Tasmanian Networks Pty Ltd
ABN 24 167 357 299
PO Box 606, Moonah, TAS, 7009
1300 137 008

25 October 2021

Dr Kris Funston
Executive General Manager, Networks
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Dear Kris

RE Framework and Approach for TasNetworks' 2024-29 determinations

The next regulatory determinations for TasNetworks' distribution and transmission networks are due to be made by the Australian Energy Regulator (**AER**) in early 2024. As the first step in the revenue setting process, the National Electricity Rules[1] enable network service providers to ask the AER to amend or replace the framework and approach paper (**F&A paper**) applying to their networks. Accordingly, TasNetworks requests that the AER develop a replacement F&A paper to be applied to both the transmission and distribution networks in Tasmania for the regulatory control period commencing on 1 July 2024 and concluding on 30 June 2029.

The request for replacement of the F&A paper applying to TasNetworks is primarily driven by TasNetworks' desire to deliver improved outcomes for its customers, in terms of both the services it provides and the business' operational efficiency, in addition to the need to keep pace with the regulatory and customer driven changes impacting on network service providers in Australia.

The F&A paper for TasNetworks' current regulatory control period (2019-24) was finalised over four years ago in July 2017. Since then, a number of regulatory changes have occurred which will impact on TasNetworks' next regulatory proposals, and TasNetworks has identified a number of sub-optimal outcomes for customers which are a by-product of the current regulatory framework, in particular the Electricity Ring-Fencing Guideline[2], that could be rectified through revisions to TasNetworks' F&A paper.

We expect that the AER will look to, as much as possible, adopt the baseline services list from the *Electricity Distribution Service Classification Guideline*[3] for the purposes of the next regulatory determination for TasNetworks' distribution network.

[1] Clauses 6.8.1(c)(1) and 6A.10.1A(c)(1)

[2] AER, Electricity Distribution Ring-Fencing-Guideline – Version 2, October 2017.

[3] AER, Electricity Distribution Service Classification Guideline, September 2018

TasNetworks also proposes a number of additions to the baseline services listed in the *Electricity Distribution Service Classification Guideline*. Those changes include making provision for:

- the rectification of private asset defects under fault;
- private asset construction and augmentation by TasNetworks as a provider of last resort;
- reserve feeder construction and maintenance;
- the provision of reliability batteries to Life Support customers during planned outages;
- the provision of community batteries;
- distributor led Stand-alone power systems (SAPS); and
- reclassification of basic supply abolitions as a Common Distribution Service, rather than a network ancillary service.

The cases for these variations to the baseline services listed in the *Electricity Distribution Service Classification Guideline* are set out in an attachment to this letter (Attachment 1 - Proposed Framework & Approach variations).

TasNetworks notes that the price cap formula that has been applied for the purposes quoted services in the 2019-24 regulatory control period differs from the formula specified in TasNetworks' current F&A paper, by virtue of the addition of a margin. We would support an amendment to the formula in the F&A to align with TasNetworks' current distribution determination.

TasNetworks acknowledges the AER's upcoming incentive scheme review will have outputs that will apply to our 2024-29 regulatory control period, with consultation to include the design and application of the Capital Expenditure Sharing Scheme, Efficiency Benefits Sharing Scheme and the Service Target Performance Incentive Scheme. We look forward to working with the AER to ensure these schemes remain relevant and fit for purpose. We also acknowledge the application of the Demand Management Innovation Allowance Mechanism recently finalised by the AER to TasNetworks' transmission network.

In light of the Australian Energy Market Commission's draft rule on the efficient management of system strength on the power system[4], TasNetworks considers there is a need to review our current transmission service classification, to confirm the provision of system strength services as prescribed transmission services.

As it prepares for the 2024-29 regulatory period, TasNetworks is contending with a more complex and uncertain operating environment. The regulatory environment is very dynamic, customers are changing, as are their expectations of the electricity grid and the role played by TasNetworks.

Globally, nationally and locally, the second half of the 2020s is likely to see the changes affecting the electricity market in recent years continue, and probably gather pace. For this reason, the F&A paper applying to TasNetworks should also recognise the potential application of the regulatory sandbox arrangements in our 2024-29 determination. The regulatory sandbox arrangements will potentially enable TasNetworks to provide additional value to customers in a time of rapid change, by allowing TasNetworks to trial innovative concepts in the market under relaxed regulatory requirements, whilst still maintaining appropriate consumer protections.

