

31 October 2023



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Dear Dr Funston

Request for a replacement Framework and Approach paper – 2026-31 regulatory control period

I am writing on behalf of Jemena Electricity Networks (Vic) Ltd (**JEN**) to request that the Australian Energy Regulator (**AER**) makes a replacement Framework and Approach (**F&A**) paper for the 2026-31 regulatory control period (**next regulatory period**) under clause 6.8.1(c)(1) of the National Electricity Rules (**NER**). JEN's reasons for requesting these changes are outlined in this letter and the attached submission.

As has been the case for past transitions between regulatory control periods, a replacement F&A paper is needed to account for the changes since the AER released its final F&A paper for JEN for the 2021-25 regulatory control period on 31 January 2019.

Electricity distribution businesses like JEN must adapt and transform to the rapidly evolving energy landscape, characterised by the ongoing energy transition towards cleaner renewable energy and the evolving needs of energy customers. The pace of this change is expected to further accelerate over the 2026-31 regulatory control period. With this context, it is necessary to implement changes including to:

- support the use of the JEN electricity distribution network to export electricity to respond to the rapid uptake of consumer energy resources called for in the Australian Energy Market Operator's Integrated System Plan;
- keep the grid stable during the clean energy transition through the provision of essential system services such as management of minimum system load under Victoria's Emergency Backstop Mechanism;
- share network data and advice to customers and other stakeholders to support informed decision-making during the energy transition; and
- respond to other needs such as for standalone power system (**SAPS**) services and dynamic and export load services.

To identify the issues in the F&A process, we partnered with other Victorian electricity distribution businesses to jointly engage with customers, consumer advocates, market participants, the Victorian Government and other key stakeholders. The outcomes report of this engagement process are included as appendices to the attached submission.

Through this process, we equipped stakeholders with key information for their consideration to seek their views on the services we provide and the changes they see are necessary in the next regulatory period. We heard clearly what the forum participants had to say and adopted

some recommendations early in the process; for example, we listened to feedback from an initial stakeholder workshop and refined our engagement in a second workshop to focus on the key issues identified. In the attached submission, we outline the stakeholder feedback for changes we propose for the F&A paper.

A replacement F&A paper is also needed to respond to regulatory developments and changes since the AER made the F&A paper for the current regulatory control period. For example:

- the AER's review of incentive schemes for regulated networks;
- reforms to incorporate export services and SAPS services into the NER;
- the AER's updates to the national ring-fencing guidelines to include interactions with SAPS and energy storage devices;
- the AER's recent decisions on requests by other electricity distribution businesses for the AER to make replacement F&A papers and other decisions in relation to distribution determinations; and
- the AER's introduction of the Better Resets Handbook including expectations for consumer engagement during development of regulatory proposals for distribution determinations.

In the attached submission, we provide our preliminary views on matters for the AER's consideration about making a replacement F&A paper, including:

- classification of distribution services;
- forms of control and formulae that should apply to our direct control services;
- application of incentive schemes;
- clarification on the approach to expenditure forecast assessments; and
- approach to depreciation for establishing the regulatory asset base.

We also provide an overview of our engagement program for our regulatory proposal for the next regulatory period. This includes our award-winning People's Panel consumer engagement approach, customer voice groups focused on engagement with reference groups of customers with specific lived experience and an energy reference group of key experts in electricity distribution.

We look forward to engaging with the AER and stakeholders in the consultation process in relation to our request.

If you have any questions in relation to the submission, please contact Matthew Serpell on [REDACTED] or at [REDACTED]

Yours sincerely

[REDACTED]

Ana Dijanosic
General Manager Regulation

Encl.



Jemena Electricity Networks (Vic) Ltd

Submission for replacement Framework and Approach paper

2026-31 Regulatory Control Period



An appropriate citation for this paper is:

Jemena Electricity Networks, Submission for replacement
Framework and Approach paper, 2026-31 Regulatory
Control Period

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Glossary

Capital expenditure	Commonly abbreviated as capex, this expenditure is related to investment of funds to acquire or upgrade a long-term asset. Examples of capital expenditure of electricity distribution businesses include investment in infrastructure such as poles, wires and meters.
Current regulatory period	The Regulatory Control Period—as defined in the National Electricity Rules—covering the financial years 2021-26 inclusive.
Dynamic voltage management system	Commonly abbreviated as DVMS, this is a technology used in electrical power systems to actively and intelligently manage voltage levels in the grid by optimising voltage in real time to ensure efficient and reliable power distribution while minimising energy losses and reducing stress on electrical equipment.
Electricity Distribution Ring-Fencing Guideline	The guideline published by the Australian Energy Regulator which imposes obligations on electricity distribution businesses to implement accounting and functional separation of the provision of direct control services by distribution businesses from the provision of other services. ¹
Jemena	Refers to the parent company of Jemena Electricity Networks and Jemena Gas Networks.
Next regulatory period	The Regulatory Control Period—as defined in the National Electricity Rules—covering the financial years 2026-31 inclusive.
Operating expenditure	Commonly abbreviated as opex, this expenditure is related to investment of funds for ongoing, day-today expenses to run a business. Examples of operating expenditure include wages, rent, utilities and overheads.
Supervisory control and data acquisition	Commonly abbreviated as SCADA, this is a technology used for monitoring and controlling power generation, transmission and distribution in Australia's electricity grid.
Synchronous condenser	Also known as a synchronised condenser or synchronous compensator, this is a type of electrical device used in power systems to provide dynamic reactive power support and voltage regulation, operating on the same principles as a synchronous generator (as used at thermal generation plants) but not mechanically coupled to a prime mover like a turbine or engine to produce electrical power.

¹ See AER, [Ring-fencing Guideline – Electricity Distribution – version 3](#), 3 November 2021.

Abbreviations

ABS	Australian Bureau of Statistics
ACS	Alternative Control Services
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
Capex	Capital expenditure
CDS	Common Distribution Services
CER	Consumer Energy Resources
CESS	Capital Expenditure Sharing Scheme
CPI	Consumer Price Index
CSIS	Customer Service Incentive Scheme
DNSP	Distribution Network Service Provider
EBSS	Efficiency Benefit Sharing Scheme
EDCoP	Electricity Distribution Code of Practice
EDSC guideline	Electricity Distribution Service Classification Guideline
EFA guideline	Expenditure Forecast Assessment Guideline
ESCV	Essential Services Commission of Victoria
ESIS	Export Service Incentive Scheme
ESS	Essential System Services
F&A paper	Framework & Approach paper
FCAS	Frequency Control Ancillary Services
JEN	Jemena Electricity Networks
JGN	Jemena Gas Networks
kVA	Kilo volt-amperes
MSIS	Market Sharing Incentive Scheme
MSL	Minimum System Load
MVA	Mega volt-amperes
NEL	National Electricity Law
NEM	National Electricity Market
NER	National Electricity Rules
NMI	National Metering Identifiers
NSP	Network Service Provider
Opex	Operating expenditure
RAB	Regulatory Asset Base
RERT	Reliability and Emergency Reserve Trade
SAPS	Standalone Power System
SCADA	Supervisory control and data acquisition

SCS	Standard Control Services
UFL	Under-Frequency Load
VRE	Variable Renewable Energy



1. Introduction

Jemena Electricity Networks (**JEN**) is commencing the development of its regulatory proposal for the regulatory control period covering 1 July 2026 until 30 June 2031 (**next regulatory period**), starting with our request for the Australian Energy Regulator (**AER**) to replace the current Framework & Approach paper (**F&A paper**) that applies in the 1 July 2021 until 30 June 2026 regulatory control period (**current regulatory period**).

The AER must make and publish an F&A paper to provide for how the AER will address key elements in its distribution determination for JEN.² The National Electricity Rules (**NER**) provide that the F&A paper must set out certain matters which frame the AER's assessment of JEN's proposal, including:

- the AER's decision (together with its reasons for the decision) on the form of control mechanism to apply to distribution services;
- the AER's proposed approach (together with its reasons for the proposed approach) on the following matters:
 - how distribution services will be classified;
 - the application of incentive schemes;
 - how the AER will apply its Expenditure Forecast Assessment Guideline (**EFA guideline**); and
 - the methodology for calculating depreciation.³

Under the NER, JEN may submit a request to the AER for the amendment or replacement of the F&A paper that applied to our distribution determination for the current regulatory period.⁴

² NER clause 6.8.1(a).

³ NER clause 6.8.1(b).

⁴ NER clause 6.8.1(c).

1.1 Reason for change

Through the energy transition, there are continuing changes to the energy sector, markets and how customers use their energy. Distribution services are required to address needs for:

- supporting export of electricity to respond to rapid uptake of consumer energy resources (**CER**) such as rooftop solar systems;
- keeping the grid stable through essential system services (**ESS**) during the transition to variable renewable energy (**VRE**) generation;
- enabling sharing of network data and advice to give stakeholders visibility of networks for their varied uses; and
- enabling standalone power systems (**SAPS**) as a solution to ensure customers in regional areas benefit from the energy transition.

There have also been regulatory developments and changes since the AER made the F&A paper for JEN's distribution determination for the current regulatory period. These include:

- the Australian Energy Market Commission's (**AEMC**) final determination on access, pricing and incentive arrangements for distributed energy resources to support more CER uptake and manage the transition to export pricing;⁵
- the NER rule changes to incorporate SAPS as a distribution service;⁶
- the introduction of the AER's Better Resets Handbook;⁷ and
- the AER's updates to the national ring-fencing guideline to include interactions with SAPS and energy storage devices.⁸

1.2 Our request for a replacement F&A paper

To account for these changes, JEN requests for the AER to replace the current regulatory period F&A paper for the next regulatory period.

We anticipate the AER's assessment of the replacement of the F&A paper for the next regulatory period to involve consideration of the regulatory treatment of services and incentive schemes, including services on which we have obtained valuable stakeholder feedback and our development of new incentive schemes to more closely align with the services our customers have indicated they value.

Key areas of focus for our proposed changes to the F&A paper include:

- reflecting the AEMC's rule change by newly classifying customer export services as standard control services, common distribution services;
- newly classifying ESS we provide to help manage the stability of the grid during the transition to VRE generation;
- newly classifying data sharing and advisory services we provide to meet needs of various stakeholders for visibility of our network; and
- reflecting the AEMC's rule change by newly classifying SAPS services we may provide to customers where connection to the JEN network is not appropriate.

⁵ AEMC, Access, pricing and incentive arrangements for distributed energy resources, [Rule determination](#), 12 August 2021.

⁶ See AEMC, Updating the regulatory frameworks for distributor-led stand-alone power systems, [Final report](#), 28 May 2020.

⁷ AER, [Better resets Handbook – Towards Consumer Centric Network Proposals](#), 9 December 2021.

⁸ AER, [Ring-fencing Guideline - Electricity Distribution – Version 3](#), 3 November 2021.

Further, we propose to develop additional incentive schemes through engagement with our customers and stakeholders throughout preparation of our regulatory proposal. This includes a customer service incentive scheme (**CSIS**) and an export service incentive scheme (**ESIS**) to incentivise service provision aligned with our customers' preferences, and a market sharing incentive scheme (**MSIS**) to incentivise the provision of ESS and return value to our customers.

We also propose some changes to the description of some of the distribution services we provide that are already classified to better reflect the activities we undertake in providing the services.

This document further details our views on these proposed changes and how they should be addressed through the JEN distribution determination for the next regulatory period.

1.3 Customers are key to the process

We see customer and stakeholder engagement as crucial to helping us develop a regulatory proposal that best reflects the long term interests of the customers we serve. In developing this application, we have undertaken broad-based engagement to capture the views of customers and stakeholders, particularly in service classification.



2. How we are engaging with our customers

Throughout all stages of developing our regulatory proposal for the next regulatory period, we are engaging closely with our customers and other stakeholders to understand their views, needs and preferences about the services we provide.

We have a desire to continuously improve, with a focus centred around understanding our customers' needs and serving them better. We want our engagement program to position JEN at the forefront of delivering innovative customer engagement to a diverse spectrum of customers. The price reset is a platform to meaningfully engage with customers in our distribution area, including customers who experience vulnerability.

We seek to partner with a full range of our customers, including our energy savvy customers right through to customers who have low energy literacy or face barriers to engaging with energy.

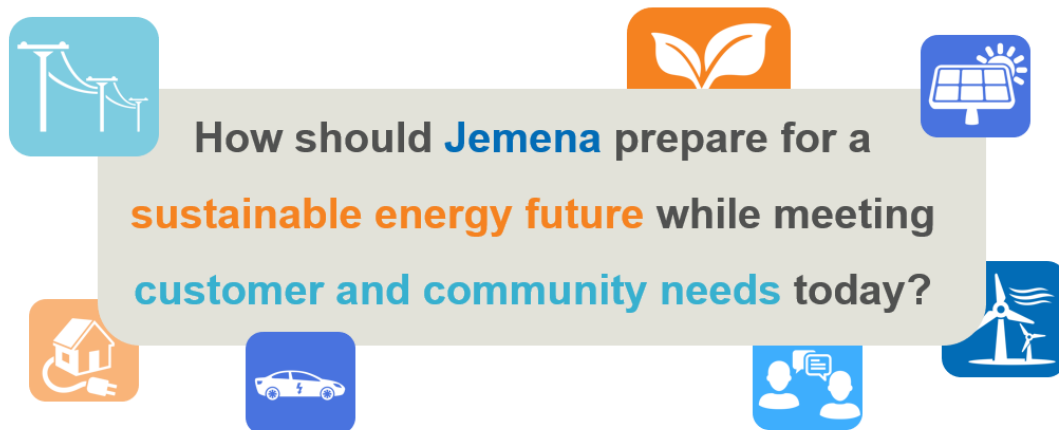
Our engagement program aims to meet the specific needs of our electricity customers, taking into consideration:

- the rich diversity of our customers;
- learnings from previous price reset processes;
- the unique requirements, issues and challenges our customers face;
- our desire to engage with customers experiencing vulnerability; and
- dedicated opportunities to create synergies with the other Victorian electricity distribution businesses for joint engagement, enabling consistency and efficiency in our engagement approach across all Victorian networks.

2.1 Engagement groups

Our engagement streams are designed to enable us to deeply understand and engage with the full spectrum of customers.

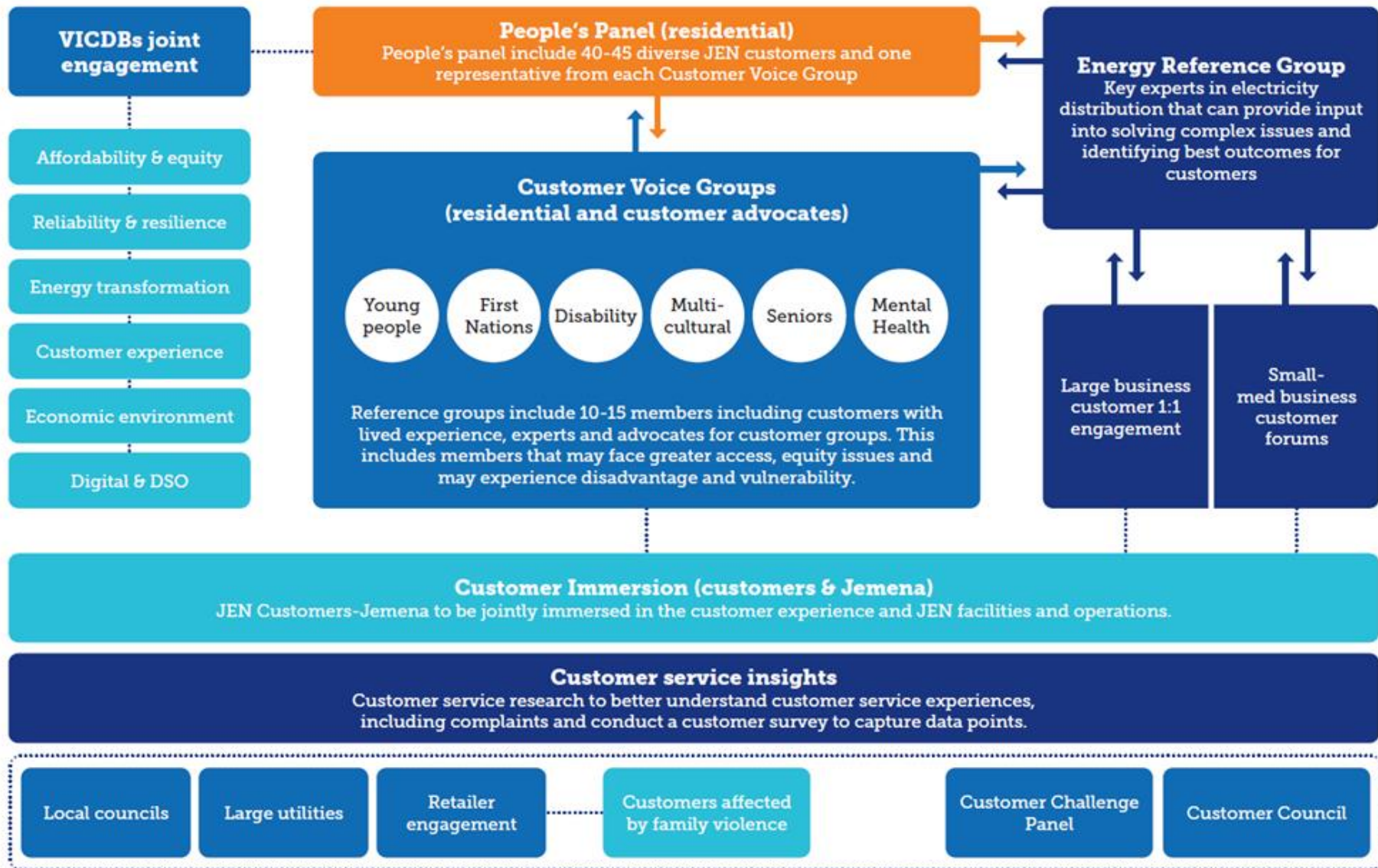
Throughout the engagement process we will be asking JEN's customers to think about and make suggestions and recommendations on the question:



As shown in Figure 2–1 below, our core engagement areas include:

- **Energy Reference Group** – establishing an expert energy panel that can discuss complex issues and provide clear, independent advice and recommendations that have the long-term interests of customers in mind.
- **People's Panel** – establishing a People's Panel which includes 50 diverse customers who make up a statistical representation of customers in our network area to shape our 2026-31 regulatory proposal.
- **Customer Voice Groups** – establishing customer voice groups that include 10-15 members, including customers with lived experience of disability, mental health, multicultural, young people, first nations and seniors. Each group will have a senior leader from Jemena to help champion the group to connect, listen and understand their needs.
- **Customer service insights** – interviewing existing frontline customer service team members on the issues and pain points customers they are experiencing and investigating customer complaint information to build an understanding of customer experiences and opportunities for improvement. In addition to the existing Customer Service Satisfaction survey, we will be conducting a bespoke survey for JEN customers for the price reset to gain a broad spectrum of views and data points.
- **Joint engagement by Victorian electricity distribution businesses** – joint engagement sessions with Victorian electricity distribution businesses across the topics of framework and approach, affordability and equity, reliability and resilience, energy transformation, customer experience and customers experiencing vulnerability.
- **Small to medium business engagement** – small business forums, surveys and in-depth interviews/meetings with diverse small to medium businesses across our network.
- **Large/commercial customer engagement** – surveys, large user forum and in-depth interviews/meetings to engage with large commercial customers.
- **Electricity retailer engagement** – bespoke engagement with electricity retailers and retailer bodies, including retailer forums, surveys, in-depth interviews/meetings and engagement with customers affected by family violence.
- **Local council engagement** - surveys, in-depth interviews/meetings and Local Council Forums to understand the needs of local councils and the local communities they service.

