Pricing Proposal

For the financial year ending June 2019

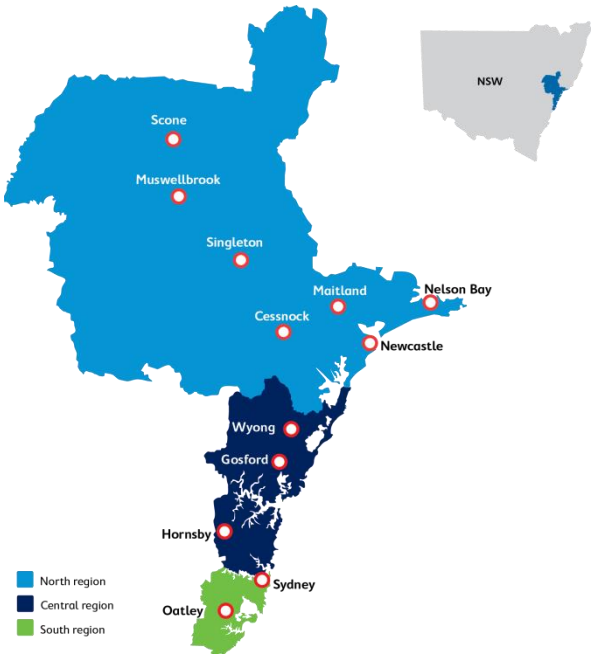
April 2018

Table of Contents

1 Introduction

Ausgrid's network – often called "the poles and wires" – is a key element of the electricity supply chain that delivers electricity to customers' premises. Once power is generated, it is transported at high-voltage over long distances by TransGrid. Our network then transforms the power into lower voltage electricity at sub-transmission and zone substations. This electricity is again transformed at local distribution substations so it can be safely supplied to our customers.

We build, maintain and operate more than 200 zone substations, 30,000 distribution substations, 48,000 kilometres of power lines and 500,000 power poles. These assets, along with our depots and other properties, are known as our regulated asset base and are worth approximately $15 billion. Our network transports working electricity to more than 1.7 million customers in eastern Sydney, the Central Coast and the Hunter Region regions of New South Wales, as shown in the figure below.



Our objective is to deliver safe, reliable and affordable energy services. Consistent with recent industry reform in NSW, our focus has been on reducing our costs without compromising the safety and reliability of the services our customers require.

Australian Energy Regulator

The Australian Energy Regulator (AER) is responsible for regulating the revenues of all distribution and transmission network service providers in the National Electricity Market, in accordance with the National Electricity Law (NEL) and the National Electricity Rules (NER).

Proposed network tariffs and customer impacts

This pricing proposal is submitted for review and approval to the AER as required under chapter 6 of the NER. This document has been prepared in accordance with the enforceable undertaking to the AER for the purpose of Section 59A of the National Electricity Law and the AER final decision on our Tariff Structure Statement (TSS)[1] that was approved by the AER in February 2017.

The proposed changes to our network tariffs on 1 July 2018 (i.e. FY19), as set out in this pricing proposal, are consistent with the AER final TSS decision, and will allow us to comply with new AEMC rules requiring more cost-reflective pricing, while also delivering an outcome that is compliant with the customer impact principle in chapter 6 of the NER.

In line with the AER's final TSS decision, our proposed network tariffs in FY19 are expected to deliver:

- a 2.5% network bill saving for a typical residential customer[2] on non-TOU pricing; and
- a 2.5% network bill saving for a typical small business customer[3] on non-TOU pricing.

The most notable change we are implementing in FY19 is to introduce a seasonal element to our (TOU) tariffs, whereby the peak period will be replaced by a shoulder period in the non-summer and non-winter months.

In other words, the peak period will apply only:

  - in the summer months (1 November to 31 March); and
  - in the winter months (1 June to 31 August).

[1] AER 2017, Final decision – Tariff Structure Statement – NSW DNSPs, February 2017.

[2] For an average residential customer on the block tariff who consumes 5,000 kWh per annum, and does not have controlled load hot water. Forecast bill outcome excludes GST. Retail related cost increases not included.

[3] For an average small business customer on the block tariff who consumes 9,000 kWh per annum. Forecast bill outcome excludes GST. Retail related cost increases not included.

Have your say

We endeavoured to write this document in a style that can be easily understood by our customers and stakeholders. However, it is necessary in some cases to use technical terms and so, to assist our customers and stakeholders, we include more information on pricing at:

http://www.ausgrid.com.au/networkprices.

Inquiries about our Network Pricing Proposal can be directed to pricing@ausgrid.com.au.

We also welcome feedback on our regulatory submissions via yoursay@ausgrid.com.au and our Twitter and Facebook pages, at http://www.twitter.com/Ausgrid and http://www.facebook.com/Ausgrid.

2 Overview

This document is Ausgrid's formal Pricing Proposal for FY19 and is submitted for review and approval by the AER as required by clause 6.18.2(a)(2) of chapter 6 in the National Electricity Rules (NER). It is structured to allow ready assessment of compliance by the AER.

AEMC rule determination

The pricing rules require that distribution businesses must set network tariffs in a manner that contributes to the achievement of the network pricing objective, as set out in clause 6.18.5(a) of the NER, ie:

> "The tariffs that a Distribution Network Service Provider charges in respect of its provision of direct control services to a retail customer should reflect the Distribution Network Service Provider's efficient costs of providing those services to the retail customer.

To contribute to the achievement of the new network pricing objective, electricity network businesses are required to set network tariffs in accordance with the following pricing principles:

- Each network tariff must be based on the long run marginal cost of providing the service, refer to clause 6.18.5(f);
- The revenue to be recovered from each network tariff must recover the network business' total efficient costs of providing services in a way that minimises distortions to price signals that encourage efficient use of the network by consumers, refer to clause 6.18.5(g)(3);
- The revenue to be recovered from each network tariff must reflect the Distribution Network Service Provider's total efficient costs of serving the retail customers that are assigned to that tariff, refer to clause 6.18.5(g)(1);
- Tariffs are to be developed in line with a new consumer impact principle that requires network businesses to consider the impact on consumers of changes in network tariffs and develop price structures that can be understood by consumers, refer to clause 6.18.5(h) and clause 6.18.5(i);
- Network tariffs must comply with any jurisdictional pricing obligations imposed by state or territory governments, refer to clause 6.18.5(j)
- The level of tariffs for a tariff class must be set such that the expected revenue for that tariff class is between the avoidable cost of not providing the service and the stand-alone cost of providing the service to the consumers in that tariff class, refer to clause 6.18.5(e); and
- The level of tariffs for a tariff class must comply with the side constraint limit, refer to clause 6.18.6.

The new distribution pricing arrangements also contain new processes and timeframes for the setting of network tariffs that aim to improve certainty, timeliness and transparency for consumers and retailers. Distribution businesses will be required to:

- Submit a tariff structure statement (TSS) to the AER for approval under chapter 6 of the NER as part of their five-year regulatory reset process.
- Demonstrate to the AER how they have consulted with consumers and retailers in developing their price structures.
- Notify consumers and retailers of final network prices at least six weeks before they commence, allowing them to better prepare for price changes.

The new pricing rules took effect on 1 July 2017.

Tariff Structure Statement

In February 2017, the AER approved Ausgrid's TSS for the 1 July 2017 to 30 June 2019 period. The key pricing reforms proposed for FY19 approved by the AER are:

- to introduce seasonal TOU pricing, whereby the peak period will be replaced by the shoulder period in the non-summer and non-winter months, ie, the peak period will apply only:
  - in the summer months (1 November to 31 March); and
  - in the winter months (1 June to 31 August).
- to introduce transitional TOU pricing for residential and small business customers, albeit with a flat variable energy price structure in FY19;
- to amend our assignment policy so that we assign all new and some existing residential

and small business customers to more cost reflective tariffs or transitional TOU tariffs;

- to introduce a new tariff for transmission connected customers

Enforceable Undertaking under Section 59 of the NEL for FY19

The AER's 2015 Determination for Ausgrid was set aside by the Australian Competition Tribunal. Therefore, Ausgrid made an undertaking to the AER under Section 59A of the NEL for the purpose of establishing target revenue target for FY19.

The undertaking requires Ausgrid's DUOS and TOUS revenue target for FY19 to be set equal to that in FY18 (in nominal terms) and to target a zero closing balance for CCF.

The table below shows the revenue targets for DUOS, TUOS, CCF.

Table 2.1: Ausgrid's Target Revenues for FY19

Revenue	Target Revenue for FY19
Distribution use of system (DUOS) ('000s)	1,493,270
Transmission use of system (TUOS) ('000s)	511,409
Climate Change Fund ('000s)	135,587

Source: Ausgrid

Ausgrid has set its proposed network tariffs for FY19 to recover the revenue targets shown in the table above.

It is important to note that the target revenues exclude our regulatory entitlements in respect of the Demand Management Innovation Allowance (DMIA), Service Target Performance Incentive Scheme (STPIS) and the cost of pass-through events (i.e. storm damage and Retailer of Last Resort events). These entitlements will be recovered via tariffs as part of the true-up of revenues to occur once the AER remakes its determination for the 2014-19 period.

Outline of compliance with rules

Ausgrid's pricing proposal assesses all of the requirements set out in section 6.18.2 of the Rules. This document also demonstrates compliance against the enforceable undertaking to the AER under Section 59A of the NER and the AER approved TSS.

Specifically, the pricing proposal sets out the tariff classes, network tariffs and charging parameters, and expected revenue for the year commencing 1 July 2018 and ending 30 June 2019.

The remainder of our pricing proposal is structured as follows:

- Chapter 3 sets out the proposed tariff classes for standard control services, the basis for the proposed tariff classes, and Ausgrid's procedures for the assignment and re-assignment of customers to tariff classes;
- Chapter 4 sets out the proposed network tariffs and charging parameters;
- Chapter 5 sets out the weighted average revenue by tariff class and compares it to the efficient revenue boundary defined by the standalone cost and avoidable cost;
- Chapter 6 briefly discusses the variations to tariffs;
- Chapter 7 sets out the obligations on Ausgrid to recover our contribution to the Climate Change Fund;
- Chapter 8 sets out the approach to passing through the cost of transmission use of system services;
- Chapter 9 sets out the approach to reporting the overs and unders account for distribution standard control services;
- Chapter 10 sets out the changes since the previous regulatory year, as provided for in the Determination and the NER;
- Chapter 11 provides an understanding of the customer impact of our proposed network tariffs for FY19;
- Chapter 12 provides information that demonstrates that our proposed tariffs are consistent with the approved TSS;
- Chapter 13 provides information that demonstrates that our proposed tariffs are consistent with the NER;
- Chapter 14 sets out the procedure for the annual system of assessment and review of tariffs;
- Chapter 15 sets out the tariffs and tariff class for Ausgrid's public lighting services for FY19;
- Chapter 16 sets out the tariffs and tariff class for Ausgrid's ancillary network services for FY19;
- Chapter 17 sets out the tariff class for type 5 and 6 metering charges.

3 Network tariff classes

RULE REQUIREMENT

Clause 6.18.2(b)(2) of the NER requires that a pricing proposal must set out the proposed tariffs for each tariff class that is specified in the Distribution Service Network Provider's tariff structure statement for the relevant regulatory control period.

In addition, when developing procedures for assigning customers to tariff classes the AER is required to have regard to the following principles;

(1) customers should be assigned to tariff classes on the basis of one or more of the following factors:

(i) the nature and extent of their usage;

(ii) the nature of their connection to the network;

(iii) whether remotely-read interval metering or other similar metering technology has been installed at the customer's premises as a result of a regulatory obligation or requirement;

(2) customers with a similar connection and usage profile should be treated on an equal basis;

(3) however, customers with micro-generation facilities should be treated no less favorably than customers without such facilities but with a similar load profile.

Clause 6.18.3(d) requires that a tariff class be constituted with regard to the need to group customers together on an economically efficient basis, and the need to avoid unnecessary transactions costs.

Definition of a Network Tariff Class

Under chapter 10 of the NER, tariff classes are defined as representing 'a class of customers for one or more direct control services, who are subject to a particular tariff or particular tariffs'.

