



FINAL DECISION
Essential Energy
Distribution Determination

2019 to 2024

Attachment 18
Tariff structure statement

April 2019

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Note

This attachment forms part of the AER's final decision on the distribution determination that will apply to Essential Energy for the 2019–2024 regulatory control period. It should be read with all other parts of the final decision.

As a number of issues were settled at the draft decision stage or required only minor updates, we have not prepared all attachments. The attachments have been numbered consistently with the equivalent attachments to our longer draft decision. In these circumstances, our draft decision reasons form part of this final decision.

The final decision includes the following attachments:

Overview

Attachment 1 – Annual revenue requirement

Attachment 2 – Regulatory asset base

Attachment 4 – Regulatory depreciation

Attachment 7 – Corporate income tax

Attachment 9 – Capital expenditure sharing scheme

Attachment 10 – Service target performance incentive scheme

Attachment 12 – Classification of services

Attachment 13 – Control mechanisms

Attachment 15 – Alternative control services

Attachment 18 – Tariff structure statement

Attachment A – Negotiating framework

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Shortened forms

Shortened form	Extended form
ACS	alternative control services
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
augex	augmentation expenditure
capex	capital expenditure
CCP	Consumer Challenge Panel, sub-panel 10
CESS	capital expenditure sharing scheme
CPI	consumer price index
DRP	debt risk premium
DMIAM	demand management innovation allowance (mechanism)
DMIS	demand management incentive scheme
distributor	distribution network service provider
DUoS	distribution use of system
EBSS	efficiency benefit sharing scheme
ERP	equity risk premium
Expenditure Assessment Guideline	Expenditure Forecast Assessment Guideline for Electricity Distribution
F&A	framework and approach
MRP	market risk premium
NEL	National Electricity Law
NEM	national electricity market
NEO	national electricity objective
NER or the Rules	National Electricity Rules
NSP	network service provider
opex	operating expenditure
PPI	partial performance indicators
PTRM	post-tax revenue model
RAB	regulatory asset base
RBA	Reserve Bank of Australia

Shortened form	Extended form
repex	replacement expenditure
RFM	roll forward model
RIN	regulatory information notice
RPP	revenue and pricing principles
SAIDI	system average interruption duration index
SAIFI	system average interruption frequency index
SCS	standard control services
SLCAPM	Sharpe-Lintner capital asset pricing model
STPIS	service target performance incentive scheme
WACC	weighted average cost of capital

Glossary of terms

Term	Interpretation
Apparent power	See kVA
Anytime demand tariff	A tariff incorporating a demand charge where the demand charge measures the customer's maximum demand at anytime (i.e. not limited to within a peak charging window).
CoAG Energy Council	The Council of Australian Governments Energy Council, the policymaking council for the electricity industry, comprised of federal and state (jurisdictional) governments.
Consumption tariff	A tariff that incorporates only a fixed charge and usage charge and where the usage charge is based on energy consumed (measured in kWh) during a billing cycle, and where the usage charge does not change based on when consumption occurs. Examples of consumption tariffs are flat tariffs, inclining block tariffs and declining block tariffs.
Cost reflective tariff	Consistent with the distribution pricing principles in the NER, a cost reflective distribution network tariff is a tariff that a distributor charges in respect of its provision of direct control services to a retail customer that reflects the distributor's efficient costs of providing those services to the retail customer. These efficient costs reflect the long run marginal cost of providing the service and contribute to the efficient recovery of residual costs.
Declining block tariff	A tariff in which the per unit price of energy decreases in steps as energy consumption increases past set thresholds.
Demand charge	A tariff component based on the maximum amount of electricity consumed by the customer (measured in kW, kVA or kVA _r) which is reset after a specific period (e.g. at the end of a month or billing cycle). A demand charge could be incorporated into either an anytime demand tariff or a time-of-use demand tariff.
Demand tariff	A tariff that incorporates a demand charge component.
Fixed charge	A tariff component based on a fixed dollar amount per day that customers must pay to be connected to the network.
Flat tariff	A tariff based on a per unit usage charge (measured in kWh) that does not change regardless of how much electricity is consumed or when consumption occurs.
Flat usage charge	A per unit usage charge that does not change regardless of how much electricity is consumed or when consumption occurs.
Inclining block tariff	A tariff in which the per unit price of energy increases in steps as energy consumption increases past set thresholds.
Interval, smart and advanced meters	Used to refer to meters capable of measuring electricity usage in specific time intervals and enabling tariffs that can vary by time of day.
kW	Also called real power. A kilowatt (kW) is 1000 watts. Electrical power is measured in watts (W). In a unity power system the wattage is equal to the voltage times the current.
kWh	A kilowatt hour is a unit of energy equivalent to one kilowatt (1 kW) of power used for one hour.
kVA	Also called apparent power. A kilovolt-ampere (kVA) is 1000 volt-amperes. Apparent power is a measure of the current and voltage and will differ from real power when the current and voltage are not in phase.

