

Draft Decision

Essential Energy

Electricity Distribution

Determination 2024 to 2029

(1 July 2024 to 30 June 2029)

Attachment 13

Classification of services

September 2023

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13 Classification of services

Service classification determines the nature of economic regulation, if any, applicable to specific distribution services. Classification is important to customers as it determines which network services are included in basic electricity charges, the basis on which additional services are sold, and those services we will not regulate. Our decision reflects our assessment of a number of factors, including existing and potential competition to supply these services.

We are required to make a decision on the classification of Essential Energy (Essential) distribution services in accordance with the National Electricity Rules (NER).¹ First we decide whether a service should be regulated or unregulated. Regulated services are classified as direct control services or negotiated distribution services. Direct control services are further classified as standard control services or alternative control services. The classification that we apply determines the nature of the economic regulation we will apply to those services.

The classification of distribution services must be as set out in the relevant framework and approach (F&A) paper unless we consider that a material change in circumstances justifies departing from that proposed classification.² We set out our proposed approach to the classification of distribution services for Essential in our F&A.³ We proposed to group Essential's distribution services as follows:

- common distribution services
- network ancillary services
- metering services
- connection services
- public lighting services
- unregulated distribution services.

13.1 Draft decision – summary

It its proposal Essential adopts the service classification set out in our F&A.⁴ Our draft decision is to retain the classification structure set out in our final F&A decision.⁵

Appendix A sets out our detailed classification decision. No changes were proposed by Essential in its proposal for the 2024–29 period.

¹ NER, cl. 6.12.1(1).

² NER, cl. 6.12.3(b).

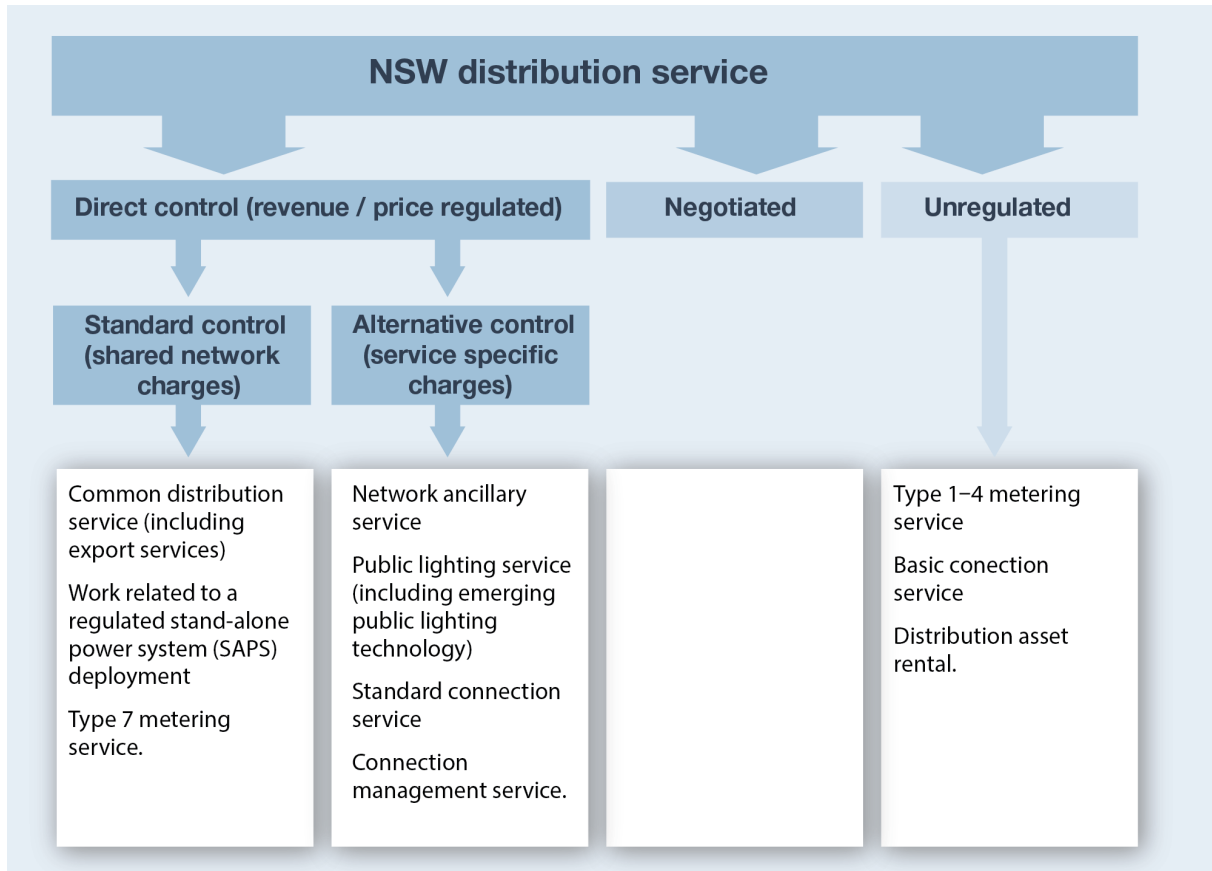
³ AER, *Final Framework and approach, Ausgrid, Endeavour Energy and Essential Energy for the 2024–29 regulatory control period*, July 2022.

