Framework and approach

AusNet Services, CitiPower, Jemena, Powercor and United Energy 2026–31

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AUSTRALIAN ENERGY REGULATOR

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1 Framework and approach

The Australian Energy Regulator (AER) exists to ensure energy consumers are better off, now and in the future. Consumers are at the heart of our work, and we focus on ensuring a secure, reliable, and affordable energy future for Australia. The regulatory framework governing electricity transmission and distribution networks is the National Electricity Law and Rules (NEL and NER). Our work is guided by the National Electricity Objective (NEO).

A regulated network business must periodically apply to us for a determination of the revenue it can recover from consumers using its network. Victorian electricity distribution network service providers AusNet Services (AusNet), CitiPower, Jemena, Powercor and United Energy (the Victorian businesses) are due to submit their next revenue proposals on 31 January 2025, for the period 1 July 2026 to 30 June 2031 (2026–31 period).

The first step in our determination process is to publish a Framework and Approach paper (F&A). The F&A sets our approach to key elements of the upcoming determinations and facilitates early consultation on these before businesses prepare and submit their revenue proposals. These elements include:

- Which services will be covered by our revenue determination[1], and the form of regulation that will apply to them.[2]
- Which incentive schemes will apply, for example, to service quality, improvements in network reliability or capital and operating expenditure.[3]
- Our approach to setting efficient expenditure allowances[4] and the establishment of the opening regulatory asset base for the upcoming regulatory control period.[5]

The F&A developed for Victorian businesses for the current (2021–26) regulatory control period was published in January 2019. Our final decisions on distribution determinations for that period were made in April 2021. Since then, we have seen significant transition in the energy market and the rules, schemes, and guidelines under which we regulate electricity networks. In December 2023, we therefore confirmed that we would review and make amended or replacement F&As for these businesses.

In March 2024, we released a Preliminary F&A for the 2026−31 period for the Victorian businesses and called for submissions. We received two submissions, a combined one from CitiPower, Powercor and United Energy, and one from Jemena. These submissions, which are available on our website, are discussed in the sections below.

1 NER, cl. 6.8.1(2)(i)

2 NER, cll. 6.8.1(1)(i); 6.8.1(2)(ii)

3 NER, cll. 6.8.1(2)(iii), (iv), (v), (vi), (vii)

4 NER, cl. 6.8.1(2)(viii)

5 NER, cl. 6.8.1(2)(ix)

1.1 Next steps

Table 1 provides an indicative timeframe for the remaining stages of our distribution determinations for the Victorian businesses. These are subject to change.

Table 1 Indicative timeline for Victorian electricity distribution determinations

Milestone	Indicative date
Victorian businesses submit revenue proposals to AER	January 2025
AER publishes issues paper(s) and holds public forum	March/April 2025
Submissions on revenue proposals close	May 2025
AER to publish draft determinations	September 2025
Victorian businesses to submit revised revenue proposals to AER	December 2025
Submissions on revised revenue proposals and AER draft decisions close	January 2026
AER to publish final determinations for regulatory control period	April 2026

2 Service classification

Service classification determines the nature of economic regulation, if any, applicable to specific distribution services. Classification is important to customers as it determines which network services are included in basic electricity charges, the basis on which additional services are sold, and those services we will not regulate.

Our service classification decisions reflect our assessment of a number of factors, including existing and potential competition to supply these services. Our Electricity Distribution Service Classification Guideline 2022 (2022 Guideline)[6] provides a practical explanation of how we classify distribution services.

We approach classification on the basis that we:

- classify the service, rather than the asset – we can only decide on service classification if we understand the service provided. That is, distribution service classification involves the classification of services that distributors supply to customers rather than the classification of:
  - the assets used to provide such services
  - the inputs/delivery methods distributors use to provide such services to customers
  - services that consumers or other parties provide to distributors.
- classify distribution services in groupings rather than individually. This avoids the need to classify services one-by-one and instead defines a service cluster, so that services similar in nature receive the same regulatory treatment. As a result, a new service with characteristics that are the same or essentially the same as other services within a group can simply be added to the existing group and hence be treated in the same way for pricing or ring-fencing purposes. This provides distributors with flexibility to alter the exact specification (but not the nature) of a service during a regulatory control period. Where we make a single classification for a group of services, it applies to each service in the group.

The classifications available to us are:

- classify a service so the distributor may recover related costs from all customers (direct control – standard control service)
- classify a service so the user benefiting from the service pays (direct control – alternative control service)
- allow customers and distributors to negotiate the provision and price of some services – we will arbitrate should negotiations stall (negotiated distribution service)

We can also not classify a service, in which case the service and prices charged by the distributor are not regulated under our distribution determination (unregulated service).

6 AER, *Distribution service classification guideline*, August 2022.

Our proposed approach to classification of distribution services in the forthcoming distribution determination period is set out in Appendix A. Key changes from the current period are summarised below.

2.1 Common distribution services

Common distribution services are concerned with providing a safe and reliable electricity supply to customers. They are intrinsically tied to the network infrastructure and the systems that support the shared use of the distribution network by customers. They include a variety of different activities, such as the construction and maintenance of poles and wires used to transport energy across the shared network. The precise nature of activities provided to plan, design, construct and maintain the shared network may change over time. Regardless of what activities make up common distribution services, this service group reflects the provision of access to the shared network to all customers. The range of activities that make up the common distribution service are not contestable. Common distribution services are therefore classified as direct control, standard control services.

Our proposed approach is to maintain current classifications where no amendments to the common distribution service have been requested, and these remain consistent with the 2022 Guideline and recent decisions for other distributors. We remain satisfied, for the reasons set out in those decisions, that these classifications are appropriate.

2.1.1 Customer export services

The Victorian businesses proposed to classify export and dynamic services as direct control, standard control services. This is in line with the Australian Energy Market Commission's (AEMC) final determination on Access, Pricing and Incentive Arrangements for distributed energy resources[7] and our F&As and service classification decisions for other distributors since that rule change. Consistent with those decisions, we will classify export and dynamic services as direct control, standard control services.

2.1.2 Essential System Services (ESS)

Essential System Services (ESS) are used by the Australian Energy Market Operator (AEMO) to maintain security and reliability of energy supply, thereby supporting the energy market. These services perform the following functions:

- **maintain stability:** ESS keep the grid's frequency and voltage within acceptable limits, allowing for fluctuations in supply and demand. This prevents blackouts and protects equipment from damage.
- **manage disruptions:** ESS are required to respond quickly to sudden changes in the network, such as unexpected outages or spikes in demand.
- **support renewables:** as Australia transitions to more renewable energy sources, ESS provide grid voltage and frequency stabilisation services that were previously provided as inherent by-products of coal and gas generation.

ESS have been separated into two groupings by the Victorian businesses:

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7 https://www.aemc.gov.au/rule-changes/access-pricing-and-incentive-arrangements-distributed-energy-resources.

- **mandatory ESS**: including the Emergency Backstop Mechanism[8] and Under Frequency Load services − provided by the Victorian businesses to AEMO under the NER or their licence conditions
- **non-mandatory ESS**: Frequency Control Ancillary Services, Reliability and Emergency Reserve Trader (RERT) and Operating Reserve, System Strength, Inertia – provided to AEMO via contestable markets.