Term	Interpretation
LRMC	Long Run Marginal Cost. Defined in the National Electricity Rules as follows: <i>"the cost of an incremental change in demand for direct control services provided by a Distribution Network Service Provider over a period of time in which all factors of production required to provide those direct control services can be varied".</i>
Minimum demand charge	Where a customer is charged for a minimum level of demand during the billing period, irrespective of whether their actual demand reaches that level.
NEO	The National Electricity Objective, defined in the National Electricity Law as follows: <i>"to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to—</i> <i>(a) price, quality, safety, reliability and security of supply of electricity; and</i> <i>(b) the reliability, safety and security of the national electricity system".</i>
NER	National Electricity Rules
Power factor	The power factor is the ratio of real power to apparent power (kW divided by kVA).
Tariff	The network tariff that is charged to the customer's retailer (or in limited circumstances, charged directly to large customers) for use of an electricity network. A single tariff may comprise one or more separate charges, or components.
Tariff structure	Tariff structure is the shape, form or design of a tariff, including its different components (charges) and how they may interact.
Tariff charging parameter	The manner in which a tariff component, or charge, is determined (e.g. a fixed charge is a fixed dollar amount per day).
Tariff class	A class of retail customers for one or more direct control services who are subject to a particular tariff or particular tariffs.
Time-of-use demand tariff (ToU demand tariff)	A tariff incorporating a demand charge where the demand charge measures the customer's maximum demand during a peak charging window. A ToU demand charge might also include an off-peak demand charge or minimum demand charge, and may include flat, block or time-of-use energy usage charges.
Time-of-use energy tariff (ToU energy tariff)	A tariff incorporating usage charges with varying levels applicable at different times of the day or week. A ToU energy tariff will have defined charging windows in which these different usage charges apply. These charging windows might be labelled the 'peak' window, 'shoulder' window, and 'off-peak' window.
Usage charge	A tariff component based on energy consumed (measured in kWh). Usage charges may be flat, inclining with consumption, declining with consumption, variable depending on the time at which consumption occurs, or some combination of these.

18 Tariff structure statement

This attachment sets out our final decision on Essential Energy's (Essential) tariff structure statement to apply for the 2019–24 regulatory control period.

A tariff structure statement applies to a distributor's tariffs for the duration of the regulatory control period. It should describe a distributor's tariff classes and structures, the distributor's policies and procedures for assigning customers to tariffs, the charging parameters for each tariff, and a description of the approach the distributor to setting tariffs in pricing proposals. It is accompanied by an indicative pricing schedule.¹ A tariff structure statement provides consumers and retailers with certainty and transparency in relation to how and when network prices will change.

Our final decision deals only with issues unresolved after our draft decision and Essential's revised tariff structure statement proposal. For details of our consideration of previously settled issues, please see attachment 18 of our draft decision.²

18.1 Final decision

Our final decision is to approve Essential's revised tariff structure statement submitted to us in January 2019 without amendment.

Essential accepted and adopted the bulk of our draft decisions. However, it maintained the following position:

- allowing residential and small business customers to opt-out to flat tariffs, where cost reflective tariffs are set at a discount to the flat tariff, and
- not requiring Essential to provide residential and small business customers reassigned to cost reflective tariffs a 12-month data-sampling period on the flat tariff.

We consider that this approach satisfies the National Electricity Rules (NER), following further consultation with Essential and evidence provided in Essential's revised proposal.

18.2 Essential Energy's revised proposal

Essential's revised tariff structure statement maintained most of its positions from its initial regulatory proposal.

¹ NER, cl. 6.18.1A(a).

² AER, *Draft Decision: Essential Energy distribution determination 2019–24, Attachment 18 Tariff Structure Statement*, September 2018.

In response to our draft decision, Essential made the following changes:

- adopted technologically neutral tariff assignment policy for residential and small business customers, selecting the time of use tariff as the default tariff with opt-out to flat tariffs
- narrowed the demand charge peak charging window to 5pm to 8pm.

