



**FINAL DECISION**  
**Energex determination 2015–16**  
**to 2019–20**

**Attachment 13 – Classification**  
**of services**

October 2015

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Inquiries about this publication should be addressed to:

Australian Energy Regulator  
GPO Box 520  
Melbourne Vic 3001

Tel: (03) 9290 1444  
Fax: (03) 9290 1457

Email: [AERInquiry@aer.gov.au](mailto:AERInquiry@aer.gov.au)

## Note

This attachment forms part of the AER's final decision on Energex's 2015–20 distribution determination. It should be read with all other parts of the final decision.

The final decision includes the following documents:

### Overview

Attachment 1 – Annual revenue requirement

Attachment 2 – Regulatory asset base

Attachment 3 – Rate of return

Attachment 4 – Value of imputation credits

Attachment 5 – Regulatory depreciation

Attachment 6 – Capital expenditure

Attachment 7 – Operating expenditure

Attachment 8 – Corporate income tax

Attachment 9 – Efficiency benefit sharing scheme

Attachment 10 – Capital expenditure sharing scheme

Attachment 11 – Service target performance incentive scheme

Attachment 12 – Demand management incentive scheme

Attachment 13 – Classification of services

Attachment 14 – Control mechanism

Attachment 15 – Pass through events

Attachment 16 – Alternative control services

Attachment 17 – Negotiated services framework and criteria

Attachment 18 – Connection policy

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## Shortened forms

Shortened form	Extended form
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
augex	augmentation expenditure
capex	capital expenditure
CCP	Consumer Challenge Panel
CESS	capital expenditure sharing scheme
CPI	consumer price index
DRP	debt risk premium
DMIA	demand management innovation allowance
DMIS	demand management incentive scheme
distributor	distribution network service provider
DUoS	distribution use of system
EBSS	efficiency benefit sharing scheme
ERP	equity risk premium
Expenditure Assessment Guideline	Expenditure Forecast Assessment Guideline for Electricity Distribution
F&A	framework and approach
MRP	market risk premium
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
RBA	Reserve Bank of Australia
repex	replacement expenditure

Shortened form	Extended form
RFM	roll forward model
RIN	regulatory information notice
RPP	revenue and pricing principles
SAIDI	system average interruption duration index
SAIFI	system average interruption frequency index
SLCAPM	Sharpe-Lintner capital asset pricing model
STPIS	service target performance incentive scheme
WACC	weighted average cost of capital

## 13 Classification of services

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.

We make a decision on the classification of each distributor's distribution services in accordance with the NER.<sup>1</sup> Our final decision is to classify services consistently for both Energex and Ergon Energy. As a result, our reasoning in regard to classification is the same for each of the two Queensland distributors. We sometimes refer to the Queensland distributors collectively in this attachment.

The classification of distribution services must be as set out in the relevant framework and approach (F&A) unless we consider that unforeseen circumstances justify departing from that proposed classification in our determination.<sup>2</sup> We set out our proposed approach to the classification of distribution services for the Queensland distributors, and our reasons for that approach, in our final F&A published in April 2014.<sup>3</sup> In that paper, we proposed to group the Queensland distributors' distribution services as follows:

- network services
- connection services
- metering services
- public lighting services
- ancillary network services.

### 13.1 Final decision

Our final decision is to retain the classification of Energex's distribution services according to the classifications and reasons set out in our preliminary decision.<sup>4</sup> As set out in our preliminary decision, this includes:

- classifying separate type 5 or 6 metering services for:
  - meter reading and maintenance

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<sup>1</sup> NER, cl. 6.12.1(1).

<sup>2</sup> NER, cl. 6.12.3(b).

<sup>3</sup> AER, *Final framework and approach for Energex and Ergon Energy – Regulatory control period commencing 1 July 2015*, April 2014 pp. 18–51.

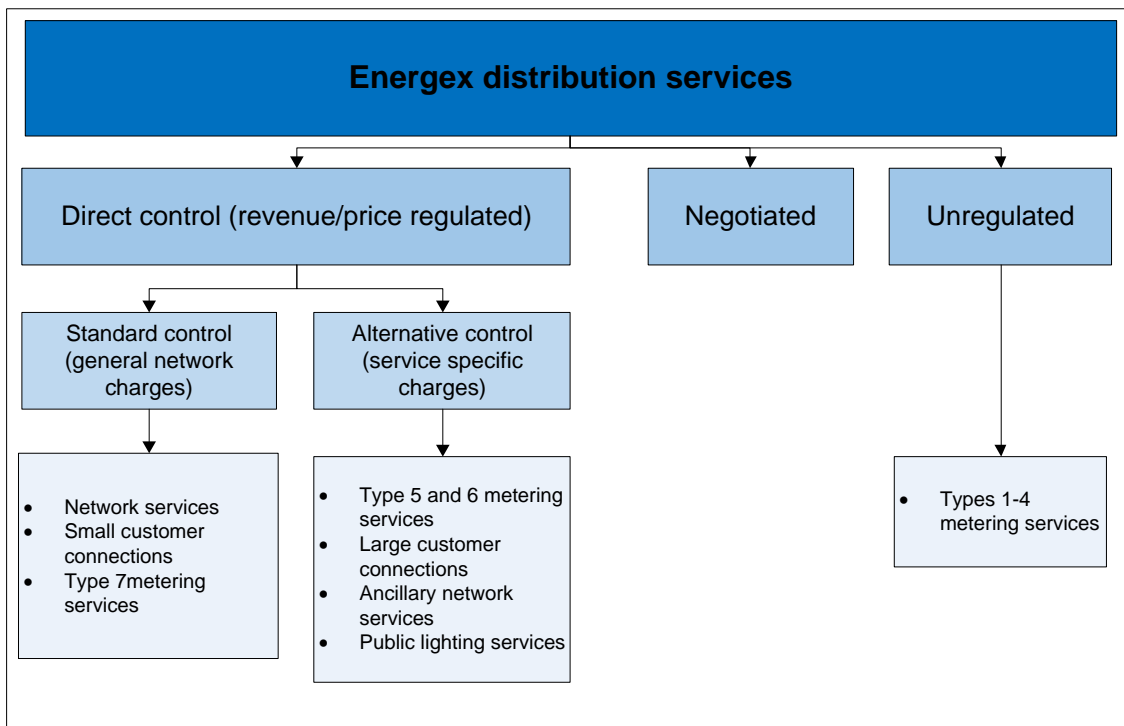
<sup>4</sup> AER, *Preliminary decision – Energex distribution determination – attachment 13 Classification of distribution services*, April 2015, pp. 13-6 and 13-7.