[4] https://www.aemc.gov.au/rule-changes/efficient-management-system-strength-power-system

The views of our customers and stakeholders are central to TasNetworks' plans for the future. This request for a replacement F&A paper has been informed by engagement activities conducted over the past 12 months. That engagement has included meeting with TasNetworks' Customer Council and Policy and Regulatory Working Group (**PRWG**) to share with them many of the proposals set out in this request. The Customer Council comprises over a dozen customers, consumer representatives and industry stakeholders, while the PRWG is made up of stakeholders and including representatives of the community sector, businesses, consumer advocates and members of the electricity supply industry. The response by members of both groups to TasNetworks' proposed amendments to the F&A paper was positive, with the prevailing sentiment being that the services outlined in the attachment to this letter are in customers' best interests.

Being mindful of the potential commercial sensitivities surrounding TasNetworks undertaking work on private assets, TasNetworks personnel also met with local representatives of Master Electricians Australia and the National Electrical Contractors Association, to discuss the rectification of private asset defects under fault and construction/augmentation of private assets by TasNetworks as a provider of last resort. Both were supportive of the introduction of the proposed services and their feedback contributed to the development of the controls which are being put forward to ensure that TasNetworks, as a regulated network business, does not encroach on the provision of services by electrical contractors through a competitive market.

TasNetworks is always interested in better ways to engage with its customers and stakeholders and to that end participated in a joint stakeholder engagement exercise relating to the future classification of services with five other distribution networks from New South Wales, the Australian Capital Territory and Northern Territory, which are on the same regulatory cycle as TasNetworks. That engagement began with an information paper about the classification of distribution services sent to targeted stakeholders, nearly 40 of whom were nominated by TasNetworks. The paper canvassed the roles electricity distributors should play in the future and was followed by an online public forum. Consistent with the feedback given directly to TasNetworks by stakeholders, one of the themes which emerged from that forum was the concern about the potential for networks to intrude on competitive markets and again, this feedback was used by TasNetworks to inform this request.

Many of the changes TasNetworks is seeking to make to its F&A paper are being put forward with the express support of external stakeholders and I look forward to engaging with the AER and other stakeholders as part of the consultation process surrounding the replacement of TasNetworks' F&A paper. Should you like to discuss any aspect of this request or require additional information, please contact Chantal Hopwood, Leader Regulation, at [redacted] or on [redacted].

Yours sincerely

[redacted]

Wayne Tucker

General Manager Regulation, Policy and Strategic Asset Management

Proposed Framework & Approach variations

Proposed Framework & Approach variations

Record Number: R0001984485
Version Number: 1.0
Date: October 2021

TasNetworks | Powering a Bright Future

Contents

Proposed Framework & Approach variations

TasNetworks' request for a replacement Framework & Approach paper is primarily driven by a desire to deliver improved outcomes for customers, in terms of both the services TasNetworks provides and the business' operational efficiency.

To that end, TasNetworks is proposing a number of additions to the baseline services listed in the *Electricity Distribution Service Classification Guideline*. This document sets out the cases for a number of new distribution services that TasNetworks is proposing for the 2024-29 regulatory control period.

1 Rectification of private asset defects under fault

TasNetworks' Customer Charter commits the business to providing a safe and reliable supply for all of its customers and to the timely restoration of supply if their power goes out. Like other distribution network service providers (**DNSPs**), TasNetworks investigates electrical faults and outages reported by customers at all hours of the day or night. Often this will require field crews to be dispatched to attend a customer's premises.

As part of the bundled services provided to all customers that use the shared distribution network, referred to as Common distribution services, TasNetworks' role typically involves reinstating customers' supplies by restoring failed components of the distribution network to an operational state, after having investigated customer outages. However, under the terms of TasNetworks' current Framework & Approach (**F&A**) paper and the AER's ring-fencing guideline[1], when responding to faults reported by customers TasNetworks is required to leave a customer's installation disconnected if a private asset fault is identified. It is then the customer's responsibility to engage an electrical contractor to rectify the fault before TasNetworks can return and restore power to the property.

