

Branch Procedure

CUSTOMER & STAKEHOLDER MANAGEMENT	Document No.	: CEOP8020
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CEOP8020

PIONEER SCHEME

1.0 PURPOSE

To outline the guidelines for establishing and administering Pioneer Schemes by Essential Energy.

2.0 SCOPE

This procedure details that Essential Energy establishes and administers Pioneer Schemes in accordance with the requirements of the AER Connection Charge Guidelines for Electricity Retail Customers – Under Chapter 5A of the National Electricity Rules, and Essential Energy's Connection Policy as approved by the AER.

A Pioneer Scheme applies under Part E of Chapter 5A of the National Electricity Rules and the AER's Connection Charge Guidelines for Electricity Retail Customers. The Pioneer Scheme requires customers to make reimbursements for connection works that provide a connection to their premises and which have been previously funded by another customer (within a 7 year period).

Pioneer Schemes are not applicable to real estate developments where the applicant connecting to the asset is within the development site boundary.

3.0 REFERENCES

Internal

Branch Procedure (Network) - Essential Energy Connection Policy – Connection Charges – CEOP2513.06

Annexure A - Pioneer Scheme Reimbursement

Essential Energy's Model Standing Offers for Low Voltage Basic or Standard connection services

External

National Electricity Rules

National Energy Retail Law (NSW)

National Energy Retail Rules

AER Connection Charge Guidelines for Electricity Retail Customers – Under Chapter 5A of the National Electricity Rules.

4.0 DEFINITIONS

ASP

Accredited Service Provider, being a person accredited under Part 10 of the Electricity Supply (General) Regulation 2001 (NSW).

CPI

The Consumer Price Indices (all groups, all capital cities) published by the Australian Bureau of Statistics.

Cost of original customer's works

Means:

- (a) where Essential Energy carried out the original customer's works, the actual cost of those works; and
- (b) where an ASP carried out the original customer's works, the amount that Essential Energy estimates for the cost of these works.

Document control

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Number of prospective new customers

Means the number of new customers (excluding the original customer) that Essential Energy expects, prior to construction of the original customer's works, will use those works or any part of them during the 7 year Pioneer Scheme period, determined in consultation with the original customer and taking into account all relevant factors including, but not limited to:

- (a) the capability of the proposed works
- (b) the current number of properties that could potentially utilise those works
- (c) the current zoning of the area and any rezoning proposals
- (d) any proposed subdivisions or development applications, and
- (e) historical patterns of customer connection in similar areas.

Recordkeeping

Making and maintaining complete, accurate and reliable evidence of business transactions in the form of recorded information (Source: AS records classification handbook – HB5031 – 2011.)

Review date

The review date displayed in the header of the document is the future date for review of this document. The default period is three years from the date of approval however a review may be mandated at any time where a need is identified due to changes in legislation, organisational changes, restructures, occurrence of an incident or change in technology or work practice.

5.0 ACTIONS**5.1 Establishment and administration of schemes**

A Pioneer Scheme will be established and administered in accordance with this procedure in relation to each original customer's works (as defined in clause 5.2) of the same category. For example, if the original customer's works included a distribution line and a substation, then one Pioneer Scheme will be established for the distribution line and a separate Pioneer Scheme will be established for the substation.

Essential Energy bears the cost of establishing and administering the pioneer schemes.

5.2 Contributions by subsequent new customers towards connection works or network augmentations

Where:

- a) a customer (the original customer) procures and funds, or becomes liable to procure and fund connection works or network augmentations (original customer's works);
- b) within 7 years of the date of the construction or installation of the original customer's works (pioneer period), a new customer requests customer connection services from Essential Energy; and
- c) in order to provide those customer connection services to the new customer, Essential Energy will use all or any part of the original customer's works' then the new customer is liable, in addition to paying for any connection works or network augmentations for which that customer is liable, to pay Essential Energy a proportion of the costs of the original customer's works, calculated in accordance with clause 5.3.

5.3 Calculation of cost share reimbursement under the Pioneer Scheme

All calculations for reimbursements are in accordance with Annex A.