⁴ Essential Energy, *2024–29 Regulatory Proposal*, January 2023.

⁵ AER, *Final Framework and approach, Ausgrid, Endeavour Energy and Essential Energy for the 2024–29 regulatory control period*, July 2022.

Figure 13.1. summaries our draft decision on service classification for Essential for the 2024–29 period.

Figure 13.1. AER draft decision on 2024–29 service classification for Essential



Source: AER, *Final Framework and approach, Ausgrid, Endeavour Energy and Essential Energy for the 2024–29 regulatory control period*, July 2022, p.6.

Our classification of services determines, at a very high level, how costs associated with the services will be recovered. How service charges are set is not determined as part of classification. We discuss that in detail in the control mechanism attachment.⁶

13.2 Essential Energy’s proposal

In its proposal, Essential has accepted our classification approach set out in our final F&A decision. In line with previous years, Essential does not propose to offer any negotiated services.⁷

Essential noted that there may be amendments made to these approved service classifications, due to changes in our position between now and 2024 to reflect a variety of

⁶ AER, *Attachment 14 - Control mechanism – Draft decision – Essential Energy distribution determination 2024–29*, September 2023; AER, *Attachment 16 – Alternative Control Services – Draft decision – Essential Energy distribution determination 2024–29*, September 2023; and AER, *Attachment 20, Metering services – Draft decision – Essential Energy distribution determination 2024–29*, September 2023.

⁷ Essential Energy, *2024–29 Regulatory Proposal*, January 2023, p. 58.

current topics, such as the Australian Energy Market Commission’s (AEMC’s) metering review and the Commonwealth Government’s initiative for funding Community Batteries.⁸

These issues were discussed throughout the extensive consultation process on Essential’s F&A in our Preliminary position paper⁹ and the final F&A.¹⁰

In our final F&A¹¹ and our Issues paper¹², we foreshadowed that there are a number of ongoing processes, both internal and external, which may affect the positions outlined in the F&A paper. This included work being undertaken by the Energy Security Board, the Australian Electricity Market Committee (AEMC) metering review, and our own incentives review.

As timing permits, Essential will look to reflect any necessary changes in its revised proposal and expects the AER to apply any relevant changes to its 2024–29 Determination.¹³

We acknowledge the additional concerns raised by Essential regarding the potential need to address these issues in the final decision given the involving nature of services from when it submitted its proposal to the revised proposal.

13.3 AER’s assessment approach

Our assessment approach is guided by the Electricity distribution service classification guideline 2018 (Service classification guideline), which in turn follows the principles for service classification set out in the NER.¹⁴

A high-level summary of our three-step process for classification of services, includes:

1. We must first determinate whether a service is a 'distribution service'. The NER defines a distribution service as a service provided by means of, or in connection with, a distribution system.¹⁵ A distribution system is defined as including a 'distribution network, together with the connection assets associated with the distribution network, which is connected to another transmission or distribution system'.¹⁶
2. We must consider whether economic regulation of the service is necessary. When we do not consider economic regulation is warranted, we will not classify the service.¹⁷ If economic regulation is necessary, we consider whether to classify the service as either a direct control, a negotiated distribution service, or leave it as an unregulated distribution service.

⁸ Essential Energy, *2024–29 Regulatory Proposal*, January 2023, p. 58.

