Ergon Energy
Tariff Structure Statement
2020 - 2025

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1. TARIFF STRUCTURE STATEMENT

1.1 Guide to this Tariff Structure Statement

The *National Electricity Rules* (NER) require network tariffs to reflect the efficient costs of providing network services and set out the pricing principles that we must comply with in setting the structure and level of network prices. Clause 6.18.1A of the NER requires us to develop a Tariff Structure Statement (TSS) that sets out network price structures and indicative network tariffs that will apply during a regulatory control period.

In addition to the TSS, clause 6.8.2(c1a) of the NER requires us to provide a description of how we have engaged with customers and retailers in developing the TSS, and how we have addressed any concerns identified as a result of that engagement. We have developed a Customer Engagement Summary as part of this TSS submission. These documents are available on our and the Australian Energy Regulator's (AER's) websites.

Our TSS seeks to provide clear and accessible information on our network tariffs and how these tariffs may change in the future. It is structured as follows:

- Section 2 summarises the key outcomes from our customer engagement on network tariffs
- Section 3 provides a demonstration of compliance with the distribution pricing principles
- Section 4 presents our Standard Control Services (SCS) tariff classes and tariffs with a view to grouping retail customers with similar characteristics such as consumption patterns and voltage levels together. Each tariff class includes a number of tariffs
- Section 5 presents our tariff structures, with each network tariff comprising:
    - individual charging components (for example daily supply charge, usage and/or demand components) representing how customers are charged for their use of the network and reflecting customer preferences, and
    - Tariff charging parameters representing the components of tariffs and the associated settings (e.g. evening period set between 4pm to 9pm on weekdays)
- Section 6 summarises our processes and procedures for assigning and re-assigning customers to SCS tariffs
- Section 7 explains how we have determined our Alternative Control Services (ACS) including fee-based and quoted services, public and security lighting services, and metering services, and how they comply with the distribution pricing principles

In addition to our grid-connected network, the AER is also responsible for the economic regulation of the Mount Isa–Cloncurry supply network owned by us. Under the NER, we must provide a separate TSS if we own, control or operate more than one distribution system, unless the AER otherwise determines. On 15 November 2018, we requested approval from the AER to submit one TSS which encompasses both the grid-connected network and the Mount Isa–Cloncurry supply network. The AER approved this application on 18 January 2019.

2. COMPLIANCE WITH PRICING PRINCIPLES

In complying with the pricing principles, we must meet the Network Pricing Objective. This requires the network tariffs that a distribution network service provider (DNSP) charges - in respect of its provision of direct control services to a customer - to reflect the DNSP's efficient costs of providing those services. This section relates to Standard Control Services (SCS) only, Alternative Control Services (ACS) are discussed further in Chapter 6.

2.1 Pricing principles and objectives – overview

Clause 6.18.1A(b) of the NER requires that a TSS must comply with the pricing principles which are set out in clause 6.18.5 of the NER. The pricing principles require that:

- The revenue to be recovered must lie on or between an upper bound (stand-alone cost) and a lower bound (avoidable cost) (clause 6.18.5(e))
- Each tariff must be based on the Long Run Marginal Cost (LRMC) of providing the service to which it relates to the retail customers assigned to the tariff (clause 6.18.5(f))
- Tariffs must be designed to recover our efficient costs of serving the retail customers that are assigned to each tariff class in a manner that minimises distortions to the price signals (clause 6.18.5(g))
- We must consider the impact on retail customers of changes in tariffs from the previous year and may reasonably vary from the need to comply with the pricing principles after a reasonable period of transition to the extent necessary to mitigate the impact of changes, including having regard to the extent to which retail customers are able to mitigate the impact of changes in tariffs through their usage decisions (clause 6.18.5(h))
- The structure of each tariff must be reasonably capable of being understood by retail customers that are assigned to that tariff, having regard to the type and nature of those customers, and feedback resulting from the engagement with customers (clause 6.18.5(i)), and
- A tariff must comply with the NER and all applicable regulatory instruments (clause 6.18.5(j)).

These pricing principles are further discussed in the sections below.

2.2 Stand-alone and avoidable costs

Clause 6.18.5(e) of the NER requires that the revenue expected to be recovered from a tariff class must lie on or between:

- An upper bound representing the stand-alone cost of serving the retail customers who belong to that class, and
- A lower bound representing the avoidable costs of not serving those retail customers.

This requirement is to ensure that there are no inefficient economic cross-subsidies contained within the tariff classes for the following reasons:

- **Stand-alone cost**: If customers were to pay above the stand-alone cost, then it would be economically beneficial for customers to switch to an alternative provider. It would also be economically feasible for an alternative service provider to operate. This creates the possibility of inefficient bypass of the existing infrastructure.
- **Avoidable cost**: If customers were to be charged below the avoidable cost, it would be economically beneficial for the business to stop supplying the customers as the associated costs would exceed the revenue obtained from the customer.

The NER does not prescribe the methodology that should be used to calculate the stand-alone and avoidable costs of tariff classes of the network. We have chosen to base our cost estimations using the hypothetical modification of the existing network, rather than by devising and costing optimal new network structures. This has been done for two reasons:

- To avoid the very substantial resource requirements that would be involved in a full network redesign, and
- In recognition that the economic regulatory framework for distribution supports the existence and value of existing (sunk) network investments and does not support the optimisation of existing networks.

The methodology to determine our lower and upper bounds for each tariff class is set out in the TSS Explanatory Notes accompanying the December 2019 Revised TSS. The table below demonstrates that total revenue for 2020-25 from each tariff class falls between the stand-alone and avoidable cost estimates.

Table 1 - Demonstration of compliance with stand-alone and avoidable cost test for 2020-25 (Nominal)

Pricing zone	Tariff class	Avoidable cost	Distribution Use Of System (DUOS) Total	Stand-alone cost	Clause 6.18.5(e) Compliance
East	ICC	$36,247,976	$38,157,591	$300,386,144	Yes
	CAC	$57,835,777	$61,166,479	$650,629,819	Yes
	SAC	$436,753,745	$810,300,856	$816,597,927	Yes
West	ICC	$13,031,412	$13,222,329	$64,835,005	Yes
	CAC	$8,228,358	$8,506,004	$292,945,435	Yes
	SAC	$142,070,592	$229,635,340	$232,853,608	Yes
Mt Isa	SAC	$0	$12,388,377	$12,388,377	Yes

Notes:

- Figures above are GST exclusive
- Mount Isa currently has only one tariff class, SAC. As a result, the calculation approach used for the other two pricing zones cannot be used. The stand-alone cost is simply the total cost of supply.

2.3 Calculating Long Run Marginal Cost

In accordance with clause 6.18.5(f) of the NER, we have estimated the LRMC values at each major voltage level of our network for use as the basis of network tariffs. The pricing principles set out in this clause require each tariff to be "based on" the LRMC of providing the service to the retail customers assigned to that tariff class, with the method of calculating such cost and the manner in which that method is applied to be determined having regard to:

- The costs and benefits associated with calculating, implementing and applying the method
- The additional costs associated with meeting incremental demand for the customers assigned to the tariff at times of greatest utilisation of the relevant part of the distribution network, and
- The location of customers and the extent to which costs vary between different locations.

