



ENERGEN Limited

ABN 40 078 849 055

**EXCLUDED DISTRIBUTION SERVICES
PRICING PRINCIPLES STATEMENT
2008-09**

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1. INTRODUCTION

In its Final Decision, Electricity Distribution: Review of Excluded Distribution Services, published in December 2007, the Queensland Competition Authority (QCA) required both Distribution Network Service Providers (DNSPs) to submit a Pricing Principles Statement, detailing the methodology employed to calculate network prices for Excluded Distribution Services (EDSs) for its assessment and approval. The submission process is the first element of a three part framework for the regulation of EDSs.

The QCA has determined that EDSs are services ancillary to, access to the main network services. EDSs were formerly referred to as Non-DUoS services (refer to 2005 Determination), and included:

- **Recoverable works** – Services carried out at the request of customers, which would not otherwise have been required for the efficient management of the network;
- **Subdivision fees** – Services associated with the installation and construction of network services in a subdivision; and
- **Temporary builders services (TBSs)** – The temporary connection of building sites to the distribution network until such time as the construction of the facility is complete or until that structure is equipped with its own permanent supply.

The introduction of Full Retail Competition (FRC) in the Queensland electricity market from 1 July 2007 has seen a broadening in the above excluded distribution services being offered by ENERGEX to retailers and end-use customers. As part of the FRC changes ENERGEX is required to provide both the range and standard of services necessary in the competitive market.

This EDSs Pricing Principles Statement (PPS) is intended to give guidance to stakeholders, setting out ENERGEX's pricing principles and methodology in establishing prices for EDSs in 2008-09. In doing so, this PPS will fulfil the requirements of the QCA as set down in Electricity Distribution: Review of Excluded Distribution Services.

These Pricing Principles have been developed in accordance with the QCA Final Decision – December 2007 on excluded distribution services. Consequently, the services classification applied during the current regulatory period do not align with the classifications introduced by the National Electricity Rules Version 18.

2. DESCRIPTION OF SERVICES PROVIDED

ENERGEX performs EDSs at the explicit request of a third party. Third parties that may request EDSs from ENERGEX are:

- customers;
- registered electrical contractors/builders/developers; or

- retailers.

Customers and registered electrical contractors/builders/developers without a retailer intermediary may request ENERGEX to provide a range of EDSs. These services include:

- locating ENERGEX underground cables;
- undergrounding an existing overhead service;
- audits of projects for private sector project managers of new developments;
- reviews of design submissions for electrical installations; and
- switching services for new subdivisions.

Retailers, acting on behalf of customers, or in their own right, may request performance of a large number of EDSs. These services will normally be requested and delivered through business-to-business (B2B) service order requests (refer NEMMCO's B2B Procedure – Service Order Process, for the procedures and process requirements and obligations of service order requests). The types of EDSs covered by this B2B procedure are:

- re-energisation;
- de-energisation;
- special meter reads (excluding final meter reads);
- additions and alterations to customer connections;
- temporary connections, whether in the permanent supply location or otherwise;
- meter reconfiguration;
- meter investigation;
- supply abolishment; and
- miscellaneous services.

The aforementioned EDSs are classified into two categories as follows:

- scheduled fees based charges type services where work is recovered based on a standard charge for cost of service provision (STD); and
- non-scheduled fee services where work is recovered based on the full cost of service provision. Prices will be provided on application for the service (POA).

A description of all EDSs provided by ENERGEX is detailed in Appendix 1.

3. TERMS AND CONDITIONS

EDSs are provided under ENERGEX's standard commercial contracts and terms and conditions. This is in accordance with the Electricity Industry Code, incorporating the

Standard Connection Contract (SCC) and Standard Coordination Agreement (SCA) and the Electricity Connection and Metering Manual (available from the ENERGEX website, www.energex.com.au).

Any change to the standard terms and conditions will constitute a price on application (POA) service where the price reflects the specific requirements of the customer.

