evoenergy

Attachment 6: Alternative Control Services

Regulatory proposal for the ACT electricity distribution network 2024–29

January 2023

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6.1. Overview

The Australian Energy Regulator (AER) has classified Evoenergy's Network Ancillary Services, Type 5 and Type 6 metering services, Public Lighting Service, Enhanced Connection Service and Connection and Application management services as alternative control services (ACS) for the 2024–29 regulatory period.[1] These services represent a relatively small component of Evoenergy's total revenue.

The form of control mechanism applied to ACS under the National Electricity Rules (the Rules) must have a basis stated in the distribution determination and may (but need not) use elements of Part C of clause 6.26 of the Rules (with or without modification).

Evoenergy's proposal for ACS, as set out in this attachment, will benefit consumers through cost-reflective prices, set transparently and subject to a defined price path over the regulatory period. Customers will only bear the costs of these services if and when they are required. ACS are often customer specific or requested and are billed on a per service basis to individual customers.

Evoenergy accepts the AER's determination in its Framework and Approach paper that the form of control mechanism for ACS will be price caps on individual services. Clause 6.2.6(b) of the Rules outlines that the control mechanism must have a basis stated in the distribution determination.

Evoenergy proposes the following basis for the control mechanisms. It has been considered the most appropriate when assessed against the criteria set out in clause 6.2.5(d) of the Rules. These are:

- **For metering services**: a limited building block approach, consistent with the approach in the 2019–24 regulatory period.
- **For network ancillary services**: a cost build-up approach, consistent with the approach in the 2019–24 regulatory period.

6.2. Metering Services (Types 5 and 6)

For the 2019–24 regulatory period, the AER classified Evoenergy's Type 5 and Type 6 metering services as ACS and applied individual price caps to each of the metering services. For the 2024–29 regulatory period, the AER has retained the ACS classification and the individual price cap form of control.

Evoenergy accepts the AER's classification of the following metering services as ACS:

- Types 5 and 6 metering data services, which include collection, processing, storage and delivery;
- scheduled meter reads;
- maintaining and repairing meters and load-control equipment;
- meter testing during business hours (refunded to the customer if the meter proves faulty); and
- special meter reading or check (refunded to the customer if the original reading was incorrect).

[1] AER, Framework and approach for Evoenergy, July 2022, p. 6

6.2.1. Proposed basis for the metering control mechanism

Evoenergy proposes to apply a building block approach to determine the price caps for all metering services. Evoenergy's proposed approach to metering is effectively a continuation of the approach used in the 2019–24 control period. This includes the same post-tax revenue model (PTRM), roll-forward model (RFM) and tax asset base in place, with changes that reflect the AER's inflation review final position published on 17 December 2020, and the AER's regulatory tax approach review findings published on 17 December 2018.

The changes related to the tax review findings affect the calculation of tax depreciation in the models as well as the approach to calculate year-by-year tracking of depreciation for both the Regulatory Asset Base (RAB) and tax depreciation. As the AER has not made its final decision on the 2022 rate of return instrument, Evoenergy has based its approach on the rate of return review published on 17 December 2018. An assessment of the proposed approach against the factors the AER is required to consider, under clause 6.2.5(d) of the Rules, is provided in Table 1 below.

Table 1 Evoenergy's assessment of basis of control

Nation Electricity Rules factor	Evoenergy's assessment
The potential for development of competition in the relevant market and how the control mechanism might influence that potential.	The choice of the basis for the control mechanism is unlikely to affect the potential for competition to develop.
The possible effects of the control mechanism on administrative costs of the AER, the Distribution Network Service Provider, and users or potential users of the relevant services.	Administrative costs will be minimised by continuing to apply the current building block approach. Moving to an alternative would involve higher administrative costs.
The regulatory arrangements (if any) applicable to the relevant service immediately before the commencement of the distribution determination.	The proposed approach has been used in the Australian Capital Territory (ACT) for the past three regulatory periods and remains appropriate for the 2024–29 regulatory period.
The desirability of consistency between regulatory arrangements for similar services (both within and beyond the relevant jurisdiction).	A building block approach to metering and a cost build-up approach to network ancillary services have been applied across several jurisdictions of the National Electricity Market (NEM). Hence, Evoenergy's approach achieves consistency.
Any other relevant factor.	A further relevant factor is consistency with the National Electricity Objective. This requires that the approach adopted allows Evoenergy to recover at least the efficient costs of providing the services, including an allowance for efficient capital costs incurred. The building block analysis is best suited to meeting this objective.

Under Chapter 7 of the Rules, Evoenergy was the responsible organisation for the installation of Type 5 and Type 6 meters in the ACT connected to Evoenergy's electricity network up to 31 March 2018. As a result of the Power of Choice reforms, Evoenergy ceased receiving orders for the installation of Type 5 meters from 1 December 2017 and had until 31 March 2018 to complete any orders received before 1 December 2017. Service orders for new meters from 1 December 2017 were directed to metering coordinators.