In response to these obligations, we commissioned an LRMC review which was used to consult with customers on the approach to calculating and applying LRMC to network tariffs for the 2020-25 TSS. This review 'Energex and Ergon Energy Network Tariffs 2020-25 Customer Consultation Brief (June

2018) Long Run Marginal Cost' was presented as an LRMC Briefing Document on our Talking Energy Website.[1]

In summary, our LRMC has been estimated using a Long Run Incremental Cost model, similar to that developed by Energy Networks Association (UK) and approved by Ofgem, their industry regulator.[2,3] The LRMC model provided as part of the January 2019 Regulatory Proposal submission (Attachment 14.009) provides further details on how the LRMC values were developed.

The approach we have adopted is consistent with the NER adoption of a LRMC approach to drive long-run optimal investment outcomes by providing transparency to customers of the impact of their current use of the network on long term network investment requirements. This forward-looking pricing approach enables customers to make more informed consumption decisions and aligns with achieving a more efficient utilisation of the network.

In applying the LRMC to tariff classes, we considered:

- The high-level trade-offs involved in establishing LRMC-based tariffs, and
- The various tariff options for charging components and charging parameters.

We applied a process for developing LRMC signalling structures for each tariff class based on:

- An assessment of the extent and manner in which real world conditions diverge from the simple stylised conditions that informed our high-level thinking on applying LRMC to tariff-setting
- An assessment of the likely economic efficiency consequences of making various compromises or trade-offs between different options, and
- An assessment of practical considerations in setting efficient tariffs, such as the role and implications of distributed energy resources (DER).

We identified a peak period that best reflected network peak demand based on analysis of zone substation load profiles. This period was identified with reference to the majority customer type associated with the substation load (residential and business). We also considered the emergent impact of increased distributed small and large-scale solar generation and feedback from other supply chain stakeholders on encouraging distribution network utilisation during the daytime period.

In accordance with the NER, we also considered the impact on retail customers when considering the transition to LRMC-based pricing and in particular, the level of LRMC that would be passed-on to customers through an LRMC-based charge.

The level of LRMC reflected in tariffs was further considered in light of the proposal that SAC Small customers in premises with smart metering would be assigned to the transitional demand tariff and could only opt-in to alternative cost reflective tariff options. Within this assignment framework, managing customer impact and current spare network capacity have been a key consideration in terms of determining the level of LRMC that is incorporated into the LRMC parameters within the tariff options.

1 https://www.talkingenergy.com.au

2 Energy Networks Association (UK), *CDCM model user manual Model Version: CDCM model user manual Model Version: 103,* 28 August 2015.

3 Ofgem, *Electricity distribution structure of charges: the common distribution charging methodology at lower voltages, Decision Document Ref: 140/09*, 20 November 2009.

Having undertaken the above steps, our updated suite of network tariffs includes:

- 'Legacy' inclining block tariffs that have been in place for many years and do not reflect the granularity of LRMC signalling inherent in more cost reflective demand or time of use energy-based tariff structures
- New cost reflective tariffs for our Standard Asset Customer (SAC) tariff class place a higher and more appropriate weight on signalling the LRMC of using the distribution network in the demand charge structure, balanced with managing customer impacts within the proposed smart meter assignment framework, and
- For our Connection Asset Customer (CAC) and Individually Calculated Customer (ICC) tariff classes, the LRMC signal is made through the demand charge parameter.

Full details of our application of the LRMC methodology, as well as comparisons to our previous LRMC approaches and outcomes are available in the TSS Explanatory Notes accompanying the December 2019 Revised TSS.

2.4 Recovery of annual revenue requirement across tariffs

Clause 6.18.5(g) of the NER requires that the revenue we are expected to recover from each tariff must:

1) Reflect the total efficient costs of serving the retail customers that are assigned to that tariff
2) Permit the DNSP to recover the expected revenue for the relevant services in accordance with the applicable distribution determination, and
3) Minimise distortions to the price signals for efficient usage that would result from tariffs that comply with the pricing principles.

2.4.1 Efficient costs of serving retail customers

In meeting clause 6.18.5(g)(1) of the NER, we have ensured our network tariffs reflect the total efficient costs of serving the retail customers assigned to them by:

- Ensuring the revenue to be recovered from each tariff class lies between the stand-alone and avoidable costs
- Establishing network tariffs based on LRMC and linking the tariff signals to the network cost drivers
- Allocating residual costs in a least distortionary manner from an economic efficiency perspective.

It also should be noted that in setting network tariffs to an efficient level, we have also considered these objectives having regard to customer impact.

2.4.2 Recovery of annual revenue requirement across tariffs

Given we are regulated under a revenue cap control mechanism, we have no scope to recover more revenue - when summed across all tariffs - than the total revenue allowance set by the AER.

In accordance with clause 6.18.5(g)(2) of the NER, we are required to demonstrate that we have recovered only the expected revenue, as set by the AER in our Final Distribution Determination - summed from all network tariffs - through the annual Pricing Proposal process. Under a revenue cap control mechanism, tariffs are set at the start of each year based on forecast demand and network utilisation. Variations to these forecasts across the period together with factors such as increased customer churn to cost reflective tariffs, may result in an under or over recovery of revenue.

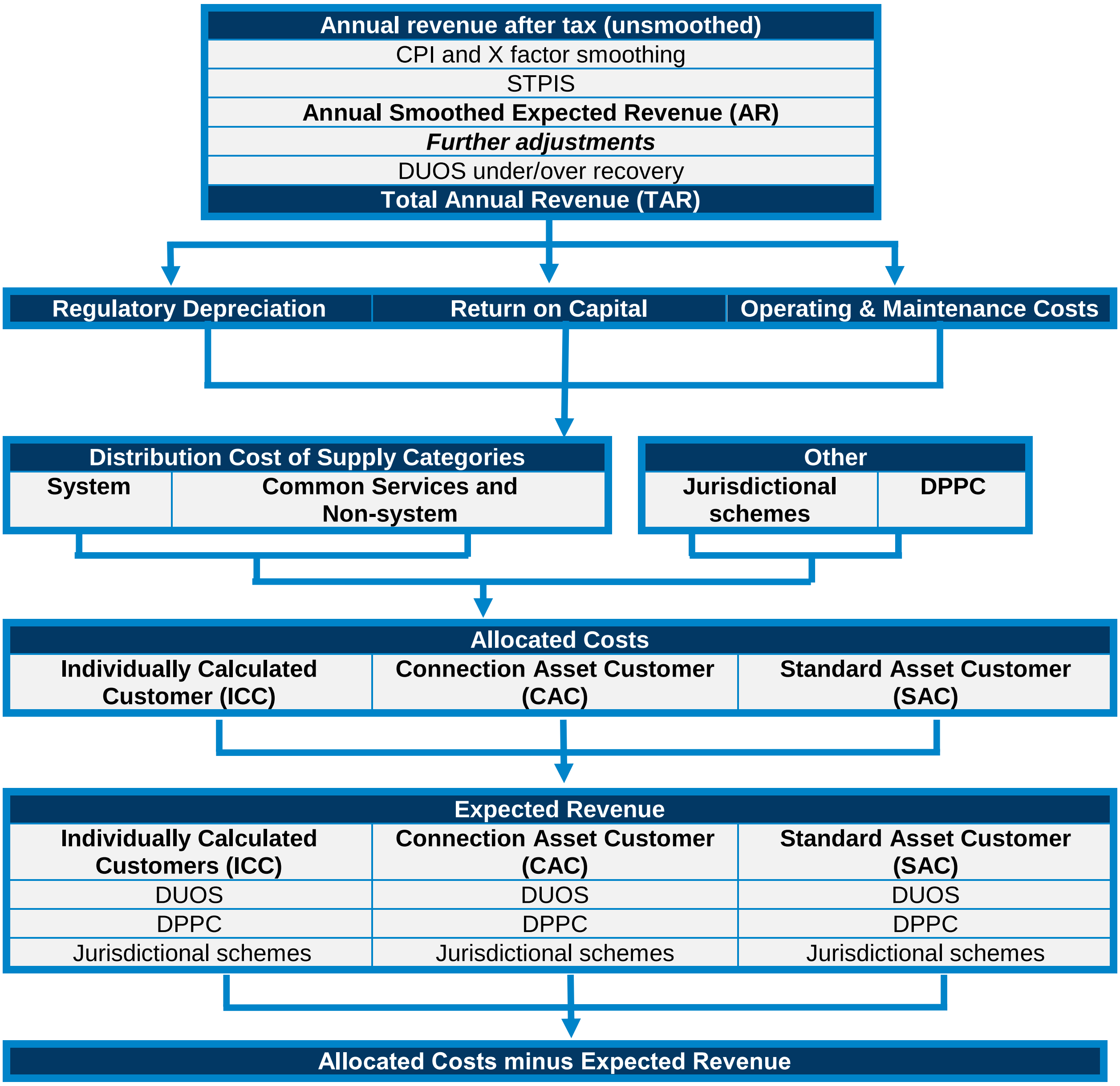
As a result, we maintain an 'unders and overs' balance to record the allowed revenue shortfalls/over-recoveries prior to the financial balance being cleared through an annual network tariff adjustment.

