



DRAFT DECISION
Evoenergy
Distribution Determination

2019 to 2024

Attachment 15

Alternative control services

September 2018

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Note

This attachment forms part of the AER's draft decision on the distribution determination that will apply to Evoenergy for the 2019–24 regulatory control period. It should be read with all other parts of the draft decision.

The draft decision includes the following documents:

Overview

Attachment 1 – Annual revenue requirement

Attachment 2 – Regulatory asset base

Attachment 3 – Rate of return

Attachment 4 – Regulatory depreciation

Attachment 5 – Capital expenditure

Attachment 6 – Operating expenditure

Attachment 7 – Corporate income tax

Attachment 8 – Efficiency benefit sharing scheme

Attachment 9 – Capital expenditure sharing scheme

Attachment 10 – Service target performance incentive scheme

Attachment 11 – Demand management incentive scheme

Attachment 12 – Classification of services

Attachment 13 – Control mechanisms

Attachment 14 – Pass through events

Attachment 15 – Alternative control services

Attachment 16 – Negotiated services framework and criteria

Attachment 17 – Connection policy

Attachment 18 – Tariff structure statement

Contents

Note	15-2
Contents	15-3
Shortened forms	15-4
15 Alternative control services	15-5
15.1 Draft decision	15-5
15.2 Evoenergy's proposal	15-6
15.3 Assessment approach	15-7
15.4 Ancillary network services	15-8
15.4.1 Ancillary network services—Draft decision	15-9
15.4.2 Ancillary network services—Reasons for draft decision.....	15-11
15.5 Metering services	15-20
15.5.1 Metering services—Draft decision	15-20
15.5.2 Metering services—Reasons for draft decision.....	15-22
A Ancillary network services charges	15-28
B Metering Prices	15-38

Shortened forms

Shortened form	Extended form
AER	Australian Energy Regulator
capex	capital expenditure
CCP/CCP10	Consumer Challenge Panel (sub-panel 10)
CPI	consumer price index
distributor	distribution network service provider
EBSS	efficiency benefit sharing scheme
NEL	national electricity law
NEM	national electricity market
NEO	national electricity objective
NER	national electricity rules
NSP	network service provider
opex	operating expenditure
PPI	partial performance indicators
PTRM	post-tax revenue model
RAB	regulatory asset base
RFM	roll forward model
RIN	regulatory information notice
WACC	weighted average cost of capital

15 Alternative control services

This attachment sets out our draft determination on Evoenergy's alternative control services: ancillary network services and metering.

Alternative control services are customer specific or customer requested services and so the full cost of the service is attributed to that particular customer. We set service specific prices to provide a reasonable opportunity to enable the distributor to recover the efficient cost of each service from customers using that service. This is in contrast to standard control services where costs are spread across the general network customer base.

Revenue from alternative control services represents around 8.8 per cent of Evoenergy's total regulated revenue.¹

15.1 Draft decision

Our draft decision is to classify ancillary network services and metering as alternative control services, as set out in our final Framework and Approach. Our draft decision also maintains our position, as set out in our final Framework and Approach, to apply caps on the prices of individual services in the next regulatory control period to all alternative control services. We consider the benefit of capping individual services prices is that it promotes cost reflective pricing which outweighs any detriment from increased administration costs.

Our draft decision is to not accept many of Evoenergy's proposed fees for ancillary network services because we do not consider the proposed labour rates are efficient. Our substitute fees for ancillary network services are set out in Appendix A.

Our draft decision is to accept most elements of Evoenergy's metering proposal, however due to the elements we do not accept we also do not accept Evoenergy's proposed metering services charges. Our substitute fees for metering services are set in Appendix B.

The detail of our draft decision is set out in the following:

- Section 15.4 – Ancillary Network Services
- Section 15.5 – Metering

¹ Estimate drawn from Evoenergy's regulatory proposal.

15.2 Evoenergy's proposal

We received separate proposals from Evoenergy for ancillary network services and metering.

Evoenergy adopted our final Framework and Approach service classifications, with Type 5 and 6 metering and ancillary network services proposed to be classified alternative control services. Evoenergy proposed specific prices for each of these services. Also consistent with our Final Framework and Approach, Evoenergy proposed to reclassify its Type 7 metering (for public lighting²) as standard control—it is currently classified as alternative control.

Evoenergy also accepted our final Framework and Approach price cap control mechanism for alternative control services.

Ancillary network services

To establish charges for ancillary network services in 2019–20 Evoenergy proposed a cost build-up approach.

Evoenergy's ancillary network services are grouped as fee based services or quoted services. For fee based services we determine the level of the fee. For quoted services we determine the levels of the cost inputs used by Evoenergy to provide a quote to prospective customers.

Evoenergy proposed to transition 66 currently quoted services to fee based services that in its view provide pricing transparency and certainty for customers.³ To account for circumstances where additional resources are required to fast track a service, Evoenergy proposed that additional charges may apply. Evoenergy refers to these services as miscellaneous connection charges.

Evoenergy also proposed to adjust a number of to reflect their actual cost of provision. Some proposed fee adjustments are positive (charges are increasing) and some negative (charges are falling). To mitigate potential price shocks where fees are proposed to increase, Evoenergy proposed a phased approach to achieve full cost recovery by the end of the 2019–24 regulatory control period.

Evoenergy proposed to remove from its schedule of ancillary services those services related to meter installations, consistent with the Power of Choice changes which took effect 1 December 2018. Evoenergy also proposed to replace its existing high level

² Evoenergy does not provide public lighting services itself but does provide public lighting (type 7) metering services for public lighting services provided via its network. In the ACT public lighting services are provided by the ACT Government.

³ Evoenergy, *Attachment 14: Alternative Control Services; Regulatory proposal for the ACT electricity distribution network 2019–24*, January 2018, p. 17.

solar PV connection enquiry services with a larger number of PV enquiry services better scaled and priced to specific circumstances.

Metering services

Evoenergy proposed to apply a building block approach to determine the price caps for all metering services. Evoenergy's proposed approach to metering is effectively a continuation of the approach used in the 2014–19 regulatory control period, with the same post-tax revenue model (PTRM), roll-forward model (RFM) and tax asset base, with some minor changes which reflect the Power of Choice reforms, and changes to the names of some cost categories.⁴

15.3 Assessment approach

The National Electricity Rules (NER) afford more discretion for determining the control mechanism for alternative control services than those set out for standard control services. For example, there is no requirement to establish a full building block model to set the revenue to be earned from the services as there is for standard control services. The control mechanism may be either a control on the price of the service, or the revenue to be earned from the service, or both. As a general principle we attempt to regulate alternative control services in a lighter handed manner than standard control services.

Our determination must state the basis of the control mechanism to apply to alternative control services.⁵ Our decision on the form of control mechanism for alternative control services must be in accordance with our Framework and Approach. The formulae that give effect to the form of control must be as set out in the Framework and Approach unless we consider that unforeseen circumstances justify a departure.

In deciding on a control mechanism for alternative control services, we must have regard to potential competition in the relevant market, administrative costs, applicable regulatory arrangements, consistency between regulatory arrangements, and any other relevant factor.⁶ The control mechanism for alternative control services may use elements of the building block model for standard control services but there is no requirement to apply the building block model exactly as it is set out in Part C of the NER.

The different regulatory requirements for alternative control services compared to standard control services recognise their different characteristics. Standard control services are central to electricity supply and are relied on by all customers. In contrast,

⁴ Evoenergy, *Attachment 14: Alternative Control Services; Regulatory proposal for the ACT electricity distribution network 2019–24*, January 2018, p. 6.

⁵ NER, cl. 6.2.6(b).

⁶ NER, cl. 6.2.5(d).

alternative control services tend to be customer specific. Accordingly our approach to assessing alternative control services is different to that of standard control services.

For ancillary network services we undertook a bottom up cost assessment. Labour costs are the major input in the cost build-up of prices for ancillary network services. Therefore, our assessment focusses on comparing Evoenergy's proposed labour rates against maximum total labour rates which we consider efficient.

Where Evoenergy's proposed labour rates exceed our maximum efficient labour rates we apply our maximum efficient labour rates to determine prices. Section 15.4.2 discusses our maximum total labour rates.

We also assess the proposed times taken to perform the service as well as the escalators and allocators applied by Evoenergy as these are also cost inputs which determine the final price for some services. Our assessment of these inputs is informed by benchmarking against inputs applied by other distributors and based on the recommendations of our consultant Marsden Jacob Associates (Marsden Jacob).

