



# **FINAL DECISION**

## **SA Power Networks Distribution Determination 2020 to 2025**

### **Attachment 12 Classification of services**

June 2020

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Inquiries about this publication should be addressed to:

Australian Energy Regulator  
GPO Box 520  
Melbourne Vic 3001

Tel: 1300 585 165

Email: [SAPN2020@aer.gov.au](mailto:SAPN2020@aer.gov.au)

AER reference: 62729

## Note

This attachment forms part of the AER's final decision on the distribution determination that will apply to SA Power Networks for the 2020–25 regulatory control period. It should be read with all other parts of the final decision.

The final decision includes the following attachments:

### Overview

Attachment 1 – Annual revenue requirement

Attachment 2 – Regulatory asset base

Attachment 3 – Rate of return

Attachment 4 – Regulatory depreciation

Attachment 5 – Capital expenditure

Attachment 6 – Operating expenditure

Attachment 7 – Corporate income tax

Attachment 8 – Efficiency benefit sharing scheme

Attachment 9 – Capital expenditure sharing scheme

Attachment 10 – Service target performance incentive scheme

Attachment 12 – Classification of services

Attachment 13 – Control mechanisms

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Attachment 15 – Alternative control services

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## 12 Classification of services

Service classification determines the nature of economic regulation, if any, that is applicable to specific distribution services. Classification is important to customers as it determines which network services are included in basic electricity charges, the basis on which additional services are sold, and which services we will not regulate. Our decision reflects our assessment of a number of factors, including existing and potential competition to supply these services.

### 12.1 Final decision

Our final decision is to retain the classification structure as made in our draft decision,<sup>1</sup> but amend the services list to correct for the issues identified by the distributor in its revised proposal.<sup>2</sup>

### 12.2 SA Power Networks' revised proposal

In its revised proposal, SA Power networks accepted our draft decision subject to the correction of some minor drafting issues and omissions from the services list.<sup>3</sup> For example:

- In our draft decision, we renamed 'Connection related services' to 'Connection application related services' but omitted the name change in the services list.<sup>4</sup>
- In our draft decision we included the service, 'Third party funded network upgrades or other improvements', twice in the table.
- In our draft decision we identified a number of services for which we proposed to depart from the final F&A to align with the Service Classification Guideline<sup>5</sup>, published subsequent to the final F&A.<sup>6</sup> We considered publishing of the Guideline a material change of circumstances that justifies departing from the approach taken in the final F&A.<sup>7</sup> SA Power Networks has subsequently identified a number of changes, from the final F&A to align with the Guideline, but which were not carried into the draft decision. These include:

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<sup>1</sup> AER, *Draft decision SA Power Networks Distribution determination 2020 to 2025*, Attachment 12 Classification of services, p, 12-7.

<sup>2</sup> SA Power Networks, *2020-25 Revised Regulatory Proposal*, Attachment 12 Classification of services, p. 6.

<sup>3</sup> SA Power Networks, *2020-25 Revised Regulatory Proposal*, Attachment 12 Classification of services, p. 6.

<sup>4</sup> AER, *Draft decision SA Power Networks Distribution determination 2020 to 2025*, Attachment 12 Classification of services, p, 12-13.

<sup>5</sup> <https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/distribution-service-classification-guidelines-and-asset-exemption-guidelines>.

<sup>6</sup> AER, *SA Power Networks 2020-25, Draft Decision*, Attachment 12, October 2019, p. 12-7.

<sup>7</sup> NER, cl. 6.12.3(b).; AER, *SA Power Networks 2020-25, Draft Decision*, Attachment 12, October 2019, p. 12-5.

