

Revised Service Classification Proposal

2024-29 Revised Regulatory Proposal



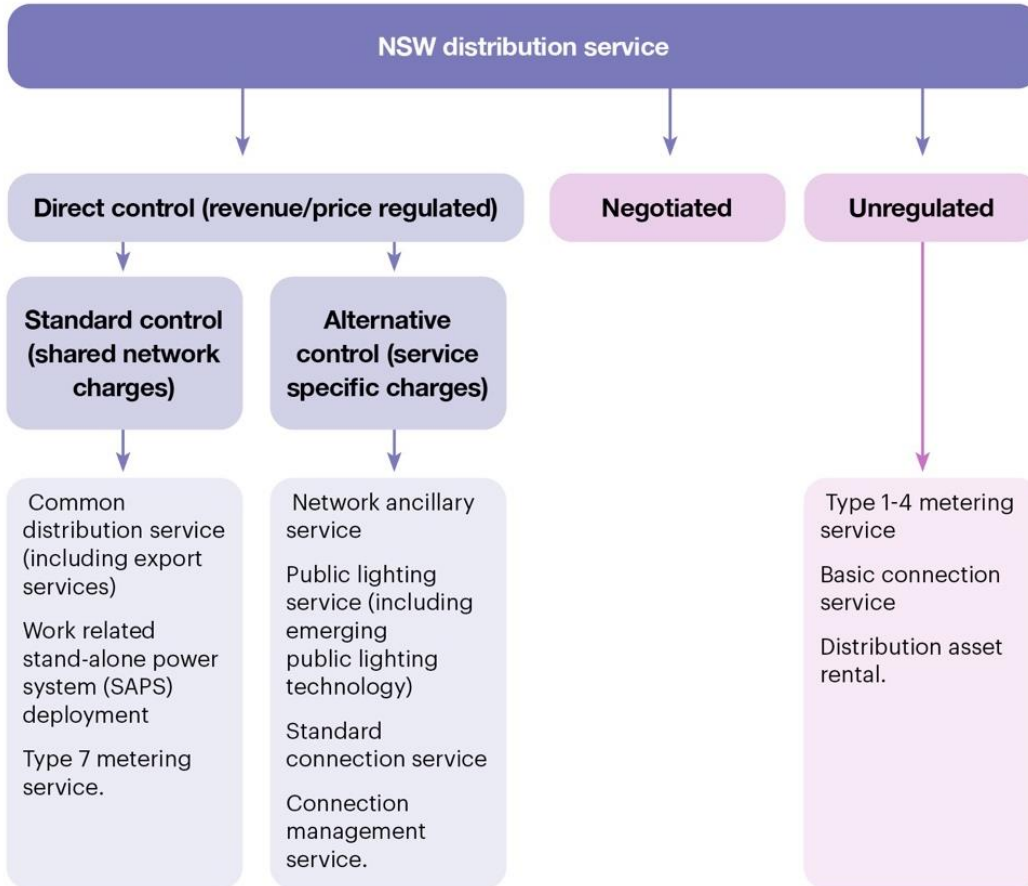
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1. Proposed service classification revisions

The AER’s draft decision applied the service classification as set out in the final Framework and Approach (F&A) decision for the 2024-29 period as outlined below.

Figure 1-1 AER service classification summary for the FY25-FY29 period



We propose the AER review and amend its F&A decision for material changes in circumstances with respect to metering and energy transition related services. We provide more detail on these developments and proposed amendments below.

Metering services

For our January 2023 Proposal, we followed the AER’s F&A and included Type 5 to 6 metering installations and legacy meters as alternative control services (ACS), which also reflected their classification in the 2019–24 regulatory period. We were aware that there could be potential impacts from the AEMC’s metering review, however, at the point of submitting our Proposal this process was still underway and it was unclear what any change in policy direction would mean for the classification of our metering services.

The AEMC released its final report on its review of metering services in August 2023. The recommendations included confirming a target of 100 per cent replacement of Type 5 & 6 DNSP owned meters, with smart meters by 2030.

We therefore propose the AER revise its draft decision to reflect a material change in circumstances with respect to metering services. As noted in the AER’s draft decision, the AEMC’s review represents a material change in circumstances that warrants a change to the F&A¹:

We consider the AEMC’s final decision constitutes a material change in circumstances, which justifies departure from the classification of legacy meter services in the F&A. However, due to the proximity of the release of our draft decision, we have not had the opportunity to fully

¹ AER, Draft Decision – Endeavour Energy Electricity Distribution Determination 2024 to 2029 - Overview, 28 September 2023, p. 29

incorporate the findings into this decision. In preparation for the AEMC's decision, we have been working with the affected distribution businesses to identify a proposed approach that ensures customers are not inequitably impacted from rising costs in the transition to realising the benefits the smart meters provide.

We support this view that a change is warranted. In discussions with the AER and the RRG there has been broad agreement that a standard control service (SCS) classification would be preferable based on the outcomes of the AEMC's review. This is consistent with the AER's draft decision²:

With metering services classified as ACS and costs allocated to a declining customer base, Endeavour Energy's customers with meters replaced later in the deployment may be charged inequitably higher costs for metering services than customers with meters replaced earlier, even though there is no change in the service they receive. This arises because:

- Large fixed-cost base will be recovered over a rapidly declining number of customers (e.g. systems and IT, base labour force)*
- Per unit costs to read a meter increase as it is further to travel between each meter.*
- Some costs that are necessary for the transition, such as site remediation, may also occur within the 2024–29 period. As the rate of replacement increases, more of the sites requiring remediation will be brought forward into the 2024–29 period*

And:

.....However, we consider a reclassification of legacy metering services as standard control services (SCS) and with costs recovered through the revenue cap is likely to be more appropriate in the revised proposals in order to reduce material price impacts for customers through the metering transition. Contribution by all customers is appropriate as all energy users will recognise the network benefits of this transition.

We therefore propose that Type 5 & 6 Metering services are reclassified from ACS to SCS. In addition to the above, we remain of the view (from the time of the 2014-19 re-classification from SCS to ACS) that an SCS classification is more appropriate as the service is not provided to an identifiable and small number of customers per the example provided in the direct control service classification criteria in the Rules³. Further, the additional burden of separately regulating and pricing metering services has not yielded the anticipated benefits of supporting contestability within the smart meter market which itself continues to lack pricing transparency.

