

Attachment 12

Classification of services

2020-25
Regulatory Proposal
31 January 2019

This section outlines:

- › SA Power Networks' proposed classifications and descriptions of the services we will provide customers during the 2020-25 Regulatory Control Period.

Company information

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This document contains certain predictions, estimates and statements that reflect various assumptions concerning, amongst other things, economic growth and load growth forecasts. The Proposal includes documents and data that are part of SA Power Networks' normal business processes, and are therefore subject to ongoing change and development.

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Note

This attachment forms part of our Proposal for the 2020-25 RCP. It should be read in conjunction with the other parts of the Proposal.

Our Proposal comprises the overview and attachments listed below, and the supporting documents that are listed in Attachment 18:

Document	Description
	Regulatory Proposal overview
	Customer and stakeholder engagement report
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Attachment 13	Pass through events
Attachment 14	Alternative Control Services
Attachment 15	Negotiated services framework and criteria
Attachment 16	Connection policy
Attachment 17	Tariff Structure Statement
Attachment 18	List of Proposal documentation

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12 Classification of services

This Attachment outlines SA Power Networks’ proposed classifications and descriptions for the services which we may provide to customers during the 2020–25 Regulatory Control Period (**RCP**).

12.1 Introduction

Service classification is the process by which the AER decides ‘what to regulate’ depending on the degree of regulatory oversight required for a particular class of service. This is distinct from the process of deciding ‘how to regulate’ a service by choosing whether and how our prices or revenues for that service will be capped. Classifying services involves deciding:

- how our services should be described and grouped into like categories; and
- which classification should apply, by choosing from the following options:
 - **Direct Control Services (DCS)**—these services are subject to direct regulatory oversight of revenues / prices, and comprise shared services (**Standard Control Services or SCS**) and services initiated by and attributable to specific customers (**Alternative Control Services or ACS**);
 - **Negotiated Distribution Services (NDS)**—these services are subject to a negotiate / arbitrate framework whereby the AER does not directly set prices, but approves a negotiating framework and criteria that we must apply in negotiating the terms and conditions (including price) for the provision of these services with customers. The Australian Energy Regulator (**AER**) only becomes directly involved in the case of a dispute.
 - **Unclassified / Unregulated Services**—these are services subject to competition which therefore do not require regulation.

12.2 Rule requirements

- Clause 6.8.2(c)(1) of the National Electricity Rules (**NER**) provides that our regulatory proposal for the 2020–25 RCP (Proposal) must include a classification proposal:
 - showing how our distribution services should, in our opinion, be classified under Chapter 6 of the NER¹; and
 - if the proposed classification differs from the classification suggested in the Framework and Approach (**F&A**) for 2020-25 RCP, include the reasons for that difference.
- The F&A is not binding on the AER or SA Power Networks. However, clause 6.12.3(b) of the NER requires the AER to only depart from the service classification set out in the F&A if it considers that a material change in circumstances justify departing from the service classification set out in the F&A.
- In addition, the Electricity Distribution Service Classification Guideline (Service Classification Guideline) published by the AER under clause 6.2.3A of the NER sets out the approach the AER proposes to take when classifying distribution services. The Service Classification Guideline applicable to this Proposal was published by the AER in September 2018.
- The Service Classification Guideline is not binding on the AER or SA Power Networks but if the AER makes an F&A or distribution determination that does not accord with the Service Classification Guideline, it must state, in the F&A or the distribution determination, the reasons for that departure.

¹ Clauses 6.2.1 and 6.2.2 of the NER set out how the AER may classify our distribution services. The AER must in classifying distribution services have regard to the form of regulation factors, the previous form of regulation applying to the relevant service, the previous classification for the service, the desirability of consistency in the form of regulation and any other relevant factor.

- As set out below, the Service Classification Guideline was published after the F&A for our 2020-25 RCP was issued and the AER has indicated that any changes made in the final version of the Service Classification Guideline will constitute a material change of circumstances for the purposes of clause 6.12.3(b) of the NER.

12.3 Process to date

Our classification proposal is the result of the following consultation process with the AER and our customers and other stakeholders since late 2017:

- We submitted a letter² to the AER on 31 October 2017 to initiate the F&A process and outline our initial views relating to service classification based on our understanding of the AER's intended approach (as evidenced in the AER's determinations for other distribution network service providers, **DNSPs**).
- The AER issued its Preliminary F&A for consultation in March 2018, outlining how the AER proposed to classify services for the 2020–25 RCP.
- Our customers and other stakeholders submitted their views on the AER's Preliminary F&A via a public forum and submissions to the AER from March to April 2018.
- We conducted our own public forum with customers and stakeholders on 17 April 2018. During this forum we discussed specific issues relating to public lighting services including how public lighting services should be classified and the scope of our intended service offerings / choices for the 2020–25 RCP. This forum helped us to understand what we needed to accommodate within an ACS framework.
- We provided a submission³ to the Preliminary F&A on 27 April 2018 setting out our views concerning:
 - the AER's proposed service classification;
 - our proposed service offerings / choices in relation to public lighting services (based on the feedback received from customers and stakeholders concerning the services which customers wanted us to provide during the 2020–25 RCP); and
- how we intended to incorporate these considerations into a schedule of ACS prices.
- The AER issued its Final F&A in July 2018 outlining its proposed service classifications — the AER can only depart from these service classifications if there has been a material change in circumstances justifying departing from the service classifications.⁴ At the time the Final F&A was issued, the first Service Classification Guideline was still being developed. The AER anticipated that adjustments to the classification of services may be required for the purposes of our Proposal. The AER also noted it was likely it would consider changes made in the final version of the Service Classification Guidelines to constitute a 'material change of circumstances' for the purposes of clause 6.12.3(b) of the NER.⁵
- The AER subsequently issued the final Service Classification Guideline in September 2018. The stated aim of the final Service Classification Guideline was to achieve greater consistency across DNSPs by setting out a 'baseline list of services' containing service descriptions and classifications that DNSPs should adopt noting that the AER would accept alternative approaches where there are good reasons to depart from the approach in the final Service Classification Guideline.⁶ A key feature of the Service Classification Guideline is that it took a differing view to the AER's view expressed in the Final F&A as to how Connection Services should be classified in South Australia.