For the quoted services component of ancillary network services, we compared Evoenergy's proposed labour rates (inclusive of overheads) to the corresponding maximum labour rate recommended by our consultant, noting that Evoenergy's proposed overhead rate of 61 per cent is equal to our consultant's recommended maximum.

For metering, we maintain our final Framework and Approach position to apply price caps for individual public lighting services as the form of control.

We assessed Evoenergy's proposal by analysing the metering Post-tax Revenue Model, studying historic data and benchmarking costs against other NEM distributors. In particular we assessed the opex costs on a category basis and how these costs have trended over time. We have also relied on the recommendations of Marsden Jacob for labour rates when assessing metering.

15.4 Ancillary network services

Ancillary network services share the common characteristics of being services provided to individual customers on an 'as needs' basis or on request (e.g. relocating poles or temporary supply at a customer's request.). Ancillary network services involve work on, or in relation to, parts of Evoenergy's distribution network. Therefore, they are similar to common distribution services in that only Evoenergy may perform these services in its distribution area.

For the purposes of this draft decision, we refer to the service groups 'fee based services' and 'quoted services' collectively as a single group called 'ancillary network services'.

Prices for fee based services are predetermined based on the cost of providing the service and the average time taken to perform it. These services tend to be homogenous in nature and scope and can be costed in advance of supply with reasonable certainty.

By comparison, prices for quoted services are based on quantities of labour and materials with the quantities dependent on a particular task. Prices for quoted services are determined at the time of a customer's enquiry and reflect the individual requirements of the customer and service requested. It is not possible to list prices for quoted services in this decision (any such list would only be for illustrative purposes).

15.4.1 Ancillary network services—Draft decision

Service classification - Ancillary network services

Our draft decision is to classify ancillary network services as alternative control services. This is consistent with our Final Framework and Approach and Evoenergy's proposed classification of ancillary network services.

Form of control - Ancillary network services

Our draft decision is to apply a price cap form of control for fee based and quoted services. This is consistent with our Final Framework and Approach and Evoenergy's proposed form of control for fee based and quoted services. Under a price cap form of control, we set a schedule of prices for the first year of the regulatory period, 2019–20. For 2020–21 and subsequent years the prices for fee based services are determined by adjusting the previous year's prices by the formula set out in Attachment 13.

Consistent with previous decisions, we have also applied a labour escalator as the X Factor. Our proposed X Factors in this draft decision are set out in Appendix A.

Fee based services - Ancillary network services

Our draft decision is to accept some elements of Evoenergy's proposal for ancillary network services. These include Evoenergy's proposal to transition 66 currently quoted services to fee based services to improve price transparency and predictability in addition to avoiding administration fees for customers.

We also accept Evoenergy's proposal to rebalance charges for 95 fee based services to improve cost reflectivity, noting some proposed charges will rise and some decrease as a result of these changes.

We accept the removal of services associated with installation of Type 5 and 6 meters, resulting from the new contestable metering arrangements.

We also accept Evoenergy's proposal to establish more cost reflective charges for solar PV connection enquiries, noting most categories of PV customers will see reduced charges as a result of this change.

However, we do not accept most of the labour rates in Evoenergy's ancillary network services proposal for fee based services and instead apply the maximum recommended by our consultant which we consider to be efficient. This leads to a reduction in most of the proposed fees proposed by Evoenergy. We note that this has ramifications for Evoenergy's proposed transition to cost reflective prices as follows:

- For services where our charge is lower than Evoenergy's proposed charge we apply our charge and consider that the service has already transitioned to a cost reflective price and there is no need to transition over the regulatory period.
- For services where Evoenergy's proposed charge is lower than our maximum charge, we accept Evoenergy's proposed charge. However, we note that this may lock Evoenergy into a price path that is lower than what it considers is required by the end of the period as our price cap formula relies on a CPI-X yearly escalation, rather than a higher rate to reach a cost-reflective price. Evoenergy may wish to propose specific X factors for these services in its revised proposal. An indicative list of these services is provided in Appendix A.

Our draft decision charges for fee based services are as set out in Appendix A.

Quoted services - Ancillary network services

Our draft decision for Evoenergy's hourly labour rates for quoted services is set out in Table 15.1 below. These hourly labour rates are maximum rates (which include on costs and overheads) that Evoenergy should apply for the calculation of charges for ancillary network services offered on a quotation basis.

As a consequence of applying our maximum hourly rates to Evoenergy's proposed hourly rates we do not accept its proposed rates for office support service delivery; electrical worker; and senior technical officer/engineer design section.

Table 15.1 AER draft decision - quoted service hourly rates (incl. on costs and overheads, \$2019–20)

Evoenergy labour category	Evoenergy proposed hourly rate (base plus on-costs)	AER labour category ¹	AER draft decision - maximum hourly rate (base plus on-costs)	AER draft decision - maximum total hourly rate (base plus on-costs plus overheads) ²
Office support service delivery	\$89.42	Admin	\$68.96	\$111.03
Electrical apprentice	\$87.44	Field Worker	\$81.44	\$151.11
Electrical worker	\$109.66	Technician	\$97.36	\$156.75
Electrical worker - labourer	\$80.41	Field Worker	\$80.41	\$149.46
Project officer design section	\$116.70	Engineer	\$116.70	\$187.89
Senior technical officer/engineer design section	\$146.93	Senior Engineer	\$133.87	\$215.52

Source: Evoenergy, Attachment 14: Alternative Control Services; Regulatory proposal for the ACT electricity distribution network 2019–24, January 2018, pp. 14-15; AER analysis

Note: Evoenergy uses a number of labour rates in its ancillary services cost build up model. We have taken the labour rates that were put forward as its quoted services labour rates in Table 14.13 of its proposal.

1 AER labour categories are based on Marsden Jacob recommendations.

2 Consistent with Marsden Jacob's recommendations an overhead rate of 61 per cent has been applied which we note is equivalent to the overhead rate that Evoenergy usually applies. Per Marsden Jacob's recommendations, an additional \$20 vehicle allowance has been applied as an overhead to the Field Worker labour category.

New ancillary network services

If Evoenergy introduces new services during the regulatory period which are classified as alternative control services based on Attachment 13 - Service Classification, then we consider these new services should be priced on the same basis as a quoted service until they can be properly assessed as a fee based service for the subsequent regulatory period. The price of any new service introduced within the regulatory period should be disclosed through the annual pricing regulatory process.

15.4.2 Ancillary network services—Reasons for draft decision

For ancillary network services we consider it important to review the key inputs in determining the price for the service:

- underlying labour rates
- time taken to perform the service
- any material and vehicle costs associated with providing the service

- overheads.

In considering the above inputs we had regard to maximum reasonable benchmarks developed by our consultant Marsden Jacob which we consider are efficient.

By inputting the maximum benchmarks for labour rates, vehicle costs and times taken to perform services, as developed by Marsden Jacob, we were able to assess Evoenergy's proposed charges for fee based services against a maximum efficient charge.

Figure 15.1 Summary of Marsden Jacob's report to the AER - Review of Alternative Control Services

We engaged Marsden Jacob to provide advice in relation to estimates of reasonable maximum total labour rates for the DNSPs currently undergoing resets as well as benchmarking of certain fee-based services. Marsden Jacob also provided advice on public lighting and metering input costs.

Marsden Jacob found that although each of the distributors reviewed used different category names and descriptions, the types of labour used to deliver ancillary network services broadly fell into the following five categories:

- administration
- technical services
- engineers
- field workers and
- senior engineers.¹

Using these categories Marsden Jacob developed benchmark labour rates based on *Hays 2017 Energy sector and office support salary data* against which the efficiency of the proposed labour rates could be assessed.

In assessing the reasonableness of proposed labour rates, Marsden Jacob 'normalised' the rates provided by each business and separated them into 'raw' labour rates, on-costs and overheads.²

1. Raw labour costs – based on the Hays salary data and the figures used included a 8.5 per cent escalator.³
2. On-costs – to cover both basic leave entitlements and standard on-costs⁴
3. Overheads – to cover all additional costs. Overall Marsden Jacob recommended a maximum overhead rate of 61 per cent Marsden Jacob also accepted the inclusion of an explicit profit margin, however where these are identified this allocation had been benchmarked within the overall overhead allowance.⁵

Based on its study, Marsden Jacob recommended the maximum reasonable benchmark labour rates as set out below. Marsden Jacob recommended that we apply these maximum rates to any services it did not benchmark, to arrive at a maximum rate.