- meter provision before 1 July 2015
- meter provision after 1 July 2015
- clarifying that load control services provided by equipment external to a meter is classified standard control; load control services provided by equipment internal to a type 5 or 6 meter is classified alternative control.

Figure 13.1 summarises our final decision on service classifications for Energex for the 2015–20 regulatory control period.

Appendix A sets out our detailed classification decisions. Changes in our classification approach since our F&A are presented in coloured text.

**Figure 13.1 AER final decision on 2015–20 service classifications for Energex**



Our assessment of the classification of services determines how costs associated with the services will be recovered at a very high level. That is, whether the costs of a particular service will be recovered from basic electricity charges, as an additional charge or recovered through an unregulated charge (i.e. not set by us). However, the detailed prescription of how service charges are set is not determined as part of classification. Instead, that detail is discussed in the control mechanism attachments.<sup>5</sup>

<sup>5</sup> Refer to attachment 14 – Control mechanisms and attachment 16 – Alternative control services.



## 13.2 Energex's revised proposal

Energex, in its revised proposal, has not commented on our preliminary decision for classification other than to state that:

- it continues to support the classification of metering services as an alternative control service.<sup>6</sup>
- it acknowledges the further clarification of “metering related load control” as the provision of load control services provided by a type 5 or type 6 meter and its classification as an alternative control service.<sup>7</sup>
- its revised proposal aligns with the AER's preliminary decision to provide for an annual charge comprising of capital and non-capital components and an upfront capital charge for all new and upgraded meters installed.<sup>8</sup>

Energex did not raise any concerns with our preliminary decision on service classification in its revised proposal.

## 13.3 AER's assessment approach

The NER allow us to group distribution services when classifying them rather than treating them as individual services.<sup>9</sup> This provides distributors with flexibility to alter the exact specification (but not the nature) of a service during a regulatory control period. Where we make a single classification for a group of services, it applies to each service in the group.

In making our classification decisions, we may:

- 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).

In deciding whether to classify services as either direct control or negotiated services, or to not classify them, the NER require us to have regard to the 'form of regulation factors' set out in the NEL.<sup>10</sup> The form of regulation factors include the presence and extent of barriers to entry by alternative providers and the extent to which any

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<sup>6</sup> Energex, *Revised regulatory proposal*, July 2015, pp. 133–4.

<sup>7</sup> Energex, *Revised regulatory proposal*, July 2015, p. 134.

<sup>8</sup> Energex, *Revised regulatory proposal*, July 2015, p. 133.

<sup>9</sup> NER, cl. 6.2.1 (b).

<sup>10</sup> NER, cl. 6.2.1(c); NEL, s. 2F.

distributor market power is likely to be mitigated by any countervailing user or prospective user market power. The NER also require us to consider the previous form of regulation applied to services, the desirability for consistency in the form of regulation for similar services and any other relevant factor.<sup>11</sup>

For services we intend to classify as direct control, the NER require us to have regard to a further range of factors.<sup>12</sup> These include the potential to develop competition in provision of a service and how our classification may influence that potential, whether the costs of providing the service are attributable to a specific person, and the possible effect of the classification on administrative costs.

The NER also specify that for a service regulated previously, unless a different classification is clearly more appropriate, we must:<sup>13</sup>

- not depart from a previous classification (if the services have been previously classified), and
- if there has been no previous classification but the service has been regulated, such as under a separate regulatory regime – the classification should be consistent with the previously applicable regulatory approach.

### 13.3.1 Interrelationships

In assessing what services we classify, we are setting the basis for the charges that can be levied on those services. To allow charges to be recovered for standard control services, assets associated with delivering those services are added to the regulatory asset base (RAB). A separate RAB may also be constructed for the capital costs associated with an alternative control service. There will usually be operating costs associated with the provision of a service as well.

The assets that make up the RAB and the operating costs that relate to any standard control service form a starting point for our assessment of the distributor's proposal for recovering revenues through charges for their services. Classification of services will therefore influence all revenue components of our decision.