² SAPN, *Letter to AER—Request to replace Framework and Approach*, 31 October 2017.

³ SAPN, *Submission to AER Preliminary Framework and Approach*, 27 April 2018.

⁴ NER 6.12.3(b).

⁵ AER, *Final framework and approach: SA Power Networks Regulatory control period commencing 1 July 2020*, July 2018, p 15.

⁶ AER, *Electricity Distribution Service Classification Guideline*, September 2018, p 7.

12.4 Proposed service descriptions and groupings

Our proposed service descriptions and groupings are listed in Appendix A and mostly align with the ‘baseline list of services’ in the AER’s Service Classification Guideline. However, we consider there are good reasons to maintain the position in the Final F&A and depart from the approach outlined in the Service Classification Guideline for the service descriptions and groupings set out in Table 12-1 below.

Table 12-1: Summary of departures from Service Classification Guideline list of distribution services

Service grouping	Departure
Common Distribution Service	Amend description of 'common distribution service' to reflect Final F&A wording and our submissions to the draft Service Classification Guideline.
Network Ancillary Services	Amend descriptions for 'network safety services' and 'customer-initiated network asset relocations / re-arrangements' to reflect the Final F&A wording and our submissions to draft Service Classification Guideline.
Metering Services	Add descriptions for the following services to reflect the Final F&A and AER comments in the Explanatory Statement to the Service Classification Guideline: <ul style="list-style-type: none"> • Types 5 & 6 meter installation & provision (prior to 1 December 2017) • Third party requested outage for purposes of replacing a meter • Emergency maintenance of failed metering equipment not owned by the DNSP (contestable metering)
Connection Services	Amend description for 'enhanced connection services' to reflect the Final F&A and AER comments in the Explanatory Statement to the Service Classification Guideline.
Unregulated distribution services	Add descriptions for the following services to reflect the Final F&A: <ul style="list-style-type: none"> • Distribution asset rental • Contestable metering support roles • Type 5 and 6 meter data management to other electricity distributors • Provision of training to third parties for work not associated with common distribution services.

Our reasons for these proposed departures from the Service Classification Guideline are set out in the following sections.

12.4.1 Common distribution services

We propose that the AER maintain the position it reached in its Final F&A of including in the service description for ‘common distribution service’ the activity of: “...*procurement and provision of demand management activities for distribution or system reliability, efficiency or security purposes*”.

The Final F&A position was consistent with our views as expressed in our consultations with the AER since late 2017, and in our various submissions to the AER, including our submissions in relation to:

- the AER’s Preliminary F&A;⁷
- the AER’s Draft Service Classification Guideline and related Draft Explanatory Statement;⁸
- the AER’s issues paper on the Application Guidelines for the Regulatory Investment Tests for Distribution (**RIT-D**);⁹ and
- the AER’s Draft Application Guidelines for the RIT-D and related Explanatory Statement.¹⁰

⁷ SAPN, *Submission to AER Preliminary Framework and Approach paper*, 27 April 2018.

⁸ SAPN, *Submission to AER draft guideline—Electricity distribution service classification*, 13 August 2018.

⁹ SAPN, *Submission to the review of the Application Guidelines and Explanatory Statement—Regulatory Investment Tests*, 6 April 2018.

¹⁰ SAPN, *Submission to the draft decision on the Application Guidelines and Explanatory Statement—Regulatory Investment Tests*, 7 September 2018.

The Service Classification Guideline did not include a description for this activity which was consistent with the description set out in the Final F&A—instead it opted to describe this activity as...procurement and provision of network demand management activities for "*distribution purposes*" only.

In its Explanatory Statement to the Service Classification Guideline, the AER stated that capital expenditure (**capex**) and operating expenditure (**opex**) for the quality, reliability or security of supply of SCS are adequately covered by the capex and opex objectives set out in clauses 6.5.6(a)(iii) and 6.5.7(a)(iii) of the NER. For this reason, the AER felt that adding these terms specifically to demand management goes beyond the objectives of Chapter 6 of the NER.¹¹

It is difficult to identify a basis for this finding in Chapter 6 of the NER. The fact that capex and opex for the quality, reliability or security of supply of SCS is referenced in the capex and opex objectives set out in clauses 6.5.6(a)(iii) and 6.5.7(a)(iii) of the NER has no relevance to the process for classifying services set out in clauses 6.2.1 to 6.2.3A of the NER. In fact, these references are clearly related to SCS, and common distribution services are SCS.

In our view, this description does not accurately reflect the nature of the activities performed by SA Power Networks in providing these services to customers:

- There is an interdependency between the demand management activities SA Power Networks performs for distribution purposes, as compared to the broader activities it is required to perform for power system reliability, efficiency or security purposes.
- This interdependency is particularly relevant in South Australia which has the highest per capita take-up in Australia of domestic solar in conjunction with a number of virtual power plant and battery programs scheduled for the 2020-25 RCP. Interacting with Distributed Energy Resources (**DER**) will be an increasingly important role for our distribution network. As we begin 2019, one in four customers in South Australia has their own rooftop solar generation. Taken together they can generate more than any other single generator in South Australia. By 2024, the Australian Energy Market Operator (**AEMO**) is forecasting that there will be enough installed rooftop solar to supply the entire energy needs of the State during low demand periods.¹²
- SA Power Networks is responsible for activities relating to all of these purposes, which purposes which are for the benefit of all customers and the power system as a whole.