Despite any other provision of the procedure, Essential Energy is not liable to pay any cost share reimbursement of the total refund to all customers already connected to an extension is calculated to be less than \$1000 (index by CPI with a base year of 2012).

5.4 Reimbursements

- (a) Where a new customer pays Essential Energy an amount under this procedure, Essential Energy will, as soon as practicable after receiving that amount, repay that amount to either the then current owner of the premises to which the original customer's works were connected, or to the original customer.
- (b) Where there are two or more customers constituting the original customer, as a result of Essential Energy requiring those customers to procure and fund their common works together, then repayment by Essential Energy must be divided between those customers in accordance with the proportions in which they funded the works.

5.5 Obligations to notify

- (a) Essential Energy will notify all new customers who apply to Essential Energy for customer connection services and who may be obliged to make reimbursements under an existing Pioneer Scheme, and all ASPs known to Essential Energy who are likely to have customers who will so apply, of the existence of the Pioneer Scheme and that connecting customers may be obliged to contribute towards reimbursement.
- (b) Essential Energy will also notify original customers, to which a Pioneer Scheme applies, of the existence of the Pioneer Scheme and that they may be entitled to receive a reimbursement.

5.6 Pioneer Scheme Administration

An administrative charge will be applicable to manage Pioneer Scheme applications, these charges are located on Essential Energy's website under the Price Schedule for Ancillary Network Services and applies where Essential Energy is required to:

- provide reimbursement calculations and coordinates the distribution of Shared Asset payments to customers who funded the connection assets;
- operates and maintains all necessary registration and record keeping information; and
- acts as the key contact to provide advice and support to applicants

6.0 RECORDKEEPING

The table below identifies the types of records relating to the process, their storage location and retention period.

Type of Record	Storage Location	Retention Period*
Database Record	Pioneer Scheme Database	Retain minimum of 7 years after action completed, then destroy – GA40 6.4
GIS Dataset	Smallworld GIS Citrix	Retain minimum of 7 years after action completed, then destroy – GA40 6.4

* The following retention periods are subject to change eg if the records are required for legal matters or legislative changes. Before disposal, retention periods should be checked and authorised by the Records Management Team.

7.0 AUTHORITIES AND RESPONSIBILITIES

Pioneer Scheme Coordinator has the responsibility and authority for:

- calculating and coordinating the distribution of shared asset payments between customers ensuring all payments are reviewed and calculated to comply with Scheme requirements;
- be accountable for creating and maintaining accurate registration information within the Pioneer Schemes database within Essential Energy's distribution area; and
- act as a key point of contact and be responsible for the provision of advice and support to customers and stakeholders primarily regarding the interpretation of the rules and requirements of the Pioneer Scheme

8.0 REVISIONS

Issue No.	Section	Details of changes in this revision	Change Risk Impact?
5	5.6	Inclusion of the administrative charge	Low

9.0 DOCUMENT CONTROL

Content Coordinator : ASP Communications & Reporting Manager

Distribution Coordinator : Policy Team

Annexure A - Pioneer Scheme Reimbursement

Reimbursement calculations for Distribution Line

- (a) The unadjusted amount each prospective new customer is to be calculated using the following formula:

$$\frac{\text{Cost of original customer's works} \times \text{Depreciation factor (refer to section 4)}}{\text{Number of prospective new customers} + \text{original customer}}$$

For example:

Where the original customers works cost \$12,000 and the depreciation factor has been calculated as 90% and the Scheme has 2 prospective new customers;

Therefore, the unadjusted amount each prospective new customer is
 $\$12,000 \times 90\% \div (2 + 1) = \$3,600$

- (b) The percentage of the distribution line which will be utilised by each new customer is to be calculated using the following formula:

$$\frac{\text{Length of distribution line the new customer will be using}}{\text{Whole length of the distribution line original customer paid for}} \times 100$$

For example:

The original Scheme is for a length of 45 meters. The new customer is using 30 meters