There are assets and operating costs associated with the services provided by distributors. We set the revenues the distributor may collect from customers to recover their asset and operating costs. That revenue is recovered through tariffs the distributor develops to charge to its customers. The regulatory regime establishes incentives such as the Efficiency Benefit Sharing Scheme (EBSS) and the Capital Expenditure Sharing Scheme (CESS) to encourage the provision of services as efficiently as possible. All of these factors interrelate with each other. We must be cognisant of these interrelationships when we make our determinations.

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<sup>11</sup> NER, cl. 6.2.1(c).

<sup>12</sup> NER, cl. 6.2.2(c).

<sup>13</sup> NER, cll. 6.2.1(d) and 6.2.2(d).

The largest impact of our classification decision for the 2015–20 regulatory control period is reclassifying metering services from standard control to alternative control. By doing this, the standard control RAB for each Queensland distributor has decreased in size as the asset costs associated with metering services will no longer be recovered through the allowed revenue for standard control services. Rather, they will now be recovered through prices charged for specific metering services.

The incentive schemes do not apply to services classified alternative control. As such, classifying type 5 and 6 metering services alternative control also means the incentive schemes are no longer applied to expenditure associated with these services.

## 13.4 Reasons for final decision

This section sets out the reasons for our final decision on the distribution service classifications for the Queensland distributors. Consistent with our preliminary decision, our final decision is to depart from the classifications set out in our F&A because we classify separate type 5 or 6 metering services for meter reading and maintenance and for meter provision.

The NER require service classifications must be as set out in our F&A unless unforeseen circumstances justify a change in classification approach.<sup>14</sup> In our F&A we proposed unbundling type 5 and 6 metering services from standard control services.<sup>15</sup> Once unbundled, or separated, from standard control services we proposed to classify type 5 and 6 metering installation, provision, maintenance, reading and data services as alternative control services. This remains our classification approach.

Our classifications are consistent with the Australian Energy Market Commission's (AEMC) Power of Choice review.<sup>16</sup> The AEMC's recommendations included:

- current metering arrangements need reform to promote investment in better metering technology and promote customer choice
- metering costs should be unbundled from shared network charges.

The AEMC released a Power of Choice supplementary paper on metering services, exploring the arrangements necessary to implement its recommendations.<sup>17</sup> The AEMC recommended that metering provision be contestable and open to competition. On 26 March 2015 the AEMC released its draft rule change determination on expanding competition in metering and related services.<sup>18</sup>

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<sup>14</sup> NER, cl. 6.12.3(b).

<sup>15</sup> AER, *Final framework and approach for Energex and Ergon Energy – Regulatory control period commencing 1 July 2015*, April 2014 pp. 18–51.

<sup>16</sup> AEMC, *Final report — Power of choice review - giving consumers options in the way they use electricity*, November 2012.

<sup>17</sup> AEMC, *Consultation paper — National electricity amendment (expanding competition in metering and related services)*, April 2014.

<sup>18</sup> AEMC, *Draft rule determination—National electricity amendment (expanding competition in metering and related services) rule 2015*, March 2015. On 2 July 2015, the AEMC extended the period of time for publication of the final

Having now considered Energex's revised regulatory proposal, and taking into account the AEMC's draft rule change, our final decision is to classify separate type 5 and 6 meter provision alternative control services for the periods before and after 1 July 2015. This is because Energex has been recovering over time the cost of type 5 and 6 meters installed before 1 July 2015, meaning that customers switching away from these may not have paid the full capital cost of their meter. Our final decision, consistent with our preliminary decision, is to classify a service for Energex to recover such residual meter asset value.

The full cost of type 5 and 6 meters installed after 1 July 2015 will be charged to customers up front.<sup>19</sup> Therefore, we classify a separate service for Energex to recover the cost of a type 5 and 6 meter in this way.

Consistent with our preliminary decision, we separately classify an alternative control service, or service group, for Energex to recover the cost of type 5 or 6 standard meter reading and maintenance activities.<sup>20</sup> Customers may avoid the charge for this service by switching away from an Energex provided type 5 or 6 meter.

Our final decision is to not classify services for the recovery of administration costs created by a customer's decision to switch, as we do not consider Energex will incur additional costs. This means we do not accept exit fees proposed by Energex in its original regulatory proposal.<sup>21</sup> Vector Limited supported this approach.<sup>22</sup>

### 13.4.1 Unforeseen circumstances— metering

At the time of releasing our F&A it was not possible to foresee how the AEMC's metering rule change work program would unfold. We consider our classification decisions should have regard to the AEMC's approach, wherever possible, but we have in effect been working in advance of the AEMC's final metering rule change determination. That is, we have been attempting to settle classifications while the manner in which metering services will be provided by the market is still being considered.

When we released the F&A in April 2014 the AEMC had only just commenced its metering rule change process. The COAG<sup>23</sup> rule change proposal itself contains limited

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rule determination on the Competition in Metering and Related Services rule change request. The final determination will be published on 26 November 2015. Source: <http://www.aemc.gov.au/Rule-Changes/Expanding-competition-in-metering-and-related-serv>.

<sup>19</sup> AER, *Preliminary decision Energex 2015–20 regulatory control period, Attachment 13, Classification of services*, April 2015, p. 13-13.