Table 15.2 Maximum total hourly rates (base plus on-costs plus overheads), \$2018–19

	Ausgrid	Endeavour	Essential	Evoenergy ¹	TasNetworks ²	Power and Water
Admin	\$102.26	\$102.26	\$102.26	\$108.37	\$90.36	\$89.94
Technical specialist	\$153.39	\$153.39	\$153.39	\$153.00	\$144.56	\$179.87
Engineer	\$191.74	\$191.74	\$191.74	\$191.25	\$168.65	\$167.88
Field Worker³	\$147.83	\$147.83	\$147.83	\$147.50	\$140.45	\$169.89
Senior Engineer	\$210.91	\$210.91	\$210.91	\$210.37	\$198.75	\$203.86

Source: Marsden Jacob Associates, Review of Alternative Control Services - Advice to Australian Energy Regulator - PUBLIC version, September 2018, Tables 5 and 7, pp. 8, 10.

Notes: ¹ For Evoenergy, Marsden Jacob applied Sydney rates for all labour categories except for Administration as Hays only reports Administration rates for Canberra.

² For TasNetworks, Marsden Jacob used the lowest rate for Sydney, Canberra and Darwin for Administration and lower of Sydney and Darwin for other staff as there are no Hays figures for Tasmania. Marsden Jacob has applied the lowest rate as Tasmania has the lowest Average Weekly Earnings rates of any capital city in Australia.

³ Field worker rate includes an allowance of \$20 for a vehicle as an additional overhead.

The maximum hourly rates include the highest of the Hays salary rates for each labour category. Marsden Jacob noted that while these are reasonable maximum rates, more efficient rates may be gained by reference to a different point in the Hays salary bands. For our next distribution determination for these distributors, Marsden Jacob recommended the AER consider whether it is appropriate to reduce the maximum rates to reflect efficiency frontier benchmarks rather than the highest of the Hays rates for each labour category.⁶ We note Marsden Jacob's recommendation in the context of future determinations. For the purposes of this draft decision we consider the maximum reasonable rates provided by Marsden Jacob should be considered efficient for our purposes.

References:

1. Marsden Jacob Associates, Review of Alternative Control Services - Advice to Australian Energy Regulator - PUBLIC version, September 2018, p. 3.
2. Ibid., p.3.
3. Ibid., p.4.
4. Ibid., pp.5-6.
5. Ibid., pp.7-8.
6. Ibid.. p. 8.

Regulatory treatment of overheads and cost allocation

In its discussion of maximum overhead rates, Marsden Jacob noted that capping the overhead rate may have unintended consequences for the broader cost allocation method.⁷

We reviewed the objectives of our Cost Allocation Guideline.⁸ A distributor's cost allocation method sets out the principles and policies for attributing costs to, or allocating costs between, the categories of distribution services a distributor provides. Hence, in approving a distributor's cost allocation method we approve the methodology it uses to allocate costs. This does not equate to approving the costs.

The approval of actual costs is subject to applicable requirements set out in the NER. Proper application of the cost allocation method does not indicate whether the distributor's expenditure, including overheads, is at efficient levels or otherwise reflects the requirements of the NER, having regard to the revenue and pricing principles and the national electricity objective. By extension, proper application of the cost allocation method does not indicate whether the resulting overhead rates represent efficient levels.

Fee based services

To calculate charges for fee based services Evoenergy used a cost build up approach. Evoenergy noted ancillary services costs are largely made up of labour with limited use of materials or capital in most cases.⁹

For fee based ancillary network services Evoenergy used a range of different labour rates which also varied between its existing services and its proposed new miscellaneous connection services.

Evoenergy calculated charges by multiplying the base labour rate (for the type of labour required to perform the service) including on-costs by the number of crew and the time taken to perform the service. To determine proposed ancillary service fees Evoenergy generally added direct and corporate overhead costs. Direct overheads are added at rate of 37 per cent of the labour cost of the service. Corporate overheads are added at 24 per cent of the labour cost of the service. Evoenergy attached a 40 per cent mark up for after-hours services.

We note that for Evoenergy's new miscellaneous connection services that an office overhead rate of 10 per cent was imposed on what it termed 'Office Labour' which

⁷ Marsden Jacob Associates, *Review of Alternative Control Services - Advice to Australian Energy Regulator - PUBLIC version*, September 2018, p.8.

⁸ AER, *Cost Allocation Guideline (Distribution)*, 2008.

⁹ Evoenergy, Regulatory Proposal, Attachment 14, p. 15.

included Connection Engineer; Management and GIS Officer, and that no after-hours mark-up was applied to these labour categories.

To determine whether we consider Evoenergy's proposed fees for ancillary network services to be reasonable we incorporated the Marsden Jacob maximum recommended labour rates including on-costs and overheads into Evoenergy's model.

Based on our analysis we have assessed that Evoenergy's proposed underlying labour rates and overheads are generally higher than the maximum reasonable benchmark labour rates (including on-costs and overheads) developed by our consultant, Marsden Jacob, to perform the services. However, we generally consider the time taken to perform the service and material and vehicle costs to be reasonable.

Transitioning quoted services to fee based services

We accept Evoenergy's proposal to transition 66 currently quoted services to fee based services. Evoenergy submitted that the services are demanded frequently and setting a fee for them would provide certainty and clarity for customers. We accept those propositions. We consider the change will also reduce Evoenergy's administration costs, resulting in fees being lower than they otherwise would be, to the benefit of customers.

The services in question include:

- cable testing
- termination of consumer mains
- consumer mains disconnection
- temporary de-energisation
- temporary pole support
- low voltage aerial bundled cables (LVABC) replacement.

While we recognise an in-principle risk exists that specific customers may pay more for their service under fee based pricing compared to quoted service pricing, we are satisfied that is not the case in this instance. We hold this view because we sought from Evoenergy details of the quoted service charges currently applied to customers. In response, Evoenergy submitted information for the 2017 calendar year.¹⁰ We compared this additional information to Evoenergy's proposed new fees for the same services. We found:

- for each relevant service the proposed new fee is lower than or equal to the current quoted service fee actually paid by customers

¹⁰ Evoenergy, response to AER information request, 6 April 2018.

- in some cases proposed fees are significantly lower than the current quoted service fees for the same services.

Evoenergy separately confirmed that under its proposal no customers purchasing relevant services would face higher charges than are currently applied.

Evoenergy further noted that as fee based services, the existing administration charges associated with quoted services would be avoided. By avoiding quoted service administration charges customers will see lower total fees. For example:

- the charge for 'termination of consumer mains'¹¹ is proposed to reduce from \$1,656.93 as a quoted service to \$1,524.92 as a fee based service—a reduction of \$132 or 8 per cent
- the charge for 'pole stay replacement'¹² is proposed to reduce from \$5,549.43 to \$4,454.29—a reduction of \$1,095.14 or 20 per cent
- the charge for LVABC replacement (3 span)¹³ is proposed to reduce from \$21,246.82 to \$17,315.47—a reduction of \$3,931.35 or 19 per cent.

In terms of the level of demand for the services in question, Evoenergy submitted that the 66 services were provided on 274 occasions during 2017. This included temporary de-energisations being provided on 88 occasions, termination of consumer mains on 73 occasions and LVABC replacements on 36 occasions. We consider Evoenergy sufficiently demonstrated the relevant services are demanded frequently.

Charges for a number of services associated with replacement of Weber fuse switches are proposed to remain unchanged as fee based services, however these services are not in high demand. Evoenergy submitted that these services were not demanded at all during calendar year 2017.

We accept Evoenergy's proposition that switching the quoted services in question to fee based services will benefit customers through greater clarity and certainty. We also note that customers will pay no more than, and likely less than, current charges as quoted services.

We note also that the application of our maximum labour rates has resulted in lower prices than proposed by Evoenergy for these services.

Re-balancing charges for some fee based services to make them cost reflective

We accept Evoenergy's proposal to adjust charges for some fee based services to make them cost reflective. We note Evoenergy's current charges for some fee based services incorporate hourly labour costs which do not reflect our 2014–19

¹¹ Service code 609.

¹² Service code 641.

¹³ Service code 647.

determination. We accept Evoenergy's proposition that the time required to provide some fee based services may require adjustment, impacting the total charge for the service. We also note Evoenergy's proposed charges for fee based services will be capped by our application of maximum charges recommended by Marsden Jacob such that any inefficiently high charges will be reduced to efficient levels.

