

# ATTACHMENT 9.5

## SERVICE CATEGORIES AND TARIFF COMPONENTS

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## 1. Introduction

This document provides an explanation of Essential Energy's proposed approach to tariff classes for the 2014-19 regulatory control period. We also provide the AER with an explanation of the tariff components applied to each tariff class.

### Proposed tariff classes

We believe that our current tariff classes are appropriate for the 2014-19 regulatory control period because they result in customers being grouped together in a way that is economically efficient and do not impose unnecessary transaction costs on Essential Energy or our customers. Our current tariff classes are summarised in Table 1 below. Each tariff class contains a number of individual tariffs. Table 1 also provides the tariff code and name for each individual tariff.

**Table 1: Proposed tariff classes for the 2014-19 regulatory control period**

| Tariff class             | Tariff code                   | Tariff name                             |
|--------------------------|-------------------------------|---|
| Low Voltage - Energy     | BLNN2AU                       | LV Residential Continuous               |
|                          | BLNC1AU                       | LV Controlled Load 1                    |
|                          | BLNC2AU                       | LV Controlled Load 2                    |
|                          | BLNT3AU                       | LV Residential TOU                      |
|                          | BLNN1AU                       | LV General supply                       |
|                          | BLNT1AO                       | LV TOU over 100 MWh/yr                  |
|                          | BLNT2AU                       | LV TOU 0 - 100MWh Cent Urban            |
| Low Voltage - Demand     | BLND1CO                       | LV 1 Rate Dmd Cent                      |
|                          | BLND1SR                       | LV 1 Rate Dmd Sth Rural                 |
|                          | BLND1SU                       | LV 1 Rate Dmd Sth Urban                 |
|                          | TLD                           | Time of Day - LV Demand - FW            |
|                          | BLND3AO                       | LV TOU Demand 3 Rate                    |
|                          | BLND4NO                       | LV 3 Rate Dmd Option 2 Nth U            |
|                          | BLNS1AO                       | LV TOU avg daily Demand                 |
|                          | BLND3TO                       | LV TOU Demand-alternate tariff          |
| High Voltage             | BHND1CO                       | HV 1 Rate Dmd Cent U                    |
|                          | BHND1SO                       | HV 1 Rate Dmd Sth U                     |
|                          | BHND3AO                       | HV TOU mthly Demand                     |
|                          | BHNS1AO                       | HV TOU avg daily Demand                 |
| Sub-Transmission Voltage | BSSD3AO                       | SUB TRANS 3 RATE DEMAND                 |
|                          | Cost Reflective Network Price | Individually calculated - site specific |
| Unmetered                | BLNP1AO                       | LV Public Lighting NUOS                 |
|                          | BLNP3AO                       | LV Public Lighting TOU NUOS             |

## 2. Tariff components

Essential Energy's tariffs (or network prices) contain individual price components, also referred to as charging parameters. Table 2 provides a summary of the charging parameters applicable to each tariff.

**Table 2: Proposed tariffs and charging parameters for the 2014-19 regulatory control period**

| Tariff code                             | Standing Charge (\$ per cust. per year) | Non TOU Energy (c/kWh) | Peak Energy (c/KWh) | Shoulder Energy (c/KWh) | Off Peak Energy (c/kWh) | Demand (\$/kVA) Non TOU | Peak Demand (\$/kVA) | Shoulder Demand (\$/kVA) | Off Peak Demand (\$/kVA) | Capacity (\$/kVA) | Demand (\$/kW) Non TOU |
|---|---|------------------------|---------------------|-------------------------|-------------------------|-------------------------|----------------------|--------------------------|--------------------------|-------------------|------------------------|
| BLNN2AU                                 | □                                       | □                      | □                   | □                       | □                       | □                       | □                    | □                        | □                        | □                 | □                      |
| BLNC1AU                                 | □                                       | □                      | □                   | □                       | □                       | □                       | □                    | □                        | □                        | □                 | □                      |
| BLNC2AU                                 | □                                       | □                      | □                   | □                       | □                       | □                       | □                    | □                        | □                        | □                 | □                      |
| BLNT3AU                                 | □                                       | □                      | □                   | □                       | □                       | □                       | □                    | □                        | □                        | □                 | □                      |
| BLNN1AU                                 | □                                       | □                      | □                   | □                       | □                       | □                       | □                    | □                        | □                        | □                 | □                      |
| BLNT1AO                                 | □                                       | □                      | □                   | □                       | □                       | □                       | □                    | □                        | □                        | □                 | □                      |
| BLNT2AU                                 | □                                       | □                      | □                   | □                       | □                       | □                       | □                    | □                        | □                        | □                 | □                      |
| BLND1CO                                 | □                                       | □                      | □                   | □                       | □                       | □                       | □                    | □                        | □                        | □                 | □                      |
| BLND1SR                                 | □                                       | □                      | □                   | □                       | □                       | □                       | □                    | □                        | □                        | □                 | □                      |
| BLND1SU                                 | □                                       | □                      | □                   | □                       | □                       | □                       | □                    | □                        | □                        | □                 | □                      |
| TLD                                     | □                                       | □                      | □                   | □                       | □                       | □                       | □                    | □                        | □                        | □                 | □                      |
| BLND3AO                                 | □                                       | □                      | □                   | □                       | □                       | □                       | □                    | □                        | □                        | □                 | □                      |
| BLND4NO                                 | □                                       | □                      | □                   | □                       | □                       | □                       | □                    | □                        | □                        | □                 | □                      |
| BLNS1AO                                 | □                                       | □                      | □                   | □                       | □                       | □                       | □                    | □                        | □                        | □                 | □                      |
| BLND3TO                                 | □                                       | □                      | □                   | □                       | □                       | □                       | □                    | □                        | □                        | □                 | □                      |
| BHND1CO                                 | □                                       | □                      | □                   | □                       | □                       | □                       | □                    | □                        | □                        | □                 | □                      |
| BHND1SO                                 | □                                       | □                      | □                   | □                       | □                       | □                       | □                    | □                        | □                        | □                 | □                      |
| BHND3AO                                 | □                                       | □                      | □                   | □                       | □                       | □                       | □                    | □                        | □                        | □                 | □                      |
| BHNS1AO                                 | □                                       | □                      | □                   | □                       | □                       | □                       | □                    | □                        | □                        | □                 | □                      |
| BSSD3AO                                 | □                                       | □                      | □                   | □                       | □                       | □                       | □                    | □                        | □                        | □                 | □                      |
| BLNP1AO                                 | □                                       | □                      | □                   | □                       | □                       | □                       | □                    | □                        | □                        | □                 | □                      |
| BLNP3AO                                 | □                                       | □                      | □                   | □                       | □                       | □                       | □                    | □                        | □                        | □                 | □                      |
| Individually calculated - site specific | □                                       | □                      | □                   | □                       | □                       | □                       | □                    | □                        | □                        | □                 | □                      |