4. PRICING PRINCIPLES

Preparation of prices for the provision of EDSs requires a robust set of principles that can be used to evaluate the suitability of the price. The principles employed by ENERGEX in setting EDS prices can be summarised as follows:

- **regulatory compliance:** prices must comply with the requirements and framework set out by the QCA;
- **free from cross subsidy:** this requires that the price for a customer, or group of customers, recover costs which are between the 'floor' price which is the incremental cost of service provision and a 'ceiling' price represented by the stand-alone cost of service provision;
- **efficient use of resources:** prices should ensure there is appropriate signalling to third parties requesting services of their impact on ENERGEX's existing and future capacity to provide these services and the costs of doing so;
- **equity:** prices should avoid undue discrimination between customers;
- **price stability:** prices should be stable and predictable through time to permit customers to make informed decisions;
- **cost reflectivity:** prices should reflect the actual cost of service provision to customers and be reasonable in terms of the service provided. Costs will be allocated in accordance with the approved Cost Allocation Methods and Procedures (CAMP) and reflect current industry practices and costs; and
- **simplicity:** prices should be readily understood by customers and other stakeholders and easy to apply.

5. PRICING OBJECTIVES

ENERGEX has adopted pricing objectives, which are designed to facilitate the application of the principles set out above, namely that EDS prices should:

- signal the economic cost of service provision and promote the efficient use of the service by:
 - being subsidy free (i.e. the price falls between the marginal (incremental) cost of supply and the stand alone cost of supply);
 - having regard to the level of available service capacity;

- signalling the impact of additional usage on existing and future investment costs;
- be the same for all parties requesting the same service on the same terms and conditions, within an overall constraint that prices reflect the utilisation of ENERGEX's resources to provide the service;
- be kept relatively stable by avoiding large upward price shocks, phasing in large price increases where necessary. This ensures prices are socially reasonable;
- be transparent in how they are set, ensuring customers and other stakeholders understand how charges are derived;
- be levied on a basis which is simple for parties to understand and which makes it easy for parties to request the most appropriate service for their particular circumstance;
- be consistent with the regulatory regime and any applicable constraints; and
- seek to simplify pricing structures without sacrificing economic functionality, while minimising transaction and pricing administration costs.

The requirements of the QCA will be met where EDS prices are consistent with the above mentioned principles (see section 4) and objectives.

6. PRICING METHODOLOGY

ENERGEX has adopted a price application methodology for EDSs consistent with a user pays approach. This approach to revenue recovery is considered to be the most appropriate option as allocative economic efficiency can be enhanced when the cost of customer services are communicated through cost reflective prices.

Implementing this approach for network price development involved:

- each individual type of service, being priced according to the cost of providing the particular service type. Accordingly, each service type is considered to be priced on a cost reflective basis. For simplicity and equity reasons, all customers requesting a particular type of service, are charged the average cost of that service provision, regardless of customer location;
- delineating between service connections with a current transformer (CT) installed and those without a CT. Safety obligations dictate that the installations of a CT at a service address necessitate a two man crew to attend the service;
- retaining a POA classification for some services where a standard price is not possible due to the variances in the precise nature of the services being sought by retailers or customers;
- services classified as POA are priced using a cost methodology where the costs reflect the actual time and assets required for that specific service. Accordingly this provides efficient prices;
- establishing prices based on business hours, after hours or anytime classifications;

- allowing for the cost of non-system assets (e.g. vehicles) in the provision of services. The capital allowance incorporates both a return of capital (i.e. depreciation) as well as a return on capital, (i.e. WACC of 8.5% as per the Final Determination, April 2005). The allocation of the capital allowance is applied via a percentage based upon usage of assets. The best available indicator of asset usage is the relevant proportion of overhead costs for the specific service, which reflects direct labour hours and contractor dollars associated with the underlying costs, and therefore activity;
- analysing the cost of service provision. In relation to on-site work this involves:
 - estimating the average time taken in hours for travel on a job scheduled basis (i.e. from depot to Job 1, from Job 1 to Job 2 ...from Job X to depot) and applying average time to the identified service;
 - estimating the time taken in hours for an ENERGEX crew to undertake and complete the works, including separating services into those requiring one or two site visits;
 - estimating the number of ENERGEX field staff required to undertake the works, separating services into connections with and without CTs;
- in relation to work completed at ENERGEX depots, for example design checking and customer connection quotes this involves:
 - conducting an analysis of time taken on average to complete these services; and
 - separating services where cost drivers made this worthwhile, for example separating design checking services by the accreditation standard of the submitter.