We discuss each of the above ESS groupings in the sub-sections below.

All NEM distribution network businesses are currently able to make use of a ring-fencing class waiver granted under the AER's Distribution Ring-fencing Guidelines, which allows them to provide certain RERT services as a non-mandatory ESS in the AEMO-administered market.[9] The existing class waiver expires in April 2025.[10] We intend to review the class waiver in the second half of 2024.

In addition, any DNSP may apply for an individual waiver from the Distribution Ring-fencing Guidelines in respect of non-mandatory ESS if it considers there are overall benefits to consumers. We have committed to making best endeavours to provide timely decisions to such applications.

2.1.2.1 Mandatory ESS

The Victorian businesses proposed that mandatory ESS, including the following, be added to the common distribution service, and classified direct control, standard control services:

- interruption or curtailment of generation of embedded generating units connected to the distribution system at AEMO's direction to manage minimum system load risks, as part of Victoria's Emergency Backstop Mechanism; and
- interruption or disconnection of supply to premises at AEMO's direction to manage under-frequency load risks; and
- other activities required to provide mandatory essential system services.[11]

Consistent with our preliminary position and the Victorian businesses' proposals, we propose to classify mandatory ESS as direct control, standard control services in the forthcoming distribution determinations. These services align with provision of the common distribution service. They must be provided in response to AEMO direction. It is reasonable for all

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8 The emergency backstop serves to make sure that solar exports can be safely managed and enable more households to get the benefits and annual bill savings associated with solar. It will help to avoid blackouts by enabling rooftop solar systems to be turned down or switched off when there is too much power in the grid which can lead to localised voltage surges with possible trips, faults, and damage to network equipment. The emergency backstop will only be used by AEMO as a last resort, and only for as long as needed, in rare emergencies when solar exports are too high to be safely managed. For further information see: https://www.energy.vic.gov.au/households/victorias-emergency-backstop-mechanism-for-solar

9 AER, *Ring-fencing guideline (electricity distribution) – version 3*, November 2021.

10 AER, *Decision – Distribution ring-fencing class waiver for Reliability and Emergency Reserve Trader (RERT) via voltage management*, December 2022.

11 AusNet Services, *Framework and Approach Letter and Proposal*, October 2023, p. 21; CitiPower, Powercor, United Energy, *Proposed framework and approach - 2026-31 regulatory period*, October 2023, p. 21; Jemena, *Framework and approach letter and proposal*, October 2023, p. 21.

customers to contribute to recovery of the efficient costs incurred by the Victorian businesses in providing mandatory ESS, as provided for under the standard control service classification.

2.1.2.2 Non-mandatory ESS

The Victorian businesses proposed that non-mandatory ESS be classified as either standard control services, negotiated services or unregulated (unclassified) distribution services.[12] Should non-mandatory ESS be classified as standard control or negotiated services, the Victorian businesses further proposed to establish new mechanisms to share the revenues they would earn from AEMO markets with customers.[13] Jemena also suggested a new incentive scheme to incentivise the Victorian businesses to provide ESS efficiently.[14]

Consistent with our preliminary position, we do not propose to classify non-mandatory ESS in the forthcoming distribution determinations. Non-mandatory ESS are services provided to AEMO via contestable markets. While we recognise that provision of energy services at lowest available cost is important, we are cautious about allowing monopoly networks to engage in contestable markets without regulatory oversight. Through the ring-fencing waiver process, we may exercise judgement in specific circumstances about the merits and potential detriments of monopoly networks engaging in contestable energy services markets. We do so in the long term interest of consumers.

This position is consistent with the treatment of non-mandatory ESS in our recent 2024–29 revenue determinations. We have not identified an immediate need for changes in regulatory settings for these services, particularly for services provided by the businesses under existing class waivers from ring-fencing obligations[15]

We note the businesses have expressed interest in developing a revenue sharing proposal for non-mandatory ESS. We invite them to submit such a mechanism in their regulatory proposals, noting that we could incorporate it in our determination through the B factor included in the revenue cap formulae discussed in section 3.1 below. Such a mechanism could provide for the sharing of revenue from any non-mandatory ESS services provided under a waiver.

Alternatively, the businesses could make use of existing flexibility under the Shared Asset Guideline to consider proposed cost reductions calculated using alternative methods to those set out in that Guideline, where the result leaves consumers no worse off than under the method set out in that guideline.

2.1.3 Provision of basic network data

The Victorian businesses have proposed a new framework for provision of data to customers or other stakeholders. Under this proposal the provision of basic network data, such as visibility maps and data portals, would be incorporated within the common distribution

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12 CitiPower, Powercor, United Energy, *Proposed framework and approach 2026-31*, October 2023, p.9; Jemena, *Framework and approach letter and proposal*, October 2023, p.19; AusNet, Request to replace framework and approach, October 2023, p.9.

13 AusNet, Request to replace framework and approach, October 2023, p. 13.

14 Jemena, *Framework and approach letter and proposal*, October 2023, p.21.

15 AER, Final Decision Attachment 13 - Classification of services – Ausgrid, Endeavour Energy, Essential Energy (NSW) and Evoenergy (ACT) - 2024–29 Distribution revenue proposal, April 2024, p. 16.

service, and classified as direct control, standard control services.[16] Data requests beyond the automated data set, including requests for advice on how to incorporate data into businesses cases, would be classified direct control, alternative control services. The Victorian businesses submitted that their proposed framework would provide for more equitable cost allocation and is consistent with the objectives of the AER's Network Visibility project.

Consistent with our preliminary position, we propose to classify provision of basic network data as direct control, standard control services in the forthcoming distribution determinations. We agree that provision of basic or automated data aligns with the common distribution service. It is appropriate that costs associated with provision of basic network data are recovered from all customers, as is facilitated under a standard control classification.

We also agree that provision of data beyond basic data would likely require the Victorian businesses to incur additional costs which should be recovered from the parties requesting it. Cost recovery from specific customers is facilitated under an alternative control service classification. We also support the Victorian businesses providing analytical support to requesting parties in relation to data beyond basic data, under the alternative control service classification.

The Victorian businesses' service classification proposal for data provision is consistent with proposals by the NSW businesses. While definitions may vary, with businesses referring to basic, or core, or automated data, there is a common intention that this data be provided without an explicit charge to requesting parties. Additional, or non-core, or non-basic data is commonly intended to be classified alternative control services so that associated costs may be recovered from requesting customers.

2.1.4 Regulated stand-alone power systems (SAPS)

The *National Electricity Amendment (Regulated stand-alone power systems) Rule 2022*[17] determined that regulated SAPS are to be treated the same as other distribution services for the purposes of classification. Further, the rule change stipulates that the distribution services provided by regulated SAPS are to be classified as a standard control service.[18] These amendments were incorporated into the 2022 Guideline.[19]

The Victorian businesses requested the inclusion of regulated SAPS as a new activity, to be classified as part of the standard control, common distribution service. The service is described in their revision requests (as it is in the 2022 Guideline) as "work related to a distributor-led SAPS deployment, operation and maintenance (including fault and emergency repairs) and customer conversion activities".[20]

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16 CitiPower, Powercor, United Energy, *Proposed framework and approach 2026-31*, October 2023, p.6; Jemena, *Framework and approach letter and proposal*, October 2023, p.22; AusNet, *Request to replace framework and approach*, October 2023, p.15.