Proposed Network Tariff classes for Standard Control Services

In accordance with the AER final TSS decision, Ausgrid's proposed tariff classes for direct standard control services for FY19 are shown in the following table.

Table 3.1: Ausgrid's Proposed Tariff Classes - FY19

Tariff Class	Network Tariff	Definition
Low Voltage	EA010 – Residential Non Time of Use EA011 – Residential Transitional TOU EA025 – Residential Time of Use EA030 – Controlled Load 1 EA040 – Controlled Load 2 EA050 – Small Business Non Time of Use EA051 – Small Business Transitional TOU EA225– Small Business Time of Use EA302 – LV 40-160 MWh (System) EA305– LV 160-750 MWh (System) EA310 – LV > 750 MWh (System) EA325 – LV Connection (Standby - Closed) EA316 – Transitional 40-160 MWh (Closed) EA317 – Transitional 160-750 MWh (Closed)	Applicable to separately metered low voltage (400V or 230V) connections.
High Voltage	EA360 – HV Connection (Standby - Closed) EA370 – HV Connection (System) EA380 – HV Connection (Substation) Customer Specific Prices	Applicable to any connection at high voltage (11kV) that is not otherwise eligible for a CRNP price.
Sub-transmission	EA390 – STV Connection (System) EA391 – ST Connection (Substation) Customer Specific Prices	Applicable to any connection at a sub-transmission voltage (132/66/33kV) that is not otherwise eligible for a CRNP price.
Transmission Connected	EA501 – Transmission Connected Customer Specific Prices	Applicable to a site that is directly connected to Transmission Connection Point (TCP) in Ausgrid's network area[4]
Unmetered	EA401 – Public Lighting EA402 – Constant Unmetered EA403 – EnergyLight	Applicable to any LV connection that is defined as an unmetered supply by Ausgrid in consultation with AEMO as per clause S7 2.3 (Item 5) of the NER.

[4] To be eligible for the transmission connected tariff class, the site must not be connected to, or require the use of, Ausgrid's electricity distribution assets.

4 Proposed tariffs and charging parameters

RULE REQUIREMENT

Clause 6.18.2(b)(3) requires that the pricing proposal set out the proposed tariffs for each tariff class that is specified in the Distribution Network Service Provider's TSS for the relevant regulatory control period; and

Clause 6.18.2(b)(3) requires that the pricing proposal set out the charging parameters and the elements of service to which each charging parameter relates.

This chapter sets out the proposed tariffs and charging parameters for direct control services for each tariff class for FY19. The proposed tariffs and charging parameters for standard control services are set out for each tariff class in tables 4.1, 4.2, 4.3 and 4.4. This chapter also explains how Ausgrid has applied the pricing principles set out in clause 6.18.5 of the NER.

The tariffs and charging parameters for alternative control services are discussed in chapter 15 (Public Lighting), chapter 16 (Ancillary Network Services) and chapter 17 (Type 5 and 6 Metering Charges) of this document.

Table 4.1: Ausgrid's Proposed FY19 Network Tariffs by Charging Parameter (Exclusive of GST) - DUOS

Tariff Class	Tariff Code	Tariff Name	Network Access Charge	Network Energy Prices							Daily Capacity Prices	
				Non-TOU	Peak	Shoulder	Off-peak	Block 1	Block 2	Block 3	Peak	Peak
			c/day	c/kWh	c/kWh	c/kWh	c/kWh	c/kWh	c/kWh	c/kWh	c/kW/day	c/kVA/day
Low Voltage	EA010	LV Res non-TOU	36.45					4.97	4.97	4.97		
	EA011	LV Res transitional TOU	36.45		4.97	4.97	4.97					
	EA025	LV Res < 40 MWh (System)	45.23		15.93	5.47	1.63					
	EA030	Controlled load 1	0.15									
	EA040	Controlled load 2	10.85									
	EA050	LV Business non-TOU	130.12					4.45	4.45			
	EA051	LV Business transitional TOU	130.12		4.45	4.45	4.45					
	EA225	LV Business TOU	128.29		11.78	6.92	1.76					
	EA302	LV 40-160 MWh (System)	639.31		2.91	1.55	0.53				36.46	
	EA305	LV 160-750 MWh (System)	1943.96		2.57	1.16	0.17					36.46
	EA310	LV > 750 MWh (System)	2451.19		2.24	0.63	0.04					36.46
	EA325	LV Connection (Closed)	2340.32		7.89	6.37	1.13					0.36
	EA316	Transitional 40-160 MWh (Closed)	131.42		10.27	6.61	0.90				0.00	
	EA317	Transitional 160-750 MWh (Closed)	131.42		10.27	6.61	0.90					0.00
High Voltage	EA360	HV Connection (Closed)	2038.41		4.46	0.47	0.34					0.11
	EA370	HV Connection (System)	4845.00		2.33	1.28	0.49					18.18
	EA380	HV Connection (Substation)	4845.00		1.98	1.08	0.41					15.45
Sub-transmission	EA390	STV Connection (System)	6069.00		1.60	1.02	0.40					5.25
	EA391	ST Connection (Substation)	6069.00		1.36	0.76	0.35					4.53
Transmission connected	EA501	Transmission connected	0.00									0.00
Unmetered	EA401	Public Lighting		4.88								
	EA402	Constant unmetered		5.96								
	EA403	EnergyLight		4.05								

Please note that the prices in the table above have been rounded to two decimal places in the pricing proposal document.

Table 4.2: Ausgrid's Proposed FY19 Network Tariffs by Charging Parameter (Exclusive of GST) - TUOS

Tariff Class	Tariff Code	Tariff Name	Network Access Charge	Network Energy Prices							Daily Capacity Prices	
				Non-TOU	Peak	Shoulder	Off-peak	Block 1	Block 2	Block 3	Peak	Peak
			c/day	c/kWh	c/kWh	c/kWh	c/kWh	c/kWh	c/kWh	c/kWh	c/kW/day	c/kVA/day
Low Voltage	EA010	LV Res non-TOU						4.89	4.89	4.89		
	EA011	LV Res transitional TOU			4.89	4.89	4.89					
	EA025	LV Res < 40 MWh (System)			8.63	0.68	0.63					
	EA030	Controlled load 1		1.46								
	EA040	Controlled load 2		4.39								
	EA050	LV Business non-TOU						4.99	4.99			
	EA051	LV Business transitional TOU			4.99	4.99	4.99					
	EA225	LV Business TOU			8.94	1.04	0.69					
	EA302	LV 40-160 MWh (System)			2.74	0.95	0.60					
	EA305	LV 160-750 MWh (System)			2.39	0.93	0.60					
	EA310	LV > 750 MWh (System)			1.89	0.93	0.61					
	EA325	LV Connection (Closed)			0.76	0.65	0.64					
	EA316	Transitional 40-160 MWh (Closed)			12.66	1.41	0.56					
	EA317	Transitional 160-750 MWh (Closed)			12.66	1.41	0.56					
High Voltage	EA360	HV Connection (Closed)			3.65	4.44	1.84					0.53
	EA370	HV Connection (System)			0.48	0.12	0.26					1.40
	EA380	HV Connection (Substation)			0.43	0.11	0.21					1.35
Sub-transmission	EA390	ST Connection			0.37	0.16	0.16					0.99
	EA391	ST Connection (Substation)			0.35	0.15	0.10					0.94
Transmission connected	EA501	Transmission connected	22500.00									0.72
Unmetered	EA401	Public Lighting			2.11							
	EA402	Constant Unmetered			2.74							
	EA403	EnergyLight			2.40							

Please note that the prices in the table above have been rounded to two decimal places in the pricing proposal document.

Table 4.3: Ausgrid's Proposed FY19 Network Tariffs by Charging Parameter (Exclusive of GST) - CCF

Tariff Class	Tariff Code	Tariff Name	Network Access Charge	Network Energy Prices							Daily Capacity Prices	
				Non-TOU	Peak	Shoulder	Off-peak	Block 1	Block 2	Block 3	Peak	Peak
			c/day	c/kWh	c/kWh	c/kWh	c/kWh	c/kWh	c/kWh	c/kWh	c/kW/day	c/kVA/day
Low Voltage	EA010	LV Res non-TOU						0.29	0.29	0.29		
	EA011	LV Res transitional TOU			0.29	0.29	0.29					
	EA025	LV Res < 40 MWh (System)			0.29	0.29	0.29					
	EA030	Controlled load 1		0.29								
	EA040	Controlled load 2		0.24								
	EA050	LV Business non-TOU						0.48	0.48			
	EA051	LV Business transitional TOU			0.48	0.48	0.48					
	EA225	LV Business TOU			0.48	0.48	0.48					
	EA302	LV 40-160 MWh (System)			0.24	0.24	0.24					
	EA305	LV 160-750 MWh (System)			0.33	0.33	0.33					
	EA310	LV > 750 MWh (System)			0.43	0.43	0.43					
	EA325	LV Connection (Closed)			0.43	0.43	0.43					
	EA316	Transitional 40-160 MWh (Closed)			0.43	0.43	0.43					
	EA317	Transitional 160-750 MWh (Closed)			0.43	0.43	0.43					
High Voltage	EA360	HV Connection (Closed)			0.59	0.59	0.59					
	EA370	HV Connection (System)			0.59	0.59	0.59					
	EA380	HV Connection (Substation)			0.59	0.59	0.59					
Sub-transmission	EA390	ST Connection			0.59	0.59	0.59					
	EA391	ST Connection (Substation)			0.59	0.59	0.59					
Transmission connected	EA501	Transmission connected			0.00	0.00	0.00					
Unmetered	EA401	Public lighting		0.80								
	EA402	Constant unmetered		0.69								
	EA403	EnergyLight		0.72								

Please note that the prices in the table above have been rounded to two decimal places in the pricing proposal document.

Table 4.4: Ausgrid's Proposed FY19 Network Tariffs by Charging Parameter (Exclusive of GST) - NUOS

Tariff Class	Tariff Code	Tariff Name	Network Access Charge	Network Energy Prices							Daily Capacity Prices	
				Non-TOU	Peak	Shoulder	Off-peak	Block 1	Block 2	Block 3	Peak	Peak
			c/day	c/kWh	c/kWh	c/kWh	c/kWh	c/kWh	c/kWh	c/kWh	c/kW/day	c/kVA/day
Low Voltage	EA010	LV Res non-TOU	36.45					10.15	10.15	10.15		
	EA011	LV Res transitional TOU	36.45		10.15	10.15	10.15					
	EA025	LV Res < 40 MWh (System)	45.23		24.85	6.44	2.55					
	EA030	Controlled load 1	0.15	1.75								
	EA040	Controlled load 2	10.85	4.63								
	EA050	LV Business non-TOU	130.12					9.92	9.92			
	EA051	LV Business transitional TOU	130.12		9.92	9.92	9.92					
	EA225	LV Business TOU	128.29		21.19	8.44	2.93					
	EA302	LV 40-160 MWh (System)	639.31		5.89	2.74	1.38				36.46	
	EA305	LV 160-750 MWh (System)	1943.96		5.28	2.42	1.10					36.46
	EA310	LV > 750 MWh (System)	2451.19		4.56	1.98	1.08					36.46
	EA325	LV Connection (Closed)	2340.32		9.08	7.44	2.19					0.36
	EA316	Transitional 40-160 MWh (Closed)	131.42		23.36	8.45	1.90					
	EA317	Transitional 160-750 MWh (Closed)	131.42		23.36	8.45	1.90					
High Voltage	EA360	HV Connection (Closed)	2038.41		8.71	5.51	2.78					0.63
	EA370	HV Connection (System)	4845.00		3.41	1.98	1.34					19.58
	EA380	HV Connection (Substation)	4845.00		3.00	1.78	1.21					16.80
Sub-transmission	EA390	ST Connection	6069.00		2.56	1.76	1.15					6.25
	EA391	ST Connection (Substation)	6069.00		2.31	1.50	1.05					5.47
Transmission connected	EA501	Transmission connected	22500.00									0.72
Unmetered	EA401	Public lighting		7.79								
	EA402	Constant unmetered		9.39								
	EA403	EnergyLight		7.17								

Please note that the prices in the table above have been rounded to two decimal places in the pricing proposal document.