Figure 2–1: Engagement program



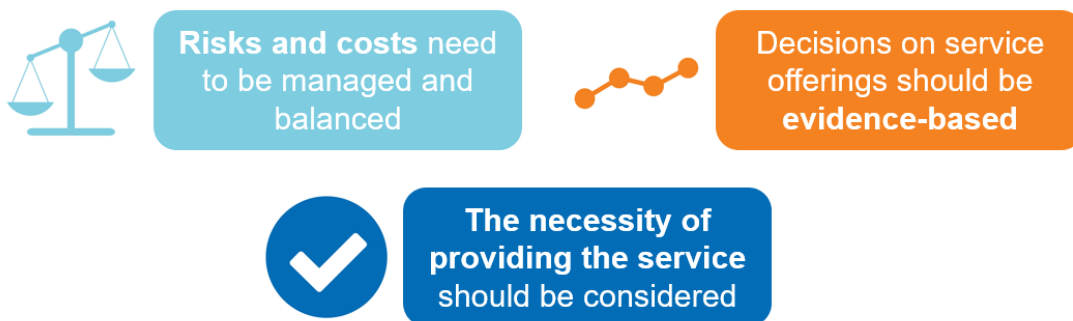
2.2 Engagement on the approach to replacing the F&A paper

As part of our stakeholder engagement in developing this proposal for a replacement F&A paper, JEN and the other Victorian electricity distribution businesses jointly held a series of workshops with various interested stakeholders to put forward our proposed changes to the services we deliver and seek feedback and views. Outcomes reports summarising feedback from these workshops are provided in Appendices A and B of this paper.

The electricity distribution businesses structured these workshops around the key focus areas of our respective proposals for a replacement F&A paper, identifying changes in services available to customers and other stakeholders and the role we propose to take in these areas.

Through these workshops, participants identified a range of themes in relation to their consideration of the services we propose to provide. Figure 2–2 below provides an overview of these themes.

Figure 2–2: Themes from F&A paper workshops



We have considered this feedback in developing this submission for a replacement F&A paper. Our view is that the services we propose to be classified by way of the F&A paper in the next regulatory period:

- can be provided in a way that balances and manages risks and costs, including through our proposed service classifications;
- are necessary for us to provide, taking into account the needs of our customers and stakeholders and the changing energy system; and
- are based on a solid evidence case, including our assessment of potential costs and benefits.

The Victorian electricity distribution businesses engaged deeply on two services we propose to be newly classified in the F&A paper: network data sharing and advisory services, and ESS.

On classification of network data sharing and advisory services, participants shared feedback that:

- the cost of providing data services should be recovered in a fair way so that relevant costs are allocated to the stakeholders who benefit from the provision of these services;
- consideration should be given to the changing nature and volume of these services;
- data privacy and security should be appropriately managed including management and recovery of costs.

On classification of ESS, participants shared feedback that:

- distribution businesses have a role in providing ESS and there would be benefits from the provision of these services, but more discussion and information about the role of distribution businesses is needed;
- the case should be made for ESS to be provided as classified services rather than the current process of distribution businesses needing to apply to the AER for a ring-fencing waiver;

- customers would need confidence that the AER has full visibility and oversight of costs incurred and revenues received by distribution businesses.

Our initial view is that we have appropriately accounted for this feedback in how we propose that the AER classify these services by way of the F&A paper. We encourage further customer and stakeholder input throughout the AER's consideration of our proposal to ensure that feedback is considered and addressed.

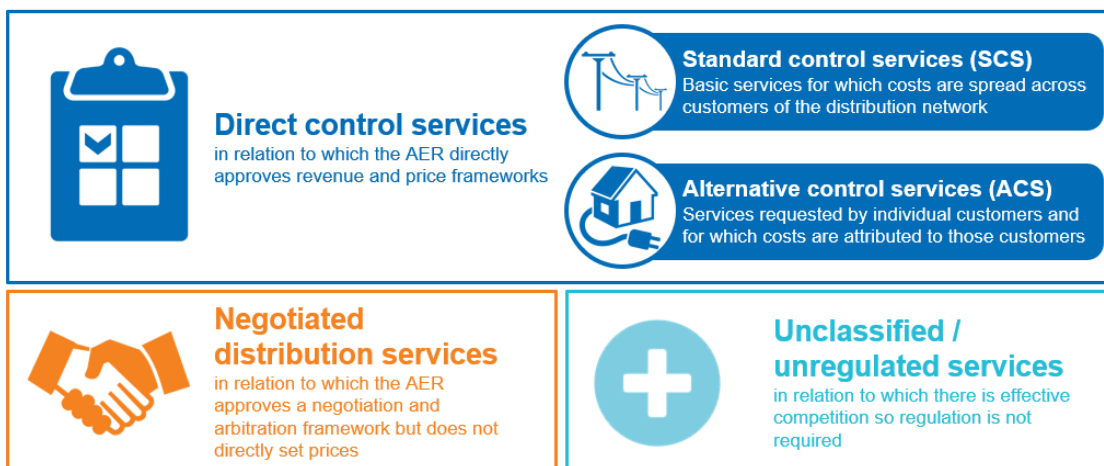


3. Classification of distribution services

The classification of distribution services in the F&A paper defines the type of economic regulation that the AER will apply to the services we provide. It involves deciding which services are subject to the AER’s economic regulation regime, the framework for how we will recover costs for providing each service, and whether services need to be ring-fenced from other services we provide.

The NER sets out how the AER is to classify services as shown below in Figure 3–1.

Figure 3–1: Distribution service classifications



The most regulated of our distribution services are direct control services, which are further classified into standard control services (**SCS**) and alternative control services (**ACS**). In deciding whether to classify a direct control service as a SCS or ACS, the AER will consider:

- whether there is potential for competition in the relevant market and how the classification of the service may influence potential competition;

- impacts on administrative costs;
- how the service was regulated (if at all) in the current regulatory period;
- whether it is desirable for a consistent regulatory approach for similar services within Victoria and among Australian states and territories;
- the extent to which costs of providing the service are directly attributable to the person receiving the service; and
- other relevant factors.⁹

The AER's electricity distribution service classification guideline (**EDSC guideline**) provides a baseline set of distribution services, groupings of services and the AER's approach to classifying distribution services.¹⁰ The EDSC guideline is not binding, so the AER may decide to make an F&A paper that departs from the approach outlined in its EDSC guideline when classifying distribution services. However, the AER must explain the reasons for departing from the EDSC guideline.¹¹

Based on our engagement to date with customers and stakeholders, we have considered whether there may be a need for the AER to change its approach from existing classifications of our services, align with the services in the EDSC guideline or newly classify services. In this section, we outline our views on how different types of services should be classified.

Appendix C also provides a direct comparison — through mark-up — of our proposed changes to the existing classifications of our services during the current regulatory period. This includes newly classifying some services we propose to provide in the next regulatory period. We welcome consideration by the AER and stakeholders.

⁹ NER clause 6.2.2(c)(1-6).

¹⁰ AER, [Electricity distribution service classification guideline](#), 1 August 2022.

¹¹ NER clause 6.2.8(c)(3).



3.1 Customer export services

The AEMC's final determination and rule in relation to access, pricing and incentive arrangements for distributed energy resources involved changes to definitions in the NER which means that export services are now explicitly captured within the scope of 'distribution services' and can now be classified.¹²

The AEMC's rule change recognises fundamental changes in the use of electricity distribution networks resulting from the uptake of CER such as rooftop solar PV systems and batteries. While distribution networks like the JEN network were initially designed only to deliver electricity one-way to customers, these networks are increasingly being used by customers to export their excess electricity to the grid for other customers to use.

Electricity distribution networks inherently have a basic level of capacity to enable customers to export their excess electricity. However, without adequate investment in electricity distribution networks, the increasing amount of electricity being exported by customers due to CER uptake and other factors means capacity will continue to diminish, in some cases to the point where exports may be fully constrained.

The recognition of export services as a distribution service in the NER means that planning and investment requirements, incentive schemes and controls that apply to services to deliver electricity to customers will now also apply to a network's provision of export services. This enables more effective planning and investment in the network to support growing customer expectations for CER uptake and electricity exports into the future.

As export services involve the use of the shared distribution network to export electricity, our view is that these services should be regulated direct control services and provided for in our SCS-regulated revenue allowance. This would mean that the cost of providing these services would be shared across customers in the JEN network. It would enable us to plan and invest in the JEN network based on forecast network demand requirements, regardless of the direction of electricity flows in the network.

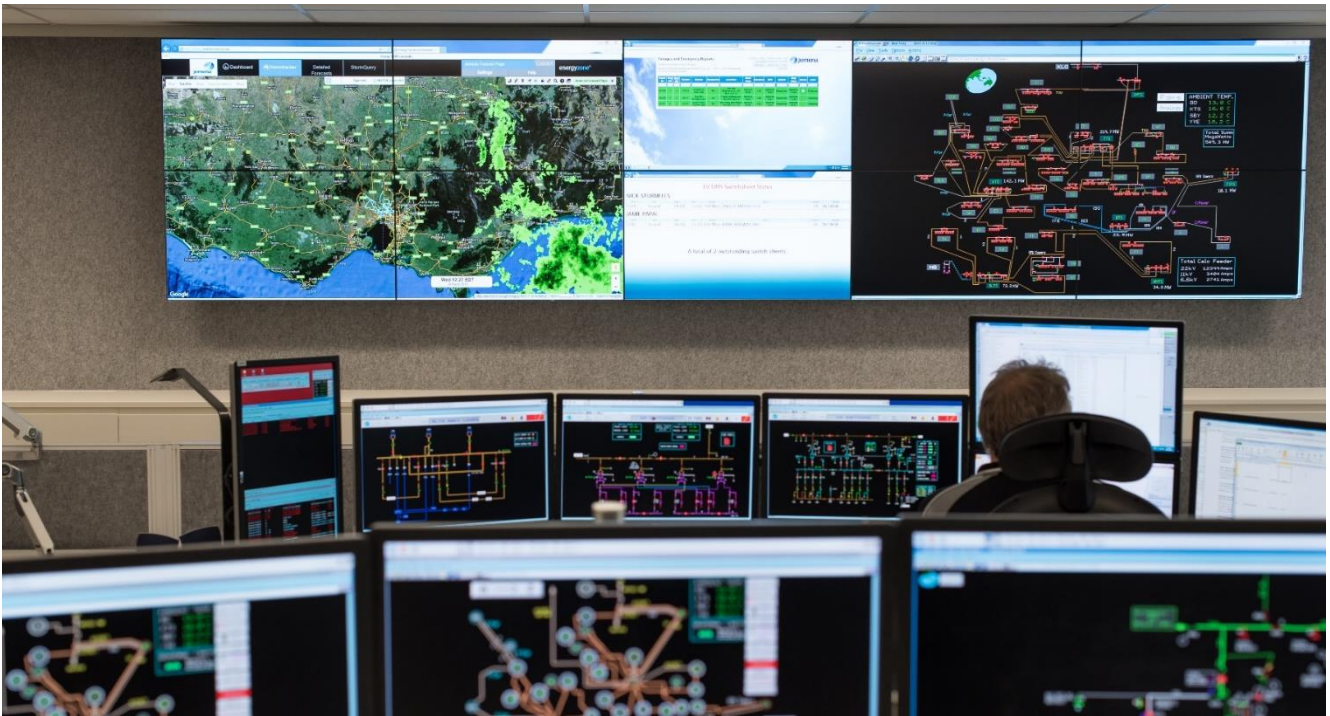
This view is consistent with the AER's final position for the F&A papers for other networks.¹³ The AER's final position in relation to the F&A papers for those networks was to treat export services as part of the common distribution services and to not list them separately.

¹² AEMC, Access, pricing and incentive arrangements for distributed energy resources, [Rule determination](#), 12 August 2021.

¹³ See, for example, AER, [Framework and approach – SA Power Networks Regulatory control period commencing 1 July 2025](#), 3 July 2023; AER, [Framework and approach – Ergon Energy and Energex, Regulatory control period commencing 1 July 2025](#), 3 July 2023.

We also propose a minor clarification to separately list the provision of dynamic network capacity management capabilities as part of our SCS-regulated common distribution services. These are services Victorian electricity distribution businesses already provide to some customers where this is negotiated under the regulatory framework. The AEMC’s final determination and rule clarified that distribution businesses can offer these improved services under the existing framework by way of the service classification process to enable a group of customers to have a different level of export and load capacity than would normally apply.¹⁴

¹⁴ AEMC, Access, pricing and incentive arrangements for distributed energy resources, [Rule determination](#), 12 August 2021.



3.2 Essential System Services

ESS are important technical services provided to the National Electricity Market (**NEM**), the wholesale electricity market for eastern Australian states and territories, to help keep the electricity network safe, reliable and secure. They include services such as:

- services to manage minimum system load (**MSL**) risks when electricity demand levels in the grid reach critically low levels;
- services to manage under-frequency load (**UFL**) risks should there be a sudden drop in system frequency due to an imbalance between electricity generation and load demand;
- operating reserve market services proposed through a rule change request to the AEMC¹⁵ and Reliability and Emergency Reserve Trade (**RERT**) services, to help respond to unexpected changes in supply and demand with reserve capacity;
- system restart services to restore and recover the power system after there has been a complete or partial blackout, shutdown or large-scale disturbance;
- frequency control ancillary services (**FCAS**) to actively manage and stabilise the power system's frequency on a continuous basis; and
- system strength services including inertia.






Historically, many of these services, such as frequency response and inertia, have been provided as an inherent by-product of thermal electricity generation (including coal-fired and gas-fired generation). However, through the energy transition, many thermal generation plants are being retired as new VRE generation resources are introduced such as solar and wind farms. Some VRE resources do not inherently provide ESS as a by-product of electricity generation. Unless ESS are provided by some other means, a lack of capacity to provide ESS may pose challenges for maintaining a stable electricity grid. Furthermore, some risks managed through ESS provision are exacerbating at this stage of the energy transition. This includes MSL risks which are emerging in part as a consequence of uptake of CER and increased excess electricity exports at times of minimum system demand.

The provision of ESS is needing to be carefully managed through the energy transition, with some forms of ESS being provided by NEM market participants including utility-scale batteries, large energy users and some forms

¹⁵ See AEMC, [Operating reserve market directions paper](#), 3 August 2023.

of generation. Costs of these services being provided are passed through by the Australian Energy Market Operator (AEMO) to NEM participants and electricity customers. However, electricity distribution businesses including JEN also have capacity, capabilities and expertise to deliver some types of ESS. Examples of these capabilities are shown in Figure 3-2 below.

Figure 3–2: Examples of ESS capabilities and services electricity distribution businesses can provide

Capabilities that could be used	ESS that could be provided	Benefits for the system	Potential implementation
 SCADA and smart inverter control	Services to manage minimum system load (Victoria’s Emergency Backstop Mechanism)	Temporary curtailment of distributed solar PV as a last resort to maintain system stability and security when there is critically low load	<ul style="list-style-type: none"> Classification of these services through this distribution determination
 Smart meter control	Services to manage under-frequency load	Disconnection of under-frequency loads as a last resort if there is a sudden drop in system frequency due to an imbalance between supply and demand	
 Voltage management e.g. using dynamic voltage management system (DVMS)	Operating reserve market services, Reliability and Emergency Reserve Trade services, system restart services	Management of voltage such as through a DVMS to provide reserve supply to meet system demand in exceptional or emergency situations	<ul style="list-style-type: none"> Classification of these services through this distribution determination NER rule change, or ring-fencing waiver Voltage management regulations may also need updating
 Batteries, potentially DVMS	Frequency Control Ancillary Services	Management of the system’s frequency levels on a continuous basis by adjusting charge and discharge rates of batteries and potentially voltage settings	
 Synchronous condensers if developed and installed	System strength services, inertia	Management of synchronous condensers to generate or absorb reactive power and adjust conditions in the energy system to maintain stability	<ul style="list-style-type: none"> Classification of these services through this distribution determination NER rule change, or ring-fencing waiver Investment in new network assets

In late 2022, the AER granted a class waiver under the **Electricity Distribution Ring-fencing Guideline** to allow electricity distribution businesses to contract with AEMO to provide RERT services via voltage management through to April 2025.¹⁶ This increased the number of possible RERT service providers, reducing the risk of insufficient services and lowering costs from provision of these services.

There are a range of other types of ESS that electricity distribution businesses could provide using existing assets, capabilities and expertise. In particular:

- Electricity distribution businesses can provide services to manage MSL risks through use of **supervisory control and data acquisition (SCADA)** technology and smart inverter control. Through Victoria’s Emergency Backstop Mechanism reform, the Victorian Government is introducing requirements for new and replacement solar photovoltaic generation systems to be capable of having their electricity generation remotely curtailed by Victorian electricity distribution businesses to manage MSL risks.¹⁷ This means that JEN and other Victorian distribution businesses will be required to provide services to manage MSL risks if directed by AEMO.
- Electricity distribution businesses are also capable of providing services to manage UFL risks using smart meter control technology.

There may be many advantages to JEN providing ESS. These include our existing capabilities, our ability to provide ESS at scale using the range of assets across our network and by seeking a generation or demand response from a large number of customers, and therefore the relatively low cost of our potential provision of ESS. These benefits may flow through to customers through reduced costs of ESS provision.

In the future with additional investment and capability-building, JEN and other distribution businesses may also provide FCAS, using batteries and potentially a dynamic voltage management system, and system strength services including inertia using synchronous condensers. Currently, electricity distribution businesses are

¹⁶ AER, [Distribution ring-fencing class waiver for Reliability and Emergency Reserve Trader \(RERT\) via voltage management](#), 14 December 2022.

¹⁷ See Victorian Government, [Victoria’s emergency backstop mechanism for solar](#), accessed 24 October 2023.

prevented from providing these services due to ring-fencing restrictions and the only way they can be provided is through waivers. These waivers do not provide investor certainty, thereby discouraging electricity distribution businesses from investing in these services; investors making long term investment decisions require more certainty than that afforded in a ring-fencing waiver. This means customers do not receive the full benefit of the services electricity distribution businesses could provide.

To promote more efficient outcomes for the long term interests of customers, we propose classification of ESS in two distinct categories:

- a category of ESS that we provide as directed by AEMO under rules and regulations as SCS. These services include interruption or curtailment of generation of embedded generating units connected to the distribution system at AEMO's direction to manage MSL risks as will be required under Victoria's Emergency Backstop Mechanism, and interruption or disconnection of supply at premises at AEMO's direction to manage UFL risks.
- a separately classified ESS that AEMO can contract us to provide as SCS. These services could include RERT services, FCAS, inertia and other system security services.

We consider classifying services in these two distinct categories is important to reflect the different circumstances in which these services are provided – whether as directed by AEMO or as contracted by AEMO on request. Should the services be classified as SCS, this would mean our costs for providing ESS would be shared across our customer base, reflecting the benefits shared by our customers from ESS.

We consider it important to ensure that there are appropriate incentives and mechanisms in place to share the value from the provision of ESS with our customers. To complement the provision of ESS, we propose a new MSIS to incentivise provision of ESS and share value with our customers. Our proposal for this incentive scheme is detailed further below at section 5 about Incentive schemes.