17 National Electricity Amendment (Regulated stand-alone power systems) Rule 2022.

18 NER, cl. 6.2.1A(b), (c).

19 AER Decision - Updating instruments for regulated stand-alone power systems - August 2022, p. 12.

20 AER - Distribution service classification guideline - August 2022, p. 23.

Consistent with the rule change and 2022 Guideline and our preliminary position, we propose to classify regulated SAPS as a direct control, standard control service in the forthcoming distribution determinations. The service is listed as an activity under the common distribution service grouping and classified as part of that grouping.

2.1.5 Rectification of simple customer faults

The Victorian businesses proposed to add rectification of simple customer faults to the common distribution service group, and therefore as a standard control service. This is to allow for the rectification of simple customer faults that are generally located behind the meter on the customers' premises that are discovered when investigating customer outages.

Consistent with our preliminary position, and the Victorian businesses' proposal, we propose to add rectification of simple customer faults to the common distribution service in the forthcoming distribution determinations. We think that this activity is likely to improve the customer experience and potentially reduce costs of repeated visits to customer premises. This aligns with our approach in NSW and the ACT.[21]

2.2 Ancillary network services

Ancillary network services share the common characteristic of being services provided to individual customers on an 'as needs' basis (e.g., meter testing and reading at a customer's request, moving mains, temporary supply, alteration, and relocation of existing public lighting assets). Ancillary network services involve work on, or in relation to, parts of a respective distribution network. Therefore, similar to the common distribution services grouping, only the relevant distributor may perform these services in its distribution area. The ancillary network services grouping is classified as alternative control services on the basis that the costs of providing the relevant service are directly attributable to the person to whom the service is provided.[22]

2.2.1 Provision of non-basic network data

Further to section 2.1.3, we propose to classify services in relation to network data and advice that go beyond the scope of basic data provision as alternative control services in the forthcoming distribution determinations. This would include the fulfilment of bespoke data requests, advice in relation to the type of data that would fulfil an information need, and interpretation of results. This position is consistent with the businesses' proposals and unchanged since our preliminary position.

2.3 Connection services

Connection services are the services a distributor performs in order to:

- connect a person's home, business, or other premises to the electricity distribution network (premises connection)

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21 AER, *Final decision – Ausgrid, Endeavour Energy, Essential Energy (NSW) and Evoenergy (ACT) electricity distribution determination 2024 to 2029 (1 July 2024 to 30 June 2029)*, Attachment 13 Classification of services, p.19.

22 NER 6.2.2(c)(5).

- get more electricity from the distribution network than is possible at the moment (augmentation)
- extend the network to reach a person's premises (extension).

As we indicate in the 2022 Guideline, while we consider the provisions under Chapter 5A of the Rules provides a consistent set of terminology for connections, we realise that there are differences in classification approach across distributors. These differences arise due to jurisdictional and operational requirements.[23]

2.3.1 Enhanced Connection Services

The Victorian businesses proposed minor clarifications to their alternative control 'enhanced connection services', to include the management of export and load at a customer site that provides the customer greater network capacity than they would otherwise be eligible for.

Consistent with our preliminary position, we propose to apply the Victorian businesses' proposed changes to their enhanced connection service, and to classify these as direct control, alternative control services in the forthcoming distribution determinations.

23 AER - Distribution service classification guideline - August 2022 pp 14-20.

3 Control mechanisms

This section sets out the control mechanisms to apply to the Victorian businesses' direct control services for the 2026–31 period.

A distribution determination must impose controls over the prices and/or revenues of direct control services.[24] The form and formulae of the control mechanisms in our distribution determination must be as set out in the relevant F&A.[25] There are only limited circumstances in which our distribution determination can depart from the F&A regarding control mechanisms.[26]

For the 2026–31 period, our final decision is to apply the current control mechanisms as per the 2021–26 distribution determination.[27] That is, a:

- revenue cap mechanism for standard control services,
- revenue cap mechanism for metering services as an alternative control service,
- price cap mechanism for all other alternative control services (public lighting and ancillary network services).

We consider these controls will continue to be appropriate in the 2026–31 regulatory control period.[28] We have not received any submissions suggesting we depart from them.

3.1 Revenue cap for standard control services

We maintain the revenue cap mechanism for standard control services. The current revenue cap formulae will stay mostly the same except for the addition of 4 formulae which demonstrate the calculation of the B factor (formulae 5 to 8). These new formulae align with our final determination for control mechanisms for New South Wales, Australian Capital Territory, Northern Territory and Tasmanian distributors.[29]

In our distribution determination, we will specify how we calculate the values for relevant inputs used within the formulae.

Final position: Maintain the form and formulae of the revenue cap control mechanism for standard control services from the current 2021–26 regulatory control period with minor adjustments.

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24 NER, cl. 6.2.5(a)

25 NER, cll. 6.12.3(c) and 6.12.3(c1).

26 NER, cll. 6.12.3(c)(1) and (2); 6.12.3(c1).

27 AER, Final decision – AusNet Services, CitiPower, Jemena, Powercor, and United Energy distribution determination 2021-26 – Attachment 14 – Control mechanisms, April 2021.

28 NER, cl. 6.2.5.

29 AER, Final Decision Attachment 14 - Control Mechanisms - NSW, ACT, NT and Tas - 2024–29 Distribution revenue proposal, April 2024, p. 4.

Figure 3.1 Revenue cap control formulae to apply for standard control services

Formula	Equation	where
1.	$TAR_t \geq \sum_{i=1}^{n} \sum_{j=1}^{m} p_t^{ij} q_t^{ij}$	$i = 1, \dots, n$ $j = 1, \dots, m$ $t = 1, 2, 3, 4, 5$
2.	$TAR_t = AAR_t + I_t + B_t + C_t$	$t = 1, 2, 3, 4, 5$
3.	$AAR_t = AR_t$	$t = 1$
4.	$AAR_t = AAR_{t-1} \times (1 + \Delta CPI_t) \times (1 - X_t)$	$t = 2, 3, 4, 5$
5.	$B_t = b_t + A_t$	$t = 1, 2, 3, 4, 5$
6.	$b_t = -O_t \times (1 + WACC_t)^{0.5}$	$t = 1, 2, 3, 4, 5$
7.	$A_t = a_t^1 + a_{t-1}^2 \times (1 + WACC_t) + a_{t-2}^3 \times (1 + WACC_{t-1}) \times (1 + WACC_t)$	$t = 1, 2, 3, 4, 5$
8.	$WACC_t = (1 + rvWACC_t) \times (1 + CPI_t) - 1$	$t = 1, 2, 3, 4, 5$

where:

