



Draft connection charge guidelines for electricity retail customers

Under chapter 5A of the National Electricity Rules

22 December 2011

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Nature and authority

Introduction

Clause 5A.E.3(a) of the National Electricity Rules requires the Australian Energy Regulator to develop and publish guidelines for the development of connection policies by distribution network service providers. This guideline is published under clause 5A.E.3(a) of the National Electricity Rules.

Application of this guideline

Distribution network service providers must prepare a connection policy setting out the circumstances in which they may require a retail customer or real estate developer to pay a connection charge, for the provision of a connection service under Chapter 5A. The proposed policy must comply with the connection charge principles stipulated in clause 5A.E.1, and this connection charge guideline. The Australian Energy Regulator may approve the proposed connection policy if it is satisfied that the proposed policy complies with the requirements of chapter 5A and this connection charge guideline.

National Electricity Rule requirements

Clause 5A.E.1 outlines the connection charge principles with which a distribution network service provider's connection policy must comply.

Clause 5A.E.3(b) and clause 5A.E.3(e) of the National Electricity Rules sets out the purposes of the guidelines and what the Australian Energy Regulator must have regard to when developing the connection charge guideline.

Clause 5A.E.3(c) outlines that the connection charge guideline must:

- (1) describe the method for determining charges for premises connection assets; and
- (2) describe the circumstances (or how to determine the circumstances) under which a Distribution Network Service Provider may receive a capital contribution, prepayment or financial guarantee from a retail customer or real estate developer for the provision of a connection service; and
- (3) describe how the amount of any such capital contribution, prepayment or financial guarantee is to be determined; and
- (4) establish principles for fixing a threshold (based on capacity or any other measure the Australian Energy Regulator thinks fit) below which retail customers (not being a non-registered embedded generator or a real estate developer) are exempt from any requirement to pay connection charges (or to give consideration in the form of a capital contribution, prepayment or financial guarantee) for an augmentation (other than an extension) to the distribution network necessary to make the connection; and
- (5) describe the methods for calculating the augmentation component for the connection assets and, if the augmentation consists of or includes an extension, the extension component of a connection charge; and

- (6) describe the method for calculating:
- (i) the amount of a refund of connection charges for a connection asset when an extension asset originally installed to connect the premises of a single retail customer is used, within 7 years of its installation, to connect other premises and thus comes to be used for the benefit of 2 or more retail customers; and
 - (ii) the threshold below which the refund is not payable; and
- (7) describe the treatment of augmentation assets.

Interaction with the Australian Energy Regulator’s service classification

A distribution service is a service provided by means of or in connection with a distribution network. There are three classes of distribution services—direct control services; negotiated distribution services and unclassified distribution services. Direct control services are further categorised under clause 6.2.3 of the National Electricity Rules as either standard control services or alternative control services.

As part of a distribution determination the Australian Energy Regulator classifies distribution services and decides upon the appropriate form of control to apply to the distribution service. This connection charge guideline applies the form of control adopted, for each component of the connection service, in each distribution network service provider’s distribution determination.

1 Total connection charge

1.1.1 The connection charge that *connection applicants* will pay to the distribution network service provider, may be made up of multiple connection services and will be calculated in accordance with the following formula:

1.1.2 Connection Charge = AS + CC + PS

Where:

- AS is the charge payable to the distribution network service provider for all alternative control connection services.
- CC is the capital contribution payable to the distribution network service provider for all standard control connection services. This is calculated with reference to the cost revenue test in section 5 of this guideline.
- PS is the total payable to the distribution network service provider, to account for any existing pioneer scheme, applying to the assets to which the customer connects.

1.1.3 *Connection applicants* may also be required to pay a security fee, calculated in accordance with clause 10, to the distribution network service provider.