Evoenergy proposed to adjust charges for some fee based services to make them cost reflective.¹⁴ Table 14.18 of Evoenergy's proposal lists a number of fee based services, their 2017–18 prices and what Evoenergy indicates are their actual costs of provision. Of the services listed:

- 22 services are described by Evoenergy as currently priced below their cost of provision
- 18 services are described as currently priced above their cost of provision.

Remaining listed services are described by Evoenergy as either established services which are priced at their actual cost, or as new services for which Evoenergy now proposes prices which it considers are equal to their actual cost of provision.

Of the 22 services proposed by Evoenergy to have their charges raised in order to become cost reflective, 13 proposed price rises are between 1 to 25 per cent. Charges for a further 7 services are proposed to rise between 26 and 60 per cent. Charges for installation and removal of tiger tails per span and warning flags per span, are proposed to rise by 162 per cent and 167 per cent respectively.¹⁵

Tiger tail charges *per span* are proposed to increase from \$694.57 to \$1,822.24. Warning flag charges *per span* are proposed to increase from \$595.34 to \$1,590.78. However, charges for tiger tail services *per installation* are proposed to decline by 12 per cent from \$1,379.74 to \$1,218.78. Equally, charges for warning flag services *per installation* are proposed to increase by only 4 per cent to \$1,218.78.

Evoenergy did not detail in its proposal why it considered the proposed adjustments to its fee based service charges are necessary. We sought these details from Evoenergy. In response to our query Evoenergy indicated:¹⁶

- labour rates were not adjusted to reflect our determination for the 2014–19 period
- some services cannot be carried out in the previously specified times
- the rate of overhead allocations has changed.

¹⁴ Evoenergy, Attachment 14 Alternative control services, p.22.

¹⁵ Tiger tails are high visibility plastic wraps applied to overhead lines in cases of close working or nearby high loads. Both tiger tails and warning flags are network overhead wire safety services.

¹⁶ Evoenergy, *Part 1 of response to AER Query 009*, March 2018.

AER view

With Marsden Jacob's assistance we assessed Evoenergy's propositions and concluded that labour rates incorporated in current charges do not reflect our last determination, as Evoenergy indicated. Also, that times taken to perform services may reasonably be amended from time to time, subject to our efficiency assessment. We note Evoenergy has adjusted some fee based service charges downwards on the basis of efficiencies lowering the actual cost of provision, discussed further below. With respect to overheads, we will refer to our benchmarking and efficiency assessment undertaken by Marsden Jacob to cap proposed charges at efficient levels.

Of the 18 services for which Evoenergy proposed to reduce charges, 17 amendments are between 1 per cent and 25 per cent of the current charge. The charge for 1 service, underground service upgrade without a replacement cable, is proposed to reduce by 60 per cent, from \$1,326.88 to \$529.67. Fee reductions for 13 services are related to connections or connection alterations.

By way of explanation for the proposed fee reductions, Evoenergy submitted:¹⁷

- work practice improvements have been achieved during the current period meaning fewer labour resources are required to complete a service in the same time, or the same labour can complete it in a shorter time
- introduction of the Power of Choice reforms¹⁸ means Evoenergy no longer installs meters so the time allocated to installing meters as part of a broader service is no longer required and has been removed from charges.¹⁹

In applying our maximum labour rates we have reduced the fees for many of these services even further as Evoenergy's proposed labour rates are higher than our consultant's maximum efficient rates. As discussed earlier this has ramifications for Evoenergy's intention to shift to fully cost reflective prices over the regulatory period.

Quoted services - Ancillary network services

For quoted services we consider it is appropriate to use the individual business' labour rate if the business' proposed rates fall within Marsden Jacob's maximum efficient rates. If not, we consider it appropriate to use Marsden Jacob's recommended rates (as applicable) for each of raw labour rates, on-costs and overheads.

As the labour rates proposed by Evoenergy only cover raw labour and on-costs (what it terms 'base costs') we have taken a two stage approach to considering Evoenergy's proposed labour rates:

¹⁷ Evoenergy, Part 1 of response to AER Query 009, March 2018.

¹⁸ From 1 December 2017 distributors, such as Evoenergy, are not permitted to install types 5 and 6 meters. Customers, or their metering coordinator, may now source a metering provider from a range of potential providers.

¹⁹ This applies to services such as temporary builders' supply (overhead and underground) and new service connections (overhead and underground, from front and rear of block).

- We compared Evoenergy's proposed 2019–20 labour rates to the corresponding Marsden Jacob rates (inflated to \$2019–20 by CPI). Through this process we consider that only the labour rates for electrical worker - labourer; and project officer design section are efficient as they fall below the maximums recommended by Marsden Jacob.
- We then escalated these labour rates by our consultant's recommended maximum overhead rate of 61 per cent to provide maximum total labour rates that can be applied for quoted services.

15.5 Metering services

Metering assets are used to measure electrical energy flows at a point in the network to record consumption for the purposes of billing. Evoenergy's type 5 and 6 metering services are classified as alternative control services. Evoenergy's type 7 metering services, however, are classified as standard control services.²⁰

Since introduction of the Power of Choice reforms on 1 December 2017, Evoenergy is no longer responsible for the installation of new meters and cannot install any type 5 or type 6 meters from 1 April 2018. Services relating to meter installation do not form part of Evoenergy's ACS proposal, and are proposed to be removed from its pricing schedule.²¹ We are responsible for setting prices for type 5 and 6 metering services for Evoenergy that apply to its residual stock of meters.

15.5.1 Metering services—Draft decision

Charges for metering services are based on the building block model. The total revenue requirement is driven mostly by forecast opex and capex costs. Charges are decided so that, assuming forecast customer numbers and predetermined price movement year on year (X factors and CPI), the required revenue from the building block model will be achieved.

Remittal - Metering services

There is currently a remittal process ongoing with regard to Evoenergy's 2014–19 distribution Determination. In conjunction with the remittal process we have undertaken to correct two errors contained in our 2014–19 metering Determination:

- correction to the rate of inflation from 2.38 per cent to 2.42 per cent
- correction to metering opex of +\$3.1 million (\$2014–15).

²⁰ AER, *Framework and approach ActewAGL Regulatory control period commencing 1 July 2019*, July 2017, p. 17

²¹ Evoenergy, *Attachment 14: Alternative Control Services, Regulatory proposal for the ACT electricity distribution network 2019–24*, January 2018, p. 6

Evoenergy proposed that the resultant recoverable revenue from this remittal decision be reflected in the pricing for alternative control services in the 2019–24 regulatory control period.²²

We have prepared our draft decision on the basis that this revenue will be recovered through metering charges. We must therefore give Evoenergy a building block revenue allowance for the 2019–24 regulatory control period, in addition to which we must include an increased revenue allowance so that on a net present value basis Evoenergy is no worse off than had the aforementioned corrections been applied initially at the time of the 2014–19 regulatory determination. This amounts to increased revenue of \$4.38 million (\$2018–19) or \$3.7 million on a net present value basis.

As a consequence of the inclusion of this remittal revenue, metering charges will be higher. With the inclusion of this remittal revenue, in the first year of the 2019–24 regulatory control period, Evoenergy's metering charges are increasing by 14.77 per cent compared to 2018–19. In the absence of this remittal revenue, charges would have increased by 5.4 per cent.²³

Service classification - Metering services

Our draft decision, as set out in Attachment 13, is to classify type 5 and 6 metering services as alternative control services. This is consistent with our Final Framework and Approach and Evoenergy's proposed classification of metering services.

Form of control - Metering services

Our draft decision is to apply a price cap form of control for metering services. This is consistent with our Final Framework and Approach and Evoenergy's proposed form of control for metering services. Under a price cap form of control, we set a schedule of prices for the first year of the regulatory period, 2019–20. For 2020–21 and subsequent years the prices for metering services are determined by adjusting the previous year's prices by the formula set out in Attachment 14.

Metering services charges

Evoenergy proposed to increase metering charges by 5.25 per cent per year in addition to CPI adjustments.²⁴ Our draft decision is that these charges will instead increase by 0.31 per cent per year in addition to CPI adjustments as set out in our X factors table in Appendix B.

²² Evoenergy, Proposal for the remittal of Evoenergy's 2014-19 determination, 24 July 2018, p. 5-6

²³ This assumes that X factors were held constant as per our draft decision.

