

Essential Energy

10.01 Revisions to Ancillary Network Services

November 2023



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Revised Proposal - revisions to the ANS model

1.1 Provision of Security Lighting Services

Our Revised Proposal considers the introduction of LED floodlights by introducing five LED floodlight categories; extra-small, small, medium, large, and extra-large. The introduction of LED categories rather than specific wattages allows for changes in wattages as lighting becomes more efficient without changing the fee structure. This creates a level of certainty for customers.

Further, we have separated capital and operational service fees providing a reflective fee for service structure. The January 2023 Proposal combined both capital and operational service fees, resulting in customers potentially paying for capital beyond the asset life of a light.

Rate increases are due to the revised energy and environment rates per new Origin Energy contract tariffs (contract agreed March 2023)¹. The revised contract tariffs have resulted in an increase of the average tariff rate from ██████ in the prior regulatory period to ██████ which is a ██████ change.

1.1.1 Nightwatch Lights (250W, 400W, 1000W non-LED) changes

- > Capital component removed as High Pressure Sodium, Metal Halide and Mercury Vapour lamps will be phased out and replaced with LEDs
- > Material reflects minor spot repairs only
- > Traffic control reduced based on contract review and alignment with Public Lighting
- > Vehicle removed as included in Field Worker labour rate
- > Revised energy and environment rates
- > Removed 'Other Category' splitting spot repair labour under 'Labour' and energy and environment contract rates under 'Contract'

1.1.2 LED Night Vision changes

- > Introduction of five categories; extra-small, small, medium, large and extra-large
- > Split between capital and operational service fee
- > Customers will have the option to pay a one-off upfront capital fee or monthly contract fee
- > Monthly operational fee includes energy and environment contract rates and minor spot repair fee over the asset life
- > Revised energy and environment rates
- > Exit fee applicable to customer terminating capital monthly contract fee before contract end period. Fee reflects 50% of upfront capital fee
- > Installation fee included in capital installation service type

1.2 Public Lighting

Public Lighting service grouping has been removed from Ancillary Network Services. Essential Energy had initially listed Minor Capital Works (MCW) lighting services under the Public Lighting service group which is applicable to Alternate Control – Public Lighting, not third party funded services. Essential Energy have listed MCW under the service group third-party funded network alterations or other improvements.

During engagement sessions, some councils noted that they preferred the certainty of the MCW fee for some public lighting services, however, in response to AER guidance and further engagement with Southern Lights, Essential Energy has changed MCW from a fee-based service to a quoted service. A quoted service has been

¹ Per Essential Energy – 10.04 – Night Vision Consumption Contract

offered for MCW during the current regulatory period and this aligns to other DNSP service offerings. A quoted service will provide a reflective fee for service. All MCW quotes will have a reasonable breakdown of ANS costs that apply.

1.3 Warning Markers

Supporting public safety, Essential Energy have removed overheads (excluding 12.45% material on-costs which is a direct cost) from warning marker purchase price and labour maintenance associated with tiger tail hire and warning markers hire.

1.4 Special Meter Test

Essential Energy holds its position on the additional labour hours, noting² hours previously allocated to Engineer have been reclassified as Indoor Technical Specialist.

Labour Category	AER 2019-24 Final Decision	EE 2024-29 Regulatory Proposal	AER 2024-29 Draft Decision	EE 2024-29 Revised Proposal
Administration	-	1.17 hours	0.25 hours	1.17 hours
Technical Specialist - Indoor	-	-	-	1.17 hours
Technical Specialist - Outdoor	3.4 hours (includes 1 hour travel time)	4.33 hours (includes 2 hours travel time)	3.4 hours (includes 1 hour travel time)	4.33 hours (includes 2 hours travel time)
Engineer	-	1.17 hours	-	-

1.4.1 Travel Time

As noted in the AER’s Draft Decision, Essential Energy has monitored travel time associated with customer initiated special meter tests from 2021-current date³. Recorded hours are based on halving actual travel time across customer-initiated services and general maintenance tasks to reduce customer service fee impact; therefore, recorded km’s and time is less than actuals. For example, tab 2023 – Row 17: 12/05/2023 line 17 destination Dungog - 2.33 hours and 190km recorded for the job but the actual travel was 5.1 hours and 424km.

With acceleration of the Smart Meter Replacement program general maintenance tasks will reduce therefore travel time will not be split across services increasing the travel time recoded for customer initiated special meter tests.

Based on current approach splitting the travel time across services, Essential Energy Meter Technicians average 1.7 hours travel time per service. Actual travel time is 3.4 hours. Essential Energy’s proposal of 2 hours travel time represents only 60% of actual travel time based on actual data.

1.4.2 Administration and Technical Indoor Specialist

Essential Energy are the only meter provider (MP) that do not have a contestable meter arm. Essential Energy provide all services associated with the special meter tests in-house. As a result, other meter providers have not been impacted by Power of Choice as Essential Energy has.

In relation to the AER’s Draft Decision comment of “Essential Energy also did not justify the efficiency of having an engineer spend 1.17 hours after each test to review and certify results”, Essential Energy refers the AER to section 3.3 Management of Test Equipment and Clause 6.5 Quality Systems⁴. Essential Energy is required to maintain

² Per Information Request IR045 – ANS Follow up questions to IR#028 – point 2

³ Refer Essential Energy – 10.03 - Ancillary Network Services (ANS) - Special Meter Test Travel Log

⁴ Per Information Request IR045 – ANS Follow up questions to IR#028 – point 4

accredited Laboratory to ISO 9001 & ISO/IEC 17025 as per AEMO SERVICE LEVEL PROCEDURE version 1.6 clause 3.3 (management of test equipment) & clause 6.5 (Quality systems). In addition to information previously provided Essential Energy:

- > Review special test files from field technicians for any anomalies such as incorrect data input & standard deviation of percentage errors
- > Calibration/repairs/servicing of field portable test sets completed annually
- > Produce National Association of Testing Authorities (NATA) endorsed test certificate
- > Administration provides Field Technician support at time of test
- > Planned annual field technician training as per AEMO SERVICE LEVEL PROCEDURE version 1.6 clause 2.1(b iii)

As noted above Essential Energy has changed the labour category of Engineer to Indoor Technical Specialist.