Evoenergy will continue to perform business functions associated with the existing installed Type 5 and Type 6 meters, and these functions will remain subject to price cap regulation. These services include meter reading, meter testing, data validation and compliance activities. Evoenergy will also continue to provide customers with network ancillary services, which will remain subject to cost build-up regulation.

In addition to its regulatory obligations, other major drivers of Evoenergy's metering costs include labour costs, occupational health and safety, and other input costs. Information on these costs is provided in the Regulatory Information Notice response templates.

6.2.2. AEMC Review of the Regulatory Framework for Metering Services

On 3 November 2022, the Australian Energy Market Commission (AEMC) released a draft report of its Review of the Regulatory Framework for Metering Services (AEMC Review). The objective of this review was to identify issues with the current meter regulatory framework, opportunities to improve customer outcomes, and identify priority reforms that would accelerate smart meter deployment in the NEM.

The AEMC's key recommendation was that the phasing out of legacy Type 5 and Type 6 meters should be accelerated, with an aim to achieve 100 per cent Type 4 smart meter coverage by 2030. The AEMC found there were significant benefits associated with an accelerated deployment of smart meters to both consumers and network providers[2], and the roll-out of smart meters in the NEM had been slower than expected. According to the report, the feedback from the industry is that 2030 is the most realistic timeframe to achieve 100 per cent national coverage of Type 4 meters.

To accelerate this roll-out, the AEMC has recommended adopting an industry developed plan using a legacy meter retirement approach. Under this plan, each Distributed Network Service Provider (DNSP) would be required by the Rules to develop a legacy meter retirement plan that progressively retires their legacy fleet to enable the upgrade to smart meters in line with the 2030 acceleration target. Developed closely with key stakeholders, the plan would then be assessed and approved by the AER, with meter replacement continuing to be undertaken by the relevant retailer in partnership with metering coordinators.

As part of the accelerated deployment program, the AEMC proposed exempting legacy meters from regular testing and inspection requirements once the AER approves each retirement plan. The AEMC report also recommended providing definitive timelines to support the timely replacement of malfunctioning meters. The provision of clear replacement times for individual failures and family failures would reduce the delays that customers currently experience in the installation of smart meters.

Based on these recommendations, Evoenergy proposes to use a shorter depreciation schedule to capture the accelerated roll-out of smart meters and phase-out of Type 5 and Type 6 meters to optimise customer benefits, including reduced meter reading costs. Evoenergy expects to fully depreciate the remaining Type 5 and Type 6 meters by 2030. Evoenergy will also consider the potential to propose Type 5 and Type 6 metering services to be reclassified as Standard Control

[2] The Oakley Greenwood cost benefit analysis undertaken as part of this report found the net benefit for New South Wales and the Australian Capital Territory to be $256 million.

Services (SCS) to support their delivery in a way that ensures metering contributes to an efficient energy system capable of maximising the benefits for all consumers.

As the outcomes of the AEMC's review progress, Evoenergy will engage with stakeholders on what these changes mean for them, and any changes Evoenergy considers as part of its revised proposal to reflect the AEMC's final report.

6.2.3. Meter population

Evoenergy was the sole installer of Type 5 and Type 6 meters in the ACT prior to 1 December 2017. From 1 December 2017 to 31 March 2018, Evoenergy would install Type 5 meters if a service order for the meter had been received prior to 1 December 2017. Following the commencement of Power of Choice on 1 December 2017, metering coordinators became responsible for processing service orders for new or replacement meters. Evoenergy's regulated metering asset base continues to decline progressively as Type 5, and Type 6 meters are removed and replaced with Type 4 meters.

Evoenergy has not installed any Type 5 or Type 6 meters since 1 April 2018, following the Power of Choice reforms. Evoenergy has adopted a run-to-failure strategy to drive meter replacements.

The Power of Choice reforms have resulted in Evoenergy changing how it forecasts meter numbers. From 1 April 2018, Evoenergy's forecast of the number of regulated meters in the ACT has reflected an assumed churn from Type 5 and Type 6 meters to Type 4 meters. As the result of a proposed accelerated phase-out of Type 5 and Type 6 meters, the number of customers on the metering tariffs in Table 33 will decline at a faster rate than forecast in previous determinations.