Other metering services for Types 5 & 6 metering installations

During the smart meter rollout, a number of legacy metering services will still be the subject of specific requests by customers or third parties. These include the replacement of shared fuses, additional changes the distributor load control relay channel and works to reseal a meter. As these works are not related to meter replacement, are customer-initiated and financially attributable to the requesting party, it is appropriate that they continue to be classified as Alternative control.

Moreover, in its Final Report, the AEMC considered that there is likely to be a need for jurisdictional intervention to assist the smart meter rollout, with an option to increase DNSP involvement in metering installations and site remediation, particularly in difficult to access, and remote and regional areas⁴. Without DNSPs participation, it is likely that that remote access issues and site defects could inhibit the roll-out of smart metering.

We urge the AER to consider these potential jurisdictional impacts when issuing its final determination, even if assessing these measures falls outside its immediate purview. In the event that the jurisdiction does not intervene in a timely manner, the AER could also consider a change to the existing unregulated distribution service of 'Contestable metering support roles' to include metering installer and site remediator. We acknowledge the existing support roles listed in this service are defined by the NER, while no such role of site remediator exists. As a result, we further suggest the AER change the name of the service grouping to "Contestable metering support services".

For market clarity and alignment with the AEMC's recommendations, we suggest the AER issue a class waiver allowing DNSP participation in these additional activities where obligated to do so. This waiver would specify conditions under which DNSPs could engage, enabling timely service delivery while minimising market risks. We further recommend classifying site remediation services as direct

² AER, Draft Decision – Endeavour Energy Electricity Distribution Determination 2024 to 2029 - Attachment 20 – Metering Services, 28 September 2023, pp. 2-3

³ NER cl 6.2.2(c)

⁴ AMEC, Final Report – Review of the regulatory framework for metering services, August 2023, pp. 69-70.

control services if jurisdictional obligations demand NSW DNSP involvement, ensuring a framework for cost recovery.

Accessing locked meters

In NSW, customers are permitted to secure their electricity meters with authorised industry master locks in order to provide DNSPs with secure access to them. Where meters are located behind residential gates and fences, or within secured common areas in the case of multioccupancy sites, the NSW Service and Installation Rules (SIR) requires that these must also be fitted with DNSP locks to allow access⁵.

The SIR also requires locks to be affixed to distribution service equipment or parts of an electrical installation in circumstances where they are necessary in the opinion of the DNSP. Circumstances may include⁶:

- preventing obstruction or diversion of the supply of electricity;
- avoiding interference to other customers supply;
- securing the control and metering of the electricity supply; and
- any other purposes relating to the agreement with the customer.

In its Final Report, the AEMC identified that the accelerated smart meter rollout could be impeded by Metering Providers (MP) being restricted from accessing sites secured by a DNSP locking system. In relation to arrangements in NSW, the AEMC commented⁷:

The Commission understands that DNSPs are prevented from sharing their industry master keys with third parties, including metering parties under New South Wales legislation. Under Section 54 of the New South Wales Electricity Supply Act, DNSPs can only facilitate access for 'an authorised officer of a network operator'. The same act also provides retailers and their authorised officers, metering coordinators and meter providers powers of entry, but the power is moot if they don't have access to the keys securing the metering locations.

The AEMC acknowledged that removing the constraint on DNSPs issuing keys would support the smart meter deployment by reducing delays in meter replacements and improving customer experience. However, providing MPs access to DNSP locking systems can only be achieved through a change to NSW jurisdictional legislation and is therefore outside of the AEMC's remit.

Generally, restricted access to meters secured by DNSP locks has not been a material issue for installers as meter churns have typically been initiated by the customer. In contrast, under the AEMC's meter acceleration reforms MPs must attempt to replace all meters retired in accordance with the respective AER approved legacy meter retirement plan (LMRP). Unlike current arrangements, customers are not able to opt-out of replacements scheduled under the LMRP.

Consequently, we envisage that during the 2024-29 period, MPs will increasingly rely on DNSPs to provide them with access where the customer cannot facilitate access. To assist Retailers and MPs to achieve compliance with their LMRP obligations, we believe it would be beneficial to clarify that the existing 'Access permits, oversight and facilitation' service enables the NSW DNSPs to provide an access service for electrical installations secured by DNSP master locks.

Energy transition services

We also propose the AER consider changes to the F&A for new and emerging services associated with the energy transition. Recent and ongoing policy developments either have or may constitute a material change in circumstances, noting that the NEM is undergoing a fundamental transformation with the rapid uptake of CER, community batteries, EVs, Stand-Alone Power Systems (SAPS), smart meters and other electrification technologies. DNSPs will play a central role in this transformation and, in evolving from being traditional providers of electricity distribution services, will need to be able to support the energy transition through the services they provide and be able to recover associated costs.

Key changes since the AER's June 2021 F&A decision include:

⁵ DPIE, Annexure to the Service and Installation Rules of NSW, July 2018, pp. 5-6.

⁶ DPIE, Service and Installation Rules of NSW, October 2019, p. 28

⁷ AEMC, Final Report – Review of the regulatory framework for metering services, August 2023, p. 99.