There are three elements of service for which charging parameters are defined, namely:

- Network access price per day per connection (cents/connection/day) – this is a flat charge per connection, charged based on the number of days of access to the network for that connection. A connection is defined as any connection to the network requiring a unique National Metering Identifier (NMI) as defined by the AEMO National Metering Identifier Procedure;
- Electricity usage charge (c/kWh) – this is a charge per unit of electricity supplied to a connection point, through a primary tariff or also through an additional secondary tariff (usually controlled load hot water as seen from the Non-ToU charging parameter); and
- Capacity charge per kiloWatt or kilovoltAmp, per day (c/kW/day or c/kVA/day) – this is a charge based on a customer's maximum demand recorded on a working weekday, in any half-hour period between 2pm and 8pm over the twelve months preceding the end of the current billing month. Maximum demand is recorded in either kW or kVA according to the customer's metering functionality.

Importantly, the electricity usage charge (c/kWh) can be structured on an anytime or a time of use basis, as explained below:

- An anytime electricity usage charge applied to consumption regardless of the timing of this consumption; or
- A time of use electricity usage charge that varies according to the time of day of consumption and whether it is a weekday, or weekend/public holiday, as summarised in table 4.5.

For more detailed information on our tariffs, charging parameters and tariff eligibility criteria, refer to our ES7 pricing guide.[5]

We will introduce seasonal TOU pricing from 1 July 2018. We present our seasonal TOU period definitions for residential customers and then business customers on the following pages.

[5] This document is available from www.ausgrid.com.au/Common/Industry/Regulation/Network-prices/

Table 4.5: Ausgrid's Seasonal Time of Use Period Definitions for Residential Customers

Customer Type	Time of Use Period Definition
The peak period	• From 2pm to 8 pm on working weekdays during 1 November and 31 March (inclusive) – the "summer months"; and • From 5pm to 9pm on working weekdays during 1 June to 31 August (inclusive) – the "winter months".

The shoulder period	In simple terms, the shoulder period applies from 7am to 10pm every day, except where a peak period applies during that period.
	Specifically, it applies:
	• from 7am to 10pm on all weekends and public holidays;
	• on working weekdays in the summer months:
	  ○ from 7am to 2pm; and
	  ○ from 8 pm to 10pm,
	• on working weekdays in the winter months:
	  ○ from 7am to 5pm; and
	  ○ from 9pm to 10pm;
	• on working weekdays in the non-summer and non-winter months, from 7am to 10pm.

The off-peak period	All other times, ie, 10pm to 7am.

Figure 4.1: Illustration of Seasonal Time of Use Period Definitions for Residential Customers

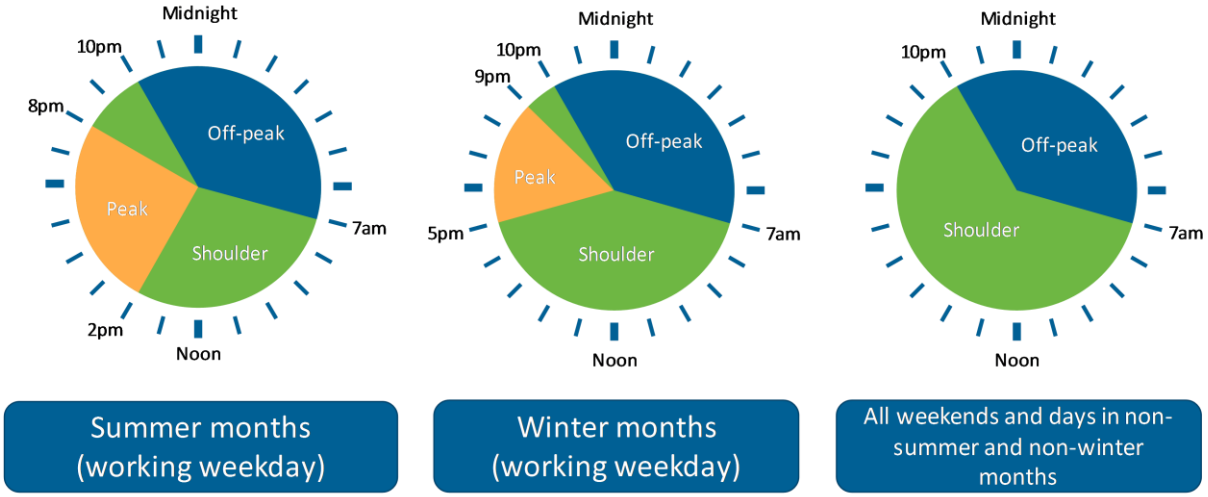
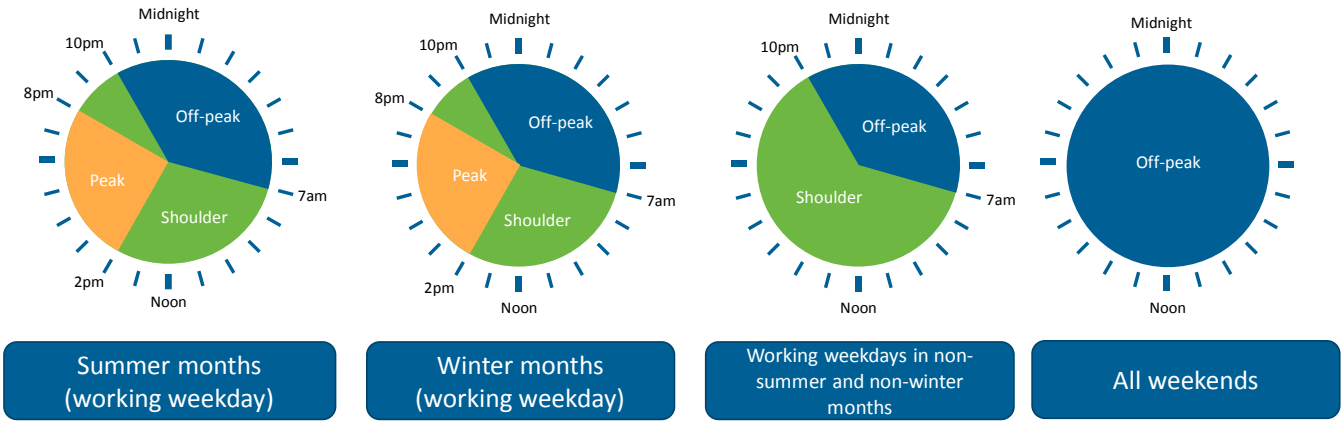


Table 4.6: Ausgrid's Seasonal Time of Use Period Definitions for Business Customers

Customer Type	Time of Use Period Definition
The peak period	• From 2pm to 8 pm on working weekdays during: ○ 1 November and 31 March (inclusive) – the "summer months"; and ○ 1 June to 31 August (inclusive) – the "winter months".
The shoulder period	• On working weekdays in the summer and winter months from: ○ 7am to 2pm; and ○ from 8pm to 10pm. • In the non-summer and non-winter months from 7am to 10pm.
The off-peak period	All other times

Figure 4.2: Illustration of Seasonal Time of Use Period Definitions for Business Customers



5 Weighted average revenue

RULE REQUIREMENT

Clause 6.18.2(b)(4) of the NER requires that a pricing proposal set out, for each tariff class related to standard control services, the expected weighted average revenue for the relevant regulatory year and also for the current regulatory year.

This chapter sets out the expected weighted average revenue from tariffs within each tariff class for standard control services in FY19 and demonstrates that there exist no economic cross-subsidy between tariff classes, consistent with the requirements of clause 6.18.5(a)(1) of the NER.

In particular, we show that the weighted average revenue expected to be derived from customers in each tariff class for standard control services in FY19 is:

- less than standalone cost; and
- greater than avoidable cost.

Table 5.1: Comparison of Standalone Costs Vs FY19 DUOS Tariffs

Tariff Class	Total Avoidable Cost	Weighted Average Revenue	Total Standalone Cost
	FY19 ($m)	FY19 ($m)	FY19 ($m)
Low Voltage	261.4	1,391.5	1,459.0
High Voltage	6.2	55.1	481.6
Sub-transmission Voltage	3.3	36.6	466.1
Unmetered	0.3	10.1	453.4
Transmission Connected	0	0	0

6 Variations to tariffs

RULE REQUIREMENT

Clause 6.18.2(b)(5) of the NER requires that a pricing proposal set out the nature of any variation or adjustment to the tariff that could occur during the course of the regulatory year and the basis on which it could occur.

Ausgrid does not propose to vary or adjust our proposed network tariffs during FY19.

7 Climate change fund

RULE REQUIREMENT

Clause 6.18.2(b)(6A) of the NER requires that a pricing proposal must set out the amount paid as jurisdictional scheme amounts which in NSW relate to the NSW Climate Change Fund in or in respect of the relevant regulatory year and any adjustments to tariffs resulting from an over or under recovery of these amounts in any previous regulatory year. The proposal must also show the amount attributed to the recovery of the Climate Change Fund in terms of expected revenue for the relevant regulatory year.

For the year ending June 2019, Ausgrid will pay around $135.6m into the Climate Change Fund (CCF).

Consistent with the requirements of the enforceable undertaking in FY19, Ausgrid will target a zero balance in the CFF over and unders account in FY19, as shown in the below table.

The correspondence received from the Office of Environment and Heritage on Ausgrid's contribution to the Climate Change Fund for FY19 is provided in an attachment at the end of this document.

Table 7.1: Overs and Unders Account Forecast Closing Balance – Climate Change Fund ($'000)

Financial Year Ending	Units	Period t-2	Period t-1	Period t
		Unaudited actual FY17	Expected FY18	Forecast FY19
Interest rate applicable to balance	%	6.59%	6.50%	6.39%
Opening balance overs/(unders)	$'000	2,904	19,691	34,632
Interest on opening balance (365 days)	$'000	191	1,280	2,215
Forecast over/(under) recover for financial year	$'000	16,075	13,237	-35,723
Interest charged on over/(under) recovery for financial year	$'000	521	424	-1,125
Closing balance of CCF overs/(unders) account	$'000	19,691	34,632	0

8 Designated pricing proposal charges

RULE REQUIREMENT

Clause 6.18.2(b)(6) of the NER requires that a pricing proposal must set out how charges for designated pricing proposal charges (previously known as transmission use of system services and related charges) are to be passed on to customers and any adjustments to tariffs resulting from over or under recovery of those charges in the previous regulatory year. In addition, clause 6.18.7 states that recovery of designated pricing proposal charges should not exceed the estimated amount of these charges for the relevant regulatory year, once the overs and unders account has been taken into account.

Ausgrid's Transmission Use of System (TUOS) tariffs[6] are designed to recover the allowed revenue for our electricity transmission (dual-function) network, to pass through the TransGrid transmission cost to customers and to recover (return) an under (over) recovery of transmission revenues in the previous period.

Methodology for setting TUOS tariffs

As explained in our approved TSS, it is only possible to preserve the TransGrid transmission price signal for our large customers on a site-specific Cost Reflective Network Price (CRNP) network tariff. As a consequence, the setting of published TUOS tariffs is highly averaged given the "postage stamp" or network-wide nature of these tariffs.

Unders and overs account

The TUOS over and unders account acts to ensure that, if our actual TUOS revenue is too high (or too low) in a given financial year, Ausgrid can recover (or return to customers) the difference between actual transmission revenue and transmission payments by adjusting the level of TUOS in the subsequent year.

Fluctuations in TUOS revenue recovery are most likely to be caused by the impact of unpredictable random events, such as unusually warm or cold conditions, on our electricity consumption.

Due to the nature of the Section 59A undertaking to the AER, Ausgrid has not set TUOS prices to achieve a forecast zero balance in the overs and unders account for transmission standard control services by the end of FY19, as shown in the following table:

Table 8.1: Overs and Unders Account – Designated Pricing Proposal Charges ($'000)

Financial Year Ending	Units	Period t-2	Period t-1	Period t
		Actual FY17	Expected FY18	Forecast FY19
Interest rate applicable to balance	%	6.59%	6.50%	6.39%
Opening balance over/(under)	$'000	46,154	124,227	200,158
Interest on opening balance (365 days)	$'000	3,043	8,077	12,800
Over/(under) recovery for financial year	$'000	72,673	65,749	171,144
Interest charged on over/(under) recovery for financial year	$'000	2,357	2,104	5,387
Closing balance of transmission overs/(unders) account	$'000	124,227	200,158	389,489

[6] This document uses the terms Transmission Use of System (TUOS) and Designated pricing proposal charges interchangeably.

