

# Attachment 8.1

## Classification of Services Proposal

30 April 2018



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## 1. Requirements

Clause 6.8.2(c)(1)(i) of the National Electricity Rules (NER) requires Essential Energy to include in its regulatory proposal a service classification proposal showing how the distribution services it provides should be classified under Chapter 6. Further, if Essential Energy's proposed service classification differs from the classification suggested in the AER's Framework and Approach Paper, it should explain the reasons for that proposed departure.

### 1.1 AER's service classification RIN requirements

The Regulatory Information Notice (RIN) issued by the Australian Energy Regulator (AER) on 20 October 2017 requires Essential Energy to address several questions in relation to the classification of services. These questions are as follows:

- Identify each proposed service classification which departs from a service classification set out in the framework and approach paper in the regulatory proposal and explain:
  - the reasons for the departure, including why the proposed service classification is more appropriate; and
  - how the service will differ under the proposed service classification in comparison to that in the framework and approach paper.
- If the proposed service classifications in the regulatory proposal depart from any of the service classifications set out in the framework and approach paper:
  - provide, in a second set of regulatory templates, all information required in each regulatory template in accordance with the instructions contained therein, modified as necessary, to incorporate the proposed service classifications; and
  - identify and explain where the regulatory templates differ.

This regulatory proposal has some proposed departures from the service classification set out in the AER's Framework and Approach Paper as discussed in section 2.

### 1.2 AER's Framework and Approach Decision

The AER set out its proposed classification of Essential Energy's distribution services in its July 2017 publication *Framework and Approach: Ausgrid, Endeavour Energy and Essential Energy, Regulatory Control Period commencing 1 July 2019* (Framework and Approach). The AER's proposed grouping of Essential Energy's distribution services subject to economic regulation is:

- common distribution services (referred to as "network services" in the current regulatory control period);
- ancillary services;
- metering services;
- connection services; and
- public lighting services.

The Framework and Approach included a number of service classification changes. Most of the service classification changes have been driven by the introduction of the AER's Distribution Ring-Fencing Guideline (the Guideline).<sup>1</sup> The Guideline requires Essential Energy's unregulated distribution services to be provided by a business unit which is functionally separate (that is, "ring-fenced") from the entity which provides our regulated distribution services. This would not be a practicable treatment of several currently unclassified, and therefore

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<sup>1</sup> AER (2016), Ring-Fencing Guideline Electricity Distribution, November

unregulated, distribution services, especially those that are monopoly services and therefore can only be provided by Essential Energy. Consequently, the AER proposes these services will now be re-classified as regulated distribution services and further classified as Standard Control or Alternative Control Services. Re-classification will ensure that these services continue to be provided by the Essential Energy distribution service entity rather than a separate ring-fenced business unit. This will avoid service disruption and potentially higher costs to our customers. For these reasons, we support the AER's proposed service re-classifications.

## 2. Essential Energy's classification proposal - summary

Essential Energy's classification proposal adopts the vast majority of the AER's service classifications as proposed in its Framework and Approach Paper with some departures. We agree that none of our services should be classified as negotiated distribution services. The departures from the AER's Framework and Approach are discussed below.

### 2.1 Provider of Last Resort

In assessing options available to achieve compliance with the AER's Ring Fencing Guideline, Essential Energy determined that continuing to offer the same (small) volume of contestable services would not justify the cost to customers of creating and running a functionally separated business post 1 January 2018 as would have been required by the Guideline.

However, we were concerned about the impact our decision to withdraw from offering contestable services would have on regional and remote customers who may not have access to any alternate service providers. For example, Essential Energy has largely withdrawn from competing for works under the contestable Accredited Service Provider (ASP) Scheme over the last five years but continues to deliver a small number of jobs for customers who contact Essential Energy as they are unable to source any alternate suppliers of these services in the open market.

As a result, Essential Energy submitted a Ring Fencing waiver to the AER requesting that we be allowed to perform some services where a customer was unable to secure the services of an alternate supplier. In response to the AER's draft waiver decision Essential Energy provided a defined list of services to which the waiver was proposed to apply. These services were:

- > All services allowed for under the NSW ASP Scheme including:
  - Level 1 customer connection services including both overhead and underground, and including related network extensions or augmentations
  - Level 2 services such as disconnect and reconnect, work on underground service conductors, and work on overhead service conductors; and
  - Level 3 design services for both overhead and underground network electricity assets.
- > Customer initiated asset relocations; and
- > Inspection, maintenance and testing of customer assets including HV assets (this is for standard distribution and sub-transmission type assets and excludes emerging technology assets such as PV, batteries, etc).

On 19 December 2019 the AER granted Essential Energy a temporary waiver until 30 June 2019 to perform these services and requested that we include amendments to the classification of services table in our regulatory submission to allow for the Provider of Last Resort to be treated as an alternate control service from 1 July 2019.