1.1.4 In determining the total connection charge, a distribution network service provider must:

- a. Determine the charge for each component in a fair and reasonable manner.
- b. Calculate the charge for each component on the least cost technically acceptable standard necessary for the *connection service*, unless:
 - i) the *connection applicant* requests a *connection service* or part thereof be performed to a higher standard. In which case the *connection applicant* should contribute the additional cost of providing the service to the standard requested
 - ii) the *connection service* involves augmentation to the shared network, in which case the *connection applicant* should be charged no more for this service than the cost attributable to the *connection applicant's* electricity demand.

2 Shared network augmentation charge thresholds

- 2.1.1 A distribution network service provider must submit to the Australian Energy Regulator for approval, a shared network augmentation charge threshold or thresholds, below which, *retail customers (connection applicants other than non-registered embedded generators and real estate developers)* will not be required to pay shared network augmentation charges.

Note: This shared network augmentation charge threshold applies to connection offers, regardless of the manner in which augmentation services are classified.

- 2.1.2 A distribution network service provider may set a different augmentation charge threshold in each identifiably different area of its network. The distribution network service provider must ensure:
- a. The level of load, which the distribution network could reasonably be expected to cope with in the ordinary course of managing its network, is different in each area.
 - b. The boundaries of each area should be easily identifiable by *connection applicants*.

- 2.1.3 The Australian Energy Regulator may not approve a distribution network service provider's proposed shared network augmentation charge unless:
- a. It only applies in the circumstance detailed in section 5A.E.3(d) of the NER; and
 - b. Connection services below and above the threshold have identifiably different characteristics (a clear natural breakpoint).

Example: the threshold could be set with reference to whether or not a particular type of equipment (for example, current transformer metering equipment) is necessary for the connection.

- 2.1.4 If the distribution network service provider's proposed shared network augmentation charge threshold or thresholds do not meet clause 2.1.3b, then the distribution network service provider should demonstrate to the Australian Energy Regulator how the threshold:
- a. Limits cross subsidies between new *connection applicants* and existing network users
 - b. Allows for historic and geographic differences.
- 2.1.5 When demonstrating that a proposed shared network augmentation charge threshold meets clause 2.1.4, a distribution network service providers may have regard to:
- a. The average size of the customers connected to the network relative to the threshold
 - b. The interconnectedness of the network

- c. The network classification
 - d. Any other factor the distribution network service provider considers relevant.
- 2.1.6 If a distribution network service provider cannot satisfy the Australian Energy Regulator that the network augmentation charge threshold or thresholds meet the requirements of 2.1.3 and 2.1.4, then the threshold will be set at:
- a. 25 kVA on single wire earth return lines (SWER)
 - b. The maximum capacity of a 100 Ampere 3 phase low voltage supply, elsewhere in the distribution network.
- 2.1.7 All shared network augmentation charge thresholds must be based on a measure of demand.

3 Charges for negotiated distribution services and unclassified distribution services

- 3.1.1 If the Australian Energy Regulator classifies a component of a *connection service* as a negotiated distribution service or does not classify the component of a connection, in accordance with clause 6.2.1 of the NER, the cost of the *connection service* will be determined by the connection applicant and relevant service provider.¹

Note: The Australian Energy Regulator considers that these service classifications are likely to be applied in circumstances where the connection service is provided in a contestable market, or when the distribution network service provider is prevented from performing these services by jurisdictional requirements or ring fencing arrangements.

- 3.1.2 Regardless of the classification of the service, the charge must still be in accordance with the requirements of chapter 5A, including the connection charge principles and this connection charge guideline.

¹ Connection applicants would negotiate an outcome with the distribution network service provider, or applicable third party provider.

4 Charges for alternative control services

- 4.1.1 Where a component of a *connection service* is classified as an alternative control service the distribution network service provider is required to charge in accordance with the relevant form of control approved by the Australian Energy Regulator.

Note: The Australian Energy Regulator considers that this service classification is likely to be applied in circumstances where the cost of the service is directly attributable to the individual customer's connection to the network. Section 6.2.2 of the NER indicates this is an important consideration in classifying a service as an alternative control service and provides the following example:

In circumstances where a service is provided to a small number of identifiable customers on a discretionary or infrequent basis, and costs can be directly attributed to those customers, it may be more appropriate to classify the service as an alternative control service than as a standard control service.²

- 4.1.2 Regardless of the classification of the service, the charge must still be in accordance with requirements of chapter 5A, including the connection charge principles and this connection charge guideline.

