

Appendix F: Tariff Structures – Alternative Control Services

Ancillary Network Services

Ancillary network services are non-routine services provided to individual customers on an 'as needs' basis and can be charged as either a fee based service or a quoted service.

The charge for a fee based service is determined based on the cost of providing the service (labour rates) and the average time taken to perform the service. For these services, the fee is fixed and applies irrespective of the actual time taken to perform it.

The form of control to apply to ancillary network fee based services is a price cap. Under this form of control a schedule of prices is set for the first year. For the following years, the previous year's prices are adjusted by CPI and an X factor.

The AER has determined that the following formula gives effect to the cap on prices for alternative control fee based services:

$$\bar{p}_i^t \geq p_i^t \quad i=1, \dots, n \text{ and } t=1, 2, 3, 4$$

$$\bar{p}_i^t = \bar{p}_i^{t-1}(1 + \Delta CPI_t)(1 - X_i^t) + A_i^t$$

Where:

\bar{p}_i^t is the cap on the price of service i in year t . However, for 2015–16 this is the price as determined in Appendix A.2 of Attachment 16 of the AER's Final Decision, escalated by ΔCPI and the X-factor.

p_i^t is the price of service i in year t .

$$\Delta CPI_t = \left[\frac{CPI_{Mar,t-2} + CPI_{Jun,t-2} + CPI_{Sep,t-1} + CPI_{Dec,t-1}}{CPI_{Mar,t-3} + CPI_{Jun,t-3} + CPI_{Sep,t-2} + CPI_{Dec,t-2}} \right] - 1$$

CPI means the all groups index number for the weighted average of eight capital cities as published by the ABS, or if the ABS does not or ceases to publish the index, then CPI will mean an index which the AER considers is the best estimate of the index.

X_i^t is the value of X for the year t in the regulatory control period, as Table 16.1 of Attachment 16 of the AER's Final Decision.

\bar{p}_i^1 is the cap on the price of service i in the first year of the subsequent regulatory control period. See Appendix A.1 of Attachment 16 of the AER's Final Decision.

A_i^t is an adjustment factor for residual charges when customers choose to replace assets before the end of their economic life. For ancillary network services, the AER have determined the value for A is zero.

Our proposed charges for our fee-based ancillary network services for each of the three years from 2016/17 to 2018/19 are set out in Appendix H.

Quoted services are those which are once off and specific to a particular customer's request. The cost of this service will depend on the actual time taken and materials used to perform the service.

Price = labour + contractor services + materials

Metering

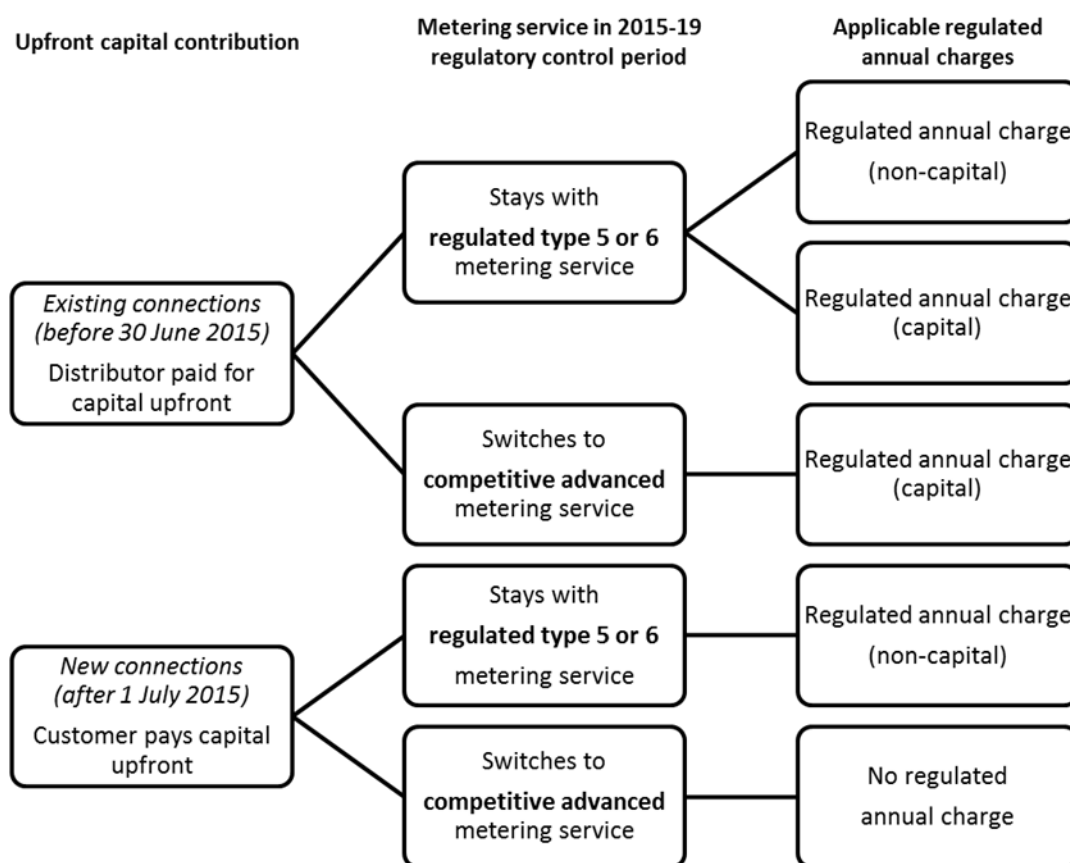
The AER has determined that type 5 and 6 metering services be (re)classified as alternative control services rather than as standard control services. This means that effective 1 July 2015, Ausgrid's metering charges are unbundled from the distribution component of the network tariffs and are charged separately.