With many faults affecting residential properties, in particular, going unreported within traditional business hours, due to customers frequently being away from their homes during the day for reasons of employment or education, many outages caused by private asset faults will not be identified until times of day that many electrical contractors will classify as out-of-hours. Analysis of nearly 20,000

[1] AER, Electricity Distribution Ring-fencing Guideline Version 2, October 2017

unplanned outages over the three regulatory years from 2018 to 2020 shows that just over half (51 per cent) of unplanned outages in Tasmania occurred between the hours of 5pm and 9am.

When responding to faults reported by customers TasNetworks is required to leave a customer disconnected if a private asset fault is identified. It is then the customer's responsibility to engage an electrical contractor to rectify the fault before TasNetworks can return and restore power to the property.

For customers this can make recruiting the services of an electrical contractor harder than it is during traditional business hours. The fact that not all electrical contractors provide after-hours emergency services narrows the range of providers from which to choose and the urgency associated with restoring supply, particularly out-of-hours, limits the pool of prospective service providers available to customers. The prospect of a prolonged outage and the associated inconvenience is also likely to reduce the willingness of customers to obtain quotes or estimates from multiple electrical contractors on a competitive basis, somewhat negating the benefits of a competitive market for electrical contracting services.

Any call-out fees or minimum charges are unlikely to be affected by the time spent on-site by an electrical contractor to rectify a private asset defect, and the rectification of private asset faults out-of-hours is likely to attract emergency call-out rates. This means that the rectification of even minor private asset defects can cost the customer as much as more complex faults.

With electricity considered within the community to be an essential service, the pressing need to restore supply, particularly out-of-hours, diminishes the advantages of a competitive market for the provision of electrical contracting services and places the customer at a significant disadvantage, which is likely to translate into higher costs for the customer. This situation is exacerbated in rural and regional areas, where there are fewer contractors and typically longer travel times to reach customers' properties.

To the Common distribution services set out in TasNetworks' current F&A paper, the list of baseline services contained in the *Electricity Distribution Service Classification Guideline* adds the rectification of simple customer faults relating to life support customers. The Guideline also provides for DNSPs to undertake the rectification of simple customer faults where there are public health and safety issues that a distributor is able to address.

In addition to the rectification of simple customer faults relating to life support customers or public health and safety risks, TasNetworks proposes that its F&A paper be updated to include minor private asset repairs under fault conditions as a Standard Control Service (**SCS**), as part of Common distribution services.

Allowing the repair of minor private asset faults, such as faulty fuses, ineffective earthing, defective metering isolation switches and superseded mains boxes, will improve the customer experience and business efficiency by reducing customer outage durations and removing the need for a second site

visit by TasNetworks' field crews. Nowhere will these benefits be realised more than in the case of the almost one third of distribution network customers that are located outside of Tasmania's larger urban population centres[2]. Enabling TasNetworks to undertake minor repairs of private assets would also minimise the time which TasNetworks' field crews sometimes spend standing-by, whilst waiting for a contractor to arrive on site to repair a simple customer fault, so that they can restore supply without the need for a second site visit.

In keeping with the conditions applied to the repair of private assets by DNSPs in New South Wales (**NSW**), it is proposed that the rectification of private asset defects under fault by TasNetworks will only be undertaken in circumstances where the:

- need for rectification work is discovered in the course of the provision of distribution services,
- work performed is the minimum required to restore safe supply, and
- work can be performed in less than thirty minutes and will not normally require a second site visit.

In addition, TasNetworks' Customer Service Centre employs fault-handling and triage processes that include checks which are designed to ensure that unnecessary site visits by TasNetworks field crews are avoided. These diagnostic processes are considered sufficient to prevent TasNetworks from dispatching crews to undertake work on private electrical assets which should be delivered by electrical contractors on a competitive basis.

The repair of minor private asset faults by TasNetworks field crews will improve the customer experience and business efficiency by reducing customer outage durations and removing the need for a second site visit by TasNetworks.