² Section 6.2.2(c) of the National Electricity Rules

5 Capital contributions for standard control services

- 5.1.1 A distribution network service provider may seek a capital contribution for standard control services from a *connection applicant*, if the incremental costs of the standard control services exceeds the estimated incremental revenue expected to be derived from these standard control services.³
- 5.1.2 The amount of any capital contribution must be calculated as the difference between the incremental revenue and the incremental cost attributable to the standard control services required by the *connection applicant*. Where the capital contribution is less than zero, there will be no capital contribution payable by the *connection applicant*, or the distribution network service provider.
- 5.1.3 A cost-revenue-test will be applied in the form of:

$$CC = ICCS + ICSN - IR(n=X)$$

Where:

- $CC \geq 0$
- CC = Capital Contribution for standard control services.
- ICCS = Incremental Cost Customer Specific—the incremental costs incurred by the distribution network service provider for premises connection assets and extensions. ICCS is calculated in accordance with clauses 5.2.1 to 5.2.5 of this guideline.
- ICSN = Incremental Cost Shared Network—the costs incurred by the distribution network service provider for the shared network augmentation attributable to the new connection and calculated in accordance with clauses 5.2.1 to 5.2.5 and clauses 5.2.6 to 5.2.13 of this guideline.
- $IR(n=X)$ = Incremental revenue expected to be received from the new connection—the present value of a X year revenue stream directly attributable to the new connection as defined in section 5.3 of this guideline.

Note: The incremental costs or incremental revenue received from any services classified as alternative control, negotiated control or unclassified services will not be included in the cost-revenue-test.

³ Section 6.21.2(2) of the National Electricity Rules allows that: the Distribution Network Service Provider may receive a capital contribution, prepayment and/or financial guarantee up to the provider's future revenue related to the provision of direct control services for any new assets installed as part of a new connection or modification to an existing connection, including any augmentation to the distribution network

- 5.1.4 The cost-revenue-test in clause 5.1.3 of this guideline will not include operational and maintenance costs.
- 5.1.5 Subject to clause 5.1.4, the cost-revenue-test will be applied to all components of *connection services* classified as standard control, except:
- a. Shared network augmentations where the *connection applicant* is not required to make a capital contribution towards the cost of augmentation, in accordance with clause 2.1.1 of this guideline.
 - b. In these cases neither the amount of ICSN or IR(n=X) attributable to these connection services will be included in the cost-revenue-test.

5.2 Incremental costs

Principles for determining incremental cost

- 5.2.1 In determining the total connection charge, a distribution network service provider must:
- a. Determine the charge for each component in a fair and reasonable manner. The cost estimate should be reflective of the efficient costs.
 - b. Calculate the charge for each component on the least cost technically acceptable standard necessary for the *connection service*, unless:
 - i) the *connection applicant* requests a *connection service* or part thereof be performed to a higher standard. In which case the *connection applicant* should contribute the additional cost of providing the service to the standard requested
 - ii) the *connection service* involves augmentation to the shared network, in which case the *connection applicant* should be charged no more for this service than the cost attributable to the *connection applicant's* electricity demand.
- 5.2.2 If a distribution network service provider elects to perform the work to a higher standard than contemplated in clause 5.2.1, then the distribution network service provider must not charge the *connection applicant* for any cost additional to the least technically cost acceptable standard, unless:
- a. The connection applicant is a real estate developer and the distribution network service provider has included the cost of providing efficiently for forecast load growth as contemplated in clause 8.1.5 of this guideline.
- 5.2.3 If a distribution network service provider is able to use independent contractors to perform *connection service* work on its network, the distribution network service provider should offer to run a tender process on behalf of the *connection applicant* or allow a *connection applicant* to run a tender process, to procure the connection services.
- a. A distribution network service provider must notify a *connection applicant* of the option, where applicable, for the distribution network service provider, or customer to seek tenders to perform the connection work.