The price of both standard fixed price and non-standard variable price service (i.e. POA) is calculated as:

$$\text{PRICE} = \text{DIRECT LABOUR} + \text{CONTRACTED LABOUR SERVICES} + \text{DIRECT MATERIAL} + \text{CAPITAL ALLOWANCE} + \text{GST}$$

Notes:

- The methodology proposed in this EDS PPS has changed from the previous PPS in that Return on Assets and Return of Assets (Depreciation) have been incorporated into the formula. The capital allowance includes a return on non-system assets only. Return of non-system assets (depreciation) is included in the overhead applied to direct labour.
- The direct labour outlined above includes on-costs (for example employee benefits). These on-costs reflect actual associated costs of providing the direct labour.
- Both contracted labour and direct labour incorporates local and corporate overhead. Overhead is applied to direct labour on the basis of direct labour hours and to contractor on total dollar spend.
- Other direct costs such as tree trimming, roadway under-bores, pathway/roadway reinstatement etc are provided for in the direct labour or contracted labour categories.

Prices based on the above calculation will be representative of the cost of providing and delivering these services so that retailers and customers can make rational decisions based on the price for using the services provided.

7. APPENDIX 1 - EXCLUDED DISTRIBUTION SERVICES PROVIDED BY ENERGEX

Category	Service Type	Service	Description
STD	Ads & Alts	Exchange meter ³	Exchange of one meter for another
STD	Ads & Alts	Install meter ^{2,3}	Installation of a <i>single</i> new meter (except for a hot water meter)
STD	Ads & Alts	Move meter ³	Meter requires relocation
STD	Ads & Alts	Overhead service replacement, Single phase – 1 visit	To recover and replace an existing overhead service at customer's request. No material change to load
STD	Ads & Alts	Overhead service replacement, Two phase – 1 visit	To recover and replace an existing overhead service at customer's request. No material change to load
STD	Ads & Alts	Overhead service replacement, Three phase – 1 visit	To recover and replace an existing overhead service at customer's request. No material change to load
STD	Ads & Alts	Overhead service replacement, Single phase– 2 visits	To recover and replace an existing overhead service at customer's request. No material change to load
STD	Ads & Alts	Overhead service replacement, Two phase – 2 visits	To recover and replace an existing overhead service at customer's request. No material change to load
STD	Ads & Alts	Overhead service replacement, Three phase – 2 visits	To recover and replace an existing overhead service at customer's request. No material change to load
POA	Adds & Alts	Relocation of ENERGEX assets at customer request	Where ENERGEX assets are moved at customer's request
STD	Callout charge	Attending loss of supply LV - customer's installation at fault ²	ENERGEX attended LV customer's trouble call during business hours and found fault in LV customer's installation (includes tripped safety switch, internal fault, customer overload, etc)
POA	Miscellaneous	Temporary LV service disconnection - no dismantling ²	Temporary disconnection and reconnection of supply at the service fuse to allow customer or contractor to work close - no dismantling of service required
POA	Miscellaneous	Temporary LV service disconnection - physical dismantling ²	Temporary disconnection and reconnection of supply to allow customer or contractor to work close - the service will be physically dismantled or disconnected (eg overhead service dropped)
POA	Miscellaneous	Temporary HV service disconnection ²	Temporary disconnection and reconnection of supply to allow customer or contractor to work close - high voltage switching and access is required
POA	Miscellaneous	Provision of metering data above minimum regulatory requirements	Provision of metering data by ENERGEX beyond its regulatory requirements as a Meter Data Provider
POA	Miscellaneous	Upgrade from overhead to underground service	Customer requested conversion of existing overhead service to underground service
POA	Miscellaneous	Provision of load profile data where available	Provision of load profile data where available on request by retailer
STD	Miscellaneous	Wasted truck visit	Installation is not ready for connection

