

REVENUE PROPOSAL 2019 - 2023

Attachment 12
Pricing Methodology

28 March 2017

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.

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Note

This attachment forms part of our Revenue Proposal for the 2018-19 to 2022-23 regulatory control 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 15:

Revenue Proposal Overview

Attachment 1 – Maximum allowed revenue

Attachment 2 – Regulatory asset base

Attachment 3 – Rate of return

Attachment 4 – Value of imputation credits

Attachment 5 – Regulatory depreciation

Attachment 6 – Capital expenditure

Attachment 7 – Operating expenditure

Attachment 8 – Corporate income tax

Attachment 9 – Efficiency benefit sharing scheme

Attachment 10 – Capital expenditure sharing scheme

Attachment 11 – Service target performance incentive scheme

Attachment 12 – Pricing methodology (this document)

Attachment 13 – Pass through events

Attachment 14 – Negotiated services

Attachment 15 – List of supporting documents

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12. Pricing Methodology

12.1 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. The pricing arrangements for negotiated services are determined bilaterally through the application of our negotiating framework, which is addressed in Attachment 14 of this Revenue Proposal.

The transmission pricing methodology must comply with the pricing principles in part J of the Rules and the AER's Pricing Methodology Guidelines. The Rules provide limited scope for discretion in relation to transmission pricing.

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 leads to lower costs for all customers.

12.2 Proposal

In its determination for the 2014 – 2018 regulatory period, the AER approved relatively minor changes to our previous pricing methodology.

In our consultation with customers on our pricing arrangements, we raised the option of relying more heavily on maximum demand as the basis for individual charging components rather than energy consumption, in order to improve price signals. However, this option was not generally supported by large customers, and consequently we do not propose any such changes at this time.

The proposed pricing methodology applicable from 1 July 2018 to 30 June 2023 proposes minor amendments to:


- improve clarity and use of defined terms; and
- provide clarity regarding the provisions for grandfathering of an existing or 'legacy' aggregated contract agreed maximum demand arrangement (i.e. an arrangement under which an aggregated contract agreed maximum demand has been previously agreed for a group of connection points that are not listed as a 'group of exit points' in clause 2.4.1 of the Electricity Transmission Code TC/09 (ETC)).

The proposed pricing methodology forms part of this Revenue Proposal, and is provided as a supporting document.



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