⁹ AER, *Preliminary position paper – Framework and approach – NSW/ACT/Tas/NT*, April 2022.

¹⁰ AER, *Final Framework and approach, Ausgrid, Endeavour Energy and Essential Energy for the 2024–29 regulatory control period*, July 2022.

¹¹ AER, *Final Framework and approach, Ausgrid, Endeavour Energy and Essential Energy for the 2024–29 regulatory control period*, July 2022.

¹² AER, *Issues paper – Essential – 2024–29 distribution revenue proposal*, March 2023.

¹³ Essential Energy, *2024–29 Regulatory Proposal*, January 2023, p. 58.

¹⁴ NER cls. 6.2.1 and 6.2.2.

¹⁵ NER, chapter 10, glossary.

¹⁶ NER, chapter 10, glossary.

¹⁷ NER, cl 6.2.1(a).

3. When we consider that a service should be classified as direct control, we further classify it as either a standard control or alternative control service.

The detail of assessment approach for classifying a service is set out in detail at Section 2.1 of our Final F&A for Ausgrid, Endeavour Energy and Essential.¹⁸

13.3.1 AEMC Metering review

The AEMC has conducted a review into the regulatory framework for metering services, initiated in December 2020, with its final report published in August 2023. In our final F&A for the NSW distributors¹⁹, and Issues paper for Essential,²⁰ we signalled that the outcomes of the AEMC’s review may require different classification and price/revenue control settings in our draft or final decisions.

The AEMC’s draft report noted that smart meters provide whole-of-system benefits which should be realised as soon as possible.²¹ The AEMC’s final decision was released on 30 August 2023,²² and confirms that it will target a 100% replacement of distribution network owned accumulation meters with smart meters offered by other parties by 30 June 2030.²³

We consider the AEMC’s final decision constitutes a material change in circumstances, which justifies departure from the classification of legacy meter services in the F&A.²⁴ However, due to the proximity of the release of our draft decision, we have not had the opportunity to fully incorporate the findings into this decision. In preparation for the AEMC’s decision, we have been working with the affected distribution businesses to identify a proposed approach that ensures customers are not inequitably impacted from rising costs in the transition to realising the benefits the smart meters provide.

13.3.2 Interrelationships

In assessing what services we classify, we are setting the basis for what charges can be made for those services. To allow charges to be recovered for standard control services, assets associated with delivering those services are added to the regulatory asset base (RAB). A RAB may also be constructed for the capital costs associated with an alternative control service. There will usually be operating costs associated with the provision of a service as well.

The assets that make up the RAB and operating costs that relate to any particular service, form the bulk of the costs of the distributor’s proposal that need to be assessed for recovering revenues through charges for their services. Classification of services will therefore influence all revenue components of our decision.

¹⁸ AER, *Final Framework and approach, Ausgrid, Endeavour Energy and Essential Energy for the 2024–29 regulatory control period*, July 2022.

¹⁹ AER, *Final framework and approach for Ausgrid, Endeavour Energy and Essential Energy*, July 2023.

²⁰ AER, *Issues Paper – Essential Energy – 2024–29 Distribution revenue proposal*, March 2023.

²¹ AEMC, *Review of the regulatory framework for metering services draft report*, 3 November 2022, pp. ii.

²² AEMC, [Final Report: Review of the regulatory framework for metering services](#), August 2023.

²³ AEMC *Final Report: Review of the regulatory framework for metering services*, August 2023.

²⁴ Clause 6.12.3(b) of the NER

We set the revenues the distributor may collect from customers to recover their asset financing (capital) and operating costs. That revenue is recovered through tariffs the distributor develops to charge to its customers. The regulatory regime establishes incentives such as the Efficiency Benefit Sharing Scheme and the Capital Expenditure Sharing Scheme to encourage the provision of services as efficiently as possible. It also establishes incentives for maintaining reliability (Service target performance incentive scheme) so that cost reductions are not associated with lower reliability. All of these factors interrelate with each other. We must be cognisant of these interrelationships when we make our determinations.

