

Distribution service classification – importance and clarifications

Contestability of energy services – public forum

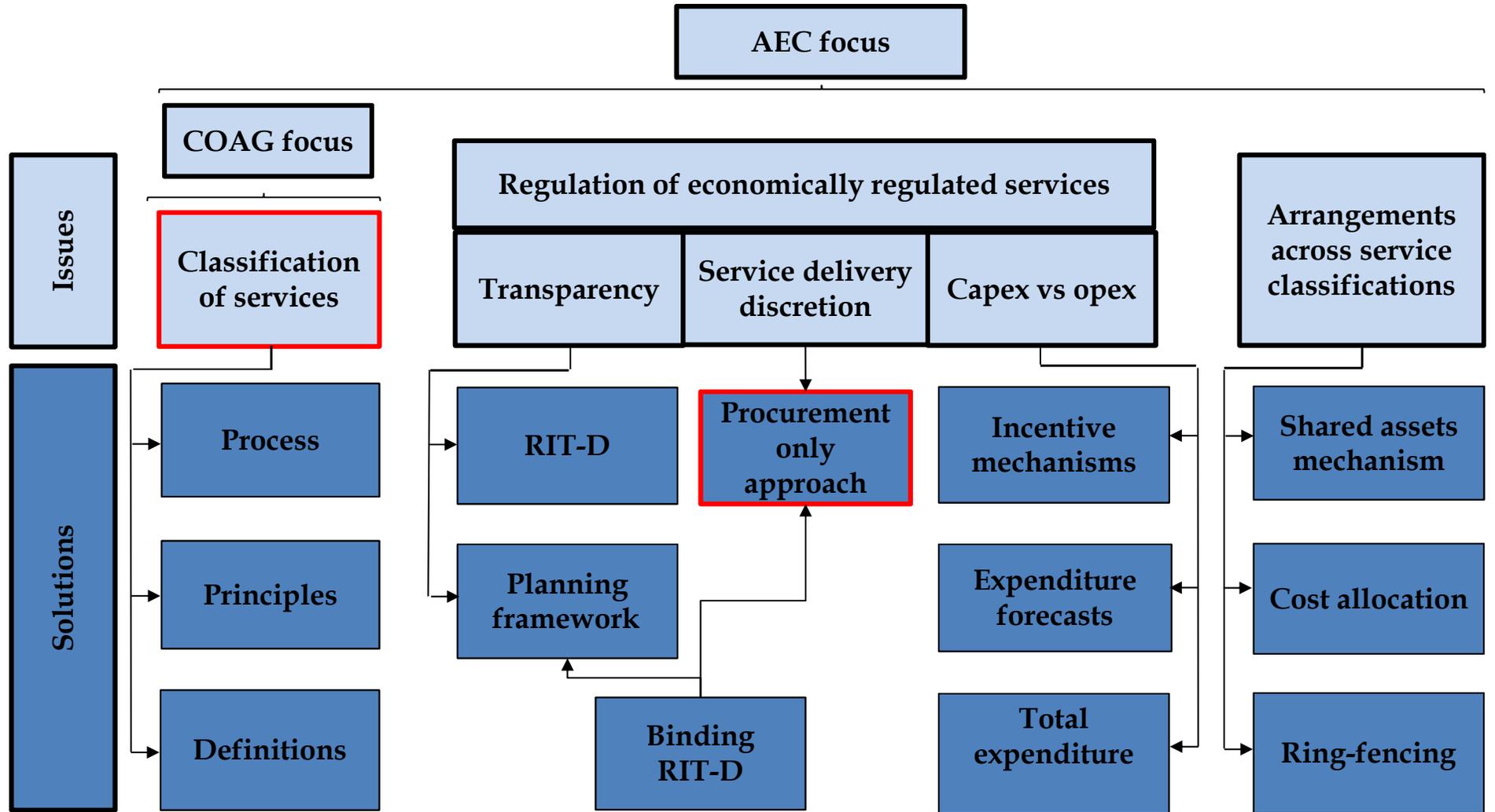


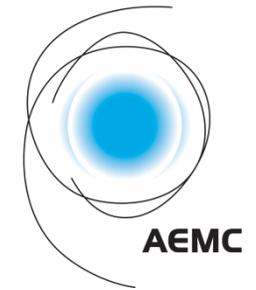
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Focus