²⁴ Evoenergy, *Evoenergy-Metering PTRM-January 2018*, January 2018, X Factors Tab

Our draft decision is to approve the following elements of Evoenergy's metering model, which we consider are consistent with the pricing principles and promotion of the national pricing objective:

- Opening metering asset base

Our draft decision is to approve an opening metering asset base (MAB) value as at 1 July 2019 of \$42.75 million (\$nominal). Our draft decision is based on our assessment of Evoenergy's application of the Roll Forward Model.

- Depreciation

Our draft decision is to accept the proposed remaining lives of the metering asset category (15 years).

Consistent with our draft decision for standard control services, we specify that forecast, as opposed to actual, depreciation will apply to Evoenergy's MAB.

- Rate of return

Our draft decision accepts that the same weighted average cost of capital (WACC) and imputation credit (gamma) values for standard control services should apply to alternative control metering services.

See attachments 3 and 4 for our decision on WACC and gamma values, along with our reasons.

However, unlike for standard control service, we will not be annually adjusting Evoenergy's return on debt.

- Forecast capex

Our draft decision is to accept Evoenergy's proposed forecast capex building block of \$0.

However, in respect of Evoenergy's metering opex allowance, we are not satisfied the proposed level of opex represented an efficient level. We consider Evoenergy did not sufficiently justify its forecast opex of \$22.8 million. Our substitute metering opex forecast is \$19.96 million (\$2018–19).

15.5.2 Metering services—Reasons for draft decision

Structure of Metering Charges

Our draft decision is to accept Evoenergy's proposed metering charging structure comprising an annual charge with two components:

- capital—MAB recovery
- non-capital—operating expenditure (opex) and tax.

These charges are then further divided into rates depending on the type of meters (such as an interval meter or accumulation meter) and the frequency of reading (such as monthly or quarterly).

This structure is consistent with the approved structure in the current regulatory period, with the exception that an upfront charge for meter installation no longer applies as Evoenergy is no longer responsible for installing meters.

This structure is both reflective of the actual costs involved in the provision of metering services and, due to being consistent with current charges, easy to understand.

Forecast Capex

Evoenergy did not propose any metering capex for the 2019–24 regulatory control period. We consider this appropriate as Evoenergy only classifies meters themselves as metering assets (by not including any non-network assets) and these assets will not require any capital expenditure going forward.

Regulatory Asset Base and Asset Lives

Evoenergy has forecast forward its asset base using our approved Roll Forward Model and used standard approved asset lives. We consider this to be consistent with best practice.

Forecast Opex

We assessed Evoenergy's proposed metering opex using a top-down 'base–step–trend' approach. This is our preferred approach to assessing most opex categories.²⁵ In particular, we:

- used the 'revealed costs' approach as the starting point and removed any non–recurrent expenditure
- adjusted for any step changes if we were satisfied that a prudent and efficient service provider would require them
- trended forward the base opex (plus any step changes).

We also had regard to benchmarking when considering Evoenergy's proposed metering opex.

Base

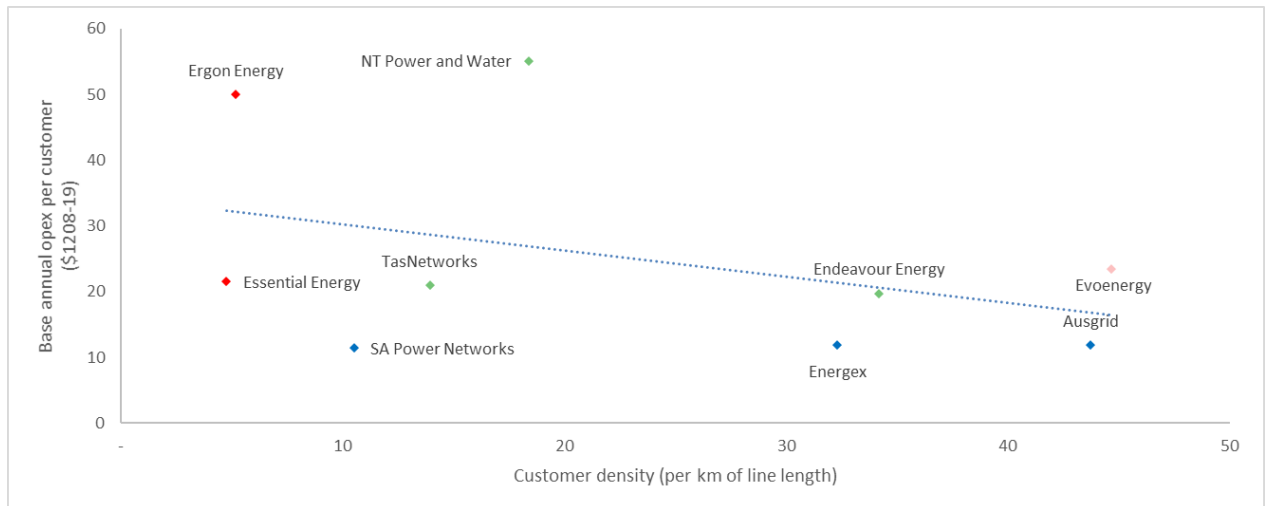
The initial step in our assessment of Evoenergy's proposed operating expenditure was to consider its 'base' level of expenditure. Our draft decision is to not accept Evoenergy's base metering opex allowance of \$4.49 million and instead substitute our own allowance of \$4.01 million (\$2018–2019).

²⁵ AER, *Better regulation: Expenditure forecast assessment guideline for distribution*, November 2013, p. 32.

Evoenergy did not propose an efficiency adjustment to its metering opex and instead based it on a revealed cost basis. Evoenergy chose 2017–18 as the base year from which to forecast opex over the 2019–24 regulatory period.²⁶

We assessed Evoenergy’s base from two different perspectives. These were Evoenergy’s historical opex and its performance against benchmarking.

Figure 15.2 Evoenergy historical metering opex per customer current regulatory control period compared to customer density



From a benchmarking perspective we compared Evoenergy’s opex against customer density. We found Evoenergy’s meter opex was less efficient than would be expected, compared to other businesses, based purely on its customer density. However, we acknowledge that there are limitations to this benchmarking. We also acknowledge that customer density is not the sole driver of opex per customer. Evoenergy is a small distributor and some diseconomies of scale are expected. Benchmarking in relation to customer density alone is not sufficient to reject Evoenergy’s forecast metering opex.

Evoenergy’s metering opex allowance for the current regulatory control period was initially set at \$2.18 million per annum but was then changed to \$2.81 million (real 2013–14) as part of the remittal process. This increases to \$3.09 million when inflated to 2018–19 dollars. This is below the actual metering opex Evoenergy expended of \$3.76 million (real 2018–19).

²⁶ Evoenergy, *Attachment 14: Alternative Control Services Regulatory proposal for the ACT electricity distribution network 2019–24*, January 2018, p. 13

Table 15.3 shows a breakdown of Evoenergy's historical opex breakdown from 2014–15 to 2017–18 by the amount attributable to condition monitoring, strategy and planning, meter reading and meter data services. This shows the opex per customer in each of these years and that the opex per customer in 2017–18 was higher than in the prior years.

Table 15.3 Evoenergy historical metering opex (\$2018–19)

\$M 2018–2019	2014–15	2015–16	2016–17	2017–18	Average over period
Condition monitoring	0.47	0.49	0.36	0.96	0.57
Strategy and planning	0.15	0.08	0.04	0.13	0.10
Meter reading	1.89	1.93	1.81	1.92	1.89
Meter data services	0.99	1.09	1.23	1.48	1.20
Total	3.51	3.58	3.44	4.49	3.76
Customer numbers	178710	181851	184962	191482	184579
Opex per customer (\$)	19.63	19.71	18.62	23.45	20.35

Source: Evoenergy Attachment 14: Alternative Control Services Regulatory proposal for the ACT electricity distribution network 2019–24 January 2018, Table 14.9.

We reviewed Evoenergy's historic metering opex, adjusted for inflation, since 2014–15. We observed an average base expenditure of \$20.35 per customer per year (real, \$2018–19). Evoenergy's proposed base year has opex of \$23.45 per customer per year and represents the highest opex per customer within the period, whereas the prior year 2016–17 represents the lowest opex per customer in the period. Of particular note, condition monitoring and meter data services are significantly higher than in other years.