We will use the residual charging parameters to manage customer impacts and in doing so will meet our price stability pricing objective. The AER must assess the way in which we clear our ‘unders and overs’ balance as part of its assessment of our annual Pricing Proposal.

We allocate our allowed revenue to our tariff classes using our distribution pricing model, which allocates network costs to the tariff classes, and therefore network voltage levels, in an economically efficient manner while taking into consideration the pricing principles.

Our high-level revenue allocation method is set out in the following diagram.

Figure 1 - Revenue allocation flowchart



In addition to the Total Annual Revenue (distribution network costs), transmission network costs (also known as Designated Pricing Proposal Charges (DPPC)) and applicable jurisdictional scheme amounts (if any) are included in the overall annual cost for recovery from customers. DPPC include:[4]

[4] This includes the charges levied on us in relation to Chumvale and three Powerlink connection points.

- Payments made to Powerlink for transmission network services
- Avoided charges for the locational component of prescribed transmission services referred to as avoided Transmission Use of System (avoided TUOS),
- Payments made to other DNSPs for use of the network,

and are recovered through our network tariffs via distinct and transparent tariff charging elements.

We will set network tariffs for each regulatory year in our annual Pricing Proposal in such a way as to comply with the requirements of clauses 6.18.7 and 6.18.7A of the NER, as they apply to the recovery of DPPC and jurisdictional scheme amounts respectively.

2.4.3 Recover efficient costs in a way that minimises distortions to price signals

Clause 6.18.5(g)(3) of the NER requires that we recover our efficient costs in a way that minimises distortions to price signals. As set out in the previous section, we recover our efficient cost by ensuring our tariffs are set to recover no more or less than the annual revenue requirement for each regulatory year. To minimise distortions to price signals, we have for each cost-reflective tariff, identified a tariff charge parameter that will be used to signal LRMC (refer to Section 2.3) and will recover residual revenues through other tariff charge parameters.

For example, in the case of our demand tariffs, we only signal LRMC through the demand charge ($/kW/month) and recover all the other residual revenues through the fixed (supply) and volume (usage) charges.

However, notwithstanding the above, it should be noted that for a number of our legacy demand tariffs, some residual costs are recovered through the same tariff charge parameter that signals LRMC. Further on the cost reflectivity spectrum, our legacy volumetric tariffs recover primarily residual revenue as the energy charging component does not lend itself to signalling LRMC.

The underlying approach we have taken to achieving least distortionary residual recovery has been based on determining the main parameters suitable to recover residual revenue as the fixed and energy charges. We see the main distortion risks associated with these options as full network bypass if the level of fixed charge reaches too high a threshold and partial by-pass to the extent that network volume rates contribute to a total retail energy price that encourages energy substitution (e.g. generation, efficiency investment etc.)

The emergent balance between fixed and volume residual recovery and our ability to achieve change in the existing balance has in turn been influenced by our customer impact constraints.

In practice, the total amount of residual to be recovered is influenced by the level of the LRMC related parameter rates, the proportion of total revenue they recover and the total amount of revenue to be recovered. Suppression of LRMC rates leads to a greater level of revenue to be recovered through the residual and the greater potential for distortion to occur. In the first instance we therefore seek to maximise LRMC recovery within the customer impact constraints so as to minimise the amount of residual. We then increase the level of fixed charges (again to the limits achievable with the customer impact constraint) and then recover the balance through volume charges. This approach is seen as least distortionary as it is energy use which is currently seen as the most responsive behavioural change option to price and therefore the element of revenue recovery where residual recovery should be minimised.

We note that over the next 5 years the distortionary risks associated with residual recovery in the energy charges have been reduced because the reduction in total revenue requirements will drive through to lower energy rates. As LRMC recovery increases over time, residual recovery requirements are expected to reduce further.

2.4.4 Approach to annual rate transition and associated indicative pricing

In respect of pricing side constraints, Ergon Energy under the NER[5] is limited to the annual movement of revenue recovery between tariff classes. The AER's Final Decision[6] sets out the pricing side constraints as they apply to Ergon Energy in the 2020 to 2025 regulatory period.

In additional to these NER pricing side constraints, Ergon Energy has decided to adopt additional constraints to manage customer impacts for SAC customers.

In the annual 2021 to 2025 periods it is proposed to balance the joint outcomes of managing progression of the tariff reform agenda while limiting the annual customer impacts associated with tariff reform in the following framework.

An over-riding ceiling on individual SAC customer impacts of an additional 2.5% higher than the annual change in Maximum Allowable Revenue (MAR)[7] for the provision of standard control distribution services will apply. For example if the annual change in MAR is -4%, the annual change in tariffs must not result in an individual customer receiving a DUOS bill change in nominal terms of greater than -1.5%.

Within this overall customer impact ceiling the approach to annual rate setting within each tariff will be:

- LRMC components of charges will be moved towards full LRMC recovery
- in general fixed costs will be progressively increased
- within each tariff volume rates would be adjusted to be consistent with the required revenue recovery.

In addition to rebalancing components within tariffs we would also continue to make small adjustments to the comparative attractiveness of the tariff options available to a customer.

For SAC Small tariffs, the tariff relativities will be adjusted so that:

- default primary tariff rates offered for basic meters will target a level of revenue recovery that is 1% higher than the change in the MAR (e.g. if the change in MAR is -4%, the rates would be calibrated to recover 3% less than would have occurred based on the previous year's rates).
- the new time of use energy tariffs will target a level of revenue recovery that is 1% higher than the change in the MAR
- the new transitional demand tariffs will target a level of revenue recovery that is the same as the change in the MAR
- the new demand tariffs will target a level of revenue recovery that is 1% lower than the change in the MAR
- rates for tariffs that are grandfathered or transitional will be increased by 2.5% more than the change in the MAR
- controlled load rates will maintain the existing relativities to the basic meter tariffs.