Amendments have been made to the following service groups to allow for the Provider of Last Resort to be included in the Classification of Services table:

- Customer initiated asset relocations: an additional line in the service description that applies to Essential Energy only and only applies when a third party is unable to source an alternate supplier;
- Connection Services (Premises Connection Assets, Extensions and Augmentations): amendment to allow work with a proposed classification of 'Unclassified' to be classified as Alternative Control for Essential Energy only; and

- Unregulated Distribution Services – Non-Standard Connection Services: the inclusion of an additional line in the service description to include ‘Inspection, maintenance (including F&E) and testing of customer assets including HV assets’ and an amendment to allow work with a proposed classification of ‘Unclassified’ to be classified as Alternative Control for Essential Energy only.

It is important to note that some services above are proposed to be reclassified as Alternative Control for Essential Energy only. These services will only be deemed to be classified as Alternative Control where the work has progressed through our Provider of Last Resort process. This process includes a number of controls to ensure that Essential Energy is acting in a Last Resort capacity only. All other works in these service groups are considered to be unclassified and any completion of these works would be a breach of the Ring Fencing Guideline.

## 2.2 Connections under Chapter 5 of the NER

### 2.2.1 Background

The management of large scale connections is governed by Chapter 5 of the National Electricity Rules (NER) and is facilitated by way of a negotiated commercial agreement between us and the proponent. The majority of connection costs are funded by the proponent utilising the contestable market but there are elements of the work we deem non-contestable. The majority of this is related to works within our Zone Substations for reasons of safety (these are live energised sites) and network reliability (there are generally significant loads and customers connected to our Zone Substations). There are also some more technical/specialist type works like communications and protection asset installation and commissioning that we complete.

In some cases, the non-contestable works can be relatively minor but in other cases require significant augmentation of our zone substations. We are currently experiencing a dramatic increase in renewable energy generation connection enquiries and are expecting that over the next five years an increased amount of augmentation works in our Zone Substations will arise.

### 2.2.2 Charging Chapter 5 Connection Customers

Historically, we have been able to charge Chapter 5 connection customers for the works we deem non-contestable as an unclassified service based on the funding responsibilities/contributions contained in the negotiated connection agreement. However, our ability to charge for these works is restricted given the introduction of Ring Fencing. Given that we are expecting a significant increase in augmentation works that we deem non-contestable we are concerned that we will need to include these costs as standard control as per the current classification of services.

However, we do not believe our customers should fund the full costs of these works as:

- the works are being driven by connection proponents that are significant commercial enterprises;
- the connection proponents are making a commercial return from their venture and shouldn't rely on all customers funding their costs;
- we are expecting significant costs to be incurred in the next regulatory period; and
- we are focussed on minimising the impact on customer prices and minimising growth in our Regulated Asset Base (RAB).

Gifted assets such as these wouldn't form part of our RAB if we were able to charge connection applicants for these works. However, we believe that under the current Classification of Services we would be unable to charge connection applicants and would need to include these costs as standard control services. Given the connection agreement under Chapter 5 is negotiated between the parties the funding responsibility of costs for any work deemed non-contestable should also form part of the negotiated agreement.

### 2.2.3 Current Classification of Services

It is our belief that the current classification of services doesn't allow us to charge customers for work we deem non-contestable.

The augmentation section of the Services Classification table only allows us to charge a customer if it is the result of the customer requesting assets that are designed and constructed to an increased standard. This would indicate

that works we perform that we have deemed to be non-contestable would need to be classified as standard control and therefore funded by all customers.

However, the Framework and Approach includes the following section (section 1.3.3, page 31 under Augmentations):

*We acknowledge there may be some circumstances where a customer may be required to contribute to an augmentation in order to connect to the network. Typically, network augmentation is not attributable to a specific customer. However, we do not wish to preclude the possibility of a customer contributing to augmentation at this point. The NSW distributors will be required to identify these circumstances in their Connection Policies that will form part of their regulatory proposals. Where this circumstance occurs, the service classification does not change. That is, the customer is receiving a service classified as standard control, but there may be a tailored component over and above the standard control service. In some instances, this additional charge (such as a capital contribution or negotiated charge) may be required by the distributor from the customer. The additional charge component does not alter the classification of the service from a standard control service.*

Whilst this would seem to allow us to charge customers for augmentation works that were deemed non-contestable and delivered by Essential Energy, the above passage advises that we would need to identify the circumstances where this would be applied in our Connection Policies that are submitted with the regulatory proposal. However, our Connection Policy only covers Chapter 5A connections, not Chapter 5 connections. As a result, this would preclude us from using this section to allow us to charge Chapter 5 connections customers for works that are deemed non-contestable.

#### **2.2.4 Our Proposed Amendments to the Classification of Services**

In order to allow us to charge applicants for the costs incurred by Essential Energy in the delivery of works deemed non-contestable we have included a new service group in the Classification of Services called 'Connections under Chapter 5 of the NER'. This service incorporates:

- the unclassified nature of works required to be delivered by the contestable market (with an additional amendment to allow Essential Energy to perform these works as a Provider of Last Resort);
- the flexibility of differing contribution amounts payable by the connection applicant and Essential Energy based on the negotiated agreements allowed for under Chapter 5; and
- an avenue to allow DNSP's to charge connection applicants for works deemed non-contestable, also based on the agreed contributions between the DNSP and the connection applicant in the connection agreement.