Through our stakeholder engagement in relation to developing this proposal, participants recognised that Victorian electricity distribution businesses have a role in providing ESS and many participants acknowledged the potential benefits of networks providing these services.¹⁸

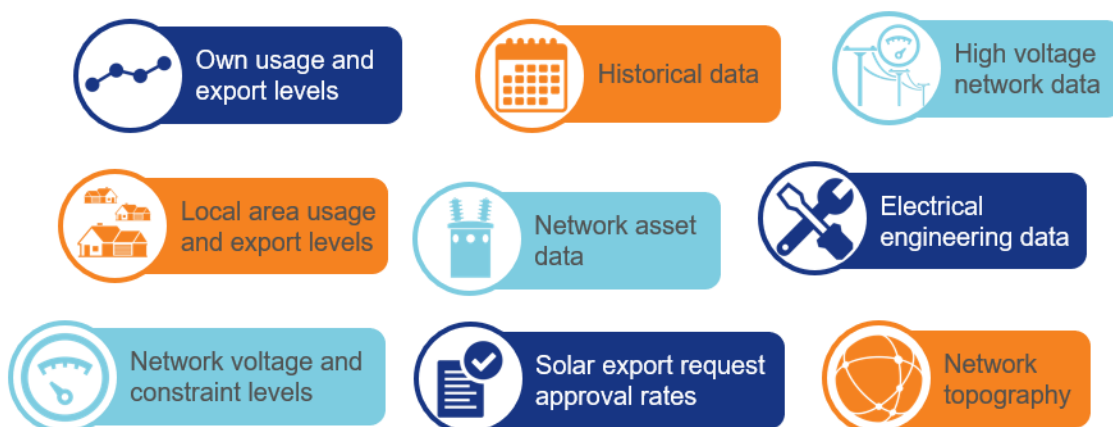
¹⁸ See Appendix B Framework and Approach Workshop 2 Outcomes Report pp 12-13.



3.3 Network data sharing and advisory services

Electricity distribution businesses gather and analyse data from network assets to safely, efficiently and reliably operate networks, including from smart meters, monitoring devices other systems. However, the data used by distribution businesses is also useful to various stakeholders to support their needs throughout the energy transition – including customers, NEM participants, investors, developers, governments, community groups and researchers. These stakeholders raise data requests with JEN and other distribution businesses, such as the examples shown below in Figure 3-3.

Figure 3–3: Examples of data requests (non-exhaustive)



While there are frameworks for some forms of data provision such as the availability of electricity usage data on electricity bills, for many types of data there is no existing, consistent data sharing framework. JEN and other electricity distribution businesses are managing many and a wide variety of data requests on an individual, ad-hoc basis. Data requests range in size and complexity, may include requests for advice on interpreting and applying provided data, and sometimes require dedicated staff to manage. In some cases, customers and other stakeholders requesting data are unsure of the data they require to resolve their request, as well as being unsure how to interpret the data.

The lack of a framework means that there may be inconsistent outcomes, inequitable cost allocations and consequential impacts for the progress of the energy transition.

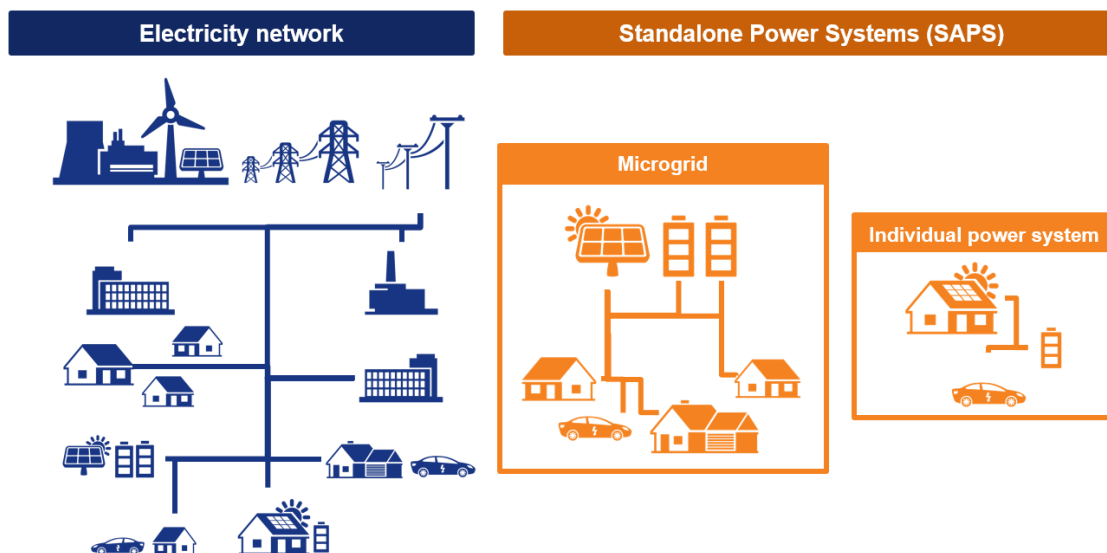
The AER has been progressing a network visibility project (initiated by the Energy Security Board) to support the development of a network visibility framework. Through the project, the value of network-related data sets will be identified, data sets will be defined, and changes to regulatory frameworks will be proposed to enable provision of this data.¹⁹

Consistent with this policy direction, we propose for the AER to newly classify two services for the provision of data and advice related to data in the F&A paper:

- We propose that provision of network data should be newly classified as a SCS in our common distribution service grouping. We anticipate that this would include data provision services, for example, through a network visibility map or portal that provides public access.
- We propose that provision of network data and advice related to data outside the scope of this SCS should be classified as an ACS. This would include services to respond to non-standard data requests. It would also include provision of advice related to network data where customers or third parties are unsure of the data they require to meet their needs or where customers or third parties seek further understanding or interpretation of data. Through this approach, costs of these bespoke services would be recovered from the stakeholder requesting the data, rather than being shared among JEN's customers.

Participants in our stakeholder engagement to develop our proposal were supportive of ensuring that the cost of providing data services is covered in a fair way and that relevant costs are allocated to those who benefit from the provision of the services. Participants also raised points about the change in data requests over time and considerations around data privacy and security including costs.

¹⁹ See AER, [Network visibility – benefits of increased visibility of networks consultation paper](#), 7 July 2023.



3.4 Standalone power system services

SAPS are technology solutions to provide electricity supply to customers in circumstances where supply via the electricity distribution network is not appropriate, for example in remote communities out of reach of existing power lines and in communities that have lost access to the grid due to line breaks such as from bushfires or other natural disasters. SAPS systems usually include solar panels, batteries and back-up generators, and include individual power systems and microgrids.

Recent reforms to national energy laws and rules enable electricity distribution businesses to provide SAPS services to supply electricity to customers who are not connected to the national electricity system. Electricity distribution businesses may provide SAPS services to existing customers and offer to connect new customers to existing regulated SAPS where this is more economically efficient than connection to the national electricity system. Under the rule changes, a distribution business's SAPS services are required to be classified as a SCS, so that costs of providing the services are recovered from across the customer base.²⁰

We request the AER give effect to this change by treating our provision of SAPS services as an activity under the 'common distribution service' grouping. This would be consistent with the approach adopted in the AER's position in relation to other distribution businesses' submissions for a replacement F&A paper.²¹

Participants in our stakeholder engagement to develop our proposal gave feedback recognising the value of SAPS as part of the electricity mix including to promote network resilience. We welcome further feedback throughout the AER's consideration of our proposal.

²⁰ NER clause 6.2.1A(b).

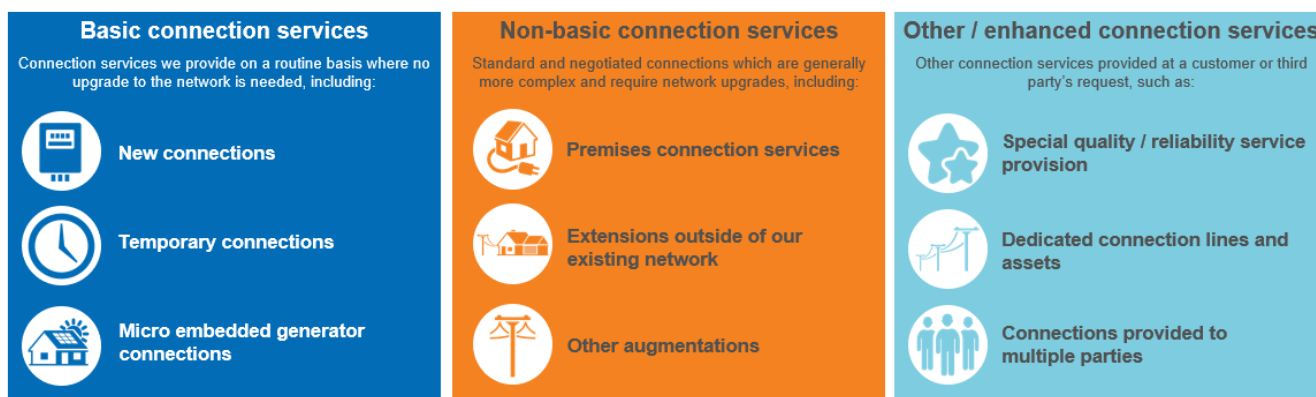
²¹ See, for example, AER, [Framework and approach – SA Power Networks Regulatory control period commencing 1 July 2025](#), 3 July 2023; AER, [Framework and approach – Ergon Energy and Energex, Regulatory control period commencing 1 July 2025](#), 3 July 2023.



3.5 Connection services

We provide a range of different connection services—including connection alterations—that can be broadly grouped into three service groupings. These service groupings are shown in **Error! Reference source not found.** below.

Figure 3–4: Connection service groupings



We also provide a range of other connection management services (grouped as ‘ancillary connection services’) including works requested by a customer or retailer which are specific to a connection point.

As a result of the implementation of the Victorian Government’s Emergency Backstop Mechanism reform, JEN will be required to ensure that newly connected and replaced solar PV installations are capable of their generation being remotely curtailed in an emergency if there are critical MSL risks.²² On 11 October 2023, the government set new regulatory obligations for JEN and other Victorian electricity distribution businesses to implement backstop capability for large solar PV installations that have a capacity of 200 kilo volt-amperes (kVA) and less

²² See Victorian Government, [Victoria’s emergency backstop mechanism for solar](#), accessed 24 October 2023.

than 30 mega volt-amperes (**MVA**).²³ The government is developing further regulatory obligations for small and medium solar PV installations of up to 200 kVA capacity.

To ensure relevant solar PV installations are backstop-capable, JEN will need to undertake a range of activities including:

- installation of infrastructure to enable backstop capability, for example inverter technology capable of remote communication with our systems through the internet or other means;
- inspection of solar PV installations at customer sites to check capability and readiness for remote curtailment in case of an emergency minimum; and
- other activities such as tests and notifications to customers of interruptions or curtailment.

As the government continues to develop the Emergency Backstop Mechanism, we request the AER to consider whether changes to service classifications are necessary to reflect activities we undertake in relation to the mechanism.

We also propose minor clarifications for the other/enhanced connection services we provide to reflect the potential dynamic network capacity management services discussed above that we may provide to some customers. In the AEMC final determination on access, pricing and incentive arrangements for distributed energy resources, it recognised the potential for distribution businesses to provide these services by way of service classification.²⁴

3.6 Other proposed changes to service classifications

In addition to the proposed changes to classifications of services we provide detailed in this part of the paper, we have made several other changes to the proposed service classification schedule in the next regulatory period relative to those listed in the service classification schedule as determined by the AER for the current regulatory period. These other changes are also marked up in Table C1-1 of Appendix C, together with the proposed changes detailed in this part of the paper.

These changes are editorial in nature and are intended to give clarity to the current service classifications, or are minor in nature and included to better align with the AER's recent service classification decisions for electricity distribution businesses in other jurisdictions.

²³ See [Victoria Government Gazette, No. S 542, 11 October 2023](#).

²⁴ AEMC, Access, pricing and incentive arrangements for distributed energy resources, [Rule determination](#), 12 August 2021.

4. Control mechanisms

In a distribution determination, the AER decides on the form of the control mechanisms over prices in relation to our direct control services. These may include, for example, revenue caps or price caps. The AER also decides on the formulae that apply to give effect to these mechanisms.

In deciding on a control mechanism, the AER considers:

- the need for efficient tariff structures (for SCS only);
- whether there is potential for competition in the relevant market and how the control mechanism may influence potential competition (for ACS only);
- impacts on administrative costs;
- how the service was regulated (if at all) in the previous regulatory period;
- whether it is desirable for a consistent regulatory approach for similar services within Victoria and among Australian states and territories; and
- other relevant factors.

The AER also considers similar factors for deciding on an ACS control mechanism.

For the current regulatory period, the AER decided to apply the following forms of control in relation to our direct control services:

- a revenue cap for services classified as SCS;
- a revenue cap for types 5 and 6 (including smart meters) metering services classified as ACS; and
- caps on the prices of individual services classified as ACS.

We propose to largely retain the existing control mechanisms in place during the current regulatory period for the next regulatory period. This would be consistent with the AER's recent decisions to maintain similar control mechanisms in relation to other distribution businesses' submissions for a replacement F&A paper.²⁵

In the AER's draft decision on the distribution determinations of Ausgrid, Endeavour Energy, Essential Energy, Evoenergy, Power and Water Corporation and TasNetworks for the regulatory period 2024-29, the AER noted its consideration of the potential change in classification and form of control for metering services provided by those distribution businesses in light of the AEMC's recent final decision on the review of the regulatory framework for metering services. For these distribution businesses, metering services are currently classified as ACS with a price cap form of control. While the AER's draft decision is to maintain this approach, the AER noted that it considered cost recovery through a revenue cap form of control (as is the case for types 5 and 6 metering services provided by JEN) is likely to be more appropriate for these distribution businesses in respect of their transition of meter replacement cycle.²⁶

We consider that it remains appropriate to maintain a revenue cap as the form of control for types 5 and 6 metering services we provide in the next regulatory period. Our view is that the AER should not change the form of control of these services to a price cap for consistency with distribution businesses in other jurisdictions.

However, we propose one amendment to the form of control for quoted ancillary network services as detailed in section 4.1 below.

²⁵ See, for example, AER, [Framework and approach – SA Power Networks Regulatory control period commencing 1 July 2025](#), 3 July 2023; AER, [Framework and approach – Ergon Energy and Energex. Regulatory control period commencing 1 July 2025](#), 3 July 2023.

²⁶ AER, [Draft Decision – Ausgrid, Endeavour Energy, Essential Energy, Evoenergy, Power and Water Corporation and TasNetworks Electricity Distribution Determination 2024 to 2029 \(1 July 2024 to 30 June 2029\) – Attachment 14 Control mechanisms](#), 28 September 2023

4.1 Adding margin and tax components to our quoted ancillary network services

We propose that the AER modify the control mechanism for ancillary network services in respect of quoted services we provide.²⁷ These are services related to our common distribution services but classified as ACS, for which prices are quoted. We take a quoted approach to pricing these services because the scope of the services can vary significantly between jobs and prices can only be determined when the scope of the work is known.

Our proposal is for the AER to add margin and tax components into the price cap formula for ancillary network services provided on a quotation basis. This proposed formula is as follows:

Proposed price cap control formula to apply to our quoted ancillary network services (proposed changes from the F&A paper for the current period shown in orange)

$$\text{Price} = \text{Labour} + \text{Contractor Services} + \text{Materials} + \text{Margin} + \text{Tax}$$

Where:

Labour consists of all labour costs directly incurred in the provision of the service which may include labour on-costs, fleet on-costs and overheads. Labour is escalated annually by $(1 + \Delta CPI_t)(1 - X_t^i)$ where:

ΔCPI_t is the annual percentage change in the Australian Bureau of Statistics (ABS) Consumer Price Index (CPI) All Groups, Weighted Average of Eight Capital Cities²⁸ from the ~~June~~ **December** quarter in year t-2 to the ~~June~~ **December** quarter in year t-1, calculated using the following method:

The ABS CPI All Groups, Weighted Average of Eight Capital Cities for the ~~June~~ **December** quarter in regulatory year t-1

divided by

The ABS CPI All Groups, Weighted Average of Eight Capital Cities for the ~~June~~ **December** quarter in regulatory year t-2

minus one.

For example, for ~~2020-24~~ **2026-27**, year t-2 is the ~~June~~ **December** quarter ~~2018~~ **2024** and year t-1 is the ~~June~~ **December** quarter ~~2019~~ **2025**.

X_t^i is the X factor for service i in year t. The X factor is to be decided in the distribution determination and will be based on the approach the distributor undertakes to develop its initial prices.

Contractor Services reflect all costs associated with the use of external labour including overheads and any direct costs incurred. The contracted services charge applies the rates under existing contractual arrangements. Direct costs incurred are passed on to the customer.

Materials reflects the cost of materials directly incurred in the provision of the service, material storage and logistics on-costs and overheads.

The definition of *Margin* is to be decided in the distribution determination.

The definition of *Tax* is to be decided in the distribution determination.

Other minor changes are proposed for the method of calculating CPI to account for the change of regulatory year to financial year basis since the F&A paper for the current period was made.

We consider that this change would be consistent with the principle of competitive neutrality so that customers who receive these services pay a price similar to that in a competitive market. This would also be consistent with

²⁷ For the avoidance of doubt, our initial view is not to propose changes to the price cap formula to apply to fee-based ancillary network services we provide. We anticipate taking into account margin and taxation costs in proposing prices for these fee-based services, as was the case for the distribution determination for the current regulatory period.

²⁸ If the ABS does not, or ceases to, publish the index, then CPI will mean an index which the AER considers is the best available alternative index.

other revenue and pricing principles in the National Electricity Law (**NEL**) such as the principle of allowing for a return in line with the regulatory and commercial risks involved in providing the service.²⁹

Further, this would be consistent with the AER's recent decisions in relation to the price cap formula for ACS in relation to other distribution business's submissions for a replacement F&A paper.³⁰

We have indicated that the definitions of the margin and tax components may be decided in the distribution determination. However, we note that the AER has previously decided upon a six per cent margin for the quoted services formula in relation to distribution determinations for other electricity distribution businesses.³¹ We suggest that the AER consider if a six per cent margin is appropriate for the formula applying for quoted services we provide in the next regulatory period.

²⁹ See, for example, NEL s. 7A(5).

³⁰ See, for example, AER, [Framework and approach – SA Power Networks Regulatory control period commencing 1 July 2025](#), 3 July 2023.

³¹ See, for example, AER, [Final decision – SA Power Networks Distribution Determination 2020 to 2025 – Attachment 13 Control mechanisms](#), 5 June 2020.



5. Incentive schemes

A range of incentive schemes apply under the F&A paper during the current regulatory period. These schemes have an important role in promoting efficiency and improved outcomes for our customers. We propose for the AER to retain the existing incentive schemes in place for the next regulatory period. These schemes include:

- the capital expenditure sharing scheme (**CESS**) which sets incentives for becoming more efficient by reducing our **capital expenditure (capex)** below set targets and sharing the benefits of efficiency gains and losses between our business and our customers;
- the demand management incentive scheme which sets incentives for undertaking efficient expenditure on non-network options to manage demand in the JEN network;
- the demand management innovation allowance mechanism under which distribution businesses are allowed funding for demand management research and development projects with underspends deducted from the allowance for the next period;
- the efficiency benefit sharing scheme (**EBSS**) which sets incentives for becoming more efficient by reducing our **operating expenditure (opex)** below set targets and sharing the benefits of efficiency gains and losses between our business and our customers; and
- the service target performance incentive scheme which sets incentives for our maintenance and improvements of network performance, to the extent that our customers are willing to pay for such improvements.