<sup>20</sup> AER, *Preliminary decision Energex 2015–20 regulatory control period, Attachment 13, Classification of services*, April 2015, p. 13-13.

<sup>21</sup> Energex, *Regulatory proposal 2015–20*, October 2014, p. 280.

<sup>22</sup> Vector, *Submission on AER preliminary decisions on electricity distribution in Queensland and South Australia for 2015–2020*, 3 July 2015, p. 1.

<sup>23</sup> Council of Australian Governments.

detail about residual meter values. It stated the AER may determine “a reasonable exit fee” to recover residual meter asset costs and that the AER may cap such fees.<sup>24</sup>

In developing the rules with respect to competition in metering, the AEMC recognises that large exit fees for customers wishing to switch to alternative meter providers may hinder development of a competitive market for metering services.<sup>25</sup> The AEMC's assessment of the COAG rule change proposal remains in process until late November 2015.<sup>26</sup> We consider the AEMC's work program on the metering rule change represents an unforeseen circumstance justifying a change in classification approach from our F&A.<sup>27</sup>

### 13.4.2 Exit fees

Currently, when a distributor first installs a type 5 or 6 meter, it does not charge customers upfront for the whole cost of the meter. Rather, these costs are recovered over time. If a customer chooses to switch metering providers, the distributor-provided meter is unlikely to have been paid for in full. This creates a residual capital cost.<sup>28</sup>

In our F&A we classified an alternative control service for the Queensland distributors to recover residual capital costs created by customers switching to another metering provider.<sup>29</sup> We intended this service would facilitate an exit fee, charged by the distributors to switching customers. The Queensland distributors adopted this approach in their initial regulatory proposals.

In our preliminary decisions we considered the Queensland distributors' proposed 'exit fees' would present a barrier to customer switching and therefore to the development of competition in the provision of metering services. To allow the Queensland distributors to recover their residual type 5 and 6 meter values, we instead classified an alternative control service that may be charged to all customers with a type 5 or 6 meter on 1 July 2015.<sup>30</sup> This remains our final decision.

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<sup>24</sup> AEMC, *Consultation paper – National electricity amendment (expanding competition in metering and related services)*, April 2014, p. 18.

<sup>25</sup> AEMC, *Draft Rule Determination: National Electricity Amendment (Expanding competition in metering and related services) Rule 2015*, 26 March 2015.

<sup>26</sup> AEMC, *Final Rule Determination: National Electricity Amendment (Expanding competition in metering and related services) Rule 2015 is due to be published on 26 November 2015*. See <http://www.aemc.gov.au/Rule-Changes/Expanding-competition-in-metering-and-related-serv>.

<sup>27</sup> AER, *Preliminary decision Energex 2015–20 regulatory control period, Attachment 13, Classification of services*, April 2015, p. 13-12.

<sup>28</sup> Residual capital costs arise because, when a customer chooses to switch away from their distributor-provided type 5 or 6 meter, the distributor is unlikely to have fully recovered the cost of that meter from the customer. Such costs are recovered over time rather than up front when the meter is first installed.

<sup>29</sup> AER, *Final framework and approach for Energex and Ergon Energy – Regulatory control period commencing 1 July 2015*, April 2014 p. 116.

<sup>30</sup> AER, *Preliminary decision – Energex distribution determination, Attachment 13: Classification of distribution services*, April 2015, pp. 11–13.

In its revised regulatory proposal, Energex accepted our preliminary decision on this issue by aligning its charges to address this issue.<sup>31</sup> Vector Limited also supported our approach.<sup>32</sup>

### 13.4.3 Residual meter value

To allow the Queensland distributors to recover their residual metering capital value and their administrative costs, our final decision, consistent with our preliminary decision, is to classify three separate alternative control services:

1. Type 5 or 6 meter reading and maintenance

This covers the operating costs incurred by a distributor in operating a meter. Customers may avoid this ACS charge by switching to an alternative metering provider.

2. Type 5 or 6 meter provision—pre 1 July 2015

This service allows distributors to recover the cost of meters installed before 1 July 2015. The fee for this service will reflect the pool of distributor-provided type 5 or 6 meters, both active and redundant, until their value is depreciated away.

3. Type 5 or 6 meter provision—post 1 July 2015

This service will allow distributors to recover the cost of a meter installed on or after 1 July 2015.

The above metering services are reflected in appendix A which details our classification of distribution services.

Spreading the residual asset costs across all pre-1 July 2015 customers will avoid large exit fees which might be a barrier to competition. However, we did not find it appropriate that customers switching to alternative providers be required to pay for ongoing operating costs for services they were no longer receiving from the distributor.

After 1 July 2015, customers receiving a new type 5 or 6 meter from a distributor will pay the full capital cost of the meter.

### 13.4.4 Load control

Load control permits a distributor to control an appliance connected at a customer's premises. Distributors use controlled load to reduce demand on the network at peak periods. By doing so, the distributors avoid the need for more expensive investment in network augmentation.

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<sup>31</sup> Energex, *Revised regulatory proposal*, July 2015, p. 133.

<sup>32</sup> Vector, *Submission on AER preliminary decisions on electricity distribution in Queensland and South Australia for 2015–2020*, 3 July 2014, p. 1.

We understand that, in the past, load control equipment was installed separately from meters. Modern electronic meters have the capacity to provide load control functions as well as metering functions. Hence, load control services may now be provided by meters themselves rather than by separate equipment.