Variable	represents
t	the relevant regulatory year, with t = 1 being the 2026–27 financial year.
TAR_t	the total annual revenue for year t, calculated as per formula 2 above.
p_t^{ij}	the price of component 'j' of tariff 'i' for year t.
q_t^{ij}	the forecast quantity of component 'j' of tariff 'i' for year t.
AR_t	the annual smoothed revenue requirement in the Post Tax Revenue Model (PTRM) for year t.
AAR_t	the adjusted annual smoothed revenue requirement for year t, calculated as per formulae 3 and 4 above.
I_t	the sum of incentive scheme adjustments for year t. To be decided in the distribution determination.
B_t	the sum of annual adjustment factors, including any bespoke adjustments the AER deems necessary (through the A factor), to balance the unders and overs account for year t. To be decided in the distribution determination.
C_t	the approved pass-through amounts (positive or negative) for year t, as determined by the AER. It will also include any annual or end of period adjustments for year t. To be decided in the distribution determination.
ΔCPI_t	the annual percentage change in the Australian Bureau of Statistics' (ABS) Consumer Price Index (CPI) All Groups, Weighted Average of Eight Capital Cities[30] from December in year t–2 to December in year t–1. For example, for 2026–27, t–2 is December 2024 and t–1 is December 2025.
X_t	the X factor in year t, incorporating annual adjustments to the PTRM for the trailing cost of debt where necessary. To be decided in the distribution determination.
b_t	the true-up for the balance of the DUoS unders and overs account in year t, calculated as per formula 6 above.
O_t	the opening balance of the DUoS unders and overs account in year t.
$WACC_t$	the approved weighted average cost of capital (WACC) used in regulatory year t in the DUoS unders and overs account. The WACC is updated annually to apply actual inflation, calculated as per formula 8 above. It is also applied to true-up mechanisms to adjust for the time value of money.

30 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.

Variable	represents
A_t	the sum of bespoke adjustments, including the application of the time value of money where appropriate, calculated as per formula 7 above.
a_t^1	the bespoke adjustment '1' for year t. Formula 7 above demonstrates the application of the time value of money for different bespoke adjustments relating to different regulatory years.
$rvWACC_t$	the real vanilla WACC provided in the annually updated PTRM for year t.

3.2 Revenue cap for metering services

We maintain the revenue cap mechanism for metering as an alternative control service. The main revenue cap formulae will mostly stay the same, with minor adjustments to remove obsolete true ups associated with the 2009-2015 Victorian smart meter rollout and the addition of 4 formulae which demonstrate the calculation of the B factor (formulae 5 to 8). In our determination, we will specify how we calculate the values for relevant inputs used within the formulae.

Final position: Maintain the form and formulae of the revenue cap control mechanism for metering as an alternative control service from the current 2021–26 regulatory control period with minor adjustments.

Figure 3.2 Revenue cap control formulae to apply for metering services

Formula	Equation	where
1.	$TARM_t \geq \sum_{i=1}^{n} \sum_{j=1}^{m} p_t^{ij} q_t^{ij}$	$i = 1, \dots, n$ $j = 1, \dots, m$ $t = 1, 2, 3, 4, 5$
2.	$TARM_t = AAR_t + B_t + C_t$	$t = 1, 2, 3, 4, 5$
3.	$AAR_t = AR_t$	$t = 1$
4.	$AAR_t = AAR_{t-1} \times (1 + \Delta CPI_t) \times (1 - X_t)$	$t = 2, 3, 4, 5$
5.	$B_t = b_t + A_t$	$t = 1, 2, 3, 4, 5$
6.	$b_t = -O_t \times (1 + WACC_t)^{0.5}$	$t = 1, 2, 3, 4, 5$
7.	$A_t = a_t^1 + a_{t-1}^2 \times (1 + WACC_t) + a_{t-2}^3 \times (1 + WACC_{t-1}) \times (1 + WACC_t)$	$t = 1, 2, 3, 4, 5$
8.	$WACC_t = (1 + rvWACC_t) \times (1 + CPI_t) - 1$	$t = 1, 2, 3, 4, 5$

where:

Variable	represents
t	the relevant regulatory year, with t = 1 being the 2026–27 financial year.
$TARM_t$	the total annual revenue for metering services in year t, calculated as per formula 2 above.
p_t^{ij}	the price of component 'j' of tariff 'i' for year t.
q_t^{ij}	the forecast quantity of component 'j' of tariff 'i' for year t.
AR_t	the annual smoothed revenue requirement in the metering Post Tax Revenue Model (PTRM) for year t.
AAR_t	the adjusted annual smoothed revenue requirement for year t, calculated as per formulae 3 and 4 above.

Variable	represents
B_t	the sum of annual adjustment factors, including any bespoke adjustments the AER deems necessary (through the A factor), to balance the metering unders and overs account for year t. To be decided in the distribution determination.
C_t	the approved metering pass-through amounts (positive or negative) for year t, as determined by the AER. It will also include any annual or end of period adjustments for year t. To be decided in the distribution determination.
ΔCPI_t	the annual percentage change in the Australian Bureau of Statistics' (ABS) Consumer Price Index (CPI) All Groups, Weighted Average of Eight Capital Cities[31] from December in year t–2 to December in year t–1. For example, for 2026–27, t–2 is December 2024 and t–1 is December 2025.
X_t	the X factor in year t, incorporating annual adjustments to the metering PTRM for the trailing cost of debt. To be decided in the distribution determination.
b_t	the true-up for the balance of the metering unders and overs account in year t, calculated as per formula 6 above.
O_t	the opening balance of the metering unders and overs account in year t.
$WACC_t$	the approved weighted average cost of capital (WACC) used in regulatory year t in the metering unders and overs account. The WACC is updated annually to apply actual inflation, calculated as per formula 8 above. It is also applied to true-up mechanisms to adjust for the time value of money.
A_t	the sum of bespoke adjustments, including the application of the time value of money where appropriate, calculated as per formula 7 above.
a_t^1	the bespoke adjustment '1' for year t. Formula 7 above demonstrates the application of the time value of money for different bespoke adjustments relating to different regulatory years.
$rvWACC_t$	the real vanilla WACC provided in the annually updated metering PTRM for year t.

3.3 Price cap for alternative control services

We maintain the price cap mechanism for ancillary network services and public lighting. The price cap formulae for alternative control services will have margin and tax components added in the quoted services formula, as proposed in our preliminary F&A.[32] CitiPower, Powercor and United Energy supported the inclusion of a tax component within the quoted services formula.[33] We received no further submissions.

The inclusion of these factors is consistent with both the final decision for New South Wales, Australian Capital Territory, Northern Territory and Tasmanian distributors and the final F&A for Queensland and South Australian distributors.[34] This promotes consistency of regulatory arrangements for similar services across jurisdictions, promote competitive neutrality, and enable distributors to recover their efficient costs. Our final decision maintains the proposed

31 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.

32 AER, *Preliminary Position Paper - Victoria Framework and Approach Papers for 2026–31*, April 2024.

33 CitiPower, Powercor and United Energy, Submission on the 2026–31 Framework and approach - Preliminary position paper, May 2024, p. 1.

34 AER, Final Decision Attachment 14 - Control Mechanisms - NSW, ACT, NT and Tas - 2024–29 Distribution revenue proposal, April 2024; AER, Final Framework and Approach - SAPN 2025–30, June 2023; AER, Final Framework and approach - Ergon and Energex 2025–30, June 2023.

price caps and accepts the inclusion of the tax and margin components for quoted services, consistent with our preliminary position.