- b. If the distribution network service provider carries out a tender process, it may charge the *connection applicant* the reasonable costs of running the tender process. The *connection applicant* should, however, be provided with estimates of the costs before commencing the tender process.

Components of the customer specific incremental costs

5.2.4 The customer specific incremental costs (ICCS) will be calculated as the sum of the following cost items.

- a. premises connection assets.
- b. extension costs.
- c. administration costs (not limited by, but including design and certification).

5.2.5 All ICCS costs must be calculated in accordance with 5.2.1 to 5.2.3 of this guideline.

Calculation of the cost of shared network augmentation (ICSN)

5.2.6 Where a *connection applicant* is required to make a capital contribution towards the cost of augmentation, ICSN will be calculated as follows:

$$\text{ICSN} = \text{Unit rate} * \text{Demand.}$$

Where:

Unit rate - is the average cost of shared network augmentation, per unit of added capacity. The unit rate is calculated in accordance with clauses 5.2.7 to 5.2.11.

Demand - is a measure of electrical capacity required by a *connection service*. The demand is calculated in accordance with section 5.4 of this guideline.

5.2.7 The unit rate(s) must be calculated as an average cost of adding a unit of capacity to the shared network in accordance with clause 5.2.9.

- a. A distribution network service provider may apply different unit rates in different parts of its network when the cost of augmentation differs significantly between these areas.

5.2.8 A distribution network service provider's unit rate(s) for the cost of shared network augmentation must be approved by the Australian Energy Regulator in its distribution determination.

5.2.9 The unit rate of the cost of shared network augmentation may be based on the local area's recent shared network augmentation costs for the following network components:

- a. sub-transmission line
- b. zone substation

- c. high voltage feeder
 - d. distribution substation
 - e. low voltage mains.
- 5.2.10 To the extent that a particular network component as defined in clause 5.2.9 has been included as a customer specific cost, these components will not be included in the calculation of the unit rate(s) for shared network augmentation.
- 5.2.11 In calculating the applicable unit rate a distribution network service provider must take account of the cost of augmenting each network component with reference to;
- a. The proportion of each network component used by the connection applicant; and
 - b. The useful life of the network component and the assumed period for which the connection applicant will be using the network.
- 5.2.12 Distribution network service providers may elect to measure a *connection service's* demand as either a peak demand or a peak coincident demand.
- 5.2.13 When estimating a *connection service's* peak demand or peak coincident demand, distribution network service providers must apply clauses 5.4.2 to 5.4.4 of this guideline.

5.3 Incremental revenue

- 5.3.1 The incremental revenue contemplated in clause 5.1.3 should be the net present value of the expected distribution use of system charges, recoverable from the *connection applicant*, except:
- a. For *connection services* which fall below the shared network augmentation threshold, distribution network service providers must remove the distribution use of system charges attributable to shared network augmentation from the incremental revenue.⁴
 - b. The amount of revenue attributable to the operational and maintenance costs.
- 5.3.2 If the *connection applicant* is a *residential customer*, then a connection period of 30 years will be applied when calculating the expected distribution use of system charges recoverable from the *connection applicant*.
- 5.3.3 If a *connection applicant* is a *business customer* then a connection period of 15 years should be applied in calculating the expected distribution use of system charges, recoverable from the *connection applicant*:
- a. Where a 15 year connection period does not reflect a reasonable estimate of the time that the *connection service* would be connected for, in which

⁴ These customers will not have an explicit charge for augmentation costs and so are not able to offset the portion of Duos which will be used to recover these costs against its premises connection assets and extension costs.

case the distribution network service provider will set an appropriate connection life for that *connection service*.

- b. The distribution network service provider must negotiate with the *connection applicant* in good faith when determining an alternative connection life.