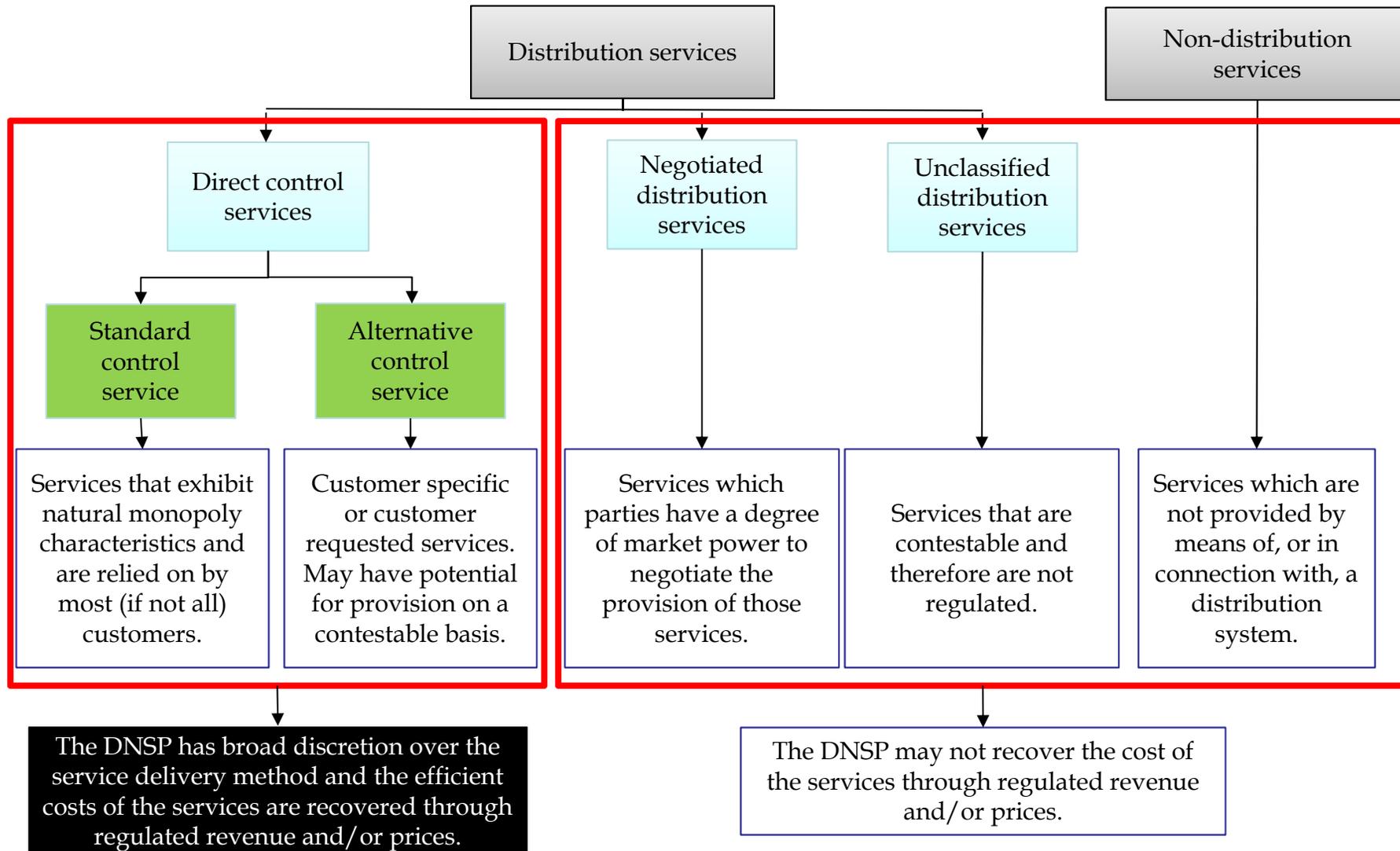




Distribution service classification - importance

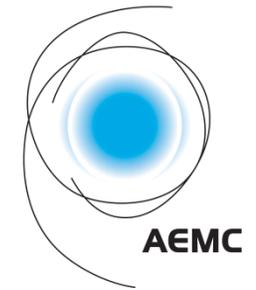


Importance – economic regulatory implications



Importance – contestable service provision

- Service classification also has a significant impact on the ability for other parties to compete with DNSPs in providing services.
 - Standard control services
 - Alternative control services
 - Other services



Distribution service classification - clarifications



Clarifications

- Distribution service classification involves the classification of services that DNSPs supply customers.
- Not the classification of:
 - the assets used to provide such services;
 - the inputs/delivery methods DNSPs use to provide such services to customers; or
 - services that consumers or other parties provide to DNSPs.

Clarifications - assets

- Assets can, and often are, used to provide multiple services with different service classifications. For example, a truck that a DNSP purchases is an asset that may be used to provide:
 1. standard control services, for example, network services;
 2. alternative control services, for example, public lighting services; and
 3. a number of negotiated or unclassified distribution services.
- As long as DNSPs do so in accordance with their cost allocation methodology, the shared asset guideline and distribution ring-fencing guideline, such multiple use of an asset is permissible under the NER.

Clarifications – inputs or services?