Final position: Maintain the form and formulae of the control mechanism from the current 2021–26 regulatory control period with minor adjustments.

Figure 3.3 Price cap control formulae to apply for fee-based ancillary network services and public lighting

Formula	Equation	where
1.	$\bar{p}_t^i \geq p_t^i$	$i = 1, \ldots, n$ $t = 1, 2, 3, 4, 5$
2.	$\bar{p}_t^i = \bar{p}_{t-1}^i \times (1 + \Delta CPI_t) \times \left(1 - X_t^i\right) \times \left(1 + A_t^i\right)$	$i = 1, \ldots, n$ $t = 2, 3, 4, 5$

where:

Variable	represents
t	the regulatory year with t = 1 being the 2026–27 financial year.
$\bar{p}_t^i$	the cap on the price of service 'i' for year t.
p_t^i	the price of service 'i' in year t. The initial value is to be decided in the distribution determination.
$\bar{p}_{t-1}^i$	the cap on the price of service 'i' for year t-1.
ΔCPI_t	the annual percentage change in the Australian Bureau of Statistics' (ABS) Consumer Price Index (CPI) All Groups, Weighted Average of Eight Capital Cities[35] from December in year t–2 to December in year t–1. For example, for 2026–27, t–2 is December 2024 and t–1 is December 2025.
X_t^i	the X factor for service i in year t. The X factors are to be decided in the distribution determination.
A_t^i	the sum of any adjustments for service 'i' in year t. To be decided in the distribution determination.

Figure 3.4 Price cap control formulae to apply for quoted ancillary network services

Formula	Equation	Where
1.	$\bar{p}_t = \text{Labour}_t + \text{Contractor Services}_t + \text{Materials}_t + \text{Margin}_t + \text{Tax}_t$	$t = 1, 2, 3, 4, 5$
2.	$\text{Labour}_t = \text{Labour}_{t-1}(1 + \Delta CPI_t) \times \left(1 - X_t^i\right)$	$t = 2, 3, 4, 5$

where:

Variable	Represents
t	the regulatory year with t = 1 being the 2026–27 year.
$\bar{p}_t$	the applicable price cap for the requested service.
Labour	the labour costs directly incurred in the provision of the service which may include labour on-costs, fleet on-costs and overheads. Labour is escalated

35 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.

Variable	Represents
	annually by CPI-X. The initial values are to be decided in the distribution determination.
ΔCPI_t	the annual percentage change in the Australian Bureau of Statistics' (ABS) Consumer Price Index (CPI) All Groups, Weighted Average of Eight Capital Cities[36] from December in year t–2 to December in year t–1. For example, for 2026–27, t–2 is December 2024 and t–1 is December 2025.
X_t^i	the X factor for labour rate 'i' in year t. The X factors are to be decided in the distribution determination.
Contractor Services	the 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	the cost of materials directly incurred in the provision of the service, material storage and logistic on-costs and overheads.
Margin	definition to be decided in the distribution determination.
Tax	definition to be decided in the distribution determination.

[36] 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.

4 Incentive schemes

Our F&A for AusNet, CitiPower, Jemena, Powercor and United Energy must set out our proposed approach to the application of a number of incentive schemes in the 2026–31 period.

Since we published the F&As for the current 2021–26 period, we have completed reviews of a number of the incentive schemes in place at that time and introduced others. This allows the application of new and revised schemes as part of our 2026–31 determinations. Our preliminary position is that the current suite of schemes will continue to apply, as amended through those reviews. It will also be open to the businesses to propose (and/or to us to decide) that any new scheme introduced also applies in the 2026–31 period.

We discuss these in the sections below.

4.1 Efficiency benefit sharing scheme (EBSS) and Capital expenditure sharing scheme (CESS)

We propose to apply two expenditure incentive schemes in the forthcoming distribution determinations:

- The Efficiency benefit sharing scheme (EBSS),[37] which provides a continuous incentive to pursue efficiency improvements in operating expenditure (opex) and provide for a fair sharing of these between the business and network users. Consumers benefit from improved efficiencies through lower opex in regulated revenues for future periods.
- The Capital expenditure sharing scheme (CESS),[38] which incentivises efficient capital expenditure (capex) throughout the period by rewarding efficiency gains and penalising efficiency losses, each measured by reference to the difference between forecast and actual capex. Consumers benefit from improved efficiencies through a lower RAB, which is reflected in regulated revenues for future periods.

On 30 April 2023, we published a final decision on our review of incentive schemes, including the EBSS and CESS that have applied to Victorian distributors in the current period.[39] Our decision in that review was that revisions to the EBSS were not necessary, but that changes should be made to the sharing ratios in the CESS to implement a tiered arrangement, with a:

- 30 per cent sharing ratio for any underspend up to 10 per cent of the forecast capital expenditure allowance,
- 20 per cent sharing ratio for any underspend over 10 per cent, and
- 30 per cent sharing ratio for any overspend.

Our preliminary position is that our 2026–31 determinations for those businesses will apply the EBSS and the CESS as amended by the incentives review.

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37 NER, cl. 6.8.1(b)(2)(iv).

38 NER, cl. 6.8.1(b)(2)(v).

39 AER, *Final Decision, Review of incentive schemes for networks,* 28 April 2023.

In its response to our preliminary positions paper, Jemena recommended that new connection capital expenditure be excluded from the CESS in the forthcoming distribution determinations (and excluded for the purposes of calculating revenue increments or decrements accrued under the CESS under its current distribution determination). These concerns were also raised in our recent review of the CESS.

A decision on exclusions is not required as part of this F&A and is best considered in context as part of the broader consultation on regulatory proposals, including forecasts of connections capex, next year. As we have noted in recent decisions for other distributors[40], our preference is to apply the CESS to all categories of capex and to make exclusions only in exceptional cases. This is because under the ex-ante regulatory framework, we make a decision on total capex and do not approve specific projects or programs. While we consider (amongst other things) the prudency and efficiency of specific projects/programs to inform our view of a total capex forecast, businesses can depart from project and program level forecasts, and/or spend more or less than the total capex forecast as circumstances change throughout the regulatory control period.

4.2 Service target performance incentive scheme (STPIS)

We propose to continue to apply the Service target performance incentives scheme (STPIS) to Victorian businesses in the 2026–31 period.

The STPIS[41] provides a financial incentive to networks businesses to maintain and improve service performance. It aims to ensure that cost efficiencies incentivised under expenditure schemes are not achieved at the expense of service quality. Penalties and rewards under the STPIS are set based on consumers' willingness to pay for improved service. This aligns the business' incentives towards efficient price and non-price outcomes with the long-term interests of consumers, consistent with the NEO.

The STPIS operates as part of the building block determination and contains two mechanisms:

- The service standards factor (s-factor) adjustment to the annual revenue allowance for standard control services. This scheme rewards (or penalises) distributors for improved (or diminished) service compared to predetermined targets. Targets relate to service parameters concerning reliability and quality of supply, and customer service.

40 See for example: AER - Draft decision – Ausgrid distribution determination 2024–29, Attachment 9 – Capital expenditure sharing scheme - September 2024.

41 AER, *Electricity distribution network service providers—service target performance incentive scheme version 2.0*, November 2018. (AER, STPIS v2.0, November 2018).

