

# **Appendix C: Classification proposal**

Regulatory proposal for the ACT electricity  
distribution network 2024–29

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# 1. Classification proposal

The National Electricity Rules (the Rules) (clause 6.8.2(c)(1)) require a distribution network service provider's (DNSP's) regulatory proposal to include a classification proposal, showing how the distribution services to be provided by the DNSP should, in the DNSP's opinion, be classified under Chapter 6 of the Rules. The Rules also state that if the proposed classification of a service differs from the classification suggested in the relevant Framework and Approach paper, the DNSP must include the reasons for the difference.

According to the Rules (clause 6.8.1(b)(2)(i)), the Framework and Approach decision on the classification of services sets the Australian Energy Regulator (AER) proposed approach in the forthcoming distribution determination. The Rules (clause 6.12.3(b)) state that, in making a distribution determination on the classification of distribution services, the AER can depart from the classification as set out in the relevant Framework and Approach paper where the AER considers such a change is justified by a material change in circumstances.

The AER's 2024–29 regulatory period Framework and Approach final decision for Evoenergy<sup>1</sup> includes the AER's detailed decision and reasoning on classification of services to be provided by Evoenergy in the 2024–29 period arrived at in consultation with Evoenergy. Given the depth of this consultation, Evoenergy overwhelmingly concurs with the AER's Framework and Approach decision on service classification, as discussed below.

The overview of AER's Framework and Approach decision on the proposed classification of Evoenergy distribution services is reproduced here in Figure 1. It should be noted that Evoenergy does not perform public lighting services, listed as alternative control services, since Evoenergy does not own or operate streetlights. The Framework and Approach final decision also includes (at Appendix C) a comprehensive listing of the service groupings used by the AER (Common, Network ancillary, Metering, Connection, and Unregulated distribution services), brief descriptions of activities included in each, and their classification as either standard control or alternative control services in the current (2019–24) and forthcoming (2024–29) regulatory periods.

The AER notes<sup>2</sup> that, during consultations, Evoenergy had raised issues in relation to the classification of two services according to the AER's baseline classifications, discussed in the following two paragraphs.

In relation to Types 5 and 6 (legacy) meter maintenance, reading and data services, Evoenergy raised concerns in relation to the protracted rate of rollout of advanced (Type 4) metering and the difficulties inherent in forecasting future volumes and costs of the legacy meters. The AER acknowledged these difficulties and, while choosing for the time being to maintain their current alternative control service classification, noted that information arising particularly as a result of the forthcoming Australian Energy Market Commission review on metering services could constitute a material change of circumstances.<sup>3</sup>

In relation to connection services, the AER favours a baseline grouping, including basic, standard and negotiated connection services, which aligns with the terminology and descriptions in Chapter 5A of the Rules, rather than the current period jurisdictional based approaches. The AER recognises that these changes in terminology impact on the connection policies of distributors.<sup>4</sup> Given Evoenergy's sole supplier status in the ACT for these services, the AER classifies basic, standard<sup>5</sup> and negotiated connection services as standard control services.

Evoenergy's proposed connection policy for its 2024–29 regulatory proposal is set out in Appendix M. Evoenergy raised concerns in its response the AER's preliminary decision on the Framework and

<sup>1</sup> AER 2022, Framework and approach, Evoenergy (ACT), Regulatory control period commencing 1 July 2024, 29 July