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[5] NER, clause 6.18.6

[6] AER, Final Decision Attachment 13 Control Mechanisms, May 2020

[7] The MAR is equivalent to the Total Annual Revenue parameter in the revenue cap control mechanism applying to the standard control distribution services provided by the Queensland Distributors. Refer to Figure 2.1 in the AER Final Framework and Approach paper. This document is available from:

HTTPS://WWW.AER.GOV.AU/SYSTEM/FILES/AER%20-%20QUEENSLAND%202020-25%20-%20FINAL%20FRAMEWORK%20AND%20APPROACH%20FOR%20ENERGEX%20AND%20ERGON%20ENERGY%20-%20JULY%202018_1.PDF

For SAC Large customers all tariffs will be adjusted by the change in MAR. Within the overall customer impact constraints we will continue to adjust the demand rates to calibrate to LRMC. The price applied to the excess demand charge parameter will not exceed 30% of the applicable LRMC estimate at the DUOS level, except where necessary to satisfy the customer impact principle in the NER.

The high level indicative approach for ICC and CAC rates is based on application of the change in MAR to the existing rates, noting that individual outcomes for these customers can be subject to a number of customer specific circumstances. A more detailed description of the approach to setting the ICC tariffs, particularly in terms of the pass through of the location-specific component of Powerlink's transmission charges, will be provided in the pricing proposal for 2021-22 regulatory year.

It should be noted that the adjustments discussed above represent a statement of intent or an indicative guideline, and as the 2020-25 regulatory period progresses they may not all be compatible with sustainable full revenue recovery. Given the high level of uncertainty associated with a number of the parameters related to the deployment of a suite of new tariffs within a very dynamic operating environment, actual annual rates will be adjusted to be consistent with sustainable full revenue recovery and influenced by factors such as:

- outcomes with respect to churn to the new tariff structures' rates,
- actual outcomes with respect to chargeable quantities,
- level of demand response to tariffs,
- stability of rates in future years as churn occurs,
- smart meter deployment outcomes.

Jurisdictional scheme amounts are excluded from the calculation of the indicative rates for the 2020-25 regulatory control period included in this TSS.

In future years we will in the first instance endeavour to achieve revenue recovery and price sustainability within the above framework. Should it not be possible to achieve revenue recovery or price sustainability, we would continue to utilise the above framework with adjustment directed in a way that minimises deviation while being consistent with sustainable stable pricing outcomes.

2.5 New Tariffs

2.5.1 SAC Small customers

In response to customer and stakeholder feedback, we are presenting four mainstream tariff options to SAC Small customers. These tariffs emerged as alternative 'stepping stones' towards greater cost reflectivity over time compared to the cost reflective structures presented in our June 2019 TSS. The revised tariffs together with the proposed assignment framework leverage the expected increase in customer access to smart meters with the intent of maximising the number of customers on cost reflective tariffs by 2025.

The new cost reflective tariffs for SAC Small customers comprise:

- a Small Business Wide Inclining Fixed Tariff (WIFT) which will be the default tariff for small businesses with basic meters with an annual consumption greater than 20MWh and less than 100 MWh pa[8]

[8] Business customers with basic accumulation meters and greater than 100 MWh per annum will be allowed to be assigned to the WIFT prior to 30 June 2021. After this date, customers assessed as exceeding 100 MWh pa will be reassigned to a new tariff specifically designed for these customers.

- a transitional demand tariff which will be the default tariff for customers with a smart meter
- an optional 'standard' demand tariff, and
- an optional time-of-use (ToU) energy tariff.

The two demand tariffs both have the same structure with a non-seasonal peak window between 4pm and 9pm proposed to apply every day for residential customers and week days for small business customers. The tariffs will differ in terms of the rates, with the transitional demand tariff having a much lower demand charge which will allow the price impact for customers assigned to these tariffs to be managed.

The ToU energy tariff has the same peak (evening) window as the demand tariffs, together with a day (off-peak) and night (shoulder) window, each with different energy rates.

Both the residential and business versions of these tariffs are described in Table 3 below.

We believe these tariff structures offer a credible path toward a capacity-based future and greater cost reflectivity. We also believe these tariff structures will provide enhanced customer choice and are relatively easy for customers to understand, in particular the ToU energy tariff.

In addition, SAC Small transitional ToU tariff structures and a fixed annual dual rate demand tariff structure that are consistent with existing retail tariff structures are proposed to be offered in the Ergon Energy East zone post 1 July 2021 on a strictly limited access basis and only to existing customers on transitional retail tariffs or those who have been on the transitional retail tariffs in the 2017-20 TSS. This group of customers will be familiar with the proposed tariff structures given the alignment with the existing retail transitional tariff structure.

It should also be noted that a Small Business Wide Inclining Fixed Tariff (WIFT) will be the default tariff for small businesses with basic meters with consumption greater than 20MWh and less than 100 MWh per year. Small business customers with basic meters and consumption below 20MWh per year will remain on the legacy inclining block tariff (IBT).

2.5.2 SAC Large customers

Given our SAC Large customers have been exposed to demand charging for some time and are therefore familiar with the concept of demand-based network tariffs, we have taken a different approach to consulting with these customers.

Existing SAC Large customers will have the opportunity to opt-in to a proposed new ToU demand tariff "Large Business ToU Demand" or the proposed new primary load control tariff "Large Business Primary Load Control" as well as retaining the option to access the existing anytime demand tariffs "Demand Small", "Demand Medium" and "Demand Large".

All SAC Large tariffs except for the grandfathered STOUD tariff will be offered on a kVA basis. The anytime demand tariffs will be offered on a kVA chargeable demand basis. Where customer metering does not support kVA billing data being available, a kW denominated version of the tariff will continue to be available. Access to the kW demand charge tariff will be based on the capability of the customer's metering. The proposed new Large Business ToU Demand tariff for SAC Large customers will be offered on a kVA chargeable demand basis only.

Charging windows for demand tariffs are outlined in Table 6.

2.6 Tariff assignment and reassignment policy

In response to the economic uncertainty resulting from the COVID-19 pandemic, the initial tariff assignment on 1 July 2020 and during the first year of the regulatory control period (2020-21) will differ from the remainder of the 2020-25 regulatory control period, particularly for small customers (residential and small business).

2.6.1 2020-21 Financial year

From 1 July 2020, Ergon Energy will immediately assign to the transitional demand tariff:

- new SAC Small customers[9], and
- existing SAC Small customers that initiate an upgrade from their basic accumulation meter to a smart meter (e.g. to install new solar PV)

Ergon Energy will assign existing SAC Small customers that receive a smart meter for reasons that are not initiated by the customer (e.g. due to end of life reasons) to the transitional demand tariff at the end of 12 month grace period from the date of meter replacement, unless their retailer chooses to voluntarily opt-in to a cost reflective tariff during this grace period.

To mitigate the potential impact of the COVID-19 pandemic, Ergon Energy will allow retailers to voluntarily opt-out their SAC small customers on a transitional demand tariff to a legacy flat tariff in 2020-21.[10] It is important to note that Ergon Energy will reassign all SAC Small customers with a smart meter on a legacy inclining tariff to the transitional demand tariff on 1 July 2021.[11] Retailers will be allowed to voluntarily opt-in customers to the time of use tariff from 1 July 2020.

2.6.2 Remainder of 2020-25 regulatory control period

Ergon Energy will immediately assign new SAC Small customers that connect to the electricity distribution network to the transitional demand tariff. Similarly existing SAC small customers that initiate an upgrade from their basic accumulation meter to a smart meter will be immediately reassigned by Ergon Energy from the legacy flat tariff to the transitional demand tariff.