13.4 Draft decision - details

Our draft decision is to maintain the classification set out in our final F&A published in July 2022.²⁵

This decision was the subject of wide consultation with a range of stakeholders. A summary of the positions on key issues made during this process included:

- We listed activities related to regulated Standalone Power Systems (SAPS) as part of the common distribution service.
- We included exports as a part of the common distribution service, which will not be listed separately.
- We did not list the leasing of excess battery capacity as an unregulated distribution service.
- We did not classify a new separate asset facilitation service for the leasing of excess battery capacity.
- We did not classify or list system support services at this stage, and noted we will consider it further as a material change in circumstance if required.
- We aligned connection services with the terminology used in Chapter 5A of the NER.
- We maintained a revenue cap as the form of control for standard control services.
- We maintained a price cap as the form of control for alternative control services.
 - We have added a margin and tax to the formula for calculating quoted ancillary network services.
- We applied the same incentives as were approved for the current 2019–24 period, including the new customer service incentive scheme.
 - We noted that we intended to apply any outcomes from our incentives review.
- We applied the Expenditure assessment guideline.
- We noted we will apply forecast depreciation.²⁶

²⁵ AER, *Final framework and approach for Ausgrid, Endeavour Energy and Essential Energy for the 2024–29 regulatory control period*, July 2022.

²⁶ AER, *Final framework and approach for Ausgrid, Endeavour Energy and Essential Energy for the 2024–29 regulatory control period*, July 2022, p. 2.

Our final assessment and positions for our F&A process for the 2024–29 period, together with our reasons are set out in our F&A paper²⁷:

13.5 Reasons for our draft decision

The NER requires our classification of distribution services to be as set out in our F&A unless a material change in circumstances justifies a change in our classification approach.²⁸

Essential has adopted our classification approach set out in our final F&A and no further changes have been made to the classification.

13.5.1 Metering services

As discussed at section 13.3.1 of this decision, our proposed approach and guidance for legacy meter services is set out in Attachment 20 – Metering services. Due to timing of the AEMC’s final decision, this draft decision retains the classification for metering services as alternative control services and socialises costs over a subset of customers. However, our view is that a reclassification of legacy meter services to standard control services is likely to be more appropriate. This approach will result in the benefit of recovering Essential’s metering services costs across a wider customer group during the smart meter transition and maintain compliance with the pricing principles in the NER.²⁹

We have engaged with all impacted distribution networks on this proposed approach. However, we have had limited opportunity to engage with other stakeholders to date on the proposed recovery of costs and change in classification. When submitting its revised proposal, we encourage Essential to have regard to and consider the AEMC’s final decision of targeting the 100% replacement by 2030, and anything else relevant.

13.5.2 Next Steps

We will work with Essential and the other NSW distributors to assess proposed revised proposal changes above and where they occur and will apply the standard assessment approach used for F&A's in their review, whilst also considering the interrelationships of these events with other classified services.

²⁷ AER, *Final framework and approach for Ausgrid, Endeavour Energy and Essential Energy for the 2024–29 regulatory control period*, July 2022.

²⁸ NER, cl. 6.12.3(b).

²⁹ Clause 6.18.5 of the NER.

Shortened forms

Term	Definition
ACS	Alternative Control Service
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
NER	national electricity rules
NSP	network service provider
SAPS	Standalone power system
SCS	Standard Control System

Appendix A: AER draft decision on service classification of Essential Energy’s distribution services 2024–29³⁰

Service group / Activities included	Further description	Current classification 2019–24	Proposed classification 2024–29
Common distribution services —use of the distribution network for the conveyance/flow of electricity (including services relating to network integrity)			
Common distribution services	The suite of activities that includes, but is not limited, to the following: <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 network³¹ and recoverable works to fix damage 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 purposes • activities related to ‘shared asset facilitation’ of distributor assets³² • training internal staff, accredited service providers (ASPs) and contractors undertaking direct control services 	Standard control	Standard control

³⁰ The examples and activities listed in the ‘Further description’ column are not intended to be an exhaustive list and some distributors may not offer all activities listed. Rather the examples provide a sufficient indication of the types of activities captured by the service.

³¹ May include the provision of temporary stand-alone power systems to restore supply.

³² 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 of providing the unregulated service.