### **2.3 New Services Identified within a Regulatory Period**

From time to time a new service is identified during a Regulatory Period that does not have an approved price. Historically these services would have been viewed as unregulated. However, with the introduction of Ring Fencing, there are new obligations on us that would potentially prevent us from providing unregulated services.

In order to provide greater flexibility to us, and to customers, where a new service is identified that falls within an existing service group classification, but for which no price has been approved, we propose to develop pricing in a manner that is consistent with other services in the same grouping.

This provides us with the flexibility to provide new, unforeseen services to our customers and provides customers with the protection of a regulated pricing mechanism.

### 3. Further details of Essential Energy's service classification

The AER, as set out in section 1 above, has proposed a set of groups for classifying Essential Energy's services. The NER (cl.6.2.1(b)) allow the AER to form such groups while treating each service within each group as a separate service.

The AER has, for other than common distribution services and public lighting services, provided further sub-group service breakdowns. This will assist understanding of the activities undertaken for each service. This approach provides Essential Energy with flexibility to change the way in which it manages a service without changing its nature. The most important changes between current and proposed service classifications are discussed in the sections below.

The AER's proposed service classification is presented in full in Table 1 at the end of this Attachment.

#### 3.1 Common distribution services

The AER proposes that common distribution services should be classified as Standard Control Services in the 2019-24 regulatory control period, which Essential Energy supports.

The AER proposes to classify emergency recoverable works as common distribution services and further as Standard Control Services. These works are not regulated at present, despite being performed on the common distribution system. This is because their costs potentially can be recovered directly from the person who caused the works to be undertaken. However, as noted above, the AER's Distribution Ring-Fencing Guideline requires all non-regulated services to be ring-fenced from Essential Energy's regulated distribution service entity. This would not be a practicable treatment of emergency recoverable works. When Essential Energy can recover the costs of these works from the person who caused them to be undertaken (which is not always the case), our operating expenditure will be adjusted to ensure those costs are not recovered twice.

Essential Energy supports the AER's simpler definition of common distribution services presented in the Framework and Approach.

#### 3.2 Ancillary services

The AER has proposed that several individual services that are currently unclassified should be re-classified as Alternative Control Services in the 2019-24 regulatory control period. This will allow their provision by Essential Energy's regulated distribution services entity. This classification change again has been driven by the AER's Distribution Ring-Fencing Guideline. The services are as follows:

- Network safety services
- Rectification works to maintain network safety
- Planned interruption – customer requested
- Provision of training to third parties for network related access
- Emergency recoverable works
- Planned interruption – customer requested
- Security lights
- Customer-initiated asset re-locations
- Termination of cable at zone substation – distributor required performance

Essential Energy supports the AER's proposed re-classification of the above former ancillary services as Alternative Control Services.

As noted above, Essential Energy has made an amendment to the 'Customer-initiated asset relocations' service group to allow us to act as a Provider of Last Resort when a customer is unable to find an alternate service provider.

### 3.3 Metering Services

From 1 December 2017, the installation of new type 5 (interval) and type 6 (accumulation) meters at residential and small business customers' premises will become subject to competition for the first time. However, distributors such as Essential Energy will need to recover the capital costs of type 5 and 6 meters installed before 1 December 2017, as well as the associated operating and maintenance costs (including reading, testing, recovery and disposal of these meters) over the period in which those meters remain in service. The AER proposes to retain the existing Alternative Control Service classification for these metering services:

Given the introduction of competition to previously monopoly services, the AER also proposes the following two new metering services, which are to be classified as Alternative Control Services:

- Meter recovery and disposal – type 5 and 6 (legacy meters)
- Distributor-arranged outage for purposes of replacing meter.

Essential Energy supports the AER maintaining classification of metering services as Alternative Control Services for the 2019-24 regulatory control period. Recovery of the capital and operating costs associated with legacy metering assets remains an ongoing concern for our business. The AER's proposed two new metering services are also supported, recognising that Essential Energy expects to be required to remove increasing numbers of type 5 and type 6 meters as competition in the small customer metering services market develops after 1 December 2017.

### 3.4 Connection Services

The AER also proposes to group an additional activity under each of the 'premises connection assets' and 'augmentations' service groups. The two activities currently are unclassified and the AER proposes to re-classify them as Alternative Control Services.

The additional premises connection assets service activity is:

C. Part design and construction of connection assets where a customer requests that connection assets are designed and constructed to an increased standard (beyond that required by the distributors' standards and policies), and where those works are designed and constructed by the distributor (as a result of safety, reliability or security reasons).

The additional augmentation service activity is:

D. Any shared network enlargement/enhancement undertaken by a distributor where a customer requests that assets are designed and constructed to an increased standard (beyond that required by the distributors' standards and policies).

Essential Energy supports the AER's proposed re-classification of the above former unclassified services as Alternative Control Services.

As noted above, Essential Energy has made several additional amendments to this service group to incorporate:

- Provider of Last Resort; and
- Connections under Chapter 5 of the NER.

### 3.5 Public Lighting Services

Essential Energy supports the AER's proposed classification of currently unclassified emerging public lighting technology services as Alternative Control Services.