For the avoidance of doubt, our final decision is that load control services provided by equipment located outside a type 5 or 6 meter are grouped with network services and classified standard control. Load control services provided by a type 5 or 6 meter are grouped with ancillary metering services and classified alternative control. Energex, in its revised regulatory proposal, has acknowledged our clarification.<sup>33</sup>

### **13.4.5 Classification of other distribution services**

As noted above, the classification of distribution services must be as set out in our F&A unless we consider that unforeseen circumstances justify departing from that proposed classification in our determination.<sup>34</sup>

For distribution services other than those metering-related services discussed above, we do not consider that there are unforeseen circumstances justifying departure from the classifications as set out in our F&A. Accordingly, our reasons for those classifications remain as set out in the F&A.<sup>35</sup>

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<sup>33</sup> Energex, *Revised regulatory proposal*, July 2015, p. 134.

<sup>34</sup> NER, cl. 6.12.3(b).

<sup>35</sup> AER, *Final framework and approach for Energex and Ergon Energy – Regulatory control period commencing 1 July 2015*, April 2014 pp. 18–51.

## A AER final decision on classification of services in Queensland

Service group	Further description (if any)	AER final decisions – classification 2015–20	Current classification 2010–15
<b>AER Service group— Network services</b>			
Planning the network	Network asset - assessment of asset requirements involving investment, management and delivery including risk and feasibility assessment and estimating and cost planning.		
	Demand management - the identification and development of non-network options to address forecast network limitations.		
	Network forecasting - analysis of network demand to enable the development of the capital program of works.	Standard control	Standard control
	Network business strategy development - strategic initiatives development and management including business improvement/efficiency initiatives.		
	Governance - developing policies, procedures and standards.		
	Regulatory planning as required by the National Electricity Rules (rules).		
Designing the network	Creation of a plan or the standards and criteria for network construction. Includes developing design standards, protection engineering and designs for augmentation and extensions to the shared network. <sup>36</sup>	Standard control	Standard control

<sup>36</sup> Excluding designs for augmentation and extensions to shared network undertaken in feasibility and concept scoping for large customer connections (i.e. prior to acceptance of connection offer)



Service group	Further description (if any)	AER final decisions – classification 2015–20	Current classification 2010–15
Constructing the network	<p>Network construction, augmenting the shared network and extensions of shared network.</p> <p>Project planning and works management (works program development, procurement, vendor management, contract management, work scheduling and dispatching).</p> <p>Management of environmental issues.</p> <p>Asset deployment and commissioning of shared network assets.</p> <p>Asset relocation (other than those undertaken at a customer's request).</p> <p>Installing load control (external to a meter) on customer premises.</p>	Standard control	Standard control
Maintaining the network	<p>Planned maintenance – activities carried out to reduce the probability of failure or performance degradation of a network asset.</p> <p>Corrective – activities undertaken to detect, isolate and rectify a fault so that the failed equipment, machine or system can be restored to normal operable state.</p> <p>Work to restore a failed component of the distribution system to an operational state.</p> <p>Maintaining load control devices (external to a meter) on customer premises.</p>	Standard control	Standard control
Operating the network	<p>Network control and operation.</p> <p>Outage management.</p> <p>Emergency management and response.</p> <p>Field operations.</p> <p>Switching and testing for network purposes.</p> <p>Scheduling and controlling the switching of controllable load for network purposes.</p> <p>Operation of load control devices (external to a meter) on customer premises.</p>	Standard control	Standard control
Administrative support for provision of network services	Customer interactions including network product development, customer service management/call centre, complaints and enquiries, record management and network	Standard control	Standard control

Service group	Further description (if any)	AER final decisions – classification 2015–20	Current classification 2010–15
	<p>claim processing.</p> <p>Market operations: includes revenue management, network billing, processing of service order requests, and market notifications of retailer changes.</p> <p>National Metering Identifier (NMI) establishment, discovery requests and classification in accordance with the rules.</p> <p>Populate and maintain NMI standing data in Market Settlement and Transfer Solution in accordance with the rules.</p> <p>Processing and publication of notifications of new connections and alterations.</p> <p>Pricing strategy and development of pricing proposals.</p> <p>Financial and commercial management.</p> <p>Compliance monitoring and reporting.</p> <p>Procurement activities.</p> <p>Technical and safety training of distributor staff.</p> <p>Supply, manage and maintain distributor Fleet.</p> <p>Retailer management (e.g. credit support).</p> <p>Administration of connections pioneer / rebate scheme.</p> <p>Supply, manage, test and maintain field equipment (other than metering equipment).</p> <p>Responding to cold water reports.</p> <p>Network claim processing where distributor is at fault.</p> <p>External stakeholder interactions (regulatory, government and industry).</p> <p>Environmental health and safety management (risk assessment, monitoring, program management, reporting and training).</p>		
<b>AER service group—pre-connection services</b>			