We also note Essential adopted a more targeted two-document structure in its revised tariff structure statement making the document easier to read and clearer on what components of the revised tariff structure statement are binding.

18.3 Assessment approach

We assessed the proposed tariff structure statement against two sets of requirements under the NER.

First, the NER sets out a number of elements that an approved tariff structure statement must contain.³ These include the structure of the proposed tariffs, and the policies and procedures the distributor will use to assign customers to those tariffs.

Second, a tariff structure statement must comply with the distribution pricing principles.⁴ Broadly, the pricing principles require tariffs to reflect a distributor's efficient costs. An approved tariff structure statement must have regard to the impact on customers in the transition to cost reflective tariffs.

Please refer to our draft decision for more details.⁵

18.4 Reasons for final decision

In this section, we will outline our reasons for:

- approving Essential's tariff assignment policy — in particular its decision to continue to offer residential and small business customers the opportunity to opt-out to flat tariffs, and to not offer a 12-month data-sampling period to customers reassigned due to meter replacement
- approving Essential's updated peak charging windows for demand tariffs
- approving Essential's approach to setting prices and summarising it to assist customers, retailers, Essential and the AER with the annual pricing process
- approving Essential's updated long-run marginal cost estimate.

As noted in section 18.1, Essential changed relatively little of its tariff structure statement in its revised tariff structure statement.

³ NER, cl. 6.18.1A(a).

⁴ NER, cl. 6.18.1A(b).

⁵ AER, *Draft Decision: Essential Energy Distribution determination – 2019 to 2024 – Attachment 18 Tariff structure statement*, November 2018, pp 18-10 to 18-13.

For details on our reasons for approving those issues, please see attachment 18 of our draft decision for Essential.

18.4.1 Essential Energy's high flat tariff allows opt-out

We approve Essential's proposal to:

- immediately reassign customers that receive a new smart meter to a cost reflective tariff
- allow customers reassigned to cost reflective tariffs to opt-out to the flat tariff
- discount the cost reflective tariffs relative to the flat tariff.

This is the same position that Essential took in its initial proposal, which we did not accept in our draft decision. However, following consultation with Essential and analysing the supporting material to its revised proposal, we consider that Essential's proposal is consistent with the Rules.

In the draft decision, we recommended that Essential:

- No longer allow customers to opt-out to flat tariffs. This was to implement the network pricing principles in a way that increases cost reflectivity.⁶
- Provide customers with new smart meter a 12-month data-sampling period. This was to help customers understand their tariffs,⁷ and be in a position to best manage the customer impacts of reassignment to cost reflective tariffs (by having the information to select the most appropriate retail offer).⁸

However, in its revised proposal Essential demonstrated that its proposal also complies with the network pricing principles.

1. Essential's decision to combine immediate reassignment with discounting the cost reflective tariffs effectively manages the customer impacts of reassignment.⁹
2. Essential's decision to combine opt-out with discounting means that only customers that do not understand cost reflective tariffs should have an incentive opt-out to flat tariffs, addressing both concerns about customers' ability to understand,¹⁰ and the need to move more customers onto cost reflective tariffs.¹¹

Our analysis confirms that customers will have no financial incentive to opt-out of cost reflective tariffs to the flat tariffs (see Figure 1). We looked at over 3,400 Essential customers and found that less than 1% of customers would have a financial incentive to opt-out to a flat tariff.

⁶ NER cl. 6.18.5(d).

⁷ NER cl. 6.18.5(i).

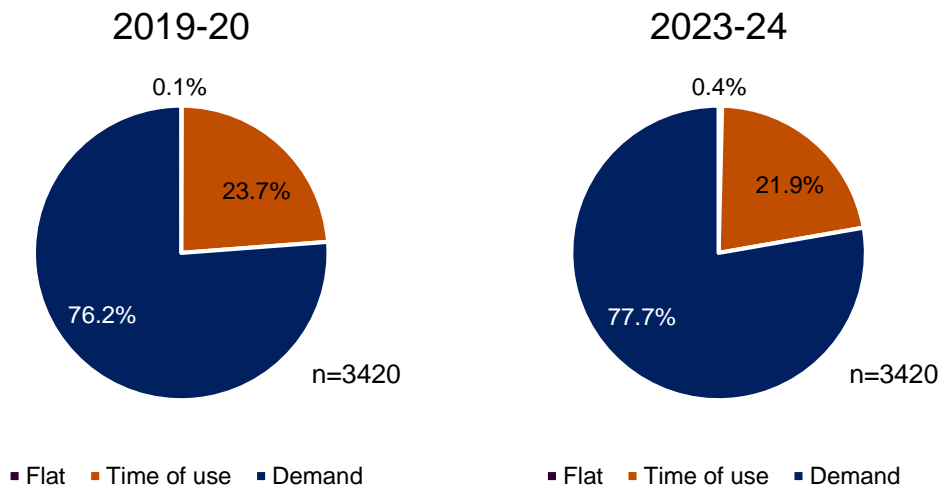
⁸ NER cl. 6.18.5(h).

