

Framework and approach

Ergon Energy and Energex, Regulatory control period commencing 1 July 2025

July 2023

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AER reference: AER213702, AER213703

Amendment record

Version	Date	Pages
1	03 July 2023	40

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1 Introduction

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).

Regulated network businesses must periodically apply to us for a determination of the revenue they can recover from consumers using their networks. Queensland electricity distribution network service providers Ergon Energy (Ergon) and Energex are due to submit their next revenue proposals on 31 January 2024, for the period 1 July 2025 to 30 June 2030 (2025–30 period).

The Framework and Approach (F&A) process is the first step in the two-year regulatory process to determine efficient prices for Ergon’s and Energex’s distribution services and sets the foundation for the regulatory resets and the revenue proposals. It covers key elements of the upcoming determinations and provides an early consultation opportunity on these before the businesses prepare and submit their revenue proposals. These elements include:

- Which services will be covered by our determination¹, and the form of regulation or price control that will apply to them.² For example, we may determine that costs for a particular service can be bundled into a generic electricity supply service (standard control service) and recovered from all customers. Alternatively, we may decide that charging for a service on a user-pays basis is more appropriate (alternative control service), or to allow consumers and network service providers to negotiate the price of a service (negotiated distribution service).
- Which incentive schemes will apply, for example, to service quality, maintaining or improving network reliability, or efficient capital and operating expenditure (capex and opex).³ The purpose of incentive schemes is to encourage network service providers to manage their business in a safe, reliable manner that serves the long-term interests of consumers. The schemes provide network service providers with incentives to only incur efficient costs and to meet or exceed service quality targets.
- Our approach to setting efficient expenditure allowances⁴ and the establishment of the opening regulatory asset base for the 2025-30 upcoming regulatory control period⁵.

The F&As that applied to Ergon and Energex in the current 2020–25 regulatory control period were published in July 2018. Since then, we have seen significant transition in the energy market and the rules, schemes and guidelines under which we regulate electricity networks.

¹ NER, cl. 6.8.1(b)(2)(i);

² NER, cl. 6.8.1(b)(1)(i); 6.8.1(2)(ii).

³ NER, cl. 6.8.1(b)(2)(iii), (iv), (v), (vi), (vii);

⁴ NER, cl. 6.8.1(b)(2)(viii);

⁵ NER, cl. 6.8.1(b)(2)(ix);

On 31 October 2022, Ergon and Energex wrote to us asking us to consider amending and replacing their current F&As in preparation for the 2025–30 period. We published their request on our website and sought submissions from stakeholders on whether amendments to the F&As were necessary or desirable.

Having received no submissions, we considered the information provided by the businesses and decided that we will make amended or replacement F&As for each of Ergon and Energex. Our reasons for commencing this review were set out in a decision published in December 2022.⁶

We published a preliminary position paper on the F&As in March 2023⁷, and invited stakeholders to make written submissions on proposed approaches to the new F&As.

We received submissions from Energex and Ergon, SA Power Networks (SAPN) and the South Australian Council of Social Service (SACOSS). These submissions which are available on our website⁸ are discussed in the sections below. Whilst the submissions from SAPN and SACOSS focus more on South Australia, we have still considered their observations where relevant to the Queensland market.

1.1 Next steps

The table below provides an indicative timeframe for the remaining stages of our distribution determinations for Ergon and Energex. These are subject to change.

Table 1 **Indicative timeline for Ergon and Energex electricity distribution determinations**

Milestone	Indicative date
Ergon and Energex submit revenue proposals to AER	January 2024
AER publishes issues papers and holds public forum	March/April 2024
Submission on revenue proposal close	May 2024
AER to publish draft determinations	September 2024
AER to hold predetermination conference	October 2024
Ergon and Energex to submit revised revenue proposals to AER	December 2024
Submissions on revised revenue proposals and AER's draft decision close	January 2025
AER to publish final determination for regulatory control period	April 2025

⁶ AER - Replacement of framework and approach papers - Ergon Energy, Energex, SA Power Networks and Directlink - December 2022.

⁷ AER - preliminary position paper - QLD and SA Framework and Approach papers for 2025–30 - March 2023.

⁸ [F&A Submissions - Ergon, Energex and SAPN April 2023](#)

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 decision reflects 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)⁹ provides a practical explanation of how we classify distribution services.

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)
- not classify a service – we have no regulatory control over this service or the prices charged by the distributor (unregulated service).

Appendix A to this F&A paper sets out our proposed approach to the classification of distribution services in our forthcoming, 2025-30 distribution determinations for Ergon and Energex, and where these will change from those that have applied in the current, 2020-25 period.¹⁰

Updates to service classifications from the current period largely reflect the outcomes of extensive consultation on service classifications for electricity distributors in New South Wales, the Australian Capital Territory, Tasmania, and the Northern Territory in finalising F&A papers for their 2024–29 regulatory control periods. Ergon and Energex were also active in these consultations. They also include updates consistent with our 2022 Guideline, which has been reviewed and amended since service classifications for the 2020–25 period were determined to take into account the *National Electricity Amendment (Regulated stand-alone power systems) Rule 2022*. That rule requires regulated stand-alone power systems (SAPS) to be treated the same as the interconnected components of the distribution network for the purposes of service classification and directs us to include regulated SAPS as a distribution service.

These and other key updates made to the classification of services for the 2025-30 period are summarised below.

⁹ [AER - Distribution service classification guideline - August 2022](#)

¹⁰ NER, cl. 6.8.1(b)(2)(i).

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. The range of activities that make up the common distribution service are not contestable. As a consequence, common distribution services are classified as direct control services, and further as standard control services.

Key changes to the classification of common distribution services are summarised below. Where no amendments to the common distribution service groupings have been requested by distributors, and the services and their classifications remain consistent with the 2022 Guideline¹¹ and our most recent service classifications positions for other distributors, we are satisfied for the reasons set out in those decisions that these remain appropriate.

2.1.1 Regulated stand-alone power systems (SAPS)

The *National Electricity Amendment (Regulated stand-alone power systems) Rule 2022*¹² 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. These amendments were incorporated into the 2022 Guideline in August 2022.¹³

Ergon and Energex proposed the inclusion of regulated SAPS as an activity under common distribution services by including the wording “work related to a regulated stand-alone power system (SAPS) deployment, operation and maintenance (including fault and emergency repairs) and customer conversion activities”.¹⁴ The further inclusion of a footnote clarifies that work on SAPS includes simple customer fault rectification on generation service or regulated SAPS. We received no submissions on this approach, and as in our preliminary position paper we accept these inclusions.

Proposed approach to classification in 2025-30: Include SAPS as a standard control, common distribution service.

2.1.2 Rectification of simple customer faults

Ergon and Energex proposed the addition of a new service for the rectification of simple customer fault activity under the common distribution service group, and therefore as a standard control service. This new service is to allow for the rectification of simple customer faults that are generally located behind the meter on customers’ premises that are discovered when investigating customer outages.