- adding the words “that the distributor is able to address’ to the Common distribution service activity of rectification of simple customer fault;
  - adding “or aerial markers” to the fitting of tiger tails under Network safety services; and
  - adding the words “gifted assets” to the activity of “inspection and reinspection by a distributor of assets installed or relocated by the third party.
- We have also added the activity of “provision of traffic control and safety observer services by the distributor where required” to the Network safety services grouping to be consistent with the Guideline. We note it is not typically an electricity distribution service in its own right as it does not meet the criteria under National Electricity Rules.<sup>8</sup> Rather, SA Power Networks may only provide this alternative control service in connection with the provision of a classified distribution service. It may not be offered as a stand-alone service, as this would contravene the distributor’s ring-fencing obligations.<sup>9</sup>

## 12.3 Reasons for final decision

Our final decision corrects for drafting errors and omissions made in the draft decision. The full list of SA Power Networks' classified services is in Appendix A to this Attachment.

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<sup>8</sup> NER, cl. 6.2.1 and 6.2.2.

<sup>9</sup> <https://www.aer.gov.au/networks-pipelines/ring-fencing>.

## A AER final decision on classification of SA distribution services<sup>10</sup>

Service group	Further description	Current classification 2015–20	AER draft decision classification 2020–25
<b>Common distribution service – use of the distribution network for the conveyance/flow of electricity (including the services relating to network integrity)</b>			
Common distribution service (formerly 'network services')	<p>The suite of activities that 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>ongoing inspection of private electrical works (not part of the shared network) required under legislation for safety reasons</li> <li>works to fix damage to the network (including emergency recoverable works)</li> <li>support for another network during an emergency event</li> <li>procurement and provision of network demand management activities for distribution</li> </ul>	Standard Control	Standard Control

<sup>10</sup> The examples and activities listed in the 'Further description' column are not intended to be an exhaustive list and some distributors may not offer all activities listed. Rather the examples provide a sufficient indication of the types of activities captured by the service.

Service group	Further description	Current classification 2015–20	AER draft decision classification 2020–25
	<p>or system reliability, efficiency or security purposes</p> <ul style="list-style-type: none"> <li>• training internal staff and contractors delivering 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 restore a failed component of the distribution system to an operational state upon investigating a customer outage</li> <li>• bulk supply point metering</li> <li>• rectification of simple customer fault (e.g. fuse) relating to a life support customer or other critical health and safety issues that the distributor is able to address</li> <li>• establishment and maintenance of national metering identifiers (NMIs) in market and/or network billing systems, and other market and regulatory obligations</li> <li>• investigation of customer-reported network faults.</li> </ul> <p>Such services do not include a service that has been separately classified including any activity relating to that service.</p>		

**Connection Services—services relating to the electrical or physical connection of a customer to the network**

Basic connection services	<p>Means a connection service related to a connection (or a proposed connection) between a distribution system and a retail customer’s premises (excluding a non-registered embedded generator’s premises) in the following circumstances:</p> <p>(a) either:</p>	Standard Control/ Negotiated distribution	Premises Connections = Standard Control + customer
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Service group	Further description	Current classification 2015–20	AER draft decision classification 2020–25
	<p>(1) the retail customer is typical of a significant class of retail customers who have sought, or are likely to seek, the service; or</p> <p>(2) the retail customer is, or proposes to become, a micro embedded generator; and Connection Services include:</p> <p>(b) the provision of the service involves minimal or no augmentation of the distribution network; and</p> <p>(c) a model standing offer has been approved by the AER for providing that service as a basic connection service.</p>	service	contributions
Standard connection services	Means a connection service (other than a basic connection service) for a particular class (or sub-class) of connection applicant and for which a model standing offer has been approved by the AER.	Not currently offered	<p>Premises connections = Alternative Control</p> <p>Extensions and Augmentations = Standard Control + customer contributions</p>
Negotiated connection services	Means a connection service (other than a basic connection service) for which a distributor provides a connection offer for a negotiated connection contract.	Not currently offered	Premises connections = Alternative Control