In addition, the AER's approach does not give effect to the National Electricity Objective (**NEO**) nor the AER's own regulatory instruments implemented via the NER. For example:

- While we raised this issue in our submission to the AER's draft Service Classification Guideline, the final Service Classification Guideline and Explanatory Statement inadequately considered this issue and provide no justification or substantive reasons for finding that the description in the Final F&A goes beyond the objectives of Chapter 6 of the NER. The points raised in our submission were not directly discussed or countered.
- Limiting the description of demand management to "...network demand management for distribution purposes" inappropriately constrains our ability to efficiently and prudently manage demand on our distribution network for the benefit of the broader power system (ie in a manner that also maximises broader National Electricity Market (**NEM**) benefits).¹³
- Consideration of these broader power system/NEM benefits is included within the scope of the (capex and opex objectives, criteria and factors because they reflect and are consistent with the achievement of the NEO (ie the NEO refers to promoting efficient investment in, and efficient

¹¹ AER, *Explanatory Statement, Electricity distribution service classification guideline*, September 2018, Attachment A.

¹² AEMO, *2018 Electricity Statement of Opportunities (ESOO)*, August 2018.

¹³ Section 3.6 of the AER's Application Guidelines for the RIT-D set out examples of classes of market benefits that DNSPs are permitted to consider in assessing projects. In its latest revisions to the Application Guidelines, the AER has also indicated additional categories of NEM benefits that it will accept if proposed by a RIT-D proponent. AER, *Application Guidelines—Regulatory Investment Test for Distribution*, December 2018, p.33.

operation and use of, electricity services for the long term interests of consumers of electricity with respect to reliability, safety and security of the national electricity system).

- The intent of the AER’s own regulatory instruments (ie the RIT-D and Demand Management Incentive Scheme (**DMIS**), is for DNSPs to consider broader power system/NEM benefits. Therefore consideration of NEM benefits cannot be outside the scope of the capex and opex objectives as the AER suggests.
- The wording in the Final F&A satisfies the definition of a ‘distribution service’ as it is limited to activities / investments that we make “...by means of, or in connection with” our distribution system. Further it would not capture services provided into other markets and receiving corresponding payments, such as the markets for Frequency Control Ancillary Services (**FCAS**) or Reliability and Emergency Reserve Trader (**RERT**) services.¹⁴ Rather, there may be situations where, for example, a DNSP may seek to:
 - invest in a distribution network asset to manage a broader power system challenge for the AEMO arising from high distributed / embedded generation export volumes. This investment could have positive net market benefits, but these benefits might pertain more to the broader power system rather than be reflected in direct distribution network cost savings for our customers. This investment would be compliant with the NER but not strictly be “for distribution purposes” as the AER suggests in its Service Classification Guideline;
 - undertake demand management principally to avoid a distribution network augmentation or replacement, but via an option that also derives positive / greater NEM benefits compared with an alternative option; or
 - extend a distribution network investment we have already made, but in a manner which also derives positive NEM benefits.

Despite the F&A process intending to outline the AER’s proposed approach to classifying services and assessing expenditure, the lack of clarity and focus on broader NEM benefits in the Service Classification Guideline is creating regulatory uncertainty for DNSPs and our engagement with our customers and stakeholders on expenditure proposals.

12.4.2 Other services

We propose that the AER maintain the wording of some other services / activities contained in its Final F&A. This is to ensure that service classification properly reflects those services / activities that we are required to and are permitted to perform in South Australia.

12.4.2.1 Network ancillary services

‘Network safety services’

The Service Classification Guideline’s description of this service omitted an activity included in the Final F&A for “...inspection and rectification of a customer fault where there may be a safety and or reliability impact on the network or related component”.

Having said that, neither the Service Classification Guideline nor the Final F&A accurately described the nature of the activity performed by SA Power Networks in providing network safety services to customers – ie “...inspection work undertaken to determine the cause of a customer fault where there may be a safety or reliability impact on the network or related component and associated works to rectify the impact on the network caused by a customer”.¹⁵

¹⁴ We note that there could be good reasons for why FCAS and RERT could also form part of distribution services, but this is a separate issue, and these services are not intended to be captured here.

¹⁵ SAPN, *Letter to AER—Request to replace Framework and Approach*, 31 October 2017, p.11.

In its Explanatory Statement to the Service Classification Guideline, the AER stated that in its view this activity is similar to the activity "*works to fix damage to the network (including recoverable works caused by a customer or third party)*" which forms part of the common distribution service provided to customers but with the costs recoverable from identifiable third parties. As a result, DNSPs should account for the recoverable portion of works within their charging arrangements – as a line item, rather than a 'service' that they provide to customers.¹⁶

In our view, this is not an appropriate description of the nature of the activities performed by SA Power Networks for particular customers, as compared to common distribution services which are intended to capture services provided to benefit all customers. This activity is intended to capture situations where, typically as a result of a customer reported fault, we identify that it is a particular customer's assets that have caused a fault on our network. For example, where a particular customer has installed new equipment behind that customer's connection point and not requested an upgrade to our network necessary to account for that equipment and has therefore continually overloaded network service fuses which we have had to investigate and rectify. In these situations, we consider that:

- while these activities are closely related to the provision of common distribution services (and emergency recoverable works in particular) they are only required because of an identifiable customer or subset of customers;
- as the costs of providing the service are directly attributable to an identified customer or subset of customers, that customer (and not all customers) should bear the costs (via an ACS charge) of the investigation or network rectification works as it is that customers' repeated failure to initiate network upgrades, that result in the required work. This is consistent with the general cost reflectivity / causer-pays objective; and
- this activity presents no contestability concern as it relates to network rectification work caused by a customer's action, as compared to rectification work in relation to assets located behind a customer's connection point.