We received no submissions on this approach, and as in our preliminary position paper we have agreed to its inclusion in the common distribution service as this activity is likely to

¹¹ [AER - Distribution service classification guideline - August 2022](#)

¹² [National Electricity Amendment \(Regulated stand-alone power systems\) Rule 2022](#)

¹³ [AER Decision - Updating instruments for regulated stand-alone power systems - August 2022](#), p. 12

¹⁴ [AER - Distribution service classification guideline - August 2022](#), p. 23.

improve the customer experience and potentially reduce costs of repeated visits to customer premises.

Proposed approach to classification in 2025-30: Include rectification of simple customer faults as a standard control, common distribution service.

2.1.3 Customer export services

In their submission, Ergon and Energex supported the position we took in our most recent F&A decisions to recognise export services as part of the standard control, common distribution service grouping, but not to list them as a separate activity.

This approach is consistent with the AEMC's access, pricing and incentive arrangements for DER rule change,¹⁵ which in particular removed the direction-specific definition of the distribution network in order to treat the classification of exports the same as consumption.

Not specifically listing either export or consumption services avoids any confusion around how the two services are treated, in for example planning, design and operation. This means distributors will be able to operate their networks in relation to forecast network demand requirements, regardless of the direction of that demand.

We consider that customer requested enhancements to the network to account for a particular level of export capacity beyond the intrinsic hosting capacity of the local network (e.g. so that they require design and build that exceeds the minimum technical specification) are more appropriately accounted for as an 'enhanced connection services', as we discuss in section 2.4.2 below

Proposed approach to classification in 2025-30: To classify customer export services as standard control, common distribution services, but not list them separately.

2.2 Network ancillary services

Ancillary services share the common characteristics 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 services involve work on, or in relation to, parts of a distribution network. Therefore, similar to the common distribution services grouping, only the relevant distributor may perform these services in its distribution area. Network ancillary services are 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.¹⁶

¹⁵ [AEMC, National Electricity Amendment \(Access, Pricing and incentive arrangements for DER resources\) Rule 2021, Rule Determination ,12 August 2021.](#)

¹⁶ NER, cl. 6.2.2(c)(5).

2.2.1 Security Lights

Energex and Ergon proposed to cease providing and installing security lights for new customers in the 2025–30 period, but will continue to maintain and operate security lights for existing customers until they transition to alternative solutions.

We received no submissions on this approach, and as in our preliminary position paper we agree with the proposed changes. They reflect the changing requirements of the market and do not appear to have a negative impact on consumers. This leaves security lighting classified as an alternative control service under the network ancillary service grouping.

Proposed approach to classification in 2025-30: Operation and maintenance of existing security light installations to remain classified as alternative control.

2.3 Metering Services

The AEMC is currently undertaking a review of the regulatory framework for metering services. This has implications for distributors' recovery of legacy metering costs. We are currently exploring the possibility of moving the cost recovery of legacy metering services to the main standard control services revenue cap by changing the service classification and effective control mechanism of legacy metering services. We are engaging all relevant distributors, including Energex, Ergon Energy, and SA Power Networks, on this issue.

We expect our draft determinations for the NSW, ACT, and Tasmanian distributors in September 2023 will provide our positions on this transitional treatment of legacy metering services.

These draft determinations, along with the final decision of AEMC's review of the regulatory framework for metering services, will constitute a material change in circumstances, and as such we expect Energex, Ergon Energy, and SA Power Networks to depart from this F&A where necessary to reflect these positions in their regulatory proposals in January 2024.

2.4 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)
- 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 indicated in the 2022 Guideline,¹⁷ while we consider the provisions under Chapter 5A of the NER provides a consistent set of terminology for connections, we realise that there are differences across distributors. These differences arise due to jurisdictional and operational requirements.¹⁸

¹⁷ [AER - Distribution service classification guideline - August 2022](#)

¹⁸ [AER - Distribution service classification guideline - August 2022 pp 14-20.](#)

2.4.1 Service groupings

Ergon and Energex have service groupings for connection services that are considerably more granular than the baseline connection service groupings set out in the 2022 Guidelines¹⁹ or in recent F&As for New South Wales distributors.

There are more jurisdictional differences in relation to connection services than for most other distribution services. The framework we outline in the 2022 Guideline provides the required flexibility to accommodate these differences.²⁰

Having explored the potential for a more streamlined set of connection services, we remain of the view held in previous periods that for Ergon and Energex it is appropriate, and more transparent, to explicitly distinguish between small and large customers based on the nature of the connection asset rather than on energy consumption alone. We propose to accept the minor amendments Ergon and Energex have suggested to the description of this service, to explicitly exclude “additions or upgrades” from basic, standard, and negotiated premises connection services. As we noted in our preliminary position paper, these additions or upgrades can already be found in the alternative control Connection Application and Management Services service group.

Proposed approach to classification in 2025-30: Remove “additions or upgrades” from basic, standard and negotiated premises connection services, noting these are already classified as part of the alternative control Connection Application and Management Services service group.

2.4.2 Enhanced Connection Services

Ergon and Energex proposed revisions to their alternative control ‘enhanced connection services’ in order to make the classification of consumption-based and export connection services consistent with the recent F&As for New South Wales, Tasmanian and Northern Territory distributors for their 2024–29 regulatory control periods. This clarification is made through the inclusion of a footnote to reference both consumption and export services.

We received no submissions on this approach. As in our preliminary position paper we consider this approach would accommodate funding requested network upgrades to account for a particular level of export capacity that is beyond the intrinsic hosting capacity of the local network, and we have accepted this inclusion.

Proposed approach to classification in 2025-30: Enhanced connection services to remain classified as alternative control connection services.

2.5 Other updates

As far as possible, and subject to jurisdictional and operational requirements, throughout the F&A process we have made a small number of drafting amendments and updates to the description of services. We have done this to align them as closely as possible with the

¹⁹ [AER - Distribution service classification guideline - August 2022 pp 14-20](#)

²⁰ [AER - Distribution service classification guideline - August 2022, p. 14.](#)

baseline services in the 2022 Guideline and to reflect the classification language used in more recent F&A final decisions. These changes do not have a substantive impact on the classification of services. They have been made with a view to maintaining consistency, where possible, between jurisdictions and distributors.

These amendments are marked up in Appendix A.

3 Control mechanisms

This section sets out the control mechanisms to apply to Energex and Ergon’s direct control services for the 2025–30 regulatory control period.

A distribution determination must impose controls over the prices and/or revenues of direct control services.²¹ The form and formulae of the control mechanisms in our distribution determination must be as set out in the relevant F&A.²² There are only limited circumstances in which our distribution determination can depart from the F&A regarding control mechanisms.²³

For the 2025–30 regulatory control period, our final decision is to apply the current control mechanisms as per the 2020–25 distribution determinations.²⁴

- A revenue cap for standard control services
- A price cap for alternative control services.

We consider these controls will continue to be appropriate in the 2025–30 regulatory control period.²⁵ We have not received any submissions suggesting we depart from them.