Service group	Further description	Current classification 2015–20	AER draft decision classification 2020–25
			Extensions and Augmentations = Standard Control + customer contributions
Enhanced connection services	<p>Other or enhanced connection services provided at the request of a customer or third party that include those that are:</p> <ul style="list-style-type: none"> <li>• Provision of connection services above minimum requirements – customer requests increase in reliability or quality of supply beyond the standard, and/or above minimum regulatory requirements (e.g. reserve feeder);</li> <li>• Provided with higher quality of reliability standards, or lower quality of reliability standards (where permissible) than required by the NER or any other applicable regulatory instruments;</li> <li>• In excess of levels of service or plant ratings required to be provided by SA Power Networks;</li> <li>• For large embedded generators (30 kW 3 phase or above 5 kW 1 phase and above); or</li> <li>• Other additional customer dedicated connection lines / assets.</li> </ul>	Negotiated distribution service	Alternative Control
Connection application and management services	<p>Works initiated by a customer or retailer which are specific to the connection point. Includes, but is not limited to:</p>	Negotiated distribution service	Alternative Control

Service group	Further description	Current classification 2015–20	AER draft decision classification 2020–25
	<ul style="list-style-type: none"> <li>• connection application related services</li> <li>• de-energisation</li> <li>• re-energisation</li> <li>• temporary connections (of a size less than the shared network augmentation threshold) as a basic connection service e.g. builder’s supply, fetes, etc.</li> <li>• remove or reposition connection</li> <li>• overhead service line replacement – customer requests the existing overhead service to be replaced (e.g. as a result of a point of attachment relocation). No material change to load</li> <li>• protection and power quality assessment</li> <li>• supply enhancement (e.g. upgrade from single phase to three phase)</li> <li>• customer requested change requiring secondary and primary plant studies for safe operation of the network (e.g. change protection settings)</li> <li>• upgrade from overhead to underground service</li> <li>• rectification of illegal connections or damage to overhead or underground service cables</li> <li>• calculation of a site specific distribution loss factor on request in respect of a generating unit up to 10 MW or a connection point for an end-user with actual or forecast load up to 40 GWh per annum capacity, as per clause 3.6.3(b1) of the NER</li> </ul>		

Service group	Further description	Current classification 2015–20	AER draft decision classification 2020–25
	<ul style="list-style-type: none"> <li>power factor correction.</li> </ul>		
<b>Metering Services<sup>11</sup> —activities relating to the measurement of electricity supplied to and from customers through the distribution system (excluding network meters)</b>			
Type 1 to 4 metering services	Type 1 to 4 metering installations and supporting services are competitively available.	Negotiated distribution service & Alternative Control	Unregulated
Type 5 and 6 meter installation and provision (prior to 1 December 2017)	Recovery of the capital cost of type 5 and 6 metering equipment installed (including metering with internally integrated load control devices).	Alternative Control	Alternative Control
Type 5 and 6 meter maintenance, reading and data services (legacy meters)	<ul style="list-style-type: none"> <li>Meter maintenance covers works to inspect, test, and maintain metering installations.</li> <li>Meter reading refers to quarterly or other regular reading of a metering installation including field visits and remotely read meters.</li> </ul> <p>Metering data services includes for example: services that involve the collection,</p>	Alternative Control	Alternative Control

<sup>11</sup> SA Power Networks will continue to be responsible for type 5 and 6 meters until they are replaced (and entitled to levy associated charges). We refer to these meters as 'legacy meters'. New meters (that will be type 1 to 4 meters) installed from 1 December 2017 are referred to as 'contestable meters'.

Service group	Further description	Current classification 2015–20	AER draft decision classification 2020–25
	processing, storage and delivery of metering data, the provision of metering data in accordance with regulatory obligations, remote or self-reading at difficult to access sites, and the management of relevant NMI Standing Data in accordance with the NER.		
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
Auxiliary metering services (Type 5 to 7 metering installations)	<p>Activities include:</p> <ul style="list-style-type: none"> <li>• Off-cycle meter reads for type 5 and 6 meters.</li> <li>• Requests to test, inspect and investigate, or alter an existing type 5 or 6 metering installation.</li> <li>• Testing and maintenance of instrument transformers for type 5 and 6 metering purposes.</li> <li>• Type 5 to 7 non-standard metering services.</li> <li>• Works to re-seal a type 5 or 6 meter due to customer or third party action (e.g. by having electrical work done on site).</li> <li>• Change distributor load control relay channel on request that is not a part of the initial load control installation, nor part of standard asset maintenance or replacement.</li> </ul>	Negotiated distribution service	Alternative control
Emergency supply restoration in relation to metering equipment	The distributor is called out by a customer or their agent (e.g. retailer, Metering Coordinator or Metering Provider) due to a power outage where an external Metering	Not previously	Alternative

