

# NSW/ACT/NT/TAS Framework and Approach –

**Preliminary position paper**

NSW businesses

Regulatory control period commencing 1 July  
2024

# Acknowledgement of Country





# Agenda

Topic	Speaker	Duration
Welcome and introduction	Kris Funston, EGM	1:30pm - 1:35pm
Introduction to the Framework and Approach (F&A)	Kris Funston, EGM	1:35pm - 1:45pm
Service classification and questions	Arek Gulbenkoglu, GM Adam Young	1:45pm - 3:20pm
Other F&A topics	Adam Young	3:20pm – 3:30pm
Additional question time	Arek Gulbenkoglu, GM	3:30pm-3:55pm
Next steps	Kris Funston, EGM	3.55pm – 4pm

## Framework and Approach – what is its purpose?

For distribution businesses, the F&A process addresses the following matters, including:

- Service classification
- Form of control mechanism
- Control mechanism
- Application of incentive schemes
- Approach to depreciation – forecast or actual
- Application of expenditure forecasting guideline
- Dual function assets – transmission and distribution pricing

## Why a preliminary positions paper?

- **Transition in the energy market:**
  - Uptake of new technologies
  - Increased DER penetration
  - Networks increasingly becoming platforms for services
  - Recent and ongoing regulatory changes
- Stakeholder consultation to inform our final F&A decision
- Precedent value for next rounds of reset determinations



# Service classification – our assessment approach

## Classifying services

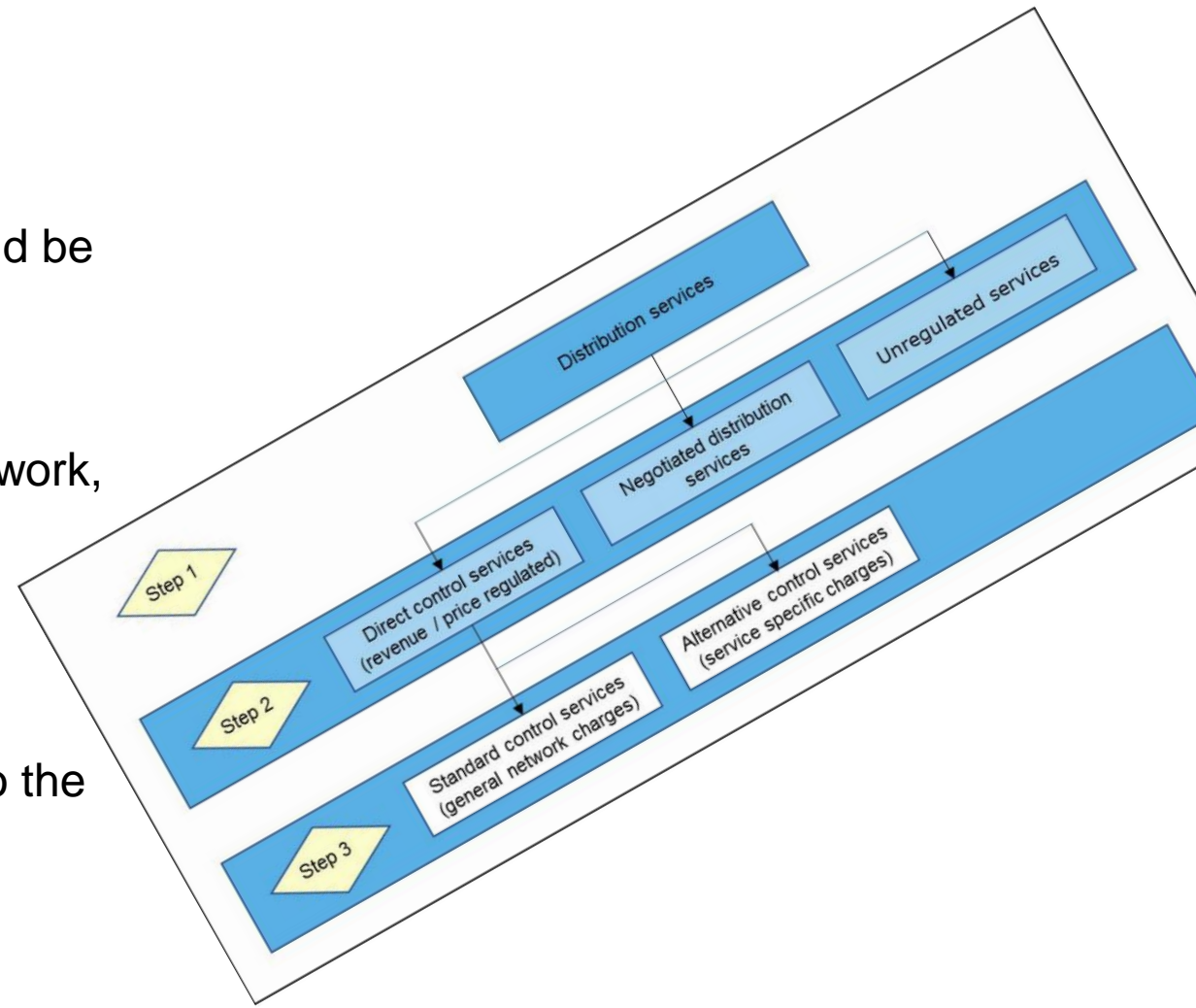
- Classify the service, rather than the asset /or inputs
- Classify distribution services in groups
- When considering whether a direct control service should be ACS/SCS – guided by the rules