- A guaranteed service level (GSL) component. This is composed of direct payments to customers[42] experiencing service below a predetermined level. This component only applies if there is not another GSL scheme already in place.[43]

The GSL component of the STPIS will not apply as Victorian businesses remain subject to a jurisdictional GSL scheme which serves the same purpose.

In applying the STPIS in the forthcoming distribution determinations, we propose to:

- set revenue at risk for each Victorian business within a range of ± 5%
- segment the network according to the four STPIS feeder categories (CBD, urban, short rural and long rural as appropriate for each business) as per the scheme's definitions
- apply the system average interruption duration index or SAIDI, system average interruption frequency index or SAIFI, momentary interruption frequency index event or MAIFI and customer service (telephone answering) parameters. However, if Victorian businesses' proposed customer service incentive schemes (CSIS) include a similar performance measure, the telephone answering parameter of the STPIS will not be applied
- set performance targets based on the businesses' average performance over the past five regulatory years
- apply the method in the STPIS for excluding specific events from the calculation of annual performance and performance targets
- apply the latest AER published value of customer reliability (VCR) to set the incentive rates for SAIDI and SAIFI.

4.3 Demand management incentive scheme (DMIS) and demand management innovation allowance mechanism (DMIAM)

We propose to continue to apply both the demand management incentive scheme (DMIS) and demand management innovation allowance mechanism (DMIAM) to the businesses in the forthcoming distribution determinations.[44]

The DMIS provides network service providers with financial incentives for undertaking efficient demand management activities instead of more expensive traditional network investments with long lives. It serves to encourage distribution businesses to undertake efficient expenditure on non-network options relating to demand management.

Complementing the DMIS, the DMIAM funds research and development in demand management projects that have the potential to reduce long term network costs and to

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42 Except where a jurisdictional electricity GSL requirement applies.

43 Service level is assessed (unless we determine otherwise) with respect to parameters pertaining to the frequency and duration of interruptions; and time taken for streetlight repair, new connections, and publication of notices for planned interruptions.

44 NER, cl. 6.8.1(b)(2)(vi).

discover new ways of using demand management to keep consumers' electricity costs low. Any unused funding under the DMIAM will be returned to consumers in the following period.

Network businesses can manage demand on their networks to reduce, delay or even avoid the need to install, replace or upgrade expensive network assets. Network assets include equipment like poles, wires, transformers, and substations. When used effectively, managing demand to avoid incurring these costs can reduce upward pressure on network charges, which make up about half the cost of electricity bills. This can increase the reliability of supply and reduce the cost of supplying electricity.

Therefore, providing incentives (DMIS) for the implementation of demand management projects that are efficient and contribute, partially or wholly, to resolving a network constraint is likely to deliver value to consumers via lower electricity prices.

Relatedly, providing a demand management innovation allowance will increase the capacity of distribution business to invest in ideas that may eventually form projects under the DMIS.

4.4 Customer service incentive scheme (CSIS)

We are open to the application of a CSIS in the forthcoming distribution determinations, where it is proposed and supported by the distributor's customers. [45]

The CSIS [46] is designed to encourage electricity distributors to engage with their customers, identify (through customer engagement) the customer services their customers want improved, and then set targets to improve those services based on their customers' preferences and support. The application of a CSIS developed through genuine consultation and engagement with customers is in the long-term interest of Victorian consumers.

The CSIS is a flexible 'principles based' scheme that can be tailored to the specific preferences and priorities of a distributor's customers. It allows for the evolution of customer engagement and adapts to new technologies. Safeguards ensure that any rewards or penalties are commensurate with improvements or detriments to customer service.

Victorian businesses may propose different 'incentive designs' in their regulatory proposals. For the CSIS to be applied, incentive designs must meet the scheme's principles and be developed through genuine customer engagement.

4.5 Victorian f-factor scheme

We propose to continue to apply the f-factor scheme to Victorian in the forthcoming distribution determinations.

The f-factor scheme is a regulatory instrument under the *National Electricity (Victoria) Act 2005*, which provides Victorian businesses with an incentive to lower the number of fire starts on their networks. The Victorian Government introduced the f-factor as one of several measures in response to the 2009 Black Saturday bushfires. Its objective is to reduce harm to human life and property by powerline-caused bushfires, without imposing additional costs

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45 NER, cl. 6.8.1(b)(2)(vii)

46 AER, *customer service incentive scheme*, July 2020, clause 3.1(d).

on consumers.[47] The current f-factor scheme targets incentives towards fire ignitions that pose the greatest risk of harm via ignition risk units (IRUs).[48]

Application of the f-factor scheme is a requirement under the *National Electricity (Victoria) Act 2005 f-factor scheme order 2016* for Victorian businesses.[49]

4.6 Potential new export services incentive scheme

On 29 June 2023, the AER published its final export service incentive scheme explanatory statement.[50] This scheme allows distributors to propose bespoke incentives related to export services based on their network circumstances, customer preferences and evidence-based performance data.

The scheme is a product of our consultation with stakeholders on incentivising and measuring export service performance, which considered appropriate incentive arrangements for export services to balance existing incentive schemes related to consumption services. It is designed to encourage distributors to engage with their customers and provide export services in accordance with their preferences. It allows us to set targets for export service performance and require distributors to report on performance against those targets. Distributors may be financially rewarded or penalised depending on how they perform against their export service targets. The networks have all proposed to develop new schemes as part of their 2026–31 determinations.

Consistent with our preliminary position, we are open to the application of any new scheme to AusNet, CitiPower, Jemena, Powercor and United Energy in that period, and will consider it as part of the determination process.

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47 https://www.energy.vic.gov.au/safety/powerline-bushfire-safety-program/leading-bushfire-safety#:~:text=f%2Dfactor%20Incentive%20Scheme&text=It%20was%20one%20of%20several,flat%20incentive%20for%20each%20ignition

48 *National Electricity (Victoria) Act 2005 F-FACTOR SCHEME ORDER 2016 Order in Council*, 22 December 2016, section 8.

49 *National Electricity (Victoria) Act 2005 F-FACTOR SCHEME ORDER 2016 Order in Council*, 22 December 2016, section 8.

50 https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/export-service-incentive-scheme.

5 Expenditure forecast assessment guidelines

Our F&A for AusNet, CitiPower, Jemena, Powercor and United Energy will set out our proposed approach to the application of our Expenditure Forecast Assessment Guideline[51] (the EFA guideline) to each business.[52]

The EFA guideline contains a suite of assessment/analytical tools and techniques to assist our review of the expenditure forecasts that distributors include in their regulatory proposals. We intend to have regard to the assessment tools set out in the guideline. The tool kit includes:

- models for assessing proposed replacement and augmentation capex
- benchmarking (including broad economic techniques and more specific analysis of expenditure categories)
- methodology, governance, and policy reviews
- predictive modelling and trend analysis
- cost benefit analysis and detailed project reviews.

We exercise judgement to determine the extent to which we use a particular technique to assess a regulatory proposal. We use the techniques we consider appropriate depending on the specific circumstances of the determination. The guideline is flexible and recognises that we may employ a range of different estimating techniques to assess an expenditure forecast.