9 Distribution use of system unders and overs account

AER FINAL DECISION

To demonstrate compliance with its distribution determination in the 2015–19 regulatory control period, Ausgrid must maintain a DUOS unders and overs account in its annual pricing proposal under clause 6.18.2(b)(7) of the NER.

Ausgrid must provide details of calculations in the format set out in table 14.2 of Attachment 14 of AER's Final Decision.

In proposing variations to the amount and structure of DUOS charges, Ausgrid is to achieve an expected zero balance on their DUOS unders and overs accounts in each forecast year in its annual pricing proposals in the 2015–19 regulatory control period.

As a consequence of the AER's decision to apply a revenue cap form of control mechanism to Ausgrid's standard control distribution services in the 2015-19 regulatory control period, Ausgrid is required under Attachment 14 of AER's Final Decision to maintain an overs and unders account for our Distribution Use of System (DUOS) revenue.

In simple terms, the purpose of the overs and unders account is to ensure that Ausgrid complies with the revenue cap control mechanism setting DUOS tariff in each year to recover the forecast (smoothed) annual revenue requirement, plus an adjustment to recover (return) an under (over) recovery of DUOS revenues in the previous period.

Due to the nature of the Section 59A undertaking to the AER, Ausgrid has not set the proposed DUOS tariffs for FY19 to achieve a forecast zero balance of the overs and unders account for distribution standard control services by the end of FY19, as shown in the following table.

Table 9.1: Notional overs and unders account forecast closing balance – Distribution Use of System ($'000)

Financial Year Ending	Units	Period t-2	Period t-1	Period t
		Actual FY17	Expected FY18	Forecast FY19
Interest rate applicable to balance	%	6.59%	6.50%	6.39%
Notional opening balance over/(under)	$'000	55,149	157,648	240,530
Interest on opening balance (365 days)	$'000	3,636	10,250	15,382
Notional over/(under) recovery	$'000	95,757	70,379	156,240
Interest charged on over/(under) recovery	$'000	3,106	2,252	4,918
Notional closing balance of transmission overs/(unders) account	$'000	157,648	240,530	417,069

10 Changes from the previous regulatory year

RULE REQUIREMENT

Clause 6.18.2(b)(8) of the NER requires that a pricing proposal must describe the nature and extent of change from the previous regulatory year and demonstrate that the changes comply with the Rules and any applicable distribution determination.

This chapter sets out the key changes since the previous regulatory year and demonstrates that these changes comply with our regulatory obligations under the NER and our approved TSS.

Seasonal TOU Pricing

Consistent with our approved TSS, we will introduce seasonal TOU pricing from 1 July 2018. This means that the peak period only applies:

- in the summer months, ie, from 1 November to 31 March (inclusive); and
- in the winter months, ie, from 1 June to 31 August (inclusive).

This will assist in signalling our future costs (LRMC) to customers during the times at which further use of our network drives future costs.

Consistent with our approved methodology for converting LRMC into peak prices and the indicative prices in our TSS, the introduction of seasonal TOU pricing necessarily means that the purely LRMC-based peak price will increase. We show the resulting increase in the efficient LRMC-based peak price below.

Table 10.1 – Estimated LRMC DUOS Price

Current Network Tariff	Efficient peak price FY18 (c/kW)	Efficient peak price FY19 (c/kW)
Low Voltage Residential	11.36	19.50
Low Voltage Business	11.36	17.05
High Voltage	3.68	5.52
Sub-transmission	0.58	0.87

We show that our proposed peak prices in FY19 are transitioning towards these efficient peak price levels in chapter 13, while avoiding unacceptable customer bill impacts (as demonstrated in chapter 11).

A new transmission connected tariff

Consistent with our approved TSS, from 1 July 2018 we propose a new default tariff for transmission-connected customers, which will be based on a TUOS component only.

Since eligible customers do not use our distribution network, our new transmission connected tariff will mean that these customers face more cost reflective price signals. We note that no customers will be assigned to this tariff in FY19.

New transitional tariffs

To assist in better striking a balance between the provision of more cost reflective price signals and the avoidance of unacceptable customer bill impacts, we propose to introduce transitional seasonal TOU pricing for some residential and small business customers from 1 July 2018, ie:

- EA011 for residential customers; and
- EA051 for small business customers.

The introduction of these new transitional TOU tariffs is consistent with our approved TSS.

Although these tariffs have a seasonal TOU structure, the variable energy prices will be set at the same level in FY19. In other words, they will effectively be flat tariffs in FY19, as per our approved TSS.

We propose to set the fixed and variable price levels equal to the relevant residential and small business flat tariff in FY19 so as to afford these customers an opportunity to understand their usage patterns, consistent with our approved TSS.

We explain in the section below how customers will be assigned to these transitional tariffs in FY19.

Changes to our assignment policy

Consistent with our approved TSS, we propose to amend our policy for assigning and reassigning customers to network tariffs in FY19 so as to increase the number of customers on more cost reflective tariffs.

Specifically, from 1 July 2018 we propose to assign all new residential and small business customers to seasonal TOU pricing (EA025 and EA225). These customers will be able to opt-out

of that tariff to the relevant transitional TOU tariff, ie:

- EA011 for residential customers; and
- EA51 for small business customers.

Further, we currently have a number of residential and small business customers with an interval (or better) meter, but that are still on a non-TOU tariff (EA010 or EA050). Consistent with our approved TSS, from 1 July 2018 we propose to reassign these customers to the relevant transitional TOU tariff (EA011 or EA051).

Similarly, existing residential and small business customers on a non-TOU that change their meter will be assigned to the relevant transitional TOU tariff in FY19 (EA011 or EA051).

All residential and small business customers assigned to transitional TOU tariffs will be able to voluntarily opt-in to the more cost reflective TOU tariff, ie:

- EA025 for residential customers; and
- EA225 for small business customers.

For the avoidance of doubt, all new and existing customers using more than 40MWh will continue to be assigned to a cost reflective TOU capacity tariff.

Mandated tariff re-assignments

In addition, where we identify that existing customers are no longer eligible to remain assigned to their existing network tariff, we propose to re-assign those customers to the appropriate network tariff in FY19. We present our proposed tariff reassignments in the following table.[7]

Table 10.2: Proposed Tariff Re-assignment

Current Network Tariff	Correct Network Tariff	No. of Customers
Residential flat tariff (EA010)	Transitional TOU tariff (EA011)	81,000
Small business flat tariff (EA050)	Transitional TOU tariff (EA051)	1,300
LV TOU Capacity 40-160 MWh pa (EA302)	Non-Residential TOU (EA225)	2,101
	LV TOU Capacity 160-750 MWh pa (EA305)	759
	LV TOU Capacity >750 MWh pa (EA310)	22
LV TOU Capacity 160-750 MWh pa (EA305)	Non-Residential TOU (EA225)	311
	LV TOU Capacity 40-160 MWh pa (EA302)	537
	LV TOU Capacity >750 MWh pa (EA310)	44
LV TOU Capacity >750 MWh pa (EA310)	Non-Residential TOU (EA225)	85
	LV TOU Capacity 40-160 MWh pa (EA302)	67
	LV TOU Capacity 160-750 MWh pa (EA305)	146

To ensure these customers do not receive unacceptable network bill outcomes these customers will be assigned to an applicable transitional network tariff arrangement where it is necessary to comply with the customer impact principle in the NER.

This approach will ensure that Ausgrid complies with our pricing policies and tariff assignment and re-assignment procedure set out in our approved TSS and will avoid imposing unacceptable bill impacts on our customers.

[7] Note that Ausgrid will perform a final check of the customer list prior to putting into effect the tariff re-assignment. This will avoid imposing unnecessary transaction costs on retailers and customers where circumstances have changed between the time of the pricing proposal and the time of the tariff re-assignment.

11 Customer Impacts

RULE REQUIREMENT

Clause 6.18.2(b)(7) of the customer impact principle from NER Ch6.18.5

This chapter demonstrates that our proposed network tariffs for FY19 comply with the customer impact principle set out in chapter 6 of the NER. In particular, we show that on the basis of samples of customer data our proposed prices in FY19 do not give rise to any unacceptable network bill impacts.

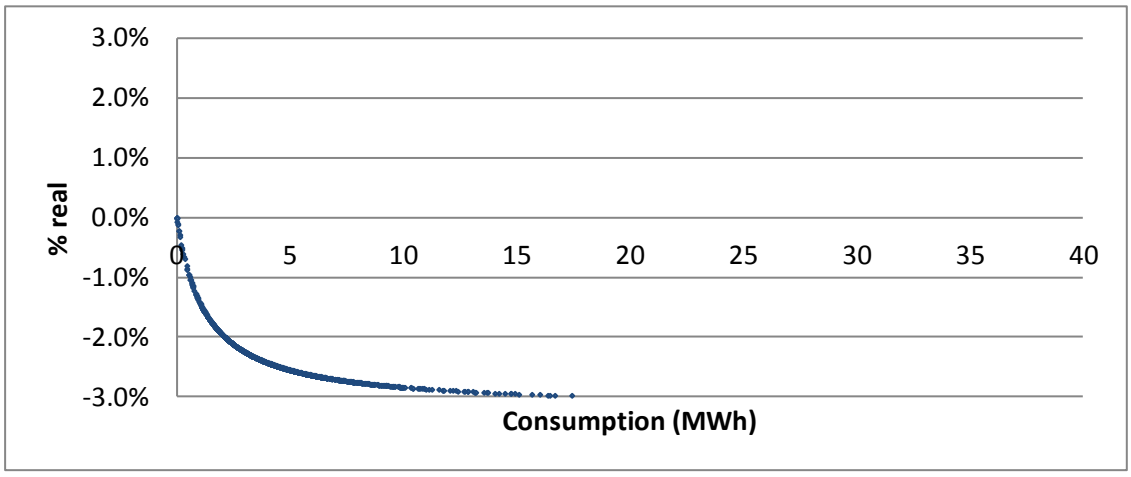
Residential customers on non-TOU or transitional TOU pricing

The following figure presents the customer bill impacts arising from our proposed prices for the residential non-TOU tariff (EA010) and the transitional TOU tariff (EA011), using a sample of customer data. We evaluate the network bill impacts for these two tariffs on a combined basis since they are designed to be equivalent in FY19, consistent with our approved TSS.

On the basis of our sample of customer data, we propose to deliver a network bill reduction in real terms for all residential customers on non-TOU pricing in FY19.

We propose to deliver a 2.5% network bill reduction in real terms for typical residential customers on non-TOU pricing in FY19

Figure 11.1a – Network bill impacts for residential non-TOU or transitional TOU pricing in FY19 (nominal, %)



Residential customers on TOU pricing

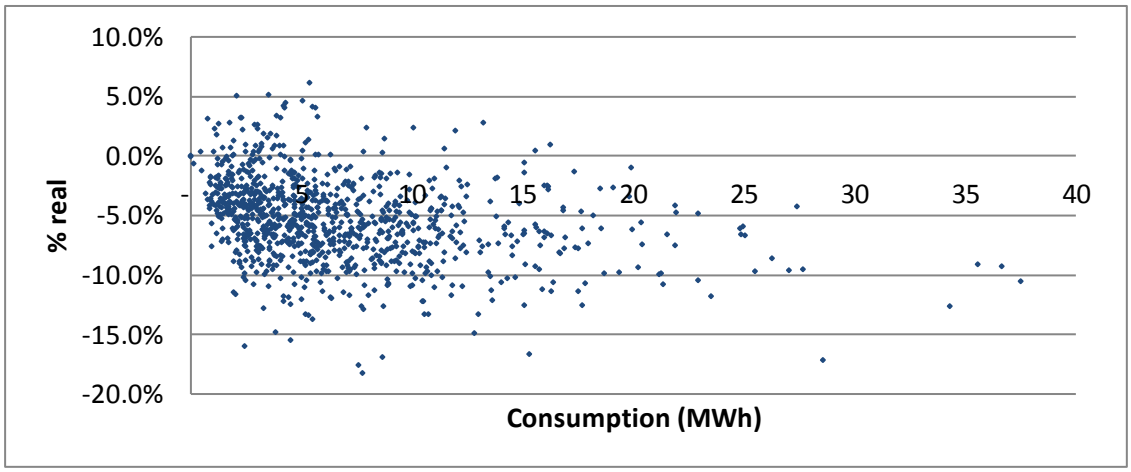
The following figure presents the estimated network bill impacts in FY19 for residential customers on TOU pricing. These customer bill impacts are primarily driven by the proposed introduction of seasonality in FY19, consistent with our approved TSS.