5.3.4 The revenue stream arising from clause 5.3.1 to 5.3.3 of this guideline will be discounted by the relevant distribution network service provider's real weighted average cost of capital to derive the incremental revenue (IR) of a *connection applicant* in clause 5.1.3 of this guideline.

5.3.5 When estimating a *connection applicant's* incremental revenue, a distribution network service provider must:

- a. use the price path applicable at the time of the connection offer, until the end of the relevant distribution determination, and
- b. use a flat real price path⁵ after the end of the relevant distribution determination, for the remaining life of the connection;
- c. the flat price path will be a continuation of the price determined for the last year of the relevant distribution determination for the relevant connection.

Note: When a connection offer is made after the Australian Energy Regulator has made a distribution determination for the subsequent regulatory control period, then the distribution network service provider must apply the price path of the subsequent regulatory control period.

5.4 Estimating customers' consumption and demand

5.4.1 Distribution network service providers must estimate a *connection applicant's* consumption, for use in the incremental revenue calculation.

5.4.2 Distribution network service providers must estimate a *connection applicant's* peak demand or peak coincident demand for use in calculation the shared network augmentation charge.

5.4.3 Distribution network service providers' consumption and demand estimates contemplated in clauses 5.4.1 and 5.4.2 must be fair and reasonable, and be based on an assessment of the *connection applicant's* particular circumstances.

- a. The distribution network service provider may also consider information from existing *connection services* with similar characteristics.
- b. A distribution network service provider's connection policy must provide guidance on how it will estimate a *connection applicant's* consumption and demand.

5.4.4 A distribution network service provider's connection policy must include an approach whereby:

⁵ Which would escalate at CPI in nominal terms.

- a. If distribution network service provider and a *connection applicant* other than a real estate developer, cannot reach agreement on appropriate estimates of consumption and/or demand contemplated in clauses 5.4.1 and 5.4.2, then a provisional estimate may be determined and applied by the distribution network service provider.
- b. Subject to clause 5.4.4d, no later than three years after the connection works occur, a refund or additional charge is payable to/paid by/ the relevant *connection applicant* based on the actual consumption or demand experienced over the period.
- c. the additional charge or refund will be calculated assuming the actual demand value determined had been applied for the total connection life.
- d. If the connection applicant becomes insolvent, or ceases to utilise the property within three years, then the distribution network service provider will not make a refund or require an additional charge based on the actual demand or consumption.

Note: This clause provides an alternative to referring a dispute to the Australian Energy Regulatory clause 5A.G of the NER. However, this clause does not prevent a customer from accessing notifying the Australian Energy Regulator of a dispute under clause 5A.G.

- 5.4.5 Distribution network service providers and real estate developers may enter into private agreements with similar effect to clause 5.4.4 of this guideline.

Note: The premises, to which connection services are made at the request of real estate developer, would be likely to have changed ownership before an addition payment or refund would occur and thus the approach is unlikely to have any effect for these customers.

5.5 Capital contributions for basic and standard connection offers

- 5.5.1 If a distribution network service provider considers that all *connection applicants* receiving a particular basic or standard connection offer have substantially the same *connection service* characteristics, then the distribution network service providers may apply a pre-determined capital contribution charge to each connection applicant within the class.

Note: distribution network service providers are not obliged to apply a pre-calculated capital contribution to any or all classes of basic or standard connection offers.

- 5.5.2 Distribution network service providers' pre-calculated charges under 5.5.1 must be approved by the Australian Energy Regulator before they can be applied.
- a. The Australian Energy Regulator will approve a pre-calculated capital contribution charge if it is satisfied the charge;
 - b. limits cross subsidisation within the class; and

- c. is reflective of the average or typical capital contribution that would be charged to *connection applicants* within the class, if the cost-revenue-test was individually applied to each *connection applicants' connection service*.