### 3.6 Unregulated Distribution Services

Essential Energy supports the following unclassified services being re-classified as unregulated distribution services in the 2019-24 regulatory control period:

- Distribution asset rental
- Contestable metering support
- Non-standard connection services
- Provision of training to third parties for non-network related access
- Type 5 and 6 meter data management to other electricity distributors.

This will allow their continued provision by Essential Energy's regulated distribution services entity and will avoid service disruption and potentially higher costs to our customers.

As noted above, Essential Energy has made an amendment to the 'Non-standard connection services' service group to allow us to act as a Provider of Last Resort when a customer is unable to find an alternate service provider.

**Table 1 Proposed classification of Essential Energy services 2019–24<sup>2</sup>**

Service group/Activities included	Further description	Current service classification 2014–19	AER proposed service classification 2019–24	Essential Energy’s reasons for proposed variations from AER’s proposed classification
<b>Common distribution services</b>				
Common distribution services (formerly 'network services')	<p>The suite of services involved in the use of the distribution network for the conveyance of electricity (including the service that ensures the integrity of the related distribution system) and includes but is not limited to the following:</p> <ul style="list-style-type: none"> <li>• the planning, design, repair, maintenance, construction and operation of the distribution network</li> <li>• the relocation of assets that form part of the distribution network but not relocations requested by a third party (including a customer)</li> <li>• works to fix damage to the network (including emergency recoverable works) or to support another distributor during an emergency event</li> <li>• network demand management for distribution purposes</li> <li>• training internal staff, accredited service providers (ASPs) and contractors undertaking Direct Control Services</li> <li>• activities related to 'shared asset facilitation' of distributor assets</li> <li>• emergency disconnect for safety reasons and work conducted to determine if a customer outage is related to a network issue</li> <li>• bulk supply metering</li> <li>• rectification of simple customer fault (e.g. fuse) relating to a life support customer.</li> </ul> <p>Such services do not include a service that has been separately classified including any activity relating to that service.</p>	Standard Control	Standard Control	

<sup>2</sup> The examples and activities listed in the 'Further description' column is not intended to be an exhaustive list and some distributors may not offer all activities listed. Rather the examples provide a sufficient indication of the types of activities captured by the service.

Service group/Activities included	Further description	Current service classification 2014–19	AER proposed service classification 2019–24	Essential Energy's reasons for proposed variations from AER's proposed classification
<b>Ancillary services</b> – Services closely related to common distribution services but for which a separate charge applies.				
Design-related services	Activities includes: <ul style="list-style-type: none"> <li>• provision of design information, design rechecking services in relation to connection and relocation works provided contestably</li> <li>• work of an administrative nature relating to work performed by Level 1 and Level 3 ASPs, including processing work</li> <li>• the provision of engineering consulting (related to the shared distribution network).</li> </ul>	Alternative Control	Alternative Control (specific monopoly service)	
Connection application-related services	Activities include: <ul style="list-style-type: none"> <li>• assessing connection applications or a request to undertake relocation of network assets as contestable works and preparing offers</li> <li>• processing preliminary enquiries requiring site-specific or written responses</li> <li>• undertaking planning studies and associated technical analysis (e.g. power quality investigations) to determine suitable/feasible connection options for further consideration by applicants</li> <li>• site inspection in order to determine the nature of the connection service sought by the connection applicant and ongoing co-ordination for large projects</li> <li>• registered participant support services associated with connection arrangements and agreements made under Chapter 5 of the NER.</li> </ul>	Alternative Control	Alternative Control (specific monopoly service)	
Contestable network commissioning and decommissioning	The commissioning and decommissioning of network equipment associated with ASP Level 1 contestable works. Includes equipment checks, tests and activities associated with setting or resetting network protection systems and the updating of engineering systems.	Alternative Control	Alternative Control (specific monopoly service)	
Access permits, oversight and facilitation	Activities include: <ul style="list-style-type: none"> <li>• a distributor issuing access permits or clearances to work to a person authorised to work on or near distribution systems including high and low voltage.</li> </ul>	Alternative Control	Alternative Control (specific monopoly service)	Inclusion of additional service in service group description to ensure explicit coverage of additional service (Ring Fencing driven)

