

Attachment 11

# Pricing Methodology Revenue Proposal 2023-24 to 2027-28

31 JANUARY 2022

## Company Information

ElectraNet Pty Ltd (ElectraNet) is the principal electricity transmission network service provider (TNSP) in South Australia.

For information about ElectraNet visit [www.electranet.com.au](http://www.electranet.com.au).

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## Note

This attachment forms part of our Revenue Proposal for the 2023-24 to 2027-28 regulatory period. It should be read in conjunction with the other parts of the Revenue Proposal.

Our Revenue Proposal comprises the overview and attachments listed below, and the supporting documents that are listed in Attachment 14:

- Revenue Proposal Overview
- Attachment 1 – Maximum allowed revenue
- Attachment 2 – Regulatory asset base
- Attachment 3 – Rate of return
- Attachment 4 – Regulatory depreciation
- Attachment 5 – Capital expenditure
- Attachment 6 – Operating expenditure
- Attachment 7 – Corporate income tax
- Attachment 8 – Efficiency benefit sharing scheme
- Attachment 9 – Capital expenditure sharing scheme
- Attachment 10 – Service target performance incentive scheme
- Attachment 11 – Pricing methodology (this document)
- Attachment 12 – Pass through events
- Attachment 13 – Demand Management Innovation Allowance
- Attachment 14 – List of supporting documents

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## 11. Pricing Methodology

### 11.1 Introduction

Our transmission pricing methodology determines how our total revenue allowance is recovered from customers. At the highest level, the methodology:

- allocates the aggregate annual revenue requirement to the categories of prescribed transmission services that we provide, and to the connection points of network users; and
- determines the structure of prices for each category of prescribed transmission services.

The pricing methodology relates only to prescribed transmission services. Pricing arrangements for negotiated services are determined bilaterally in accordance with the Rules requirements.

The transmission pricing methodology complies with the pricing principles in part J of the Rules and with the AER's Pricing Methodology Guidelines, which provide limited scope for discretion.

For our part, we recognise that price signals have an important role to play in driving efficient network usage and investment decisions. Over time, more efficient network usage will lead to lower costs for all customers.

### 11.2 Proposal

In our current revenue determination, the AER approved relatively minor changes to our previous pricing methodology to:

- improve the clarity and use of defined terms; and
- provide clarity regarding the provisions for the grandfathering of existing or 'legacy' aggregated contracts.

Our proposed pricing methodology for the 2023-24 to 2027-28 regulatory period introduces further minor amendments limited to those necessary to give effect to rule changes and provide additional clarity to customers.

The table below summarises the proposed changes and explains the rationale for each.

**Table 11-1: Summary of our proposed pricing methodology changes**

Proposed change	Rationale
Clarify the timing requirements for information provision and the obligation on our customers to provide information by the due date.	The purpose of these amendments is to remove any uncertainty regarding the timeframes for preparing transmission prices. In particular, the proposed drafting clarifies that customers must provide notification of annual demand adjustments by 1 February each year, even if the customer's Transmission Connection Agreement specifies a later date. We have also moved this section so that it appears earlier in the pricing methodology, to give this issue greater prominence.

Proposed change	Rationale
Clarify that considering the increasing prevalence of reverse flows at connection points, that load is energy being taken from the transmission network	This proposed change is considered helpful in clarifying that load connection points which have material generation must be split into load generator pairs to ensure costs are correctly allocated to load connection points. The drafting also clarifies that the load component (offtake) will also be used for energy-based charging.
Provide for the non-locational component of prescribed TUOS to be adjusted for National Transmission Planning (NTP) function fees advised by AEMO.	This change reflects a recent Rule change, which introduced clause 6A.23.3(e)(6) to enable TNSPs to recover NTP function fees. Previously, AEMO did not recover these charges from TNSPs so it did not feature in the pricing methodology.
Confirm that the optimised replacement cost of non-prescribed transmission system assets that are designated network assets or identified user shared assets is zero	This change reflects the requirements of new clause 6A.3.2(1), which was introduced by the National Electricity Amendment (Connection to dedicated connection assets) Rule 2021 No. 7.
Clarify the billing arrangements for dedicated connection assets.	This change is a helpful clarification regarding the arrangements for dedicated connection assets which have been subject to recent change, following the National Electricity Amendment (Connection to dedicated connection assets) Rule 2021 No. 7.
Clarify ElectraNet's approach to prudent discounts.	This change is to provide additional information for the benefit of our customers on the matters we will consider in negotiating a prudent discount. The proposed drafting reflects the requirements of clause 6A.26.1(f) of the Rules. In addition, we explain that we will apply to the AER to recover any discount in accordance with clause 6A.26.2 of the Rules.

The above drafting changes are detailed in our proposed pricing methodology, which forms part of this Revenue Proposal.