Table 2 Number of metering customers 2019–2024

Tariff	Description	2019/20	2020/21	2021/22	2022/23	2023/24
MP1	Quarterly metering non-capital rate	162,448	146,233	139,005	131,795	118,638
MP2	Monthly non-interval metering non-capital rate	11,525	11,052	10,248	9,846	8,904
MP3	Monthly interval metering non-capital rate	998	612	228	155	79
MP4	Monthly manually read interval metering non-capital rate	291	184	79	38	0
MP7	Quarterly manually read interval metering capital rate	163,018	162,720	162,201	161,640	161,070
MP8	Monthly non-interval metering capital rate	10,926	10,460	9,670	9,286	8,883

Tariff	Description	2019/20	2020/21	2021/22	2022/23	2023/24
MP9	Monthly multi-register non interval metering capital rate	1,833	2,302	2,606	2,771	2,937
MP10	Monthly manually read interval metering capital rate	460	444	473	510	548

Table 3 Forecast number of metering customers 2024–2029

Tariff	Description	2024/25	2025/26	2026/27	2027/28	2028/29
MP1	Quarterly metering non-capital rate	100,268	81,898	63,529	45,1459	26,789
MP2	Monthly non-interval metering non-capital rate	7,526	6,147	4,768	3,389	2,010
MP3	Monthly interval metering non-capital rate	0	0	0	0	0
MP4	Monthly manually read interval metering non-capital rate	0	0	0	0	0
MP7	Quarterly manually read interval metering capital rate	160,502	159,935	159,368	158,800	158,232
MP8	Monthly non-interval metering capital rate	8,487	8,091	7,695	7,299	6,902
MP9	Monthly multi-register non-interval metering capital rate	2,754	2,754	2,754	2,754	2,754
MP10	Monthly manually read interval metering capital rate	475	475	475	475	475

6.2.4. Meter testing

Evoenergy uses its own metering staff to carry out testing of all direct connected Type 6 meters. The Works Delivery Branch has eight electrical technicians capable of testing Type 5 and Type 6 meters. Under usual business operating conditions, Evoenergy can test 1,000 meters in the field each year. The overall meter testing population has been declining over the 2019–24 regulatory period, and all remaining Type 5 meters will most likely be removed from the network prior to 2024.

The testing methodology used by Evoenergy is outlined in Evoenergy's Meter Asset Management Plan, with in-service testing carried out to AS/NZ 1284.13 using calibrated portable test equipment.

All Evoenergy meter tests (Type 5 and Type 6) and current transformer tests are carried out on site. This requires the disconnection of the load and electricity supply to the customer for a short time – up to 30 minutes for three phase meters and less time for single phase meters. The test methodology used by Evoenergy is described in the In-service Meter Compliance Testing and Bulk Replacement document.

If a sample fails for any reason, then the Program Delivery Lead - Market Transactions responsible for electricity meter testing will either:

- re-define the populations and redo the entire compliance verification procedure on the alternate populations (the final analysis is completed using the data from the second sample); or
- deem the population to have failed and instigate the replacement of the entire population with new meters.

When a meter fails an accuracy test, the retailer will be notified. They will be responsible for replacing that meter within the timeframes as per Australian Energy Market Operator requirements.

All inspections, testing and auditing of metering installations are carried out per the guidelines specified in section 7.6 of the Rules.

6.2.5. Meter inspection plan

The Rules Table S7.6.1.3 requires Type 5 and Type 6 metering installations to be inspected when the meter is tested. Rules S7.6.2(f) states that a typical inspection may include:

- checking the seals;
- comparing the pulse counts;
- comparing the direct readings of meters;
- verifying meter parameters and physical connections; and
- checking current transformer ratios by comparison.

All Evoenergy test and inspection procedures address these requirements.

As current transformer meter testing is carried out using AS/NZ 1284.13, all current transformer installations that are not inspected as part of routine testing will be inspected as set out in tables S7.6.1.1 and S7.6.1.2 of the Rules. Currently, this is every five years.

The inspection results will be used to update the current transformer family type classifications in the asset management register.

6.2.6. Meter Reading

Evoenergy procures meter reading services through competitive tender processes. Evoenergy currently has meter reading contracts with Skilltech Consulting Services Pty Ltd (Skilltech) and Ecowise Services (Australia) Pty Ltd (Ecowise). Evoenergy's current contract with Skilltech only applies to basic accumulation meters, which include Type 5 meters, programmed to be read as Type 6 meters. Evoenergy's current contract with Ecowise only applies to Type 5 interval read meters, which are anticipated to be removed from the network prior to 2024.

The contract with Skilltech commenced on 1 January 2017 following a tender process managed by Evoenergy's contracts and procurement team. The contract with Ecowise has been renewed for 12 months, subject to Type 5 meters being removed from the network.

6.2.7. Forecast metering capital expenditure

Evoenergy ceased allocating funds to capital expenditure (capex) for its Type 5 and Type 6 metering installation activities on 1 April 2018 as a result of the AEMC's Power of Choice reforms. For this reason, there is no forecast capex relating to the installation of meters for the 2019–24 and 2024–29 regulatory periods.

6.2.8. Forecast metering operating expenditure

Evoenergy's forecast metering operating expenditure (opex) is shown in Table 4. Despite not being permitted to install new meters, Evoenergy is required to continue to maintain and read the installed stock of Type 6 meters in the 2024–29 regulatory period. These opex forecasts have been prepared using Evoenergy's expenditure forecasting methodology[3]. The total forecast metering opex in the 2024–29 regulatory period is estimated to be approximately $3.95 million below the total metering opex in the 2019–24 regulatory period as the number of active Type 5 and Type 6 meters reduces.