## Standard control services

- Services provided to all customers using the shared network, paid by all customers through the RAB

## Alternative control services

- Level of competition in the market
- Cost of providing the service can be directly attributed to the person requesting the service





# Emerging services in 2024-29 period

- Regulated Stand-alone Power Systems (SAPS)
- Leasing battery capacity
- System support services
- Customer export services



	Platform services	Standalone power systems	Electric vehicle charging infrastructure	Leasing battery capacity	Smart public lighting
Ausgrid	●	●	●	●	●
Endeavour Energy	●	●	●	●	●
essential energy	●	●	●	●	●
TasNetworks	●	●	●	●	●
evoenergy	●	●	●	●	●
PowerWater	●	● <sup>1</sup>	●	●	●

Note 1: Power and Water (NT) is responsible for a number of standalone power systems that are not subject to regulation by the AER.

● Expected to play a more active role    ● Expected to play a facilitatory role only    ● Not expected to play a role

# Regulated Stand-alone Power Systems (SAPS)

Networks proposed new activity to be classified as part of common distribution service called;

“Work related to a distributor-led SAPS deployment, operation and maintenance and customer conversion activities”

- Rule change clearly indicates SAPS to be a regulated service and classified as a standard control service.
- **Our proposed approach;** direct control, as a standard control service. Agree to listing as activity under Common distribution service and classified as part of that grouping.
- **Our proposed amended wording;**  
“Work related to a regulated SAPS deployment, operation (fault and emergency) and maintenance and customer conversion activities”





## Provision of temporary SAPS after an emergency (NSW)

Networks proposed adding:

*“temporary standalone power systems after an emergency..” to the “works to fix damage to the network...”*

- **Our proposed approach:** we consider provision of temporary of SAPS as in put input to the activity of ‘works to fix network damage’, or part of the ‘repair, maintenance and operation’ of the network.
- **Further question for stakeholders:** Is the provision of temporary SAPS more appropriate as an input to the common distribution service, and therefore need not be classified as a separate activity?

## Leasing of excess battery capacity

Networks raised an intention install batteries, with the possibility of leasing excess battery capacity as an unregulated distribution service.

- **Our proposed approach:** We agree that leasing of excess battery capacity is an unregulated services and is most appropriately dealt with under the Ring-fencing Guideline.
- **Further question for stakeholders:** Do you consider that the classification of the leasing of excess battery capacity has already been dealt through the Ring-fencing Guideline?