Service group/Activities included	Further description	Current service classification 2014–19	AER proposed service classification 2019–24	Essential Energy's reasons for proposed variations from AER's proposed classification
	<ul style="list-style-type: none"> <li>• a distributor issuing confined space entry permits and associated safe entry equipment to a person authorised to enter a confined space.</li> <li>• a distributor providing access to switch rooms, substations and the like to a non-LNSP party who is accompanied and supervised by a distributor's staff member. May also include a distributor providing safe entry equipment (fall-arrest) to enter difficult access areas.</li> <li>• specialist services (which may involve design-related activities and oversight/inspections of works) where the design or construction is non-standard, technically complex or environmentally sensitive and any enquiries related to distributor assets.</li> <li>• facilitation of generator connection and operation of the network.</li> <li>• facilitation of activities within clearances of distributor's assets, including physical and electrical isolation of assets.</li> <li>• provision of approved materials/equipment to ASPs for connection assets that will become part of the shared distribution network.</li> <li>• assessing an application from an ASP or manufacturer to consider approval of alternative material and equipment items that are not specified in the distributor's approved materials list.</li> <li>• rectification of defective or non-conformant contestable works installed by an ASP. Rectification work performed by the DNSP where required to maintain electricity supply or network safety.</li> </ul>			
Notices of arrangement and completion notices	<p>A distributor may be required to perform work of an administrative nature where a local council requires evidence in writing from the distributor that all necessary arrangements have been made to supply electricity to a development. This may include receiving and checking subdivision plans and 88B instruments, copying subdivision plans, checking and recording easement details, assessing supply availability, liaising with developers if errors or changes are required and preparing notifications of arrangement.</p> <p>A distributor may also be required to provide a completion notice (other than a notice of arrangement). This applies where the customer/developer or ASP requests the distributor to provide documentation confirming progress of work. Usually associated with discharging contractual arrangements (e.g. progress payments) to meet contractual undertakings.</p>	Alternative Control	Alternative Control (specific monopoly service)	

Service group/Activities included	Further description	Current service classification 2014–19	AER proposed service classification 2019–24	Essential Energy's reasons for proposed variations from AER's proposed classification
Network-related property services	<p>Property tenure services related to obtaining deeds of agreement, deeds of indemnity, leases, easements or other property tenure in relation to property rights associated with connection or relocation.</p> <p>Conveyancing inquiry services relating to the provision of property conveyancing information at the request of a customer.</p>	Alternative Control	Alternative Control (specific monopoly service)	
Site establishment services	<p>Activities include, but not limited to:</p> <ul style="list-style-type: none"> <li>• Site establishment, including liaising with the Australian Energy Market Operator (AEMO) or market participants for the purpose of establishing NMIs in market systems, for new premises or for any existing premises for which AEMO requires a new NMI and for validation of and updating network load data. This includes processing and assessing requests for a permanently unmetered supply device.</li> <li>• Site alteration, updating and maintaining national metering identifier (NMI) and associated data in market systems.</li> <li>• NMI extinction, processing a request by the customer or their agent for permanent disconnection and the extinction of a NMI in market systems.</li> <li>• Confirming or correcting metering or network billing information in market business-to-business or network billing systems, due to insufficient or incorrect information received from retailers or metering providers.</li> </ul>	Alternative Control	Alternative Control (specific monopoly service)	
Network safety services	<p>Examples include:</p> <ul style="list-style-type: none"> <li>• provision of traffic control services by the distributor where required</li> <li>• fitting of tiger tails, high load escort</li> <li>• de-energising wires for safe approach (e.g. for tree pruning)</li> <li>• work undertaken to determine the cause of a customer fault where there may be a safety impact on the network or related component</li> <li>• Neutral integrity test – where customers request the distributor to investigate the occurrence of mild electric shocks within a customer's premises to determine whether the fault exists within the customer's installation or on the network. A fee would be levied where the fault is within the customer's installation.</li> </ul>	N/A	Alternative Control (potentially contestable)	

Service group/Activities included	Further description	Current service classification 2014–19	AER proposed service classification 2019–24	Essential Energy's reasons for proposed variations from AER's proposed classification
Rectification works to maintain network safety	<p>Activities include issues identified by the distributor and work involved in managing and resolving pre-summer bush fire inspection, customer vegetation defects or aerial mains where the customer has failed to do so.</p> <p>Service includes works associated with rectifying electricity network encroachment issues which present network safety risk.</p>	N/A	Alternative Control (specific monopoly service)	Inclusion of additional service in service group description to ensure explicit coverage of additional service (Ring Fencing driven)
Network tariff change request	<p>Activities including a retailer's customer or retailer requesting an alteration to an existing network tariff (for example, a change from a Block Tariff to a Time of Use tariff), requiring the distributor to conduct tariff and load analysis to determine whether the customer meets the relevant tariff criteria.</p> <p>Where a distributor processes changes in its IT systems to reflect a tariff change request.</p>	Alternative Control	Alternative Control (specific monopoly service)	
Services provided in relation to a Retailer of Last Resort (ROLR) event	<p>The distributors may be required to perform a number of services as a distributor when a ROLR event occurs. For example:</p> <ul style="list-style-type: none"> <li>Preparing lists of affected sites and reconciling data with AEMO listings, arranging estimate reads for the date of the ROLR event, preparing final invoices and miscellaneous charges for affected customers, extracting customer data, providing it to the ROLR and handling subsequent enquiries.</li> </ul>	Alternative Control	Alternative Control (specific monopoly service)	
Planned Interruption – Customer requested	Where the customer requests to move a planned interruption and agrees to fund the additional cost of performing this distribution service outside of normal business hours.	N/A	Alternative Control (specific monopoly service)	
Attendance at customers' premises to perform a statutory right where access is prevented.	A follow-up attendance at a customer's premises to perform a statutory right where access was prevented or declined by the customer on the initial visit. This includes the costs of arranging, and the provision of, a security escort or police escort (where the cost is passed through to the distributor).	Alternative Control	Alternative Control (specific monopoly service)	
Inspection services – Private electrical installations and accredited service providers (ASPs)	<p>Inspection of and re-inspection by a distributor, for safety purposes, of:</p> <ul style="list-style-type: none"> <li>private electrical wiring work undertaken by an electrical contractor and contestable works undertaken by ASPs.</li> <li>the investigation, review and implementation of remedial actions that may lead to corrective and disciplinary action of an ASP due to unsafe practices or substandard workmanship.</li> <li>private inspection of privately owned low voltage or high voltage network</li> </ul>	Alternative Control	Alternative Control (specific monopoly service)	