Service group	Further description (if any)	AER final decisions – classification 2015–20	Current classification 2010–15
General connection enquiry services	<p>Provision of standard information and general advice during connection enquiry. Includes, but is not limited to:</p> <p>provision of general connection information (e.g. supply availability)</p> <p>advice on process, such as how to complete a connection application</p> <p>and services associated with an initial assessment of a connection applicant's enquiry and provision of a response.</p>	Standard control	Standard control
Connection application services	<p>Services associated with assessing a connection application, making a connection offer and negotiating offer acceptance. Unless otherwise specified, services or activities undertaken under this service group relate to both small and large customers and real estate development connections. Includes, but is not limited to:</p> <p>Application services to assess connection application and making of compliant connection offer.</p> <p>Undertaking design for small customer or real estate development connection offer (excludes detailed design undertaken after a connection offer has been accepted).</p> <p>Carrying out planning studies and analysis relating to connection applications.</p> <p>Feasibility and concept scoping, including planning and design, for large customer connections.</p> <p>Negotiation services involved in negotiating a connection agreement.</p> <p>Tender process – distributor may carry out tender process on behalf of connection applicant or distributor may assist connection application.</p> <p>Protection and Power Quality assessment prior to connection.</p>	Alternative control	Alternative control
Pre-connection consultation services	<p>Additional support services provided by the distributor (on request) during connection enquiry and connection application other than General Connection Enquiry Services and Connection Application Services. Generally relates to services which require a customised or site-specific response and/or are available contestably. Unless otherwise specified, services or activities undertaken under this service group relate to both small and large customers and real estate development connections. Includes:</p>	Alternative control	Alternative control

Service group	Further description (if any)	AER final decisions – classification 2015–20	Current classification 2010–15
	<ul style="list-style-type: none"> <li>• site inspection in order to determine nature of connection</li> <li>• provision of site-specific connection information and advice for small or large customer connections</li> <li>• preparation of preliminary designs and planning reports for small or large customer connections, including project scopes and estimates</li> <li>• customer build, own and operate consultation services.</li> </ul>		
<b>AER service group—connection services</b>			
Small customer connections <sup>37</sup>	<p>Design, construction, commissioning and energisation of connection assets for small customers.</p> <p>(Generally, small customers are those customers who connect under the Standard Asset Connection tariff class in the distributor’s pricing proposal.<sup>38</sup>)</p>	Standard control	Standard control
Large customer connections <sup>39</sup>	<p>Design and construction of connection assets for large customers.<sup>40</sup></p> <p>Generally, large customers are those customers who connect under the Individually Calculated Customer (ICC) and Connection Asset Customer (CAC) tariff classes as per the distributor’s pricing proposal.</p> <p>We consider that connection of embedded generators larger than 30 kVA but smaller than 1 MW should be treated as large customer connections.</p>	Alternative control	Alternative control

<sup>37</sup> Ergon Energy uses ‘minor customer’ in place of ‘small customer’.

<sup>38</sup> See the Energex and Ergon Energy tariff schedules, available at their websites: [www.energex.com.au](http://www.energex.com.au) and [www.ergon.com.au](http://www.ergon.com.au)

<sup>39</sup> Ergon Energy uses ‘major customer’ in place of ‘large customer’.

<sup>40</sup> Does not include augmentation of the existing network.

Service group	Further description (if any)	AER final decisions – classification 2015–20	Current classification 2010–15
Commissioning and energisation of large customer connections	Commissioning and energisation of large customer connection assets to allow conveyance of electricity. Inspection and testing of connection assets.		
	Includes administration services involved in reconciling the financials of a connection project, processing and finalising network information and contracts in relation to a connection.	Alternative control	Standard control
	Includes generation required to supply existing customers while equipment is de-energised to allow testing and commissioning of large customer connection assets.		
Real estate development connection	Design, construction, commissioning and energisation of connection assets for real estate developments.	Alternative control	Standard control
Removal of network constraint for embedded generator	Augmenting the network to remove a constraint faced by an embedded generator.  (Generally, ‘embedded generators’ are those customers who connect under the Embedded Generator (EG) tariff class as per the distributor’s pricing proposal. This does not include customers with micro-generation facilities that connect under a Standard Asset Customer (SAC) tariff class. We consider that generators larger than 30 kVA but smaller than 1 MW should be treated as embedded generators for the purpose of removing network constraints.)	Alternative control	Standard control
Temporary connections	Customer requests a temporary connection for short term supply (e.g. blood bank vans, school fetes).	Alternative control	Alternative control
<b>AER service group—post connection services</b>			
Operate and maintain connection assets	Works to operate, maintain, repair and replace connection assets owned by or gifted to the distributor to a technically acceptable standard. Excludes works initiated by a customer, which is not required for the efficient management of the network or for distributor purposes (such as customer requests to provide or maintain connection assets to a higher standard).	Standard control	Standard control
Connection management services (post connection)	Work initiated by a customer which is specific to a connection point. Includes, but is not limited to:	Alternative control	Alternative control