6 Extension pioneer scheme

- 6.1.1 Each distribution network service provider must develop and publish on their website a pioneer scheme to apply to network extension assets.
- 6.1.2 Where an *original customer* has paid for specific extension assets, and a *subsequent customer* connects to these extension assets, the distribution network service provider must provide the *original customer* with a rebate:
- a. A distribution network service provider must charge *subsequent customers* the amount determined by the pioneer scheme
 - b. The distribution network service provider must pay the amount received under clause 6.1.2a to the *original customer*.
- 6.1.3 A distribution network service provider's pioneer scheme must take account of the physical attribute (for example, length of line) of assets a *subsequent customer* uses of an *original customer's* extension assets, and the amount of relative electricity demand used by a *subsequent customer*.
- 6.1.4 For the purpose of calculating the amount payable and refunded under the pioneer scheme, the depreciated value of the assets must be used.
- a. Extension assets should be depreciated over 20 years using straight line depreciation for the purpose of the pioneer scheme.
- 6.1.5 The pioneer scheme will not be applicable when the total amount paid from a *subsequent customer* to the distribution network service provider is less than \$500.
- 6.1.6 When an independent service provider performs an extension and the cost of the extension is unknown to the relevant distribution network service provider, the distribution network service provider will establish the pioneer scheme using an estimate of the amount it would have charged the pioneer customer to perform the extension.
- 6.1.7 If a distribution network service provider builds an extension asset to a greater standard than required by a *connection applicant*, other than a real estate developer, the *connection applicant* will only pay for the extension necessary to its connection service and only the extension necessary for the *connection applicant* will be subject to a pioneer scheme.

7 Embedded generation

- 7.1.1 Non-registered embedded generators are not eligible for the exemption from paying augmentation costs under clause 5A.E.3(c)(4) and so must contribute to augmentation costs regardless of their size.
- 7.1.2 The capital contribution for non-registered embedded generators that are also load customers, will be calculated on both the generation and load components of the *connection service* separately.
- a. Non-registered embedded generators will pay a connection charge on the cost of connecting either its generation or load capacity, whichever amount is greater.
 - b. The relevant load for the purposes of calculating ICSN will be the gross peak demand of the load, regardless of the embedded generator's expected electricity output.
- 7.1.3 Non-registered embedded generators will not be charged a unit rate for shared network augmentation (based on the generation output), in accordance with sections 5.2.6.
- 7.1.4 Non-registered embedded generators should pay for the cost of removing specific network constraints, unless there is a demonstrable net benefit to other network users as determined by the distribution network service provider.

8 Real estate developers

- 8.1.1 Real estate developers are not eligible for the exemption from paying augmentation costs under clause 5A.E.3(c)(4) and so must contribute to augmentation costs regardless of their size.
- 8.1.2 A real estate developer's incremental revenue as contemplated in section 5.3 of this guideline is the estimated revenue that a distribution network service provider is estimated to receive from all the sites/*connection services* within a real estate development.
- 8.1.3 The assumed connection period will be calculated in accordance with sections 5.3.2 and 5.3.3, having reference to the intended usage of the development site.
- 8.1.4 A real estate developer is to be treated as a single customer for the purposes of calculating a capital contribution under this guideline.
- 8.1.5 In accordance with section 5A.E.1(c)(5) of the NER, real estate developer's incremental cost (for inclusion in the cost-revenue-test) for augmentation (both ICCS and ICSN) may include the costs of the connection services and, to any further extent that a prudent service provider would consider necessary, the cost of providing efficiently for forecast load growth.

Note: If a distribution network service provider considers that it is prudent to provide spare capacity in any extension assets used to connect a real estate developer, it should enter into a pioneer scheme with the real estate developer.