Service group/Activities included	Further description	Current service classification 2014–19	AER proposed service classification 2019–24	Essential Energy's reasons for proposed variations from AER's proposed classification
	infrastructure (i.e. privately owned distribution infrastructure behind the meter).			
Provision of training to third parties for network related access	Training services provided to third parties that result in a set of learning outcomes that are required to obtain a distribution network access authorisation specific to a distributor's network. Such learning outcomes may include those necessary to demonstrate competency in the distributor's electrical safety rules, to hold an access authority on the distributor's network and to carry out switching on the distributor's network. Examples of training might include high voltage training, protection training, entry into electrical station training or working near power lines training.	N/A	Alternative Control	Inclusion of additional service in service group description to ensure explicit coverage of additional service (as per approved Ring Fencing waiver)
Customer requested lighting services	Customer-requested flood lighting services, such as security lighting (night watch) and installation of luminaire glare shields.	Unclassified distribution service	Alternative Control (potentially contestable)	Amendment of Service Group name and inclusion of additional service in service group description to ensure explicit coverage of additional service (Ring Fencing driven)
Off-peak conversion	Customer-requested alteration of load control equipment for the purposes of converting a customer from peak to off-peak electricity supply.	Alternative Control	Alternative Control (specific monopoly service)	
Authorisation of ASPs	Includes annual authorisation of ASP entities and individual employees or sub-contractors of ASPs and additional authorisations at request of ASP and other administrative services performed by the distributor relating to work performed by an ASP.	Alternative Control	Alternative Control (specific monopoly service)	Minor amendment to service group description to ensure explicit coverage of additional service
Customer-initiated asset relocations	Relocation of assets that form part of the distribution network in circumstances where the relocation was: <ul style="list-style-type: none"> <li>initiated by a third party (including a customer); and</li> <li>could impact the safety or security of the network; or</li> <li>the third party is unable to secure the services of an alternate provider (Essential Energy only)</li> </ul>	N/A	Alternative Control (specific monopoly service)	Additional dot point in service description to allow Essential Energy to act as a Provider of Last Resort without breaching the Ring Fencing Guideline
Termination of cable at zone substation – distributor required performance	The termination of cable at zone substations and first joint out, where: <ul style="list-style-type: none"> <li>a work health and safety assessment determines that an ASP should not be given the required access to the zone substation; and</li> <li>the connection is fully dedicated to the specific customer connecting.</li> </ul>	N/A	Alternative Control (specific monopoly service)	

Service group/Activities included	Further description	Current service classification 2014–19	AER proposed service classification 2019–24	Essential Energy's reasons for proposed variations from AER's proposed classification
<p><b>Metering services</b> – The NSW distributors will remain responsible for the provision of type 5 and 6 meters up to 30 November 2017 in their respective distribution areas. They will continue to be responsible for those meters until they are replaced (and are entitled to levy associated charges in the interim). We refer to these meters as 'legacy meters'. New meters (that will be type 1 to 4 meters) installed from 1 December 2017 are referred to as 'contestable meters'.</p>				
Type 1 to 4 metering services	Type 1 to 4 meters and supporting services are contestable.	Unclassified	Unclassified	
Type 5 and 6 metering service provision (prior to 1 December 2017)	Recovery of the capital and operating costs of type 5 and 6 metering equipment installed prior to 1 December 2017.	Alternative Control	Alternative Control (specific monopoly service)	
Type 7 metering services	Administration and management of type 7 metering installations in accordance with the NER and jurisdictional requirements. Includes the processing and delivery of calculated metering data for unmetered loads, and the population and maintenance of load tables, inventory tables and on/off tables.	Standard Control	Standard Control	
Types 5 and 6 metering service maintenance, reading and data services (legacy meters)	Meter maintenance covers works to inspect, test, maintain and repair meters. Meter reading refers to quarterly or other regular reading of a meter. Metering data services are those that involve the collection, processing, storage and delivery of metering data and the management of relevant NMI Standing Data in accordance with the Rules.	Alternative Control	Alternative Control (specific monopoly service)	
Special meter reading and testing (legacy meters)	Special meter reading and testing services include: <ul style="list-style-type: none"> <li>• Special meter reading for type 5 and 6 meters and move in and move out meter reading (type 5 and 6 meters)</li> <li>• Type 5 meter final read on removed type 5 metering equipment</li> <li>• Special meter test (for type 5 and 6 meters)</li> <li>• Type 5 and 6 non-standard meter data services</li> <li>• Type 5 and 6 current transformer testing.</li> </ul>	Alternative Control	Alternative Control (specific monopoly service)	
Emergency maintenance of failed metering equipment not owned by the distributor (contestable meters)	The distributor is called out by the customer or their agent (e.g. retailer, metering coordinator or metering provider) due to a power outage where an external metering provider's metering equipment has failed or an outage has been caused by the metering provider and the distributor has had to restore power to the customer's premises. This may result in an unmetered supply arrangement at this site. This fee will also be levied where a metering provider has requested the distributor to check a potentially faulty network	Alternative Control	Alternative Control (specific monopoly service)	