- **NSW Electricity and Reliability Check-up:** On 5 September the NSW Office of Energy and Climate Change (OECC) released the check-up report along with its response to the recommendations. Of note, OECC has agreed to engage further with networks to determine whether additional renewable generation projects can be developed through small network enhancements on the existing distribution networks (i.e., Distribution REZs). NSW OECC has also committed to prioritising a CER Strategy with a focus on common technical standards and setting targets for the uptake of technologies such as smart meters and distributed batteries.
- **AEMO's FY2024 Priority Actions and 2022 System Strength reports:** In July 2023 AEMO released its Engineering Roadmap to 100% Renewables FY2024 Priority Actions report. This report highlighted accelerating industry efforts to enable increased CER while supporting system stability as a key priority. In addition, the 2022 System Strength, Inertia and Network Support and Control Ancillary Services (NSCAS) Report, released in December 2022, identified a shortfall in projected system strength that requires significant industry effort to rectify with reliability gaps forecast for all mainland regions from 2022-33 to 2031-32. Relatedly, in December 2022, the AER granted a class waiver from ring-fencing to allow DNSPs to provide Reliability and Emergency Reserve Trader (RERT) services to AEMO.
- **Energy Security Board (ESB) EV Supply Equipment (EVSE) Standing Data:** in December 2022 the ESB released a consultation paper flagging that existing mechanisms under the Rules that established the DER Register may require amendment to obligate DNSPs to collect and report EVSE standing data. The paper also set out several use cases for the EVSE standing data for DNSPs and other market participants.
- **ESB Network visibility:** the AER is consulting on work initiated by the ESB on a network visibility framework that identifies and defines datasets required by the market and pathways for data provision to the market. Notably, DNSPs have been identified as the likely source of several data sets. Relatedly, AEMO's NEM Reform Foundational and Strategic Initiatives Focus Group (FaSI FG) working group continues its work on developing frameworks for industry data exchange, identify and access management and portal consolidation.
- **Federal Senate Economics References Committee Inquiry into residential electrification in Australia:** On 14 June 2023 the Senate referred an inquiry into residential electrification to the Economics References Committee. The inquiry will report on the economic opportunities and challenges associated with electrification and identify solutions that may in turn require changes to the services provided by DNSPs.
- **AEMC CER Technical Standards Review:** On 21 September 2023 the AEMC released its final report into the review into CER technical standards. The report included several recommendations to include lagging CER compliance with technical standards. Given that CER standards are regulated at a jurisdictional level, these recommendations will need to be reviewed and implemented by NSW OECC. A NSW DER Reporting and Technical Issues working group has been established to do so. As with the above reform, there is the potential that the compliance framework in NSW could be modified in a way that results in changes to the role of the NSW DNSPs and the services they provide.

While these reforms and their implementation continue to progress, we propose the AER consider the following clarifications and amendments to its service classification decision in its final determination:

Leasing of excess battery capacity

In its Final F&A, the AER decided against clarifying leasing excess battery capacity as a distribution service⁸. However, we remain of the view that the market would be better served if the AER was to provide clarity that the leasing of excess network-owned battery capacity to third parties is a distribution service which is not classified, on the basis that:

- the leasing of excess capacity of network-owned batteries is a distribution service;

⁸ AER, Framework and approach Ausgrid, Endeavour Energy and Essential Energy (New South Wales), Final, July 2022, p.19.

- the AER has a responsibility and obligation to stakeholders to provide clarity regarding the regulatory treatment of distribution services;
- a material change in circumstances since the final F&A triggers the need for a change in classification approach;
- listing it as a distribution service, which is not classified, is consistent with the treatment of similar services; and
- listing the activity as part of distribution asset rental allows for unregulated revenues from this service to be shared with customers.

The leasing of excess capacity of network-owned batteries is a distribution service

When networks lease excess capacity of network-owned batteries, the service is “provided by means of or in connection with a distribution system”⁹. Therefore, it is a distribution service. Unlike privately-owned batteries, which can both charge and discharge without connection to the distribution system, distribution batteries can do neither. Without access to the conveyance of electricity through the distribution system, network batteries are stranded.

AER has a responsibility and obligation to stakeholders to provide clarity regarding the regulatory treatment of distribution services

Providing clarity on the treatment of this service would be consistent with the AER’s treatment of other unregulated distribution services¹⁰ and ensure that network customers are able to benefit from any unregulated revenues generated by provision of the service through the revenue sharing arrangements under the Shared Asset Guideline.

Currently, the Ring-Fencing Guideline expressly excludes “energy storage devices” from the sharing of assets¹¹. This approach is misaligned with the NER, and the Service Classification Guideline, wherein the AER must distinguish between distribution services and the operating and capital inputs that are used to provide such services¹². We further submit that the AER has an obligation to provide clarification with respect to service classification to ensure the consistent treatment of distribution services both within and across jurisdictions as per the Rules¹³ and confirmed in *Ergon Energy Corporation Ltd v Australian Energy Regulator* [2012] FCA 393.

In its final F&A, the AER argued that it does not have an explicit role in recognising services as “unregulated” or “unclassified”¹⁴. While we agree that a distribution service which is “not classified” is not a formal classification¹⁵, making that distinction, and listing the service as a “unregulated” distribution service in the AER’s classification of services list, provides market clarity and allows the benefits discussed below to flow through to customers. It is also required for the operation of the distribution Ring-Fencing Guideline which distinguishes between unregulated distribution services (and negotiated services) and non-distribution services.

We appreciate that this determination process may not provide sufficient time to do so and/or doing so may preferably be done at the time of also updating the Service Classification Guideline, Ring-Fencing Guideline and Shared Asset Guideline. Our concern is that if these Guidelines are collectively updated during the 2024-29 period, we will then be locked into the prevailing approach. We would encourage the AER to consider options for building in flexibility to its final decision so that any consequential reforms can be opted in to and/or enacted during the period as appropriate.

A material change in circumstances

Since the F&A was published¹⁶, there has been a material change in circumstances triggered by the AER’s decision to grant a class waiver to allow distributors to actively participate in the Federal

⁹ NER Chapter 10 Glossary, p.1247

¹⁰ See NER cl. 6.2.3A(3), AER, Electricity Distribution Service Classification Guideline – Final, September 2018, p. 10.

¹¹ AER, Ring-fencing Electricity Distribution Guideline (Version 3), October 2021, cl. 3.1 d(i) & AER, Ring-fencing Electricity Distribution Guideline (Version 3) – Explanatory Statement, November 2016, p 41.

¹² NER cl. 6.2.3A(3)

¹³ See NER 6.1.1 & cl. 6.2.1(c)(3)

¹⁴ AER, Final Framework and approach Ausgrid, Endeavour Energy and Essential Energy (NSW), July 2022, p.19.

¹⁵ AER, Framework and approach Ausgrid, Endeavour Energy and Essential Energy (New South Wales), Final, July 2022, p.19.

¹⁶ AER, Final Framework and approach Ausgrid, Endeavour Energy and Essential Energy (NSW), July 2022

Government's Community Battery program¹⁷. Neither the community battery program nor the waiver to allow distributors to participate, were contemplated at the time of the F&A. This class waiver is in addition to the several individual waivers which have also been processed under clause 5.2 streamlined waiver process of the ringfencing guidelines.