An explanation of each charging parameter is provided below.

## Standing Charge

The standing charge is often referred to as Network access charges or fixed charges. Most network prices have a Standing Charge, which is independent of the demand and energy supplied. They are unrelated to actual consumption and charged on a \$ per day basis.

## Non- TOU Energy

Non- Time of Use (TOU) Energy charges is often referred to as Energy charges (network usage charges), meaning the rate charged per unit is the same regardless of the time of day energy is consumed. Where a customer does not have a meter capable of recording demand or time of use energy, non TOU Energy charges are applied.

Energy based charges are most commonly charged on an anytime basis with a single rate as most residential and small business meters presently only record consumption in this form.

Essential Energy is proposing changes to the structure of two tariffs for 2014-19 regulatory control period. This proposed change involves introducing a block or step structure. Initially, it is proposed that each block or step is introduced at the same price, meaning customers will see no difference in the network component of the bill when compared to current structures. The varied structure will allow greater flexibility in ensuring distribution tariffs move towards cost reflectivity.

The block or step structure is proposed to be introduced for the residential anytime tariff BLNN2AU and for the small business general supply tariff of BLNN1AU over the coming determination period. Essential Energy will be looking to move the residential anytime tariff to a three block structure with a Declining Block Tariff (DBT), while continuing to keep its share of customer bill increases to CPI or below. The general supply tariff will be moving to a two block structure, again keeping its share of bill increases for these customers to CPI or below. Essential Energy proposes a gradual move towards a DBT to help make distribution charges more stable and predictable for customers in the longer term, however for the 2014-15 year each block will have the same rate applied.

Essential Energy proposes to consult with stakeholders prior to any introduction of a Declining Block Tariff. In particular we would emphasise to stakeholders that even if a DBT was introduced, there would be no increases for our portion of a customer's bill above CPI for the five year regulatory period.

## Peak, Shoulder Off-Peak Energy

The Peak, Shoulder and Off-Peak energy components of a tariff are often collectively referred to as time of use prices. The peak and shoulder components of the time of use price provide a reasonable surrogate for the signalling of the costs of demand during those time periods that drive investment in the network.

Time of use prices can be applied where there is a time of use meter installed, and the customer has a time of use price. Accordingly the overall charges are calculated based on different rates applying during peak, shoulder and off-peak time periods, as follows:

- > PEAK PERIOD is from 7.00am–9.00am and 5.00pm–8.00pm on weekdays.
- > SHOULDER PERIOD is from 9.00am–5.00pm and 8.00pm–10.00pm on weekdays.
- > OFF-PEAK PERIOD is at all other times.

## Demand charges

Essential Energy charges for demand in one of two ways, a single rate demand or a three rate demand.

The single rate demand charge is based on the highest measured half-hour kVA demand during the month. A separate demand will apply at each individual connection point as defined by AEMO's "NMI Procedure" document ME\_GN059v005. Coincident or summated demand from multiple connection points is not permitted without the written approval of Essential Energy.

The Demand Charge for BLND3TO is based on the highest measured half-hour kVA demand registered in either the peak or shoulder periods during the month. The BLND3TO tariff is only available to customers connected to the low voltage network consuming less than 750 MWh per annum

The three rate demand charge (\$/kVA/month) is applied to the calendar monthly kVA demand measured by the meter for the peak, shoulder and off-peak periods. The monthly kVA demand is the maximum half hour demand for the month occurring within the peak, shoulder and off-peak periods and is calculated using the kWh and kVA<sub>h</sub> energy components recorded by the NER compliant meter. The method of demand measurement is 30 minute clocked. LV TOU Average Daily Demand and HV TOU Average Daily Demand tariffs are exceptions to this description. Demand charges for these tariffs are calculated as set out in Essential Energy's annual network pricing documents.

### **Capacity charges**

Capacity charges are monthly charges based on the required capacity of the connection (measured in \$/KVA) whereby the charges are applied to the maximum half hourly KVA power reading that occurred at a customer's connection point over the 12 months prior to a bill being calculated. Demand is rounded up to 20, 40, 60, 80, 100, 150, 200, 300, 400, 500kVA and so on in 100kVA increments.