⁹ NER cl. 6.18.5(h).

¹⁰ NER cl. 6.18.5(i).

¹¹ NER cl. 6.18.5(d).

Figure 1 Cheapest network tariff for residential customers



We approve this approach as an acceptable way to transition customers onto cost reflective network tariffs because we are satisfied it contributes to the achievement of compliance with the distribution pricing principles.¹²

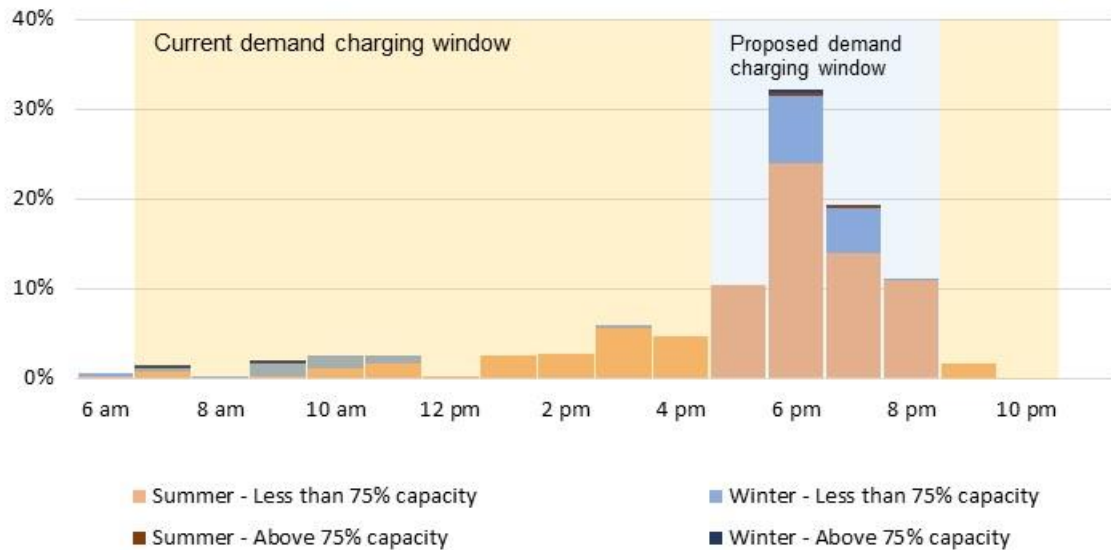
18.4.2 The updated charging windows are better targeted

With our draft decision, we approved Essential's charging windows. However, we noted Essential's demand charging window was very wide, from 7am to 10pm weekdays.¹³ Wide charging windows reduce a customer's ability to mitigate financial impact of tariffs through their usage decisions.¹⁴ Additionally, the different peak charging windows for demand and energy, within a single tariff, may be difficult for customers to understand.¹⁵

In response to our draft decision, Essential narrowed its demand charging window to match its peak energy charging window of 5pm to 8pm weekdays. Our analysis finds that the majority of peak demand events fall between 5pm and 8pm (see Figure 2).

¹² We still consider that our recommended approach from our draft decision complies with the NER. We would have approved Essential's revised proposal if it had adopted our recommendation from the draft decision.
¹³ AER, *Draft Decision – Essential Energy Distribution determination – 2019 to 2024 – Attachment 18 Tariff structure statement*, November 2018, p 18-16.
¹⁴ NER cl. 6.18.5(h)(3)
¹⁵ NER cl. 6.18.5(i)

Figure 2 Current and proposed demand charging windows



Therefore, our decision is to approve Essential’s demand charging window because we are satisfied it contributes to the achievement of compliance with the distribution pricing principles. Specifically, it makes the tariffs more cost reflective,¹⁶ helps customers mitigate bill impacts through their usage decisions¹⁷ and is easier for customers to understand.¹⁸

18.4.3 Essential Energy set out its approach to setting prices

In our draft decision, we required Essential to provide more clarity on how it will base tariffs on long-run marginal cost and recover residual costs when there is variation in revenue. We reasoned that providing additional clarity helps customers understand their network charges,¹⁹ and the certainty makes it easier for them to make behavioural changes and investments to reduce their network charges over the longer term.²⁰

We consider Essential’s revised tariff structure statement adequately addresses our concerns as set out above. We are therefore satisfied that Essential has provided its tariff structure statement in a form that contributes to the achievement of compliance with the distribution pricing principles.