<sup>2</sup> Ibid, pp. 6–7

<sup>3</sup> Ibid, pp. 28–29

<sup>4</sup> Ibid, p. 29

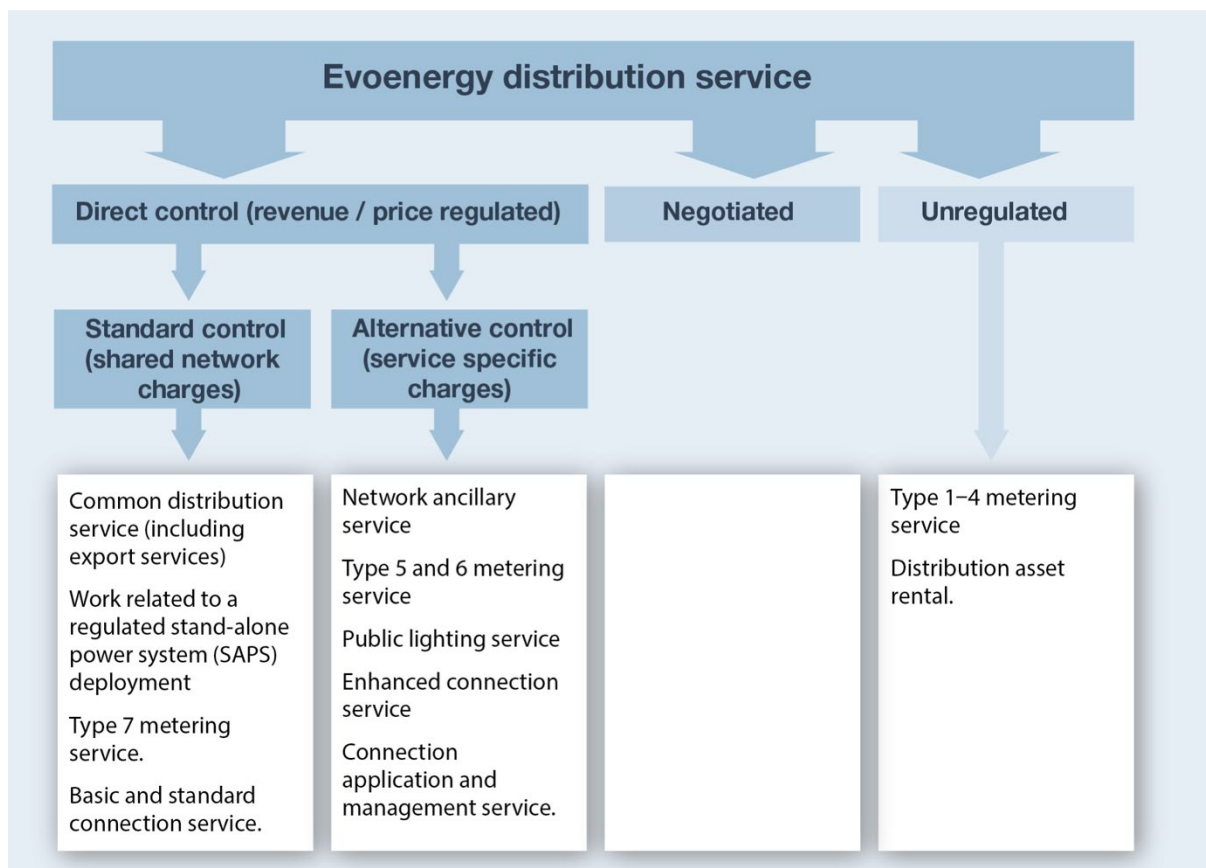
<sup>5</sup> Ibid, p. 30

Approach regarding the difficulty of agreeing to the exact form of proposed classifications for Network Connection Services in advance of finalisation of its connection policy.

During discussions preceding publication of the Framework and Approach final decision, AER officers indicated support for DNSPs' AER approved connection policies performing the 'heavy lifting' in defining connection services. Evoenergy understood this to mean classification of connection services being driven by the intent of the approved connection policy and we continue to support such an approach.

Before agreeing to the classifications proposed in the final Framework and Approach decision, we seek confirmation of the scope of this approach or, alternatively, more specific definition of relevant connection services to remove potential ambiguity. Evoenergy's concerns in this regard relate mainly to 'negotiated connection services' where the current definition in the Framework and Approach final decision is silent as to the limit of the 'standard control service' classification. That is, the proposed service definition does not make clear that the standard control service classification applies only to the economic portion of the required infrastructure (with reference to whether incremental cost exceeds incremental revenue and the application of a capital contribution to cover the excess), and also not to requirements in excess the LCTAS (which are classified as alternative control services).

Figure 1 AER proposed classification of Evoenergy distribution services



Source: AER Framework and Approach 2024–29 final decision for Evoenergy, Figure 1.2, p.6