Service group/Activities included	Further description	Current service classification 2014–19	AER proposed service classification 2019–24	Essential Energy's reasons for proposed variations from AER's proposed classification
	connection and when tested by the distributor, no fault is found.			
Meter recovery and disposal – type 5 and 6 (legacy meters)	<p>Activities include:</p> <ul style="list-style-type: none"> <li>at the request of the customer or their agent to remove and dispose of type 5 or 6 current transformer (CT) meters where a permanent disconnection has been requested.</li> <li>disposing of type 5 or 6 whole current (WC) meters which may otherwise be removed and disposed of by the incoming metering provider.</li> </ul>	N/A	Alternative Control (specific monopoly service)	
Distributor-arranged outage for purposes of replacing meter	At the request of a retailer or metering coordinator provide notification to affected customers and facilitate the disconnection/reconnection of customer metering installations where a retailer planned interruption cannot be conducted.	N/A	Alternative Control (specific monopoly service)	
Customer-requested provision of additional metering/consumption data	Customer-requested provision of data in excess of requirements under Rule 28 of the National Electricity Retail Rules (two requests per annum are permitted under this rule).	Alternative Control	Alternative Control (specific monopoly service)	
<b>Connection services</b>				
Premises connection assets	<p>Includes any additions or upgrades to the connection assets located on the customer's premises which are contestable (Note: excludes all metering services).</p> <p>Premises connection assets can be further described as:</p> <p>A. Design and construction of premises connection assets (where these services are provided contestably).</p> <p>B. Part design and construction of connection assets that are not available contestably (generally as a result of safety, reliability or security reasons). Those parts of project works that are performed and funded by the distributor except where C applies.</p> <p>C. Part design and construction of connection assets where a customer requests that connection assets are designed and constructed to an increased standard (beyond that required by the distributors' standards and policies), and where those works are designed and constructed by the distributor (as a result of safety, reliability or security reasons).</p>	<p>A. Unclassified</p> <p>B. Standard Control</p> <p>C. Unclassified</p>	<p>A. Unclassified (Ausgrid and Endeavour Energy) / Alternative control (potentially contestable) (Essential Energy)</p> <p>B. Standard Control</p> <p>C. Alternative Control</p>	Amendment to proposed classification for Part A to allow Essential Energy to act as a Provider of Last Resort without breaching the Ring Fencing Guideline

Service group/Activities included	Further description	Current service classification 2014–19	AER proposed service classification 2019–24	Essential Energy's reasons for proposed variations from AER's proposed classification
Extensions	<p>An enhancement required to connect a power line or facility outside the present boundaries of the transmission or distribution network owned or operated by a Network Service Provider that is:</p> <p>A. undertaken by a customer.</p> <p>B. undertaken by a customer but partly funded by a NSP (NSP contribution would be classified as a Standard Control Service while the customer funded component of the service would be unclassified).</p> <p>C. undertaken by a network service provider.</p>	<p>A. Unclassified</p> <p>B. Unclassified / Standard Control based on contribution</p> <p>C. Standard Control</p>	<p>A. Unclassified (Ausgrid and Endeavour Energy) / Alternative control (potentially contestable) (Essential Energy)</p> <p>B. Unclassified / Standard Control based on contribution</p> <p>C. Standard Control</p>	<p>Amendment to proposed classification for Part A to allow Essential Energy to act as a Provider of Last Resort without breaching the Ring Fencing Guideline</p>
Augmentations	<p>A. Any shared network enlargement/enhancement undertaken by a distributor which is not an extension.</p> <p>B. Any shared network enlargement/enhancement undertaken by a customer, but partly funded by a distributor (distributor contribution would be classified as a Standard Control Service while the customer funded component of the service would be unclassified).</p> <p>C. Any shared network enlargement/enhancement undertaken by a customer.</p> <p>D. Any shared network enlargement/enhancement undertaken by a distributor where a customer requests that assets are designed and constructed to an increased standard (beyond that required by the distributors' standards and policies).</p>	<p>A. Standard Control</p> <p>B. Unclassified / Standard Control based on contribution</p> <p>C. Unclassified</p> <p>D. Unclassified</p>	<p>A. Standard Control</p> <p>B. Unclassified / Standard Control based on contribution</p> <p>C. Unclassified (Ausgrid and Endeavour Energy) / Alternative control (potentially contestable) (Essential Energy)</p> <p>D. Alternative Control</p>	<p>Amendment to proposed classification for Part C to allow Essential Energy to act as a Provider of Last Resort without breaching the Ring Fencing Guideline</p>
Connections under Chapter 5 of the NER	<p>Construction works undertaken for the connection of customers via an agreement negotiated under Chapter 5 of the NER. These works could be connection, augmentation or extension works:</p> <p>A. Design and construction of assets (where these services are provided contestably).</p> <p>B. Any shared network enlargement/enhancement undertaken by a customer, but partly funded by a distributor (distributor contribution would be classified as a Standard Control Service while the customer funded component of the service would be unclassified).</p>	<p>N/A</p>	<p>A. Unclassified (Ausgrid and Endeavour Energy) / Alternative control (potentially contestable) (Essential Energy)</p> <p>B. Unclassified / Standard Control based on negotiated contributions</p>	<p>New service group for Chapter 5 connections. This is introduced to allow for customers to be charged where work is deemed non-contestable and undertaken by the DNSP. Essential Energy does not believe that all customers should pay for these costs.</p> <p>Also includes allowance in Part A for</p>