The AER's Distribution Determination approves two types of metering service charges:

- Upfront capital charge (for all new and upgraded meters installed from 1 July 2015); and
- Annual charge comprising of two components:
 - Capital — metering asset base (MMAB) recovery
 - Non-capital — operating expenditure and tax.

The following figure depicts how the two regulated annual charge components relate to different metering customers.

Figure 1: AER Final decision — applicable regulated annual charges



Note: This diagram shows regulated annual charges only. In addition, customers who switch may incur charges for their competitive advanced metering service. Any such charges are not subject to AER oversight and are not shown in the diagram above.

The form of control to apply to metering services is a price cap. Under this form of control, a schedule of prices is set for the first year. For the following years, the previous year's prices are adjusted by CPI and an X factor.

$$\bar{p}_i^t \geq p_i^t \quad i=1, \dots, n \text{ and } t=1, 2, 3, 4$$

$$\bar{p}_i^t = \bar{p}_i^{t-1}(1 + \Delta CPI_t)(1 - X_i^t)$$

Where:

\bar{p}_i^t is the cap on the price of service i in year t . However, for 2015–16 this is the price as determined in Appendix A.

p_i^t is the price of service i in year t .

$$\Delta CPI_t = \left[\frac{CPI_{Mar,t-2} + CPI_{Jun,t-2} + CPI_{Sep,t-1} + CPI_{Dec,t-1}}{CPI_{Mar,t-3} + CPI_{Jun,t-3} + CPI_{Sep,t-2} + CPI_{Dec,t-2}} \right] - 1$$

CPI means the all groups index number for the weighted average of eight capital cities as published by the ABS, or if the ABS does not or ceases to publish the index, then CPI will mean an index which the AER considers is the best estimate of the index.

X_i^t is for the annual metering charges, the factors set out in Table 16.11 of Attachment 16 of the AER's Final Decision for the upfront capital charges, the factors set out in Table 16.12 of Attachment 16 of the AER's Final Decision.

Our proposed charges for our metering services for each of the three years from 2016/17 to 2018/19 are set out in Appendix G.

Public Lighting

Public lighting has been maintained as an alternative control service. Public lighting services include the design, financing, procurement and construction of public lighting installations, as well as their ongoing maintenance and operation.

The form of control to apply to public lighting is a price cap. Under this form of control, a schedule of prices is set for the first year. For the following years, the previous year's prices are adjusted by CPI and an X factor.

The AER has determined that the following formula gives effect to the cap on prices for public lighting:

$$\bar{p}_i^t \geq p_i^t \quad i=1, \dots, n \text{ and } t=1, 2, 3, 4$$

$$\bar{p}_i^t = \bar{p}_i^{t-1}(1 + \Delta CPI_t)(1 - X_i^t) + A_i^t$$

Where:

\bar{p}_i^t is the cap on the price of service i in year t . However, for 2015–16 this is the price as determined in Appendix A.1 of Attachment 16 of the AER's Final Decision.

p_i^t is the price of service i in year t .

$$\Delta CPI_t = \left[\frac{CPI_{Mar,t-2} + CPI_{Jun,t-2} + CPI_{Sep,t-1} + CPI_{Dec,t-1}}{CPI_{Mar,t-3} + CPI_{Jun,t-3} + CPI_{Sep,t-2} + CPI_{Dec,t-2}} \right] - 1$$

CPI means the all groups index number for the weighted average of eight capital cities as published by the ABS, or if the ABS does not or ceases to publish the index, then CPI will mean an index which the AER considers is the best estimate of the index.

X_i^t is the value of X for the year t in the regulatory control period. There are no X-factors for public lighting.

A_i^t is an adjustment factor likely to include, but not limited to, adjustments for residual charges when customers choose to replace assets before the end of their economic life. For public lighting we consider the value for A is zero.

Our proposed charges for our public lighting services for each of the three years from 2016/17 to 2018/19 are set out in Appendix I.