We propose that the wording above be included in our service list as a proper reflection of the nature of the activities performed by SA Power Networks to provide network safety services in South Australia.

'Customer initiated network asset relocations / rearrangements'

The Service Classification Guideline describes this service as being 'customer or third party initiated' network asset relocations / rearrangements only. This service should instead be described as also including 'customer triggered' network asset relocations / rearrangements as per the Final F&A to properly reflect the nature of the activities performed by SA Power Networks in providing this service.

In its Explanatory Statement to the Service Classification Guideline, the AER stated that the description of this service is designed to provide additional clarity regarding the range of activities undertaken within the service grouping.

- We disagree with this statement and maintain that the service description should be amended as set out in our proposed service list for the following reasons:
- In some situations, network asset relocations are driven by a customer's non-compliance with network safety or security standards. For example, a customer may have built a structure in close proximity to network assets in contravention of the *Electricity Act 1996 (SA)* and associated regulations, and subsequently we are required to relocate the network asset as a result of that customer's actions.
- Cost reflective ACS charges should be levied, both in situations where a customer requests to relocate network assets and where a relocation has been triggered by an action of a specific customer. This avoids unnecessary cost increases on other customers, which would otherwise result from this service falling within our common distribution service grouping.

¹⁶ AER, Explanatory Statement, *Electricity distribution service classification guideline*, September 2018, Attachment A.

- Despite its comments in the Explanatory Statement to the Service Classification Guideline,¹⁷ the AER has clearly not interpreted the term ‘initiated’ to relate to both of these situations. By way of example, in the Service Classification Guideline the AER specifically refers to ‘requests’ by customers and other third parties to relocate, alter or improve network assets to suit specific needs.¹⁸
- While SA Power Networks can provide customers with additional classification regarding the services it provides through its charging policies, we think that the retention of these words in the service classification makes it clearer to customers what the exact nature of the activities are.

12.4.2.2 Metering services

The Service Classification Guideline omitted three metering services included in our Final F&A that we consider should be included in our service list to ensure the service groupings and descriptions properly reflect the nature of the activities performed by SA Power Networks to provide metering services. These services are as follows:

- *‘Type 5 and 6 meter installation and provision (prior to 1 December 2017)’*—This service was included in the Final F&A to enable the ongoing recovery of sunk capital costs associated with legacy metering equipment and should be accepted, noting that:
 - there needs to be a recognition of our ability to continue to recover these sunk costs; and
 - while recovering sunk costs may not accurately fit the AER’s intended interpretation of a service, the Final F&A’s wording represents an appropriate way to accommodate sunk cost recovery for what will only be an interim period—as covered in Attachment 14 – Alternative Control Services to this Proposal. Our Metering Asset Base is proposed to be fully depreciated by the end of the 2020–25 RCP therefore this service grouping will expire at the end of the 2020-25 RCP.
- *‘Third party requested outage for purposes of replacing a meter’* — This service was included in the Final F&A but omitted in the Service Classification Guideline despite the fact that the AER stated in the Explanatory Statement to the Service Classification Guideline that it had added this service in the final baseline services list.¹⁹
- *‘Emergency maintenance of failed metering equipment not owned by a DNSP’*—This service was included in the Final F&A but omitted in the Service Classification Guideline.

12.4.2.3 Enhanced connection services

The Service Classification Guideline omitted an activity included in our Final F&A for the provision of *“other dedicated customer lines / assets”* despite the fact that the AER stated in the Explanatory Statement to the Service Classification Guideline that it had added this description to ‘enhanced connection services’ in the final baseline services list.²⁰

As noted by the AER, this activity should be included in our service list, noting that:

- its omission from the Service Classification Guideline may reflect that this is something unique to our business;
- omitting this service would inhibit our continued provision of some direct control services; and
- this activity is distinct from other activities that the AER included as ‘enhanced connection services’ as this activity pertains to situations where customers seek bespoke connection lines / assets that may not neatly be described as reflecting higher quality, reliability or levels of service or plant ratings.

¹⁷ See AER, Explanatory Statement, Electricity distribution service classification guideline, September 2018, Attachment A.

¹⁸ AER, Electricity Distribution Service Classification Guideline, September 2018, p 15.

¹⁹ AER, Explanatory Statement, Electricity distribution service classification guideline, September 2018, Attachment A.

²⁰ Ibid.

12.4.2.4 Unregulated services

Our classification proposal is not required to list services that are not classified. Nevertheless, in the Service Classification Guideline, the AER stated that in some circumstances it may identify that a service is an 'unregulated distribution service' or a 'non-distribution service' if it considers that this will provide greater clarity to stakeholders on a case-by-case basis or if requested by stakeholders.²¹

The Final F&A listed four unregulated services for this purpose that were not included in the baseline service list in the Service Classification Guideline. SA Power Networks proposes to maintain the position in its Final F&A and list these four services in our service list.

12.5 Proposed service classifications

Our proposed service classifications are set out in Appendix A and summarised in Figure 12-1. These classifications are all consistent with the AER's Service Classification Guideline and Final F&A with the exception of 'basic connections'.