Further to this, is the NSW Government's Cabinet-endorsed acceptance of recommendation 31 in the Electricity Supply and Reliability Check Up Report¹⁸, aiming to establish targets for distributed batteries, which will require participation from Endeavour Energy. Further, the Electricity Supply Act 1995 (NSW) already allows for regulations to be made for the construction and use of community-scale batteries where DNSPs can own and operate these assets¹⁹. Regulations, as part of the NSW Government's implementation of the Electricity Supply and Reliability Check Up Report recommendations, may also trigger a material change in circumstances relating to the provision of this service.

Consistent with the treatment of similar services

In Version 1 of the Ring-Fencing Guideline, the AER stated that it would "classify new services that make available standard control assets to provide other services as unregulated distribution services".²⁰ The listing of leasing of excess battery capacity as an activity under distribution asset rental, an unregulated distribution service, is important because it provides clarity to stakeholders that the revenues generated from providing these services are subject to revenue sharing with customers under the shared asset guideline. Listing the service as part of distribution asset rental is a technology neutral approach that provides for consistency of the regulatory treatment of other assets that form part of this service.

Revenue sharing

Under a revenue cap control mechanism, the equitable sharing of unregulated revenues – generated from shared assets – directly benefits the customers who fund them by offsetting the allowed revenue requirement. This places downward pressure on the prices customers pay. We note that the AER has announced that the current Shared Asset Guideline is due for review in 2023-24²¹. We look forward to participating in this review to ensure that the Shared Asset Guideline produces real results by encouraging networks to use network assets to provide other kinds of services²² with fair return of revenues generated back to customers.

We consider that equitable revenue sharing arrangements, combined with adequate safeguards to ensure against over investment in network assets, will mitigate against the potential harms the Ring-fencing Guideline is seeking to address.

Confirmation of network battery leasing as part of distribution asset rental will align with AER's treatment of other unregulated distribution services and enable network customers to benefit from non-regulated revenues through revenue-sharing frameworks under the Shared Asset Guideline.

Essential System Services

Australia has one of the highest penetrations of inverter-based resources worldwide as we rapidly transition away from synchronous generation. This transition presents new and previously unobserved operational conditions which must be managed to ensure the power system remains reliable and secure. Essential system services, fall under the range of billable services the AER considered in its Final F&A and include:

- Reliability and Emergency Reserve Trader (RERT), Operating Reserve and System Restart utilising voltage management capabilities;
- Frequency Control Ancillary Services (FCAS) through the use of network batteries and dynamic voltage management systems (DVMS); and

¹⁷ [AER Decision, Distribution Ring fencing class waiver for batteries funded under the community batteries for household solar programme – February 2023](#)

¹⁸ NSW Office of Energy and Climate Change, Electricity Supply and Reliability Check Up – NSW Government response, September 2023

¹⁹ *Electricity Supply Act 1995* (NSW), s192A

²⁰ AER, Ring-fencing Electricity Distribution Guideline (Version 1) – Explanatory Statement, November 2016, p 15.

²¹ AER, Distribution ring-fencing class waiver for DNSP-led projects funded under the Australian Government's Community Batteries for Household Solar Program, February 2023, p.14.

²² NER cl. 6.4.4(c)(1)

- System strength and Inertia which would require investment in synchronised condensers.

However, the AER's draft decision did not classify essential system services (also referred to as 'system support services') noting that it will instead consider it further as a material change in circumstance if required²³. This means that DNSPs are currently unable to readily provide essential system services to AEMO as it is an unclassified service, meaning a ring-fencing waiver is required.

AEMO needs access to essential system services more than ever before to maintain electrical balance. Without sufficient levels of support there will likely be more frequent system outages and high-cost interventions by AEMO at a greater cost to customers. AEMO notes the importance of this challenge in its 2022 System Strength, Inertia and Network Support and Control Ancillary Services Report where shortfalls are projected²⁴:

Significant industry effort is needed to deliver system strength. The scale of work required to deliver the system strength standards set in this report should not be underestimated. AEMO and System Strength Service Providers (SSSP), as well as many other organisations across the Australian electricity sector, will need to apply concentrated effort to obtain the necessary system strength services and ensure power system security for the east coast of Australia.

Since publishing the Final F&A, the AER has recognised the need for DNSPs to participate in this market, to ensure that AEMO has access to these essential system strength services, by providing a class waiver for the provision of RERT services²⁵.

The 2023 AEMO Electricity Statement of Opportunities forecasts that the need for these types of system support services is likely to increase as the energy market transitions away from dispatchable generation from fossil fuels, which provide inertia and firming to intermittent forms of renewable generation.

Further, we contend that the publishing of a class waiver for the provision of RERT services, combined with the NSW Government's response accepting recommendation 29 in the Check Up Report to connect more generation to distribution networks provides the AER with the discretion to trigger a 'material change in circumstances', as it was unavailable information at the time of publishing the Final F&A. The AEMO letter, requesting that the AER "urgently consider a long-term class waiver"²⁶ to allow DNSPs to participate in this market, indicates the need for these types of services to support reliability of supply. This demonstrates that the market is no longer in its infancy²⁷, with the service required urgently by AEMO, providing the AER with the impetus to act.

The provision of clarity that these services are distribution services provides certainty that DNSPs can be requested to provide these services into the contestable market, as an unregulated distribution service when required.

As services are bid through an open tender process, AEMO is able to choose from the lowest cost base, placing downward pressure on system operation costs, which is in the long-term interests of consumers. This means customers will benefit from DNSPs not just ensuring there is not a shortage of system support but by reducing the cost of these services through increased competition.

This would also mean that any revenues generated through the provision of system support services would be subject to the Shared Asset Guideline, which as above should be reviewed to ensure an equitable return to customers for use of assets they have paid for.

Leasing of property or asset capacity for EV charging infrastructure

During its joint consultation on service classification for the F&A, DNSPs identified a range of new services, requested by customers, which may impact them in the future. EV charging infrastructure was one of these²⁸. At the time DNSPs were unsure how DNSP-led provision of EV charging infrastructure might evolve and so did not pursue any changes to the service classification. Since that time, the market for EVs and hence the need for charging infrastructure, has continued to mature.

²³ AER, Framework and approach Ausgrid, Endeavour Energy and Essential Energy (New South Wales), Final, July 2022, pp. 1, 22-23.