All existing customers that installed a smart meter prior to 1 July 2020 will be reassigned from a legacy flat tariff to a transitional demand tariff on 1 July 2021 unless their retailer chooses to voluntarily opt-in to a cost reflective tariff during this grace period.

Where retailers choose to voluntary opt existing customers with smart meters from a cost reflective network tariff to a legacy flat network tariff in 2020-21, Ergon Energy will reassign these customers to the transitional demand tariff on 1 July 2021.

Existing SAC Small customers that received a smart meter due to reasons not initiated by the customer (e.g. end of life replacement) during 2020-21 will be reassigned to a transitional demand tariff at the end of their 12 month grace period[12] from the date of meter replacement unless their retailer has already voluntarily opted into a cost reflective tariff.

Existing SAC small customers that received a smart meter due to end of life reasons after 30 June 2021 will be reassigned to the transitional demand tariff at the end of 12 month grace period[13] from the date of meter replacement, unless their retailer chooses to voluntarily opt-in to a cost reflective tariff during this grace period.

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[9] New customer means a new connection to the distribution network. It does not refer to a change in occupancy of an existing premises.

[10] Note small business customers with basic metering consuming more 20MWh per year who were assigned to the WIFT on 1 July 2020 who subsequently upgraded to a digital metering and therefore reassigned to the transitional demand tariff will only be able to opt out to small business IBT.

[11] Except customers that have a smart meter installed due to the end of life reasons within the previous 12 months.

[12]The actual grace period provided to customers in practice may within reason vary from the 12 month requirement due to the billing system constraints.

[13] The actual grace period provided to customers in practice may within reason vary from the 12 month requirement due to the billing system constraints.

2.6.3 SAC Large Default

When a meter churns or when a meter is installed the retailer must nominate a SAC Large network tariff. The SAC Large tariffs are all optional tariffs (except the grandfathered STOUD tariff). Demand small customers typically have demand up to the 135kVA threshold, demand medium customers sit between the 135 and 450kVA thresholds and demand large customers are over 450kVA. At the installation of a SAC Large new connection or a meter churn, the Retailer/Meter Provider is required to nominate a valid network tariff code. Where a retailer has not nominated a valid network tariff, the distributor will use the available site information and attributes to estimate the load characteristics for the premises in terms of the Demand Small, Demand Medium, Demand Large tariffs and on a best endeavours basis match those characteristics to the optimal default Demand Small, Demand Medium or Demand Large tariff. The optional alternative tariffs remain available to the customer. It should also be noted that in the absence of not having enough information, we would default the site to the Demand Small tariff.

2.7 Compliance with rules and regulatory instruments

In developing this TSS, we have complied with all rules and regulatory instruments as demonstrated in Appendix B (Compliance Matrix).

3. STANDARD CONTROL SERVICES: TARIFF CLASSES AND TARIFFS

The NER defines tariff classes as ‘a class of customers for one or more direct control services who are subject to a particular tariff or particular tariffs’. All customers who take supply from us for direct control services are a member of at least one tariff class.

Our tariff classes group retail customers on the basis of their usage, voltage level and nature of connection in accordance with clause 6.18.4 of the NER. Further, in accordance with clause 6.18.3(d) of the NER, our tariff classes group retail customers together on an economically efficient basis and to avoid unnecessary transaction costs as set out in section 3.2.

For our SCS, we have defined our tariff classes for the 2020-25 regulatory control period on the basis of voltage level (Sub-transmission voltage, High voltage and Low voltage) and by geographic region (East zone, West Zone and Mount Isa Zone).[14]

3.1 Ergon Energy’s tariff classes

The proposed tariff classes and tariff structures for SCS for the 2020-25 regulatory control period are set out in Table 2 below.

Table 2 - Tariff classes

Tariff class	Eligible customers
Standard Asset Customers (SAC) • East zone • West zone • Mount Isa Zone	All customers connected at LV with installed capacity up to 1,000kVA are classified as SACs.
Connection Asset Customers (CAC) • East zone • West zone • Mount Isa zone	Customers with a network coupling point at 66kV, 33kV, 22kV, 11kV and installed capacity above 1,000kVA who are not allocated to the ICC tariff class are allocated to the CAC tariff class.
Individually Calculated Customers (ICC)	Customers are allocated to the ICC tariff class if they are coupled to the network at 132kV, 110kV, 66kV or 33kV and with installed capacity above 10 MVA.[a] Customers may also be allocated to the ICC tariff class if they are coupled to the network at 132kV, 110kV, 66kV or 33kV and with installed capacity below 10 MVA where: ○ A customer has a dedicated distribution system which is quite different and separate from the remainder of our distribution system ○ At the determination of the DNSP, the nature of the customer’s connection to the network, and/or usage of the network, make average prices inappropriate ○ Subject to the Policy set out in Appendix A, eligible CAC customers accessing transitional or obsolete retail tariffs and who can demonstrate they are facing extraordinary customer impacts post retirement of the retail tariffs and that this financial impact is directly attributable to their network charges, or ○ A customer is connected at or close to a Transmission Connection Point.

[14] ICC tariff class does not have a regional basis

Tariff class	Eligible customers
Note: a, Some existing customers coupled to the HV network at lower voltage levels will remain allocated to the ICC tariff class for legacy reasons.	

We have retired the Embedded Generator (EG) network tariff class in the 2020-25 regulatory control period. We recognise there is no longer a need to distinguish network users who predominantly export energy to the distribution network at the network tariff class level. This is because appropriate network signals can be delivered to all customers through the proposed cost reflective network tariffs.

3.2 Ergon Energy's tariffs

Each tariff class consists of a number of individual tariffs that are established on a similar basis as the tariff classes. In grouping customers with similar usage and connection to the network, we ensure that there are not an excessive number of tariffs, and in doing so this minimises transactional costs. Furthermore, in developing our network tariffs in this revised TSS, we have ensured that they are clear and easily understood by customers.

In accordance with clause 6.1.4 of the NER, we do not apply DUOS charges for the export of electricity generated by the user into the distribution network. However, should the provisions of the NER change during the 2020-25 regulatory control period to permit such charges, we propose to review our network pricing methodology relating to DUOS charges for the export of electricity. Such a change may necessitate a change to the 2020-25 TSS to ensure the provisions of any such NER change are reflected in our tariff structures.

The available network tariffs for SCS for 2020-25 are described in the table below. Individual tariffs have been categorised as being either a primary tariff or a secondary tariff. Every customer must be assigned to a primary tariff.[15] In contrast, customers can access a secondary tariff on an optional basis. Secondary tariffs are generally load control tariffs.

[15] In this TSS, with the exception of the grandfathered Solar Bonus Scheme tariff, a customer is defined by its National Meter Identifier (NMI).

Table 3 - SCS SAC tariffs for 2020-25

Tariff description		Tariff assignment policy (Year 1)	Tariff assignment policy (Years 2-5)	Regions	2020-25 Status
Primary tariffs:					
SAC Small tariffs for eligible low voltage (LV) small customers[a, b, c, d]					
Residential Inclining Block (IBT)	Energy consumption blocks under the IBT structure are specified in Table 5. Secondary load control tariffs can be accessed with this primary tariff. This tariff cannot be used in conjunction with any other primary residential tariffs.[g]	Default tariff for all SAC Small residential customers with a basic meter.	Default tariff for all SAC Small residential customers with a basic meter.	East, West, Mount Isa	Ongoing
		Default tariff[16] for SAC Small residential customers with a smart meter where the customer's smart meter was installed: • before 1 July 2020, or	Default tariff for SAC Small residential customers who upgraded from basic to smart metering for end of life replacement reasons in the previous 12 months. [17]		

[16] Except for customers already assigned to a cost reflective tariff
[17] Note this requirement is on a reasonable endeavours basis.