We applied the EFA guideline in our assessment of AusNet, CitiPower, Jemena, Powercor and United Energy proposals for the current, 2021–26 period. On 1 August 2022, we released an update to the EFA guideline, to give effect to the new rules allowing distributors to provide SAPS to existing customers, and to offer to connect new customers to existing distributor-operated SAPS where it is more economically efficient than connection to the interconnected national electricity system. Our preliminary position is we will apply the updated EFA guideline in our assessment of their proposals for the 2026–31 period.

The incorporation of emissions reductions into the NEO[53] will impact the framework and guidelines we use to assess regulatory proposals. We are currently consulting on the amendments required to reflect these amendments to the NEO in the EFA guideline.[54] This is something that we, and the businesses, will need to be mindful of as we progress through the 2026–31 determinations.

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51 https://www.aer.gov.au/industry/registers/resources/guidelines/expenditure-forecast-assessment-guideline-2013

52 NER, cl. 6.8.1(b)(2)(viii).

53 https://www.aer.gov.au/system/files/2023-09/AER%20-%20Guidance%20on%20amended%20National%20Energy%20Objectives%20-%20Final%20guidance%20note%20-%20September%202023.pdf

54 https://www.aer.gov.au/industry/registers/resources/guidelines/expenditure-forecast-assessment-guideline-2013/2024-update-amended-neo

6 Depreciation to establish the opening RAB

Our F&A for AusNet, CitiPower, Jemena, Powercor and United Energy must set out whether depreciation for establishing the opening RAB for the 2031–36 regulatory control period, commencing 1 July 2031, is to be based on actual or forecast capital expenditure. [55] As part of the roll forward methodology, when the RAB is updated from forecast capex to actual capex at the end of the regulatory control period, it is also adjusted for depreciation.

The depreciation approach we use to roll forward the RAB can be based on either:

- actual capex incurred during the regulatory control period (actual depreciation). We roll forward the RAB based on actual capex less the depreciation on the actual capex, or
- the capex allowance forecast at the start of the regulatory control period (forecast depreciation). We roll forward the RAB based on actual capex less the depreciation on the forecast capex approved for the regulatory control period.

Consistent with our preliminary position, consistent with the capital expenditure incentive guideline,[56] was to continue using the forecast depreciation approach to establish the RAB at the commencement of the 2031–36 regulatory control period for all five businesses. The businesses had previously indicated support for continuing with the use of forecast depreciation for establishing the opening RAB.[57]

The continued use of forecast deprecation was supported by all of the Victorian businesses.[58]

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55 NER, cll. 6.8.1(b)(2)(ix).

56 AER, *Capital expenditure incentive guideline for electricity network service providers*, April 2023, pp. 10-11.

57 AusNet Services. *Victorian Electricity Distribution Determination 2026-31, Request to replace our Framework and Approach*, 31 October 2023, p. 18; CitiPower, Powercor, United Energy, *Proposed framework and approach, 2026–2031 regulatory period*, October 2023, p. 14; Jemena Electricity Networks (Vic) Ltd, *Submission for replacement Framework and Approach paper, 2026–2031 regulatory control period*, 31 October 2023, p. 34.

58 Jemena, *Jemena's response to the draft 2026-31 Framework and Approach decision*, May 2024, p. 4; CitiPower, Powercor, United Energy, *Response to the AER's preliminary Framework and Approach position paper*, May 2024, p.1.

7 Dual function assets

Dual function assets are high voltage transmission assets forming part of a distribution network. Where a network service provider notifies us that it owns, controls, or operates dual function assets, we assess how material the value of the dual function asset is to decide whether the revenue attributed to dual function assets is to be recovered according to the transmission or distribution pricing principles.

As the Victorian businesses do not have any dual function assets, it is not necessary for us to decide whether such assets should be regulated in accordance with distribution or transmission pricing principles.[59]

[59] NER, cl. 6.8.1(b)(1)(ii).

Glossary

Term	Definition
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
capex	capital expenditure
CESS	capital expenditure sharing scheme
CSIS	customer service incentive scheme
DMIAM	demand management innovation allowance mechanism
DMIS	demand management incentive scheme
DNSP or distributor	Distribution Network Service provider
EBSS	efficiency benefit sharing scheme
F&A	framework and approach
GSL	guaranteed service level
NEL	National Electricity Laws
NEM	National Electricity Market
NEO	National Electricity Objectives
NER	National Electricity Rules
opex	operating expenditure
RAB	regulated asset base
SAIDI	system average interruption duration index
SAIFI	system average interruption frequency index
STPIS	service target performance incentive scheme

Appendix A: AusNet Services, CitiPower, Jemena, Powercor and United Energy service classification

In the table below, underlined text marks changes from current period service classifications.[60]

Service group	Further description	Proposed classification 2026−31	Change from current period
Common distribution services —use of the distribution network for the conveyance/flow of electricity (including services relating to network integrity)			
Common distribution service	The suite of activities that includes, but is not limited to, the following: • the planning, design, repair, maintenance, construction, and operation of the distribution network • works to fix damage to the network[61] and recoverable works to fix damage caused by 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	Standard control	Description updated for consistency with other, recent determinations and to include: Export and dynamic services (see section 2.1.1) Provision of basic network data (see section 2.1.3)

60 AER - *Final decision - Jemena distribution determination 2021–26 - Attachment 13 - Classification of services* - April 2021; AER - *Final decision - AusNet Services distribution determination 2021–26 - Attachment 13 - Classification of services* - April 2021; AER – *Final decision – CitiPower distribution determination 2021–26 – Attachment 13 – Classification of services* – April 2021; AER - *Final decision - Powercor distribution determination 2021–26 - Attachment 13 - Classification of services* - April 2021; AER - *Final decision – United Energy distribution determination 2021–26 - Attachment 13 - Classification of services* - April 2021

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

Service group	Further description	Proposed classification 2026−31	Change from current period
	• activities related to 'shared asset facilitation' of distribution network service provider (DNSP) assets[62] • 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 • ongoing inspection of private electrical networks (not part of the shared network) required under legislation for safety reasons[63] • supply abolishment of basic connection • customer safety information, e.g., 'dial before you dig' services • bulk supply point metering - activities relating to monitoring the flow of electricity through the distribution network • third party-initiated network asset relocations/re-arrangements, including under the Victorian Electricity Distribution Code of Practice [64] • transmission network support • the relocation of assets that form part of the distribution network, but not relocations requested by a third party (including a customer)		Regulated standalone power systems (see section 2.1.4) Simple fault rectification (see section 2.1.5)

62 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.

63 Section 113F of the Electricity Safety Act 1998 (Vic) requires Vic DNSPs to inspect overhead private electric lines.

64 This classification applies where a customer contribution is calculated and applied in accordance with Essential Services Commission (ESCV) Victorian Electricity Distribution Code of Practice 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 the Victorian Electricity Distribution Code of Practice or by any other relevant Victorian legislation or regulation.