²⁴ AEMO, 2022 System Strength Report, December 2022, p. 5

²⁵ AER, Decision - Distribution ring-fencing class waiver for Reliability and Emergency Reserve Trader (RERT) via voltage management, December 2022. & Letter from AEMO, November 2022.

²⁶ AEMO Letter to the AER – Network service providers and Reliability and Emergency Reserve Trade via voltage management Consultation, 26 September 2022, p. 1.

²⁷ AER, Framework and approach Ausgrid, Endeavour Energy and Essential Energy (New South Wales), Final, July 2022, p. 22.

²⁸ NSW/ACT/TAS/NT electricity distributors, Consultation Paper, Paper one: Service classification, September 2021, p 4.

DNSPs have partnered with private operators of EV charging systems to host a small number of EV chargers on network assets.

The current model for hosting EV charging facilities is consistent with services provided under “distribution asset rental”, where space is provided on the asset in return for a rental fee. Any unregulated revenue generated is subject to the shared asset guideline. Due to the consistency with the previous service grouping, DNSPs have not been required to seek waivers²⁹, particularly as charging facilities to date have been installed as part of trials.

We understand that the example activities provided under service classification descriptions are not exhaustive³⁰. However, as demand for EVs access to public EV charging infrastructure continues to grow, with a range of charging models being developed, we consider that it would provide clarity to stakeholders if the distribution list acknowledged DNSPs’ role in hosting EV Charging on network assets. This would involve simply listing EV chargers in the examples provided as part of distribution asset rental.

It should be noted that we do not see this as a change to the service classification per se, but a confirmation that EV chargers on poles is no different to the leasing of pole space to telecommunications equipment.

Provision of data

The draft decision service classification listing includes an ACS for customer requested provision of electricity network data. This classification was appropriate because networks incur costs in the collection, collation and provision of data which are directly attributable to the person to whom the service is provided.

However, our role as an owner and provider of data is evolving as part of the energy transition. For example, there are ongoing reforms related to network visibility where networks obligations are likely to expand as data sharing frameworks are established and refined³¹. Also, recommendations arising from the Report indicate that DNSPs are likely to receive data from smart meters at no direct cost³².

We consider that where this is the case, and standardised data sets are developed for customer and third-party access, that this data be provided to customers and stakeholders at no charge. To this end, we consider that it would assist stakeholders if provision of frequently requested, standardised data sets and/or data that is provided in accordance with obligations under the Rules, is acknowledged as part of the common distribution service, in the service classification list.

We continue to observe an expansion in the stakeholders that request data from us, and the type of data being requested beyond customer’s requesting their own consumption data. This includes asset details, voltage reports, network analytics and topography, HV network data and postcode level consumption and export data. These data requests would fall into the category of ‘non-standard’ data, the costs for provision of which are directly attributable to the person to whom the service is provided. As a result, a classification of Alternative Control is appropriate.

Given the distinction between standard and non-standard data made above, we consider that the existing ‘customer requested provision of electricity network data’ would also benefit from further clarity. This amendment should clarify that the service relates to specific customer-initiated requests that involve the provision of data above and beyond standardised data sets or our data obligations under the Rules. It should also acknowledge that in some instances data users may also require advice on how to interpret or utilise the data provided so that the costs of doing so can also be recovered from the customer initiating the request.

Distribution Renewable Energy Zones (REZs)

The NSW Check-up Report contains a recommendation that the NSW Government investigate opportunities to unlock additional renewable generation through small enhancements to the existing distribution network³³. NSW OECC has accepted this recommendation³⁴ which will likely involve

²⁹ AER, Electricity Distribution Service Classification Guideline, Final, September 2018, p. 23.

³⁰ AER, Explanatory statement, Electricity Distribution Service Classification Guideline, Final, September 2018, p. 21.

³¹ See: <https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/network-visibility>

³² AEMC, Final Report – Review of the regulatory framework for metering services, August 2023, p 113.

³³ Marsden Jacob, NSW Electricity Supply and Reliability Check Up – Prepared for NSW Treasury – Office of Energy & Climate Change (OECC), 4 August 2023

³⁴ NSW Office of Energy and Climate Change, Electricity Supply and Reliability Check Up – NSW Government response, September 2023

collaboration between OECC, DNSPs, TransGrid and AEMO to identify, scope and ultimately deliver 'Distribution REZs' in NSW.

We note for the Central-West Orana REZ a class waiver was required for DNSPs to participate in the competitive tender process. The regulatory approach and framework that would apply to these potential Distribution REZs is unclear at this stage. They could be conducted under the Infrastructure Roadmap regulations, most likely as a non-contestable REZ, or funded and regulated via alternate means. Whilst this is subject to a degree of uncertainty, what is clear is that the NSW DNSPs will need to assist in the identification, scoping and planning of Distribution REZs as the NSW Government actions the check-up report recommendations as intended.

Again, we consider our cooperation and support during these early stages should be considered a part of our existing distribution service. However, we request that the AER consider how this activity should be regulated via service classification and/or ring-fencing waivers in its final decision.

2. Amended service classification table

In the table below we set out proposed amendments to the AER's draft decision service classification table for the matters set out in the above section. ⁴

| Service group / Activities included | Further description | Current classification 2019–24 | Proposed classification 2024–29 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|---------------------------------|
| Common distribution services —use of the distribution network for the conveyance/flow of electricity (including services relating to network integrity) | | | |
| Common distribution services | <p>The suite of activities that includes, but is not limited, to the following:</p> <ul style="list-style-type: none"> the planning, design, repair, maintenance, construction and operation of the distribution network the relocation of assets that form part of the distribution network, but not relocations requested by a third party (including a customer) works to fix damage to the network²³² and recoverable works to fix damage caused by a customer or third party support for another network during an emergency event procurement and provision of network demand management activities for distribution purposes provision of frequently requested, standardised data sets and/or data that is provided in accordance with obligations under the Rules. activities related to 'shared asset facilitation' of distributor assets²³³ training internal staff, accredited service providers (ASPs) and contractors undertaking direct control services rectification of simple customer fault relating to a life support customer or other critical health and safety issues the distributor is able to address | Standard control | Standard control |

²³¹ The examples and activities listed in the 'Further description' column are not intended to be an exhaustive list and some distributors may not offer all activities listed. Rather the examples provide a sufficient indication of the types of activities captured by the service.