In summary, the key change compared to our service classifications for the 2015–20 RCP is the reclassification of all of our current NDS which include Ancillary Network Services, Public Lighting Services, Types 1-4 metering, and some Connection Services. In doing this, we observe that:

- while a negotiate / arbitrate model has served effectively for our customers to date, compliance with the AER's desire to align service classifications across jurisdictions and our desire to avoid inefficient cost increases arising from ring-fencing has required that we reclassify these services;
- ensuring this reclassification does not affect our ability to continue to tailor service offerings to our customers, particularly for public lighting, has been a major focus of our customer and stakeholder engagement; and
- it appears that most of the tailoring that we currently undertake in delivering NDS to customers will still be possible under an ACS framework. However, one area where it appears that the ACS classification may constrain our ability to deliver choices that customers desire, is in being able to offer contracts with components of prices fixed for terms longer than the 2020-25 RCP. We raised this issue during the F&A process but it is yet to be formally considered by the AER. This issue is discussed further in Attachment 14 – (Alternative Control Services) to this Proposal.

Aside from a departure to the classification of some 'Connection Services', our proposal largely aligns with the Service Classification Guideline and the Final F&A.

²¹ AER, *Electricity Distribution Service Classification Guideline*, September 2018, p 10.

Figure 12-1: SA Power Networks proposed service classifications for the 2020-25 RCP vs the 2015-20 RCP

Service	2015-20	2020-25
Common Distribution Service	SCS	SCS
Network Ancillary Services	NDS	ACS
Metering Services	<ul style="list-style-type: none"> ▪ ACS: Types 5 & 6 metering ▪ NDS: Types 1 to 4 metering & special meter reads ▪ SCS: Type 7 metering 	<ul style="list-style-type: none"> ▪ Unclassified: types 1 to 4 metering ▪ ACS: types 5 & 6 meter cost recovery, auxiliary metering services & meter recovery and disposal ▪ SCS: Type 7 metering
Connection Services	<ul style="list-style-type: none"> ▪ SCS: Standard connections ▪ NDS: Non-standard connections; disconnections / reconnections; contributions on standard connections; 	<ul style="list-style-type: none"> ▪ SCS: Premises connections – Basic connection services ▪ ACS: Premises connections services – Standard connection services & Negotiated connections ▪ SCS: Extensions & augmentations for Standard connection services & Negotiated connections ▪ ACS: Connection application & management services ▪ ACS: Enhanced connection services
Public Lighting Services	NDS	ACS
Unregulated / unclassified distribution services	Not listed	X 4 services (non-exhaustive list)

12.5.1 Connection services

The NER define three types of Connection Services – basic, standard and negotiated connection services – which represent the least cost technically acceptable means²² of connecting customers to our network. Each type of Connection Service involves different degrees of work to connect a premises, or to extend and / or augment our network.²³ This is consistent with the new baseline service grouping in the Service Classification Guideline. However, the AER has made it clear that this does not imply that classification of connections should be consistent across jurisdictions. The framework has been designed to be flexible to cater for the jurisdictional and operational requirements of each DNSP, as well as to allow for technological and other customer driven advancements in the future.²⁴

The Final F&A classified these three types of Connection Services as SCS. However, the Service Classification Guideline proposes to classify the premises connection component of each Connection Service as ACS.

Our proposed classification of Connection Services is as set out in Figure 12-3.

Figure 12-2: SA Power Networks proposed classifications of Connection Services for the 2020-25 RCP²⁵

Type of connection	Premises	Extension	Augmentation
Basic Connection Service	SCS	Not applicable	Not applicable
Standard Connection Service	ACS	SCS – apply cost revenue test to extension and augmentation costs to determine capital contribution	
Negotiated Connection	ACS	SCS – apply cost revenue test to extension and augmentation costs to determine capital contribution	

²² These are separate to 'Enhanced Connection Services' which cover situations where customers seek bespoke arrangements at higher or lower quality. See service 27 in Appendix A to this Attachment.

²³ The details of our proposed arrangements for, and definitions of, Connection Services are contained in our proposed Connection Policy for the 2020–25 RCP, set out in Attachment 16 – Connection Policy to this Proposal.

²⁴ AER, Electricity Distribution Service Classification Guideline, September 2018, p 20.

²⁵ Basic connection services may be subject to a customer capital contribution determined by our Connections Policy that does not seek to recover network augmentation costs.

We propose to maintain the SCS classification for ‘Basic Connections’²⁶ involving work to connect a premises as set out in the Final F&A on the basis that:

- This will maintain long existing regulatory arrangements in South Australia for ‘Basic Connections’ and thereby avoid materially impacting customers by way of cost increases. While this classification is different to similar services in other jurisdictions, the current regulation of this service in South Australia appears to differ to other jurisdictions.
- We currently provide customers with an Incremental Revenue Rebate towards the cost of ‘Basic Connections’, meaning that some connections are provided at no direct charge.²⁷ If an ACS classification were to be adopted, we expect that, for example, connections which currently incur no direct charge would now cost customers circa \$500. There is no benefit in reclassifying ‘Basic Connections’ that would outweigh the impacts of this additional cost on customers.
- This classification is administratively efficient.