Our proposal is for the AER to retain these schemes with updates to the CESS. Retaining the schemes would be consistent with the approach adopted in the AER's position in relation to other distribution businesses' submissions for a replacement F&A paper.³² Furthermore, our view is consistent with the outcomes of the AER's recent review of incentive schemes completed in April 2023 as a result of which the AER decided to continue the above schemes (with some changes).³³

³² See, for example, AER, [Framework and approach – SA Power Networks Regulatory control period commencing 1 July 2025](#), 3 July 2023; AER, [Framework and approach – Ergon Energy and Energex, Regulatory control period commencing 1 July 2025](#), 3 July 2023.

³³ AER, [Review of incentive schemes for networks – final decision](#), 28 April 2023.

We are also continuing development of three additional incentive schemes – a CSIS, an ESIS and an MSIS and elaborate on each of these below.

5.1 Proposed changes to the capital expenditure sharing scheme

Notwithstanding our proposal to retain the CESS, we propose that the AER make two key changes to the scheme that we consider are necessary for the AER to appropriately assess capex efficiency pursuant to the CESS objective and principles. These changes include:

- adjusting the scheme so that it applies only to the part of JEN’s capex program that is within JEN’s control (that is, exclude new connections-related capex); and
- adjusting the scheme to take account of unforeseen additions to JEN’s capex program that JEN must incur to respond to changes arising through the energy transition, but which the AER has not been able to include within its capex allowance for determining JEN’s allowed revenue through a distribution determination.

We propose addressing these issues through engagement with the AER, our customers and other stakeholders throughout our regulatory proposal.

5.1.1 Restricting the CESS to the part of JEN’s capital expenditure program that is within JEN’s control

Most aspects of JEN’s capital investment program are within JEN’s control. However, JEN is sometimes required to incur capital expenditure for reasons outside of JEN’s control.

For example, under the NER, JEN and other electricity distribution businesses are required to offer to provide connection services to customers.³⁴ While JEN forecasts the volume of connections services that will need to be provided in the future in preparing our regulatory proposal, the actual volume of connections services required to be provided is not able to be predicted with full certainty. A range of factors influence the volume of connections services required to be provided, including housing growth rates in the JEN distribution zone and other market forces. This means that JEN is required to incur capital expenditure related to providing these connection services, such as investment in distribution infrastructure, that JEN has no control in determining.

The overarching objective of the CESS is to set incentives for network service providers (**NSPs**) such as JEN to undertake efficient capex during a regulatory control period.³⁵ Our view is that the CESS should only apply to the part of JEN’s capital expenditure program that is within JEN’s control to decide to undertake. Parts of our capital expenditure program that are outside of our control to decide to undertake, such as by reason of regulatory obligation, should be excluded for the purposes of the CESS.

Jemena raised this issue in our submission to the AER’s incentive scheme review, with reference to the customer engagement of our gas distribution business, Jemena Gas Networks (**JGN**), for its 2020-25 access arrangement proposal:

The purpose of the CESS is to incentivise capex savings under which NSPs have control. However, connections capex is demand-driven and outside the control of NSPs. Consistent with the principle of balance—as noted above—this potential change to the CESS would align with the approach in the EBSS, which only considers controllable opex savings.³⁶

Consistent with Jemena’s previous submission to the AER, we consider that the CESS should be restricted to the part of JEN’s capex program that is within JEN’s control.

³⁴ NER, Chapter 5A, part C.

³⁵ AER, [Capital Expenditure Incentive Guideline for Electricity Network Service Providers](#), 28 April 2023.

³⁶ Jemena, [Submission to the AER’s review of incentive schemes for networks discussion paper](#), 11 March 2022, section 1.4.

5.1.2 Taking account of unforeseen additions to JEN’s capital expenditure program required to be incurred during the energy transition

In making a distribution determination for the amount of revenue we are allowed to recover over the five-year regulatory control period, the AER takes account of our forecasted capex. However, throughout the regulatory control period, JEN makes adjustments to our capex program, including deferral of capex or additional capex, to take account of changes in our business, customer and stakeholder needs, and operating environment. This is important to ensure we flexibly respond to changes and continue to meet required standards.

As the energy transition increases pace, the capex required to be incurred in a regulatory control period is becoming less predictable. The range of reforms, projects and other changes being progressed through the transition by energy market bodies and governments is broadening. As a result, the timing of changes JEN is required to implement is becoming increasingly uncertain, particularly as priorities shift throughout the transition to respond to changing circumstances such as market forces and the pace of the transformation of the energy system. This means that unforeseen projects requiring capex arise during a regulatory control period that the AER has not been able to take into account in making a distribution determination.

Where JEN defers capex compared to our forecast at the time of the AER’s distribution determination, deferred capex is excluded for the purposes of the CESS. However, the CESS is not adjusted where JEN incurs necessary additional capex for a project arising out of the energy transition, such as in response to a reform or other change, and the additional capex was not factored into the AER’s distribution determination. We consider that this results in unintended outcomes for the CESS through the lack of symmetry between the exclusion and inclusion of capex for the purposes of calculating CESS rewards and penalties.

5.2 Customer service incentive scheme

In July 2020, the AER published a CSIS to encourage electricity distribution businesses to engage with their customers and provide customer service in accordance with customer preferences.³⁷ The CSIS sets incentives for distribution businesses to perform against customer service targets. Distribution businesses may develop proposals for incentives for the AER’s assessment and application during a regulatory period.

Through engagement with our customers and other stakeholders, we will continue to develop a CSIS proposal and design for consideration throughout our regulatory proposal, with a view to this forming part of our proposal for the next regulatory period.

5.3 Export service incentive scheme

In June 2023, the AER published an ESIS to enable electricity distribution businesses to propose incentives related to export services based on customer preferences. Similar to the CSIS, distribution businesses may develop proposals for incentives for the AER’s assessment and application during a regulatory control period.

Through engagement with our customers and other stakeholders, we will continue to develop an ESIS proposal and design for consideration throughout our regulatory proposal, with a view to this forming part of our regulatory proposal for the next regulatory period.

5.4 Market sharing incentive scheme

To support our proposal for the AER to newly classify ESS we provide, we propose to develop an incentive scheme to incentivise the provision of ESS and share the benefits of our provision of ESS with our customers. The scheme would reward our sharing of the market for provision of ESS with market participants where we are contracted by AEMO to provide these services.

We will engage with our customers and other stakeholders to further develop this proposal.

³⁷ AER, [Customer Service Incentive Scheme](#), 21 July 2020.



6. Expenditure forecast assessment guideline

The AER's EFA guideline provides for the assessment approaches that the AER will use when considering our proposed expenditure forecasts for the next regulatory period, and the information that we will provide to the AER.³⁸

The EFA guideline sets out assessment tools including:

- models for assessing proposed replacement capital expenditure (typically to address deterioration of network assets) and augmentation capital expenditure (typically for building or upgrading network assets);
- benchmarking, including broad economic approaches and more specific analysis of types of expenditure;
- methodology, governance and policy reviews;
- predictive modelling and trend analysis; and
- cost benefit analysis and detailed project reviews.

The AER has also supplemented the EFA guideline with its expectations of distribution business proposals in the Better Resets Handbook.³⁹

We seek the AER's indication of its proposed approach in applying the EFA guideline for our regulatory proposal, so that we may align our proposal with the AER's approach. We will also align our proposal with the expectations set out in the Better Resets Handbook.

³⁸ AER, [Expenditure forecast assessment guideline for electricity distribution](#), 1 August 2022.

³⁹ AER, [Better resets handbook – towards consumer-centric network proposals](#), 9 December 2021.



7. Depreciation

The AER makes allowance in its distribution determination for depreciation, which is an allowance so capital investors may recover their investment over the economic life of the assets and thereby receive return of capital. As electricity distribution businesses manage large portfolios of assets used for operating the network, accounting for depreciation of assets is important to support efficient investment.

Assessing depreciation is an important part of rolling forward an electricity distribution business's regulatory asset base (**RAB**), which comprises the value of the business's assets and any accumulated depreciation, at the beginning of the next regulatory period. Rolling forward the RAB determines the opening RAB for the next regulatory period, which forms the basis for the AER's distribution determination.

The depreciation method to rolling forward the RAB may be based on either:

- actual capital expenditure incurred during the current regulatory period, less the depreciation on this actual expenditure; or
- the capital expenditure allowance forecast at the start of the regulatory period, so that the RAB is rolled forward based on actual expenditure less the depreciation on the forecast expenditure approved for the regulatory period.

We support the AER continuing its existing approach to applying forecast depreciation in the next regulatory period, noting this is consistent with the approach adopted in the AER's position in relation to other distribution businesses' submissions for a replacement F&A paper.⁴⁰

⁴⁰ See, for example, AER, [Framework and approach – SA Power Networks Regulatory control period commencing 1 July 2025](#), 3 July 2023; AER, [Framework and approach – Ergon Energy and Energex, Regulatory control period commencing 1 July 2025](#), 3 July 2023.

Appendix A

Framework and Approach Workshop 1

Outcomes Report

FRAMEWORK AND APPROACH WORKSHOP

Outcomes report

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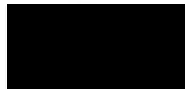
REPORT

Document status

Version	Purpose of document	Authored by	Reviewed by	Approved by	Review date
V1.0	Framework and Approach Workshop Report	Elly Baker	Rikki Butler	Nicola Wass	25 May 2023
V2.00	Final report	Rikki Butler	Nicola Wass	Nicola Wass	1 June 2023

Approval for issue

Nicola Wass



1 June 2023

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Prepared for:

Victorian Energy Distributor Businesses

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1 EXECUTIVE SUMMARY

This report provides an overview of the feedback provided to the Victorian electricity distribution businesses (VICDBs) from participants at the Framework and Approach Workshop, held on Thursday 18 May 2023. This online workshop is the first step of the 2026-31 price reset regulatory proposals process, where the VICDBs consider whether there should be any changes to the services that they provide as distributors. Any changes will be proposed to the Australian Energy Regulator (AER) through the Framework and Approach (F&A) process.

Under the National Electricity Rules (NER), VICDBs must submit electricity distribution price reset proposals to the AER by 31 January 2025 for the 5-year regulatory control period from 1 July 2026 to 30 June 2031. The AER considers the proposals and, following its review, outlines the maximum revenues that the Victorian electricity distribution businesses can receive.

The first stage in the determination process is the setting out the F&A for the 2026–31 period.

The five Victorian electricity distributors have decided to come together and engage collectively on the F&A process as they will be tackling state-wide issues, and feel it makes sense to develop a state-wide response.

Workshop participants contributed to facilitated activities and discussions and shared their insights on the key discussion areas identified by the VICDBs.

Overall, the participants identified the following themes as key areas across all topics:

- Managing the risks and costs around service offerings and striking the right balance
- The role of the VICDBs – what are the key services they really need to provide?
- Need to share further detail and data on the problems that are trying to be solved.

Further detail on these topics is shared below.

Managing the risks and costs around service offerings and striking the right balance

Participants in the workshop identified several gaps and concerns related to managing risks and costs around service offerings and finding the right balance. One major concern is equity in services and remuneration, highlighting the need to ensure fairness in the distribution of services and compensation. Additionally, participants recognise the potential for distributors to play a role as innovators, emphasising the importance of exploring their involvement in service offerings.

When discussing the provision of export services, the discussion primarily revolved around cost and fairness. Promoting competition and ensuring a level playing field was closely tied to sharing network data, with participants acknowledging the interconnected opportunities in this area. Questions arose regarding how the distribution network addresses these concerns and whether the government should play a role. Determining fair and equitable charges, conducting proper assessments, and measuring export services were also areas of uncertainty.

When considering VICDBs potential role in providing essential system services, the key consideration was only doing so if it offered customers the lowest cost possible. Some participants believe that if VICDBs can offer lower-cost services, they should, but they argue against classifying it through the F&A process. The risks and costs associated with providing services through voltage management need to be better understood, and the potential transition of Energy Storage Systems (ESS) from a transitional to a standard control service was proposed. The value to the average consumer and the facilitative role of networks in transitioning to renewables were also discussed.

In terms of network data sharing and advisory services, participants agreed on the need to recover costs for providing data to consumers and other parties. The increasing collection of data and its potential benefits to the industry were acknowledged, but the challenge lies in managing the cost of providing data while demonstrating clear consumer value.

Whilst discussing the gap in the ability to unlock value from batteries without contracting costs, participants agreed that unregulated revenue should be returned to customers, and there was a discussion about whether networks should own batteries or procure them from a competitive market.

In the provision of new electricity services in regional areas, the question of cost-sharing and cross-subsidisation arises due to potentially prohibitive costs. Finally, some participants felt the provision of stand-alone power systems (SAPS) requires clarity from distributors regarding where the benefits lie.

The role of the VICDBs – what are the key services they really need to provide?

Throughout the workshop there was challenge from some participants to VICDBs to consider whether the services being discussed were key services that they really needed to provide. It is important to emphasise this was not a view held by all participants and the level of challenge varied throughout the workshop. In most instances there were counter views offered. However, it was a theme that ran through many of the workshop discussions.

Some participants felt there was a blurring of services and distinct boundaries had been removed. It was highlighted that The participation of VICDBs in service delivery depends on the competitiveness of the service and the level of market development. There was a question about what falls within the remit of the VICDBs (compared to others in the space, especially considering the increasing complexity of areas such as batteries, SAPS, and transmission).

When discussing the potential provision of essential system services, some participants highlighted that Essential system services are not classified as competitive services. It was felt that if Distribution Network Service Providers (DNSPs) can provide services at a lower price, they should do so in a competitive market as an unregulated business. One participant felt the current ban on distributors supplying Essential System Services (ESS) under ring fencing should be maintained.

With regards to the provision of network data sharing and advisory services there were some concerns about distributors' ability to effectively manage data based on their past performance. There were questions about whether distributors were adopting a "build it and they may come" approach similar to the National Broadband Network.

Whilst a potential role for VICDBs in ability to unlock value from batteries without contracting costs was considered some participants were unsure if networks should own batteries at all and for what purpose. Additionally, concerns were raised about ensuring that the benefits of these assets are passed on to consumers, with the suggestion that all unregulated revenue should be returned to customers.

In terms of providing new electricity services in regional areas, some felt that is was not the role of VICDBs to offer services like EV charging stations. Some participants argued that regional customers and services should not be supported or subsidised by distributors or other electricity users, suggesting that these services should be handled by the government outside the electricity system.

Overall, the workshop discussions highlighted differing views on the boundaries of VICDBs responsibilities. There were contrasting views on various aspects, emphasising the complexity and challenges involved in defining the role of VICDBs.

Need to share further detail and data on the problems that are trying to be solved.

Participants in the workshop expressed the need for further detail and data regarding the problems that were being addressed. They sought clarity on the gaps and the specific problems that were being solved. One participant questioned the gaps mentioned in the pre-read material and raised doubts about whether vertical integration was the most suitable solution. There was a request for clarification on the concept of export services and what it entails.

Regarding the capacity to provide essential system services (ESS), some participants emphasised the importance of understanding the risk being considered and the problem that is being solved. They highlighted the lack of information on how much cheaper distributors could provide the service and the absence of a pressing need to change the current provision of ESS. Some participants expressed a concern about fully understanding the scope and dimension of the problem and whether it poses an increasing risk.

In terms of unlocking value from batteries without incurring costs, VICDBs were urged to identify barriers to compensation across the battery stack. Some participants felt there was a need to clearly define the problem statement and determine if there was a market failure that needed to be addressed.

Overall, participants emphasised the need for more detailed information, data, and clarification to better understand the problems being addressed, assess risks, and identify suitable solutions.

REPORT

The findings of this report will be shared with VICDBs for their consideration and to inform their thinking about what they could do differently as they embark on the 2026-31 Price Reset regulatory proposals process.

2 WORKSHOP OVERVIEW

2.1 Overview

The Victorian electricity distributors are developing their regulatory proposals, in which they will propose future plans on how to operate and maintain the electricity networks. The Australian Energy Regulatory (AER) will then assess these proposals and determine whether the distributors may include the investment required for those future plans in their network charges to customers.

To support this process, the VICDBs have embarked on an engagement program to understand stakeholder and customers perspectives about the issues the distributors are seeking to address through the provision of new services. This engagement program will help to inform the development of state-wide recommendations to consider whether there should be any changes to the services that the VICDBs provide.

The VICDBs used this workshop to seek insights to inform and help shape their response to the F&A process as they embark on the 2026-31 price reset regulatory proposals process.

We are amid an energy transition that is transforming the way customers think and interact with the energy distributors, but it is also creating gaps in the provision of some key services energy consumers need and expect. This workshop provided the VICDBs an opportunity to seek feedback from customers to help consider what role they may play in meeting these gaps, the way they and the market provide services and what it would mean for customers if there was a change to the services provided.

This is the first of two workshops in this series. The insights shared during this first workshop will be used to inform VICDBs thinking about what they could do differently. Later in the year, the same participants will be invited to another workshop when VICDBs will share how they have responded to participants ideas and to test those proposed options with the group.

2.2 Workshop objectives

The objectives of this first workshop were to:

- Share the service gaps the Victorian electricity distributors have identified and consider if they should play a role in meeting them.
- Develop an understanding of the implications for customers if Victorian electricity distributors changed or provided new services.
- Capture participant insight that can be used to shape VICDBs response to the F&A process, which will set the parameters for the services that Victorian distributors provide over the 2026-31 period.

2.3 Workshop Participants

The VICDB's identified participants through a state-wide advertisement of an Expression of Interest (EOI) to participate' to ensure visibility and transparency of the session, additionally VICDBs circulated the EOI within networks and invited known key stakeholders. Finally, The Department of Environment, Energy, and Climate Change (DEECA) and AER representatives were invited directly.

The following participants attended the workshop:

Table 1: VICDB Representatives

VICDB Representatives	
Name	Organisation
Eliza Cochrane	AusNet
Justine Betlehem	AusNet
Sonja Lenkovic	Ausnet
Charlotte Eddy	AusNet
Brent Cleeve	CitiPower Powercor
Chris Gilbert	CitiPower Powercor

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VICDB Representatives

Renate Vogt	CitiPower Powercor
Ana Dijanosic	Jemena
Matthew Serpell	Jemena
Louise Baring	Jemena

Table 2: Participants

Participants			
Name	Organisation	Name	Organisation
Bradie Cetin	SE (Jemena EOI)	Lynne Chester	AusNet stakeholder representative
Constantine Noutso	Red Energy	Mark Grenning	AusNet stakeholder representative
David Markham	Energy Council	Matthew Mullins	CGI
David Prins	CCP	Meg Zerafa	AER
Gary Davis		Neil Watt	CGI (Jemena EOI)
Helen Bartley	CAP Member PoweCor	Paul Englund	CGI (Jemena EOI)
James Alexander	DEECA	Pedro De Sousa Carmo	CGI (Jemena EOI)
Ken Holder	KPMG	Peter Warren	CGI
Kieran Donoghue	AusNet stakeholder representative	Seb Rattansen	DEECA
Lawrence Irlam	Energy Australia	Tony Robinson	AusNet stakeholder representative / AusGrid consultative forum chair
Lynda Osborne	CAP Member PoweCor	Winnie Waudou	CAP Member PoweCor

2.4 Workshop process

Timing: 1:30pm to 4:30pm

Location: Online via Zoom

Facilitator: Rikki Butler, Director – Communications and engagement, RPS

Support facilitator: Elly Baker, Consultant – Communications and engagement, RPS

To ensure the most effective use of participants' time during the workshop, all participants were given a pre-read pack to provide context and information about the topics being discussed. The workshop involved a series of short presentations about each topic under consideration, followed by small group discussions, facilitated through four smaller breakout rooms. To support the active involvement of all participants during small group discussions, representatives from the VICBDs were allocated to each of the four breakout rooms to facilitate conversation and activities, and to hear participant insights firsthand. At the end of each small group discussion, outcomes were shared with the plenary group. The outcomes of these workshop discussions follow.