However, Energex and Ergon requested amendments to the formulae underlying the control mechanisms, which we consider in the sections below.²⁶

3.1 Revenue cap for standard control services

Energex and Ergon proposed amendments to their revenue cap formulae to reflect the application of version 2.0 of the service target performance incentive scheme (STPIS 2.0). As with our preliminary position, we accept Energex and Ergon’s proposed amendments, consistent with the approach applied in other jurisdictions.²⁷

In addition, Energex and Ergon proposed to adjust their revenue cap formulae to account for the end of the Queensland solar bonus scheme jurisdictional scheme in July 2028.²⁸ Energex and Ergon supported SA Power Networks’ proposal to introduce a new J-factor in the revenue cap formulae to recover from or return to customers any under or over recovered jurisdictional scheme amounts.²⁹ SAPN’s concern was that amounts below a certain threshold (e.g., \$1 million) cannot be recovered under the current approach.

²¹ NER, cl. 6.2.5(a)

²² NER, cl. 6.12.3(c) and 6.12.3(c1).

²³ NER, cl. 6.12.3(c)(1) and (2); 6.12.3(c1).

²⁴ AER, Final decision – Energex distribution determination 2020-25 – Attachment 13 – Control mechanisms, November 2021; AER, Final decision – Ergon Energy distribution determination 2020-25 – Attachment 13 – Control mechanisms, November 2021

²⁵ NER, cl. 6.2.5.

²⁶ NER, cl. 6.8.1(b)(2)(ii).

²⁷ AER Final framework & approach for Ausgrid, Endeavour Energy & Essential Energy, 29 July 2022, p. 37

²⁸ Energex and Ergon Energy – Network submission – preliminary position paper F&A 2025–30, April 2023, p. 2

²⁹ SAPN - Request to replace Framework and Approach 2025–30 - 31 October 2022, p. 24

Our preliminary position was to not accept the new J-factor. We considered the continuation of the current jurisdictional scheme unders and overs account would appropriately account for the end of the jurisdictional scheme amounts over the forthcoming regulatory control period.

In this final F&A we have maintained this position.

We consider the existing treatment of jurisdictional scheme amounts, including unders and overs, remains fit for purpose. It ensures that a distribution network service provider recovers from customers no more or no less than the jurisdictional scheme amounts it incurs, while maintaining transparency and accountability. It is not constrained or limited by the magnitude of the jurisdictional scheme amounts. This constraint only exists due to Energex and Ergon Energy's choices in how they recover those amounts across tariffs.

However, we note that the 'true-up' of these amounts has the potential to continue for some time beyond the initial two-year true-up lag. This is because those true-ups will themselves require true-ups. For this reason, we consider an alternative approach of using the B-factor may be pragmatic, with an appropriate materiality threshold. Once the true-up amounts are below this threshold, it may be appropriate to move these amounts to the B-factor to maintain transparency and accountability where possible. We will define both the B-factor and the unders and overs accounts in our regulatory determination, and therefore this does not need to be resolved in the F&A.

Final position: Maintain the form and formulae of the control mechanism from the current 2020–25 regulatory control period, including adjustments to reflect that version 2.0 of the STPIS will apply.

Figure 1.1 Revenue cap control formulae to apply for Energex and Ergon’s standard control services

	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.	$AAR_t = AAR_{t-1} \times (1 + \Delta CPI_t) \times (1 - X_t)$	$t = 2, 3, 4, 5$

Where:

Variable	Represents
t	the regulatory year with $t = 1$ being the 2025–26 financial year.
TAR_t	the total annual revenue for year t .
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 .
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 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 All Groups, Weighted Average of Eight Capital Cities ³⁰ from December in year $t-2$ to December in year $t-1$. For example, for the 2025–26 year, $t-2$ is December 2023 and $t-1$ is December 2024.
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.

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.

3.2 Price caps for alternative control services

Energex and Ergon proposed to maintain price caps for alternative control services³¹ and supported including adding a tax component within the quoted services formulae in the most recent determinations.³²

The inclusion of these factors is consistent with the final F&A papers for New South Wales, Australian Capital Territory, Northern Territory and Tasmanian distributors published in July 2022 and promotes consistency of regulatory arrangements for similar services across jurisdictions. These components promote competitive neutrality and enable distributors to recover their efficient costs. Our final decision maintains the proposed price caps and accepts the inclusion of the tax component for quoted services, consistent with our preliminary position.

Final position: Maintain the form and formulae of the control mechanism from the current 2020–25 regulatory control period.

³¹ Energex and Ergon Energy Network - Submission to AER - Request to amend the Framework and Approach - October 2022, p. 10.

³² Energex and Ergon Energy Network - Submission to AER - Request to amend the Framework and Approach - October 2022, p. 10.

Figure 1.2 Price cap control formulae to apply to Energex and Ergon’s legacy metering, public lighting and ancillary fee-based services

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

Where:

Variable	Represents
t	the regulatory year with $t = 1$ being the 2024–25 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 All Groups, Weighted Average of Eight Capital Cities ³³ from December in year $t-2$ to December in year $t-1$. For example, for the 2024–25 year, $t-2$ is December 2022 and $t-1$ is December 2023.
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.

³³ 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.

Figure 1.3 Price cap control formula to apply to Energex and Ergon’s quoted ancillary network services

$$Price = Labour + Contractor Services + Materials + Margin + Tax$$

Where:

Variable	Represents
t	the regulatory year with $t = 1$ being the 2024–25 year.
$Price$	the charge paid by the customer
$Labour$	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 annually by $(1 + \Delta CPI_t) \times (1 - X_t^i)$.
ΔCPI_t	the annual percentage change in the Australian Bureau of Statistics’ (ABS) Consumer Price Index All Groups, Weighted Average of Eight Capital Cities ³⁴ from December in year $t-2$ to December in year $t-1$. For example, for the 2024–25 year, $t-2$ is December 2022 and $t-1$ is December 2023.
X_t^i	the X factor for service ‘i’ in year t. The X factors are to be decided in the distribution determination and will be based on the approach the distributor undertakes to develop its initial prices.
$Contractor Services$	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.

³⁴ 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

In their initial submission, Ergon and Energex noted their continued support for the application of the incentive schemes set out in the NER. They proposed the following incentive schemes apply under our distribution determinations for the 2025–30 period:

- Efficiency benefit sharing scheme (EBSS).³⁵ This provides a continuous incentive to pursue efficiency improvements in opex and provide for a fair sharing of these between Ergon and Energex and network users.
- Capital expenditure sharing scheme (CESS).³⁶ This incentivises efficient capex throughout the period by rewarding efficiency gains and penalising efficiency losses.
- Demand management incentive scheme (DMIS) and demand management innovation allowance mechanism (DMIAM).³⁷ The DMIS provides network service providers with financial incentives for undertaking efficient demand management activities. The DMIAM, funds research and development in demand management projects that have the potential to reduce long term network costs.
- Service target performance incentive scheme (STPIS).³⁸ This balances incentives to reduce expenditure with the need to maintain or improve service quality, by providing financial incentives to maintain and improve service performance where consumers are willing to pay for these improvements.

