requests an existing overhead service line to be with an underground service • protection and power quality assessment • customer requested change requiring secondary and primary plant studies for safe operation of the network (e.g. change protection settings) • 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 • embedded network management <p>Provision of connection application related services. These services include, but is not limited to:</p> <ul style="list-style-type: none"> • assessing connection applications or a request to undertake relocation of network assets as contestable works and preparing offers • processing preliminary enquiries requiring site specific or written responses | Alternative control | Alternative control (quoted) |

| Service group | Service description | Final F&A | JEN position |
|---|--|---------------------|---------------------------------|
| | <ul style="list-style-type: none"> • undertaking planning studies and associated technical analysis (e.g. power quality investigations) to determine suitable/feasible connection options for further consideration by applicants • liaising with groups representing multiple connecting parties (e.g. community group upgrades) • site inspection in order to determine the nature of the connection service sought by the connection applicant and ongoing co-ordination for large projects • registered participant support services associated with connection arrangements and agreements made under Chapter 5 of the NER. | | |
| Enhanced connection services | <p>Enhanced connection services provided at the request of a customer or third party. Services include:</p> <ul style="list-style-type: none"> • provision of higher quality of reliability standards (where permissible) than required by the NER or any other applicable regulatory instruments. This includes reserve feeder installation • provision of service in excess of levels of service or plant ratings required to be provided by the distributor. | Alternative control | Alternative control (quoted) |
| | Reserve feeder maintenance. | Alternative control | Alternative control (fee-based) |
| Public Lighting - lighting services provided in connection with a distribution network | | | |
| Public lighting | Operation, maintenance, repair and replacement public lighting services. | Alternative control | Alternative control (fee-based) |
| | <ul style="list-style-type: none"> • alteration and relocation of public lighting assets • new public lighting services including greenfield sites and new light types (distributor provided) • provision, construction and maintenance of emerging public lighting technology. | Alternative control | Alternative control (quoted) |