For other Connection Services, we propose to align with the Service Classification Guideline, which was published after our Final F&A on the basis that it represents a material change in circumstances since the Final F&A. In particular, we propose that:

- **‘Standard Connections’ and ‘Negotiated Connections’ involving work to connect a premises**²⁸ be classified as ACS given that:
 - this will allow for cost reflective charging for activities which can be attributed to connecting customers. These connections involve works and assets / components that relate solely to the connection applicant and not to other customers. This outcome is consistent with the view expressed by Consumer Challenge Panel 14 (CCP14) in its submission to the AER’s Preliminary F&A, that connections should be ‘user-pays’ as much as possible;²⁹ and
 - in contrast, a SCS classification as reflected in the Final F&A would limit our ability to present a cost reflective price signal to connecting customers.
- **‘Standard Connections’ and ‘Negotiated Connections’ involving extension**³⁰ **and augmentation**³¹ be classified as SCS given that:
 - these connections involve components / assets that may become part of the shared distribution network once connected;
 - the cost / revenue test in our Connections Policy will apply, ensuring that connecting customers face a reasonable charge in situations where the incremental cost of their connection to the network is greater than the incremental revenue derived from their future network tariffs. Therefore, all customers will continue to get a net benefit from each connecting customer; and
 - customers will continue to have access to a rebate in situations where they have self-funded connection works built in isolation of, but later connected to, our distribution network.³² This will ensure that there is no barrier to future contestability.

²⁶ Basic connection services are connection services we provide on a routine basis. This includes both new connections or alterations to existing connections, which generally involve minimal or no augmentation / extension of our distribution network. These are generally provided to: residential customers; small business customers up to a capacity of 63 amps per phase or less; and small embedded generators with a generating capacity of less than 5kW for a single-phase connection or 30 kW for a three-phase connection (e.g. most customers who wish to install solar panels on their premises).

²⁷ The Incremental Revenue Rebate is currently detailed in *Section 6 of our Connection Policy for the 2015–20 RCP available on our website: <http://www.sapowernetworks.com.au>.*

²⁸ Premises Connections include any additions or upgrades to the connection assets located on the customer’s premises (but excluding metering services).

²⁹ *CCP14, Submission on AER’s preliminary framework and approach for SA Power Networks, 4 May 2018.*

³⁰ Extensions include any new augmentation required to connect a powerline from our distribution network to a customer’s connection assets.

³¹ Augmentations include any enlargement / enhancement of our existing distribution network which is not an extension.

³² These relate to the currently limited circumstances where third parties seek to self-fund / self-construct a greenfield connection asset.

We note that the Service Classification Guideline was published after the bulk of the extensive customer engagement in developing our Proposal had been undertaken. This has limited our ability to fully consult with our customers on the classification changes to our Connection Services. We therefore look forward to engaging further with customer and other stakeholder views raised during the distribution determination process.

Appendix A. SA Power Networks service list

This service list has been marked-up against the baseline list in the Guideline

No	2020-25 Service	2020-25 Further description	2020-25 Classification	2015-20 service ³³	2015-20 classification
Common distribution service					
1	Common distribution service	<p>The suite of activities that includes, but is not limited to, the following:</p> <ul style="list-style-type: none"> the planning, design, repair, maintenance, construction, and operation of the distribution network the relocation of assets that form part of the distribution network but not relocations requested by a third party (including a customer) works to fix damage to the network (including recoverable works caused by a customer or third party) support for another network 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 assets emergency disconnect for safety reasons and work conducted to restore a failed component of the distribution system to an operational state upon investigating a customer outage rectification of simple customer fault relating to a life support customer or other critical health and safety issues the distributor is able to address establishment and maintenance of National Metering Identifiers (NMIs) in market and/or network metering systems, and other market and regulatory obligations ongoing inspection of private electrical works (not part of the shared network) required under legislation for safety reasons Bulk supply point metering – activities relating to monitoring the flow of electricity through the distribution network. 	SCS	A.1 standard control services	SCS
Network ancillary services—customer & third party initiated services related to the common distribution service					
2	Access permits, oversight and facilitation	<p>Activities 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 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. 	ACS	<ul style="list-style-type: none"> A.15 Other services – Provision of access permits or clearance to work on or near the distribution system. A.13 Asset relocation, temporary disconnection and temporary line insulation services 	NDS

³³ Numbering of services listed in this column correspond to the service listing in the AER's 2015-20 distribution determination.

No	2020-25 Service	2020-25 Further description	2020-25 Classification	2015-20 service ³³	2015-20 classification
		<ul style="list-style-type: none"> specialist services (which may involve design related activities and oversight/inspections of works) where the design or construction is non-standard, technically complex or environmentally sensitive and any enquiries related to distributor assets facilitation of generator connection and operation of the network facilitation of activities within clearances of distributor’s assets, including physical and electrical isolation of assets. 			
3	Sale of approved materials or equipment	Includes the sale of approved materials/equipment to third parties for connection assets that are gifted back to the DNSP to become part of the shared distribution network.	ACS	Not equivalently identified	NDS
4	Notices of arrangement and completion notices	<p>Examples 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 includes: receiving and checking subdivision plans, copying subdivision plans, checking and recording easement details, assessing supply availability, liaising with developers if errors or changes are required, and preparing notifications of arrangement. Provision of a completion notice (other than a notice of arrangement). This applies where the real estate developer requests the distributor to provide documentation confirming progress of work. Usually associated with discharging contractual arrangements (e.g. progress payments) to meet contractual undertakings. 	ACS	Not equivalently identified	NDS
5	Network safety services	<p>Examples include:</p> <ul style="list-style-type: none"> provision of traffic control and safety observer services by the distributor or third party where required fitting of tiger tails and aerial markers third party request for de-energising wires for safe approach high load escorts <u>inspection work undertaken to determine the cause of a customer fault where there may be a safety or reliability impact on the network or related component and associated works to rectify the impact on the network caused by a customer.</u> 	ACS	<ul style="list-style-type: none"> A.13 Asset relocation, temporary disconnection and temporary line insulation services. A.15 Other services – investigation & testing services. A.15 Other services – provision of (i) high load escorts (ii) measurement devices (iii) protection systems (iv) pole attachments, ducts or conduits (excluding the provision of telecommunications services). 	NDS
6	Customer requested	Examples include:	ACS	Not currently identified	NDS