We acknowledge Evoenergy has introduced a new metering data and billing system, Velocity, and a new asset management database, RIVA.²⁷ We further acknowledge that this may have changed the nature of Evoenergy's opex costs in a way that makes the 2017–18 year more reflective of expected metering opex in the 2019–24 regulatory control period than in earlier years.

It still remains to assess if this year is efficient. Basing alternative control service opex proposals on revealed costs is more problematic than in the context of standard control services because no Efficiency Benefit Sharing Scheme (EBSS) applies to alternative

²⁷ Evoenergy, *Attachment 6: Operating expenditure Regulatory proposal for the ACT electricity distribution network 2019–24*, January 2018, p. 12

control services. For standard control services the EBSS strengthens the incentive for distributors to pursue operational efficiencies.

To assess Evoenergy's proposal we separately considered Evoenergy's proposed expenditure on:

- condition monitoring
- strategy and planning
- meter reading
- meter data services.

Details of our assessment are set out below.

1. Condition monitoring (\$0.96 million in base year): While we consider, in principle, including a step change for this item is appropriate, our draft decision is to not accept the costs Evoenergy proposed. To reconcile the Condition Monitoring total with Evoenergy's RIN expenditure for 2017–18 requires including meter replacement, for which Evoenergy is no longer responsible. Under usual business operating conditions, Evoenergy has indicated in different sources that it has the capability of testing either 1000 or 1500 meters in the field each year.^{28,29} If we use Evoenergy's indication of 1,000 type 6 meters and 170 other meters being tested in 2017 and apply Evoenergy's own cost reflective pricing for these service from its Ancillary services model this gives \$417,467 (\$2018–19).^{30,31} As discussed in Section 15.4, there were some inefficiencies so this number could be overstated. This is sufficiently lower than the \$0.96 million figure in the base year. We acknowledge that there are times when Evoenergy's initial testing of a meter may lead to retesting of a new meter population but do not consider that that could justify a more than doubling of the condition monitoring allowance.³²
2. Strategy and planning (\$0.13 million in base year): Our draft decision is to approve this cost. Inclusive of on costs and overheads, Evoenergy's strategy planning costs represent an efficient cost for a single resource dedicated to strategy and planning.
3. Meter reading (\$1.92 million in base year): Our draft decision is to approve this cost. Evoenergy's meter reading costs have reduced on a per customer basis and these are most likely efficient.

²⁸ Evoenergy, Attachment 14: Alternative Control Services; Regulatory proposal for the ACT electricity distribution network 2019–24, January 2018, p. 12

²⁹ Evoenergy, *Appendix 14.1: Type 5 & 6 Meter Asset Management Plan, Regulatory proposal for the ACT electricity distribution network 2019-24*, 18 January 2018, p. 13

³⁰ Evoenergy, *Appendix 14.1: Type 5 & 6 Meter Asset Management Plan, Regulatory proposal for the ACT electricity distribution network 2019-24*, 18 January 2018, p. 21

³¹ Evoenergy, *Evoenergy - Ancillary services cost build up model - January 2018 Public*, 17.18 prices tab

³² If a sample fails testing, Evoenergy may re-define the populations and redo the entire compliance verification procedure on the alternate populations.

4. Meter data services (\$1.48 million in base year): Our draft decision is to approve this cost. These costs have risen consistently. However, Evoenergy has forecast an increasing requirement to collect and handle interval meter data during the 2019–24 regulatory control period.³³ Consequently, we consider that the operating expenditure during the forthcoming period will most likely be higher than the current period and the 2017–18 year most accurately represents the data processing requirements.

Our draft decision is therefore to accept 2017–18 as the base year, except for the conditions monitoring amount for which the \$0.96 million allowance will be replaced with an allowance of \$0.48 million (being the average of the revealed costs from 2014–15 and 2015–16).

Step

Evoenergy did not propose metering step changes.³⁴ Our draft decision is to accept this and not include any step changes, either positive or negative. We are not aware of any material issues which would justify a departure from this position.

Trend

Evoenergy proposed two annual opex adjustments:

- the Australian Capital Territory Electricity, Gas, Water and Waste Services Wage Price Index
- a 1 per cent decrease in the meter population during the 2019–24 regulatory control period.

Our draft decision is to retain the use of a labour escalator, but to replace the Australian Capital Territory Electricity, Gas, Water and Waste Services Wage Price Index with an average measure of ACT Utilities WPI forecast by DAE and BIS Oxford Economics. This is consistent with our approach to standard control services opex as discussed in greater detail in Attachment 7 – Operating Expenditure.

We consider that the decline in Evoenergy’s meter population may be more rapid than the assumption used in the opex model, however this assumption is consistent with those in the Post-Tax Revenue Model around forecast meters reads. Given the use of the price cap control mechanism, if Evoenergy’s forecast rate of decline does prove insufficient, consumers will not be charged extra and Evoenergy’s revenue will reduce.

³³ Evoenergy, Response to information request 012, ICT capex, 11 April 2018, p.2

³⁴ Evoenergy, *Forecast Metering opex model*, January 2018, Metering opex forecast tab

A Ancillary network services charges

Table 15.4 Fee based ancillary network service charges for 2019–20, AER draft decision (\$2019–20)

Fee based service			Evoenergy proposed charge	AER draft decision
Premise Re-energisation – Existing Network Connection				
501	Re-energise premises – Business Hours	per visit	77.26	77.26
502	Re-energise premises – After Hours	per visit	97.55	97.55
Premise De-energisation – Existing Network Connection				
503	De-energise premises – Business Hours	per visit	77.26	77.26
505	De-energise premises for debt non-payment	per test	154.55	154.55
Meter Investigations				
504	Meter Test (Whole Current) – Business Hours	per test	309.09	309.09
510	Meter Test (CT/VT) – Business Hours	per test	368.51	368.51
Special meters Services				
506	Special Meter Read	per read	36.40	33.96
Power of Choice services				
515	Move, remove, inspect or reconfigure meter	Per movement, inspection or re-configure	176.56	156.75
516	Establish supply	Per establishment	132.42	117.56
517	Faults investigation (meter malfunction)	per investigation	132.42	117.56
518	Faults investigation (meter bypassed)	per investigation	176.56	156.75
519	Faults investigation (customer's side of network boundary)	per investigation	88.28	78.37
Temporary Network Connections				
520	Temporary Builders' Supply – Overhead (Business Hours)	per installation	568.75	509.32
522	Temporary Builders' Supply – Underground (Business Hours)	per installation	1,098.41	979.57
New Network Connections				

Fee based service			Evoenergy proposed charge	AER draft decision
523	New Underground Service Connection – Greenfield	per installation	734.68	734.68
526	New Overhead Service Connection – Brownfield (Business Hours)	per installation	745.30	745.30
527	New Underground Service Connection – Brownfield from Front	per installation	1,363.25	1,214.69
528	New Underground Service Connection – Brownfield from Rear	per installation	1,363.25	1,214.69
Network Connection Alterations and Additions				
541	Overhead Service Relocation – Single Visit (Business Hours)	per installation	706.22	626.99
542	Overhead Service Relocation – Two Visits (Business Hours)	per installation	1,412.45	1,253.99
543	Overhead Service Upgrade – Service Cable Replacement Not Required	per installation	706.22	626.99
544	Overhead Service Upgrade – Service Cable Replacement Required	per installation	745.30	666.07
545	Underground Service Upgrade – Service Cable Replacement Not Required	per installation	529.67	470.25
546	Underground Service Upgrade – Service Cable Replacement Required	per installation	1,363.25	1,214.69
547	Underground Service Relocation – Single Visit (Business Hours)	per installation	1,363.25	1,214.69
548	Install surface mounted point of entry (POE) box	per installation	634.38	574.96
549	Overhead Service Temporary Disconnect Reconnect same day (Business Hours)	per installation	1,059.34	940.49
Temporary De-energisation				
560	Temporary de-energisation – LV (Business Hours)	per occurrence	504.70	504.70
561	Temporary de-energisation – HV (Business Hours)	per occurrence	504.70	504.70
Supply Abolishment / Removal				
562	Supply Abolishment / Removal – Overhead (Business Hours)	per site visit	529.67	470.25
563	Supply Abolishment / Removal - Underground (Business Hours)	per site visit	1,174.23	1,174.23
Miscellaneous Customer Initiated Services				
564	Install & Remove Tiger Tails – Establishment (Business Hours)	per installation	1,292.69	1,173.85