Service group / Activities included	Further description	Current classification 2019–24	Proposed classification 2024–29
	<ul style="list-style-type: none"> • rectification of simple customer fault relating to a life support customer or other critical health and safety issues the distributor is able to address • rectification of simple customer faults where: <ol style="list-style-type: none"> 1) the need for rectification work is discovered in the course of the provision of distribution services 2) the work performed is the minimum required to restore safe supply 3) the work can be performed in less than thirty minutes and does not normally require a second visit • 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 • work related to a regulated stand-alone power system (SAPS) deployment, operation and maintenance (including fault and emergency repairs)³³, and customer conversion activities. 		
Network ancillary services—customer and third party initiated services related to the common distribution service			
Design related services	Activities include: <ul style="list-style-type: none"> • provision of design information, design consultation, design rechecking services in relation to connection and relocation works provided contestably • work of an administrative nature relating to work performed by Level 1 and Level 3 ASPs, including processing work • the provision of engineering consulting (related to the shared distribution network). 	Alternative control	Alternative control

³³ Includes simple customer fault rectification on generation service of regulated SAPS.

Service group / Activities included	Further description	Current classification 2019–24	Proposed classification 2024–29
Contestable network commissioning and decommissioning	The commissioning and decommissioning of network equipment associated with ASP Level 1 contestable works. Includes equipment checks, tests and activities associated with setting or resetting network protection systems and the updating of engineering systems.	Alternative control	Alternative control
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 the like to a non-Local Network Service 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 distributor's assets, including physical and electrical isolation of assets. 	Alternative control	Alternative control
Notices of arrangement and completion notices	<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 but limited to: receiving and checking subdivision plans and 88 B instruments, copying subdivision plans, checking and recording easement details, site visits, assessing supply 	Alternative control	Alternative control

Service group / Activities included	Further description	Current classification 2019–24	Proposed classification 2024–29
	<p>availability, liaising with developers if errors or changes are required and preparing notifications of arrangement.</p> <ul style="list-style-type: none"> • Provision of a completion notice (other than a notice of arrangement). This applies where the distributor is requested to provide documentation confirming progress of work. Usually associated with discharging contractual arrangements (e.g. progress payments) to meet contractual undertakings. 		
Network related property services	<p>Activities include:</p> <ul style="list-style-type: none"> • Network related property tenure services such as property tenure services related 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 connection or relocation. • Conveyancing inquiry services relating to the provision of property conveyancing information at the request of a customer. 	Alternative control	Alternative control
Site establishment services	<p>Activities include, but not limited to:</p> <ul style="list-style-type: none"> • Site establishment, including liaising with the Australian Energy Market Operator (AEMO) or market participants for the purpose of establishing national metering identifiers (NMIs) in market systems, for new premises or for any existing premises for which AEMO requires a new NMI and for validation of and updating network load data. This includes processing and assessing requests for a permanently unmetered supply device. • Site alteration, updating and maintaining NMI and associated data in market systems. • NMI extinction, processing a request by the customer or their agent for permanent disconnection and the extinction of a NMI in market systems. • Confirming or correcting metering or network billing information in market business to business or network billing systems, due to insufficient or incorrect information received from retailers or metering providers. 	Alternative control	Alternative control

Service group / Activities included	Further description	Current classification 2019–24	Proposed classification 2024–29
Network safety services	<p>Examples include:</p> <ul style="list-style-type: none"> • provision of traffic control services by the distributor or third party where required • fitting of tiger tails, and aerial markers • high load escort • third party request for de-energising wires for safe approach • customer requested network inspection undertaken to determine the cause of a customer outage where there may be a safety and or reliability impact on the network or related component and associated works to rectify a customer caused impact on the network.³⁴ 	Alternative control	Alternative control
Rectification works to maintain network safety ³⁵	<p>Issues identified by the distributor, and work involved managing and resolving (including but not limited to):</p> <ul style="list-style-type: none"> • pre-summer bush fire inspections • customer vegetation, or aerial mains defects. 	Alternative control	Alternative control
Services provided in relation to a Retailer of Last Resort (ROLR) event	<p>The distributor may be required to perform a number of services when a ROLR event occurs. For example:</p> <ul style="list-style-type: none"> • Preparing lists of affected sites and reconciling data with AEMO listings, arranging estimate reads for the date of the ROLR event, preparing final invoices and miscellaneous charges for affected customers, extracting customer data, providing it to the ROLR and handling subsequent enquiries. 	Alternative control	Alternative control
Customer requested network outage or rescheduling of a planned interruption	Examples include:	Alternative control	Alternative control

³⁴ An ACS charge is not applicable where it is determined the customer outage was caused by a fault on the network.