Evoenergy's opex for metering comprises several components, the largest of which is meter reading, which is contracted out through a competitive tender process. Evoenergy chose 2022/23 as the base year from which to forecast opex over the next regulatory period using a base-step-trend approach. There is a potential for diseconomies of scale to impact the per-unit cost of servicing each meter in response to the reduction in the number of active Type 5 and Type 6 meters over the forecasting period[4]. This may also be impacted by the outcome of the AEMC's Review, which could accelerate the retirement of these meters. Evoenergy has proposed to consider the impact of this outcome by assuming a shorter depreciation schedule in the 2024–29 regulatory period.

Costs related to metering data services are the second largest component of metering opex and consist of collection, processing, storage and delivery. Labour costs are escalated using the escalators from BIS Oxford Economics.

Meter maintenance (both planned and unplanned) has reduced to zero for the upcoming regulatory period because if maintenance were to be required, Evoenergy would seek to replace the Type 5 or Type 6 meter with a smart meter.

[3] Evoenergy (June 2022), *Expenditure Forecasting Methodology 2024–2029*
[4] Evoenergy has assumed a 0% diseconomies of scale factor given the current uncertainty in forecasting metering opex productivity.

Table 4 Forecast metering operating expenditure 2024–2029

$ millions ($2023/24)	2024/25	2025/26	2026/27	2027/28	2028/29	Total
Meter Maintenance (planned)	0.00	0.00	0.00	0.00	0.00	0.00
Meter Maintenance (unplanned)	0.00	0.00	0.00	0.00	0.00	0.00
Condition monitoring	0.42	0.40	0.38	0.34	0.25	1.78
Strategy and planning	0.07	0.06	0.06	0.05	0.04	0.28
Meter reading	1.41	1.36	1.27	1.13	0.83	5.97
Meter data services	0.85	0.82	0.77	0.68	0.50	3.60
Total	**2.74**	**2.64**	**2.48**	**2.20**	**1.61**	**11.68**

A comparison of actual and forecast metering opex for the 2019–24 regulatory period and the AER's opex allowance is shown in Table 5 below.

Table 5 Actual and forecast metering operating expenditure 2019–2024

$ millions ($2023/24)	2019/20	2020/21	2021/22	2022/23	2023/24	Total
AER allowance	4.74	4.74	4.73	4.73	4.73	23.67
Actual/forecast						
Meter maintenance (Planned)	0.00	0.00	0.00	0.00	0.00	0.00
Meter maintenance (unplanned)	0.01	0.00	0.00	0.00	0.00	0.01
Condition monitoring	0.53	0.39	0.30	0.40	0.40	2.02
Strategy and planning	0.16	0.13	0.04	0.06	0.06	0.46
Meter reading	2.21	1.74	1.26	1.34	1.34	7.88
Meter data services	1.43	1.36	0.87	0.81	0.81	5.27
Total (actual/forecast)	**4.33**	**3.62**	**2.47**	**2.61**	**2.61**	**15.63**

6.2.9. Building blocks and revenue requirement

Evoenergy's proposed building blocks and revenue requirements for metering are shown in Table 6. Evoenergy's metering PTRM and RFM have been used to derive the revenue requirement and the X-factors. The X-factors represent the average annual price adjustment in addition to the forecast Consumer Price index (CPI), necessary for Evoenergy to recover the forecast revenue requirement, based on a forecast of the number of meters on the input sheet of the metering PTRM.

Table 6 Proposed metering revenue building blocks

$ millions (nominal)	2024/25	2025/26	2026/27	2027/28	2028/29
Return on capital	1.77	1.56	1.31	1.06	0.78
Regulatory depreciation	4.10	4.36	4.63	4.91	5.20
Operating expenditure	2.84	2.81	2.71	2.47	1.86
Tax allowance	0.32	0.34	0.36	0.38	0.40
Total revenue building block (unsmoothed)	9.02	9.06	9.01	8.82	8.24
Smoothed revenue requirement	**9.30**	**9.08**	**8.84**	**8.59**	**8.32**
X-factor	1.65%	0.35%	0.35%	0.35%	0.35%

6.2.10. Proposed price caps and price path for metering services

The proposed metering charges for 2024/25 are provided in Table 7. The names of the charges are the same as in the 2019–24 regulatory period. Indicative charges for the remaining years of the 2024–29 regulatory period are included in Table 8.

Evoenergy proposes to offer all charges on a cents per day basis in the 2024–29 regulatory period, which is consistent with Evoenergy's pricing schedule for metering services in the 2019–24 regulatory period.