Tariff description		Tariff assignment policy (Year 1)	Tariff assignment policy (Years 2-5)	Regions	2020-25 Status
		• during 2020-21 and upgraded from basic to smart metering for end-of-life replacement reasons. Optional tariff for any other SAC Small residential customer with a smart meter.	Not available to any other SAC Small residential customer with a smart meter.		
Residential Transitional Demand (new)	This tariff's kW demand charging window is outlined in Table 6. Secondary load control tariffs can be accessed with this primary tariff. This tariff cannot be used in conjunction with IBT Residential.	Default tariff for all new[18] SAC small residential customers. Default tariff for all existing residential customers who initiate an upgrade[19] to a smart meter. Optional tariff for any other SAC Small residential customer with a smart meter.	Default tariff for all new[20] SAC small residential customers. Default tariff for all existing residential customers who initiate an upgrade[21] to a smart meter. Default tariff for SAC Small residential customers who upgraded from basic to smart metering for end of life replacement reasons – default reassignment to transitional demand tariff occurs 12 months after smart meter installation. [22] Default tariff for any other SAC Small residential customers with smart metering who was	East, West, Mount Isa	Introduce from 1 July 2020

[18] New customer means a new connection to the distribution network.
[19] This is where the Retailer or customer initiate the upgrade of their metering such as for the purpose of enabling a rooftop solar installation or changing their connection characteristic (upgrade to 3 phase) to enable the installation of an air conditioner or electric vehicle charger.
[20] New customer means a new connection to the distribution network.
[21] This is where the Retailer or customer initiate the upgrade of their metering such as for the purpose of enabling a rooftop solar installation or changing their connection characteristic (upgrade to 3 phase) to enable the installation of an air conditioner or electric vehicle charger.
[22] Note this requirement is on a reasonable endeavours basis.

Tariff description		Tariff assignment policy (Year 1)	Tariff assignment policy (Years 2-5)	Regions	2020-25 Status
			assigned to the residential IBT as at 30 June 2021. Optional tariff for any other SAC Small residential customer with a smart meter.		
Residential Demand (new)	This tariff's kW demand charging window is outlined in Table 6. Secondary load control tariffs can be accessed with this primary tariff. This tariff cannot be used in conjunction with Residential IBT.	Optional tariff for any SAC Small residential customer with a smart meter.		East, West, Mount Isa	Introduce from 1 July 2020
Residential ToU Energy (new)	The ToU energy charging windows are defined in Table 6. Secondary load control tariffs can be accessed with this primary tariff. This tariff cannot be used in conjunction with Residential IBT.[g]	Optional tariff for any SAC Small residential customer with a smart meter.		East, West, Mount Isa	Introduce from 1 July 2020
Residential Seasonal ToU Energy	This optional tariff was available in the last regulatory control period to existing residential customers with smart metering. It will be retired from 1 July 2020.	Tariff not available in the new regulatory control period. Existing customers on this tariff as at 30 June 2020 will be re-assigned to the Residential Transitional Demand Tariff on 1 July 2020, unless their retailer requests reassignment to an optional cost reflective tariff or the Residential IBT.	N/A	East, West, Mount Isa	Retire from 1 July 2020
Residential Seasonal ToU Demand	This optional tariff was available in the last regulatory control period to residential customers with smart	Tariff not available in the new regulatory control period.	N/A	East, West, Mount Isa	Retire from 1 July 2020

Tariff description		Tariff assignment policy (Year 1)	Tariff assignment policy (Years 2-5)	Regions	2020-25 Status
	metering. It will be retired from 1 July 2020.	Existing customers on this tariff as at 30 June 2020 will be re-assigned to the Residential Transitional Demand Tariff on 1 July 2020 unless their retailer requests reassignment to an optional cost reflective tariff or the Residential IBT.			
Inclining Block (IBT) Small Business	The IBT Small Business tariff's 3 inclining blocks are specified in Table 5. The tariff cannot be used in conjunction with any other primary tariffs.[g] Secondary load control tariffs can be accessed with this primary tariff.	Default tariff for SAC Small business customers with a basic meter consuming up to 20MWh per year.	Default tariff for SAC Small business customers with a basic meter consuming up to 20MWh per year.	East, West, Mount Isa	Ongoing
		Default tariff[23] for SAC Small business customers with a smart meter consuming up to and including 20MWh per year where the customer's smart meter was installed: • before 1 July 2020, or • during 2020-21 and upgraded from basic to smart metering for end-of-life replacement reasons.	Default tariff for SAC Small business customers consuming up to and including 20MWh per year who upgraded from basic to smart metering for end of life replacement reasons in the previous 12 months. [24] Not available to any other SAC Small business customer with a smart meter.		

[23] Except for customers already assigned to a cost reflective tariff.
[24] Note this requirement is on a reasonable endeavours basis.

Tariff description		Tariff assignment policy (Year 1)	Tariff assignment policy (Years 2-5)	Regions	2020-25 Status
		Optional tariff for any other SAC Small business customer with a smart meter consuming less than 20MWh.			
Small Business Wide Inclining Fixed Tariff (new)	The tariff's inclining fixed blocks are specified in Table 5. Secondary load control tariffs can be accessed with this primary tariff. It cannot be used in conjunction with any other primary residential tariffs.	Default tariff for SAC Small business customers with a basic meter with consumption greater than 20MWh and less than 100MWh per year. Reassignment of existing customers to occur upon their first meter read after 1 July 2020.	Default tariff for SAC Small business customers with a basic meter with consumption greater than 20MWh less than 100MWh per year.	East, West, Mount Isa	Introduce from 1 July 2020
Small Business Transitional Demand (new)	The Small Business Transitional Demand tariff's kW demand charging window is outlined in Table 6. Secondary load control tariffs can be accessed with this primary tariff. This tariff cannot be used in conjunction with IBT Small Business.	Default tariff for all new[25] SAC Small business customers. Default tariff for all existing SAC Small business customers who initiate an upgrade[26] to a smart meter. Optional tariff for any other SAC Small business customer with a smart meter.	Default tariff for all new[27] SAC Small business customers. Default tariff for all existing SAC Small business customers who initiate an upgrade[28] to a smart meter. Default tariff for SAC Small business customers who upgraded from basic to smart metering for end of life replacement reasons – default reassignment to transitional demand tariff	East, West, Mount Isa	Introduce from 1 July 2020

[25] New customer means a new connection to the distribution network.
[26] This is where the Retailer or customer initiate the upgrade of their metering such as for the purpose of enabling a rooftop solar installation or changing their connection characteristic (upgrade to 3 phase) to enable the installation of an air conditioner or electric vehicle charger.
[27] New customer means a new connection to the distribution network.
[28] This is where the Retailer or customer initiate the upgrade of their metering such as for the purpose of enabling a rooftop solar installation or changing their connection characteristic (upgrade to 3 phase) to enable the installation of an air conditioner or electric vehicle charger.