²³² May include the provision of temporary stand-alone power systems to restore supply.

²³³ Revenue for these services is charged to the relevant third party and is treated in accordance with the shared asset guideline. 'Shared asset facilitation' refers to administrative costs of providing the unregulated service.

| Service group / Activities included | Further description | Current classification 2019–24 | Proposed classification 2024–29 |
|--------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|---------------------------------|
| | <ul style="list-style-type: none"> • rectification of simple customer faults where: <ol style="list-style-type: none"> 1) the need for rectification work is discovered in the course of the provision of distribution services 2) the work performed is the minimum required to restore safe supply 3) the work can be performed in less than thirty minutes and does not normally require a second visit • ongoing inspection of private electrical works (not part of the shared network) required under legislation for safety reasons • bulk supply point metering – activities relating to monitoring the flow of electricity through the distribution network • work related to a regulated stand-alone power system (SAPS) deployment, operation and maintenance (including fault and emergency repairs)²³⁴, and customer conversion activities. | | |
| Network ancillary services—customer and third party initiated services related to the common distribution service | | | |
| Design related services | Activities include: <ul style="list-style-type: none"> • provision of design information, design consultation, design rechecking services in relation to connection and relocation works provided contestably • work of an administrative nature relating to work performed by Level 1 and Level 3 ASPs, including processing work • the provision of engineering consulting (related to the shared distribution network). | Alternative control | Alternative control |
| Contestable network commissioning and decommissioning | The commissioning and decommissioning of network equipment associated with ASP Level 1 contestable works. Includes equipment checks, tests and activities associated with setting or resetting network protection systems and the updating of engineering systems. | Alternative control | Alternative control |

²³⁴ Includes simple customer fault rectification on generation service of regulated SAPS.

| Service group / Activities included | Further description | Current classification 2019–24 | Proposed classification 2024–29 |
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| Access permits, oversight and facilitation | <p>Activities include:</p> <ul style="list-style-type: none"> • a distributor issuing access permits or clearances to work to a person authorised to work on or near distribution systems including high and low voltage. • a distributor issuing confined space entry permits and associated safe entry equipment to a person authorised to enter a confined space. • a distributor providing access to switch rooms, substations and the like to a non-Local Network Service Party who is accompanied and supervised by a distributor's staff member. May also include a distributor providing safe entry equipment (fall-arrest) to enter difficult access areas and access to electrical installations secured by a DNSP master lock. • specialist services (which may involve design related activities and oversight/inspections of works) where the design or construction is non-standard, technically complex or environmentally sensitive and any enquiries related to distributor assets. • facilitation of generator connection and operation of the network. • facilitation of activities within clearances of distributor's assets, including physical and electrical isolation of assets. | Alternative control | Alternative control |
| Notices of arrangement and completion notices | <ul style="list-style-type: none"> • Work of an administrative nature where a local council requires evidence in writing from the distributor that all necessary arrangements have been made to supply electricity to a development. This includes but not limited to: receiving and checking subdivision plans and 88 B instruments, 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. • Provision of a completion notice (other than a notice of arrangement). This applies where the distributor is requested to provide documentation confirming progress of work. Usually associated with discharging contractual arrangements (e.g. progress payments) to meet contractual undertakings. | Alternative control | Alternative control |

| Service group / Activities included | Further description | Current classification 2019–24 | Proposed classification 2024–29 |
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| Network related property services | <p>Activities include:</p> <ul style="list-style-type: none"> • Network related property tenure services such as property tenure services related to providing advice on or obtaining: deeds of agreement, deeds of indemnity, leases, easements or other property tenure in relation to property rights associated with connection or relocation. • Conveyancing inquiry services relating to the provision of property conveyancing information at the request of a customer. | Alternative control | Alternative control |
| Site establishment services | <p>Activities include, but not limited to:</p> <ul style="list-style-type: none"> • Site establishment, including liaising with the Australian Energy Market Operator (AEMO) or market participants for the purpose of establishing national metering identifiers (NMIs) in market systems, for new premises or for any existing premises for which AEMO requires a new NMI and for validation of and updating network load data. This includes processing and assessing requests for a permanently unmetered supply device. • Site alteration, updating and maintaining NMI and associated data in market systems. • NMI extinction, processing a request by the customer or their agent for permanent disconnection and the extinction of a NMI in market systems. • Confirming or correcting metering or network billing information in market business to business or network billing systems, due to insufficient or incorrect information received from retailers or metering providers. | Alternative control | Alternative control |
| Network safety services | <p>Examples include:</p> <ul style="list-style-type: none"> • provision of traffic control services by the distributor or third party where required • fitting of tiger tails, and aerial markers • high load escort • third party request for de-energising wires for safe approach | Alternative control | Alternative control |

| Service group / Activities included | Further description | Current classification 2019–24 | Proposed classification 2024–29 |
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| | <ul style="list-style-type: none"> customer requested network inspection undertaken to determine the cause of a customer outage where there may be a safety and or reliability impact on the network or related component and associated works to rectify a customer caused impact on the network.²³⁵ | | |
| Rectification works to maintain network safety ²³⁶ | <p>Issues identified by the distributor, and work involved managing and resolving (including but not limited to):</p> <ul style="list-style-type: none"> pre-summer bush fire inspections customer vegetation, or aerial mains defects. | Alternative control | Alternative control |
| Services provided in relation to a Retailer of Last Resort (ROLR) event | <p>The distributor may be required to perform a number of services when a ROLR event occurs. For example:</p> <ul style="list-style-type: none"> Preparing lists of affected sites and reconciling data with AEMO listings, arranging estimate reads for the date of the ROLR event, preparing final invoices and miscellaneous charges for affected customers, extracting customer data, providing it to the ROLR and handling subsequent enquiries. | Alternative control | Alternative control |
| Customer requested network outage or rescheduling of a planned interruption | <p>Examples include:</p> <ul style="list-style-type: none"> customer initiated network outage (e.g. to allow customer and/or contractor to perform maintenance on the customers assets, work close or for safe approach) where the customer requests to move a distributor planned interruption and agrees to fund the additional cost of performing this distribution service outside of normal business hours. | Alternative control | Alternative control |
| Attendance at customers' premises to perform a statutory right where access is prevented. | <p>A follow up attendance at a customer's premises to perform a statutory right where access was prevented or declined by the customer on the initial visit. This includes the costs of arranging, and the provision of, a security escort or police escort (where the cost is passed through to the distributor).</p> | Alternative control | Alternative control |

²³⁵ An ACS charge is not applicable where it is determined the customer outage was caused by a fault on the network.