The relatively wide spread in customer bill impacts likely reflects differences in customers' load profile across the year. Those very few customers who have relatively high peak consumption in the summer and winter months (and impose relatively more costs on our network) may receive a small increase in their network bill in FY19, unless they change their behaviour. On the other hand, these customers can receive a network bill reduction by reducing their use of the network during peak times in the summer and winter months. They can also benefit from using our network more in the non-summer and non-winter months during the former peak period, which is replaced by a shoulder period with a much lower price in FY19.

Importantly, we will deliver a network bill reduction to the vast majority of residential customers on TOU pricing in FY19.

We propose to deliver a network bill reduction in real terms for the vast majority of residential customers on TOU pricing in FY19

Figure 11.2a – Network bill impacts for residential TOU customers in FY19 (nominal, %)



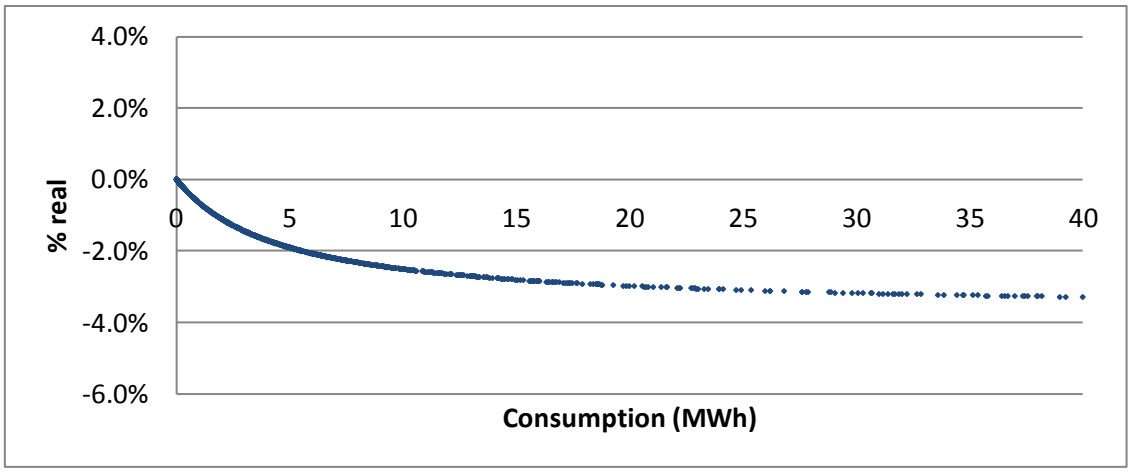
Small Business customers on non-TOU or transitional TOU pricing

The following figure presents the customer bill impacts arising from our proposed prices for the small business non-TOU tariff (EA050) and the transitional TOU tariff (EA051), using a sample of customers. We evaluate the network bill impacts for these two tariffs on a combined basis since they are designed to be equivalent in FY19, consistent with our approved TSS.

On the basis of our sample of customer data, we propose to deliver a network bill reduction in real terms for all small business customers on non-TOU pricing in FY19.

We propose to deliver an approximate 2.5% network bill reductions in real terms for typical small business customers on non-TOU pricing in FY19

Figure 11.3a – Network bill impacts for small business non-TOU or transitional TOU pricing FY19 (nominal, %)



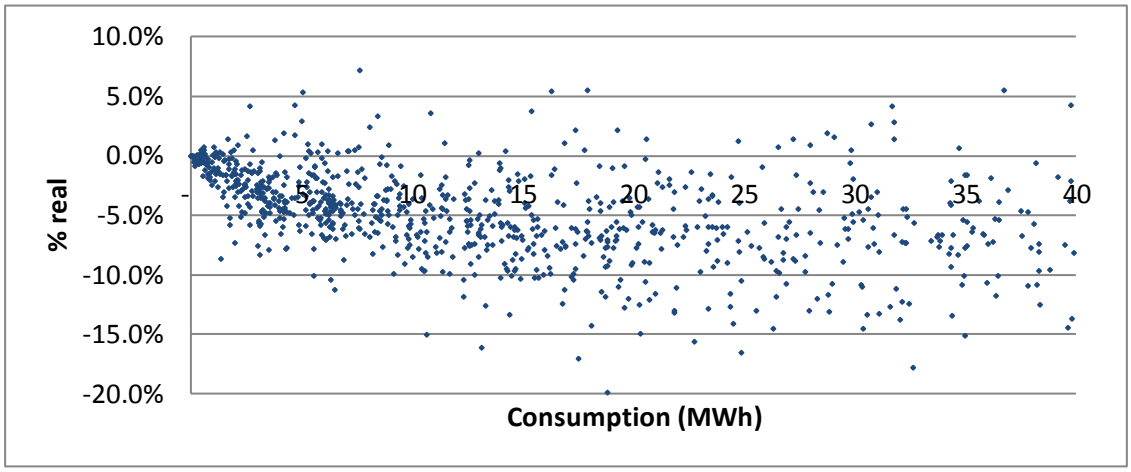
Small Business customers on TOU pricing (EA225)

The following figure presents the estimated network bill impacts in FY19 for small business customers on TOU pricing. These customer bill impacts are primarily driven by the proposed introduction of seasonality in FY19, consistent with our approved TSS.

The relatively wide spread in customer bill impacts likely reflects differences in customers' load profile across the year. Those very few customers who have relatively high peak consumption in the summer and winter months (and impose relatively more costs on our network) may receive a small increase in their network bill in FY19, unless they change their behaviour. On the other hand, these customers can receive a network bill reduction by reducing their use of the network during peak times in the summer and winter months. They can also benefit from using our network more in the non-summer and non-winter months during the former peak period, which is replaced by a shoulder period with a much lower price in FY19.

We propose to deliver a network bill reduction in real terms for the vast majority of small business customers in FY19

Figure 11.4a – Network bill impacts for small business TOU customers in FY19 (nominal, %)



Low voltage business customers on TOU capacity

The following figures illustrate the estimated network bill impacts in FY19 for low voltage business customers (using more than 40MWh per annum) on TOU capacity pricing, ie, EA302, EA305 and EA310.

We propose to deliver a network bill reduction in real terms for low voltage business customers using more than 40MWh pa in FY19

Figure 11.5a – Network bill impacts for LV TOU Capacity tariff EA302 in FY19 (nominal, %)

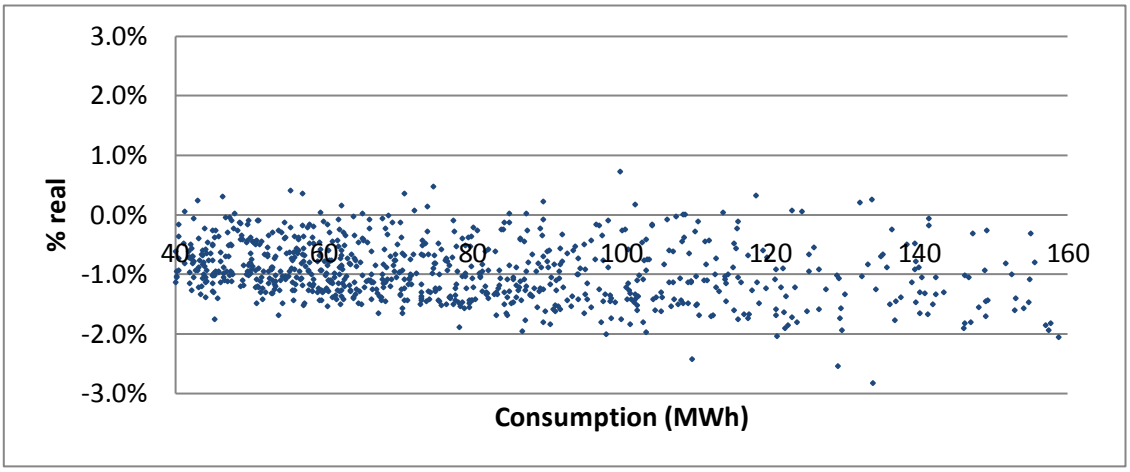


Figure 11.5b – Network bill impacts for LV TOU Capacity tariff EA305 in FY19 (nominal, %)

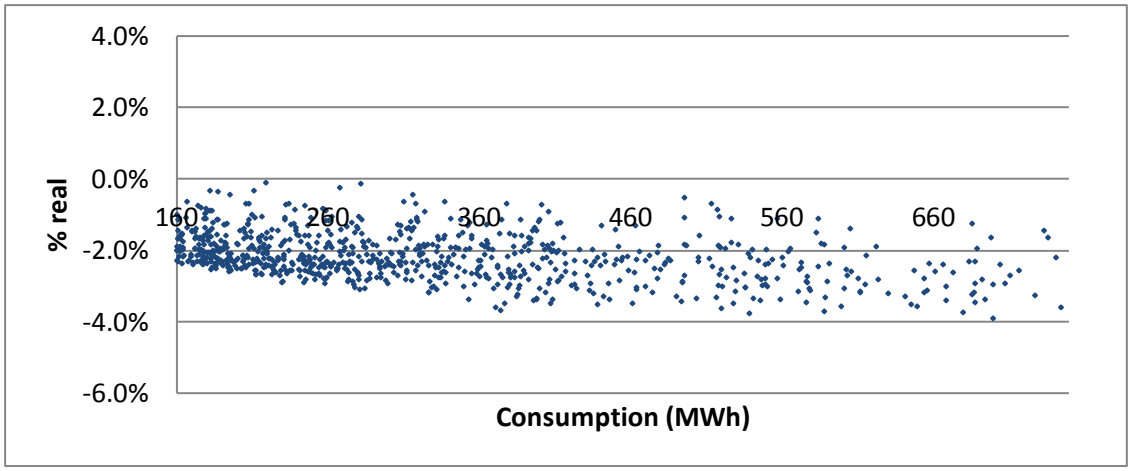
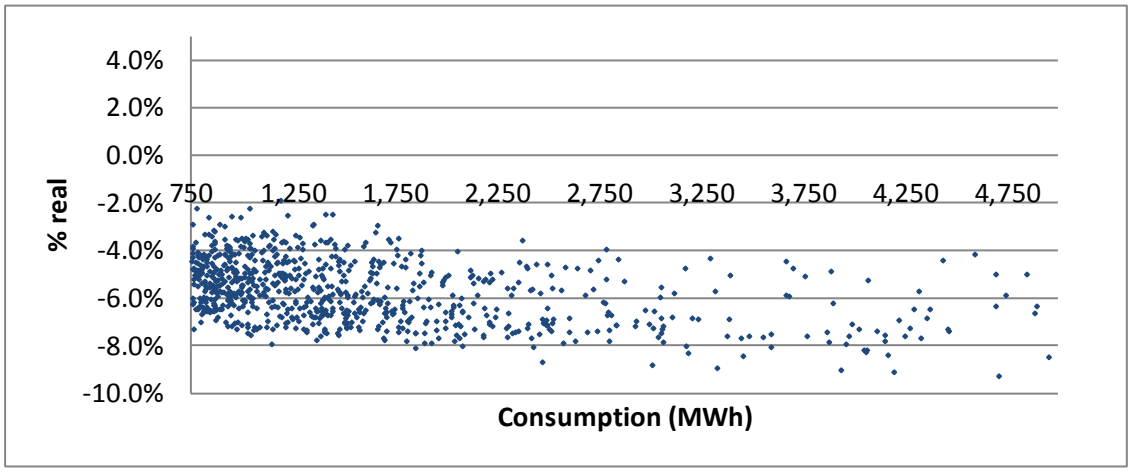