## Facilitation services for battery leasing (NSW)

- Networks proposed that the facilitation work needed to lease out excess battery capacity be recognised as a distribution service and be classified as standard control as part of the common distribution service.
- **Our proposed approach:** The activity needs no further recognition in the list of classified services because of the close relationship with an existing activity within the same service grouping.
- Facilitation services already exist for unregulated revenue that is generated by RAB assets.
- **Further question for stakeholders:** Should costs for the facilitation work to provide the unregulated battery leasing service be recovered from customers as a standard control service, if the full cost of the assets used to deliver those services are not part of the RAB?

## System support services

Networks have proposed new service recognising the transitioning role of distribution networks as they become platforms for DER.

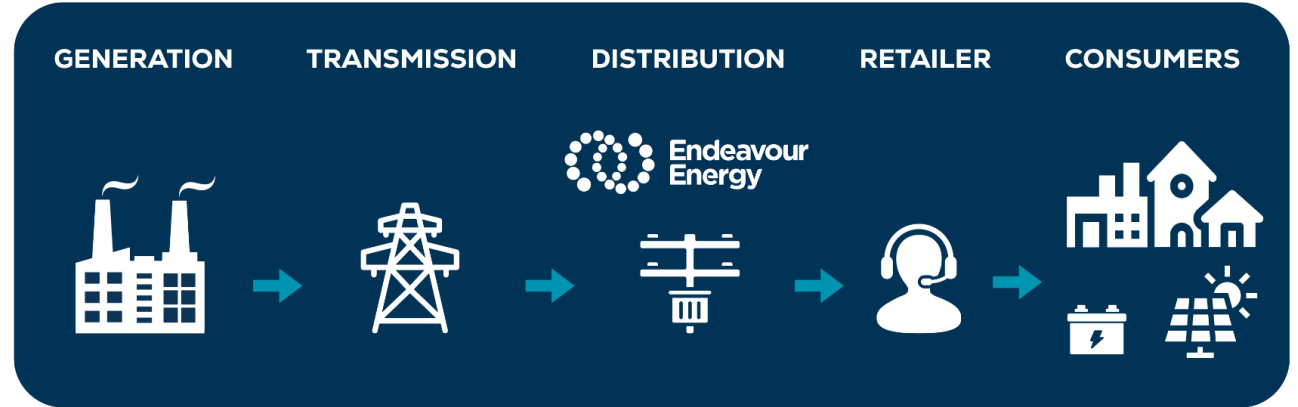
System support services fall into three categories:

1. Inputs to the “common distribution service”
  2. Already set out in the common distribution service and as a result do not require separate classification.
  3. A range of ‘billable’ services to be provided as either alternative control classified or unregulated.
- **Our proposed approach:** Where requested, we will classify any services in accordance with our classification framework (see AER position paper pp.12-14).