Category	Service Type	Service	Description
			on or after the date nominated by the Electrical Contractor on the Form 2; <i>customer fails to keep appointment or access not provided as agreed.</i>
POA	Miscellaneous	Coverage of low voltage mains (eg tiger tails)	Charge where customer requests the line close to a construction site be physically covered to prevent risk of electrocution
POA	Miscellaneous	Additional crew ²	Where additional crew is required at a service call for health, safety or security reasons.
POA	Miscellaneous	Specification fees	Fee for service when ENERGEX prepares and issues specifications for customer extension works
POA	Miscellaneous	Rectification of illegal connections	Charges for work required as a consequence of illegal connections resulting to damage to the network
POA	Miscellaneous	Emergency recoverable works	Charges for work carried out by ENERGEX as a result of emergency or third party action
POA	Miscellaneous	Conversion to aerial bundled cables	Bundling of cables which is carried out at the request of another party
POA	Miscellaneous	Provision of reactive power	Charges for the provision or receipt of reactive power and energy to and from a connection point
STD	Miscellaneous	Locating ENERGEX underground cables	Customer requests assistance, <i>from a single crew for a period of up to one hour</i> , in locating ENERGEX's underground cables
STD	Miscellaneous	Additional Charge - Comms	Additional time required for any service provided to a connection point where communications have been installed
STD	De-energisation	Pillar box, pit or pole top ^{1,3}	De-energisation by a physical disconnection of the service mains at the connection to the network
STD	De-energisation	Pillar-box, pit or pole top (non-payment) ^{1,3}	De-energisation by a physical disconnection of the service mains at the connection to the network for non-payment
STD	De-energisation	Remove fuse ^{1,3}	De-energisation at the fuse or meter
STD	De-energisation	Remove fuse (non-payment) ^{1,3}	De-energisation at the fuse or meter as part of a non-payment process
STD	De-energisation	De-energisation requiring planned notification ¹	ENERGEX is requested by a retailer to reconnect or disconnect a customer within a multiple premises compound. Works can only be completed at switchboard and may require notice to all occupants of planned outage
STD	De-energisation	De-energisation by sticker (business hours only) ¹	De-energisation where ENERGEX stickers the meter
POA	Design Fee/Deposit	Provision of detailed design estimate for LV customer requested extension / connection	Applies to LV customers who have received a preliminary estimate for extension or connection works at a single site, and seek a detailed estimate/quotation
STD	Meter	Meter test (business hours	Check that the metering installation is