No	2020-25 Service	2020-25 Further description	2020-25 Classification	2015-20 service ³³	2015-20 classification
	planned interruption	<ul style="list-style-type: none"> where the customer requests to move a distributor planned interruption and agrees to fund the cost of performing this service outside of normal business hours customer initiated network outage (e.g. to allow customer and/or contractor to perform maintenance on the customer's assets, work close or for safe approach which impacts other networks users). 			
7	Attendance at a customer's premises to perform a statutory right where access is prevented	A follow up attendance at a customer's premises to perform a statutory right where access was prevented or declined by the customer on the initial visit. This includes arranging, and the provision of, a security escort or police escort (where the cost is passed through to the distributor)	ACS	A.15 Other services – attendance at a customer's premises to perform a statutory right where access is prevented	NDS
8	Inspection and auditing services	<p>Activities 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. 	ACS	<ul style="list-style-type: none"> A.15 Other services – investigation and testing services. A.15 Other services – specification works; works design compliance and works reinspection. 	NDS
9	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 powerlines training.	ACS	Not equivalently identified	
10	Authorisation and approval of third party service providers' design, work and materials	<p>Activities 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. 	ACS	<ul style="list-style-type: none"> A.15 Other services – investigation and testing services. A.15 Other services – specification works; works design compliance and works reinspection. 	NDS
11	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.	ACS	A.15 Other services – other lighting services	NDS

No	2020-25 Service	2020-25 Further description	2020-25 Classification	2015-20 service ³³	2015-20 classification
12	Customer initiated <u>or triggered</u> 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) <u>or triggered by a customer's non-compliance with network safety or security standards.</u>	ACS	<ul style="list-style-type: none"> A.15 Other services – asset location and identification services A.15 Other services – provision of information to distribution network users or third parties not related to connection enquiries 	NDS
13	Customer requested provision of electricity network data	Data requests by customers or third parties including requests for the provision of electricity network data or consumption data outside of legislative obligations.	ACS	Not equivalently identified	NDS
14	Third party funded network alterations or other improvements	Alterations or other improvements to the shared distribution network to enable third party infrastructure (e.g. NBN telecommunications assets) to be installed on the shared distribution network. This does not relate to upstream distribution network augmentation.	ACS	A.15 Other services – third party funded network upgrades, enhancements or other improvements including 'made ready work' for NBN Co.	NDS
Metering services—activities relating to the measurement of electricity supplied to and from customers through the distribution system (excluding network meters)					
15	Type 1 to 4 customer metering services	Type 1 to 4 customer metering installations and supporting services are competitively available.	Unclassified	<ul style="list-style-type: none"> A.9 non-standard small customer metering services A.10 large customer metering services 	NDS
16	Types 5 and 6 meter maintenance, reading and data services (legacy meters)	Activities include: <ul style="list-style-type: none"> Meter maintenance covers works to inspect, test, and maintain metering installations. Meter reading refers to quarterly or other regular reading of metering installations including field visits and remotely read meters. Metering data services includes, for example: services that involve the collection, processing, storage and delivery of metering data, the provision of metering data in accordance with regulatory obligations, remote or self-reading at difficult to access sites, and the management of related NMI Standing Data in accordance with the NER. 	ACS	A.4 Standard small customer metering services	ACS
17	Auxiliary metering services (type 5 to 7)	Activities include: <ul style="list-style-type: none"> Off-cycle meter reads for type 5 and 6 meters Requests to test, inspect and investigate, or alter an existing type 5 and 6 metering installation 	ACS	A.15 Other services – services provided in connection with the Metering Code or rules	NDS

No	2020-25 Service	2020-25 Further description	2020-25 Classification	2015-20 service ³³	2015-20 classification
	metering installations)	<ul style="list-style-type: none"> • Testing and maintenance of instrument transformers for type 5 and 6 metering purposes • Type 5 to 7 non-standard metering services • Works to re-seal a type 5 or 6 meter due to customer or third-party action (e.g. by having electrical work done on site) • Change distributor load control relay channel on request that is not part of the initial load control installation, nor part of standard asset maintenance or replacement. 			
18	<u>Types 5 & 6 meter installation & provision (prior to 1 Dec 2017)</u>	<u>Recovery of the capital cost of type 5 and 6 metering equipment installed (including metering with internally integrated load control devices).</u>	ACS	A.4 Standard small customer metering services	ACS
19	Meter recovery and disposal— type 5 and 6 (legacy meters)	<p>Activities include the removal and disposal of a type 5 or 6 metering installation:</p> <ul style="list-style-type: none"> • at the request of the customer or their agent, where an existing type 5 or 6 metering installation remains installed at the premises and a replacement meter is not required • at the request of the customer or their agent, where a permanent disconnection has been requested where it has not been removed and disposed of by the incoming metering provider. 	ACS	Not previously classified	
20	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.	SCS	A.3 Unmetered metering services	SCS
21	<u>Third party requested outage for purposes of replacing a meter</u>	<u>At the request of a retailer or metering coordinator, provide notification to affected customers and facilitate the disconnection / reconnection of customer metering installations where the retailer planned interruption cannot be conducted.</u>	ACS	Not previously classified	
22	<u>Emergency maintenance of failed metering equipment not owned by the DNSP</u>	<u>The distributor is called out by a customer or their agent (e.g. retailer, metering coordinator or metering provider) due to a power outage where an external metering provider's metering equipment has failed or an outage has been caused by the metering provider and the distributor has had to restore power to the customer's premises. This may result in an unmetered supply arrangement at this site. This fee will also be levied where a metering provider has requested that the distributor check a potentially faulty network connection and when tested by the distributor, no fault is found.</u>	ACS	Not previously classified	

