



# **FINAL DECISION**

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

### **Attachment 17 Connection policy**

June 2020

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## 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

Attachment 14 – Pass through events

Attachment 15 – Alternative control services

Attachment 17 – Connection policy

Attachment 18 – Tariff structure statement

Attachment A - Negotiating framework

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## 17 Connection policy

We are required to make a decision on the connection policy that is to apply to SA Power Networks for the 2020–25 regulatory control period. This may be the connection policy prepared by a distributor, some variant of it, or a policy substituted by the AER.<sup>1</sup>

A connection policy sets out the nature of connection services offered by a distributor, when connection charges may be payable by retail customers and how those charges are calculated. It also:

- must be consistent with:<sup>2</sup>
  - the connection charge principles set out in chapter 5A of the National Electricity Rules (NER)
  - the connection policy requirements set out in part DA of chapter 6 of the NER
  - our connection charge guidelines published under chapter 5A,<sup>3</sup> and
- must specify:<sup>4</sup>
  - the categories of persons that may be required to pay a connection charge and the circumstances in which such a requirement may be imposed
  - the aspects of a connection service for which a connection charge may be made
  - the basis on which connection charges are determined
  - the manner in which connection charges are to be paid (or equivalent consideration is to be given)
  - a threshold (based on capacity or any other measure identified in the connection charge guidelines) below which a retail customer (not being a non-registered embedded generator or real estate developer) will not be liable for a connection charge for an augmentation other than an extension.

### The AER's connection charge guidelines for electricity retail customers

A connection policy must be consistent with our connection charge guidelines for electricity retail customers. The purpose of our guideline is to ensure that connection charges:<sup>5</sup>

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<sup>1</sup> NER, cl 6.12.1(21).

<sup>2</sup> NER, cl 6.7A.1(b)(1).

<sup>3</sup> AER, *Connection charge guideline for electricity retail customers, Under chapter 5A of the National Electricity Rules Version 1.0*, June 2012.

<sup>4</sup> NER, cl 6.7A.1(b)(2).

<sup>5</sup> NER, cl 5A.E.3(b); AER, *Connection charge guideline for electricity retail customers, Under chapter 5A of the National Electricity Rules Version 1.0*, June 2012, p. 11.

- are reasonable, taking into account the efficient costs of providing the connection services arising from the new connection or connection alteration
- provide, without undue administrative cost, a user-pays signal to reflect the efficient costs of providing the connection services
- limit cross-subsidisation of connection costs between different classes (or subclasses) of retail customers
- are competitively neutral, if the connection services are contestable.

## 17.1 Final decision

We have not made any amendment to our draft decision. In the draft decision, we modified SA Power Networks' connection policy nominated in its original proposal, to the extent necessary in order that the approved policy would be consistent with:

- the connection charge principles in chapter 5A of the NER, and
- our connection charge guidelines for electricity retail customers under chapter 5A.

After our draft decision, Energy Project approached us and requested we respond to its submission to the Issues Paper concerning connection matters.<sup>6,7</sup> We considered this submission and concluded that the issues raised by Energy Project, while valuable, do not relate to matters covered by the connection policy. Further, SA Power Networks' connection obligations are not limited by its connection policy. The distributor must also comply with NER Chapter 5A and other relevant energy regulations.

## 17.2 SA Power Networks' revised proposal

SA Power Networks accepted our draft decision on its connection policy and the amended connection policy as proposed by the AER.

## 17.3 Submission

Energy Project approached us to respond to its earlier submission to the Issues Paper. Energy Project submitted that SA Power Networks:

- proposed to reclassify standard connections and negotiated connections as alternative control services, and the implications of this for connection service users are not clear
- proposed to include a margin for fee-based and quoted services in its indicative prices, and prices for these services will increase significantly. The regulatory

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<sup>6</sup> AER, *Issues Paper, SA Power Networks' proposal for 2020–25*, 28 March 2019.

<sup>7</sup> The Energy Project, *Submission: AER Issues Paper - SA Power Networks revenue determination 2020–2025 and Customer Connections*, 16 May 2019.

proposal does not appear to have detailed justification for these increases or details of engagement with affected stakeholders.

- has not engaged with stakeholders on their experience with the connection process, and there should be more transparency and reporting on service performance. The proposal did not include analysis of complaints to the Energy and Water Ombudsman of South Australia regarding electricity connections.
- has inconsistent numbers for customer connections capital expenditure in its connection management plan and regulatory proposal
- needs more engagement with connection customers in setting out its customer strategy and future network strategy.

## Our response

The connection policy, as defined in the NER, refers to pricing for services:

Connection policy – means a document, approved as a connection policy by the AER under chapter 6, Part E, setting out the circumstances in which connection charges are payable and the basis for determining the amount of such charges<sup>8</sup>

Issues raised by Energy Project were discussed in other parts of our draft decision<sup>9</sup> and are addressed by the regulatory proposal<sup>10</sup> and other existing regulations including NER Chapter 5A,<sup>11</sup> the Energy and Water Ombudsman of South Australia's dispute resolution process,<sup>12</sup> and the Essential Services Commission of South Australia's guaranteed service levels.<sup>13</sup>

SA Power Networks' proposed connection policy<sup>14</sup> provides for dispute resolution, and the AER responds regularly to connection disputes involving electricity distributors and resolves these disputes under the rules.<sup>15</sup>

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<sup>8</sup> NER, r. 5A.A.1.

<sup>9</sup> AER, Draft Decision, Attachment 5 Capital expenditure; Attachment 12 Classification of services; Attachment 16 Negotiated services framework and criteria.

<sup>10</sup> SA Power Networks, *Supporting document 5.11 Connections Management Plan 2020–2025*, January 2019. This specifies performance indicators such as response times to connection inquiries and completion of connections; SA Power Networks, *Model Standing Offer - Terms and conditions for basic connection services for retail customers other than embedded generators - 3601*, 20 April 2018. Available at [www.sapowernetworks.com.au](http://www.sapowernetworks.com.au) (viewed on 27 March 2020). This provides terms and conditions on service levels for basic connections.

<sup>11</sup> This provides rules on electricity connection for retail customers, including the timeframe for each step of the connection process.

<sup>12</sup> EWOSA receives and resolves customer complaints regarding connections.

<sup>13</sup> ESCOSA monitors telephone answering response times under its jurisdictional rule on guaranteed service levels.

<sup>14</sup> SA Power Networks, *Attachment 16 Connection policy*, 31 January 2019.

<sup>15</sup> NER, r. 5A.G.1 - 5A.G.3.

## Shortened forms

Shortened form	Extended form
AER	Australian Energy Regulator
distributor	distribution network service provider
ESCOSA	Essential Services Commission of South Australia
EWOSA	Energy and Water Ombudsman of South Australia
NEL	National Electricity Law
NER	National Electricity Rules