It is noted that there are differences between the definitions of a connection point applying in NSW and Tasmania. In NSW, in instances where electricity is being supplied from a distribution system (and not from a substation on the property occupied by the customer) the connection point is deemed to be on the distribution system side of the connection device closest to the distribution system. In Tasmania, the term "point of supply" is used instead of connection point, and describes the point at which TasNetworks' distribution network connects to privately owned assets or equipment that serve the premises of one or more customers. In practice, this means the load-side terminals of the service protection equipment (such as a service fuse) connected to a single span of service wire from the distribution network to either a building or structure on private property. TasNetworks is responsible for the connection at the point of supply, but TasNetworks' asset ownership and responsibility ends at the point of supply.

In practical terms, it is not anticipated that the subtle differences in the location of a customer's connection point in NSW and the point of supply for a customer in Tasmania will translate into a

[2] Population centres with more than 2,000 residents

requirement for TasNetworks' field crews to spend more or less time on a customer's premises when rectifying minor private asset defects of the type contemplated as part of this proposal. On that basis, TasNetworks is looking to rely on the AER's previous acceptance of analysis by Ausgrid of the average time spent on site affecting minor repairs to customers' assets, which saw the AER allow for NSW distribution networks to spend up to 30 minutes per customer undertaking minor repairs of private assets.

It is not expected that the rectification of private asset defects under fault will require a step-change in TasNetworks' operating expenditure for the 2024-29 regulatory control period. TasNetworks' preliminary thinking in relation to this proposal is that the additional labour and materials costs associated with the repair of minor private asset faults by TasNetworks will be offset by reductions in stand-by time and the number of follow-up site visits by field crews to restore supply after the rectification of private asset faults by electrical contractors.

The proposal for TasNetworks to rectify private asset defects under fault and the limitations on the circumstances in which such work might be undertaken are put forward with the support of the Tasmanian chapters of the National Electrical and Communications Association and Master Electricians Association. TasNetworks has also consulted with representatives of the Office of the Tasmanian Economic Regulator (**OTTER**) in developing the proposal to introduce the rectification of private asset defects as an additional distribution service, as well as officers from the Tasmanian Department of State Growth and the Department of Justice, which is responsible for the regulation of, amongst other things, electricity standards and occupational licensing in Tasmania.

2 Private asset construction/augmentation – Provider of Last Resort

The provision of negotiated connections can be a complex process. In addition to any design and construction work undertaken by TasNetworks, customers will typically require the assistance of an electrician, and will often have to rely on specialist electrical contractors to provide services like private pole installation and power line construction. However, there is anecdotal evidence that a lack of market depth in some areas of Tasmania, particularly in regional and rural settings, is resulting in delayed connections for customers who are unable to source contractors for the timely construction/augmentation of their assets.

A lack of market depth in some areas is resulting in delayed connections for customers who are unable to source contractors for the timely construction/augmentation of their assets.

It is not uncommon for customers encountering difficulties in engaging a competitive third party to undertake contestable services to request assistance from TasNetworks, but ring-fencing rules mean that TasNetworks is currently unable to undertake private asset work. While TasNetworks' preference

would be for these services to be delivered through a contestable market, it has become apparent that there is a need for TasNetworks to undertake limited private asset work as a *Provider of Last Resort*, in instances where customers have been unable to engage third parties to carry out the work needed to complete their new or augmented connection to the distribution network.

TasNetworks proposes, therefore, that the F&A paper applying to TasNetworks in the 2024-29 regulatory period be updated to include private asset work as an Alternative Control Service (**ACS**) under *Provider of Last Resort* provisions. It is anticipated that the service would be provided as a Quoted Service but it is noted that this not an issue for prescription as part of the F&A development process.

Where a customer is unable to find a competitive third party to provide what would otherwise be a contestable service, the customer would be permitted to submit a contestable job request to TasNetworks. Under TasNetworks' proposal, these services would only be deemed to be classified as an ACS where the request from the customer has progressed through a *Provider of Last Resort* process. This process would include a number of controls to ensure that TasNetworks only ever acts in a last resort capacity. Those controls could include requirements that:

- the customer must have previously contacted at least two third-party service providers (i.e. appropriately credentialed electrical contractors) to request a quotation or proposal for the provision of services, and been unsuccessful in obtaining a compliant quotation;
- customers who are unable to find a contractor to do the job would be required to submit to TasNetworks' a description of the job (in a form and to a standard that would enable TasNetworks to design and construct the private assets in question), its location, timing requirements, and which contractors they have sought quotes from;
- TasNetworks will advertise proposed jobs on a secure page on its website and provide contractors who have registered to have access to that website with two weeks to express their interest in undertaking the work and provide the customer with a quotation for the provision of the required services;
- all bidders will have access to the same information about a customer's job request for the same amount of time;
- at the conclusion of that expression of interest period for each job, TasNetworks will liaise with the customer in order to ascertain the success or otherwise of the process in in obtaining a quote from a third-party;
- only in the event that no interest is registered by contractors in a job advertised on TasNetworks' website or a compliant quotation (i.e. one that meets all material conditions associated with the job) is not received by the customer from a competitive third-party service provider will TasNetworks agree to undertake the work;
- TasNetworks would be required to provide the customer with a quotation for the delivery of the requested services, using the same materials costs and professional charges applied to the design and construction of negotiated connections, including labour rates approved by the AER; and
- the customer would be required to accept TasNetworks' quotation in order for TasNetworks to proceed with the job.

It is envisaged that the work undertaken by TasNetworks as a *Provider of Last Resort* would be limited to the design, construction and/or augmentation of overhead and underground network extensions beyond a customer's point of supply that are necessitated by a new or augmented connection to the distribution network being provided by TasNetworks. This work would include the inspection, maintenance, testing and relocation, if necessary, of existing customer assets, and TasNetworks would be able to undertake the design and construction of both low voltage and high voltage assets.

The process will include controls to ensure that TasNetworks only ever acts as a *Provider of Last Resort*.

The nature of the services able to be provided by TasNetworks as a *Provider of Last Resort* would be aligned with the design and construction services TasNetworks currently provides as the State's distribution network service provider. This means that TasNetworks would not undertake the design or installation of switchboards, meters and consumer mains, or private assets beyond the customer's metering point. The installation of those items and electrical equipment and infrastructure behind the meter will remain a contestable service.

The proposal for TasNetworks to, as a *Provider of Last Resort*, construct and/or augment private assets associated with a negotiated connection service was tested with the Tasmanian chapters of the National Electrical and Communications Association and Master Electricians Association. Both associations were supportive of such a service. TasNetworks also cleared the idea for this new service with representatives of OTTER and the Tasmanian Department of State Growth, as well as the Department of Justice.

3 Reserve Feeder construction and maintenance

The list of baseline services in the AER's *Electricity Distribution Service Classification Guideline* does not refer to reserve feeders. However, the final F&A which applies to AusNet Services, CitiPower, Jemena, Powercor and United Energy in the regulatory control period that commenced on 1 January 2021 includes the construction of a second connection from the distribution network to a customer (i.e. a reserve feeder) as an enhanced connection service. Enhanced connection services are classified as direct control services and, further, as an ACS in the F&A paper for Victorian DNSPs. Reserve feeder construction and maintenance have also been classified as an ACS in the most recent F&A paper for DNSPs in New South Wales.

TasNetworks currently provides reserve feeders for a number of customers that require dedicated reserve network capacity, with the costs recovered under the terms of the customers' connection agreements.

While the provision of reserve feeders is a monopoly service, it is used by a small number of identifiable customers on a discretionary basis and the costs can be directly attributed to those customers. On this basis, reserve feeder construction and maintenance lends itself to classification as an ACS. Classifying reserve feeder construction and maintenance as an ACS is also consistent with the

beneficiary pays principle and avoids the risk of cost-shifting and an increase in Distribution Use of System (**DUoS**) prices for the wider customer base.

Accordingly, for the F&A paper that will apply to TasNetworks in the 2024-29 regulatory period, TasNetworks proposes a variation of the service grouping descriptions set out in the Guideline, in the form of the inclusion of reserve feeder maintenance and construction as enhanced connection services. TasNetworks anticipates that the construction of reserve feeders will be treated as an ACS, with reserve feeder construction likely to be classified as a quoted service, while reserve feeder maintenance will be provided as a fee based service (with charges set with reference to reserved feeder capacity).