No	2020-25 Service	2020-25 Further description	2020-25 Classification	2015-20 service ³³	2015-20 classification
	(contestable metering)				
	Connection services—services relating to the electrical or physical connection of a customer to the network				
23	Basic connection services	Means a <i>connection service</i> related to a <i>connection</i> (or a proposed <i>connection</i>) 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: (a) either: (1) 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 (2) the <i>retail customer</i> is, or proposes to become, a <i>micro-embedded generator</i> ; and (b) the provision of the service involves minimal or no <i>augmentation</i> of the <i>distribution network</i> ; and (c) A <i>model standing offer</i> has been approved by the AER for providing that service as a <i>basic connection service</i> .	Premises connections = SCS + customer contributions	A.2 standard connection services	SCS/NDS
24	Standard connection services	Means a <i>connection service</i> (other than a <i>basic connection service</i>) for a particular class (or sub-class) of <i>connection application</i> and for which a <i>model standing offer</i> has been approved by the AER.	Premises connections = ACS Extensions & augmentations = SCS + customer contributions	We do not currently offer this service.	We do not currently offer this service.
25	Negotiated connection services	Means a <i>connection service</i> (other than a <i>basic connection service</i>) for which a DNSP distributor provides a <i>connection offer</i> for a negotiated <i>connection contract</i> .	Premises connections = ACS Extensions & augmentations = SCS + customer contributions	A.8 new and upgraded connection point services A.7 non-standard connection services	NDS
26	Connection application and management services	Works initiated by a customer or retailer which are specific to the connection point. This includes, but is not limited to: <ul style="list-style-type: none"> • Connection application related services • de-energisation • re-energisation • temporary connections (of a size less than the shared network augmentation threshold) as a basic connection service e.g. builder's supply, fetes, etc. • remove or reposition connection • overhead service line replacement – customer requests existing overhead service be replaced (e.g. as a result of point of attachment relocation). No material load change. • protection and power quality assessment 	ACS	<ul style="list-style-type: none"> • A.15 Other services – carrying out planning studies & analysis relating to distribution, including sub-transmission and dual function asset connection applications • A.15 other services – third party connection works charges for work not undertaken by SAPN. Includes but not limited to: specification services, works 	NDS

No	2020-25 Service	2020-25 Further description	2020-25 Classification	2015-20 service ³³	2015-20 classification
		<ul style="list-style-type: none"> supply enhancement (e.g. upgrade from single phase to three phase) customer requested change requiring primary and secondary plant studies for safe operation of the network (e.g. change protection settings) upgrade from overhead to underground service rectification of illegal connections or damage to overhead or underground 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. 		<p>design compliance, works reinspection.</p> <ul style="list-style-type: none"> A.15 other services – reactive power related service. 	
27	Enhanced connection services	<p>Other or 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"> provided with higher quality of reliability standards, or lower quality of reliability standards (where permissible) than required by the NER or any other applicable regulatory instruments in excess of levels of service or plant ratings required to be provided by the distributor for large embedded generators (30 kW 3 phase or above and 5 kW 1 phase or above). <u>Other additional customer dedicated connection lines / assets.</u> 	ACS	<ul style="list-style-type: none"> A.6 non-standard connection services. A.7 non-standard network services A.15 embedded generation services A.12 standby & temporary supply services. 	NDS
Public lighting services—lighting services provided in connection with a distribution network					
28	Public lighting	Includes the provision, construction and maintenance of public lighting and emerging public lighting technology	ACS	A.11 public lighting services: Street Lighting Use of System (SLUoS); Customer Lighting Equipment Rate (CLER); and Energy Only Service (EO)	NDS
Unregulated distribution services – (non-exhaustive list)					
	<u>Distribution asset rental</u>	<u>Rental of distribution assets to third parties (e.g. office space rental, pole and duct rental for hanging telecommunications wires etc).</u>	Unregulated		Unregulated
	<u>Contestable metering support roles</u>	<u>Includes metering coordinator, metering data provider and metering provider for Types 1 to 4 metering installations</u>	Unregulated		Unregulated
	<u>Type 5 and 6 meter data management to other electricity distributors</u>	<u>The provision of type 5 and 6 meter data management to other electricity distribution network service providers.</u>	Unregulated		Unregulated
	<u>Provision of training to</u>	<u>Training programs provided to third parties for work that is not associated with the provision of common distribution services or network access.</u>	Unregulated		Unregulated

No	2020-25 Service	2020-25 Further description	2020-25 Classification	2015-20 service ³³	2015-20 classification
	<u>third parties</u> <u>for work not</u> <u>associated</u> <u>with common</u> <u>distribution</u> <u>services nor</u> <u>network</u> <u>services.</u>				

Shortened Forms

ACS	Alternative Control Services
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
capex	Capital Expenditure
CCP14	Consumer Challenge Panel 14
DCS	Direct Control Services
DER	Distributed Energy Resources
DMIS	Demand Management Incentive Scheme
DNSP	Distribution Network Service Provider
F&A	Framework and Approach
FCAS	Frequency Control Ancillary Services
NDS	Negotiated Distribution Services
NEM	National Electricity Market
NEO	National Electricity Objective
NER	National Electricity Rules
NMI	National Metering Identifier
opex	Operating Expenditure
Proposal	Regulatory Proposal for the 2020-25 RCP
RCP	Regulatory Control Period
RERT	Reliability and Emergency Reserve Trader
RIT-D	Regulatory Information Test for Distribution
SCS	Standard Control Services
Service Classification Guideline	Electricity Distribution Service Classification Guideline