Figure 11.5c – Network bill impacts for LV TOU Capacity tariff EA310 in FY19 (nominal, %)

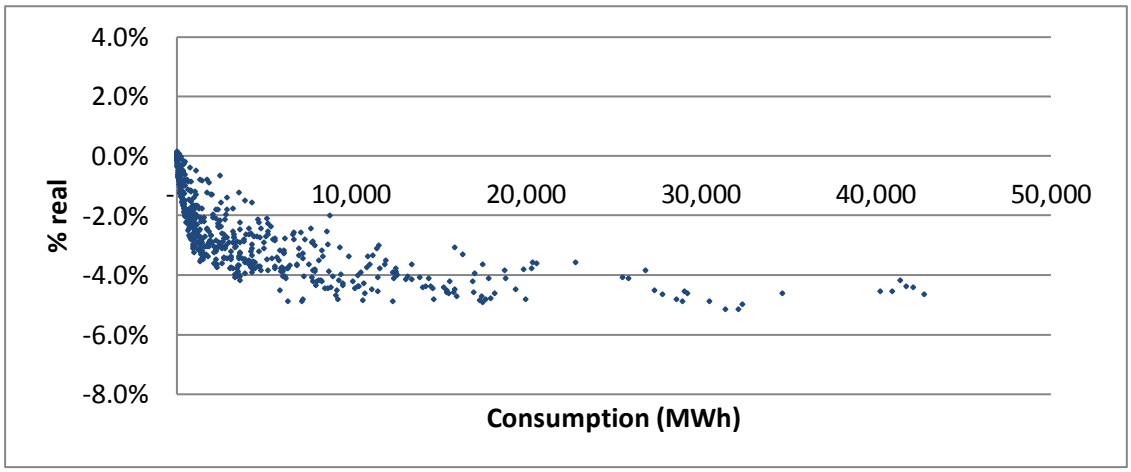


Large business customers in the high voltage tariff class

The figure below illustrates the estimated network bill impacts in FY19 for high voltage business customers on TOU capacity pricing assigned to EA370.

We propose to deliver a network bill reduction in real terms for high voltage business customers in FY19

Figure 11.7a – Network bill impacts for customers assigned to 'HV connection (system)' in FY19 (nominal, %)

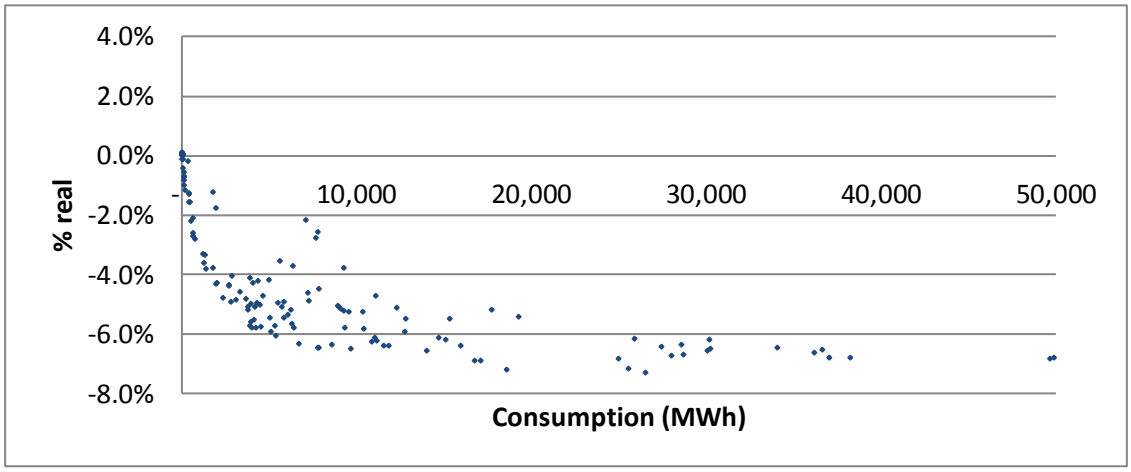


Sub-transmission connected customers

The figures below illustrate the estimated network bill impacts in FY19 for sub-transmission connected customers, ie, EA390.

We propose to deliver a network bill reduction in real terms for sub-transmission connected customers in FY19

Figure 11.8a – Network bill impacts for sub-transmission connected customers assigned to 'ST connection (system)' in FY19 (nominal, %)



12 Demonstration of consistency with Tariff Structure Statement

RULE REQUIREMENT

Clause 6.18.2(b)(7A) of the NER requires that a pricing proposal must demonstrate how each proposed tariff is consistent with the corresponding indicative pricing levels for the relevant regulatory year as set out in the relevant indicative pricing schedule, or explain any material differences between them.

This chapter identifies and explains any material differences between our proposed network prices for FY19 and the indicative prices for FY19 that accompanied our approved TSS.[8]

AER Final TSS decision

In February 2017, the AER's final decision was to approve Ausgrid's revised TSS for FY18 and FY19. In general terms, the AER's final TSS decision requires Ausgrid:

- to only change the structure of our proposed network tariffs if approved in the final TSS decision;
- to only introduce proposed new network tariffs or expire existing network tariffs if approved in the final TSS decision;
- to set the level of the proposed network tariffs in accordance with the price-setting methodology set out in the approved TSS.

This chapter explains how our proposed network tariffs for FY19 comply with above-mentioned requirements.

Comparison of proposed and indicative prices

Ausgrid was required under clause 6.18.2(b)(7A) of the NER to submit an indicative pricing schedule to the AER as part of its TSS proposal for FY18 and FY19.

We present a comparison of our proposed prices and the indicative prices from our approved TSS in FY19 for our major published tariffs in table 12.1 and for our remaining major published tariffs in table 12.2.

We note that, generally, our proposed fixed prices in FY19 are slightly above those presented in our TSS and, on the other hand, non-peak variable prices are much lower. This is a result of the rebalancing implemented in our FY18 pricing proposal. By way of example, although our proposed fixed prices are slightly higher than our indicative TSS prices, we propose to increase fixed prices by only 2% in nominal terms in FY19. In other words, we propose to keep fixed prices stable in real terms in FY19.

We note that the proposed introduction of seasonal TOU pricing in FY19 limits our ability to achieve price rebalancing in FY19.

Our proposed peak prices in FY19 are driven by three key factors, ie:

- the change in the efficient peak price driven by the introduction of seasonal TOU pricing;
- the need to transition peak prices to the efficient level; and
- avoiding customer bill impacts that would otherwise result from a faster transition to efficient peak price levels.

It is relevant to note that the difference between our proposed peak prices and the indicative prices from our approved TSS generally reflect a faster transition to the efficient price level. We show in chapter 13 that our proposed peak prices in FY19 are transitioning to the efficient price levels.

Further, in chapter 11 we demonstrate that our proposed transition path for peak prices in FY19, in combination with our other proposed prices, act to deliver network bill reductions in real terms for the vast majority of our customers in FY19.

For these reasons, and those discussed elsewhere in this proposal, our proposed prices are consistent with the methodology set out in our approved TSS, both in terms of their structure and level.

[8] This document is available for download from www.aer.gov.au.

Table 12.1: Comparison of Ausgrid's FY19 Network Tariffs by Charging Parameter (Exclusive of GST) – Proposed Vs Indicative – Low Voltage Tariff Class

Tariff Code	Tariff Name		Network Access Charge	Energy Consumption Prices						Daily Capacity Prices	
				Peak	Shoulder	Off-peak	Block 1	Block 2	Block 3	Peak	Peak
			c/day	c/kWh	c/kWh	c/kWh	c/kWh	c/kWh	c/kWh	c/kW/day	c/kVA/day
EA010	LV Res non-TOU	Proposal	36.45				10.15	10.15	10.15		
		Indicative	34.76				11.20	11.20	11.20		
		% difference	4.7%				-10.4%	-10.4%	-10.4%		
EA025	LV Res < 40 MWh (System)	Proposal	45.23	24.85	6.44	2.55					
		Indicative	43.33	30.69	6.32	3.24					
		% difference	4.2%	-23.5%	2.0%	-26.9%					
EA050	LV Business non-TOU	Proposal	130.12				9.92	9.92			
		Indicative	125.23				11.04	11.04			
		% difference	3.8%				-11.3%	-11.3%			
EA225	LV Business TOU	Proposal	128.29	21.19	8.44	2.93					
		Indicative	123.58	25.62	8.04	2.50					
		% difference	3.7%	-20.9%	4.7%	14.7%					
EA302	LV 40-160 MWh (System)	Proposal	639.31	5.89	2.74	1.38				36.46	
		Indicative	606.75	6.32	3.20	1.92				36.79	
		% difference	5.1%	-7.4%	-16.8%	-39.2%				-0.9%	
EA305	LV 160-750 MWh (System)	Proposal	1943.96	5.28	2.42	1.10					36.46
		Indicative	1828.04	5.76	2.82	1.89					36.79
		% difference	6.0%	-9.0%	-16.7%	-71.1%					-0.9%
EA310	LV > 750 MWh (System)	Proposal	2451.19	4.56	1.98	1.08					36.46
		Indicative	2284.07	5.09	2.48	1.71					36.79
		% difference	6.8%	-11.6%	-25.1%	-58.9%					-0.9%

Please note that the prices in the table above have been rounded to two decimal places in the pricing proposal document; Only major published tariffs shown.

Table 12.2: Comparison of Ausgrid's FY19 Network Tariffs by Charging Parameter (Exclusive of GST) – Proposed Vs Indicative – Other Tariffs

Tariff Class	Tariff Code	Tariff Name		Network Access Charge	Non-TOU	Energy Consumption Prices			Daily Capacity Prices	
						Peak	Shoulder	Off-peak	Peak	Peak
				c/day	c/kWh	c/kWh	c/kWh	c/kWh	c/kW/day	c/kVA/day
High Voltage	**EA370**	HV Connection (System)	Proposal	4845.00		3.41	1.98	1.34		19.58
			Indicative	4571.49		3.46	2.46	1.59		19.74
			% difference	5.6%		-1.5%	-23.9%	-19.0%		-0.8%
	EA380	HV Connection (Substation)	Proposal	4845.00		3.00	1.78	1.21		16.80
			Indicative	4571.49		3.04	2.18	1.42		16.93
			% difference	5.6%		-1.3%	-22.6%	-17.1%		-0.8%
Sub transmission	**EA390**	STV Connection (System)	Proposal	6069.00		2.56	1.76	1.15		6.25
			Indicative	5714.36		2.79	2.16	1.37		6.28
			% difference	5.8%		-9.0%	-22.2%	-19.3%		-0.6%
	EA391	STV Connection (Substation)	Proposal	6069.00		2.31	1.50	1.05		5.47
			Indicative	5714.36		2.50	1.94	1.22		5.44
			% difference	5.8%		-8.4%	-29.3%	-15.9%		0.7%
Unmetered	**EA401**	Public Lighting	Proposal		7.79					
			Indicative		8.93					
			% difference		-14.6%					
	EA402	Constant Unmetered	Proposal		9.39					
			Indicative		10.95					
			% difference		-16.6%					
	EA403	Energy Light	Proposal		7.17					
			Indicative		8.24					
			% difference		-15.0%					

Please note that the prices in the table above have been rounded to two decimal places in the pricing proposal document; Only major published tariffs shown.

13 Demonstration of compliance with National Electricity Rules

RULE REQUIREMENT

Clause 6.18.2(b)(7) of the NER requires that a pricing proposal must demonstrate compliance with the Rules and any applicable distribution determination, including the Distribution Network Service Provider's tariff structure statement for the relevant regulatory control period

Rule 6.18.5 sets out the pricing principles that are relevant when determining tariffs and charging parameters.

Rule 6.18.5 further provides that:

(b) A tariff, and if it consists of two or more charging parameters, each charging parameter for a tariff class:

(1) must take into account the long run marginal cost for the service or, in the case of a charging parameter, for the element of the service to which the charging parameter relates; and

(2) must be determined having regard to:

(i) transaction costs associated with the tariff or each charging parameter; and

(ii) whether customers of the relevant tariff class are able or likely to respond to price signals.