¹⁶ NER cl. 6.18.5(a)
¹⁷ NER cl. 6.18.5(h)(2)
¹⁸ NER cl. 6.18.5(i)
¹⁹ NER cl. 6.18.5(i).
²⁰ NER cl. 6.18.5(h)(3).

We consider that based on its annual pricing proposals from 2019–20 to 2023–24, Essential will need to:

- Set energy usage and demand charges to equal or above Essential’s estimate of long-run marginal costs, or transition the charges towards long-run marginal costs.²¹
- Increase residential and small business fixed charges by \$5 each year.²²
- Recover more residual cost per customer (on an equivalent customer basis) from less efficient tariffs (e.g. flat tariffs) than more efficient tariffs (e.g. the demand tariff).²³

NER cl. 6.18.2(b)(7) requires that annual pricing proposals must demonstrate compliance with the tariff structure statement. Therefore, annual pricing proposals must comply with the points above for approval.

18.4.4 Long run marginal cost

We are largely satisfied Essential’s approach to estimating long run marginal cost contributes to compliance with the distribution pricing principles or to the achievement of the network pricing objective. On the other hand, we do not consider the replacement expenditure (repex) it included in its estimation method is consistent with the definition of long run marginal cost.

In assessing the revised proposal in totality, however, we do not require Essential to amend its method for estimating long run marginal costs in this final decision. We consider doing so would provide only incremental benefits at this stage of the distribution determination. However, we will require Essential to improve its approach to including repex in its tariff structure statement for the 2024–29 regulatory control period.

In our draft decision, we considered Essential’s approach to estimating long run marginal cost largely contributed to the achievement of compliance with the distribution pricing principles or to the achievement of the network pricing objective. However, we were not satisfied with Essential’s approach to including repex into its estimation method.²⁴ We considered the repex Essential included in its estimation method did not

²¹ Essential Energy, *Empowering communities to share and use energy for a better tomorrow – 201924 Revised Tariff Structure Statement*, January 2019, p 20.

²² Essential Energy, *Empowering communities to share and use energy for a better tomorrow – 201924 Revised Tariff Structure Statement*, January 2019, p 22.

²³ Essential Energy, *Empowering communities to share and use energy for a better tomorrow – 201924 Revised Tariff Structure Statement*, January 2019, p 21.

²⁴ AER, *Draft decision: Essential Energy distribution determination 2019 to 2024: Attachment 18: Tariff structure statement*, November 2018, p. 24.

represent ‘marginal costs’ because condition and age were the drivers of expenditure.²⁵

With its revised proposal, Essential maintained the model and calculation method (for estimating long run marginal cost) from the initial proposal. Essential stated it removed some repex and included only the subset of repex linked to forecast incremental capacity. This led to lower estimates of long run marginal cost (see Table 18.1).²⁶

Table 18.1 Long run marginal cost estimate (\$/kVA)

Tariff	Initial proposal	Revised proposal	Difference (per cent)
ST	14	14	0
HV	117	95	-19
LV	138	113	-18

Source: Essential Energy, *Response to information request 024 - 024.1 - 16.1 LPMC Model - Public*, 24 July 2018; Essential Energy, *Revised proposal – 12.1 TSS Attachment 6 – Revised LPMC Model*, December 2018.

Essential further clarified it included capex only where:²⁷

- the primary driver for the investment is replacement
- the distribution network planning horizon forecasts identified an investment is required in the same asset for a network capacity driver.

Where such investment requires incrementally larger capacity, Essential included only this incremental investment cost of capacity in the calculation.²⁸

We do not consider such repex is consistent with the definition of long run marginal cost for the same reasons as set out in our draft decision. As Essential stated previously, the primary drivers for repex are still age or condition.²⁹ The repex Essential included in its revised proposal may involve a change in network capacity and is coincidentally in assets with demand-driven investment but incremental use of the network is still not the driver of this investment. So these investments are not associated with ‘incremental demand’ of network services.

²⁵ AER, *Draft decision: Essential Energy distribution determination 2019 to 2024: Attachment 18: Tariff structure statement*, November 2018, pp. 24–25.