# Customer export services

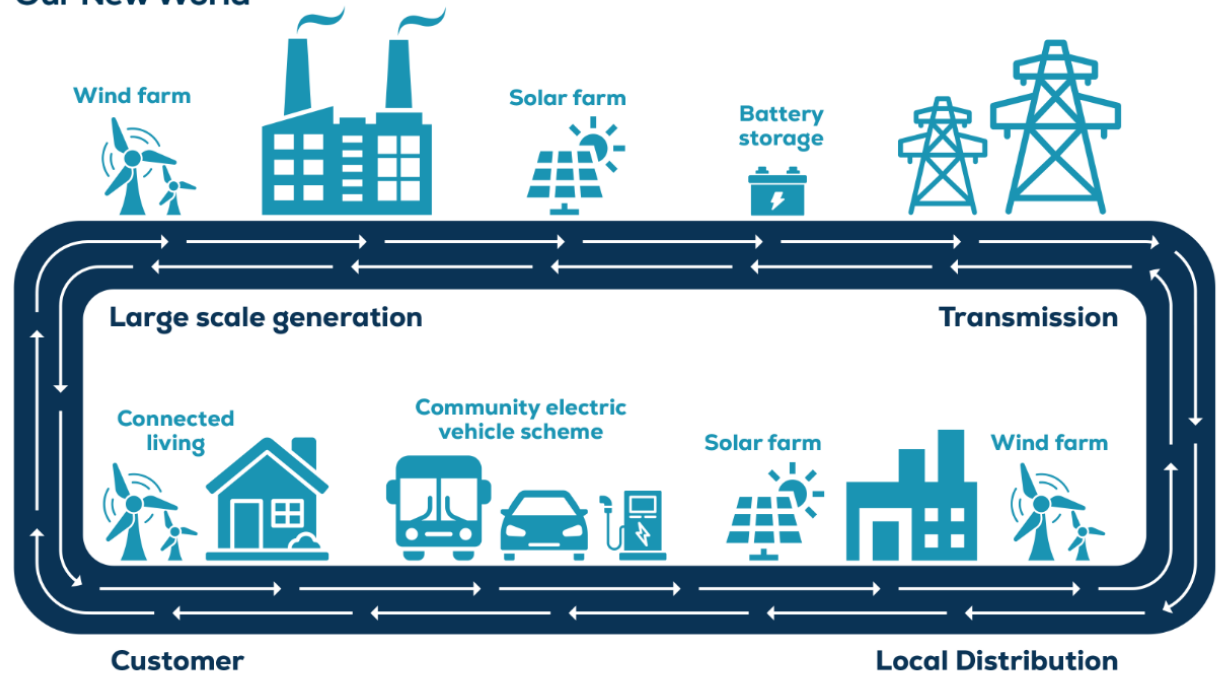
- Networks requested “Customer export services back to the distribution network, including ‘basic’ and ‘additional’ exports. (to be added to common distribution services - Standard control services)
- **Further questions for stakeholders:** Are export services simply part of a distributor’s normal network planning and operation? Or is there a need for export services to be recognised as a stand-alone activity within the common distribution service?

## Operating a Modern Grid



Source: Endeavour Energy Engagement Plan 2024-2029 Regulatory Control Period

### Our New World



Source: Endeavour Energy Engagement Plan 2024-2029 Regulatory Control Period

# Customer export services – “basic” v “additional”

## Three options for classification

1. A SCS classification for a single export service that covers all export services.
2. SCS classification that covers some ‘standard export services’ that may provide a service equivalent to the “basic export level”, with an ACS classification for ‘additional exports.’
3. A customer request for an export service beyond a threshold set by the distributor, classified as ACS.

## Further questions for stakeholders

- Given that the NER does not provide any definitions of “basic and additional export services”, what is the precise scope of these services?
- How will customers request these export services (will it form part of the existing connections process or is it negotiated outside of that process)?
- What is the nature of the investment required to deliver “additional” export services? How does it differ from the nature of investment required to deliver “basic” export services”?
- How do distributors intend to approach customer requests for export-related services that fall outside of the scope of the common distribution service? Other stakeholder questions?
- What do stakeholders consider to be the scope of the export services provided as part of the common distribution service?
- Should there be any limit on the export services to be delivered under the common distribution service?



## Other service classification issues

Other issues raised in the paper include:

- Provider of last resort for embedded networks (NSW)
- Rectification of private asset under fault (TAS)
- Rectification works – payment arrangements (NSW)
- Metering services – Types 5 and 6 legacy meters
- Provider of last resort (private asset construction) – connection services
- Reserve feeder construction and maintenance – (TAS)
- Reliability batteries – planned outage support for life support customers (TAS)
  