Therefore, the percentage of the distribution line utilised by the new customer is
 $30 \div 45 \times 100 = 66.6\%$

- (c) The final reimbursement payment that each new customer is required to make is to be calculated using the following formula:

$$\begin{aligned} & \frac{\text{Unadjusted amount worked out in (a)} \times \text{Depreciation factor}}{100} \\ & \times \\ & \text{the percentage worked out in (b)} \\ & = \$ \text{ total reimbursement payable for distribution line for that customer} \\ & \quad + \text{CPI (refer to section 4)} \end{aligned}$$

For example:

$$\$3,600.00 \times 66.6\% = \$2,397.60 \times (\text{new CPI} \div \text{Original CPI})$$

Therefore, the final payment that each new customer is required to make is
 $\$3,600.00 \times 66.6\% \times (105.4 \div 99.9) = 2,529.60$

1. Reimbursement calculation for distribution Substation

The reimbursement amount for each prospective new customer is to be calculated using the following formula:

$$\frac{\text{Cost of original customer's works} \times \text{depreciation factor (refer to section 5)}}{\text{Number of prospective new customers} + \text{original Customer} + \text{CPI (refer to section 4)}}$$

For example:

Cost of original customer's works $(\$12,000 \times 90\%) \div (2 \text{ prospective new customers} + 1) \text{ original} \times (\text{new CPI} \div \text{Original CPI})$.

Therefore, the unadjusted amount each prospective new customer is
 $(\$12,000 \times 90\%) \div (2 + 1) \times (105.4 \div 99.9) = \$3,798.20$

2. The Pro-Rata Reimbursement (Applicable to Large Load)

The pro rata reimbursement for each prospective new customer is to be calculated using the following formula:

$$\frac{\text{Cost of original customer's works} \times \text{Depreciation factor (refer to section 5)} \times \text{New customers utilisation of original customer's works}}{\text{Total of original customer's works} + \text{CPI (refer to section 4)}}$$

For example:

Cost of original customer's works $(\$45,000 \times 90\%) \times (\text{New Customers utilisation } 150\text{KVA} \div \text{total of original customer's works } 500\text{KVA} \times 100) \times (\text{new CPI} \div \text{Original CPI})$.

Therefore, the Pro-Rata Reimbursement amount for the new customer is
 $(\$45,000 \times 90\%) \times (150\text{KVA} \div 500\text{KVA} \times 100) \times (105.4 \div 99.9) = \$12,818.92$

3. Minimum Reimbursement

Despite any other provision in section 3.1 of this document, a new customer is not liable to pay any cost for the Pioneer Scheme if the amount calculated is less than \$1000:

$\begin{aligned} & \$1000 \\ & + \\ & \text{CPI in this case } \text{CPI} = \text{CPI}(2) \div \\ & \text{CPI}(3) \text{ (refer to section 4)} \end{aligned}$

4. CPI Adjustments

CPI (1) means the average of the consumer price indices (all groups, all capital cities) published by the Australian Bureau of Statistics for the 4 quarters immediately prior to the date that the original customer's work is completed. **CPI (2)** means the average of the consumer price indices (all groups, all capital cities) published by the Australian Bureau of Statistics for the previous 4 quarters immediately prior to the date of the new customer's application for customer connection services.

CPI (3) means the average of the consumer price indices (all groups, all capital cities) published by the Australian Bureau of Statistics for the previous 4 quarters immediately prior to the date of commencement of this determination.

5. Depreciation Factor

A straight line depreciation, over a twenty year asset life, is to be applied to unadjusted values to determine the current day depreciated value of the asset.

The depreciation factor is determined as follows:

$\begin{aligned} & (\text{Deemed asset life (20 years)} - \text{asset age}) \\ & \div \\ & \text{Deemed asset life (20 years)} \end{aligned}$

For example:

Cost of line is \$12,000 and actual asset age is 2 years.

Depreciation factor is $(20-2) \div 20 = 0.9$

Therefore, the depreciated asset value is $\$12,000 \times 0.9 = \$10,800$