Service group	Further description	Current classification 2015–20	AER draft decision classification 2020–25
not owned by the distributor (contestable 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.	classified in SA	Control
Meter recovery and disposal – type 5 and 6 (legacy meters)	<p>Activities include the removal and disposal of a type 5 or 6 metering installation:</p> <ul style="list-style-type: none"> <li>At the request of the customer or their agent, where an existing type 5 or 6 metering installation remains installed at the premises and a replacement meter is not required.</li> <li>At the request of the customer or their agent, where a permanent disconnection has been requested where it has not been removed and disposed of by the incoming metering provider.</li> </ul>	Not previously classified in SA	Alternative Control
Third party requested outage for purposes of replacing a 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.	Not previously classified in SA	Alternative control
<b>Network ancillary services - Services closely related to common distribution services but for which a separate charge applies.</b>			
Access permits, oversight and facilitation services	<p>Activities include:</p> <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> <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 other network plant to</li> </ul>	Negotiated distribution service	Alternative Control

Service group	Further description	Current classification 2015–20	AER draft decision classification 2020–25
Network safety services	<p>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.</p> <ul style="list-style-type: none"> <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 on the network.</li> <li>Facilitation of activities within clearances of distributor's assets, including physical and electrical isolation of assets.</li> </ul> <p>Examples include:</p> <ul style="list-style-type: none"> <li>provision of traffic control and safety observer services by the distributor where required<sup>12</sup></li> <li>fitting of tiger tails or aerial markers as requested by a customer or directed by the OTR</li> <li>high load escorts</li> </ul>	Negotiated distribution service	Alternative control

<sup>12</sup> When provided in relation to the distribution system or future distribution system

Service group	Further description	Current classification 2015–20	AER draft decision classification 2020–25
	<ul style="list-style-type: none"> <li>de-energising wires for safe approach.</li> <li>Customer requested network inspection undertaken to determine the cause of a customer outage where there may be a safety and or reliability impact on the network or related component and associated works to rectify a customer caused impact on the network.<sup>13</sup></li> </ul>		
Sale of approved materials or equipment	Includes the sale of approved materials/equipment to third parties for connection assets that are gifted back to become part of the shared distribution network.	Negotiated distribution service	Alternative control
Notices of arrangement and completion notices	<p>Examples include:</p> <ul style="list-style-type: none"> <li>Work of an administrative nature where a local council requires evidence in writing from the distributor that all necessary arrangements have been made to supply electricity to a development. This includes: receiving and checking subdivision plans, 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</li> <li>Provision of a completion notice (other than a notice of arrangement). This applies where the real estate developer requests the distributor to provide documentation</li> </ul>		

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<sup>13</sup> An ACS charge is not applicable where it is determined that the customer outage was caused by a fault on the network.



Service group	Further description	Current classification 2015–20	AER draft decision classification 2020–25
	confirming progress of work. Usually associated with discharging contractual arrangements (e.g. progress payments) to meet contractual undertakings.		
Rectification works to maintain network safety	Activities include issues identified by the DNSP and work involved in managing and resolving pre-summer bushfire inspection customer vegetation defects or aerial mains where the customer has failed to do so.	Not previously classified	Alternative control
Planned interruption – customer requested	<p>Examples include:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• customer initiated network outage (e.g. to allow customer and/or contractor to perform maintenance on the customer’s assets, work close to or for safe approach, which impacts other networks users).</li> </ul>	Negotiated distribution service	Alternative Control
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 may include the costs of arranging, and the provision of, a security escort or police escort (where the cost is passed through to the distributor).	Negotiated distribution service	Alternative Control
Inspection and auditing services	<p>Activities include:</p> <ul style="list-style-type: none"> <li>• inspection and reinspection by a distributor of gifted assets or assets, installed or relocated by a third party</li> <li>• investigation, review and implementation of remedial actions that may lead to corrective and disciplinary action of a third party service provider due to unsafe</li> </ul>	Negotiated distribution service	Alternative Control