Subject to further engagement by Ergon and Energex with consumers, we will also consider the application of:³⁹

- A Customer service incentive scheme (CSIS), 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.
- any other small scale incentive schemes, including the new export services incentive scheme.

These schemes work together within a revenue determination to provide incentives for network service providers to invest efficiently and operate in the long-term interests of consumers.

4.1 CESS and EBSS

We have recently completed a review of the CESS and EBSS incentive schemes that have applied under the determinations for the 2020–25 period. Ergon and Energex expected that,

³⁵ NER, cl. 6.8.1(b)(2)(iv),

³⁶ NER, cl. 6.8.1(b)(2)(v),

³⁷ NER, cl. 6.8.1(b)(2)(vi),

³⁸ NER, cl. 6.8.1(b)(2)(iii),

³⁹ NER, cl. 6.8.1(b)(2)(vii),

subject to customer support, the outcome that review would be incorporated in their final F&As.⁴⁰ As set out below, we agree with this view.

That final decision for the incentives review concluded that revisions to the EBSS were not necessary.⁴¹ Given this, and consistent with our general approach, we intend to apply the EBSS to Ergon and Energex in the 2025–30 regulatory control periods if we are satisfied the scheme will fairly share efficiency gains and losses between the distributors and consumers.⁴² This will occur only if the opex forecasts for the following period are based on the distributors' revealed costs. Our distribution determinations for Ergon and Energex for the 2025–30 regulatory control period will specify if and how we will apply the EBSS.

The final decision for the incentives review resulted in a number of changes to the CESS including:

- changes to the sharing ratios in the CESS to implement a tiered arrangement, with a 30% sharing ratio for any underspend up to 10% of the forecast capital expenditure allowance, a 20% for any underspend over 10% and a 30% sharing ratio for any overspend that will apply over the 2025-30 period.
- requiring network service providers to provide further information to better and transparently explain the reasons for differences between our expenditure forecasts and the actual capital expenditure occurred.

We will therefore apply the new version 2 of the CESS to Ergon and Energex in the 2025-30 period.

4.2 STPIS, DMIS and DMIAM

The DMIS and DMIAM that have applied to Ergon and Energex in the current, 2020-25 period are still in effect, and we intend to apply them again in 2025-30.

We also intend to apply version 2.0 of the STPIS⁴³, noting that:

- The GSL component of the STPIS will not apply if Ergon and Energex remain subject to a jurisdictional GSL scheme⁴⁴.
- The Customer Service (telephone answering) component of STPIS will not apply if Ergon and Energex propose, and we accept, a CSIS for the 2025-30 period.

In our determination for Ergon and Energex for the 2020–25 period, we concluded based on stakeholders' feedback that a revenue at risk of at $\pm 2\%$ under the STPIS would apply instead of the default cap of $\pm 5\%$ under that scheme. At that time, we were satisfied that Ergon Energy and Energex had demonstrated strong reliability performance under the lower

⁴⁰ Ergon Energy and Energex, [include details where this is set out].

⁴¹ AER, *Review of incentives schemes for networks, Final decision*, April 2023, p. 10.

⁴² NER, cl. 6.5.8(a).

⁴³ AER, Electricity distribution network service providers Service target performance incentive scheme Version 2.0, November 2018.

⁴⁴ The STPIS GSL scheme does not currently apply in Queensland as a jurisdictional GSL payment scheme is in place. Queensland Competition Authority, Final Decision, Review of Guaranteed Service Levels to apply to Energex and Ergon Energy from July 2020, March 2019.

cap to date, and that revenue at risk of $\pm 2\%$ would be a good balance between incentives to maintain reliability versus consumer price impact.⁴⁵

Ergon and Energex have proposed in their final submission to maintain the lower cap on revenue at risk for 2025-30. They submitted that as they have improved their reliability performance through consistently outperforming the STPIS targets, a higher-powered incentive scheme is not necessary.⁴⁶ Additionally they noted that due to the impact of rising interest rates on revenues, affordability is a significant concern over the next regulatory period and they do not consider the next regulatory period to be the most appropriate time for a transition to a default revenue risk under the STPIS. We sought submissions on this in consultation on our preliminary position paper and received none.

Our proposed approach is to apply a revenue at risk of $\pm 2\%$ under the STPIS in 2025-30 as Ergon Energy and Energex have continued to demonstrate strong reliability performance in the current regulatory period. We also consider that the current revenue at risk is still a good balance between incentives to maintain reliability and consumer price impacts.

4.3 CSIS

We released a new CSIS for electricity distributors in 2020. The CSIS will be available to Ergon and Energex for the first time in the 2025–30 period and they have indicated their intention to propose a CSIS if this is supported by their customers.⁴⁷

Unlike our other incentive schemes, the nature of a CSIS is bespoke and expected to be designed in collaboration with consumers on a business-by-business basis. We are open to the inclusion of a CSIS in proposals. However, our decision on whether the scheme will apply is subject to Ergon and Energex including, in their regulatory proposals in January 2024, a fully developed CSIS proposal, sound measurement methodology and evidence of supporting customer engagement on, and co-design of, the CSIS. As noted, the STPIS customer service (telephone answering) parameter would not apply to Ergon and Energex if our final determinations were to apply an approved CSIS. In this case, revenue currently at risk under the STPIS would be reduced to reflect the removal of the telephone answering parameter, and would instead sit under the CSIS.

4.4 Export service incentive scheme

In June 2023 the AER published a new export service incentive scheme, consultation on which took place in parallel to this review of the Ergon and Energex F&As.⁴⁸

This optional small-scale incentive scheme will allow distributors to propose bespoke incentives related to export services based on their network circumstances, customer

⁴⁵ AER, Final Decision Ergon Energy Distribution Determination 2020 to 2025 Attachment 10 Service target performance incentive scheme, June 2020, p. 7; AER, Final Decision Energex Distribution Determination 2020 to 2025 Attachment 10 Service target performance incentive scheme June 2020, p.7.

⁴⁶ Energex and Ergon Energy Network - Submission to AER - Request to amend the Framework and Approach - October 2022, p. 13.

⁴⁷ Energex and Ergon Energy Network - Submission to AER - Request to amend the Framework and Approach - October 2022, p. 14.

⁴⁸ <https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/export-service-incentive-scheme>

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, as well as the introduction of network performance reporting on export service performance metrics.

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.

In their final submission, Ergon and Energex did not consider this scheme should apply to them for the 2025-30 regulatory period, on the basis that they do not consider they currently have sufficiently robust data to allow them to develop metrics and targets and test these with their customers.

We have published an explanatory statement alongside the final scheme, which responds to stakeholder submissions. Our final decision on whether the new scheme will apply to Ergon or Energex will be made in the course of our distribution determinations.

5 Expenditure forecast assessment guidelines

We applied the Expenditure Forecast Assessment Guideline⁴⁹ in our assessment of Ergon and Energex proposals for the current, 2020–25 period. Both have indicated they plan to continue to apply that Guideline for the 2025-30 period, and to align their proposals with the AER's Better Resets Handbook for the 2025–30 period.⁵⁰

The Expenditure Forecast Assessment 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 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.