3 WHAT GAPS HAVE PARTICIPANTS IDENTIFIED?

At the start of the session the VICDBs detailed the massive transformation the energy system and market are undergoing, highlighting that these changes are, in some situations, creating service gaps that have not been met.

Participants were split from the main Zoom group in-to four breakout rooms, where they were invited to discuss which gaps they had identified in the energy market, before returning to the main channel to provide their feedback to the wider group.

3.1.1 Key areas of discussion

- Participants needed clarity around what the gaps are, and the problems they are trying to solve.
- Participants are concerned with equity in services and remuneration.
- There is blurring of services and removal of some of the distinct boundaries.
- Concerns around management of land functions are handled, especially rural.
- Concerns around data management.

3.1.1.1 Room one

Summary of key points shared by participants in this room:

- One participant expressed uncertainty about the gaps addressed in the pre-read material and questioned if vertical integration is the most suitable solution.
- The AER has the capacity to grant waivers, but the early response has hindered the growth of the emerging market.
- Some participants believe that there are currently no gaps. However, the issue lies in the low adoption of technologies.
- The opportunity to conduct trials and learn is considered appropriate in the F&A, rather than prescribing a specific solution.
- Stand-alone power systems (SAPS) fall under a regulatory framework where it is more economically viable than maintaining the network.
- The participation of VICDBs in service delivery depends on the competitiveness of the service and the level of market development.
- For instance, one participant agreed with Ausgrid's proposal that there is no competitive market for batteries due to the absence of other participants.
- Exploring the role of distributors as innovators is deemed worthwhile.
- Gaps were identified in the context of batteries.
- Promoting competition and ensuring a level playing field are connected to sharing network data, with opportunities being interconnected.
- VICDBs possess expertise in assisting customers with managing Distributed Energy Resources (DER) during network changes, which one participant finds beneficial. It would be useful to explore the value provided to customers and consider alternative approaches.

3.1.1.2 Room two

Summary of key points shared by participants in this room:

- Further exploration is needed regarding dynamic tariff rates and arrangements involving the aggregation of assets, such as virtual power plants.

- Participants requested clarification on the concept of export services and what it entails.
- One participant questioned the boundaries of advisory services but considered it potentially valuable.
- Sharing distributors' intellectual property (IP) in data is seen as advantageous for everyone involved.
- The delivery of land management functions by distributors, particularly for rural distributors, is not recognised by the AER.
- There is a lag in recognising these functions in the electricity sector compared to other infrastructure industries.

3.1.1.3 Room three

Summary of key points shared by participants in this room:

- The distinction between market and network services is becoming more blurred and complex.
- There is a question about what falls within the remit of the VICDBs (compared to others in the space, especially considering the increasing complexity of areas such as batteries, SAPS, and transmission).
- The question arises whether the VICDBs should offer new services directly or act as an enabler for other participants to utilise the platform, such as through DSO (Distribution System Operator) models.
- Alternatively, there is a consideration of whether the VICDBs should provide services to retailers, who would then pass them on to the customers.

3.1.1.4 Room four

Summary of key points shared by participants in this room:

- Data management: Managing data and intelligence derived from the distribution system's intellectual property (IP) for the benefit of consumers and businesses.
- Land management services: Addressing transmission and distribution concerns on privately or state-owned land, including associated environmental issues.
- Dynamic Tariff renting: Implementing flexible tariff rates that can adjust based on specific conditions or factors.
- Aggregated assets: Consolidating and effectively managing various assets within the distribution system.

4 GAPS THE ELECTRICITY DISTRIBUTORS HAVE IDENTIFIED

The remainder of the session was broken down in to six key discussion topics or service 'gaps', as identified by the VICDBs.

4.1 Gap in the provision of export services

Chris Gilbert, Senior Regulatory Analyst, CitiPower, PowerCor & United Energy, presented an explained the gaps in the provision of export services to the plenary group, before breaking them out in to their four smaller groups to discuss the two following questions:

- a. What are the key things the electricity distributors should consider when developing their approach to addressing this gap?
- b. Should export and consumption services have the same or differing arrangements?

4.1.1 Key areas of discussion

- Participants generally support the two-way pricing model.
- Participants are most concerned about cost and fairness, and were concerned with the following areas:
 - How does the distribution network address this or is it left to government?
 - How do we make the charges fair and equitable?
 - What assessment is needed?
 - How do we measure export services?
- What do connection agreements lead customers to expect?
 - What local conditions are, what network requirements and constraints are (regional, rural, city), how expansions and other factors affect services.

4.1.1.1 Room one

Summary of key points shared by participants in this room:

- Some participants advocate for export charging, using NSW Tariff Structure Statement (TSS) as an example, to enable two-way pricing that is considered equitable.
- Concerns are raised about potential adverse impacts on other customers if some customers choose to upgrade their own services.
- There is an opportunity to demonstrate that customers would benefit from export charging, particularly highlighting the positive outcomes for SA Power Network's (SAPN's) customers who can export energy most of the time.
- Dynamic export, combined with price signals in collaboration with retailers, allows customers to receive the desired value.
- It is plausible to consider discrete pricing for select customers rather than universal regulated services.
- Collaboration with VICDBs is ongoing to finalise the two-way pricing policy.
- Flexible exports would be beneficial in supporting the network during periods of minimum demand and addressing network challenges.
- Simplicity in implementation was emphasised.
- Time of Use (ToU) tariffs have been significantly reduced.
- Fairness in the charging mechanism is deemed important.

- The cost burden would vary based on the network location (rural vs. urban) and affordability considerations.

4.1.1.2 Room two

Summary of key points shared by participants in this room:

- Fair treatment of customers who are unable to export excess energy is important.
- There was a discussion around whether customers should have a right to a certain level of export services.
- Distributors, specifically VICDBs, should establish a common process for managing customer eligibility for export rights, emphasising the need for clear expectations.
- Recent changes to the Connection Charging Guidelines have addressed some of the concerns raised by distributors.
- Ensuring customer rights to the benefits of exporting when the distributor lacks the necessary capacity is a key consideration.
- Two scenarios for no exports exist: customers on single-wire earth return/high voltage (SWER/HV) single phase and potential future augmentation for future export capacity. Clear communication for each circumstance is essential.
- Participants hold differing views on whether the conditions of export and load should be treated differently.
- The expectations set by connection agreements require examination.
- Challenges are identified for people in rural areas who are likely to face restrictions or limited export capacity.

4.1.1.3 Room three

Summary of key points shared by participants in this room:

- Defining and incentivising the export service requires consideration of the reporting framework, service levels, and potential incentives.
- The feasibility of establishing a minimum standard for all customers across the network should be examined.
- Exploring additional services beyond the minimum standard is important.
- Ensuring transparency, avoiding surprises for customers, and meeting their expectations are key objectives.
- Determining the right to control power paths should take into account the impacts on assets.
- Revenue recovery sources should be analysed, comparing revenue from exports versus consumption.
- Strong emphasis was placed on the equity issue by several participants.
- Clarity is needed regarding the roles of VICDBs versus government decisions. Network efficiency should be set by the network, while the government should consider equity aspects.
- International examples such as California's Electric Vehicle (EV) tariffs and the Netherlands' access to solar photovoltaic (PV) for renters were mentioned.

4.1.1.4 Room four

Summary of key points shared by participants in this room:

- Network visibility and data access from the distribution point of view are crucial, along with considerations of data sharing.
- Reducing expenses is important for market participation.
- Simply providing more data is not a game changer; data should be driven by business needs.
- The structure of data should not be overly rigid.
- Caution is advised to avoid a lack of competition and potential failure.
- Multiple approaches exist for service provision.
- Efficient delivery of services is essential, and costs should be appropriately allocated.
- Land management services and the blurring of service boundaries were significant topics.
- Essential services should be based on merit rather than being available to everyone.
- The absence of entitlement in export services is viewed positively.
- Clarity is needed regarding the services provided by DNSPs (Distribution Network Service Providers).
- Rules should be fair for solar customers, as well as for those without solar (e.g., renters or individuals without capital).
- There is an optimal level of exports, and surplus energy can be released back into the grid.
- The decarbonisation of society is a driving factor behind these discussions, aiming to maximise export capacity.
- Consumers participating in export services must take on responsibilities, such as adapting to different tariffs and enabling demand-side response/control.
- Clarity and fairness are crucial to ensure a level playing field and accommodate exporting activities.
- The system of exporting needs to be effectively managed, including setting thresholds and measuring exports against minimum standards.
- Network constraints arise when expansions are taking place.
- SAPN's two-way pricing model was mentioned.
- Fair charging mechanisms need to be established.

4.2 Gap in the capacity to provide essential system services

Justin Betlehem, Acting Compliance Manager, AusNet, presented on the importance of providing essential system services and the intersection between renewables, ensuring systems are safe and reliable, and the role distributors could play in meeting the capacity gap.

The participants were then asked the following questions in their breakout groups:

- Should Victorian distributors help to meet this gap?
- What are the considerations for their customers?

4.2.1 Key areas of discussion

- Participants expressed the need to understand the risk that is being considered and the problem that is trying to be solved.
- Having the lowest cost possible was generally a key area for the plenary group.

- Some participants expressed views that if VICDBs think they can provide lower cost services, they should, but these participants felt it should not be a classified service under the F&A.
- Some participants were concerned about the use of shared assets and allocation of subsequent costs.
- Some participants had concerns around the lack of communication and understanding of the topic with customers.
- The common theme was there is no defined yes or no answer here – depends a lot on how VICDBs navigate this area.

4.2.1.1 Room one

Summary of key points shared by participants in this room:

- Essential system services are not classified as competitive services.
- VICDBs can utilise existing assets as long as regulated customers receive all the benefits, following the updated standard AER rules.
- In the UK, industry experts have allowed Distribution Businesses (DBs) to participate but considered potential harms.
- If Distribution Network Service Providers (DNSPs) can provide services at a lower price, they should do so in a competitive market as an unregulated business.
- Risks and costs associated with providing services through voltage management need to be understood.
- The effectiveness of dynamic voltage control was questioned, highlighting the absence of its implementation in South Australia.
- Essential services are not solely unregulated; they are a central aspect of VICDBs' responsibilities to maintain a safe and reliable network.

4.2.1.2 Room two

Summary of key points shared by participants in this room:

- The current ban on distributors supplying Essential System Services (ESS) under ring fencing should be maintained. ESS is considered a contestable service and should not be provided as a regulated service.
- The case for distributor involvement in ESS depends on how much cheaper distributors could provide the service, and this information has not been presented.
- New generators have an interest in not destabilising the grid, which incentivises them to bring their own inertia.
- The efficiency of distributors in providing ESS compared to other contestable providers is a question to consider.
- It was proposed that ESS could initially start as a transitional service provided by the contestable market and gradually evolve into a standard control service.
- The provision of ESS is seen as a risk management issue. Distributors argue that they can provide it most efficiently, but there is currently no pressing need to change the current provision of ESS services. The question is whether the growing risks would support the entry of a regulated solution.
- The departure of fossil fuel generators from the system could serve as a trigger point for increased risk. Currently, only new generators are required to provide ESS, not existing ones.
- Residential inverters are also contributing to inertia issues, and the cost burden is being borne by new wind farms and solar installations. This is an argument for distributor involvement in ESS.

4.2.1.3 Room three

Summary of key points shared by participants in this room:

- The focus is on delivering services to end users in the most affordable way possible, with consideration for minimum costs and identifying the entities capable of providing these services.
- There was a discussion about whether there is a smaller incremental cost for Transmission Network Service Providers (TNSPs) to offer certain services, such as block PV to address minimum demand issues.
- There is a suggestion for VICDBs to take an active role in managing investments and not solely rely on the government, presenting an opportunity for VICDBs to address issues themselves.
- Concerns were raised regarding the use of customers' assets, including the need to address issues related to ringfencing, potential turf wars, and the possibility of cross subsidies. Engagement with retailers and generation companies is seen as crucial.
- Strong cost controls are advocated for, with the expectation that regulated assets should not be used to generate unregulated revenue.
- The level of awareness and concern among customers about these issues and services is questioned. It is proposed that VICDBs should communicate with customers about the services they provide, while ensuring clarity and avoiding confusion.
- Communication is considered important, recognising that customers are diverse, including commercial and industrial (C&I) customers, residential customers, and those in remote areas.
- Cost considerations are emphasised, highlighting the importance of finding efficient and prudent solutions.
- The discussion included consideration of the impact of VICDBs at the connection point versus beyond the connection point, suggesting a need to clarify their roles and responsibilities.

4.2.1.4 Room four

Summary of key points shared by participants in this room:

- There was a discussion about the potential cost advantages of Distribution Network Service Providers (DNSPs) and transmission providers in delivering services.
- Considerations were raised regarding reimbursement for customers who introduce stability into the network through their installations (e.g., solar or wind) and the potential costs passed onto consumers.
- The focus was on reducing overall costs and exploring the possibility of DNSPs providing services cheaper, potentially allowing them to expand their role in the energy sector.
- The value and benefit to the average consumer, as well as the role of networks in facilitating a smoother transition to renewables, were considered.
- The issue of ringfencing and the need to mitigate risks and ensure fast frequency response were discussed.
- The role of the Australian Energy Market Operator (AEMO) and Transmission Network Service Providers (TNSPs) was mentioned.
- There is a call to define the actual services and pursue cost reduction as a priority.
- The non-classified nature of the service under the F&A was highlighted.
- The use of existing assets under voltage control and the question of whether customers should pay for them through the Regulated Asset Base (RAB) was raised.
- The importance of delivering cheap and reliable energy is emphasised.
- There is a concern about fully understanding the scope and dimension of the problem and whether it poses a growing risk.

- The need for a reliable and secure operating network is emphasised, highlighting the importance of considering it as more than just an unregulated service.

4.3 Gap in the provision of network data sharing and advisory services

Chris Gilbert, Senior Regulatory Analyst, CitiPower, Powercor & United Energy, presented to the plenary group on monitoring systems that collect data on usage, power quality and network operations at higher voltages. Chris explained the growing demand for data access requests and how it can help customers and providers.

The breakout groups were asked to consider the following questions:

- Should data sharing and advisory services become a key service that the electricity distributors offer to customers?
- What are key things they should consider when making this decision?

4.3.1 Key areas of discussion

- Participants agreed data is a complex topic and it would need to be managed.
 - There should be an alternate control service, rather than a standard control service.
 - Participants discussed options around how the data would be shared – whether that be through a portal, or an API which could plug in to other services.
- There was a consensus with the plenary group that there is a need to recover the costs to provide data to consumers or other parties for various requests.
- Managing privacy was a key concern.
- Third party access to data sets would open up more opportunities over time.
- Participants agreed there is a need for an advisory service to match the right needs to right data, given the complexities of the topic.

4.3.1.1 Room one

Summary of key points shared by participants in this room:

- The collection of data is increasing, and its potential benefits to the industry are not fully defined.
- There is support for making data available and accessible, but the cost of providing data needs to be managed in a way that demonstrates clear consumer value.
- There is no objection to providing data services as long as they are not classified as Socialised Communication Services (SCS). The costs of providing data are believed to be lower than the value derived from it.
- Networks have shown commitment to sharing datasets with third parties, and there was a discussion about the need for data strategies and opportunities to unlock value for consumers.
- There is a debate between providing a basic service offering versus a more advanced offering, with considerations for privacy and the methods of data sharing (portal or API).
- It is important to consider the data needs of stakeholders and consumers, matching the data provided to their specific requests, and ensuring the format of the data is suitable for their use.

4.3.1.2 Room two

Summary of key points shared by participants in this room:

- There are concerns about the ability of distributors to effectively manage data, given their past performance in this area.

- The focus should be on determining the intelligence and information that distributors intend to provide, who the intended recipients are, and their specific needs and preferences.
- There is a perceived gap in translating data into customer-friendly information, which could be addressed through an advisory service.
- There is a concern about the potential for distributors to create a "gold-plated" data service that may not align with customer needs or provide value for money.
- It is necessary to establish a clear distinction between regulated data services and value-add services and define the expectations for each.
- Distributors' existing processes are seen as clunky and siloed, which hampers efficient data provision.
- There are questions about whether distributors are adopting a "build it and they may come" approach similar to the NBN (National Broadband Network).
- The discussion also raises the question of whether distributors should be obligated to provide the data interface without necessarily storing the data themselves.
- The accuracy of distributor data is questioned, and there is a suggestion to provide incentives for improvement in this regard.

4.3.1.3 Room three

Summary of key points shared by participants in this room:

- There is a need to differentiate between providing data for compliance purposes and providing data for other purposes, to ensure clarity and avoid blurring the lines.
- There is a push to make data available and accessible, but with privacy controls in place and ensuring that it is used for the right purposes.
- In comparison to NSW, there may be less access to smart meter data than in Victoria, leading to different considerations and potentially different cost implications.
- There are a range of stakeholders who require access to data, including investors and individuals making commercial or residential investment decisions.
- Privacy concerns should be addressed by ensuring that data is deidentified before being shared.
- There could be a fee-for-service approach where data collection – this is taking away from the core businesses but is part of the current operating environment.
- Principles for sharing data and determining when to charge for it would need to be agreed upon across the sector.
- It is important to recognise the interpretation of data may vary, and there may be other organisations providing their own advice and interpretations. There is a need to consider the distinction between explaining and interpreting.

4.3.1.4 Room four

Summary of key points shared by participants in this room:

- The outcomes of the major review of privacy legislation should be considered in the context of data sharing.
- The distinction between identifiable and de-identifiable data needs to be clarified.
- Ongoing value for customers can be derived from accessing data, such as identifying leaks or improving decision-making.
- Ethical and moral considerations around data sharing and information privacy need to be addressed.
- Publishing data, within privacy constraints, can facilitate the entry of new businesses and players into the ecosystem.
- Enabling consumers to make better decisions is of paramount importance.

- Data should ideally be shared through an Application Programming Interface (API) in a reusable format, preferably in a de-identifiable manner.
- The need for ad hoc data requests should be reassessed.
- The broader benefits of data sharing and customer rights should be considered.
- Data management is complex, encompassing various types of data across different systems.
- Costs associated with data provision need to be recovered, while managing the perception of paying for data.
- Access to data can provide customer benefits and enable third-party opportunities.
- Improved data management by distributors is necessary to mitigate the risk of data inaccuracies, and incentives can be developed to encourage better data management.
- Considerations should be given to basic service offerings for data and different approaches to fees or cost recovery.
- Many customers and stakeholders have an interest in accessing data.
- Structured data publishing should be considered, while ensuring privacy protection.
- Access to data can empower consumers to make informed decisions.
- The party benefitting from data sharing should bear the costs associated with it.
- An intermediary service may be necessary to match data requests with the most relevant information.
- Providing data in the right format can minimise back-and-forth interactions.