- ***And anything else????***

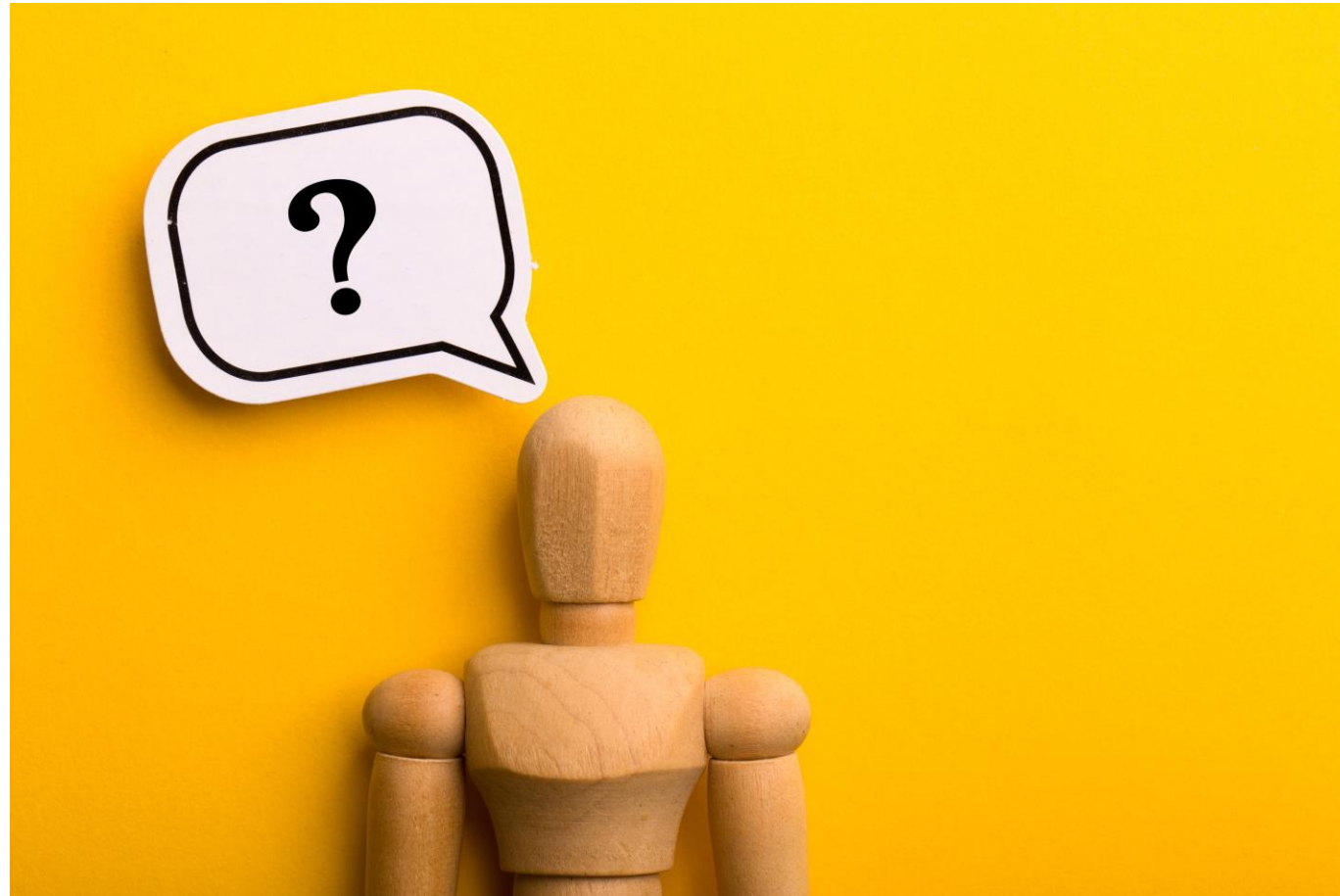
## Other F&A topics

There are a number of other topics we are required to cover in the final F&A:

- Control mechanisms
- Revenue cap for standard control services
- Price caps for alternative control services
- Incentive schemes
- Depreciation
- Dual function assets

***Do stakeholders have any concerns on these other F&A topics?***

## Additional question time



## Next steps/discussion points

Milestone	Date
Publish preliminary positions paper, call for submissions	11 April 2022
Stakeholder forum	27 April 2022
Stakeholder submissions close	20 May 2022
Roundtables and workshops on any outstanding issues	From 23 May 2022
Final Framework and Approach for all jurisdictions published (NSW, ACT, NT and TAS)	By 31 July 2022



## Submission details

- We invite interested parties to make submissions on this framework and approach positions paper by **5pm AEST, 20 May 2022**.
- **We encourage early submissions, where possible, to inform the next phase of consultation.**
- Submissions should be emailed to [AERResets2024-29@aer.gov.au](mailto:AERResets2024-29@aer.gov.au)