(c) If, however, as a result of the operation of paragraph (b), the Distribution Network Service Provider may not recover the expected revenue, the provider must adjust its tariffs so as to ensure recovery of expected revenue with minimum distortion to efficient patterns of consumption.

13.1 Overview

This chapter provides a detailed understanding of our obligations under the NER in relation to the annual network tariff setting process and how our proposed network tariffs for FY18 comply with these obligations.

Specifically, Ausgrid is required under the new distribution pricing arrangements, to demonstrate that its proposed network tariffs for FY19 comply with the following NER obligations:

- The proposed tariffs have been developed using the tariff-setting methodology set out in the AER approved TSS;
- The proposed tariffs, to the extent that they vary from the indicative prices accompanying the AER approved TSS, comply with the customer impact principle set out in chapter 6 of the NER.

While the key focus of this chapter is to demonstrate that our proposed tariffs comply with the customer impact principle in the NER, to assist the AER to assess our pricing proposal against the requirements of the NER, Ausgrid has also provided explanatory comments on how our proposed tariffs comply with the economic principles in the NER.

Key network tariff reforms for FY19

We explain in chapter 10 that, consistent with our approved TSS, in FY19 we propose:

- to introduce seasonal TOU pricing to improve the cost reflectivity of our peak price signal;
- to introduce new transitional TOU tariffs to assist in transitioning customers to more cost reflective tariffs while avoiding unacceptable customer bill impacts;
- to change our assignment policy so as to assign more customers to more cost reflective tariffs, or transitional tariffs; and
- to introduce a default tariff for transmission connected customers.

We explain in our approved TSS how these reforms comply with the requirements of the NER. Further, in chapter 11 we demonstrate that this proposal does not give rise to any unacceptable customer bill impacts.

In the remainder of this section we present a more granular breakdown of our proposed prices, showing:

- that our proposed peak prices reflect a transition to the efficient price level;
- that our proposed fixed prices are stable in real terms;

- that our proposed capacity prices are stable in real terms; and
- our proposed changes in non-peak variable prices, which are guided by the requirement of the NER that we recover our target revenue.

Proposed peak prices for FY19

A key element of our pricing proposal for FY19 is our proposal to transition our peak energy prices towards the efficient level, consistent with the methodology set out in our approved TSS.[9]

Consistent with the framework established by the NER, the extent to which our peak prices transition to the efficient price level in FY19 is limited by the resulting customer bill impacts. In this context, we note that the introduction of seasonality and the need to avoid any unacceptable bill impacts limited the scope to significantly progress the transition of our proposed peak prices to efficient price levels in FY19.

We note that the peak prices for some of our low voltage TOU capacity tariffs (EA302, EA305 and EA310) are materially below the efficient LRMC-based price level. This is in part due to the presence of a capacity (kW or kVA) charge also measured during the peak period. Nevertheless, we are endeavouring to transition our peak prices for these tariffs to the efficient level over time, but our ability to do so concurrent with the introduction of seasonal TOU pricing is limited, as noted above.

In the following table we present our proposed peak prices in FY19, as compared with our estimated efficient peak price levels.

[9] http://www.aer.gov.au/networks-pipelines/determinations-access-arrangements/pricing-proposals-tariffs/ausgrid-tariff-structure-statement-2017

Table 13.1: Proposed transition of peak prices to efficient levels – Major published tariffs

Tariff Class	Code	Tariff Name	Current FY18 (before)	Proposed FY19 (after)	Efficient price level
Low voltage	EA025	Residential TOU	25.67	24.85	19.50
	EA225	Non-residential TOU	21.87	21.19	17.05
	EA302	LV TOU Capacity -40 – 160 MWh pa	5.40	5.89	17.05
	EA305	LV TOU Capacity -160 – 750 MWh pa	4.95	5.28	17.05
	EA310	LV TOU Capacity -> 750 MWh pa	4.40	4.56	17.05
High voltage	EA370	HV Connection (System)	3.33	3.41	5.52
Sub-transmission Voltage	EA390	ST Connection	2.71	2.56	0.87

13.2 Proposed capacity prices for FY19

A key element of our pricing proposal for FY19 is to keep stable our capacity prices for medium to large business customers, as shown in table below.

Table 13.2 – Proposed changes in capacity prices

Tariff class	Tariff Code	Proposed change in capacity price (nominal terms)
Low Voltage	EA302	2%
	EA305	2%
	EA310	2%
High voltage	EA370	2%
	EA380	2%
Sub-transmission Voltage	EA390	2%
	EA391	2%

Source: Ausgrid

These stable capacity prices enable us to avoid unacceptable customer bill impacts that might otherwise have arisen from our proposed introduction of seasonal TOU pricing.

In other words, stable capacity prices assist in realising the significant benefits from introducing seasonal TOU pricing.

13.3 Proposed fixed prices for FY19

A key element of our pricing proposal for FY19 is our proposal to keep stable our fixed prices.

As with capacity prices, stable fixed prices enable us to avoid any unacceptable customer bill impacts that might otherwise have arisen from our proposed introduction of seasonal TOU pricing.

Table 13.3 – Proposed changes in fixed prices

Tariff class	Proposed change in fixed price (nominal terms)
Low Voltage	2%
High voltage	2%
Sub-transmission Voltage	2%

Source: Ausgrid

13.4 Proposed non-peak variable prices for FY19

The increase in our proposed non-peak variable energy prices in FY19 is a consequence of our proposed introduction of seasonal TOU pricing in FY19.

As we explained in our approved TSS, seasonal pricing involves replacing the peak period in the four non-summer and non-winter months with a shoulder period, which has a much lower price.

Since we propose to keep fixed and capacity prices stable in real terms in FY19, we must necessarily increase our shoulder and off-peak prices so as to ensure we can recover the efficient cost of providing network services to our customers, consistent with the NER.

We show in chapter 11 that the combined effect of our proposed non-peak variable prices, along with our other proposed prices, is expected to deliver a network bill reduction for the vast majority of our customers in FY19.

For example, the non-peak variable prices for the residential and small business TOU tariffs (EA025 and EA225) increase materially in FY19. Taking the residential TOU tariff as an example, the shoulder price increases by 38 per cent in FY19 (from 4.6c/kWh to 6.4c/kWh). However, the introduction of seasonality means that this higher shoulder price now replaces the peak price in four months of the year. Since the peak price was approximately 5.4 times higher than the shoulder price in FY18, this provides a significant benefit to customers.

In other words, the increase in some non-peak variable prices is more than offset by the benefit of removing the peak period in four months of the year. We show in chapter 11 that, although the shoulder price for residential TOU customers increases by 38 percent in FY19, the removal of the much higher peak price in the non-summer and non-winter months means that almost all residential TOU customer receive a network bill reduction in FY19.

Table 13.4: Proposed non-peak energy prices for FY19 – Major Published tariffs

Tariff Class	Code	Charging Parameter	Current FY18 (Before)	Proposed FY19 (After)	% change
Low Voltage	EA010	Block 1	10.27	10.15	-1%
		Block 2	10.27	10.15	-1%
		Block 3	10.27	10.15	-1%
	EA025	Shoulder energy charge	4.62	6.44	39%
		Off-peak energy charge	2.46	2.55	4%
	EA050	Block 1 energy charge	10.08	9.92	-2%
		Block 2 energy charge	10.08	9.92	-2%
	EA225	Shoulder energy charge	6.09	8.44	38%
		Off-peak energy charge	1.87	2.93	57%
	EA302	Shoulder energy charge	2.43	2.74	13%
		Off-peak energy charge	1.47	1.38	-6%
	EA305	Shoulder energy charge	2.27	2.42	6%
		Off-peak energy charge	1.26	1.10	-13%
	EA310	Shoulder energy charge	2.11	1.98	-6%
		Off-peak energy charge	1.39	1.08	-22%
High Voltage	EA370	Shoulder energy charge	1.99	1.98	0%
		Off-peak energy charge	1.40	1.34	-5%
Sub-transmission Voltage	EA390	Shoulder energy charge	1.77	1.76	0%
		Off-peak energy charge	1.21	1.15	-5%

Comprehensive compliance check list

To assist the AER and stakeholders understand how our proposed tariffs for FY19 comply with the requirements of chapter 6 of the NER, Ausgrid has provided a detailed compliance checklist, refer to the following tables.

Table 13.5: Comprehensive compliance checklist – Key rule provisions

Rule Provision	Requirement	Relevant Section
6.18.2(a)(b)(2)	A pricing proposal must set out the proposed tariffs for each tariff class that is specified in the Distribution Network Service Provider's tariff structure statement for the relevant regulatory control period	Chapter 3
6.18.2(a)(b)(3)	A pricing proposal must set out, for each proposed tariff, the charging parameters and the elements of service to which each charging parameter relates	Chapter 4
6.18.2(a)(b)(4)	A pricing proposal must set out, for each tariff class related to standard control services, the expected weighted average revenue for the relevant regulatory year and also for the current regulatory year	Chapter 5
6.18.2(a)(b)(5)	A pricing proposal must set out the nature of any variation or adjustment to the tariff that could occur during the course of the regulatory year and the basis on which it could occur	Chapter 6
6.18.2(a)(b)(6)	A pricing proposal must set out how designated pricing proposal charges are to be passed on to customers and any adjustments to tariffs resulting from over or under recovery of those charges in the previous regulatory year	Chapter 8

6.18.2(a)(b)(6A)	A pricing proposal must set out how jurisdictional scheme amounts for each approved jurisdictional scheme are to be passed on to customers and any adjustments to tariffs resulting from over or under recovery of those amounts;	Chapter 7
6.18.2(a)(b)(6B)	A pricing proposal must describe how each approved jurisdictional scheme that has been amended since the last jurisdictional scheme approval date meets the jurisdictional scheme eligibility criteria	Chapter 7
6.18.2(a)(b)(7)	A pricing proposal must demonstrate compliance with the Rules and any applicable distribution determination, including the Distribution Network Service Provider's tariff structure statement for the relevant regulatory control period	Chapter 12 Chapter 13 Compliance spreadsheets
6.18.2(a)(b)(7A)	A pricing proposal must demonstrate how each proposed tariff is consistent with the corresponding indicative pricing levels for the relevant regulatory year as set out in the relevant indicative pricing schedule, or explain any material differences between them	Chapter 12 Chapter 13 Compliance spreadsheets
6.18.2(a)(b)(8)	A pricing proposal must describe the nature and extent of change from the previous regulatory year and demonstrate that the changes comply with the Rules and any applicable distribution determination	Chapter 10

14 Annual system of assessment and review of tariffs

Consistent with our approved TSS, this chapter of the pricing proposal sets out the method by which we will review and assess the basis on which a retail customer is charged for tariffs, where the basis of charge varies according to the retail customer's usage or load profile.

Scope of annual review and assessment

Ausgrid proposes to exclude the unmetered retail customers from the annual review and assessment of the basis for which a retail customer is charged for tariffs. This proposal to limit the scope of the annual review and assessment is based on the network tariff arrangements applying to these sites being similar to a fixed charge in nature due to the absence of metering at these sites. In other words, the network use of system billing outcome for these sites is not influenced by variations in the actual extent of the network usage at these sites.

Proposed method of assessment and review of the basis on which a retail customer is charged

Consistent with the approved TSS, Ausgrid's proposed methodology for assessing and reviewing the tariff arrangements of retail customers in Ausgrid's network area involves the following two aspects:

1. Assessment and review to ensure that the retail customer is currently assigned to the correct network tariff class.
2. Assessment and review to ensure that the retail customer is currently assigned to the correct network use of system tariff.

Both of these aspects to Ausgrid's proposed method of assessment and review of tariff arrangements are discussed in detail below:

AER procedure for re-assigning a retail customer to another tariff class

Ausgrid is required to comply with the tariff class re-assignment procedure set out in our approved TSS. To comply with this procedure, Ausgrid is required to undertake an annual assessment of the nature of each retail customer's connection (i.e. type and voltage of the metering point) and usage of the network over the past 12 months on the basis of volume data as at 31 December.