Service group/Activities included	Further description	Current service classification 2014–19	AER proposed service classification 2019–24	Essential Energy's reasons for proposed variations from AER's proposed classification
	C. Design and construction of assets that are deemed non-contestable (generally as a result of safety, reliability or security reasons) and are undertaken by the DNSP (distributor contribution would be classified as a Standard Control Service while the customer funded component of the service would be an Alternative Control Service).		C. Standard Control / Alternative Control (specific monopoly service) based on negotiated contributions	Essential Energy to act as a Provider of Last Resort without breaching the Ring Fencing Guideline.
Reconnections / Disconnections	<p>Disconnection and/or reconnection services (some provided in accordance with the National Energy Retail Rules). Examples include (but are not limited to):</p> <ul style="list-style-type: none"> <li>• Disconnection visit (site visit only)</li> <li>• Disconnection visit (disconnection completed - technical)</li> <li>• Disconnection visit (disconnection completed)</li> <li>• Pillar box/pole top disconnection - completed</li> <li>• Reconnection/disconnection outside of business hours</li> <li>• Vacant property - site visit only</li> <li>• Vacant property disconnection (disconnection completed)</li> <li>• Shared service fuse replacement</li> <li>• Rectification of illegal connections</li> <li>• Temporary connections</li> <li>• Remove or reposition connection</li> <li>• Single phase to three phase</li> </ul>	Alternative Control	Alternative Control (specific monopoly service)	
<b>Public lighting</b>				
Public lighting	Provision, construction and maintenance of public lighting and emerging public lighting technology.	Alternative Control	Alternative Control	

Service group/Activities included	Further description	Current service classification 2014–19	AER proposed service classification 2019–24	Essential Energy's reasons for proposed variations from AER's proposed classification
<b>Unregulated distribution services</b>				
Distribution asset rental	Rental of distribution assets to third parties (e.g. office space rental, pole and duct rental for hanging telecommunication wires etc.).	N/A	Unclassified distribution service	
Contestable metering support roles	Includes metering coordinator (except where the distributor is the initial metering coordinator), metering data provider and metering provider for meters installed or replaced after 1 December 2017.	N/A	Unclassified distribution service	
Non-standard connection services	<p>Customer-requested services that typically occur at the time of connection. For example, the following requested customer services:</p> <ul style="list-style-type: none"> <li>asset relocations requested by a third party (including a customer) which are unlikely to impact on the safety or security of the network.</li> <li>conversion of aerial bundled cable (i.e. reducing the number of overhead lines by combining them).</li> <li>reserve or duplicate supplies (beyond what a distributor is required to provide).</li> <li>unless a work health and safety assessment determines that an ASP should not be given the required access, the termination of cable at zone substations and first joint out (where the connection is fully dedicated to the specific customer connecting).</li> <li>Inspection, maintenance (including F&amp;E) and testing of customer assets including HV assets (this is for standard distribution and sub-transmission type assets but excludes emerging technology assets such as PV, batteries)</li> </ul>	N/A	Unclassified distribution service (Ausgrid and Endeavour Energy) / Alternative control (potentially contestable) (Essential Energy)	Amendment to proposed classification for Part C to allow Essential Energy to act as a Provider of Last Resort without breaching the Ring Fencing Guideline
Provision of training to third parties for non-network related access	Training programs provided to third parties which are not ASPs or contractors.	N/A	Unclassified distribution service	
Type 5 and 6 meter data management services to other electricity distributors	The provision of type 5 and 6 meter data management services to other electricity distributors.	Unclassified distribution service	Unclassified distribution service	

Service group/Activities included	Further description	Current service classification 2014–19	AER proposed service classification 2019–24	Essential Energy's reasons for proposed variations from AER's proposed classification
Non-distribution services – Although this table relates to distribution services, we have included the below non-distribution services also provided by Essential Energy for clarity.				
Generation assets	Non-standard control generation assets. E.g. Nymboida and Oaky Hydro and Western Plains Zoo Solar in NSW	N/A	Non-distribution service	
Water	Broken Hill and Water Rights as (the former) Nymboida Hydro Plant in NSW	N/A	Non-distribution service	