4.4 Gap in the ability to unlock value from batteries without contracting costs

Matthew Serpell, Electricity Regulation and Compliance Manager Jemena Electricity Networks, presented to the plenary group around the challenges of value stacking of batteries and other technologies.

The breakout groups were then asked to consider the following question:

- What key things should the electricity distributors consider when developing our approach to addressing this gap?

4.4.1 Key areas of discussion

- The plenary group agreed unregulated revenue should be returned to customers.
- Participants agreed batteries will be an important part of the transition, but VICDBs need to ensure a level playing field given some parties will be getting a regulated return on their batteries and others aren't.
- The group was unsure if networks should own batteries at all, and for what purpose.
 - Batteries can be a justifiable network asset if they can defer a need for augmentation and provide ability to meet export services.
- VICDBs need to be able to identify barriers to compensating across the battery stack.

4.4.1.1 Room one

Summary of key points shared by participants in this room:

- The market could be better served if VICDBs purchase battery services rather than owning them outright. Other entities can invest in batteries, and VICDBs can then purchase the services they provide.
- Community batteries have the potential to monetise the entire value stack, but this would require the involvement of other parties.

- There was pushback from various organisations, such as Energy Consumers Australia and Clean Energy Council, regarding the recent AER batteries waiver, despite its eventual approval.
- Contracting is not seen as an issue.
- There is support for implementing proof of concept for community batteries.
- While unregulated services are acceptable, there are concerns about ensuring that the benefits of the asset are passed on to consumers. All unregulated revenue should be returned to customers.
- The Department of Environment, Energy, and Climate Change (DEECA) supports contracting services. They want to see value compensation to networks for third-party services that provide value to the network, but there is currently no mechanism in place for such compensation.
- Current regulatory arrangements do not allow networks to accurately assess the value of storage from batteries. DNSPs need to make their case and quantify the value to overcome this barrier.
- Input from third parties on how to quantify the network value of compensation for batteries is of interest.
- There is a need to address barriers to compensating services provided by batteries and accurately quantify their network service value.

4.4.1.2 Room two

Summary of key points shared by participants in this room:

- Concerns exist that distributors might cross-subsidise the cost of batteries with regulated services, which could harm the market and erode confidence.
- The value of batteries to distributors is seen primarily in grid stabilisation, and there are questions about the extent to which their capacity is available for other purposes.
- Some participants believe that distributors should focus on their core role of grid stabilisation and not expand into the battery market.
- The current permissions and roles of distributors in relation to batteries are not clear.
- Participants sought clarity on whether VICDBs are seeking a single owner for batteries or attempting to dominate the battery market.
- A participant expressed dissatisfaction with the session, as they felt there was a lack of presentation on various options with pros and cons for participants to consider. Additionally, they felt issues with the current arrangements had not been clearly explained.

4.4.1.3 Room three

Summary of key points shared by participants in this room:

- The concept of single owner batteries was discussed, with a focus on understanding how to unlock the best value through contracting out.
- There is a consideration of whether it would be more efficient to have the VICDBs as the single owner of batteries located near Zone Substation Supply (ZSS) points.
- Participants express the need for a breakdown of the advantages and disadvantages of single owner batteries compared to shared ownership models.
- Investment in batteries is seen as a way to enable more energy export and avoid augmentation.
- There is an opportunity for energy arbitrage by storing and selling electricity, which can help reduce peak demand which could be facilitated by the distribution businesses.
- Regulatory arrangements are seen as creating barriers, but there is a role for VICDBs in enabling other parties such as retailers or aggregators to participate.
- Some participants suggest that retailers could own batteries, but pricing signals should reflect network constraints to ensure efficient operation.

4.4.1.4 Room four

Summary of key points shared by participants in this room:

- The discussion revolved around the utilisation of assets, particularly batteries, and why they may not be fully utilised.
- It was mentioned that there are currently only a few batteries in operation, mostly in trial and innovation stages.
- Batteries serve two purposes: providing reliability and enabling the storage and sale of energy when it is economically advantageous.
- Batteries are considered essential for the integration of renewable energy and the stabilisation of the grid.
- There is a call for an open market and visibility in terms of how batteries can be sold and utilised.
- The value for money and the ownership of existing batteries was discussed.
- The need for addressing barriers and understanding the role of networks in owning and valuing batteries was emphasised.
- Batteries are seen as a crucial component of the energy transition, but there is a desire for a level playing field and learning from the experiences of the Federal Government.
- Concerns about cross-subsidy issues and the role of networks in stabilising the grid are raised.
- There is a question about whether networks should own batteries or procure them from a competitive market.
- The idea of conducting proof-of-concept trials and research on batteries is suggested.
- The ability to identify batteries across the battery stack and the potential for batteries to serve as a renewable identity service were also mentioned.

4.5 Gap in the provision of new electricity services in regional areas

Sonja Lekovic, Regulatory Policy Manager, AusNet presented to the plenary group on the potential unequal benefits spread the energy transition may have through regional areas.

Participants were then asked to consider the following questions in their breakout groups:

- Should the electricity distributors help meet this gap in certain circumstances/geographic areas?
- What are the considerations for their customers?

4.5.1 Key areas of discussion

- The plenary group generally agreed it's not the VICDBs role to provide services like EV charging stations, but to provide a stable, and reliable network for them to connect in to.
- The group agreed the gap of services in regional areas should be funded discreetly as an initiative out of government policy, as opposed to by networks. It's not a function of regulated controlled services.
- VICDBs have role to point out the unequal benefits that could occur across their networks as part of regulatory rests.

4.5.1.1 Room one

Summary of key points shared by participants in this room:

- No, VICDBs should not support regional customers or deliver services when the competitive market does not.
 - Should not be cross subsidised by distributors and other electricity users.
 - Should be done outside the electricity system by Government.
- Assertions about competitive meter rollout were largely inaccurate. We're talking public charging availability, not the ability to charge your car.
- Cannot solve this issue using a distributor mechanism. Far too early, penetration of EVs is low. Funded discretely through policy but not distributors.
- Distribution networks have a role to point out the unequal or inequitable areas of their networks where customers receive unequal benefits during regulatory resets.

4.5.1.2 Room two

Summary of key points shared by participants in this room:

- Example of EV in rural areas is a bad example. Rural people are less interested in EVs due to distances.
- Believe market should be first preference (three quotes) and only after that should distributors be allowed in.
- Just because an area doesn't have facilities does not mean distributors should be involved. Is the next step distributors providing hospitals, doctors etc.
- Distributors should not be seeking to add further services given they will be seeking very large price increases in 2032-37.
- Distributors should be holding back and focusing on their own efficiency rather than expanding service offerings. A view we would be shelling out money for a few rich farmers.
- VICDBs should be providing a good network for people to connect to, not provide services beyond the connection point.
- The demand is not there for the things distributors are seeking to provide like EV charging stations.
- It is not the distributors' role to police EV charging providers buying up all the spare network capacity to lock out other players.

4.5.1.3 Room three

Summary of key points shared by participants in this room:

- Could it be similar to public lighting services, so can be requested by council/government?
 - ACS charge with a relationship with retailer because DNSP cannot provide the energy but provide infrastructure as ACS.
- If mounting assets on poles so shared asset guideline.
- Are we sharing the cost/cross subsidising because cost is prohibitive?
- Government needs to play a role in this.
- Different regions could have different solutions.
- Equity issue, distributor has responsibility to explain why it is not possible to provide on commercial basis so these regions to not get left behind.
- Ensure network has the capacity to charge and can put options out there to get regulators and govt to the table – needs a national approach.

4.5.1.4 Room four

Summary of key points shared by participants in this room:

- Example of Portugal who started EV charging in urban areas and branched out to rural and regional areas (introduced it very fast).
- Comes back to cost.
- Whose responsibility is it? Government or consumers?
- Rolling out the smart metres has worked well in Victoria
- Is this a network or society issue?
- Do you want equity or build-up of EV charging stations to build up naturally?
- DBSNPs in Portugal didn't play a huge role.
- Funded discretely by Government not via the networks.
- Not the role of the distributor to provide these services.
- VICDBs could if they wanted to.
- Issues are getting more complex.
- Interesting discussion about what is the role of the DNSP.
- Providing EV chargers – no, but the infrastructure to facilitate the charging.
- DBs to point out the unequal benefits across the networks.

4.6 Gap in the provision of stand-alone power systems (SAPS)

Sonja Lekovic, Regulatory Policy Manager, AusNet, presented to the plenary group on SAPS and how they fit within the energy mix.

Participants were then asked to consider the following questions in their breakout groups:

- What are the key considerations of the electricity distributors offering SAPS, for both those customers who use them and those who do not?
- What is the role of networks in the provision of SAPS?

4.6.1 Key areas of discussion

- The plenary group generally agreed that SAPS are an important part of the electricity mix and assisted with network resilience.
- Exemptions – while the market is not there, having the exemption or allowing VICDBs to own generation is positive to making SAPS possible.

4.6.1.1 Room one

Summary of key points shared by participants in this room:

- The group noted that AEMCs consideration in this framework was the establishment of a flourishing market for those services.
- The preference to go to the market for battery services, but if no market participants are available, the distribution network service provider (DNSP) should step in and provide the service.
- Participants raised that obtaining waivers for certain requirements is not difficult.
- Recommendations to act within the existing framework of ring-fencing guidelines.
- Examples of Power Purchase Agreements (PPAs) in the UK between community generators and consumers, suggesting that a similar arrangement could be effective in the local context.

- Support for the inclusion of temporary Stand-Alone Power Systems (SAPS) after emergencies, with the responsibility for maintaining the SAPS resting with the distributor.
- Overall, the group emphasised the importance of a thriving market for battery services, while acknowledging the need for flexibility and the role of DNSPs in certain circumstances. They also highlighted the potential for innovative arrangements, such as PPAs, and the management of temporary SAPS in emergency situations.

4.6.1.2 Room two

Summary of key points shared by participants in this room:

- Distributors need to be clear where the benefits lie.
- Question whether the cost/benefit for SAPS is real.
- SAPS are about managing the potential risk of SWER lines.
- What is wrong with the current exemption process?

4.6.1.3 Room three

The group discussed the following points regarding SAPS and their integration into the network infrastructure:

- It is logical for the network to install SAPS, solar, and battery systems in remote areas for efficiency purposes.
- Addressing equity issues, there is a strong case for including SAPS on the Regulatory Asset Base (RAB) as they deliver safer and more reliable energy to remote locations.
- The transition to renewable energy requires a package of solutions that goes beyond the traditional delivery model.
- Solar and battery systems are different from diesel generation, as they are integrated with the network infrastructure. Therefore, there is a case for considering them as part of the network infrastructure.
- Instead of including SAPS in the F&A process, it was suggested to extend the current waiver, as the reasons for the waiver have already been recognised and can be extended or expanded through that process.
- There was a question about whether the cost of SAPS should be spread across all customers.

4.6.1.4 Room four

Summary of key points shared by participants in this room:

- SAPS are crucial, especially in Australia where large areas are remote and not easily connected to the grid.
- Examples from Western Australia (WA), specifically Horizon and Synergy, were highlighted due to the significant role of SAPS in the region, emphasising that SAPS will continue to be important for the foreseeable future.
- In Victoria, there is a need to address access issues in areas with long distances. Participants expressed the importance of Distribution Network Service Providers (DNSPs) improving access in these regions.
- The use of SAPS was considered preferable to Single Wire Earth Return (SWER) systems due to factors such as bushfire risks, rather than reliability concerns.
- The question was raised about whether the network should have the responsibility of managing and owning the entire SAPS.
- SAPS were seen as an economically and effectively viable solution for rural areas, helping to enhance network resilience.
- Participants noted that SAPS provide consumers with more choice in areas where options are limited.

REPORT

- It was suggested that the narrative around SAPS should change to better meet the needs of consumers.
- Reliability of service was emphasised as a critical requirement for consumers.
- Participants highlighted the importance of companies taking a holistic approach to the supply chain.
- DNSPs were encouraged to foster a greater range of service providers in regional areas, promoting competition and innovation.

5 PARTICIPANT FEEDBACK

Participants were provided an option to take a short survey at the end of the session and share their feedback.

Table 3: Participant feedback*

1. Participant feedback
Please provide us with one thing from the session you think we should stop?
Rushing through so much.
Nothing.
Could have collapsed the last topics into one
The session was well run - nothing comes to mind that should be stopped.
Chunky subjects but slots short in meeting rooms. But it enabled us to keep time.
Nothing - pace was great. Topics covered were increasing difficult which was good.
Trying to enter markets you don't have an obvious role in...
2. Please provide us with one thing from the session you think we should start?
Longer engagement on less topics.
Nothing.
More information on cross subsidies.
The session was well run - nothing comes to mind that should be started.
Was really good.
Research options to consider - to limit to questions are scope and intent.
Thinking about how you can provide data to customers and service providers to support the energy transformation - especially in those regional areas that may be "hard to reach".
3. Please provide us with one thing from the session you think we should continue?
Break outs.
I hope the session was valuable for all people involved so please continue.
Collaboration.
The timing was well managed. There was no mad rush at the end to get through final breakouts.
Good session. Every voice and perspective was heard that was brilliant.
Great format - break out groups.
Consulting with customer groups and other stakeholders on your plans.
4. Is there anything you'd else you'd like us to consider for future sessions?
Mix people more in breakout rooms.
Keen to hear how policy is shaping the outcomes..
Can't think, but definitely great.
Nothing comes to mind just yet.
Allowing more time for discussion of each topic...

*Feedback in this section is shared as provided, without edits to the copy.

6 NEXT STEPS

Findings of this report will be shared with VICDBs for their consideration and to inform their thinking around the services they provide and if there should be any changes as they embark on the 2026-31 Price Reset regulatory proposals process.

RPS will hold an internal workshop with VICDBs to understand their thinking about how they plan to take this forward. The outputs of that discussion will be used to inform the design of the second workshop in this series.

Later in the year, the same participants will be invited to a second workshop when VICDBs will present the proposed approach back to the group for testing and further consideration.

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Appendix B

Framework and Approach Workshop 2

Outcomes Report

FRAMEWORK AND APPROACH WORKSHOP

Outcomes report



AU213009734.001
28 August 2023

REPORT

Document status					
Version	Purpose of document	Authored by	Reviewed by	Approved by	Review date
V1.0	Framework and Approach Workshop Report DRAFT	Isabelle Chan	Rikki Butler	Kate Eskdale	18/08/2023
V2.0	Framework and Approach Workshop Report	Isabelle Chan	Kate Eskdale	Kate Eskdale	28/08/2023

Approval for issue		
Kate Eskdale		28/08/2023

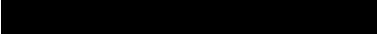
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Prepared for:

Victorian Electricity Distributor Businesses

AusNet, CitiPower, Jemena, Powercor, United Energy

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1 EXECUTIVE SUMMARY

To support the development of Victorian electricity distributors' 2026-31 price reset regulatory proposals, a two-part stakeholder workshop series was delivered. The workshops focused on the development of the Framework & Approach (F&A) paper, which is the first stage in the determination process. The workshops were designed to support the Victorian electricity distributors in considering what changes to distribution services should be included in their F&A proposals to the Australian Energy Regulator (AER) in October 2023.

The five Victorian electricity distributors decided to come together and engage collectively on their F&A submissions, as the F&A paper is typically state-based and consistent across the distributors in each jurisdiction.

The first workshop held on Thursday 18 May 2023 aimed to gather insights on potential changes to distribution services. The feedback shared in the first workshop was considered by the Victorian electricity distributors and used to shape their emerging proposals for the F&A paper. A copy of the full feedback report from the first workshop is available [here](#).

This report provides an overview of the feedback provided to the Victorian electricity distributors from participants at the second F&A Workshop, held on Wednesday 9 August 2023. In this second workshop the Victorian electricity distributors shared how they addressed feedback from the first workshop and their updated draft proposals for consultation.

Based on feedback from the first session, Victorian distributors provided participants with an overview of:

- distribution services they plan to propose in the F&A paper in October 2023, but in relation to which they were not seeking further participant input as feedback had already been captured and addressed.
- distribution services they are seeking to propose in the F&A paper in October 2023 but seeking further feedback from participants and discussion. These included services in relation to:
 - Data provision
 - Essential system services (ESS)

The key outputs of those discussions are summarised below.

Data provision

There was recognition of the role of Victorian electricity distributors in providing data to customers and other stakeholders. However, participants had questions about deployment, and some felt that further information was needed to be able to feedback directly on the proposed changes. Key topics included:

- ensuring the cost of providing data services is covered in a fair way and that relevant costs are allocated to those who benefit from the provision of these services. Participants discussed the benefits of data availability to households and individuals compared to larger commercial entities/communities which may request these services, and the need to better understand and articulate those benefits.
- the need to consider how the nature and volume of requests may change over time to ensure Victorian electricity distributors are able to respond adequately.
- the need to ensure data privacy and security are properly managed. Participants also queried how costs of managing data privacy and security would be recovered.

Participants identified the following benefits would result from Victorian electricity distributors providing the proposed data services:

- Data services could better inform commercial decision-making and promote business innovation, which in turn may support investment in new energy technologies and provide broad benefits to electricity consumers (e.g., lower network costs, lower wholesale electricity costs).

A participant mentioned: *“unlocking more innovative business models and better products that can share benefits of local solar and batteries with all people in the community.”*

REPORT

- Data services could support households to make better informed investment decisions about their energy, including investment in solar and new energy technologies. However, participants considered this should go hand in hand with enabling more opportunities to introduce smarter network management, such as the introduction of flexible exports.

Participants identified the following considerations and challenges:

- Participants highlighted that consideration of whether the proposed services offer value for customers would need to be framed in the context of what will already be provided before 2026 as outcomes of the AER's Network Visibility Project.
- Participants noted that one key consideration and challenge from the earlier conversation is ensuring costs of data services are allocated in a fair way.

While the above challenges were identified, participants noted that it is difficult to identify the potential challenges without having a clearer picture of what services will end up being offered, and whether as Standard Control Services (SCS) or as Alternative Control Services (ACS).

Essential system services

Participants recognised that Victorian electricity distributors may have a role in providing ESS, with many participants acknowledging potential benefits. However, participants considered further information is needed about who benefits and who pays for these services, given networks would most likely be utilising assets paid for by Victorian electricity customers.

During the workshop, one participant said: *"We know we are moving into renewable generation, that's happening, and playing devil's advocate here, if nothing is done, we're going to see blackouts, because of less inertia and system strength that aren't provided by thermal generation. As a consumer it comes down to reliability versus cost. We can't have a grid that's always blacking out, as a consumer you want electricity, we're used to being able to plug in the laptop to have it. So, for me, something has to be done. ...There is still quite a lot of work on who pays for what but the general crux of it, is it a good idea? yes, I do believe it is but there is still quite a bit of work to do there."*

Key topics included:

- the need for further information to be shared on how revenue sharing and cost allocation is managed.

A participant said: "I understand why you're doing it; I understand there is potential benefit to consumers in doing it, I think we need more information the cost allocation."

- that not all ESS are the same, and that they should not be treated the same in the F&A paper - a staged approach should be taken for the implementation of the different ESS.
- the need to ensure and demonstrate through evidence that the provision of ESS would not negatively impact electricity supply for customers such as by impacting voltage management.
- the need for further evidence that the current ring-fencing arrangements are not sufficient and that changes to the F&A are required.
- the need to ensure changes to how ESS is delivered do not provide Victorian electricity distributors with a commercial advantage over other ESS providers that runs against objectives.
- the need to give customers confidence that the AER has full visibility and oversight of how costs and revenue are allocated.