Service group	Further description	Proposed classification 2026−31	Change from current period

	• use of dynamic network capacity management capabilities (including communication of import and export limits) for distribution purposes
	• training internal staff and contractors undertaking direct control services
	• investigation of customer-reported network faults
	• rectification of simple customer faults where:
	  • 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)[65], and customer conversion activities.
	• Provision of basic electricity distribution network data, including data that is provided in accordance with legislative obligations, standardised or automated data sets		

Mandatory provision of essential system services	Activities include: • interruption or curtailment of generation of embedded generating units connected to the distribution system at AEMO's direction to manage minimum system load risks, as part of Victoria's Emergency Backstop Mechanism • interruption or disconnection of supply to premises at AEMO's direction to manage under-frequency load risks	Standard control	New Service Group – see section 2.1.2.1

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

Service group	Further description	Proposed classification 2026−31	Change from current period
	• other activities required to provide mandatory essential system services		
Ancillary network services – customer and third party-initiated services related to common distribution services			
Access permits, oversight, and facilitation	Activities include: • a 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 DNSP issuing confined space entry permits and associated safe entry equipment to a person authorised to enter a confined space • a DNSP providing access to switch rooms, substations, and other network equipment to a non-DNSP party who is accompanied and supervised by a DNSP's staff member. May also include a 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 DNSP assets • facilitation of generator connection and operation of the network • facilitation of activities within clearances of DNSP's assets, including physical and electrical isolation of assets	Alternative control	No change
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 become part of the shared distribution network	Alternative control	No change
Notices of arrangement and completion notices	Examples include: • Work of an administrative nature where a local council requires evidence in writing from the 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	Alternative control	Description updated for consistency with other, recent determinations

Service group	Further description	Proposed classification 2026−31	Change from current period
	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 DNSP is requested to provide documentation confirming progress of work. Usually associated with discharging contractual arrangements (e.g., progress payments) to meet contractual undertakings		
Network related property services	Activities include: • network related property services such as property tenure services relating 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 • conveyancing inquiry services relating to the provision of property conveyancing information at the request of a customer	Alternative control	No change
Network safety services	Examples include: • provision of traffic control services by the DNSP or third party where required • fitting of tiger tails, possum guards, and aerial markers • high load escort • site visit relating to location of underground cables/assets • third party request for de-energising wires for safe approach	Alternative control	No change
Customer requested network outage or rescheduling of a planned interruption	Examples include: • 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	Combines previous service groups for 'Planned Interruption' and 'Customer requested supply

Service group	Further description	Proposed classification 2026−31	Change from current period
			outage' for consistency with other, recent determinations.
Inspection and auditing services	Activities include: • inspection and reinspection by a DNSP, of gifted assets or assets that have been installed or relocated by a third party • investigation, review, and implementation of remedial actions that may lead to corrective and disciplinary action of a third party service provider due to unsafe practices or substandard workmanship • auditing 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 or has been disconnected for more than 12 months or for safety reasons • 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)	Alternative control	Description updated for consistency with other, recent determinations.
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 DNSP's network. Such learning outcomes may include those necessary to demonstrate competency in the DNSP's electrical safety rules, to hold an access authority on the DNSP's network and to carry out switching on the DNSP's network. Examples of training might include high voltage training, protection training or working near power lines training	Alternative control	No change
Authorisation and approval of third-party service providers design, work, and materials	Activities include:	Alternative control	No change

Service group	Further description	Proposed classification 2026−31	Change from current period
	• 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 DNSP's approved materials list		
Security lights	Provision, installation, operation, and maintenance of equipment mounted on distribution equipment used for security services, e.g., nightwatchman lights. Note: excludes connection services	Alternative control	No change
Provision of non-basic electricity network data	Data requests by customers or third parties for network data beyond the scope of Standard Control Service provision, including: • Data requests by customers or third parties including requests for the provision of electricity distribution network data or consumption data outside of legislative obligations. • Customer or third-party requests for assistance to understand or interpret data, or to identify the data they require to meet their needs.	Alternative control	Replaces previous 'Customer requested provision of electricity network data' Service group. (See section 2.2.1)
Third party funded network alterations or other improvements	Alterations or other improvements to the shared distribution network to enable third party infrastructure (e.g., telecommunications assets) to be installed on the shared distribution network. This does not relate to undergrounding or upstream distribution network augmentation	Alternative control	No change
Community network upgrades	Collective customer requested network enhancement. Activities related to community requests to augment the network to enable higher PV exports.	Alternative control	No change

Service group	Further description	Proposed classification 2026−31	Change from current period
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[66] and supporting services are competitively available	Unregulated	No change
Type 5 and 6 (inc. smart metering) services where the DNSP remains responsible	Includes: • recovery of the cost of type 5 and 6 metering equipment[67] including communications network (including meters with internally integrated load control devices) • testing, inspecting, investigating, maintaining, or altering existing type 5 or 6 metering installations or instrument transformers • quarterly or other regular reading of a metering installation • 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	No change
Auxiliary metering services (type 5 to 7 including smart metering) where the DNSP remains responsible	Activities include: • 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	Alternative control	No change

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

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

Service group	Further description	Proposed classification 2026−31	Change from current period
	• non-standard metering services for 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 DNSP 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 de-energisation and re-energisation • remote meter configuration • field based special meter read • office based special meter read • 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	No change
Connection services—services relating to the electrical or physical connection of a customer to the network			
Basic connection services	Means a *connection service*[68] related to a *connection* (or a proposed *connection*) between a *distribution system* and a *retail customer's* premises (excluding a non-registered *embedded generator's* premises) in the following circumstances: (a) either:	Alternative control	No change

[68] Italics denotes definitions in Chapter 5A of the NER.

Service group	Further description	Proposed classification 2026–31	Change from current period
	1. the *retail customer* is typical of a significant class of *retail customers* who have sought, or are likely to seek, the service; or 2. the *retail customer* is, or proposes to become, a *micro embedded generator*; and (b) the provision of the service involves minimal or no *augmentation* of the *distribution network*; and (c) a *model standing offer* has been approved by the AER for providing that service as a *basic connection service*		
Standard connection service	Connection services (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	No change
Negotiated connection	Connection services (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	No change

Connection application and management services	• Connection application related services
	• Works initiated by a customer or retailer that are specific to the connection point. This includes, but is not limited to:
	  • field based de-energisation and re-energisation
	  • non basic supply abolishment or reposition non-basic connection
	  • temporary connections (e.g., for builder's supply, fetes etc.)
		Alternative control	No change

Service group	Further description	Proposed classification 2026−31	Change from current period
	• 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(b1) of the NER • calculation of site specific loss factors when required under the NER • power factor correction • 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)		

Service group	Further description	Proposed classification 2026−31	Change from current period
	• site inspection in order to determine the nature of the connection service sought by the connection applicant and ongoing co-ordination for large projects • registered participant support services associated with connection arrangements and agreements made under Chapter 5 of the NER		
Enhanced connection services	Other or enhanced connection services provided at the request of a customer or third party that include those that are: • provided with different levels of reliability of service or quality of service (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 DNSP • <u>management of export and load at a customer site that provides the customer greater network capacity than they would otherwise be eligible for.</u>	Alternative control	Minor clarifications to include management of export and load at a customer site that provides the customer greater network capacity than they would otherwise be eligible for. (See section 2.3.1)
Public lighting			
Public lighting	• 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 (DNSP provided) • Provision, construction, and maintenance of emerging public lighting technology	Alternative control	No change