²³⁶ Allows the distributor to conduct rectification works where the customer has failed to do so.

| Service group / Activities included | Further description | Current classification 2019–24 | Proposed classification 2024–29 |
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| Provision of training to third parties for network related access | <p>Training services provided to third parties that result in a set of learning outcomes that are required to obtain a distribution network access authorisation specific to a distributor’s network. Such learning outcomes may include those necessary to demonstrate competency in the distributor’s electrical safety rules, to hold an access authority on the distributor’s network and to carry out switching on the distributor’s network.</p> <p>Examples of training might include high voltage training, protection training or working near power lines training.</p> | Alternative control | Alternative control |
| Security lights | <p>Provision, installation, operation, and maintenance of equipment mounted on distribution equipment used for security services, e.g. nightwatchman lights.</p> <p>Note: excludes connection services.</p> | Alternative control | Alternative control |
| Authorisation of ASPs | Includes annual authorisation of individual employees and sub-contractors of ASPs and additional authorisations at request of ASP and other administrative services performed by the distributor relating to work performed by an ASP. | Alternative control | Alternative control |
| Authorisation and approval of third party service providers’ design, work and materials | <p>Activities include:</p> <ul style="list-style-type: none"> • authorisation or re-authorisation of individual employees and subcontractors of third party service providers and additional authorisations at the request of the third party service providers (excludes training services) • acceptance of third party designs and works • assessing an application from a third party to consider approval of alternative material and equipment items that are not specified in the distributor’s approved materials list. | N/A | Alternative control |
| Customer initiated or triggered network asset relocations/rearrangements | Relocation of assets that form part of the distribution network in circumstances where the relocation was initiated by a third party (including a customer) or triggered by a customer’s non-compliance with network safety or security standards (such as network encroachments). | Alternative control | Alternative control |
| Sale of approved materials or equipment | Includes the sale of approved materials/equipment to third parties for connection assets that are gifted back to the DNSP to become part of the shared distribution network. | N/A | Alternative control |

| Service group / Activities included | Further description | Current classification 2019–24 | Proposed classification 2024–29 |
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| <p>Customer requested p Provision of electricity network data</p> | <p>Activities include:</p> <ul style="list-style-type: none"> Data requests by customers or third parties including requests for the provision of electricity network data beyond standardised data sets or obligations under the Rules. Additional services related to network data requests, including provision of advice and interpretation. | Alternative Control | Alternative Control |
| Third party funded network alterations or other improvements | Alterations or other improvements to the shared distribution network to enable third party infrastructure (e.g. NBN Co telecommunications assets) to be installed on the shared distribution network. This does not relate to upstream distribution network augmentation. | N/A | Alternative control |
| Inspection and auditing services | <p>Activities include:</p> <ul style="list-style-type: none"> inspection and reinspection by a distributor, of gifted assets or assets that have been installed or relocated by a third party investigation, review and implementation of remedial actions that may lead to corrective and disciplinary action of a third-party service provider due to unsafe practices or substandard workmanship customer or third-party requested inspection of privately owned low voltage or high voltage network infrastructure (i.e. privately owned distribution infrastructure before the meter) auditing and inspection of a third-party service provider's work practices in the field re-test at a customer's installation, where the installation fails the initial test and cannot be connected. | Alternative Control | Alternative control |
| Metering services – activities relating to the measurement of electricity supplied to and from customers through the distribution system (excluding network meters) | | | |
| Type 1 to 4 metering services | Type 1 to 4 customer metering installations and supporting services are competitively available. | Not classified | Not classified |

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| Type 7 metering services | Administration and management of type 7 metering installations in accordance with the NER and jurisdictional requirements. Includes the processing and delivery of calculated metering data for unmetered loads, and the population and maintenance of load tables, inventory tables and on/off tables. | Standard control | Standard control |
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| Service group / Activities included | Further description | Current classification 2019–24 | Proposed classification 2024–29 |
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| <p>Other m Metering services for Type 5 to 6 metering installations and legacy meters</p> | <p>Activities include:</p> <ul style="list-style-type: none"> recovery of the capital cost of type 5 and 6 metering equipment installed prior to 1 December 2017 meter maintenance covers works to inspect, test, alter, maintain and repair meter reading refers to quarterly or other regular reading of metering installations including field visits and remotely read meters works to re-seal a type 5 or 6 meter due to customer or third party action (e.g. by having electrical work done on site) change distributor load control relay channel on request that is not a part of the initial load control installation, nor part of standard asset maintenance or replacement the processing and delivery of metering data for type 5 and 6 metering installations. activities related to legacy meter remediation or acceleration of advanced meter roll-out deemed the responsibility of the distributor | Alternative control | Standard Control |
| <p>Other metering services for Type 5 to 6 metering installations and legacy meters</p> | <p>Activities include:</p> <ul style="list-style-type: none"> works to re-seal a type 5 or 6 meter due to customer or third party action (e.g. by having electrical work done on site) change distributor load control relay channel on request that is not a part of the initial load control installation, nor part of standard asset maintenance or replacement services related to legacy meter replacement, such as shared fuses and outages | Alternative Control | Alternative Control |