For opex, in most cases we take a base-step-trend approach to assessing forecast expenditure and in this context use top down economic benchmarking tools to determine the reasonableness of the forecast rather than a bottom-up assessment approach. We expect this to be the case for Ergon and Energex, however as noted, in exercising our judgement, we may use any analytical tool at our disposal, including assessing individual elements of the forecast using a bottom-up approach.

For capex, a combination of top-down and bottom-up modelling of efficient expenditure is used in assessing expenditure proposals. We conduct a top-down analysis such as examining trends and forecast costs compared with historical capex, and inter-relationships between cost categories. To complement this, we conduct a bottom-up analysis of specific major programs and projects.

Our Better Reset Handbook seeks to encourage networks to better engage and have consumer preferences drive the development of regulatory proposals. Further, if proposals also meet our other expectations, including those related to expenditure proposals and how we will assess them, they are likely to be accepted by us earlier in the assessment process (via the 'early signal pathway') and thereby create a more efficient regulatory process for all stakeholders.⁵¹ In this context, although customer engagement is an important expectation, the AER will also assess proposals against all of the expectations in the Better Reset Handbook. As a result, Ergon and Energex are not ensured a more targeted review, and the 'early signal pathway', unless all expectations are met.

We note that work is currently underway to incorporate emissions reductions into the NEO, which guides the AER and other market bodies in their decision making.⁵² This change may impact the framework and guidelines we use to assess regulatory proposals. This is

⁴⁹ We are required to develop the EFA guideline under clauses 6.4.5 and 11.53.4 of the NER. We published the current guideline on 29 November 2013. It can be located at www.aer.gov.au/node/18864

⁵⁰ SAPN - Request to replace Framework and Approach 2025–30 - 31 October 2022, p. 30.

⁵¹ AER, *Better Resets Handbook, Towards Consumer Centric Network Proposals*, December 2021.

⁵² <https://www.energy.gov.au/government-priorities/energy-and-climate-change-ministerial-council/priorities/national-energy-transformation-partnership/consultation-proposed-legislative-changes-incorporate-emissions-reduction-objective-national-energy-objectives>

something that we, and the businesses, will need to be mindful of as we progress through the 2025–30 determinations.

6 Depreciation to establish the opening RAB

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.

In their submission Ergon and Energex supported the continued use of forecast depreciation if the CESS continues to apply in 2030-35.⁵³ Ergon and Energex are currently subject to the CESS and as set out in section 4.1 above, we propose to continue to apply the CESS in the 2025-30 period. We are satisfied that the incentive provided by the application of the CESS, in combination with the use of forecast depreciation and our other ex-post capex measures, would be sufficient to achieve the capex incentive objective.

Our final position is therefore to continue to use the forecast depreciation approach to establish the RAB at the commencement of the 2030–35 regulatory control period.⁵⁴

⁵³ Energex and Ergon, *Energex and Ergon Network submission – preliminary position paper F&A 2025-30 – April 2023*, p. 1.

⁵⁴ NER, cl. 6.8.1(b)(2)(ix).

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 Ergon and Energex do not have any dual function assets,⁵⁵ it is not necessary for us to decide whether such assets should be regulated in accordance with distribution or transmission pricing principles.⁵⁶

⁵⁵ Energex and Ergon Energy Network - Submission to AER - Request to amend the Framework and Approach - October 2022, p. 17; SAPN - Request to replace Framework and Approach 2025–30 - 31 October 2022, p. 32.

⁵⁶ 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
DUoS	Distribution Use of System Changes
EBSS	Efficiency benefit sharing scheme
EFA guideline	Expenditure Forecast Assessment Guideline
F&A	Framework and approach
GSL	Guaranteed service level
NEL	National Electricity Laws
NEO	National Electricity Objectives
NER	National Electricity Rules
Opex	Operating expenditure
RAB	Regulated asset base
SAPS	Stand-alone power systems
SCS	Standard control service
STPIS	Service target performance incentive scheme

Appendix A: Ergon and Energex – service classification

Service Group	Further Description ¹	Current Classification 2020-25	Proposed classification 2025-30
Common distribution service-use of the distribution network for the conveyance/flow of electricity (including the services relating to network integrity)			
Common distribution service	<p>The suite of activities that includes, but is not limited to, the following:</p> <ul style="list-style-type: none"> • the planning, design, repair, maintenance, construction and operation of the distribution network • the relocation of assets that form part of the distribution network, but not relocations requested by a third party (including a customer) • works to fix damage to the network² and (including emergency recoverable works 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 • training internal staff and contractors undertaking direct control services. • activities related to ‘shared asset facilitation’ of distributor assets³ • 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 • rectification of simple customer faults where: <ol style="list-style-type: none"> 1) the need for rectification work is discovered in the course of the provision of distribution services 2) the work performed is the minimum required to restore safe supply 3) the work can be performed in less than thirty minutes and does not normally require a second visit. • rectification of simple customer fault relating to a life support customer or other critical health and safety issues the distributor is able to address • establishment and maintenance of national metering identifiers (NMI) in market and/or network billing systems, and other market and regulatory obligations 	Standard control	Standard control

¹ The examples and activities listed in the “Further description” column are not intended to be an exhaustive list and some distributors may not offer all activities listed. Rather the examples provide a sufficient indication of the types of activities captured by the service.

² May include the provision of temporary stand-alone power systems to restore supply.

³ Revenue for these services is charged to the relevant third party and is treated in accordance with the shared asset guideline. 'Shared asset facilitation' refers to administrative costs of providing the unregulated service.

Service Group	Further Description ¹	Current Classification 2020-25	Proposed classification 2025-30
	<ul style="list-style-type: none"> • bulk supply point metering – activities relating to monitoring the flow of electricity through the distribution network • ongoing inspection of private electrical works (not part of the shared network) required under legislation for safety reasons • Work related to a regulated stand-alone power system (SAPS) deployment, operation and maintenance (including fault and emergency repairs) and customer conversion activities⁴ <p>Such services do not include a service that has been separately classified, including any activity relating to that service.</p>		
Connection services – services relating to the electrical or physical connection of a customer to the network⁵			
Basic connection services - premises connections	<p>Means a connection service 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:</p> <p>(a) either:</p> <ol style="list-style-type: none"> (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 <p>(b) the provision of the service involves minimal or no augmentation of the distribution network; and</p> <p>(c) a model standing offer has been approved by the AER for providing that service as a basic connection service</p> <p>Premises connections are include any additions or upgrades new connection assets located on the customer’s premises for:</p> <p>A. small customers. ⁶</p>	A. Standard control	A. Standard control

⁴ Includes simple customer fault rectification on generation service of regulated SAPS.

⁵ Applies to both NER chapter 5 and 5A connections

⁶ Generally, small customers are those customers who connect under the Standard Asset Customer tariff classes as per the distributor’s pricing proposal, excluding real estate developments as set out in the distributor’s connection policy.