A participant said: "We are wondering how the distributors will do it, but it is also about how the AER is set up to manage it. ...It's as much of a reflection on the AER as it is the distributors to do the right thing."

2 WORKSHOP OVERVIEW

2.1 Overview

The Victorian electricity distributors are about to embark on the 2026-31 price reset regulatory proposals process. The first step of this process is to consider whether there should be any changes to the services that they provide as distributors (among other factors captured in the F&A paper). Once the distributors submit their F&A proposal to the AER, the AER will assess these proposals and make a final determination on the key elements of the F&A paper, including distribution service classification.

To help inform the development of their proposals, the Victorian electricity distributors delivered a two-part workshop series to better understand stakeholder and customer perspectives about the issues they are seeking to address through the provision of new services.

The first workshop was held on Thursday 18 May 2023. The objectives of that session were to:

- share the service gaps they had identified and put forward that Victorian distributors should play a role in addressing them
- better understand the implications for customers and other stakeholders if Victorian distributors changed existing or provided the potential new services
- capture insights that could be used to shape each distributor's F&A submission, in response to which the AER will set the parameters for the services that Victorian distributors provide over the 2026-31 period.

The feedback shared in the first workshop has been considered by the Victorian electricity distributors and used to shape their F&A submissions. A copy of the full feedback report from the first workshop is available [here](#).

The second workshop was held on Wednesday 9 August 2023. In this session, the Victorian electricity distributors shared their developing proposals and asked for stakeholder assistance to test their thinking.

The objectives of the second workshop were to:

- share the outcomes of the first F&A workshop and explain how it has shaped the Victorian electricity distributors' emerging F&A submissions
- clearly define the problems that the Victorian electricity distributors are looking to address through outstanding changes to be proposed as part of the F&A process (those not addressed in the feedback from bullet point one)
- explain emerging thinking and seek feedback on outstanding proposals to classify some new services through the F&A process (those not addressed in the feedback from bullet point one).

During the workshop, the Victorian electricity distributors provided an update on their F&A submission and topics covered in the first workshop. Based on feedback shared in the first workshop, the Victorian electricity distributors put forward the following topic areas to discuss in further detail during the session:

- Data provision
- ESS

This report details the outputs of this session. The feedback from the workshop will be used by the Victorian electricity distributors to further refine their F&A submissions.

2.2 Participants

The Victorian electricity distributors identified participants in the first workshop through a state-wide advertisement of an Expression of Interest (EOI) to participate to ensure visibility and transparency of the session, additionally they circulated the EOI within stakeholder networks and invited known key stakeholders. Finally, The Department of Environment, Energy, and Climate Change (DEECA) and AER representatives were invited directly.

REPORT

All of the participants identified through this process were invited to the second workshop – even if they did not attend the first session. Not all invited participants attended.

The following participants attended the workshop:

Table 1: Victorian electricity distributor representatives

Victorian electricity distributors representatives	
Name	Organisation
Justin Betlehem	AusNet
Sonja Lekovic	AusNet
Charlotte Eddy	AusNet
Brent Cleeve	CitiPower, Powercor and United Energy
Chris Gilbert	CitiPower, Powercor and United Energy
Lyle De Sousa	Jemena
Ana Dijanosic	Jemena
Matthew Serpell	Jemena
Louise Baring	Jemena
Jake Roberts	Jemena
Deb Capicchiano	Jemena
Spencer Little	Jemena

Table 2: Stakeholder participants

Stakeholder participants			
Name	Organisation	Name	Organisation
Bradie Cetin	Schneider Electric (Jemena EOI)	Gary Davies	Origin Energy
Ben Macey	Australian Energy Market Operator (AEMO)	Mark Grenning	AusNet stakeholder representative
David Markham	Australian Energy Council		
Tim Sheridan	Department of Energy, Environment and Climate Action (DEECA)	Declan Kelly	Flow Power
James Alexander	DEECA	Kieran Donoghue	AusNet stakeholder representative
Claire Maries	DEECA	Helen Bartley	Consumer Advisory Panel (CAP) Member Powercor/AER
Seb Rattansen	DEECA	Lawrence Irlam	Energy Australia
Lynda Osborne	Consumer Advisory Panel (CAP) Member Powercor	Peter Warren	CGI
Constantine Noutso	Red Energy	Natalie Collard	Independent advisor
Paul Englund	CGI (Jemena EOI)	Matthew Mullins	CGI
Trish Campbell	Origin Energy	Simon Martin	CGI

2.3 Process

Timing: 10:00am to 12:30pm

Location: Online via Microsoft Teams

Facilitator: Kate Eskdale, National Lead – Communications and Engagement, RPS

Support facilitators:

Rikki Butler, Director - Communications and Engagement, RPS

Isabelle Chan, Consultant – Communications and Engagement, RPS

All participants were given a pre-read pack to provide context and information about the topics being discussed. The workshop provided participants with an update on feedback from the first workshop, followed by a detailed presentation on the two key topics identified to be brought forward and tested with participants – data provision and ESS.

In these presentations, the Victorian electricity distributors articulated the problems they were looking solve, shared their proposals and explained how feedback from the first session had been used to shape their thinking. This was then followed by a facilitated discussion with the group to provide participants with the opportunity to ask questions to clarify their understanding and to draw out feedback on the F&A proposals that distributors were developing. The outcomes of these discussions follow.

3 DATA PROVISION

Chris Gilbert, Regulatory Lead, CitiPower, Powercor & United Energy, shared feedback from the first workshop, provided a definition of the problem that the Victorian electricity distributors were aiming to address and explained the proposed new service classification. Following this, Kate Eskdale, RPS, facilitated a group discussion to provide the opportunity for clarification and feedback on the F&A proposals that distributors were developing.

3.1 Problem definition and Victorian electricity distributors role in addressing it

Participants recognised the role of Victorian electricity distributors in providing data to customers and stakeholders, and highlighted the benefits of doing so. However, participants had questions about deployment, and some expressed that further information was needed to be able to provide feedback directly on the proposed changes. This feedback is summarised below.

3.1.1 What data is provided, who benefits and who pays

A key topic during the discussion was ensuring the cost of providing data services is covered in a fair way and that relevant costs are allocated to those who benefit from the provision of these services.

Participants identified the following points:

- **Some participants expressed that further information was needed about the type and volume of data requests to be able to make an informed decision on whether services provided under the SCS framework would represent value for customers.**

Participants sought a better understanding of how individual customers such as households and small businesses (as opposed to larger businesses and organisations) would benefit from the data services provided under SCS in circumstances where these customers were not directly requesting data themselves.

During the workshop, one participant said: *“So does this mean if it's an SCS, the pensioner at Sunshine is cross subsidising a battery developer looking to build a business case for a battery?”*.

- Another participant expressed that while cross subsidisation may be a cause for concern, they could see potential broader network benefits for all customers via better network visibility and improved access to that visibility. The participant considered further information about relevant costs was required to determine the net benefits.

Another participant said: *“Are we putting 1 cent a year on that pensioner's bill or are we putting 50 bucks? I think the quantum involved is important to understand as well as the principle, because I think there's a trade-off there”*.

- **Another participant considered that the average consumer may have a lower awareness of what data is available. As a result, the average consumer may need more support to access the information they need. If they were charged per hour for this service, it might put them at a disadvantage to better resourced or more educated/sophisticated stakeholders.** They expressed this needed to be considered to ensure the system does not unfairly advantage those who are well educated. Later in the discussion, another participant expressed that there could be a bias toward larger organisations if it were raw data that was provided. However, the participant expressed that if the data is being shared as information (for example, on a map that is easily accessible, freely available and consistent across providers), those issues may be resolved to some extent.

- **A participant also highlighted that the consideration of cost needs to be broader than just the cost to consumers, making the point that how the network benefits must also be assessed.** They considered that as networks increase their capability to get more out of their data, networks should reduce the cost to consumers. The participant wanted to see this reflected in the feedback.
- **One participant suggested potentially making commercial customers pay for higher-quality data that is beyond the consumer level.** They identified they had seen requests for data from commercial entities who were using that information to make operational decisions about when to use power and as a result were profiting commercially from this information. Participants then discussed how different customers are classified and whether or not a community group would be classified as a commercial customer. One participant expressed that it may be necessary to look beyond the 'commercial versus noncommercial entity' to consider the intent of how data will be used.

3.1.2 Understanding how proposals would change data provided and how this would be future proofed

Participants were of the view that Victorian electricity distributors will need to consider how the nature and volume of requests may change over time.

Key points raised included:

- **One participant expressed that it was important to ensure that Victorian electricity distributors are able to respond as customers become more educated and proactive.** The participant highlighted dimensions surrounding accessibility and being able to get the full value of data.
- **This was echoed by another participant from a Victorian Government Department who wanted to understand if Victorian electricity distributors expect the requests to change over time, highlighting the Victorian Government's desire for data services to be provided.** The participant referred specifically to proponents who may be considering providing network services apart from those provided by Victorian electricity distributors. The participant provided an example of neighborhood battery providers, who they said were key to Victorian Government and Commonwealth Government commitments. The participant considered that these projects could provide benefits to people living in the community regardless of whether they have solar or their own battery. In terms of the emerging need for data provision, the participant identified electric vehicle charging as being a key issue. The participant said it would be important to understand impacts from or to network constraints.

3.1.3 Data privacy and security

Participants highlighted the need to ensure data privacy and security are properly managed and raised questions about how these costs would be recovered.

Key points raised included:

- **One participant highlighted that in the future they expect data requests will increase and data availability will become more important – with this brings questions around data classification and security, particularly being a critical infrastructure service.** They raised questions about the controls that would be provided around the provision and requests of data including whether data access will be limited or open and what security controls would be put in place around this service. The participant that considered this also raised a related question of the cost and cost recovery of providing this security.
- **Participants acknowledged that Victorian electricity distributors will have to provide de-identified data (similar to as for National Metering Identifiers).** However, participants considered more information would be needed to understand barriers and costs to de-identify data.

3.1.4 Understanding how costs are dealt with

- One participant queried the incremental costs associated with providing new kinds of data requests and the pathway to various service classifications in the long term.

3.2 Benefits, considerations and challenges

3.2.1 Benefits

Summary of key benefits shared by participants in the group discussion:

- **A participant from a Victorian Government Department highlighted the key role that data services could play in unlocking innovative business models which allow all consumers to benefit from Commonwealth Government and Victorian Government investment in solar, batteries and electric vehicles** – rather than just benefiting the stakeholders directly accessing and using data provision services. The participant noted that some stakeholders face barriers to directly accessing these new energy products including due to costs involved. The participant explained that it is the Victorian Government's objective to ensure everyone benefits from the energy transition, such as through lower wholesale prices and sharing benefits via a local neighborhood battery. The participant emphasised the important role that easily accessible, timely, consistent, and informative data can play in unlocking innovative business models and better products that can share the benefits with all people in the community.
 - The participant mentioned: *“unlocking more innovative business models and better products that can share benefits of local solar and batteries with all people in the community.”*
- **The same participant highlighted the benefits for supporting individuals to understand impacts** – sharing that their organisation receives lots of letters from people who want to put solar on their roof but have a very low export limit and do not understand why. The participant considered that networks providing data may support people to better understand the network in their area and its capabilities, which could in turn support them to make more informed investment decisions. However, the participant emphasised that more flexible export options must also be provided.
- **It was emphasised that better information about the local area of the network will give consumers agency in decision-making.** It was noted that networks are well placed to advise on the key knowledge gaps and resolution options to assist other stakeholders in the development of tools or programs to support customers trying to understand how to manage their energy.

3.2.2 Challenges and considerations

Summary of the considerations and challenges shared by participants in the group discussion:

- **A number of participants wanted to better understand what is already being provided compared to what would be provided under the proposed new arrangements.** One participant suggested that providing pros and cons for what is already being provided and what would be provided under the new arrangements may support a better understanding and review of the proposals.
- **The participants noted that challenges will be informed by what data provision services are classified as SCS and what are classified as ACS services.** One participant made the point that there is a need to ensure optimisation of costs between the Victorian electricity distributors and controlling the cost of those services.
- **When considering if the proposals offer value for the customer, one participant recognised that this would need to be considered in the context of what will already be provided in 2026 following the outcomes of the AER's Network Visibility Project.** This Victorian Government Department participant stated that the Victorian Government was appreciative of the work being

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done by Victorian electricity distributors to provide data voluntarily in various mapping tools. However, the participant considered that if much of this data is regulated and the Distribution Annual Planning Report (DAPR) has been updated by 2026 so that those data sets are already being provided, then this would change the conversation and there would be a need for further consideration of what is classified as SCS.

- **When considering value, another participant identified the need to balance consistency across the network with the ability to respond to different market drivers.** Participants queried the AER process and whether the different market drivers were being considered or if a “cookie cutter approach” was being adopted.
- Participants also noted that points summarised under 3.1.1 What data is provided, who benefits and who pays above are key considerations and challenges.

4 ESSENTIAL SYSTEM SERVICES

Justin Betlehem, Senior Regulatory Adviser, AusNet, presented the feedback from the first workshop, explained the problem that the Victorian electricity distributors were aiming to address and explained the proposed new service classification. Following this, Kate Eskdale, RPS, facilitated a group discussion to provide the opportunity for clarification and feedback on the emerging proposal. Outputs from this discussion are summarised below.

4.1 Clarification and feedback on emerging proposals

4.1.1 Recognition of the role Victorian electricity distributors play in providing this service but further information on how this is delivered required

Participants recognised that the Victorian electricity distributors have a role in providing ESS, with many participants acknowledging potential benefits, however further discussion and information was requested about their role and how it should be delivered.

A workshop participant noted: *“We know we are moving into renewable generation, that’s happening, and playing devil’s advocate here, if nothing is done, we’re going to see blackouts, because of less inertia and system strength that aren’t provided by thermal generation. As a consumer it comes down to reliability versus cost. We can’t have a grid that’s always blacking out, as a consumer you want electricity, we’re used to being able to plug in the laptop to have it. So, for me, something has to be done. ...today it’s being done on solar farms and it’s very expensive, so through being able to use the network that is already there ...makes sense. There is still quite a lot of work on who pays for what but the general crux of it, is it a good idea, yes, I do believe it is but there is still quite a bit of work to do there.”*

“I haven’t heard anyone saying that that distributors shouldn’t be allowed to provide these services, the discussion is about the terms by which they provide these services.”

Key areas of discussion are summarised below:

- **Participants requested further information on how revenue sharing and cost allocation is managed.**
 - The need for further information on the revenue and cost allocation model was highlighted by a number of participants.

One participant said: *“I understand why you’re doing it; I understand there is potential benefit to consumers in doing it, I think we need more information the cost allocation.”*

Another participant said: *“I’m all for more providers being able to provide services, because I think it is a good outcome for all consumers, it’s just a matter of who pays... and who has the risk”*
 - One participant queried whether all revenue would come back to customers to reduce the price of the SCS. This participant expressed that this should be the case, as it would be customers who would bear the loss of voltage, even if this were to remain within the regulated range. The participant highlighted the need to understand the costs to the Victorian electricity distributors if the full share of revenue was not going to be returned to customers.
 - Further to this, a participant queried whether it was fair that customers would bear the stranded asset risk where investment is being made by the Victorian electricity distributors as there was no guarantee that services would be procured given the competitive nature of tenders.
- **Some participants considered there should be a staged approach to implementation.** One participant referenced a past industry trial as providing a model for implementing an intermediary step between involuntary load shedding and an option that has a lower impact on customers. The participant considered that if Victorian electricity distributors provided ESS, this intermediary step

could be implemented. Another participant highlighted that there is a trust issue which could be addressed through a trial waiver to test that the cost allocation process is robust enough for what the Victorian electricity distributors are proposing. The participant considered this could then be scaled up, with services being reallocated.

- **Participants raised that it needs to be demonstrated that there will not be negative impacts to customers from distributors providing ESS.** Participants highlighted the need to ensure the provision of ESS would not negatively impact voltage control and electricity supply for customers. One participant queried whether the services could be provided by other providers or if the proposed ESS could only be provided by the Victorian electricity distributors.
- **Participants raised the need to ensure changes do not provide Victorian electricity distributors with an unfair commercial advantage over other providers of ESS.** The participant proposed the use of the existing ring-fencing procedure to ensure that Victorian electricity distributors compete in the market on a competitive basis in a fair and reasonable way.
- **Participants requested further evidence to support claims of the impact of not providing services.** One participant requested further data to support the claim that not providing ESS via a regular distributed service could lead to blackouts and brown outs, compared to facing slightly higher costs for ESS provided by other market providers.
- **Participants sought clarification of whether each of the ESS services would be considered separately.** One participant highlighted that the services are all quite different and expressed that the classification should therefore be considered individually, rather than applying for all ESS to be regulated or unregulated.

4.1.2 Evidence required to demonstrate that ESS should be provided by networks as classified services.

A key theme raised by some retail participants was the need to demonstrate that ESS should be provided as classified services rather than through the current process of applying for ring-fencing waivers.

Key areas of discussion are summarised below:

- One participant expressed that if Victorian electricity distributors want to provide an unregulated service, they should apply for a ring-fencing waiver because of the potential cost allocation issues. They considered that principles applied by the AER in assessing ring-fencing waiver applications would ensure that a competitive market is maintained.
- Another participant raised the need for more evidence of the cost to Victorian electricity distributors of seeking a ring-fencing waiver and providing services. The participant considered this would make it easier to justify the other approaches proposed. Linked to this, the participant also requested further information and clarification on whether there is a significant barrier for Victorian electricity distributors in applying for a ring-fencing waiver.

4.1.3 The importance of monitoring and oversight by the AER

- **Participants identified that customers would need confidence that the AER has full visibility and oversight of the costs incurred and revenues received by networks.**

During the discussion, a participant said: *“We are wondering how the distributors will do it but is also about how the AER is set up to manage it. ...It’s as much of a reflection on the AER as it is the distributors to do the right thing.”*

5 FEEDBACK ON OTHER DRAFT F&A PROPOSALS

In this section of the workshop, the Victorian electricity distributors shared the proposed positions for key elements compared to the current regulatory period and proposed new services classifications for the 2026-2031 Framework and Approach.

No direct feedback was shared in this section.