Category	Service Type	Service	Description
	Investigation	only) ^{1,3}	accurately measuring the energy consumed
STD	Meter Reconfiguration	Change tariff ³	Changes to tariff that require meter reprogramming (except for controlled load timing changes)
STD	Meter Reconfiguration	Change time switch ³	Changing time switch settings
POA	Metering	MDP services - higher standard	Collection, processing and transfer of higher standard energy data for customers than would otherwise be provided - retailer requested
STD	New Connection	U/G permanent supply ^{2,3}	Supply location is expected to be the final location
STD	New Connection	O/H permanent supply ^{2,3}	Supply location is expected to be the final location
STD	New Connection	Temporary connection ^{1,2,3}	<i>Standard temporary connection consisting of a single LV service in which supply location is expected to be removed at a later date</i>
STD	New Connection	Temporary in permanent ^{1,2,3}	Temporary connections at the permanent supply location
STD	Re-energisation	Re-energisation after Disconnection for Non-Payment ^{1,2,3}	Re-energisation after disconnection as part of a non-payment process.
STD	Re-energisation	Re-energisation after Disconnection for Non-Payment (Visual) ^{1,2,3}	Re-energisation after disconnection as part of a non-payment process.
STD	Re-energisation	Re-energisation ^{1,2,3}	Re-energisation
STD	Re-energisation	New Reading Required for Move In ¹	Meter read on an already energised site prior to occupation of the premises by the customer
STD	Re-energisation	New Reading Required for Retrospective Move In ¹	Meter read on an already energised site, following initial occupation of the premises by the customer
STD	Re-energisation	Retrospective Move In ¹	Meter read provided on an already energised site, based on a read conducted within the previous six weeks, following initial occupation of the premises by the customer
STD	Special Read	Meter Check Read ¹	Reported error in the meter reading. This is used to check the accuracy of the meter reading only. If Retailer requires anything more than a reading (e.g. verification of meter number, number of dials etc) a Meter Investigation Request should be issued
STD	Street lighting work	Standard luminaries glare screening - internal	Supply and installation of internal streetlight baffle. Internal Baffle for the B2223, B2224 and nostalgia / avenue (decorative) fittings.
STD	Street lighting work	Adhesive luminaries glare screening	Supply and installation of internal adhesive shield (Kits: Minor - SC 18050, Major - SC 18051)
STD	Street lighting work	Unique Luminaries Glare Screening - External	Supply and installation of external streetlight shield

Category	Service Type	Service	Description
STD	Street lighting work	Replacement of standard Luminaries with aero screen units (per streetlight)	Replacement of existing streetlight luminaries with aero screen low glare luminaries
STD	Supply Abolishment	Supply abolishment - simple	Retailer requests the service provider to abolish supply at a given connection point
Category	Service Type	Service	Description
POA	Supply Abolishment	Supply abolishment - complex	Retailer requests the service provider to abolish supply at a given connection point
STD	Unmetered Supply	Unmetered supply connection - connection point not available	Connection of unmetered approved equipment to the network where no connection point exists (i.e. underground mains) (category 2)
STD	Unmetered Supply	Unmetered supply disconnection	Recovery of connection to unmetered approved equipment
STD	Unmetered Supply	Temporary unmetered supply	Temporary connection of unmetered approved equipment to an existing low voltage supply at a pole or an underground pillar, eg caravans, Defence Forces Recruiting, Blood Bank, etc

Notes

1. A cap has been placed on the service price chargeable by the Minister for Mines and Energy and these maximum prices have been incorporated into Schedule 4 of the Electricity Industry Code under the *Electricity Act 1994*.
2. Services may also be performed after hours or on an anytime basis.
3. The price charged for the service will vary depending on whether a CT is located on site.
4. Services listed above are as per the services included in Table 1: Energex Excluded Distribution Services, Appendix A – *Excluded Distribution Services of Electricity Distribution: Review of Excluded Distribution Services – Final Decision*, except for the following italicised items:
 - a) Additional after hour services:
 - Attending Loss of Supply, LV Customer's Installation at Fault
 - Additional Crew
 - b) Clarification of service scope:
 - Install Meter (to specify that the service is in relation to the installation of a single meter)
 - Attending Loss of Supply, LV Customer's Installation at Fault (to specify that the service is for an LV customer)

- Provision of Detailed Design Estimate for LV Customer Requested Extension/Connection (to specify that the price relates to an LV customer, with proposed work to be undertaken at a single site)
 - Wasted truck visit (to expand the description to provide additional reasons as to why a truck visit may be wasted)
 - Additional Crew (to clarify the description to specify single additional crew and attendance for up to one hour)
 - Locating ENERGEX underground cables (to clarify that the price relates to a one hour service provided by a single crew)
- c) Change from Standard service classification
- Coverage of low voltage mains (e.g. tiger tails) (Reflects the fact that there is no standard service. The scope of each job depends upon many factors, including the number of lines to be covered, line span length, requirement of traffic control and the size of the EWP necessary for installation)