If Ausgrid discovers that the voltage of the supply to the premise as measured at the metering point changes to the extent that they are no longer eligible to remain in their current tariff class, Ausgrid is required to re-assign these sites to an appropriate tariff class for the purposes of the next annual pricing proposal.

Proposed Tariff Class re-assignments in FY19

Ausgrid has undertaken an annual review of voltage level characteristics of existing sites to assess whether they are eligible to remain assigned to their existing tariff class. No customers were identified during this review as belonging to a different tariff class. As a result, Ausgrid does not propose to re-assign any customers to another tariff class in its annual pricing proposal for FY19.

Proposed tariff re-assignments in FY19

For retail customers that have been assessed as being currently assigned to an appropriate tariff class, Ausgrid then undertakes an annual assessment and review of whether these sites are currently assigned to the correct network use of system tariff.

Ausgrid has undertaken an annual assessment and review of network use of system tariff arrangements on the basis of the relevant historical data on the extent of their network usage for each retail customer.

To avoid unnecessary transaction costs associated with assigning customers to a new network tariff class associated with temporary changes to network usage, Ausgrid proposes to only re-assign an existing retail customer to another network use of system tariff as part of the annual pricing proposal if the retail customer is found to have not satisfied the extent of network usage eligibility criteria associated with their current network use of system tariff in each of the previous two years.[10]

As a result of undertaking the annual review and assessment at the tariff level, Ausgrid has identified a significant number of sites that are

[10] The eligibility criteria for Ausgrid's published network use of system tariffs are set out in our network pricing policy (ES7) document, which is available from **www.ausgrid.com.au**

required to be reassigned to another tariff in FY19 given the historical extent of their network usage, as shown in the following table.

Table 14.1: Proposed Tariff Re-assignment

Current Network Tariff	Correct Network Tariff	No. of Customers
Residential flat tariff (EA010)	Transitional TOU tariff (EA011)	81,000
Small business flat tariff (EA050)	Transitional TOU tariff (EA051)	1,300
LV TOU Capacity 40-160 MWh pa (EA302)	Non-Residential TOU (EA225)	2,101
	LV TOU Capacity 160-750 MWh pa (EA305)	759
	LV TOU Capacity >750 MWh pa (EA310)	22
LV TOU Capacity 160-750 MWh pa (EA305)	Non-Residential TOU (EA225)	311
	LV TOU Capacity 40-160 MWh pa (EA302)	537
	LV TOU Capacity >750 MWh pa (EA310)	44
LV TOU Capacity >750 MWh pa (EA310)	Non-Residential TOU (EA225)	85
	LV TOU Capacity 40-160 MWh pa (EA302)	67
	LV TOU Capacity 160-750 MWh pa (EA305)	146

Source: Ausgrid

It is important to note that in some cases if Ausgrid were to re-assign these customers to their correct default network tariff in FY19, it could result in some of these customers receiving unacceptable network bill outcomes. To address this concern, Ausgrid proposes to only re-assign the customers identified in the above table to another network tariff in FY19 if we believe that this will result in an outcome compliant with the customer impact principle set out in chapter 6 of the NER, such as where a transitional network tariff is available.

15 Public lighting

Public lighting services are classified as alternative control services and are subject to a different control mechanism to general network services which are classified as standard control services.

Public lighting services encompass the provision, construction and maintenance of public lighting and emerging public lighting technology. Ausgrid provides public lighting services to over 100 customers including councils, community groups and government associations. There are over 240,000 public lights in Ausgrid's network area, which are typically installed on major and minor roadways. A conventional public light comprises of five (5) main components: a lamp, a luminaire, a bracket, a support structure, and a connection to the low voltage electricity network.

Tariffs and tariff classes

All public lighting customers are subject to the tariffs in the AER Final Decision and therefore are defined to be a single tariff class. [11]

Form of Control Mechanism

As set out in the AER Framework and Approach Paper, the AER's Final Decision is to apply a price cap form of control to public lighting in the 2015-19 regulatory control period. [12]

The control mechanism formula for public lighting is set out below:

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

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

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 by the AER.

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.

Public Lighting Prices for FY19

The AER Final Decision on the public lighting prices for FY19 are shown in the attachment at the end of this document.

[11] Tariff class: A class of customers for one or more *direct control services* who are subject to a particular tariff or particular tariffs.

[12] AER, Stage 1 Framework and approach paper, Ausgrid, Endeavour Energy and Essential Energy, Transitional regulatory control period 1 July 2014 to 30 June 2015 & Subsequent regulatory control period 1 July 2015 to 30 June 2019.

16 Ancillary network services

Background

Ancillary network services are non-routine services that are provided by a DNSP to individual customers on an "as needs" basis. These services are classified by the AER as alternative control services and do not form part of the DNSP's distribution use of system revenue requirement determined by the AER. Rather, the DNSP recovers the costs of providing alternative control services through a range of fees.

Tariff Classes

There are two classes of ancillary network services:

Fee-based Service – these are ancillary network services that DNSPs provide to individual customers where the AER determines the fee. These fees are fixed and apply irrespective of the actual time taken to perform the service.

Quoted Services – these are ancillary network services that DNSPs provide to individual customers where the cost of these services will depend on the actual time taken to perform the service.

Form of Control Mechanism

As set out in the AER Framework and Approach Paper, the AER's Final Decision is to apply a price cap form of control to both fee-based and quoted ancillary network services. [13]

Figure 16.1: Control mechanism formula for fee-based services

$$\bar{p}_i^t \geq p_i^t$$

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

Where:

$\bar{p}_i^t$ is the cap on the price of fee-based service i in year t. However, for 2015–16 this is the price as determined by the AER Final Decision escalated by ΔCPI and the X-factor.

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

X_i^t is the value of X for the year t in the regulatory control period, as determined by the AER.

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

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.

Figure 16.2: Control mechanism formula for quoted services

$$\bar{p}_i^t = L_t + C_t + M_t$$

Where:

$\bar{p}_i^t$ is the cap on the price of quoted service i in year t.

L_t is the maximum hourly charge out rate including on-costs and overhead. Labour is escalated annually using the following formula:

$$L_t = (1-X_t)(1+\Delta CPI_t)$$

C_t is the contractor services (including overheads) in the provision of quoted service i in year t. Contractor services are escalated annually by ΔCPI.

M_t is the cost of materials directly incurred in the provision of quoted service i in year t.

[13] AER, Stage 1 Framework and approach paper, Ausgrid, Endeavour Energy and Essential Energy, Transitional regulatory control period 1 July 2014 to 30 June 2015 & Subsequent regulatory control period 1 July 2015 to 30 June 2019

X-factors

The X-factors set out in the AER Final Decision for fee-based and quoted ancillary services for each year of the 2015-19 regulatory control period are shown in table below.

Table 16.1: X-factors for Ancillary Network Services

Class	FY16	FY17	FY18	FY19
Fee-based	-1.02	-1.07	-1.11	-1.10
Quoted Services	-1.02	-1.07	-1.11	-1.10

AER's Final Decision on Maximum Allowed Total Labour Rates

The maximum allowed total labour rates set out in the AER Final Decision to different types of labour used by Ausgrid to deliver ancillary network services are shown in the table below.

Table 16.2: AER Approved Hourly Labour Rates for FY19

Category	Description	Max. Labour Rates
Admin	Admin Support	99.91
Technical	Technical Specialist R2	160.21
Engineer	EO7/engineer	186.72
Field worker	Field worker R4	148.53
Senior Engineer	Senior engineer	236.67

Refer to attachment at this end of this document for the AER Final Decision on the price cap for ancillary network services provided by Ausgrid in FY19.

17 Type 5 and 6 metering charges

Background

The AER classified Type 5 and 6 metering services provided by Ausgrid and the other NSW DNSPs as alternative control services and do not form part of the DNSP's distribution use of system revenue requirement determined by the AER. Rather, the DNSP recovers the costs of providing these alternative control services through a range of metering charges.

Tariff Classes

In light of the alignment between the metering charge and the network tariff, Ausgrid proposes to constitute its tariff classes on the basis of network tariff structure, as summarised below:

- Residential and Small Business Block Tariffs
- Residential and Small Business Time of Use tariffs
- Medium Business Type of Use Capacity Tariff.[14]

Form of Control Mechanism

As set out in the AER Framework and Approach Paper, the AER's Final Decision is to apply a price cap form of control mechanism to this alternative control service in the 2015-19 Regulatory control period.[15]

Under a price cap 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 control mechanism formula is set out below:

$$\overline{p}_i^t \geq p_i^t \qquad \text{i=1,...,n and t=1,2,3,4}$$

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

Where:

$\overline{p}_i^t$ is the cap on the price of service i in year t. However, for 2015–16 this is the price as set out in Attachment 16 of the AER 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 for the annual metering charges and the upfront capital charges, as set out in Attachment 16 of the AER Final Decision and as summarised in the table below.

X-factors

The X-factors set out in the AER Final Decision for annual metering charges and the up-front capital charges for the relevant years of the 2015-19 regulatory control period are shown in the table below. No X-factor applies for the calculation of prices for 1 July 2016.

Table 17.1: X-factors for the annual metering charges

Class	FY17	FY18	FY19
Annual Metering Charge	1.89	1.89	1.89
Upfront capital charge	0.0	0.0	0.0

Structure of metering charges

The AER Final Decision approves two types of charges for the provision of Type 5 and 6 metering services in the 2015-19 regulatory control period:

- Upfront capital charge (for all new and upgraded meters installed after 1 July 2015.
- Annual Charge comprising two components:
  - Capital – metering asset base recovery
  - Non-capital – operating expenditure and tax.

[14] Ausgrid 2014, Attachment 8.21, Ausgrid's Regulatory proposal, Energia's review of Ausgrid's Proposed Metering Arrangements, Energia, April, p.53

[15] AER, Stage 1 Framework and approach paper, Ausgrid, Endeavour Energy and Essential Energy, Transitional regulatory control period 1 July 2014 to 30 June 2015 & Subsequent regulatory control period 1 July 2015 to 30 June 2019

AER Final Decision on Type 5 and 6 Metering Charges

The proposed annual metering charge for Type 5 and 6 metering services provided by Ausgrid in FY19 is shown in the table below and the attachment at the end of this document.

Table 17.2: Annual metering charges for FY19 by Tariff

Tariff class	Costs	$ nominal per annum
Residential inclining block	Non–capital	$9.65
	Capital	$19.83
Residential TOU	Non–capital	$24.94
	Capital	$22.08
Controlled load	Non–capital	$0.81
	Capital	$11.02
Small business inclining block	Non–capital	$9.96
	Capital	$30.33
Small business TOU	Non–capital	$24.71
	Capital	$21.07
LV 40–160MWh TOU (system)	Non–capital	$43.99
	Capital	$27.44
Generator tariff	Non–capital	$2.56
	Capital	$11.37

18 Attachments

Attachments have been included with this pricing proposal as follows:

Attachment	Disclosure	Description
A	CONFIDENTIAL	Customer Bill Information for Public Lighting Customers
B		Price Information for Public Lighting Tariffs
C	CONFIDENTIAL	Completed Compliance Spreadsheet
D		Notification of Climate Change Fund Contribution
E		TransGrid's Transmission Charges for FY19
F		Pricing Compliance Model for Alternative Control Services
G		Pricing Compliance Model for Public Lighting Customers

Attachment A: Customer Bill Information for Public Lighting Customers CONFIDENTIAL

This attachment is a separate file named:

Public Lighting Customer Bills – CONFIDENTIAL.pdf

Attachment B: Price Information for Public Lighting Tariffs

This attachment is a separate file named:

Price Information for Public Lighting Tariffs.pdf

Attachment C: Compliance Spreadsheet CONFIDENTIAL

This attachment is a Microsoft Excel spreadsheet.

Attachment D: Notification of Climate Change Fund Contribution

This attachment is a separate file named:

Notification of Climate Change Fund Contribution.pdf

Attachment E: TransGrid's Transmission Charges for FY19

This attachment is a separate file named:

TransGrid transmission charges for FY19.pdf

Attachment F: Pricing Compliance Model for Alternative Control Services

This attachment is a Microsoft Excel spreadsheet.

Attachment G: Pricing Compliance Model for Alternative Control Services

This attachment is a Microsoft Excel spreadsheet