9 Prepayments

- 9.1.1 A distribution network service provider may not require prepayments of connection charges unless it develops and publishes in its connection policy, a policy regarding the calculation and charging of prepayments.
- 9.1.2 A distribution network service provider's connection policy may require prepayment of the full connection charge, unless:
- a. The *connection service* will not occur for 3 months or more, after the connection offer is accepted.
 - b. The *connection service* can be easily segmented into distinct stages of construction
- 9.1.3 If the connection will not occur for 3 months or more after the connection offer is accepted, the distribution network service provider's policy can require prepayment of any sunk costs incurred when, or immediately after, the connection offer is accepted. The prepayment may include but are not limited to:
- a. The costs of specialised or non standard assets which need to be ordered by the distribution network service provider in advance and would not normally be required to perform a connection; and
 - b. Design and administration costs.
- 9.1.4 The balance of the connection charge not recovered in clause 9.1.3 of this guideline, may be recovered by a distribution network service provider up to one month prior to the connection work occurring.
- 9.1.5 For connection services requiring multiple distinct stages of construction as contemplated in clause 9.1.2b of this guideline, the distribution network service provider's connection policy should allow for partial prepayment of the connection charge, prior to each construction stage. Each prepayment should be reasonably reflective of the costs incurred in each construction stage.

10 Security fees

- 10.1.1 A distribution network service provider may not require a security fee unless it has developed and published, in its connection policy, a policy regarding the calculation and charging of security fees.
- 10.1.2 A security fee scheme should be in the form of either an upfront payment, or a bank guarantee.
- 10.1.3 A distribution network service provider's security fee scheme should make the following provisions:
- a. If a distribution network service provider fairly and reasonably assesses that there is a high risk that the distribution network service provider may not earn the estimated incremental revenue, then the distribution network service provider may require a security fee.
 - b. The amount of the security fee must not be greater than the amount of the incremental revenue which the distribution network assesses as high risk.
 - c. The security fee may not exceed the present value of the incremental costs the distribution network service provider will incur in undertaking any relevant new works and augmentation.
 - d. Where the security fee has been provided as an upfront payment, the distribution network service provider must rebate the security fee over the period of the security fee scheme. A rebate must be allowed at least once each calendar year, beginning after the calendar year in which the connection services are provided.
 - e. Where the security fee has been provided as an upfront payment, the distribution network service provider must pay interest on the security fee, commensurate to the manner in which the security fee is treated by the distribution network service provider. Interest will not be payable on security held in the form of a bank guarantee.
 - f. The security fee scheme should not result in the distribution network service provider receiving more than the original estimated revenue, unless, the full security fee has been refunded and above estimated incremental revenue was realised in total over the period.
 - g. The *connection applicant* should be rebated an amount greater than the security fee deposit plus interest from the distribution network service provider in total, over the security fee period.

11 Treatment of augmentation assets

- 11.1.1 The net cost (the gross capital cost to the distributing network service provider of performing a connection service *minus* the customer *connection charge*) of any *connection service* will be included by the distribution network service provider in its Regulatory Asset Base.
- 11.1.2 Any assets gifted to a distribution network service provider by a *connection applicant*, will not be included by the distribution network service provider in its Regulatory Asset Base.

12 Definitions

Business Customer—A *connection service* which is used for business purposes, not including residential homes from which business is conducted

Connection applicant— *connection applicant* means an applicant for a *connection service* of 1 of the following categories:

- a. retail customer;
- b. retailer or other person acting on behalf of a retail customer;
- c. real estate developer.

Connection Charge—the total amount payable by the connection applicant to the DNSPs. This may consist of charges for alternative control services or a capital contribution for standard control services.

Connection service—means either or both of the following:

- a. a service relating to a new connection for premises;
- b. a service relating to a *connection alteration* for premises.

Extension—An augmentation that requires the connection of a power line or facility outside the present boundaries of the transmission or distribution network owned, controlled or operated by a Network Service Provider.

Original customer—the first *connection applicant* for which an extension is required.

Peak Coincident Demand—A *connection service*'s electricity demand at times when the network or relevant segment is experiencing its maximum demand

Peak demand—A *connection service*'s maximum electricity demand.

Residential Customer—A *connection service* which is used for residential purposes

Shared Network Augmentation—Augmentation of a transmission or distribution system to increase its capacity to transmit or distribute electricity (This is all augmentations other than extensions).

Subsequent customer—A *connection applicant*, other than the *original customer*, for which connects to an extension subject to the pioneer scheme.