³⁵ Allows the distributor to conduct rectification works where the customer has failed to do so.

Service group / Activities included	Further description	Current classification 2019–24	Proposed classification 2024–29
	<ul style="list-style-type: none"> customer initiated network outage (e.g. to allow customer and/or contractor to perform maintenance on the customers assets, work close or for safe approach) 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. 		
Attendance at customers' 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 the costs of arranging, and the provision of, a security escort or police escort (where the cost is passed through to the distributor).	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.</p> <p>Examples of training might include high voltage training, protection training or working near power lines training.</p>	Alternative control	Alternative control
Security lights	<p>Provision, installation, operation, and maintenance of equipment mounted on distribution equipment used for security services, e.g. nightwatchman lights.</p> <p>Note: excludes connection services.</p>	Alternative control	Alternative control
Authorisation of ASPs	Includes annual authorisation of individual employees and sub-contractors of ASPs and additional authorisations at request of ASP and other administrative services performed by the distributor relating to work performed by an ASP.	Alternative control	Alternative control

Service group / Activities included	Further description	Current classification 2019–24	Proposed classification 2024–29
Authorisation and approval of third party service providers' design, work and materials	Activities include: <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. 	N/A	Alternative control
Customer initiated or triggered network asset relocations/rearrangements	Relocation of assets that form part of the distribution network in circumstances where the relocation was initiated by a third party (including a customer) or triggered by a customer's non-compliance with network safety or security standards (such as network encroachments).	Alternative control	Alternative control
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.	N/A	Alternative control
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.	Alternative control	Alternative control
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 Co telecommunications assets) to be installed on the shared distribution network. This does not relate to upstream distribution network augmentation.	N/A	Alternative control
Inspection and auditing services	Activities include: <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 	Alternative Control	Alternative control

Service group / Activities included	Further description	Current classification 2019–24	Proposed classification 2024–29
	<ul style="list-style-type: none"> 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 customer or third-party requested inspection of privately owned low voltage or high voltage network infrastructure (i.e. privately owned distribution infrastructure before the meter) auditing and inspection 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. 		
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 customer metering installations and supporting services are competitively available.	Not classified	Not classified
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.	Standard control	Standard control
Other metering services (Type 5 to 6 metering installations and legacy meters)	Activities include: <ul style="list-style-type: none"> recovery of the capital cost of type 5 and 6 metering equipment installed prior to 1 December 2017 meter maintenance covers works to inspect, test, alter, maintain and repair meter reading refers to quarterly or other regular reading of metering installations including field visits and remotely read meters 	Alternative control	Alternative control

Service group / Activities included	Further description	Current classification 2019–24	Proposed classification 2024–29
	<ul style="list-style-type: none"> 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 the processing and delivery of metering data for type 5 and 6 metering installations. 		
Special meter reading and testing (legacy meters)	<p>Special meter reading and testing services include:</p> <ul style="list-style-type: none"> special meter reading for type 5 and 6 meters including move in and move out meter reading (type 5 and 6 meters) type 5 meter final read on removed type 5 metering equipment special meter test (for type 5 and 6 meters). 	Alternative control	Alternative control
Emergency maintenance metering equipment not owned by the distributor (contestable meters)	Customer or third party request to restore power to customer's premises due to metering equipment not owned by the distributor.	Alternative control	Alternative control
Meter recovery and disposal – type 5 and 6 (legacy meters)	Activities include the removal and disposal of a type 5 or 6 metering installation 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.	Alternative control	Alternative control
Distributor arranged outage for purposes of replacing meter	At the request of a retailer or metering coordinator provide notification to affected customers and facilitate the disconnection/reconnection of customer metering installations where a retailer planned interruption cannot be conducted.	Alternative control	Alternative control

Service group / Activities included	Further description	Current classification 2019–24	Proposed classification 2024–29
Connection services—services relating to the electrical or physical connection of a customer to the network³⁶			
Basic connection services	<p>Means a <i>connection service</i>³⁷ 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:</p> <p>(a) either:</p> <ol style="list-style-type: none"> 1) the retail customer 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 <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>	N/A	<p>A) Not classified (customer initiated)</p> <p>B) Standard control and not classified where undertaken by customer with contribution from DNSP</p>
Standard connection services	<p>Means a connection service (other than a basic connection service) for a particular class (or sub-class) of connection applicant and for which a model standing offer has been approved by the AER.</p>	N/A	<p>A) Not classified (customer initiated)</p> <p>B) Alternative Control (where not contestable for safety/risk reasons)</p> <p>C) Standard Control and + not classified where undertaken by customer with contribution from DNSP</p> <p>D) Standard Control (where undertaken by DNSP)</p>

³⁶ Applies to both NER chapter 5 and 5A connections.

