

Company Procedure: Pioneer Scheme

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1.0 PURPOSE

The purpose of this document is to outline the guidelines for establishing and administering Pioneer Schemes by Essential Energy.

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

A Pioneer Scheme applies under Part E of Chapter 5A of the NER and the AER's Connection Charge Guidelines for Electricity Customers. Under the Pioneer Scheme, customers must reimburse the cost of connection works to their premises if another customer funded them within the past seven years.

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

1.1 Audience

This procedure is intended for use by external contractors: Level 1 ASPs, Level 2 ASPs, Level 3 ASPs and electrical contractors engaged in Contestable Works on Essential Energy's distribution network, as well as, but not limited to, all company employees such as executives, managers and other staff members.

2.0 ACTIONS

2.1 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.

2.2 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 seven (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.

2.3 Calculation of cost share reimbursement under the Pioneer Scheme

All calculations for reimbursements are in accordance with Annexure A.

Despite any other provision of this 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).

2.4 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.

2.5 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.

2.6 Pioneer Scheme administration

An administrative charge is applicable to manage Pioneer Scheme applications. These charges are located on Essential Energy's website under the Price Schedule for Ancillary Network Services. They apply where Essential Energy is required to:

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



3.0 AUTHORITIES AND RESPONSIBILITIES

Position / Title	Responsibility
Pioneer Scheme Coordinator	<ul style="list-style-type: none"> • Calculating and coordinating the distribution of shared asset payments between customers ensuring all payments are reviewed and calculated to comply with the Pioneer Scheme requirements. • Be accountable for creating and maintaining accurate registration information in the Pioneer Schemes database within Essential Energy's distribution area. • 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.

4.0 DEFINITIONS

Accredited Service Provider (ASP)

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.

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.



5.0 REFERENCES

Internal
Branch Procedure - Essential Energy Connection Policy – Connection Charges – CEOP2513.06
Essential Energy’s Model Standing Offer for Basic Connection - CECP2582
Essential Energy’s Model Standing Offer for Standard Connection - CECP2583
External
National Electricity Rules
National Energy Retail Law (NSW)
National Energy Retail Rules
AER Connection Charge Guidelines for Electricity Customers – Under Chapter 5A of the National Electricity Rules.

6.0 RECORDKEEPING

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 REVISIONS

Issue No.	Section	Details of changes in this revision	Change Risk Impact?
5	5.6	Inclusion of the administrative charge	Low
6	All	Annual review and update. No changes were required, updated issue number and published date only.	Low
7	All	Update to current brand style guide and template. Content reviewed for currency, no material changes required. Minor grammatical and punctuation changes applied.	Low

Annexure A - Pioneer Scheme Reimbursement**1. 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 customer's 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 Pioneer 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:

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

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:

$$\$3,600.00 \times 66.6\% \times (105.4 \div 99.9) = 2,529.60$$

2. 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 x 90%) ÷ (2 prospective new customers + 1) original x (new CPI ÷ original CPI).

Therefore, the unadjusted amount each prospective new customer is:

$$(\$12,000 \times 90\%) \div (2 + 1) \times (105.4 \div 99.9) = \$3,798.20$$

3. 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 x 90%) x (New Customers utilisation 150KVA ÷ total of original customer's works 500KVA x 100) x (new CPI ÷ Original CPI).

Therefore, the Pro-Rata Reimbursement amount for the new customer is:

$$(\$45,000 \times 90\%) \times (150\text{KVA} \div 500\text{KVA} \times 100) \times (105.4 \div 99.9) = \$12,818.92$$

4. 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:

$$\frac{\$1000 + \text{CPI in this case CPI} = \text{CPI}(2)}{\text{CPI}(3) \text{ (refer to Section 4)}}$$

5. 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 four 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 four 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 four quarters immediately prior to the date of commencement of this determination.

6. 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:

$$\frac{(\text{Deemed asset life (20 years)} - \text{asset age})}{\text{Deemed asset life (20 years)}}$$

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 $\$12,000 \times 0.9 = \$10,800$.