Service Group	Further Description ¹	Current Classification 2020-25	Proposed classification 2025-30
Standard connection services – premises connections	<p>Means a connection service (other than a basic connection service) for a particular class (or sub-class) of connection applicant and for which a model standing offer has been approved by the AER.</p> <p>Premises connections are includes any additions or upgrades to new connection assets located on the customer's premises for:</p> <p>A. major large customers.⁷</p> <p>B. small customers.⁸</p>	<p>A. Alternative control</p> <p>B. Standard control</p>	<p>A. Alternative control</p> <p>B. Standard control</p>
Standard connection services – network extension	<p>Means a connection service (other than a basic connection service) for a particular class (or sub-class) of connection applicant and for which a model standing offer has been approved by the AER.</p> <p>Network extension means an enhancement required to connect a power line or facility outside the present boundaries of the transmission or distribution network owned or operated by a network service provider to facilitate:</p> <p>A. a new or altered major large customer connection⁹, where the network extension will be dedicated to the exclusive use of the major large customer at the time of installation and energisation and there is no reasonable likelihood that the network extension will be used to supply another customer or customers within the time period set out in the distributor's Connection Policy.</p> <p>B. a new or altered major large customer connection¹⁰, where the distributor considers there is a reasonable likelihood that the network extension will be used to supply another customer or customers within the time period set out in the distributor's Connection Policy (i.e., will form part of the shared network).</p>	<p>A. Alternative control</p> <p>B. Standard control</p> <p>C. Standard control</p>	<p>A. Alternative control</p> <p>B. Standard control</p> <p>C. Standard control</p>

⁷ Generally, ~~major~~ **large** customers are those customers who connect under the Individually Calculated Customer and Connection Asset Customer tariff classes as per the distributor's pricing proposal, including real estate developments as set out in the distributor's connection policy.

⁸ Generally, small customers are those customers who connect under the Standard Asset Customer tariff classes as per the distributor's pricing proposal, excluding real estate developments as set out in the distributor's connection policy.

⁹ Generally, ~~major~~ **large** customers are those customers who connect under the Individually Calculated Customer and Connection Asset Customer tariff classes as per the distributor's pricing proposal, including real estate developments as set out in the distributor's connection policy.

¹⁰ Generally, ~~major~~ **large** customers are those customers who connect under the Individually Calculated Customer and Connection Asset Customer tariff classes as per the distributor's pricing proposal, including real estate developments as set out in the distributor's connection policy.

Service Group	Further Description ¹	Current Classification 2020-25	Proposed classification 2025-30
	C. a new or altered small customer connection. ¹¹		
Standard connection services – Augmentations	<p>Standard connection service means a connection service (other than a basic connection service) for a particular class (or sub-class) of connection applicant and for which a model standing offer has been approved by the AER.</p> <p>Augmentation means any shared network enlargement/enhancement undertaken by a distributor, which is not an extension, to facilitate:</p> <p>A. a new or altered major large customer connection.¹²</p> <p>B. a new or altered small customer connection.¹³</p>	<p>A. Standard control</p> <p>B. Standard control</p>	<p>A. Standard control</p> <p>B. Standard control</p>
Negotiated connection services – premises connections	<p>Means a connection service (other than a basic connection service or standard connection service) for which a DNSP provides a connection offer for a negotiated connection contract.</p> <p>Premises connections are includes any additions or upgrades to new connection assets located on the customer’s premises for:</p> <p>A. major large customers.¹⁴</p> <p>B. small customers.¹⁵</p>	<p>A. Alternative control</p> <p>B. Standard control</p>	<p>A. Alternative control</p> <p>B. Standard control</p>

¹¹ Generally, small customers are those customers who connect under the Standard Asset Customer tariff classes as per the distributor’s pricing proposal, excluding real estate developments as set out in the distributor’s connection policy.

¹² Generally, ~~major~~ large customers are those customers who connect under the Individually Calculated Customer and Connection Asset Customer tariff classes as per the distributor’s pricing proposal, including real estate developments as set out in the distributor’s connection policy.

¹³ Generally, small customers are those customers who connect under the Standard Asset Customer tariff classes as per the distributor’s pricing proposal, excluding real estate developments as set out in the distributor’s connection policy.

¹⁴ Generally, ~~major~~ large customers are those customers who connect under the Individually Calculated Customer and Connection Asset Customer tariff classes as per the distributor’s pricing proposal, including real estate developments as set out in the distributor’s connection policy.

¹⁵ Generally, small customers are those customers who connect under the Standard Asset Customer tariff classes as per the distributor’s pricing proposal, excluding real estate developments as set out in the distributor’s connection policy.

Service Group	Further Description ¹	Current Classification 2020-25	Proposed classification 2025-30
Negotiated connection services – Network extensions	<p>Means a connection service (other than a basic connection service or standard connection service) for which a DNSP provides a connection offer for a negotiated connection contract.</p> <p>Means an enhancement required to connect a power line or facility outside the present boundaries of the transmission or distribution network owned or operated by a network service provider to facilitate:</p> <p>A. a new or altered major large customer connection,¹⁶ where the network extension will be dedicated to the exclusive use of the major large customer at the time of installation and energisation and there is no reasonable likelihood that the network extension will be used to supply another customer or customers within the time period set out in the distributor’s Connection Policy.</p> <p>B. a new or altered major large customer connection,¹⁷ where the distributor considers there is a reasonable likelihood that the network extension will be used to supply another customer or customers within the time period set out in the distributor’s Connection Policy (i.e., will form part of the shared network).</p> <p>C. a new or altered small customer connection.¹⁸</p>	<p>A. Alternative control</p> <p>B. Standard control</p> <p>C. Standard control</p>	<p>A. Alternative control</p> <p>B. Standard control</p> <p>C. Standard control</p>
Negotiated connection services – Augmentations	<p>Means a connection service (other than a basic connection service or standard connection service) for which a DNSP provides a connection offer for a negotiated connection contract.</p> <p>Augmentation means any shared network enlargement/enhancement undertaken by a distributor, which is not an extension, to facilitate:</p> <p>A. a new or altered major major large customer connection.¹⁹</p>	<p>A. Standard control</p> <p>B. Standard control</p>	<p>A. Standard control</p> <p>B. Standard control</p>

¹⁶ Generally, ~~major~~ large customers are those customers who connect under the Individually Calculated Customer and Connection Asset Customer tariff classes as per the distributor’s pricing proposal, including real estate developments as set out in the distributor’s connection policy.

¹⁷ Generally, ~~major~~ large customers are those customers who connect under the Individually Calculated Customer and Connection Asset Customer tariff classes as per the distributor’s pricing proposal, including real estate developments as set out in the distributor’s connection policy.

¹⁸ Generally, small customers are those customers who connect under the Standard Asset Customer tariff classes as per the distributor’s pricing proposal, excluding real estate developments as set out in the distributor’s connection policy.

¹⁹ Generally, ~~major~~ large customers are those customers who connect under the Individually Calculated Customer and Connection Asset Customer tariff classes as per the distributor’s pricing proposal, including real estate developments as set out in the distributor’s connection policy.