1.5 Access Permit

As noted⁵, Essential Energy's proposed connection fees provide a more cost reflective fee for service. Essential Energy Revised Proposal includes:

- > Renaming "Access Permit" (AP) fee to "Connection" fee
- > The AP fee accounts for all the work to provide a connection
- > The term AP is associated with an outage, and not all connections are completed under outage - therefore an AP is not always required
- > The connection fee has been split by connection type and reflects the effort applicable to each service. For example, sub-transmission connections require additional preparation time pre-outage, as well as two additional transmission service staff to switch inside zone substations. These connections also require additional time to review protection settings, process network access requests and for network operators to run switching instructions.

Service - 4.1 Connection \$FY25 – Business Hours	Revised Proposal Structure	% Variance to Initial Proposal Single AP rate \$4,396.64	Instance
Live LV	\$1,523.77	Decrease 65%	Per connection
Basic: single point isolation	\$2,467.80	Decrease 44 %	Per connection
Complex: multi point isolation	\$4,022.39	Decrease 9 %	Per connection
Sub-transmission	\$6,837.50	Increase 56%	Per connection
Major contestable distribution connection	Hourly rate	NA	Quoted (per hour)
Rescheduled cancellation	\$836.14	Decrease 31% Initial proposal (\$1,210.12)	Per connection

The proposed structure was presented at the May 2023 ASP forum, and no adverse feedback was received.

1.6 Commissioning

With the introduction of a Live LV Connection fee, Essential Energy has removed the Underground/ Overhead Distribution Mains Testing and Commissioning fee and replaced with an Underground LV Cable fee.

⁵ Per Information Request IR045 – ANS Follow up questions to IR#028 – point 6

1.7 Provision of metering or consumption data

Essential Energy has introduced a quoted service fee for Provision of metering or consumption data for requests associated with more than one customer e.g. bulk data requests. Under Rule 86A of the National Energy Retail Rules Essential Energy can charge for such data requests.

1.8 Fleet costing methodology

Essential Energy has adjusted the FY22 fleet charge input to reflect the AER Draft Decision FY25 fleet allowance of \$23.87 (direct + overheads).

1.9 Material on-costs

Per the 2019-24 AER approved methodology, Essential Energy have continued to apply material on-costs to material-based services. The AER has not discussed the removal of material on-costs in the AER Draft Decision Attachment 16, and we assume the removal was an oversight. Material on-costs are calculated based on the procurement and logistics expense which are excluded from Essential Energy's overhead allocation methodology.

1.10 Additional staff on-costs incurred when performing work outside normal hours

Essential Energy accepts the AER's approach of applying 1.75 Overtime Factor to the efficient normal time rate, and on-cost rate of 50.94%. Our Revised Proposal has been updated to reflect the AER efficient rates.

1.11 CPI rate

Essential Energy have updated the CPI rate to align with that used for forecast years in the AER's Draft Decision for Standard Control Services (SCS).

	2024/25	2025/26	2026/27	2027/28	2028/29
Revised Regulatory Proposal	4.10%	2.80%	2.80%	2.80%	2.80%
AER Draft Decision for ANS	4.25%	2.50%	2.50%	2.50%	2.50%

1.12 Real Wage Price escalation

Essential Energy has applied the AER's actual x-factor and CPI per FY24 annual AER pricing model - price capped ACS – model (FY22 (base year \$) to FY24) as noted in section 16.1.4.1 Determining Labour Rates in \$2024-25⁶ "we used actual CPI consistent with the method we apply during annual pricing".

Essential Energy has applied the real wage price escalation – Biz Oxford Economic report forecast rate. This rate aligns with the AER's Draft Decision for Standard Control Services (SCS).

	2024/25	2025/26	2026/27	2027/28	2028/29
Revised Regulatory Proposal	1.42%	1.20%	0.94%	0.71%	1.01%
AER Draft Decision for ANS	1.21%	1.14%	0.86%	0.52%	0.93%

⁶ Attachment 16 Alternative Control Services | Essential Energy distribution determination 2024-29 Draft decision

1.13 Impact of relevant changes on ANS labour rates

The following provides a comparison of Essential Energy’s Revised Regulatory Proposal and AER Draft decision ANS labour rates following the adjustment of the direct fleet charge, CPI and escalators.

2024-25	Business Hours		After Hours	
	AER Draft Decision – Maximum Labour Rate	EE Revised Regulatory Proposal – Labour Rate	AER Draft Decision – Maximum Labour Rate	EE Revised Regulatory Proposal – Labour Rate
Administration	119.58	126.03	209.27	220.55
Indoor Technical Specialist	191.40	201.72	334.95	353.01
Outdoor Technical Specialist	215.26	226.99	376.71	379.31
Engineer	265.73	261.20	465.03	457.10
Senior Engineer	318.87	317.32	558.02	555.31
Engineering Manager	345.38	364.00	604.42	637.00
Field Worker	196.56	207.28	343.98	344.82