²⁶ Essential Energy, *Revised proposal: Attachment 1: Tariff structure explanatory statement*, January 2019, p. 11.

²⁷ Essential Energy, *Response to AER information request #042 – TSS LPMC inputs – 20190205*, 12 February 2019 (received 18 February 2019), p. 1.

²⁸ Essential Energy, *Response to AER information request #042 – TSS LPMC inputs – 20190205*, 12 February 2019 (received 18 February 2019), p. 1.

²⁹ Essential Energy, *Response to information request 024 - Public*, 27 July 2018, pp. 1–2

18.4.5 Stakeholder submissions

We received several stakeholder submissions which were generally supportive of Essential's revised tariff structure statement. The key themes picked up on by stakeholders recognised the need for Essential to:

- implement cost-reflective network tariffs to advance consumer's long term interests.
- balance cost-reflectivity with complexity to manage customer impacts
- remain mindful of related initiatives occurring in retail markets.

Recognition of role of network tariff reform

Red and Lumo Energy submitted that the government, NSW distributors and retailers work together to educate consumers on the benefits of tariff reform as the transition towards more cost reflective tariffs continue.³⁰

Origin Energy submitted that there is a need for a broad and synchronised communication campaign regarding tariff reform to provide customers with the understanding they need to make informed decisions.³¹

AGL submitted that it supported greater implementation of cost reflective network tariffs.³²

We expect that the transition to cost-reflective network tariffs is to occur over several regulatory control periods. As the CCP and Energy Consumers Australia (ECA) note in their submissions, there is a need for broad-based initiatives across the sector to provide a cohesive NEM wide approach to promote tariff reform.³³ We consider collaboration across the sector through the 2019-24 regulatory control period is important and would involve retailers, distributors and consumer advocates.

Balancing complexity and customer impacts

AGL remains satisfied with Essential's proposals for improving the cost-reflectivity of its residential network tariffs.³⁴

Origin Energy submitted that it remains concerned that some tariff structures approved by the AER are too complex for most consumers to understand and therefore respond to.³⁵

³⁰ Red and Lumo Energy, *Submission on NSW draft decisions and revised proposals, February 2019*, p.1

³¹ Origin Energy, *Submission on NSW draft decisions and revised proposals, February 2019*, p.1

³² AGL, *Submission on NSW draft decisions and revised proposals, February 2019*, p.2

³³ CCP10, *Submission on NSW draft decisions and revised proposals, February 2019*, p.18

ECA, *Submission on NSW draft decisions and revised proposals, February 2019*, p.18

³⁴ AGL, *Submission on NSW draft decisions and revised proposals, February 2019*, p.3

³⁵ Origin Energy, *Submission on NSW draft decisions and revised proposals, February 2019*, p.3

We consider the intention of network tariff reform is to change the way distributors charge retailers for distribution services. While, initially there is likely to be increases in network costs for particular customer segments, we consider that there are options available to retailers to manage network price signals. We encourage retailers to investigate how they can balance their overall network costs to mitigate transitional impacts. We also note that time varying charges provide opportunities for consumers to manage their bills by shifting their consumption.

Mindfulness of other retail market reform required

AGL further submitted that it does not support moving to cost-reflective network pricing under a regulated retail pricing framework.³⁶

Similarly, Origin Energy submitted that the AER consider the implications of how tariff reform will interact with other key retail tariff reforms such as the default market offer.³⁷

We do not consider that retailers are subject to regulated retail pricing in NSW. Measures such as the default market offer act rather as retail benchmarks and do not constrict retailers' ability to offer innovative tariffs. Further, the relative level of the default market offer and prevailing standing offers is a key determinant of the implications for retailers.

³⁶ AGL, *Submission on NSW draft decisions and revised proposals, February 2019*, p.3

³⁷ Origin Energy, *Submission on NSW draft decisions and revised proposals, February 2019*

A Assigning retail customers to tariff classes

This appendix sets out our determination on the principles governing assignment or reassignment of Essential Energy's retail customers for direct control services.³⁸ We approve Essential Energy's procedures for assigning and reassigning retail customers to tariff classes.

Procedures for assigning and reassigning retail customers to tariff classes

1. The procedure outlined in this section applies to direct control services.

Assignment of existing customers to tariff classes at the commencement of the regulatory control period

2. Essential Energy's customers will be taken to be assigned to the tariff class which was charging that retail customer immediately prior to 1 July 2019, if:
 - They were a customer prior to 1 July 2019, and
 - Continue to be a customer as at 1 July 2019.