Service group	Further description (if any)	AER final decisions – classification 2015–20	Current classification 2010–15
	<p>Supply abolishment.</p> <p>Move point of attachment.</p> <p>Re-arrange connection assets at customer's request.</p> <p>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.</p> <p>Auditing services – auditing of connection assets after energisation to network.</p> <p>Protection and power quality assessment (e.g. embedded generation connected to network).</p> <p>Customer requested works to allow customer or contractor to work close.</p> <p>Temporary disconnections and reconnection (including de-energisations and re-energisations) which may involve a line drop, e.g. community events.</p> <p>Supply enhancement, e.g. upgrade from single phase to three phase.</p> <p>Provision of connection services above minimum requirements – customer requests increase in reliability or quality of supply beyond the standard, and/or above minimum regulatory requirements (e.g. reserve feeder).</p> <p>Upgrade from overhead to underground service.</p> <p>Customer consultation or appointment (if requested on B2B service order).</p> <p>Rectification of illegal connections or damage to overhead or underground service cables.</p> <p>De-energisation:</p> <ul style="list-style-type: none"> <li>• Retailer requests de-energisation of the customer's premises (business or after hours) where the de-energisation can be performed (e.g. pole, pillar or meter isolation link).</li> <li>• Retailer requests de-energisation of the customer's premises – Main switch seal (business or after hours).</li> </ul> <p>Re-energisation:</p>		

Service group	Further description (if any)	AER final decisions – classification 2015–20	Current classification 2010–15
	<ul style="list-style-type: none"> <li>• Retailer requests re-energisation of the customer’s premises where the customer has not paid their electricity account (business or after hours).</li> <li>• Retailer requests a re-energisation of the customer’s premises following a main switch seal (business or after hours).</li> <li>• Reading provided for an active site.</li> <li>• Retailer requests a re-energisation of the customer’s premises after a physical disconnection and premises requires a visual examination.</li> </ul>		
<p>Accreditation of alternative service providers and approval of their designs, works and materials</p>	<p>Accreditation of service providers that meet competency criteria.</p> <p>Approval of third party design, works and materials.</p> <p>Review, Inspection and Auditing of design and works carried out by an alternative service provider prior to energisation.</p> <p>Certification of non-approved materials - approval of non-approved materials to be used on the network.</p>	<p>Alternative control</p>	<p>Standard control</p>
<p><b>AER Service group— Metering services</b></p>			
<p>Type 5 and 6 meter installation<sup>41</sup></p>	<p>On site connection of a new meter at a customer's premises, and on site connection of an upgraded meter at a customer's premises where the customer initiates the upgrade.</p> <p>Load control services provided by a type 5 or 6 meter are grouped with metering services and classified alternative control.</p>	<p>Alternative control</p>	<p>Standard control</p>

<sup>41</sup> We have removed 'data' services' from this description to avoid duplication with 'type 5 and 6 metering maintenance, reading and data services'.

Service group	Further description (if any)	AER final decisions – classification 2015–20	Current classification 2010–15
Type 5 and 6 metering maintenance, reading and data services	<p>Meter maintenance covers scheduled maintenance, meter inspection, removal of meter and meter tampering.</p> <p>Meter reading refers to quarterly or other regular reading of a meter.</p> <p>Metering data services include collection, processing, storage and delivery of metering data, remote or self-reading at difficult to access sites, provision of metering data from previous 2 years, ongoing provision of metering data.</p> <p>Meter Data Services provided as part of general obligations as a local network service provider in accordance with the rules.</p>	Alternative control	Standard control
Types 5 and 6 meter provision (before 1 July 2015)	By charging for this service, distributors may recover the capital cost of types 5 and 6 metering equipment (including meters with internally integrated load control devices) installed before 1 July 2015.	Alternative control	Standard control
Types 5 and 6 meter installation and provision (after 1 July 2015) <sup>42</sup>	By charging for this service, distributors may recover the capital cost of types 5 and 6 metering equipment (including meters with internally integrated load control devices) installed on or after 1 July 2015.	Alternative control	Standard control
Type 7 metering services	Administration and management of type 7 metering installations in accordance with the Rules 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
Auxiliary metering services <sup>43</sup>	<p>Off-cycle meter read, including:</p> <ul style="list-style-type: none"> <li>special meter reads</li> </ul>	Alternative control	Alternative control

<sup>42</sup> We have added 'installation' to this service description to be consistent with the 'further description'.

<sup>43</sup> Meter exit fee – recovery of stranded asset costs associated with the removal of a meter(s) from customer's premises before the end of its useful life at the request of the customer (or customer's retailer) due to a change in Responsible Person / Meter Coordinator, has been removed from the table of services as the AER's decision is to not approve a meter exit fee.



Service group	Further description (if any)	AER final decisions – classification 2015–20	Current classification 2010–15
	<ul style="list-style-type: none"> <li>• move in move out meter reads</li> <li>• check read – check the accuracy of the meter reading.</li> </ul> <p>Testing for type 5 and 6 metering installations - customer requested meter accuracy testing.</p> <p>Meter inspection and investigation – a request to conduct a site review of the state of the customer’s metering installation without physically testing the metering equipment.</p> <p>Alterations and additions to current metering equipment, includes:</p> <ul style="list-style-type: none"> <li>• meter alteration – meter is being relocated or meter wiring altered and requires DNSP to visit site to verify the integrity of the metering equipment</li> <li>• 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 PV meter.</li> </ul> <p>Provision, installation, testing and maintenance of instrument transformers for metering purposes.</p> <p>Type 5 to 7 non-standard metering services.</p> <p>Replacement or removal of a type 5 or 6 meter instigated by a customer switching to a non-type 5 or 6 meter that is not covered by any other fee.</p> <p>Meter re-seal – where the customer has caused the meter to need re-sealing (e.g. by having electrical work done on site).</p> <p>Install additional metering.</p> <p>Reconfigure meter.</p> <p>Install metering related load control.</p> <p>Remove load control relay or time clock.</p> <p>Change load control relay channel at retailer, customer or other third party request, that is not a part of initial load control installation, nor part of standard asset maintenance or</p>		