Service Group	Further Description ¹	Current Classification 2020-25	Proposed classification 2025-30
	B. a new or altered small customer connection. ²⁰		
Connection application and management services	<p>Works initiated by a customer or retailer which are specific to the connection point. Includes, but is not limited to:</p> <ul style="list-style-type: none"> • Connection application related services • de-energisation²¹ • re-energisation • temporary connections (of a size less than the shared network augmentation threshold) as a basic connection service e.g. builder's supply, fetes, etc" • remove or reposition connection • overhead service line replacement – customer requests the existing overhead service to be replaced (e.g., as a result 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 secondary and primary 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 • power factor correction 	Alternative control	Alternative control
Enhanced connection services ²²	<p>Other or enhanced connection services at the request of a customer or third party include those that are:</p> <ul style="list-style-type: none"> • provided with higher quality of reliability standards, or lower quality of reliability standards (where permissible) than required by the NER or any other applicable regulatory instruments. 	Alternative control	Alternative control

²⁰ Generally, small customers are those customers who connect under the Standard Asset Customer tariff classes as per the distributor's pricing proposal, excluding real estate developments as set out in the distributor's connection policy.

²¹ De-energisation services related to business as usual activities and de-energisation services that may relate to changing over meter types.

²² Includes for both consumption and export services

Service Group	Further Description ¹	Current Classification 2020-25	Proposed classification 2025-30
	<ul style="list-style-type: none"> in excess of levels of service or plant ratings required by the distributor. for embedded generators, including the removal of network constraints. 		
Metering services²³ 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 metering installations ²⁴ and supporting services are competitively available.	Unregulated	Unregulated
Type 5 and 6 meter installation and provision (prior to 1 December 2017)	Recovery of the capital cost of type 5 and 6 metering equipment (including meters with internally integrated load control devices)	Alternative control	Alternative control
Type 7 metering services	Administration and management of type 7 metering installations in accordance with the NER and jurisdictional requirements. Includes the processing and delivery of calculated metering data for unmetered loads, and the population and maintenance of load tables, inventory tables and on/off tables.	Standard control	Standard control
Type 5 and 6 meter maintenance, reading and data services (legacy meters)	<p>Activities include:</p> <ul style="list-style-type: none"> Meter maintenance covers works to inspect, test, maintain and repair metering installations. Meter reading refers to quarterly or other regular reading of a metering installation including field visits and remotely read meters. Metering data services includes, for example: services that involve the collection, processing, storage and delivery of metering data, the provision of metering data in accordance with regulatory obligations, 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	Alternative control

²³ The Qld distributors will continue to be responsible for existing type 5 and 6 meters until they are replaced (and entitled to levy associated charges). We refer to these meters as 'legacy meters'. New meters (that will be type 1 to 4 meters) installed from 1 December 2017 are referred to as 'contestable meters'. The Qld distributors will continue to be solely responsible for the Mount Isa-Cloncurry supply network, which is not connected to the NEM.

²⁴ Includes the instrument transformer, as per the definition of a 'metering installation' in Chapter 10 of the NER.

Service Group	Further Description ¹	Current Classification 2020-25	Proposed classification 2025-30
Auxiliary metering services (Type 5 to 7 metering installations)	<p>Activities include:</p> <ul style="list-style-type: none"> • Off-cycle meter reads for type 5 and 6 meters • 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 • Type 5 to 7 non-standard metering services • Works to re-seal a type 5 or 6 meter due to customer or third party action (e.g., by having electrical work done on site) • Change distributor load control relay channel on request that is not a part of the initial load control installation, nor part of standard asset maintenance or replacement 	Alternative control	Alternative control
Type 5 and 6 meter installation and provision (Mount Isa-Cloncurry supply network only)	<p>On site installation or upgrade (at a customer's request) by Ergon Energy Network of a type 5 or 6 metering installation at a customer's premises in the Mount Isa-Cloncurry supply network.</p> <p>Load control services provided by a type 5 or 6 metering installation are grouped with metering services and classified alternative control.</p> <p>Ergon Energy Network may recover the capital cost of types 5 and 6 metering equipment (including meters with internally integrated load control devices) replaced on or after 1 December 2017, where the replacement was initiated by Ergon Energy Network.</p>	Note – Ergon only Alternative control	Note – Ergon only Alternative control
Types 5 and 6 meter maintenance, reading and data services (Mount Isa-Cloncurry Network)	<ul style="list-style-type: none"> • Meter maintenance covers works to inspect, test, maintain and repair metering installations. It also includes the removal and disposal of a metering installation at customers' premises. • Meter reading refers to quarterly or other regular reading of a metering installation. • Metering data services are those 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. 	Note – Ergon only Alternative control	Note – Ergon only Alternative control
Additional auxiliary metering services (Mount Isa-Cloncurry supply network only)	<p>Metering services offered by Ergon Energy Network in the Mount Isa-Cloncurry supply network for type 5 and 6 metering installations:</p> <ul style="list-style-type: none"> • Provision and installation of instrument transformers for type 5 and 6 metering purposes 	Note – Ergon only Alternative control	Note – Ergon only Alternative control

Service Group	Further Description ¹	Current Classification 2020-25	Proposed classification 2025-30
	Exchange meter – customer requests exchange of their current meter (e.g., for alternative metering configuration/ consolidation of multiple meters for one meter), or customer requests exchange of their current meter for a solar photovoltaic meter		
Emergency maintenance of failed supply restoration in relation to metering equipment not owned by the distributor	<p>The distributor is called out by the customer or their agent (e.g., retailer, metering coordinator or metering provider) due to a power outage where an external metering provider's metering equipment has failed, or an outage has been caused by the metering provider and the distributor has had to restore power to the customer's premises. This may result in an unmetered supply arrangement at this site.</p> <p>Customer or third party request to restore power to a customer's premises due to metering equipment not owned by the distributor</p>	Alternative control	Alternative control
Meter recovery and disposal – type 5 and 6 (legacy meters)	<p>Activities include the removal and disposal of a type 5 or 6 metering installation:</p> <ul style="list-style-type: none"> at the request of the customer or their agent, where an existing type 5 or 6 metering installation remains installed at the premises and a replacement meter is not required. at the request of the customer or their agent, where a permanent disconnection has been requested where it has not been removed and disposed of by the incoming metering provider. 	Alternative control	Alternative control
Third party requested outage for purposes of replacing meter Distributor arranged outage for purposes of replacing meter	<p>At the request of a retailer or metering coordinator, provides notification to affected customers, and isolates power at a customer's premises to facilitate the replacement of the existing metering installation by an external metering provider.</p> <p>At the request of the retailer or metering co-ordinator provide notification to affected customers and facilitate the disconnection/reconnection of customer metering installations where a retailer planned interruption cannot be conducted.</p>	Alternative control	Alternative control
Network ancillary services – services closely related to common distribution services but for which a separate charge applies			
Access permits, oversight and facilitation	<p>Activities include:</p> <ul style="list-style-type: none"> a distributor issuing access permits or clearances to work to a person authorised to work on or near distribution systems including high and low voltage. a distributor issuing confined space entry permits and associated safe entry equipment to a person authorised to enter a confined space. 	Alternative control	Alternative control