Table 7 Proposed 2024–29 price schedule for alternative control metering services (excluding GST) – nominal

Tariff	Service	Description	Unit	Price
MP1	Quarterly metering non-capital rate	This metering non-capital rate applies to all accumulation meters read quarterly.	c/day/NMI	5.16
MP2	Monthly non-interval metering non-capital rate	This metering non-capital rate applies to all accumulation meters read monthly.	c/day/NMI	9.05
MP3	Monthly interval metering non-capital rate	This metering non-capital rate applies to interval meters read monthly.	c/day/NMI	9.05
MP4	Monthly manually read interval metering non-capital rate	This metering non-capital rate applies to LV/HV interval meters recording at either 15 or 30 minute periods, read manually and processed monthly.	c/day/NMI	73.19
MP7	Quarterly manually read interval metering capital rate	This metering capital rate applies to all accumulation meters read quarterly.	c/day/NMI	10.50
MP8	Monthly non-interval metering capital rate	This metering capital rate applies to non-interval meters read monthly.	c/day/NMI	18.36
MP9	Monthly multi-register non-interval metering capital rate	This metering capital rate applies to interval meters read monthly.	c/day/NMI	18.36
MP10	Monthly manually read interval metering capital rate	This metering capital rate applies to LV/HV interval meters recording at either 15 or 30 minute periods, read manually and processed monthly.	c/day/NMI	148.24

Table 8 Proposed metering prices each year 2024–29 (cents per day per NMI) (nominal)

Tariff	2024/25	2025/26	2026/27	2027/28	2028/29
MP1	5.16	5.28	5.42	5.55	5.69
MP2	9.05	9.27	9.50	9.74	9.98
MP3	9.05	9.27	9.50	9.74	9.98
MP4	73.19	75.01	76.88	78.79	80.76
MP7	10.50	10.76	11.03	11.30	11.58
MP8	18.36	18.82	19.29	19.77	20.26
MP9	18.36	18.82	19.29	19.77	20.26
MP10	148.24	151.93	155.71	159.59	163.56

6.2.11. Compliance with the control mechanism

Under clause 6.8.2(c)(3)) of the Rules, Evoenergy is required to include in its regulatory proposal 'for direct control services classified under the proposal as ACS – a demonstration of the application of the control mechanism, as set out in the Framework and Approach paper, and the necessary supporting information.'

The formula for metering services, as set out in the Framework and Approach paper is as follows:

$\bar{p}_t^i \geq p_t^i$ i=1,...,n and t=1, 2, … ,5

$\bar{p}_t^i = \bar{p}_{t-1}^i \times (1 + \Delta CPI_t) \times (1 - X_t^i) + A_t^i$

where:

$\bar{p}_t^i$ is the cap on the price of service i in year t.

p_t^i is the price of service i in year t. The initial value is to be decided in the distribution determination.

$\bar{p}_{t-1}^i$ is the cap on the price of service i in year t–1.

t is the regulatory year with t = 1 being the 2024/25 financial year.

ΔCPI_t is the annual percentage change in the Australian Bureau of Statistics (ABS) Consumer Price Index (CPI) All Groups, Weighted Average of Eight Capital Cities from the December in year t–2 to the December in year t–1. For example, for the 2024/25 year, t-2 is December 2022 and t-1 is December 2023. Note that if the ABS does not or ceases to publish the index, then CPI will mean an index which the AER considers is the best available alternative index.

X_t^i is the X-factor for service i in year t. The X-factors are to be decided in the distribution determination.

A_t^i is the sum of any adjustments for service i in year t and is to be decided in the distribution determination.

Evoenergy will demonstrate compliance with the control mechanism by multiplying the price for each service in the previous year by CPI–X (rounded to the same number of decimal places as currently applied) and comparing that to the proposed price. Prices equal to or less than equal to the calculated price are compliant. Evoenergy will demonstrate this compliance in the network pricing proposal to be submitted to the AER in line with the annual pricing proposal process.

6.3. Ancillary services

In the Framework and Approach paper, the AER classified Evoenergy's ancillary services as ACS for the 2024–29 regulatory period. It determined that the control mechanism would be price caps on individual services. Evoenergy accepts this classification and proposes to adopt a cost build-up approach to determining the price caps for individual ancillary services.

6.3.1. Fee-based services

The cost of ancillary services is largely comprised of labour, with limited use of materials or equipment and vehicles in most cases.

Evoenergy proposes to increase the labour rates in accordance with the escalation rates sourced from BIS Oxford Economics. Evoenergy's proposed charge-out rates for labour are shown in Table 9 below.