Fee based service			Evoenergy proposed charge	AER draft decision
565	Install & Remove Tiger Tails - Per Span (Business Hours)	per installation	1,004.00	1,004.00
566	Install & Remove Warning Flags – Installation (Business Hours)	per installation	1,256.81	1,173.85
567	Install & Remove Tiger Tails - Per Span (Business Hours)	per installation	869.61	869.61
Operational & Maintenance Fees - Export Only Embedded Generation Installations up to 5MW				
568	Embedded Generation OPEX Fees - Connection Assets	per annum	2%	2%
569	Embedded Generation OPEX Fees - Shared Network Asset	per annum	2%	2%
Connection Enquiry Processing - Embedded Generation Installations				
570	Embedded Generation Connection Enquiry – Class 1 (Commercial)	per installation	473.13	431.05
596	Embedded Generation Connection Enquiry – Class 2	per installation	591.41	538.81
597	Embedded Generation Connection Enquiry – Class 3	per installation	631.19	631.19
598	Embedded Generation Connection Enquiry – Class 4	per installation	658.71	658.71
599	Embedded Generation Connection Enquiry – Class 5	per installation	686.23	686.23
600	Embedded Generation Connection Enquiry – Class 6	per installation	1,064.53	969.86
Network Design & Investigation / Analysis Services - Embedded Generation Installations				
574	Embedded Generation Network Technical Study - Class 1 (Commercial)	per installation	1,892.51	1,724.19
575	Embedded Generation Network Technical Study - Class 2	per installation	3,785.01	3,448.38
576	Embedded Generation Network Technical Study - Class 3	per installation	6,422.05	6,422.05
577	Embedded Generation Network Technical Study - Class 4	per installation	8,856.24	8,856.24
578	Embedded Generation Network Technical Study - Class 5	per installation	12,844.11	12,844.11
579	Embedded Generation - Embedded Generator Network Technical Study - Class 6	per installation	16,055.13	16,055.13
Contract Administration, Commissioning and Testing - Embedded Generation Installations up to 5MW				
601	Embedded Generation - Connection Contract Establishment - Class 1 (Commercial) to Class 6	per establishment	3,785.01	3,448.38

Fee based service			Evoenergy proposed charge	AER draft decision
Provision of Data for Network Technical Study - Embedded Generation Installations over 5MW				
602	Embedded Generator Network Technical Study - Embedded Generation over 5MW	per provision	18,925.05	17,241.92
Residential Estate Subdivision Services (per block)				
580	Subdivision Electricity Distribution Network Reticulation - Multi Unit Blocks	per block	0	0
581	Subdivision Electricity Distribution Network Reticulation - Blocks <= 650 M2	per block	1,769.09	1,769.09
582	Subdivision Electricity Distribution Network Reticulation - Blocks 650 - 1100m2 with average linear frontage of 22-25 metres	per block	2,317.78	2,317.78
Upstream augmentation (per kVA of capacity)				
585	HV feeder	\$/kva	38.32	38.32
586	Distribution substation	\$/kva	22.19	22.19
Rescheduled Site Visits				
590	Rescheduled Site Visit – One Person	per site visit	154.55	154.55
591	Rescheduled Site Visit – Service Team	per site visit	650.35	650.35
Trenching charges				
592	Trenching - first 2 meters	per visit	557.46	557.46
593	Trenching - subsequent meters	per meter	129.64	129.64
Boring charges				
594	Under footpath	per occurrence	1,011.21	1,011.21
595	Under driveway	per occurrence	1,205.67	1,205.67
Cable Testing				
603	Spiking/Cable Testing (Business Hours) - Evoenergy network cables only	per test	1,007.07	923.47
604	Spiking/Cable Testing (After Hours) - Evoenergy network cables only	per test	1,305.14	1,188.10
Testing of Substation HV/LV Earthing or Soil Resistivity				
605	Substation HV/LV Earthing/Soil Resistivity Testing (Business Hours)	per test	1,193.37	1,088.87
606	Substation HV/LV Earthing/Soil Resistivity Testing (After Hours)	per test	1,565.95	1,419.65
Termination of Consumer Mains - up to 50mm² Al or Cu - Note 1				

Fee based service			Evoenergy proposed charge	AER draft decision
607	1x 4 Core Or 4x 1 Core (1 Set) Consumer Mains (Business Hours)	per termination	1,385.93	1,281.43
608	1x 4 Core Or 4x 1 Core(1 Set) Consumer Mains (After Hours)	per termination	1,758.52	1,612.22
Termination of Consumer Mains - Above 50mm² Cu or Al - Note 1				
609	1x 4 Core Or 4x 1 Core (1 Set) Consumer Mains (Business Hours)	per termination	1,758.52	1,612.22
610	1x 4 Core Or 4x 1 Core(1 Set) Consumer Mains (After Hours)	per termination	2,280.14	2,075.32
611	2 x 4 Core Or 8 x 1 Core (2 Set) Consumer Mains (Business Hours)	per termination	2,131.10	1,943.00
612	2 x 4 Core Or 8 x 1 Core (2 Set) Consumer Mains (After Hours)	per termination	2,801.76	2,538.42
613	3 x 4 Core Or 12 x 1 Core (3 Set) Consumer Mains (Business Hours)	per termination	2,503.69	2,273.79
614	3 x 4 Core Or 12 x 1 Core (3 Set) Consumer Mains (After Hours)	per termination	3,323.39	3,001.52
615	4 x 4 Core Or 16 x 1 Core (4 Set) Consumer Mains (Business Hours)	per termination	2,689.99	2,439.19
616	4 x 4 Core Or 16 x 1 Core (4 Set) Consumer Mains (After Hours)	per termination	3,584.20	3,233.08
LV Underground Network Disconnection (permanent disconnection of existing network)				
617	Including Capping/Abandoning - Underground (Business Hours)	per disconnection or per visit	1,944.81	1,777.61
618	Including Capping/Abandoning - Underground (After Hours)	per disconnection or per visit	2,540.95	2,306.87
Consumer Mains Disconnection at Evoenergy Network Asset such as Point of Entry/Substation				
619	Temporary or Permanent Consumer Mains as a Separate Request (Business Hours)	per disconnection or per visit	1,944.81	1,777.61
620	Temporary or Permanent Consumer Mains as a Separate Request (After Hours)	per disconnection or per visit	2,540.95	2,306.87
Substation Supervised Access				
621	1- 4 (Business Hours)	per visit per substation	1,228.63	1,124.13
622	1- 4 (After Hours)	per visit per substation	1,601.21	1,454.91
623	4- 8 (Business Hours)	per visit	1,973.80	1,785.70

Fee based service			Evoenergy proposed charge	AER draft decision
		per substation		
624	4- 8 (After Hours)	per visit per substation	2,644.46	2,381.12
Temporary De-energisation/Isolation of Overhead LV Network				
625	Business Hours Work	Per isolation or de-energisation and re-energisation on a same day	1,543.29	1,417.89
626	After Hours Work	Per isolation or de-energisation and re-energisation on a same day	1,990.40	1,814.84
Temporary De-energisation/Isolation of Overhead HV Network²				
627	Business Hours Work	Per isolation or de-energisation and re-energisation on a same day	2,763.46	2,554.46
628	After Hours Work	Per isolation or de-energisation and re-energisation on a same day	3,508.64	3,216.03
Temporary De-energisation/Isolation of Underground/Overhead SLCC supply³				
629	Business Hours Work	Per isolation or de-energisation and re-energisation on a same day	669.74	627.94
630	After Hours Work	Per isolation or de-energisation and re-energisation on a same day	818.78	760.26
Temporary De-energisation/Isolation of Underground HV Or LV Network³				
631	Business Hours Work	Per isolation or de-energisation and re-energisation on a same day	1,357.00	1,252.50
632	After Hours Work	Per isolation or de-energisation and re-energisation on a	1,729.59	1,583.29