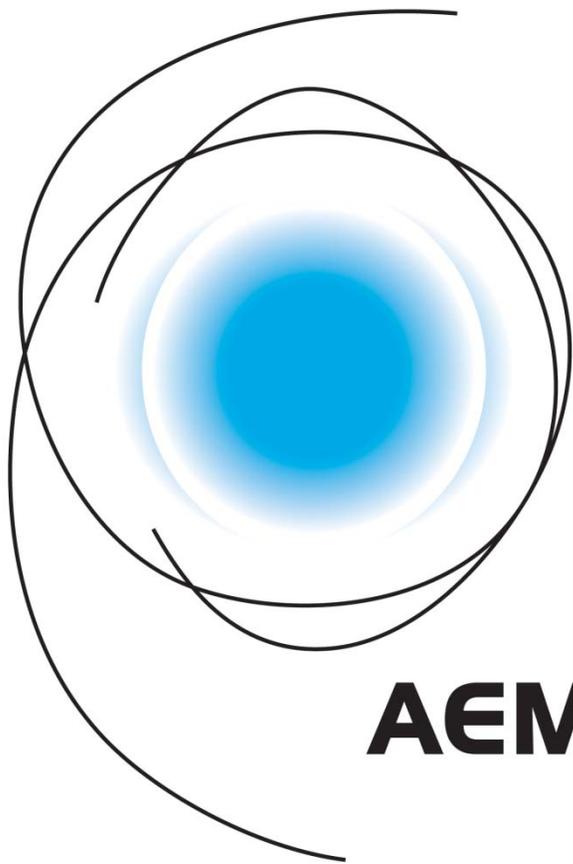
- It is the services provided by DNSPs **to customers** that are classified within distribution service classification.
- The inputs that a DNSP uses in providing distribution services to customers are not classified. Equivalently, services that are provided **to the DNSP** as inputs to providing services to customers are not classified. For example:
 - Tree trimming
 - Network support

Application of clarifications to the rule change requests

- The rule change requests seek to require DNSPs to procure certain inputs to standard control services from third parties or related entities, rather than investing in assets that provide such inputs.
- The requests focus on changes to the service classification framework to achieve this aim.
- The consultation paper highlighted that:
 1. Reclassifying these services away from direct control services would prevent DNSPs from procuring them from other parties, **not** promote such procurement.
 2. These are unlikely to be services that can be classified separately because they are inputs to providing network services, not services provided to customers.

Other issues

- The consultation paper noted that the distinction between inputs/services is not always clear. For example:
 - metering; and
 - connections services.
- A key distinction between these and other inputs/services is that these services are provided to a single customer by the DNSP.



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