Table 9 Proposed base labour rates for fee-based and quoted services 2024–29

Classification	2024/25	2025/26	2026/27	2027/28	2028/29
Office support service delivery	96.7	101.2	104.9	108.4	112.4
Connection/Project Engineer	137.4	143.9	149.1	154.1	159.8
Senior Project Engineer	163.9	171.6	177.8	183.8	190.6
GIS Officer	114.3	119.6	124.0	128.1	132.9
Level 3 Zone B Embedded Generation Engineer	139.1	145.6	150.9	155.9	161.7
Level 4 Zone B Embedded Generation Team Lead	121.0	126.6	131.2	135.6	140.7
Site Lead/Scheduler	135.1	141.5	146.6	151.5	157.2
Electrical Fitter	109.3	114.4	118.5	122.5	127.1
Electrical Operator	114.4	119.8	124.1	128.3	133.1
Plant Operator	94.0	98.4	102.0	105.4	109.3
Line Worker	207.7	217.4	225.3	232.9	241.5
Trade Assistant/Labour	137.4	143.9	149.1	154.1	159.8
Network Controller	163.9	171.6	177.8	183.8	190.6
Planning Engineer	163.9	171.6	177.8	183.8	190.6
Service and Installation Officer	148.1	155.0	160.6	166.0	172.2

Note: These rates do not include overheads, margins or tax.

Compared to the schedule of ancillary services in the 2019–24 regulatory period, some services have been removed and others added. Table 10 and Table 11 show the additions and removals of services from the schedule of ancillary services, respectively.

Table 10 Ancillary services added for 2024–29 regulatory period

Code	Service	Hours	Description of Service	Price ($2024/25)
571	Complex Micro Embedded Generation Connection Enquiry – Class 1 (Residential)	Business hours	Receipt, registration, processing and responding to a connection enquiry for Complex Micro Class 1 (Residential) Embedded Generation.	263.87
559	Installation of Possum Guard on overhead service cable	Business hours	Installation of Possum Guard on overhead service cable.	1,028.81
680	Application Fee – Basic Connections	Business hours	This charge applies for a new power connection, temporary supply to a building site, or upgrading or relocation an existing connection that will be less than 100 amps per phase, and/or does not involve any network changes or alterations.	819.47
681	Design Fee > 100 amps	Business hours	This charge applies for a new power connection or need to upgrade or relocate an existing connection that will be over 100 amps, or requires network changes in order to enable/support the new connection/alteration. This fee will be refunded to the customer via a deduction of the customer contribution in the connection offer. However, if a customer decides not to go ahead with the connection offer the fee is non-refundable and Evoenergy will invoice the customer for any further design costs incurred to develop the connection offer.	5,392.47
682	Preliminary Network Advice (PNA) Fee	Business hours	This charge applies to an enquiry about a new power connection, or the need to relocate or upgrade an existing connection, or part of the network that requires alteration or significant or complex works. This fee will form a part of the overall project costing if the customer proceeds. If they do not proceed prior to the validity of the PNA or other preliminary offer, then it is non-refundable.	10,659.97
683	PNA Fee (Major Project – Chambers)	Business hours	This charge applies for a new power connection or need to relocate or upgrade an existing connection where a chamber substation is required or requested by a customer or developer. This fee will form a part of the overall project costing if the customer proceeds. If they do not proceed prior to the validity of the PNA or other preliminary offer, then it is non-refundable.	14,071.44

Code	Service	Hours	Description of Service	Price ($2024/25)
684	PNA Fee – (Major Project – Greenfield)	Business hours	This charge applies to requests from customers or real estate developers to reticulate new estate subdivisions. This fee will form a part of the overall project costing if the customer proceeds. If they do not proceed prior to the validity of the PNA or other preliminary offer, then it is non-refundable.	26,105.60
598	Embedded Generation Connection Enquiry – Class 2 to 4	Business Hours	This service is a merger of three services from Evoenergy's 2019–2020 to 2023–24 regulatory proposal. It merges services 596 (Embedded Generation Connection Enquiry – Class 2), 597 (Embedded Generation Connection Enquiry – Class 3) and 598 (Embedded Generation Connection Enquiry – Class 4) into 1 service. It is more efficient to provide this service from an administrative burden aspect as well as simplicity for customers. A revaluation of costs of delivering the 3 services has found the resource requirements to be the same. Therefore, cost reflectivity puts them at the same price for delivery in the 2024-25 to 2028-29 regulatory period.	1,191.84