Tariff description		Tariff assignment policy (Year 1)	Tariff assignment policy (Years 2-5)	Regions	2020-25 Status
			occurs 12 months after smart meter installation. [29] Default tariff for any other SAC Small business customers with smart metering who was assigned to the Small Business IBT as at 30 June 2021. Optional tariff for any other SAC Small business customer with a smart meter.		
Small Business ToU Energy (new)	The tariff's fixed blocks are specified in Table 5. The tariff's ToU energy charging windows are defined in Table 6. Secondary load control tariffs can be accessed with this primary tariff. This tariff cannot be used in conjunction with IBT Small Business.	Optional tariff for any SAC Small business customer with a smart meter.		East, West, Mount Isa	Introduce from 1 July 2020
Small Business Seasonal ToU Energy	This optional tariff was available to existing small business customers with a ToU-capable meter. It will be retired on 1 July 2020. Secondary load control tariffs can be accessed with this primary tariff option. The Seasonal ToU energy charges are defined in Table 6.	Tariff not available in the new regulatory control period. Existing customers on this tariff as at 30 June 2020 will be re-assigned to either the Small Business IBT or the Small Business Transitional Demand tariff by default depending on their metering, unless their retailer requests re-assignment to an optional tariff.	N/A	East, West, Mount Isa	Retire on 1 July 2020

[29] Note this requirement is on a reasonable endeavours basis.

Tariff description		Tariff assignment policy (Year 1)	Tariff assignment policy (Years 2-5)	Regions	2020-25 Status
Small Business Seasonal ToU Demand	This tariff was available to small business customers. It will be retired from 1 July 2020. This tariff's demand charging window is outlined in Table 6.	Tariff not available in the new regulatory control period. Existing customers on this tariff as at 30 June 2020 will be re-assigned to either the Small Business IBT or the Small Business Transitional Demand tariff by default depending on their metering, unless their retailer requests re-assignment to an optional tariff.	N/A	East, West, Mount Isa	Retire from 1 July 2020
Small Business Demand (new)	This optional tariff is available to new small business customers with smart meters. This tariff's kW demand charging window is outlined in Table 6. Secondary load control tariffs can be accessed with this primary tariff option. This tariff cannot be used in conjunction with IBT Business.	Optional tariff for any SAC Small business customer with a smart meter.		East, West, Mount Isa	Introduce from 1 July 2020
Small Business Primary Load Control Tariff (new)	This tariff cannot be used in conjunction with any other primary or secondary tariff.	Optional tariff for SAC Small business customers with a basic or smart meter subject to the terms and conditions set out in Ergon Energy's annual pricing proposal.		East, West, Mount Isa	Introduce from 1 July 2020
Transitional Network ToU Energy Tariff 1 (new)	Tariff structure windows mirror existing Gazetted Transitional Retail tariffs for Tariff 62 - Fixed ($/day), peak and off peak volume charges ($/kWh). This tariff's charging windows are outlined in Table 6.	N/A	Optional tariff available to existing SAC Small business customers where they accessed transitional Tariff 62 at some point in the period 1 July 2017 to 30 June 2020.	East	Introduce from 1 July 2021 and grandfathered immediately

Tariff description		Tariff assignment policy (Year 1)	Tariff assignment policy (Years 2-5)	Regions	2020-25 Status
Transitional Network ToU Energy Tariff 2 (new)	Tariff structure windows mirror existing Gazetted Transitional Retail tariffs for Tariff 65 - Fixed ($/day), peak and off peak volume charges ($/kWh). This tariff's charging windows are outlined in Table 6.	N/A	Optional tariff available to existing SAC Small business customers where they accessed transitional Tariff 65 at some point in the period 1 July 2017 to 30 June 2020.	East	Introduce from 1 July 2021 and grandfathered immediately
Transitional Network Dual Rate Demand Tariff 3 (new)	Tariff Structure windows mirror existing Gazetted Transitional Retail tariffs Tariff 66 - Fixed charge ($/day), demand ($/kW/month) first 7.5kW, demand ($/kW/month) > 7.5 kW, volume charge ($/kWh). This tariff's charging windows are outlined in Table 6	N/A	Optional tariff available to existing SAC Small business customers where they accessed transitional Tariff 66 at some point in the period 1 July 2017 to 30 June 2020.	East	Introduce from 1 July 2021 and grandfathered immediately
SAC Large tariffs for eligible LV large customers[b,e,f]					
Demand Large[h]	This tariff comprises a fixed charge in $ per day, actual anytime maximum demand charge in $/kVA/month (or $/kW/month) with a minimum 450 kVA (or 400 kW) threshold and a volume charge in $ per kWh. Customers must have appropriate smart metering to access this tariff.	Optional tariff available to all SAC Large customers with a smart meter.		East, West, Mount Isa	Ongoing
Demand Medium[h]	This tariff comprises a fixed charge in $ per day, actual anytime maximum demand charge in $/kVA/month (or $/kW/month) with a minimum 135 kVA (or 120 kW) threshold and a volume charge in $ per kWh.	Default tariff for new Demand Medium customers. Optional tariff available to all SAC Large customers with a smart meter.		East, West, Mount Isa	Ongoing

Tariff description		Tariff assignment policy (Year 1)	Tariff assignment policy (Years 2-5)	Regions	2020-25 Status
Demand Small[h]	This tariff comprises a fixed charge in $ per day, actual anytime maximum demand charge in $/kVA/month (or $/kW/month) with a minimum 35kVA (or 30 kW) threshold and a volume charge in $ per kWh. Customers must have appropriate smart metering to access this tariff.	Default tariff for new Demand Small customers. Optional tariff available to all SAC Large customers with a smart meter.		East, West, Mount Isa	Ongoing
Large Business ToU Demand (new)	This is the default tariff for new Demand Large customers with a smart meter and is available on an opt-in basis to all SAC Large customers with a smart meter. This tariff comprises a fixed charge in $ per day, a peak demand charge in $/kVA/month during the peak period, and a volume charge in $ per kWh. It also includes an excess demand charge in $/kVA/month based on the maximum of zero or the difference between a single peak outside the peak charging period and the peak demand quantity. This tariff's demand charging windows are defined in Table 6.	Default tariff for new Demand Large customers. Optional tariff available to all SAC Large customers with a smart meter.		East, West, Mount Isa	Introduce from 1 July 2020
Seasonal ToU Demand	This tariff will be closed to new customers from 1 July 2020. This tariff comprises a fixed charge in $ per day, actual demand charge in $/kW/month for Summer (peak) and non-Summer (off-peak)	Default tariff for existing customers already assigned to this tariff. Closed to new customers.[30]		East, West, Mount Isa	Grandfathered from 1 July 2020

[30] New customers in this instance means any customers not already assigned to this tariff as at 30 June 2020.

Tariff description		Tariff assignment policy (Year 1)	Tariff assignment policy (Years 2-5)	Regions	2020-25 Status
	periods, and a volume charge in $ per kWh. This tariff's demand charging windows are defined in Table 6. Existing customers on this tariff will be able to opt-in to the Large Business ToU Demand tariff, or applicable anytime demand tariff (Demand Large, Demand Medium and Demand Small) on 1 July 2020.				
Large Business Primary Load Control Tariff (new)	This optional tariff is offered to new and existing SAC Large customers. Total connected load is controlled by network equipment so supply will be available for a minimum period of 18 hours per day during time periods set at the absolute discretion of Ergon Energy. Full terms and conditions are provided in Ergon Energy's annual Pricing Proposal. The tariff comprises a fixed charge in $ per day and a volume charge in $ per kWh. This tariff cannot be used in conjunction with any other primary or secondary tariff.	Optional tariff for eligible SAC large customers.		East, West, Mount Isa	Introduce from 1 July 2020
Residential customer (Basic)>100 MWh pa (new)	This tariff applies to residential customers[31] with basic metering with energy consumption greater than 100 MWh per year. The charging parameters under this tariff are required to be based on	N/A	Default tariff for residential customers with basic metering consuming more than 100 MWh per year. Not available to any other customer.	East, West, Mount Isa	Introduce on 1 July 2021

[31] Includes embedded networks with predominantly residential usage such as apartment buildings, retirement homes and caravan parks.