It is noted, however, that service descriptions in F&A papers are not intended to reflect the mechanism by which costs are recovered, and that the final delineation between fee-based and quoted services will, therefore, sit with TasNetworks' proposed pricing for the coming regulatory period. Consequently, subject to the AER's approval of reserve feeder construction and maintenance as enhanced connection services, TasNetworks' initial pricing proposal for the 2024-29 regulatory period will set out the pricing method, in terms of applicable charging parameters, fees, costs and/or labour rates, applying to reserve feeder construction and maintenance.

4 Reliability batteries - planned outage support

Under the National Energy Retail Rules, customers who are reliant on life support equipment are entitled to a range of protections from DNSPS, as well as electricity retailers, once they inform either their retailer or DNSP that they need life support equipment. For example, DNSPs are required to provide registered Life Support customers with at least four business days' written notice of a planned interruption to supply at the customer's premises, so that the customer can make arrangements to ensure that their life support equipment remains functional during the outage.

The provision of reliability batteries will strengthen the protection provided to customers that have a person residing at their premises who requires life support equipment.

Some DNSPs in other jurisdictions are now providing battery back-up for high-priority life support customers during planned outages. To strengthen the protection provided by TasNetworks to customers that have a person residing at their premises who requires life support equipment, TasNetworks proposes that the F&A paper applying to its 2024-29 regulatory period be updated to include the provision of reliability batteries as a standard control service, under the grouping of common distribution services.

5 Community batteries

While the take-up of battery storage by individual customers is gathering momentum in Australia, the concept of a community battery is still relatively new. A community battery is a grid-connected battery sited in a location that enables customers in a neighbourhood, as well as the wider community, to share in the benefits that battery storage can provide.

There are three main services that community batteries enable which need to be assessed under the AER's electricity distribution ring-fencing guideline if DNSPs are to be able to offer community batteries as a service to customers:

1. Customer Battery Access Service
2. Wholesale market trading/generation service
3. Network support service

Based on TasNetworks' interpretation of the ring-fencing guidelines, Customer Battery Access is likely to be classified as a contestable electricity service, as is Wholesale market trading/generation. Only the provision of Network support through the deployment of a community battery – where the battery is used to provide capacity or ancillary services for the provision of standard control services – is likely to be classified as a distribution service. This means that, under the AER's ring-fencing guidelines, TasNetworks would be prohibited from providing customer access and wholesale trading. In order to do so, TasNetworks would either have to:

- seek a waiver from the AER; or
- appoint a related party or third party to provide either service.

It is envisaged that the business case for the installation of community batteries by TasNetworks will, therefore, be driven by the capacity of community batteries to provide network support, to the benefit of the wider customer base. This means that the provision of community batteries would be undertaken as a component of TasNetworks' Common distribution services, and classified as a Standard Control Service. To that end, TasNetworks' 2024-29 capex proposal is likely to include investments relating to the provision of network support using community batteries.

The business case for community batteries will be driven by the capacity of community batteries to provide network support, to the benefit of the wider customer base.

The list of baseline services in the AER's *Electricity Distribution Service Classification Guideline* does not refer to the provision of community batteries. Whenever a DNSP proposes variations to the grouping and/or service grouping descriptions set out in the Guideline, the Guideline requires DNSPs to provide reasons and examples at the time the AER is developing its F&A paper or in its classification proposal. Consequently, because the provision of community batteries would be an extension of the AER's

baseline services list, TasNetworks proposes the explicit inclusion of community batteries as a common distribution service in the F&A paper applying to TasNetworks' 2024-29 regulatory period.

TasNetworks envisages that just as some privately owned assets, including battery storage, may be able to provide services to the network, services that TasNetworks would be able to procure from third parties, access to a community battery that forms part of TasNetworks' regulatory asset base may also be rented to a third party where doing so provides a market benefit. This activity can be described as an activity related to 'shared asset facilitation' of distributor assets under the common distribution service grouping, and the revenue derived from the granting of that access would be treated in accordance with the shared asset guideline.

Making allowance in TasNetworks' F&A paper for community batteries that form part of the distribution network to be used for non-network purposes by third parties is an important mechanism for ensuring that TasNetworks is able to choose the most efficient means of delivering the network functionality provided by community batteries, whether that be through the use of assets that form part of TasNetworks' RAB or through the purchase of services from third parties. Conversely, it has the potential to enable third parties engaged in the provision of non-network related services, and ultimately the consumers and prosumers they serve, to access battery storage provided by TasNetworks if doing so would be more efficient than investing in batteries themselves. In this way, the potential exists for TasNetworks to be an enabler of competitive services, with flow-on benefits for all users of the shared network and the market.