Assignment of new customers to a tariff class during the regulatory control period

3. New connection or a change of occupancy will trigger assignment.
4. For new connections, Essential Energy will use the estimated information collected from the retailer's B2B service order, in conjunction with the system of assessment as described above, to assign the new customer to the appropriate network charge.
5. New residential and small business customers connecting to the network, will be assigned to the default cost reflective network charge relevant to their metering technology.
6. Change of occupancy will lead to assignment to the default cost reflective network charge where the appropriate metering technology is available at the premises. If the premises do not have a smart or interval meter, the customer will be assigned the network charge that previously existed at the premises. Where a network price change is required in connection with a change of occupancy, the retailer must request a network charge reassignment in accordance with the section on network charge reassignment procedure below.
7. These customers will have the choice to opt out to an alternative cost reflective network charge if they satisfy the necessary eligibility requirements.

Reassignment of existing customers to another existing or a new tariff class during the regulatory control period

³⁸ NER cl. 6.12.1(17).

8. Reassignment can be triggered when an existing customer's load, connection and/or metering characteristics have changed such that it is no longer appropriate for that customer to be assigned to the network charge to which the customer is currently assigned. Existing residential and small business customers who:
 - upgrade their connection, through installing three-phase power or embedded generation, will be assigned to the default cost reflective network charge relevant to their metering technology.
 - change their meter characteristics with the installation of a smart metering, with no other change to their connection, will be assigned to the default cost reflective network charge relevant to their metering technology.
9. Reassignment can be triggered by Essential Energy or a customer's retailer.
10. Customers may notify their retailer or Essential Energy if they identify that their current assignment is no longer appropriate.
11. If notified by a customer directly, Essential Energy is obliged to investigate, and where it finds the assignment is no longer appropriate, to initiate reassignment. In these instances Essential Energy is obliged to provide all notifications otherwise only sent to the customer's retailer, to both the customer's retailer and the customer directly.
12. In general, customers and customer's retailers may make one application for reassignment in any 12-month period per connection point. Essential Energy will consider exceptions on a case-by-case basis.
13. Whether the customer's retailer or Essential Energy initiates a network charge reassignment, Essential Energy will use the system of assessment described above to reassign the customer to the appropriate network charge.
14. The network charge change being applied from the last actual meter read date. For Smart Meters where daily reads occur, the last meter read date will be taken as the last invoiced meter read date (therefore end of month).

Reassignment triggered by the customer or customer's retailer

15. Customers and the customer's retailer should monitor the suitability of the network charge applied. Where a customer or customer's retailer identifies the existing tariff is not suitable, they must advise Essential Energy of the need for reassignment. Additionally, where it identifies a need for reassignment, Essential Energy can initiate reassignment.
16. Where the customer's retailer requests a network charge reassignment (on its own initiative or at the customer's request):
 - the customer's retailer applies in writing by submitting the Supply Service Works Service Order (SSW-SO) for Network Charge Change via the Energy Market B2B processes; or
 - if the request requires a metering configuration or update the customer's retailer would need to raise the appropriate B2B service order (Metering Service Works Service Order MSW-SO).

Reassignment triggered by Essential Energy

- Where Essential Energy initiates the network charge reassignment, it will provide a notice to the customer's retailer prior to the actual network charge reassignment. Essential Energy will also advise the customer prior to the assignment if they are a business customer.
- The obligation to notify a customer's retailer does not apply if the customer has agreed with its retailer and Essential Energy that its network charges are to be billed by Essential Energy directly to the retail customer, in which case Essential Energy must notify the customer directly.

Obsolete network charge

17. An obsolete network charge is a network charge that may apply to existing Essential Energy customers but is not available to new customers. Customers who choose to transfer off an obsolete network charge will lose all rights to all obsolete network charge on that premise, therefore the entire site will be required to move onto a currently available network charge. Exceptions apply when customers connect to additional services. Refer to Essential Energy's Network Price List and Explanatory Notes which is available on www.essentialenergy.com.au for further details in relation to obsolete network charge.
18. Customers may not go back onto an obsolete network charge once they have transferred off it.

Energy Saver (Controlled load)

19. Where a customer wishes to change from Energy Saver 1 to Energy Saver 2 (or vice-versa) the customer must notify its retailer.
20. To change Energy Saver tariff, the customer's retailer is required to submit the relevant Metering Service Works (Meter reconfiguration) B2B service order to trigger the necessary meter / relay re-configuration. Once the meter / relay re-configuration has taken place, Essential Energy will perform the appropriate network charge reassignment without requiring the retailer to submit a SSW-SO.
21. The network charge will be changed as at the date of the Meter reconfiguration (therefore Frequency Injection Relay channel change).