Service group	Further description (if any)	AER final decisions – classification 2015–20	Current classification 2010–15
	replacement.		
<b>AER Service group— Ancillary network services</b>			
Services provided in relation to a Retailer of Last Resort (ROLR) event	<p>Distributors may be required to perform a number of services as a distributor when a ROLR event occurs. These include:</p> <p>Preparing lists of affected sites, and reconciling data with Australian Energy Market Operator listings; handling in-flight transfers; identifying open service orders raised by the failed retailer and determining actions to be taken in relation to those service orders; arranging estimate reads for the date of the ROLR event and providing data for final NUOS bills in relation to affected customers; preparing final invoices for NUOS and miscellaneous charges for affected customers; preparing final debt statements; extracting customer data, providing it to the ROLR and handling subsequent enquiries; handling adjustments that arise from the use of estimate reads; assisting the retailer with the provision of network tariffs to be applied and the customer move in process; administration of any 'ROLR cost recovery scheme distributor payment determination'.</p>	Alternative control	Not currently classified
Other recoverable works	<p>Works initiated by a customer, which are not covered by another service and are not required for the efficient management of the network, or to satisfy distributor purposes or obligations. Includes:</p> <p>Customer requests provision of electricity network data requiring customised investigation, analysis or technical input (e.g. requests for pole assess information and zone substation data).</p> <p>Bundling of cables carried out at the request of another party.</p> <p>Provision of services, other than standard connection, for approved unmetered equipment, public telephones, traffic lights and public BBQs.</p> <p>Customer requested appointments.</p> <p>Attendance at customer's premises to perform a statutory right where access is prevented.</p> <p>Rearrangement of network assets (other than connection assets).</p>	Alternative control	Alternative control

Service group	Further description (if any)	AER final decisions – classification 2015–20	Current classification 2010–15
	<p>Conversion to aerial bundled cables.</p> <p>Aerial markers.</p> <p>Installation of covers on service lines (tiger tails).</p> <p>Assessment of parallel generator applications.</p> <p>Witness testing.</p>		

### AER Service group—Public lighting services

Provision, construction and maintenance of public lighting	<p>Application assessment, design, review and audit public lighting services.</p> <p>Provision, construction and maintenance of new street lighting services.</p> <p>Alteration, repair, relocation, rearrangement or removal of existing street light assets and energy efficient retrofit.</p> <p>Provision of glare shields, vandal guards, luminaire replacement with aero screens.</p> <p>A fee for the residual asset value of non-contributed public lights when removed from service before the end of their useful life at the request of the customer.</p> <p>Operating street lighting assets including handling enquiries and complaints and dispatching crews to repair assets.</p>	Alternative control	Alternative control
Emerging public lighting technology	<p>New public lighting technologies, including trials.</p> <p>Energy efficient retrofit (including where customer requests to retrofit existing assets before end of life).</p>	Alternative control	Unclassified

### Unclassified distribution services

Emergency recoverable works	Work to repair damage to the distribution network caused by an identifiable third party from whom costs may be recovered.	Unclassified	Alternative control
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Service group	Further description (if any)	AER final decisions – classification 2015–20	Current classification 2010–15
Type 1 to 4 metering	Contestable metering services.	Unclassified	Unclassified
Watchman	Unmetered light mounted on customer's property or distribution pole for security purposes.	Unclassified	Unclassified
Distribution services provided in unregulated isolated networks	Ownership and operation of isolated supply networks, other than the Mt Isa-Cloncurry supply network (Ergon Energy).	Unclassified	Unclassified
High load escorts	Request by customer to scope an appropriate route and lift wires to allow passage of high vehicles.	Unclassified	Alternative control / Unclassified
<b>Non-distribution services that are unregulated<sup>44</sup></b>			
Rental and hire services	Rental of distributor owned property (e.g. plant hire and asset leasing).	Unregulated	Unregulated
Test, inspect and calibrate	Calibration and testing of equipment for external party products.	Unregulated	Unregulated
Property services	Customers request the distributors undertake conveyancing property searches, conduct easement negotiations or purchase negotiations.	Unregulated	Unregulated
Contracting services to other network service providers	Services, such as specialist cable jointers, provided to other network service providers.	Unregulated	Unregulated

<sup>44</sup> In addition to services listed here, the distributors may use regulated assets to provide a range of unregulated services. Such assets are referred to by the rules as 'shared assets' and are subject to a revenue sharing mechanism set out in the AER's Shared Asset Guideline, available at [www.aer.gov.au](http://www.aer.gov.au).

Service group	Further description (if any)	AER final decisions – classification 2015–20	Current classification 2010–15
Provision of training to external parties	Specialist post- and pre-trade training provided by distributors to external parties.	Unregulated	Unregulated
Equipment services	Safety testing of equipment such as: insulating gloves live line hot sticks and rubber products insulating mats and covers voltage and phasing detectors, operational sticks harnesses, climbing kits, rescue kits step/extension ladders, pole platforms.	Unregulated	Unregulated
Sale of inventory, asset or scrap		Unregulated	Unregulated
Operate and maintain customer assets	Contract to provide, operate and maintain services for connection assets owned by customer.	Unregulated	Unregulated