Table 3: Proposed positions for the 2026-2031 Victorian F&A

F&A Element	Victorian electricity distributors proposal	Comparison to current regulatory period
Form of control	<ul style="list-style-type: none"> Revenue cap for standard control services (SCS) Price cap for alternative control services (ACS) Revenue cap for metering ACS 	<ul style="list-style-type: none"> No change
Incentives	<ul style="list-style-type: none"> Efficiency Benefit Sharing Scheme (EBSS) Capital Expenditure Sharing Scheme (CESS) Service Target Performance Incentive Scheme (STPIS) Customer Service Incentive Scheme (CSIS) Export Service Incentive Scheme (ESIS) Demand Management Incentive Scheme (DMIS) and Demand Management Innovation Allowance Mechanism (DMIAM or Allowance Mechanism) Victoria F-factor scheme 	<ul style="list-style-type: none"> AusNet, CitiPower, Powercor and United Energy to allow the ESIS in 2026-2031 Jemena to introduce CSIS and allow the ESIS in 2026-2031 <p>Note: while the businesses are proposing to allow the ESIS, whether each business introduces an ESIS, and its design, will be subject to stakeholder engagement in the preparation of the Regulatory Proposal</p>
Depreciation	<ul style="list-style-type: none"> Forecast depreciation approach 	<ul style="list-style-type: none"> No change

Table 4: Proposed new service classifications for the 2026-2031 Victorian F&A

Service	Proposed classification	Comments/ response to feedback from previous session
Export service	<ul style="list-style-type: none"> Classify export services as both SCS and ACS 	<ul style="list-style-type: none"> The efficiency of export services – i.e., what level of service customers should be getting as SCS or ACS – will be determined by each business as part of their Regulatory Proposal and Connection Policy. Distributors will engage on this.
Dynamic export and load control	<ul style="list-style-type: none"> Classify as SCS and ACS 	<ul style="list-style-type: none"> With increasing use of dynamic controls, propose to classify as a distinct service that can be offered as SCS or as an enhanced service (ACS).
Regulated Standalone Power System (SAPS)	<ul style="list-style-type: none"> Classify as SCS 	<ul style="list-style-type: none"> Only the network service portion of SAPS will be classified as SCS, while the current Ring-fencing exemptions for generation in SAPS remain in place.
Minimum system load (MSL) services	<ul style="list-style-type: none"> Classify MSL services as SCS 	<ul style="list-style-type: none"> New licence condition in Victoria. Not engaged on in the first session.

6 ADDITIONAL TOPICS RAISED

During the discussion, one participant raised the future needs of electric vehicle technology, and the role distributors will play. This item did not fit under the six areas discussed at the workshop, but an action was taken to note this in the workshop records.

A Victorian Government Department representative raised that it was important to consider how existing network constraints may impact the provision of electric vehicle charging. The participant considered that this raised a broader question about how distributors are considering investments that might be required to support the rapid uptake of electric vehicles that has been predicted via modelling and under Victorian Government policies and targets.

The participant noted that in the six elements shared at the start of the workshop there was no reference to what may be considered in the F&A process to support the anticipated roll out of electric vehicles in the 2026 – 2031 period. The participant queried how distributors will adapt to the rapid uptake of electric vehicles and the investments required.

7 PARTICIPANT FEEDBACK ON EVENT

Participants were provided an option to take a short survey at the end of the session and share their feedback.

Table 3: Participant feedback*

1. Participant feedback

Using the scale below, please evaluate the workshop

The workshop timing was appropriate. – All participants respondents 'Strongly Agree' or 'Agree'.

The workshop objectives were clearly stated. – All participants respondents 'Strongly Agree' or 'Agree'.

The facilitator presented clearly and logically. – All participants respondents 'Strongly Agree' or 'Agree'.

The workshop content was interesting. – All participants respondents 'Strongly Agree' or 'Agree'.

The facilitator allowed me and others to have a say. – All participants respondents 'Strongly Agree' or 'Agree'.

There were opportunities for me to participate in an engaging and appropriate way. – All participants respondents 'Strongly Agree' or 'Agree'.

2. Do you have any suggestions about how the workshop could have been improved?

n/a.

In-person would be better. Although still need option for online!

More information e.g. around costs and also consideration of network benefits may have helped.

The workshop was well structured. Rules of engagement presented at the back set a good, controlled structure for the workshop balanced with enabling participants to provide input.

Providing more guidance so that the discussion does not go into too much unnecessary detail, or down a certain path when it should be kept at a broader higher level, or we are deviating from answering the key questions.

I think in both cases, the presentation of the issues and propose approach would have benefited from clearer articulation of (and discussion with participants on) the principles to apply to these potential services to ensure they are provide in a way that furthers the NEO. I also think that analytically, bundling all the ESS together is unhelpful - there are too many relevant differences for a one size fits all approach.

Try to better anticipate the information requirements that help participants answer the questions you are asking

3. What did you value most about the online workshop?

Hearing all feedback - often 1:1 consultations miss this mutual value.

Easy to put forward views using Teams.

Opportunities to listen, learn and contribute where I could; it was very well facilitated (a great improvement on last time) - the facilitator was agile in her approach when questions couldn't be answered.

Opportunity to participate.

The breadth of experiences and perspectives in the group.

Good to hear the perspectives of the network reps and of the other stakeholders on these important issues.

Improvements on last time: 1. better facilitator than last time (did not hear 'brilliant' once); 2. pace was slower to allow more information presentation and discussion 3. keeping everyone together and the facilitator entering our comments in the software; better then break-out groups and each group trying to grapple with the comments software.

4. Do you have any other comments?

n/a

No.

No

The pre-reading for the second session was very good in setting the context and expectations for the session.

Good job managing a diverse and large group!

Just because the networks were challenged over their proposals doesn't mean that customers and other stakeholders don't want to see these services provided. It's typically more about the terms on which they are going to be provided and to be sure that it's done in a way that we can be confident maximises the benefits to customers. Still requires more discussion - perhaps this is best done at the individual network level given there are differences in F&A details among networks?

*Feedback in this section is shared as provided, without edits to the copy.

8 NEXT STEPS

Findings of this report will be shared with the Victorian electricity distributors for their further consideration. The feedback shared will be used to inform the services they provide and if there should be any changes proposed via the 2026-31 Price Reset regulatory proposals process.

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Appendix C

Classification of distribution services

C1. Classification of distribution services

Table C1-1 below provides JEN's initial views on service classification for the AER's consideration. Proposed amendments compared to the final framework and approach decided by the AER for the 2021-2026 determination are marked-up (in orange).

Table C1–1: JEN's initial view on the classification of distribution services for the regulatory control period 2026-31

Service group	Further description ⁴¹	Proposed classification 2026-31
Common distribution services (CDS) – use of the distribution network for the conveyance/flow of electricity (including the services relating to network integrity)		
Common distribution service (formerly 'network services')	<p>The suite of activities 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; works to fix damage to the network⁴² (including recoverable works to fix damage caused by a customer or third party); support for another network distribution network service provider (DNSP) during an emergency event; procurement and provision of network demand management or other network management activities for distribution or system reliability, efficiency or security purposes; use of dynamic network capacity management capabilities (including communication of import and export limits) for distribution purposes; providing activities related to 'shared asset facilitation' of distributor DNSP assets;⁴³ emergency disconnect for safety reasons and work conducted to restore a failed component of the distribution system to an operational state upon investigating a customer outage; establishment and maintenance of National Metering Identifiers (NMIs) in market and/or network billing systems, and other market and regulatory obligations; 	Standard control

⁴¹ The examples and activities listed in the 'Further description' column are not intended to be an exhaustive list and some ~~distributors~~ DNSPs may not offer all activities listed. Rather the examples provide a sufficient indication of the types of activities captured by the service.

⁴² May include the provision of temporary stand-alone power systems to restore supply.

⁴³ Revenue for these services is charged to the relevant third party and is treated in accordance with the shared asset guideline. 'Shared asset facilitation' refers to administrative costs. It does not refer to the costs associated with providing the unregulated service itself.

Service group	Further description ⁴¹	Proposed classification 2026-31
	<ul style="list-style-type: none"> • ongoing inspection of private electrical networks (not part of the shared network) required under legislation for safety reasons;⁴⁴ • supply abolishment of basic connection;⁴⁵ • customer safety information, e.g. ‘dial before you dig’ services; • Bulk bulk supply point metering – activities relating to monitoring the flow of electricity through the distribution network; • Third third party initiated network asset relocations/re-arrangements, including under ESCV Guideline 14 the Victorian Electricity Distribution Code of Practice (EDCoP);⁴⁶ • Transmission transmission network support; • investigation of customer-reported network faults; • rectification of simple customer faults where: <ul style="list-style-type: none"> – the need for rectification work is discovered in the course of the provision of distribution services; – the work performed is the minimum required to restore safe supply; – the work can be performed in less than thirty minutes and does not normally require a second visit; • work related to a regulated stand-alone power system (SAPS) deployment, operation and maintenance (including fault and emergency repairs)⁴⁷, and customer conversion activities; and • provision of network data. 	

⁴⁴ ~~The Victorian~~ Section 113F of the *Electricity Safety Act 1998 (Vic)*, clause 113F, requires Victorian DNSPs to inspect overhead private electric lines

⁴⁵ This service is classified as Standard Control Services under the ~~2016-20 2021-25 distribution Determination~~ determination for public safety reasons. Victorian DNSPs wish to continue with the classification.

⁴⁶ This classification applies where a customer contribution is calculated and applied in accordance with Essential Services Commission (**ESCV**) ~~Guideline 14~~ EDCoP or where a customer contribution is calculated and applied in accordance with any other relevant Victorian legislation or regulation, including regulations made under the *National Electricity (Victoria) Act, 2005*. The party requesting such works under this classification must pay the net cost of the works, subject to any rebates specified in ~~Guideline 14~~ the EDCoP or by any other relevant Victorian legislation or regulation.

⁴⁷ Includes simple customer fault rectification on generation service of regulated SAPS.

Service group	Further description ⁴¹	Proposed classification 2026-31
Network ancillary services – customer and third party initiated services related to common distribution services CDS		
Access permits, oversight and facilitation	<p>Activities include:</p> <ul style="list-style-type: none"> • a distributor DNSP 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 DNSP issuing confined space entry permits and associated safe entry equipment to a person authorised to enter a confined space; • a distributor DNSP providing access to switch rooms, substations and other network equipment to a non-Local Network Service Provider DNSP party who is accompanied and supervised by a distributor's DNSP's staff member. May also include a distributor DNSP 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 DNSP assets; • facilitation of generator connection and operation of the network; and • facilitation of activities within clearances of a distributor's DNSP's assets, including physical and electrical isolation of assets. 	Alternative control
Sale of approved materials or equipment	<ul style="list-style-type: none"> • Includes the sale of approved materials/equipment to third parties for connection assets that are gifted back to become part of the shared distribution DNSP network. 	Alternative control
Notices of arrangement and completion notices	<p>Examples include:</p> <ul style="list-style-type: none"> • Work works of an administrative nature where a local council requires evidence in writing from the distributor DNSP that all necessary arrangements have been made to supply electricity to a development. This includes but is not limited to: receiving and checking subdivision plans, copying subdivision plans, checking and recording easement details, site visits, assessing supply availability, liaising with developers if errors or changes are required, and preparing notifications of arrangement; and • Provision provision of a completion notice (other than a notice of arrangement). This applies where the real-estate developer requests the distributor DNSP is requested to provide documentation confirming progress 	Alternative control

Service group	Further description ⁴¹	Proposed classification 2026-31
	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 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 a connection or relocation; and • Conveyancing conveyancing inquiry services relating to the provision of property conveyancing information at the request of a customer. 	Alternative control
Network safety services	<p>Examples include:</p> <ul style="list-style-type: none"> • provision of traffic control and safety observer services by the distributor DNSP or third party where required; • fitting of tiger tails, possum guards, and aerial markers; • high load escorts; • site visit relating to location of underground cables/assets; • third party request for de-energising wires for safe approach; • customer requested site visit relating to location of underground cables/assets. 	Alternative control
Customer requested rescheduling of a Planned planned interruption — customer requested amendment	<p>Examples include:</p> <ul style="list-style-type: none"> • where the customer requests to move a distributor DNSP planned interruption and agrees to fund the additional cost of performing this distribution service outside of normal business hours. 	Alternative control
Customer or third party requested supply outage	<p>Examples include:</p> <ul style="list-style-type: none"> • customer or third party initiated network outage (e.g. to allow customer and/or contractor to perform maintenance on the customer's assets, work close to or for safe approach, which impacts other networks users). 	Alternative control
Inspection and auditing services	<p>Activities include:</p> <ul style="list-style-type: none"> • inspection and reinspection by a distributor DNSP, of gifted assets or assets that have been installed or relocated by a third party; 	Alternative control

Service group	Further description ⁴¹	Proposed classification 2026-31
	<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; and re-test at a customer's installation, where the installation fails the initial test and cannot be connected or has been disconnected for more than 12 months or disconnected for safety reasons. 	
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 DNSP's network. Such learning outcomes may include those necessary to demonstrate competency in the distributor's DNSP's electrical safety rules, to hold an access authority on the distributor's DNSP's network and to carry out switching on the distributor's DNSP's network. Examples of training might include high voltage training, protection training or working near power lines training.	Alternative control
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; and assessing an application from a third party to consider approval of alternative material and equipment items that are not specified in the distributor's DNSP's approved materials list. 	Alternative control
Security lights	<p>Provision of operation and maintenance of equipment mounted on the distribution equipment system used for security services, e.g. nightwatchman lights.</p> <p>Note: excludes connection services.</p>	Alternative control
Customer requested provision of electricity network data	Requests for the provision of electricity network data requiring customised investigation, analysis or technical input (e.g. requests for zone substation data), where there is no demonstrable net benefit to the distribution network.	Alternative control

Service group	Further description ⁴¹	Proposed classification 2026-31
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.	Alternative control
Customer initiated network asset relocations/re-arrangements	Relocation of assets that form part of the distribution network in circumstances where the relocation was initiated by a third party (including a customer), not provided under the ESCV Guideline 14 EDCoP.	Alternative control
Community network upgrades	Collective customer requested network enhancement. Activities related to community requests to augment the network to enable higher PV exports.	Alternative control
Mandatory provision of essential system services	<p>Activities include:</p> <ul style="list-style-type: none"> • interruption or curtailment of generation of embedded generating units connected to the distribution system at AEMO's direction to manage MSL risks; and • interruption or disconnection of supply to premises at AEMO's direction to manage UFL risks; and • provision of other mandatory essential system services. 	Standard control
Non-mandatory provision of essential system services	<p>For contracted ESS provided to AEMO. ESS refers to services to manage ongoing power system security, such as but not limited to:</p> <ul style="list-style-type: none"> • Reliability and Emergency Reserve Trader services; • frequency control ancillary services; • system strength; • inertia; and • other system security requirements. 	Standard control
Network data and advice	<p>Activities include:</p> <ul style="list-style-type: none"> • specific data requests by customers or third parties for network data beyond the scope of SCS provision; and • advice related to network data where customers or third parties seek assistance to understand or interpret network data or assistance to identify the data they require to meet their needs. 	Alternative control

Service group	Further description ⁴¹	Proposed classification 2026-31
Metering services		
Type 1 to 4 metering services	Type 1 to 4 metering installations ⁴⁸ and supporting services are competitively available.	Unregulated
Types 5 and 6 meter (including smart meter) services where the Distributor DNSP remains responsible	<p>Includes:</p> <ul style="list-style-type: none"> • Recovery recovery of the capital cost of type 5 and 6 metering equipment⁴⁹ including communications network (including meters with internally integrated load control devices); • Testing testing, inspecting, investigating, maintaining or altering existing type 5 or 6 metering installations or instrument transformers; • Quarterly quarterly or other regular reading of a metering installation; and • Metering metering data services that involve the collection, processing, storage and delivery of metering data, the provision of metering data from the previous two years, remote or self-reading at difficult to access sites, and the management of relevant NMI Standing Data in accordance with the NER. 	Alternative control
Auxiliary metering services (type 5 to 7 including smart metering) where the distributor DNSP remains responsible	<p>Activities include:</p> <ul style="list-style-type: none"> • requests to test, inspect and investigate, or alter an existing type 5 or 6 metering installation; • testing and maintenance of instrument transformers for type 5 and 6 metering purposes; • Non-standard non-standard metering services for Type type 5 to 7 meters and any other meter types introduced; • works to re-seal a type 5 or 6 meter due to customer or third party action (e.g. by having electrical work done on site); • change distributor load control relay channel on request that is not a part of the initial load control installation, nor part of standard asset maintenance or replacement; • Remote remote de-energisation and re-energisation; • Remote remote meter configuration; • Field field based special meter read; 	Alternative control

⁴⁸ Includes the instrument transformer, as per the definition of a 'metering installation' in Chapter 10 of the NER.

⁴⁹ Includes the instrument transformer, as per the definition of a 'metering installation' in Chapter 10 of the NER.

Service group	Further description ⁴¹	Proposed classification 2026-31
	<ul style="list-style-type: none"> Office office based special meter read; and Metering metering exit services. 	
Type 7 metering services	Administration and management of type 7 metering installations in accordance with the NER and jurisdictional requirements. Includes the processing and delivery of calculated metering data for unmetered loads, and the population and maintenance of load tables, inventory tables and on/off tables.	Alternative control
Connection services⁵⁰ – services relating to the electrical or physical connection of a customer to the network		
Basic connection services	<p>Means a <i>connection service</i>⁵¹ related to a <i>connection</i> (or a <i>proposed 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"> 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 the <i>retail customer</i> is, or proposed 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>	Alternative control
Standard connection service	Means a connection service (other than a basic connection service) for a particular class (or sub-class) of connection applicant and for which a model standing offer has been approved by the AER.	Standard control
Negotiated connection	Means a connection service (other than a basic connection service) for which a DNSP provides a connection offer for a negotiated connection contract. This includes connections under Chapter 5 of the NER.	Standard control
Connection application and management services	<p>Activities include:</p> <ul style="list-style-type: none"> Connection connection application related services 	Alternative control

⁵⁰ When discussing connections, we must consider how connection policies and chapter 5A of the NER impact the regulation of connection services. For this reason, we will not be able to completely address the classification of connection services in the classification guideline.

⁵¹ Italics denotes definitions in Chapter 5A of the NER.

Service group	Further description ⁴¹	Proposed classification 2026-31
	<ul style="list-style-type: none"> • Works works initiated by a customer or retailer that are specific to the connection point. This includes, but is not limited to: <ul style="list-style-type: none"> - field based de-energisation⁵² and re-energisation; - Non non basic supply abolishment or reposition non-basic connection; - Temporary temporary connections (e.g. for builder's supply, fetes etc.); - overhead service line replacement – customer requests the existing overhead service to be replaced (e.g. because of a point of attachment relocation). No material change to load; - protection and power quality assessment; - 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 service cables; - calculation of a site specific distribution loss factor on request in respect of a generating unit up to 10 MW or a connection point for an end-user with actual or forecast load up to 40 GWh per annum capacity, as per clause 3.6.3(b)(1) of the NER; - calculation of site specific loss factors when required under the NER; - power factor correction; - Embedded embedded network management; - assessing connection applications or a request to undertake relocation of network assets as contestable works and preparing offers; - processing preliminary enquiries requiring site specific or written responses; - undertaking planning studies and associated technical analysis (e.g. power quality investigations) to determine suitable/feasible connection options for further consideration by applicants; - liaising with groups representing multiple connecting parties (e.g. community group upgrades); 	

⁵² De-energisation services related to business as usual activities and de-energisation services that may relate to changing over meter types.

Service group	Further description ⁴¹	Proposed classification 2026-31
	<ul style="list-style-type: none"> - site inspection in order to determine the nature of the connection service sought by the connection applicant and ongoing co-ordination for large projects; and - registered participant support services associated with connection arrangements and agreements made under Chapter 5 of the NER. 	
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 reliability standards or lower quality of reliability standards (where permissible) than required by the NER or any other applicable regulatory instruments. This includes reserve feeder installation and maintenance; • in excess of levels of service or plant ratings required to be provided by the distributor DNSP; and • management of export and load at a customer site that provides the customer greater network capacity than they would otherwise be eligible for. 	Alternative control
Public lighting		
Public lighting	<ul style="list-style-type: none"> • Operation, maintenance, repair and replacement public lighting services • Alteration and relocation of public lighting assets • New public lighting services incl. greenfield sites & new light types (distributor DNSP provided) • Provision, construction and maintenance of emerging public lighting technology. 	Alternative control