Service Group	Further Description ¹	Current Classification 2020-25	Proposed classification 2025-30
	<ul style="list-style-type: none"> a distributor providing access to switch rooms, substations and the like and other network equipment to a non-Local Network Service Provider party who is accompanied and supervised by a distributor's staff member. May also include a distributor providing safe entry equipment (fall-arrest) to enter difficult access areas. specialist services (which may involve design related activities and oversight/inspections of works) where the design or construction is non-standard, technically complex or environmentally sensitive and any enquiries related to distributor assets. facilitation of generator connection and operation of the network. facilitation of activities within clearances of distributor's assets, including physical and electrical isolation of assets. 		
Sale of approved materials or equipment	Includes the sale of approved materials/equipment to third parties for connection assets that are gifted back to become part of the shared distribution network.	Alternative control	Alternative control
Notices of arrangement and completion notices	<p>Examples include:</p> <ul style="list-style-type: none"> Work of an administrative nature where a local council requires evidence in writing from the distributor that all necessary arrangements have been made to supply electricity to a development. This includes but not limited to receiving and checking subdivision plans, copying subdivision plans, checking and recording easement details, site visits, assessing supply availability, liaising with developers if errors or changes are required and preparing notifications of arrangement Provision of a completion notice (other than a notice of arrangement). This applies where the real estate developer requests the distributor to provide documentation confirming progress of work. Usually associated with discharging contractual arrangements (e.g., progress payments) to meet contractual undertakings. 	Alternative control	Alternative control
Network related property services	<p>Activities include:</p> <ul style="list-style-type: none"> 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	Alternative control

Service Group	Further Description ¹	Current Classification 2020-25	Proposed classification 2025-30
Network safety services	<p>Examples include:</p> <ul style="list-style-type: none"> • provision of traffic control and safety observer services by the distributor or third party where required. • fitting of tiger tails and aerial markers. • third party request for de-energising wires for safe approach • high load escorts. 	Alternative control	Alternative control
Customer requested network outage or rescheduling of a planned interruption	<p>Examples include:</p> <ul style="list-style-type: none"> • 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. • customer initiated network outage (e.g., to allow customer and/or contractor to perform maintenance on the customer's assets, work close to or for safe approach, which impacts other networks users). 	Alternative control	Alternative control
Attendance at customers' premises to perform a statutory right where access is prevented.	<p>A follow up attendance at a customer's premises to perform a statutory right where access was prevented or declined by the customer on the initial visit. This includes the costs of arranging, and the provision of, a security escort or police escort (where the cost is passed through to the distributor).</p>	Alternative control	Alternative control
Inspection and auditing services	<p>Activities include:</p> <ul style="list-style-type: none"> • inspection and reinspection by a distributor, of gifted assets or assets that have been installed or relocated by a third party. • investigation, review and implementation of remedial actions that may lead to corrective and disciplinary action of a third party service provider due to unsafe practices or substandard workmanship. • auditing of a third party service provider's work practices in the field. • after hours²⁵ examination and/or testing of the consumer mains and main switchboard prior to initial energisation (upon request). 	Alternative control	Alternative control

²⁵ We note that this “after hours” reference is included because it specifically relates to section 219 and 220 of the Electrical Safety Regulation 2013 (Qld)

Service Group	Further Description ¹	Current Classification 2020-25	Proposed classification 2025-30
	<ul style="list-style-type: none"> • after hours visual examination of an electrical installation to reconnect it to a source of electricity (upon request). • re-test at a customer's installation, where the installation fails the initial test and cannot be connected. 		
Provision of training to third parties for network related access	Training services provided to third parties that result in a set of learning outcomes that are required to obtain a distribution network access authorisation specific to a distributor's network. Such learning outcomes may include those necessary to demonstrate competency in the distributor's electrical safety rules, to hold an access authority on the distributor's network and to carry out switching on the distributor's network. Examples of training might include high voltage training, protection training or working near power lines training.	Alternative control	Alternative control
Authorisation and approval of third party service providers' design, work and materials	<p>Activities include:</p> <ul style="list-style-type: none"> • authorisation or re-authorisation of individual employees and subcontractors of third party service providers and additional authorisations at the request of the third party service providers (excludes training services). • acceptance of third party designs and works. • assessing an application from a third party to consider approval of alternative material and equipment items that are not specified in the distributor's approved materials list. 	Alternative control	Alternative control
Security lights (legacy)	<p>Provision, installation, Operation and maintenance of equipment mounted on a distribution equipment used for security services, e.g., nightwatchman lights installed before 30 June 2025</p> <p>Note excludes connection services)</p>	Alternative control	Alternative control
Customer initiated or triggered network asset relocations/re-arrangements	Relocation of assets that form part of the distribution network in circumstances where the relocation was initiated by a third party (including a customer) or triggered by a customer's non-compliance with network safety or security standards (such as network encroachments)	Alternative control	Alternative control
Customer requested provision of electricity network data	Data requests by customers or third parties including requests for the provision of electricity network data or consumption data outside of legislative obligations.	Alternative control	Alternative control

Service Group	Further Description ¹	Current Classification 2020-25	Proposed classification 2025-30
Third party funded network alterations or other improvements	Alterations or other improvements to the shared distribution network to enable third party infrastructure (e.g., NBN Co telecommunications assets) to be installed on the shared distribution network. This does not relate to upstream distribution network augmentation.	Alternative control	Alternative control
Public lighting – lighting services provided in connection with a distribution network			
Public lighting	Includes the provision, construction and maintenance of public lighting and emerging public lighting technology.	Alternative control	Alternative control
Unregulated distribution services – (non-exhaustive list)			
Distribution asset rental	Rental of distribution assets to third parties (e.g., office space rental, pole and duct rental for hanging telecommunication wires etc.).	Unregulated	Unregulated
Contestable metering support roles	Includes metering coordinator, (except where the distributor is the initial metering coordinator) metering data provider and metering provider for meters installed or replaced after 1 December 2017 Type 1 to 4 metering installations.	Unregulated	Unregulated
Provision of training to third parties for non-network related access	Training programs provided to third parties which are not ASPs or contractors which are not related to network access	Unregulated	Unregulated
Type 5 and 6 meter data management to other electricity distributors	The provision of type 5 and 6 meter data management to other electricity distributors.	Unregulated	Unregulated
Distribution services provided in unregulated isolated networks	Ownership and operation of isolated supply networks, other than the Mount Isa-Cloncurry supply network (Ergon Energy Network).	Note – Ergon only Unregulated	Note – Ergon Only Unregulated

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Service Group	Further Description ¹	Current Classification 2020-25	Proposed classification 2025-30
Hayman Island undersea cable		Note – Ergon only Unregulated	Note – Ergon only Unregulated
Inspection of private network infrastructure	Inspection of privately owned low voltage or high voltage network infrastructure (i.e., privately owned distribution infrastructure before the meter).	Unregulated	Unregulated