Fee based service			Evoenergy proposed charge	AER draft decision
same day				
Temporary De-energisation/Isolation of Underground HV Network - If HV Cable Insulation Test Required (Isolation for more than 7 days)⁴				
633	Business Hours Work	Per isolation or de-energisation and re-energisation on a same day	1,915.88	1,748.68
634	After Hours Work	Per isolation or de-energisation and re-energisation on a same day	2,512.02	2,277.94
Temporary Pole Support Work - Using Lifter/Borer⁵				
635	Business Hours Work	Per pole support per day as well as per visit	3,846.95	3,617.05
636	After Hours Work	Per pole support per day as well as per visit	4,538.27	4,216.41
Temporary Pole Support Work - Using Concrete Blocks⁵				
637	Business Hours Work	per Pole per Installation as well as per visit	2,945.02	2,777.82
638	After Hours Work	per Pole per Installation as well as per visit	3,412.79	3,178.71
Pole Stay Replacement				
639	With Standard Stay -Business Hours	per pole stay	4,251.77	4,021.87
640	With Standard Stay -After Hours	per pole stay	5,273.28	4,951.41
641	With Side Walk Stay -Business Hours	per pole stay	4,999.00	4,737.75
642	With Side Walk Stay -After Hours	per pole stay	6,045.84	5,680.09
LVABC Replacement				
643	1 Span- Business Hours	Charge per installation	10,145.93	9,309.92
644	1 Span - After Hours	Charge per installation	13,126.63	11,956.23
645	2 Span- Business Hours	Charge per	15,048.76	13,857.46

Fee based service			Evoenergy proposed charge	AER draft decision
		installation		
646	2 Span - After Hours	Charge per installation	19,296.27	17,628.44
647	3 Span- Business Hours	Charge per installation	19,804.89	18,279.18
648	3 Span - After Hours	Charge per installation	25,244.67	23,108.68
649	Cut & Shackle for LVABC Replacement - Per Cross arm One Direction - Business Hours	Charge per installation	1,310.51	1,247.81
650	Cut & Shackle for LVABC Replacement - Per Cross arm One Direction - After Hours	Charge per installation	1,662.44	1,574.66
651	Installation of LV Fuse Switch Disconnecter for LVABC Replacement Work- Business Hours	Charge per installation	1,497.06	1,434.36
652	Installation of LV Fuse Switch Disconnecter for LVABC Replacement Work- After Hours	Charge per installation	1,848.99	1,761.21
653	Installation of LV termination cross- arm for LVABC Replacement Work - Business Hours	Charge per installation	1,565.14	1,450.19
654	Installation of LV termination cross- arm for LVABC Replacement Work - After Hours	Charge per installation	1,974.99	1,814.06
655	Installation of LV double strain cross -arm for LVABC Replacement Work - Business Hours	Charge per installation	1,799.18	1,663.32
656	Installation of LV double strain cross -arm for LVABC Replacement Work - After Hours	Charge per installation	2,411.91	2,221.72
657	1 Way 630A Weber Fuse Switch Disconnecter Installation for consumer mains termination work - Business Hours	Charge per installation	785.18	764.28
658	1 Way 630A Weber Fuse Switch Disconnecter Installation for consumer mains termination work - After Hours	Charge per installation	859.70	830.44
659	1 Way 1000A Weber Fuse Switch Disconnecter Installation for consumer mains termination work - Business Hours	Charge per installation	895.24	874.34
660	1 Way 1000A Weber Fuse Switch Disconnecter Installation for consumer mains termination work - After Hours	Charge per installation	969.76	940.50
661	1 Way 1250A Jean Muller Installation for consumer mains termination work - Business Hours	Charge per installation	4,133.24	4,101.89
662	1 Way 1250A Jean Muller Installation for consumer mains termination work - After Hours	Charge per installation	4,245.02	4,201.13
663	1 Way Weber POE Kit Installation for consumer mains	Charge per	2,516.62	2,495.72

Fee based service		Evoenergy proposed charge	AER draft decision
	termination work- Business Hours	installation	
664	1 Way Weber POE Kit Installation for consumer mains termination work- After Hours	Charge per installation	2,591.14 2,561.88
665	3 Way Weber POE Kit Installation for consumer mains termination work - Business Hours	Charge per installation	3,277.48 3,256.58
666	3 Way Weber POE Kit Installation for consumer mains termination work - After Hours	Charge per installation	3,352.00 3,322.74
667	Holec Fuse Kit Installation for Termination of Consumer Mains - Business Hours	Charge per installation	311.43 290.53
668	Holec Fuse Kit Installation for Termination of Consumer Mains - After Hours	Charge per installation	385.95 356.69

Source: Evoenergy, *Ancillary services cost build up model-January 2018_Public*; AER analysis.

Notes as per Evoenergy's model:

- 1 Includes termination of temporary supply consumer mains. Crimp Lugs to be supplied by Customer/Applicant. Charges includes disconnection of existing temporary consumer mains if present.
- 2 Includes establishment of temporary earthing to overhead network and includes plant as required
- 3 Excludes the type of work done by supply and installation officer. Excludes streetlight controller isolation work by C & I Officer
- 4 Includes insulation testing of isolated HV cable prior re-energisation
- 5 Includes plant operator as required * Temporary network isolation charges to apply separately

Table 15.5 Indicative list of fee based services that may not reach cost-reflective pricing over the regulatory period

Fee based service	
510	Meter Test (CT/VT) – Business Hours
560	Temporary de-energisation – LV (Business Hours)
561	Temporary de-energisation – HV (Business Hours)
565	Install & Remove Tiger Tails - Per Span (Business Hours)
567	Install & Remove Tiger Tails - Per Span (Business Hours)
597	Embedded Generation Connection Enquiry – Class 3
598	Embedded Generation Connection Enquiry – Class 4
599	Embedded Generation Connection Enquiry – Class 5
576	Embedded Generation Network Technical Study - Class 3
577	Embedded Generation Network Technical Study - Class 4

578 Embedded Generation Network Technical Study - Class 5

579 Embedded Generation - Embedded Generator Network Technical Study - Class 6

Source: AER analysis

Table 15.6 Quoted service ancillary network services hourly labour rates for 2019–20, draft decision (\$2019–20)

Evoenergy labour category	AER labour category ¹	AER draft decision - maximum hourly rate (base plus on-costs)	AER draft decision - maximum total hourly rate (base plus on-costs plus overheads) ²
Office support service delivery	Admin	\$68.96	\$111.03
Electrical apprentice	Field Worker	\$81.44	\$151.11
Electrical worker	Technician	\$97.36	\$156.75
Electrical worker - labourer	Field Worker	\$80.41	\$149.46
Project officer design section	Engineer	\$116.70	\$187.89
Senior technical officer/engineer design section	Senior Engineer	\$133.87	\$215.52

Source: Evoenergy, *Attachment 14: Alternative Control Services; Regulatory proposal for the ACT electricity distribution network 2019–24*, January 2018, p. 14-15; AER analysis

Note: Evoenergy uses a number of labour rates in its ancillary services cost build up model. We have taken the labour rates that were put forward as its quoted services labour rates in Table 14.13 of its proposal.

¹ AER labour categories are based on Marsden Jacob recommendations.

² Consistent with Marsden Jacob's recommendations an overhead rate of 61 per cent has been applied which we note is equivalent to the overhead rate that Evoenergy usually applies. Per Marsden Jacob's recommendations, an additional \$20 vehicle allowance has been applied as an overhead to the Field Worker labour category.

Table 15.7 AER draft decision on X factors for each year of the 2020–24 regulatory control period for Ancillary Network Services (per cent)

	2020–21	2021–22	2022–23	2023–24
X factor	-0.52653	-0.92911	-0.99465	-0.94965

Source: AER analysis.

Note: To be clear, labour escalators themselves are positive for each year of the regulatory control period. However, the labour escalators in this table are operating as de facto X factors. Therefore, they are negative.

B Metering Prices

Table 15.8 Metering X factors for 2019–24, AER draft decision

Period	2020–21	2021–22	2022–23	2023–24
Metering X factor	-0.3112%	-0.3112%	-0.3112%	-0.3112%

Note: We do not apply an X factor for 2019–20 because we set the 2019–20 metering charges in this decision.

Table 15.9 Annual Metering Charges for 2019–20, AER draft decision

Metering Charges (\$2019–20)	Evoenergy Proposed	AER Draft Decision
MP1: Quarterly metering non-capital rate	\$15.30	\$16.69
MP2: Monthly non-interval metering non-capital rate	\$26.79	\$29.21
MP3: Monthly interval metering non-capital rate	\$26.79	\$29.21
MP4: Monthly manually-read interval metering non-capital rate	\$216.89	\$236.50
MP6: Quarterly manually-read interval metering non-capital rate	\$61.73	\$67.31
MP7: Quarterly manually-read interval metering capital rate	\$31.10	\$33.91
MP8: Monthly non-interval metering capital rate	\$54.38	\$59.30
MP9: Monthly multi-register non-interval metering capital rate	\$54.38	\$59.30
MP10: Monthly manually-read interval metering capital rate	\$438.92	\$478.61