Table 11 Ancillary services removed from 2024–29 regulatory period

Code	Service	Reason for removal	Frequency of use in 2021/22
515	Move, remove, inspect or reconfigure meter	This service is no longer required because of the Power of Choice reforms.	Not Required
516	Establish supply	This service is no longer required as a separate service as it is provided along with another linked service, and Evoenergy does not charge for this service.	Not Required
523	New Underground Service Connection – Greenfield	This service is not required as Evoenergy does not charge for this service, and it is not an ancillary service. Evoenergy had advised the AER in its Regulatory Determination 2019–2024 revised proposal that this service was added in error and has since been priced at $0.	Not Required
548	Install surface mounted point of entry (POE) box	The POE box is a customer asset once installed and not an Evoenergy asset. For new builds generally, the customer installs a recessed POE box in the wall at their own cost. Evoenergy proposes to remove this service as it has now become contestable and most customers opt to do it themselves.	106
574	Embedded Generation Network Technical Study – Class 1 (Commercial)	Evoenergy will provide this service as a quoted service. This service has significant inherent variability in work required on a case by case basis and is therefore more suitable to an agreed cost based on the requirements.	0
575	Embedded Generation Network Technical Study – Class 2	Evoenergy will provide this service as a quoted service. This service has significant inherent variability in work required on a case by case basis and is therefore more suitable to an agreed cost based on the requirements.	0
576	Embedded Generation Network Technical Study – Class 3	Evoenergy will provide this service as a quoted service. This service has significant inherent variability in work required on a case by case basis and is therefore more suitable to an agreed cost based on the requirements.	0
577	Embedded Generation Network Technical Study – Class 4	Evoenergy will provide this service as a quoted service. This service has significant inherent variability in work required on a case by case basis and is therefore more suitable to an agreed cost based on the requirements. This service was required once in 2021/22 and in that instance Evoenergy negotiated a lower price with the	1

Code	Service	Reason for removal	Frequency of use in 2021/22
		customer than the price in the schedule, which reflected the requirement of the task.	
578	Embedded Generation Network Technical Study – Class 5	Evoenergy will provide this service as a quoted service. The work involved in delivering this service is highly dependent on the complexity of the job and can include things like substation data logging, load flow analysis, protection report review, and/or other technical studies. It is therefore more appropriate and beneficial for customers to only have to pay for services required and based on the individual job requirements.	2
579	Embedded Generation Network Technical Study – Class 6	Evoenergy will provide this service as a quoted service. The complexity in each request for this service can vary significantly and can impact the work required and the costs associated. Therefore, Evoenergy proposes to make this a quoted service to better reflect the requirements on a case by case basis. All installations of this size will already involve other quoted services.	0
670	Embedded Generator Network Technical Study – Embedded Generation over 5MW	Evoenergy will provide this service as a quoted service. All requests for this service have associated unique aspects and often have custom fees involved. Evoenergy proposes to make this a quoted service to give Evoenergy flexibility to be able to charge for this service in a cost reflective manner on a case by case basis. All installations of this size will already involve other quoted services.	2
580	Subdivision Electricity Distribution Network Reticulation – Multi Unit Blocks	Evoenergy proposes to remove this charge from the schedule of ancillary network services. From 2024/25 onwards Evoenergy proposes it is more appropriately located in the Connection Policy under capital contributions for connection services classified as standard control services.	N/A
581	Subdivision Electricity Distribution Network Reticulation - Category 1 Blocks <= 650 M2	Evoenergy proposes to remove this charge from the schedule of ancillary network services. From 2024/25 onwards Evoenergy proposes it is more appropriately located in the Connection Policy under capital contributions for connection services classified as standard control services.	N/A
582	Subdivision Electricity Distribution Network Reticulation - Category 1 Blocks 650 - 1100m2 with	Evoenergy proposes to remove this charge from the schedule of ancillary network services. From 2024-25 onwards Evoenergy proposes it is more appropriately located in the Connection Policy under capital	N/A

Code	Service	Reason for removal	Frequency of use in 2021/22
	average linear frontage of 22-25 metres	contributions for connection services classified as standard control services.	
585	HV feeder Upstream augmentation (per kVA of capacity)	Evoenergy proposes to remove this service as it is not an ancillary service. The shared augmentation charge has been built into the incremental cost-revenue-test (ICRT) model cost stack.	N/A
586	Distribution substation Upstream augmentation (per kVA of capacity)	Evoenergy proposes to remove this service as it is not an ancillary service. The shared augmentation charge has been built into the incremental cost-revenue-test (ICRT) model cost stack.	N/A
596	Embedded Generation Connection Enquiry – Class 2	Evoenergy proposes to merge this service with Service 598 - Embedded Generation Connection Enquiry – Class 4 and call the merged service Embedded Generation Connection Enquiry – Class 2 to 4 (Amendment noted in Table 10). The service requires similar work and effort as services 597 and 598 and therefore the merged service reduces complexity, administrative burden and makes it more efficient to provide. The costs involved in delivering services 596, 597 and 598 have been re-evaluated and found to have the same resource requirements for all three services in the 2024–29 regulatory period.	N/A
597	Embedded Generation Connection Enquiry – Class 3	Evoenergy proposes to merge this service with Service 598 - Embedded Generation Connection Enquiry – Class 4 and call the merged service Embedded Generation Connection Enquiry – Class 2 to 4 (Amendment noted in Table 10). The service requires similar work and effort as services 596 and 598 and therefore the merged service reduces complexity, administrative burden and makes it more efficient to provide. The costs involved in delivering services 596, 597 and 598 have been re-evaluated and found to have same resource requirements for all three services in the 2024–29 regulatory period.	N/A

Evoenergy's proposed fee based ancillary services over the 2024–29 regulatory period is outlined in the ACS appendix 6.1 and more detail is provided in our ACS model.