³⁷ Italics denotes definitions in Chapter 5A of the NER.

Service group / Activities included	Further description	Current classification 2019–24	Proposed classification 2024–29
Non-basic negotiated connection ³⁸	Means a connection service (other than a basic connection service) for which a DNSP provides a connection offer for a negotiated connection contract.	N/A	A) Not classified (customer initiated) B) Alternative Control (where not contestable for safety/risk reasons) C) Standard Control and + not classified where undertaken by customer with contribution from DNSP D) Standard Control (where undertaken by DNSP)
Connection management services ³⁹	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 • connection point management services • where, a work health, safety, cyber or network security assessment determines that an ASP should not be given the required access, the termination of a cable (including communications cables such as fibre optic) at substations and switching stations along with the first joint out (where the connection is fully dedicated to the specific customer connecting). 	Alternative control	Alternative control
Enhanced connection services ⁴⁰	Other or enhanced connection services provided at the request of a customer or third party that include those that are: <ul style="list-style-type: none"> • provided with different levels of reliability or service, or quality of service (where permissible) than required by the NER or any other applicable regulatory instruments. 	Alternative control	Premise connections: Not classified Extension and augmentations: Alternative control

³⁸ Applies to both NER chapter 5 and 5A connections.

³⁹ Applies to both NER chapter 5 and 5A connections.

⁴⁰ Applies to both NER chapter 5 and 5A connections and includes enhancements for both consumption and export services.

Service group / Activities included	Further description	Current classification 2019–24	Proposed classification 2024–29
	<ul style="list-style-type: none"> in excess of levels of service or plant ratings required to be provided by the distributor. 		
Public lighting			
Public lighting	Includes the provision, construction, operation and maintenance of public lighting and emerging public lighting technology.	Alternative control	Alternative control
Unregulated distribution services			
Distribution asset rental	Includes: <ul style="list-style-type: none"> Rental of distribution assets to third parties (e.g. office space rental, pole and duct rental for hanging telecommunication wires etc.). 	Not classified	Not classified
Contestable metering support roles	Includes metering coordinator (except where the distributor is the initial metering coordinator), metering data provider and metering provider for meters installed or replaced after 1 December 2017.	Not classified	Not classified
Provision of training to third parties for non-network related access	Training programs provided to third parties which are not ASPs or contractors.	Not classified	Not classified
Type 5 and 6 meter data management to other electricity distributors	The provision of type 5 and 6 meter data management to other electricity distributors.	Not classified	Not classified
Non-distribution services – Although this table relates to distribution services, we have included the below non-distribution services provided by Essential Energy for clarity.			
Generation assets	Non-standard control generation assets. E.g. Mullumbimby and Oaky Hydro	Non-distribution service	Non-distribution service

Service group / Activities included	Further description	Current classification 2019–24	Proposed classification 2024–29
Water	Broken Hill	Non-distribution service	Non-distribution service
Services provided in regional and remote locations into the contestable market, under a set of self-imposed controls – applies to Essential Energy only⁴¹			
Provider of last resort services	<p>All services allowed for under the NSW ASP Scheme including:</p> <ul style="list-style-type: none"> • Level 1 customer connection services including both overhead and underground, and including related network extensions or augmentations • Level 2 services such as disconnect and reconnect, work on underground service conductors, and work on overhead service conductors • Level 3 design services for both overhead and underground network electricity assets • Customer initiated private asset relocations • Connections negotiated under Chapter 5 or 5A of the NER • Inspection, maintenance (including fault and emergency) and testing of customer assets including HV assets (this is for standard distribution and sub-transmission type assets and excludes emerging technology assets such as PV, batteries, etc.). 	Alternative control	Alternative control

⁴¹ Provider of last resort services, provided under a set of controls to ensure that the provision of contestable services does not impinge on existing competition. See AER, Essential Energy Draft Decision 2019-24, Attachment 12, Classification of services – November 2018. pp. 12-15.