Service group	Further description	Current classification 2015–20	AER draft decision classification 2020–25
Provision of training to third parties for network related access	<p>practices or substandard workmanship</p> <ul style="list-style-type: none"> <li>auditing of a third party service provider’s work practices in the field</li> <li>after hours examination and/or testing of the consumer mains and main switchboard prior to initial energisation (upon request)</li> <li>after hours visual examination of an electrical installation to reconnect it to a source of electricity (upon request)</li> <li>re-test at a customer’s installation, where the installation fails the initial test and cannot be connected.</li> </ul> <p>Training services provided to third parties that result in a set of learning outcomes that are required to obtain a distribution network access authorisation specific to a distributor’s network. Such learning outcomes may include those necessary to demonstrate competency in the distributor’s electrical safety rules, to hold an access authority on the distributor’s network and to carry out switching on the distributor’s network. Examples of training might include high voltage training, protection training or working near power lines training.</p>	Not classified in SA	Alternative Control
Authorisation and approval of third party service providers design, work and materials	<p>Activities include:</p> <ul style="list-style-type: none"> <li>Authorisation or re-authorisation of individual employees and subcontractors of third party service providers and additional authorisations at the request of the third party service providers (excludes training services).</li> <li>Acceptance of third party designs and works.</li> </ul>	Not previously classified	Alternative control

Service group	Further description	Current classification 2015–20	AER draft decision classification 2020–25
	<ul style="list-style-type: none"> <li>Assessing an application from a third party to consider approval of alternative material and equipment items that are not specified in the distributor's approved materials list.</li> </ul>		
Security lights	<p>Provision, installation, operation and maintenance of equipment mounted on the distribution network used for security services, e.g. nightwatchman lights</p> <p>Note: excludes connection services.</p>	Negotiated distribution service	Alternative Control
Customer initiated or triggered network asset relocations/re-arrangements	Relocation of assets that form part of the distribution network in circumstances where the relocation was initiated by a third party (including a customer), or triggered by a customer's non-compliance with network safety or security standards.	Negotiated Distribution Service	Alternative control
Customer requested provision of electricity network or consumption data	Data requests by customers or third parties including requests for the provision of electricity network data or consumption data outside of legislative obligations.	Alternative control	Alternative control
Third party funded network alterations or other improvements	Alterations or other improvements to the shared distribution network to enable third party infrastructure (e.g. NBN Co telecommunications assets) to be installed on the shared distribution network. This does not relate to upstream distribution network augmentation.	Not previously classified in SA	Alternative control
<b>Public Lighting Services</b>			
Public Lighting	Includes provision, construction and maintenance of public lighting and emerging public lighting technology.	Negotiated distribution service	Alternative Control

Service group	Further description	Current classification 2015–20	AER draft decision classification 2020–25
<b>Unregulated Distribution Services - (non-exhaustive list)</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.).	Unregulated	Unregulated
Contestable metering support roles	Includes metering coordinator, metering data provider and metering provider for Type 1 to 4 metering installations.	Unregulated	Unregulated
Type 5 and 6 meter data management to other electricity distributors	The provision of type 5 and 6 meter data management to other electricity distribution network service providers.	Unregulated	Unregulated
Provision of training to third parties for work not associated with common distribution services nor network services	Training programs provided to third parties for work that is not associated with the provision of common distribution services nor network access.	Unregulated	Unregulated

## Shortened forms

Shortened form	Extended form
AER	Australian Energy Regulator
distributor	distribution network service provider
NER	National Electricity Rules

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