Allowing community batteries to be used for non-network purposes by third parties will ensure TasNetworks is able to choose the most efficient means of delivering the network functionality provided by community batteries.

In order to provide guidance for retailers, customers and prospective suppliers of battery access services or market trading/generation services, TasNetworks' Service Classification Proposal and Initial pricing proposal will set out the basis on which access to community batteries will be provided to third parties. Guidance from the AER in relation to the value of shared batteries that might be included in TasNetworks' RAB would also ensure that the wider customer base contributes only to the cost of the battery capacity utilised for the provision of network services, and that the customers of third parties who might lease 'spare' battery capacity from TasNetworks are not paying costs that should be recovered through network charges.

Lastly, an agreed test of efficiency in relation to the provision of community batteries by DNSPs, potentially along the lines of the Regulatory Investment Test for Distribution, would ensure that the net economic benefits of community batteries are maximised and that any network battery storage accessed by third parties is subject to regulatory scrutiny, avoiding the need for the batteries to be provided on a ring-fenced basis.

TasNetworks notes the view expressed by stakeholders during the public forum conducted in conjunction with DNSPs from NSW, the ACT and NT, that the leasing of any spare battery capacity by

networks should be a by-product of the deployment of grid-scale batteries for the purposes of providing network support, not the raison d'être. TasNetworks acknowledges the views expressed by participants in the joint public forum to the effect that network customers should not pay for any battery capacity used by network businesses to provide non-network services.

6 Stand Alone Power Supplies

Technological developments and the falling cost of renewable generation and batteries mean that, for some customers, Stand-Alone Power Supplies (**SAPS**) are becoming an economically efficient alternative to maintaining an existing connection to the shared distribution network. Currently, the provision of SAPS by DNSPs is not captured under national regulatory frameworks. However, the Australian Energy Market Commission is developing detailed amendments to the regulatory framework to enable distribution businesses to provide SAPS in situations where the DNSP is able to identify that it would be more efficient to supply customers on a stand-alone basis (using a SAPS) than maintain their existing connection to the shared network.

Recognising that the distributor-led provision of SAPS will constitute a new regulated service, TasNetworks' F&A paper for the 2024-29 regulatory control period will need to include distributor-led SAPS as a Standard Control Service, in order to provide TasNetworks and its customers with clarity on how each aspect of a SAPS service provision is classified.

In response to the concerns raised by some stakeholders during the public forum conducted in conjunction with DNSPs from NSW, the ACT and NT about the potential for DNSPs to intrude on the competitive market for the provision of SAPS, TasNetworks notes that the proposal to include the provision of SAPS as a regulated service in TasNetworks' next F&A paper is put forward on the basis that TasNetworks would only supply SAPS to existing customers, and only when it would more efficient to do so than maintain the customers' existing connections to the shared network.

7 Supply abolishment

TasNetworks current F&A paper classifies the removal of a customer's service and meters as an ACS. However, if a customer elects not to abolish a service supplying an abandoned site, in order to avoid the cost of doing so, without being de-energised and removed the extant supply could pose safety risks.

In keeping with the F&A paper applying to Victorian DNSPs since 1 January 2021, TasNetworks proposes that the abolishment of basic supplies in Tasmania be reclassified as part of the Common network services grouping in the F&A paper for TasNetworks 2024-29 regulatory determination. In doing so, TasNetworks acknowledges that the costs of removing the service and meters from abandoned premises will be recovered from the wider customer base through general network charges, rather than from individual customers through a fee-based service. However, the cost to the wider customer base of bringing the abolition of basic supplies within the scope of SCS is considered to be outweighed by the corresponding reduction in the risks to public safety posed by energised

service conductors that remain attached to abandoned buildings, which over time are subject to decay.

Additionally, basic supply abolishment will need to be removed as a fee based service from the Service Classification Proposal which TasNetworks is required to submit as an element of its regulatory proposal under cl. 6.8.2(c) of the National Electricity Rules.