Notifications

22. Essential Energy will notify the customer's retailer in writing of the network charge to which the customer will be assigned or reassigned prior to the network charge assignment or reassignment occurring:
 - in the event Essential Energy initiates the network charge reassignment, Essential Energy will notify the customer's retailer in writing prior to the actual network charge reassignment occurring; and
 - in the event the customer's retailer initiates the network charge reassignment, Essential Energy will notify the retailer in writing of the success or otherwise of the application. Where the application is not successful or where Essential Energy has decided to assign a network

charge other than that proposed by the retailer, Essential Energy will advise the retailer of the reasons for the decision.

- The obligation to notify a customer's retailer does not apply if the customer has agreed with its retailer and Essential Energy that its network charges are to be billed by Essential Energy directly to the retail customer, in which case Essential Energy must notify the customer directly.

23. As part of its notification procedures, Essential Energy will advise the retailer that they can request further information from Essential Energy and that they may object to the network charge reassignment decision made by Essential Energy. Essential Energy will encourage retailers to request further information or clarification of its network charge reassignment decision before an objection is lodged.
24. If, in response to a notice issued in accordance with paragraph 23 above, Essential Energy receives a request for further information from a customer's retailer or customer, then it must provide such information. If any of the information requested is confidential then it is not required to provide that information to the retail customer.
25. The customer's retailer is wholly responsible for conveying the correct information to Essential Energy and communicating any further requests and decisions made by Essential Energy to the customer.

Objections

26. Essential Energy must allow retailers to object to a network charge reassignment decision made by Essential Energy. The objection procedure allows retailer's to formally request a review of the network charge reassignment decision.
27. The following steps will be applied as part of the objection procedure:
- (a) Retailers must submit an objection in writing using Essential Energy's Network Charge Reassignment Objection form. Supporting evidence or documentation related to the decision being reviewed must be provided by the retailer. Retailers should make reference to their customer's load, connection and metering characteristics as part of the network charge reassignment objection. The completed form and supporting information and documentation will be emailed to networktariffchange@essentialenergy.com.au.
 - (b) Essential Energy's Network Pricing Manager must review the objection, including any documentation provided. In reviewing the objection, the Network Pricing Manager must assess if the original decision complied with its published Policy for Network Charge Assignment and Reassignment, Essential Energy's regulatory obligations and must take into consideration any supporting evidence and documentation provided.
 - (c) Within 20 days of receiving the completed Network Charge Reassignment Objection form, Essential Energy must notify the customer's retailer, and where appropriate the customer, in writing of the outcome of the Network Pricing Manager's review and reasons for accepting or rejecting the objection. If Essential Energy believes the objection review process will take longer than 20

business days, Essential Energy must advise the retailer, and where appropriate the customer, accordingly.

28. If an objection to an assignment or reassignment is upheld:
- (a) If the completed objection form is received within 20 business days from the date the retailer was advised of the original network charge reassignment decision, Essential Energy must apply the changes from the last actual meter read date prior to the original network charge reassignment application.
 - (b) If the completed objection form is received after 20 business days from the date the retailer was advised of the original network charge reassignment decision, Essential Energy must apply the changes from the last actual read date prior to the date the completed objection form is received.
 - (c) if Essential Energy requests further information from the retailer pertaining to the objection application, and such information is not provided within 20 business days from the date requested, Essential Energy must apply the changes following a subsequently successful objection from the last actual read date prior to the date the additional requested information is received.
29. Any adjustment to network charges billed to retailers, or directly to customers, because of upholding an objection to an assignment or reassignment, Essential Energy must do as part of the normal billing process, including of any compensation relating to the time value of money.
30. If an objection to a tariff class assignment or reassignment is upheld, then any adjustment which needs to be made to tariff levels will be done by Essential Energy as part of the next annual review of prices.
31. If any objection is not satisfactorily resolved under Essential Energy's internal review procedure within a reasonable timeframe, then to the extent that the matter relates to a small retail customer and resolution of such disputes are within the jurisdiction of the Energy & Water Ombudsman NSW (EWON) the retail customer is entitled to escalate the matter to the EWON.
32. If the objection is not resolved to the satisfaction of the retail customer under Essential Energy's internal review procedure or EWON processes, then the retail customer is entitled to seek a decision of the AER via the dispute resolution process available under Part 10 of the National Electricity Law (NEL).