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| Advanced metering acceleration services | Subject to AER confirmation of new obligations, activities requested by state policies or under the National Electricity Rules to carry out work to accelerate the advanced metering roll out | Not previously classified | ACS/SCS (classification dependent upon obligations imposed) |
| Special meter reading and testing (legacy meters) | Special meter reading and testing services include: <ul style="list-style-type: none"> • special meter reading for type 5 and 6 meters including move in and move out meter reading (type 5 and 6 meters) • type 5 meter final read on removed type 5 metering equipment • special meter test (for type 5 and 6 meters). | Alternative control | Alternative control |
| Emergency maintenance metering equipment not owned by the distributor (contestable meters) | Customer or third party request to restore power to customer's premises due to metering equipment not owned by the distributor. | Alternative control | Alternative control |
| Meter recovery and disposal – type 5 and 6 (legacy meters) | Activities include the removal and disposal of a type 5 or 6 metering installation at the request of the customer or their agent, where a permanent disconnection has been requested where it has not been removed and disposed of by the incoming metering provider. | Alternative control | Alternative control |
| Distributor arranged outage for purposes of replacing meter | At the request of a retailer or metering coordinator provide notification to affected customers and facilitate the | Alternative control | Alternative control |

| Service group / Activities included | Further description | Current classification 2019–24 | Proposed classification 2024–29 |
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| | disconnection/reconnection of customer metering installations where a retailer planned interruption cannot be conducted. | | |
| Connection services—services relating to the electrical or physical connection of a customer to the network²³⁷ | | | |
| Basic connection services | Means a <i>connection service</i> ²³⁸ related to a <i>connection</i> (or a proposed <i>connection</i>) between a <i>distribution system</i> and a <i>retail customer's</i> premises (excluding a non-registered <i>embedded generator's</i> premises) in the following circumstances: (a) either: 1) the retail customer is typical of a significant class of <i>retail customers</i> who have sought, or are likely to seek, the service; or 2) the <i>retail customer</i> is, or proposes to become, a <i>micro embedded generator</i> ; and (b) the provision of the service involves minimal or no <i>augmentation</i> of the <i>distribution network</i> ; and (c) a <i>model standing offer</i> has been approved by the AER for providing that service as a <i>basic connection service</i> . | N/A | A) Not classified (customer initiated) B) Standard control and not classified where undertaken by customer with contribution from DNSP |
| Standard connection services | 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. | N/A | A) Not classified (customer initiated) B) Alternative Control (where not contestable for safety/risk reasons) C) Standard Control and + not classified where undertaken by customer with contribution from DNSP D) Standard Control (where undertaken by DNSP) |

²³⁷ Applies to both NER chapter 5 and 5A connections.

²³⁸ Italics denotes definitions in Chapter 5A of the NER.

| Service group / Activities included | Further description | Current classification 2019–24 | Proposed classification 2024–29 |
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| Non-basic negotiated connection ²³⁹ | Means a connection service (other than a basic connection service) for which a DNSP provides a connection offer for a negotiated connection contract. | N/A | A) Not classified (customer initiated) B) Alternative Control (where not contestable for safety/risk reasons) C) Standard Control and + not classified where undertaken by customer with contribution from DNSP D) Standard Control (where undertaken by DNSP) |
| Connection management services ²⁴⁰ | Works initiated by a customer or retailer which are specific to the connection point. This includes, but is not limited to: <ul style="list-style-type: none"> • connection application related services • connection point management services • where, a work health, safety, cyber or network security assessment determines that an ASP should not be given the required access, the termination of a cable (including communications cables such as fibre optic) at substations and switching stations along with the first joint out (where the connection is fully dedicated to the specific customer connecting). | Alternative control | Alternative control |
| Enhanced connection services ²⁴¹ | Other or enhanced connection services provided at the request of a customer or third party that include those that are: <ul style="list-style-type: none"> • provided with different levels of reliability or service, or quality of service (where permissible) than required by the NER or any other applicable regulatory instruments. • in excess of levels of service or plant ratings required to be provided by the distributor. | Alternative control | Premise connections: Not classified Extension and augmentations: Alternative control |

²³⁹ Applies to both NER chapter 5 and 5A connections.

²⁴⁰ Applies to both NER chapter 5 and 5A connections.

²⁴¹ Applies to both NER chapter 5 and 5A connections and includes enhancements for both consumption and export services.

| Service group / Activities included | Further description | Current classification 2019–24 | Proposed classification 2024–29 |
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| Public lighting | | | |
| Public lighting | Includes the provision, construction, operation and maintenance of public lighting and emerging public lighting technology. | Alternative control | Alternative control |
| Unregulated distribution services | | | |
| Distribution asset rental | Includes: <ul style="list-style-type: none"> Rental of distribution assets to third parties (e.g. office space rental, pole and duct rental for hanging telecommunication wires, EV charger, etc.). Leasing of excess battery capacity³⁵ | Not classified | Not classified |
| Contestable metering support roles | Includes metering installer, site remediator, metering coordinator (except where the distributor is the initial metering coordinator), metering data provider and metering provider for meters installed or replaced after 1 December 2017. | Not classified | Not classified |
| Provision of training to third parties for non-network related access | Training programs provided to third parties which are not ASPs or contractors. | Not classified | Not classified |
| Type 5 and 6 meter data management to other electricity distributors | The provision of type 5 and 6 meter data management to other electricity distributors. | Not classified | Not classified |
| AEMO requested Essential system services | Contestable system support services, such as: <ul style="list-style-type: none"> Reliability and Emergency Reserve Trader (RERT), Operating Reserve, and System Restart as requested by the system operator Frequency Control Ancillary Services (FCAS) through the use of network batteries and dynamic voltage management systems (DVMS); System strength and Inertia; and Other services requested by the system operator | Not classified | Not classified |

³⁵ Potentially subject to jurisdictional policy and/or AER policy reviews or endorsement

| Service group / Activities included | Further description | Current classification 2019–24 | Proposed classification 2024–29 |
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| Services provided in regional and remote locations into the contestable market, under a set of self-imposed controls – applies to Essential Energy only²⁴² | | | |
| Provider of last resort services | <p>All services allowed for under the NSW ASP Scheme including:</p> <ul style="list-style-type: none"> • Level 1 customer connection services including both overhead and underground, and including related network extensions or augmentations • Level 2 services such as disconnect and reconnect, work on underground service conductors, and work on overhead service conductors • Level 3 design services for both overhead and underground network electricity assets • Customer initiated private asset relocations • Connections negotiated under Chapter 5 or 5A of the NER • Inspection, maintenance (including fault and emergency) and testing of customer assets including HV assets (this is for standard distribution and sub-transmission type assets and excludes emerging technology assets such as PV, batteries, etc.). | Alternative control | Alternative control |

²⁴² Provider of last resort services, provided under a set of controls to ensure that the provision of contestable services does not impinge on existing competition. See AER, Essential Energy Draft Decision 2019-24, Attachment 12, Classification of services – November 2018. pp. 12-15.