6.3.2. Quoted ancillary services

Evoenergy proposes to set prices on a quoted basis for ancillary services where the service is not typical or standard, or the scope of the service is specific to a particular customer's needs.

Evoenergy proposes to set the prices for quoted services using the following formula.

Price = Labour + Contractor services + Materials + Margin + Tax

Where:

- **Labour (including on-costs and overheads)**: consists of all labour costs directly incurred in the provision of the service which may include but is not limited to labour on-costs, fleet on-costs and overheads, and other associated delivery costs including overheads. The labour cost for each service is dependent on the skill level and experience of the employees involved, time of day the service is undertaken, travel time, number of site visits, and crew size required to complete the service.
- **Contractor services:** reflects all costs associated with the use of external labour including overheads and any direct costs incurred. The contracted service charge applies the rates under existing contractual arrangements. Direct costs are passed on to the customer.
- **Materials (including overheads):** reflects the cost of materials directly incurred in the provision of the service, material storage and logistics on-costs and overheads.
- **Margin:** reflects a return commensurate with the regulatory and commercial risks involved in the provision of a service.
- **Tax:** reflects taxation costs arising from the provision of services that are capitalised for accounting purposes.

Price caps apply to the labour rates used in this formula. Evoenergy will demonstrate compliance with the formula by providing its annual calculation of labour rates to the AER in its annual pricing proposal. The rates are approved by the AER in its annual network pricing approval process.

Price caps only apply to labour costs rather than all cost inputs, which helps to reduce administrative costs, as Evoenergy will not be required to identify, for AER approval, every input cost that may be required in performing a quoted service. This approach will also result in cost-reflective charges.

Inclusion of a margin component in the quoted services price cap formula

Evoenergy proposes to include a margin component in the quoted services price cap formula for the 2024–29 regulatory period. The inclusion of a margin is consistent with the principle of competitive neutrality, with margins included in prices that would be observed for similar services in a competitive market.

The AER's final Framework and Approach paper included a margin component for quoted services, which has been accepted in other jurisdictions in recent regulatory determinations.[5]

Including a margin is consistent with the revenue and pricing principles in the National Electricity Law (NEL), where 'a price or change for the provision of a direct control network service should allow for a return commensurate with the regulatory and commercial risks involved in providing the direct control network services to which that price or change relates'.[6]

[5] AER, *Framework and approach for Evoenergy*, July 2022, p. 36
[6] NEL section 7A (5)

Evoenergy proposes to include a margin consistent with Evoenergy's time-varying nominal vanilla weighted average cost of capital (WACC). Evoenergy proposes that the WACC is updated each year so it is consistent with the nominal WACC outlined in the annual pricing proposal. For 2024/25, Evoenergy estimates this would be 5.60 per cent.

This margin will be applied to the price build up for quoted services, in a similar way to the application of indirect costs, with the margin applied at the end of the calculation.

Inclusion of a tax component in the quoted services price cap formula

Evoenergy proposes to include a tax component in the quoted services price cap formula for the 2024–29 regulatory period. Including a tax component will allow quoted services to be more cost-reflective and is consistent with the approach outlined by the AER in its Framework and Approach paper.[7]

When providing quoted services, Evoenergy often incurs tax obligations arising from the capital-intensive nature of the work undertaken for customers. Costs to cover these tax obligations have not been recovered from customers because they have not been included in the quoted services pricing formula approved by the AER. Introducing a tax component will ensure the following:

- Distributors are encouraged to provide ancillary services on a more equal basis with standard control services.
- Consistency with tax approaches for standard control services.
- Quoted services are cost reflective, and consistent with the principles of competitive neutrality.

Evoenergy proposes to estimate the tax component in the same way it is estimated for standard control services. That is, the tax component reflects an estimate of the tax payable based on revenue less expenses and applying the company tax rate. Currently, the company tax rate applied to Evoenergy is 30 per cent.

Itemised quotes for customers

Evoenergy supports greater transparency of quoted services. As is current practice, Evoenergy will continue to provide customers with itemised quotes that show each of the cost components to demonstrate compliance with the control mechanism formula.

This approach will allow customers to compare price offerings across providers over time and provide transparency in the pricing of quoted services.

[7] AER, *Framework and approach for Evoenergy*, July 2022, p. 37

Abbreviations

Abbreviation	Meaning
ABS	Australian Bureau of Statistics
ACS	Alternative Control Services
ACT	Australian Capital Territory
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
CPI	Consumer Price Index
DNSP	Distribution Network Service Provider
GST	Goods and Services Tax
ICRT	Incremental cost-revenue-test
NEL	National Electricity Law
NEM	National Electricity Market
NMI	National Meter Identifier
PNA	Preliminary Network Advice
POE	Point Of Entry
PTRM	Post-tax Revenue Model
RAB	Regulatory Asset Base
RFM	Roll Forward Model

SCS	Standard Control Services
WACC	Weighted Average Cost of Capital