Tariff description		Tariff assignment policy (Year 1)	Tariff assignment policy (Years 2-5)	Regions	2020-25 Status
	actual quantities from a network billing perspective. Note: Ergon Energy will set out the price level and structure of this tariff as part of the pricing proposal process for 1 July 2021 tariffs.[32]				
Business customer (Basic)>100 MWh pa (new)	This tariff applies to business customers with basic metering with energy consumption greater than 100 MWh per year. The charging parameters under this tariff are required to be based on actual quantities from a network billing perspective. Note: the price level and structure of this tariff will be approved by the AER as part of the pricing proposal process from 1 July 2021.[33]	N/A	Default tariff for business customers with basic metering consuming more than 100 MWh per year. Not available to any other customer.	East, West, Mount Isa	Introduce on 1 July 2021
Secondary tariffs for eligible LV small customers[a]					
Volume Night Controlled	Specified connected appliances are controlled by network equipment so supply will be permanently available for a minimum period of 8 hours per day during time periods set at the absolute discretion of Ergon Energy. This tariff can be used in conjunction with any primary SAC Small Tariff (except Small Business Primary Load Control Tariff). Full terms and conditions are provided in Ergon Energy's annual Pricing Proposal. This tariff is available for customers with	Optional secondary tariff for eligible customers		East, West, Mount Isa	Ongoing

[32] This proposal will only be approved if the AER is satisfied that it complies with the pricing principles in the NER.
[33] This proposal will only be approved if the AER is satisfied that it complies with the pricing principles in the NER.

Tariff description		Tariff assignment policy (Year 1)	Tariff assignment policy (Years 2-5)	Regions	2020-25 Status
	basic or smart meters. It comprises a volume charge in $ per kWh.				
Volume Controlled	Specified connected appliances are controlled by network equipment so supply will be available for a minimum period of 18 hours per day during time periods set at the absolute discretion of Ergon Energy. This tariff can be used in conjunction with any primary SAC Small Tariff (except Small Business Primary Load Control Tariff). Full terms and conditions are provided in Ergon Energy's annual Pricing Proposal. This tariff is available for customers with basic or smart meters. It comprises a volume charge in $ per kWh.	Optional secondary tariff for eligible customers		East, West, Mount Isa	Ongoing
Large Business Secondary Load Control Tariff (new)	This optional tariff is available to new and existing SAC Large customers. Specified connected appliances are controlled by network equipment so supply will be available for a minimum period of 18 hours per day during time periods set at the absolute discretion of Ergon Energy. Full terms and conditions are provided in Ergon Energy's annual pricing Proposal. It comprises a volume charge in $ per kWh.	Optional secondary tariff for eligible customers		East, West, Mount Isa	Introduce from 1 July 2020
Other:					
Unmetered Supply	This tariff is applicable to unmetered supplies for facilities such as public lighting, public telephones, traffic signals, and public barbecues and security	Ongoing tariff		East, West, Mount Isa	Ongoing

Tariff description		Tariff assignment policy (Year 1)	Tariff assignment policy (Years 2-5)	Regions	2020-25 Status
	lights. Ergon Energy only provides connection to the network for these services. The unmetered supply tariff therefore seeks to only recover a contribution towards the shared network (use of system charge). For the provision of public lighting services, additional levies may be incurred; these will be recovered as an ACS.				
Solar FiT	This tariff is part of the Queensland Government Solar Bonus Scheme (SBS) and is available to eligible customers participating in the Scheme. The Queensland Government sets the FiT rate (cents per kWh) to be paid for the excess electricity generated and fed back into the electricity grid. The SBS is now closed to new entrants. A 44c/kWh FiT rate is available to existing customers until 2028 where they continue to meet eligibility requirements.	Ongoing tariff		East, West, Mount Isa	Grandfathered

Notes:

a. A small customer is defined in the National Energy Retail Law (Queensland) Act 2014 as a residential or small business customer with annual energy consumption lower than the threshold determined in Section 7 of the National Energy Retail Regulations.
b. New Customers with dedicated connection assets coupled at the 11kV distribution network cannot access any of the SAC tariffs.
c. Residential customers who exceed the small customer energy consumption threshold will be considered LV large customers and assigned to an applicable SAC Large network tariff.
d. A large customer is defined as an LV customer with annual energy consumption greater than the threshold of a small customer determined in Section 7 of the *National Energy Retail Regulations*.
e. Basic meters refer to Type 6 accumulation meters, and smart meters refer to Type 1-4 communication enabled interval meters. Digital meters refer to both smart meters, Type 5 manually read interval meter and Type 6 digital meters.
f. Legacy SAC Large customers with basic metering assigned to a demand tariff before 1 July 2020 will continue to be charged using inferred demand. These customers will not be allowed to be assigned to a SAC Small network tariff. Customers with basic metering who become SAC Large between 1 July 2020 and 30 June 2021 will remain on their legacy SAC Small network tariff until they have upgraded to a smart meter. These customers will not be permitted to access any

Tariff description	Tariff assignment policy (Year 1)	Tariff assignment policy (Years 2-5)	Regions	2020-25 Status

other SAC Small network tariffs. After 1 July 2021 these customers will be reassigned to the applicable new basic metering tariff for customers with consumption greater than 100MWh per year. Legacy SAC Large customer with demand registered basic metering assigned to a demand tariff will continue to have their meter read manually until they have upgraded to a smart meter.

g. This restriction does not apply to the legacy arrangements in place as of 30 June 2020.

h. kVA demand-based tariff. However, where customer metering does not support kVA billing data being available, a kW denominated version of the tariff will continue to be available.

Table 4 - SCS CAC and ICC Tariffs for 2020-25

Tariff description		Regions	2020-25 Status
CAC 66kV	This is the default tariff for new customers and will remain available to existing CAC customers connected at 66kV.	East, West	Ongoing
CAC 33kV	This is the default tariff for new and existing CAC customers connected at 33kV.	East, West	Ongoing
CAC 22/11kV Bus	This is the default tariff for new and existing CAC customers connected at a 22/11kV bus.	East, West	Ongoing
CAC 22/11kV Line	This is the default tariff for new customers and will remain available to existing CAC customers connected at a 22/11kV line.	East, West	Ongoing
Seasonal ToU Demand 11 or 22 kV Bus	This tariff is available on an opt-basis to CAC customers only connected at 11 or 22kV Bus.	East, West	Ongoing
Seasonal ToU Demand 11 or 22 kV Line	This tariff is available on an opt-in basis to CAC customers only connected at 11 or 22kV Line.	East, West	Ongoing
Seasonal ToU Demand 33 or 66 kV	This tariff is available on an opt-in basis to CAC customers only connected at 33 or 66 kV.	East, West	Ongoing
Standard ICC	This is the standard tariff for customers assigned to the ICC tariff class. Rates are individually calculated and comprise a daily fixed charge in $ per day, a capacity charge in $/kVA/month, a volume charge per kWh and a peak demand charge in $/kVA/month during the billing period.	East, West	Ongoing
Non-standard ICC	This is an optional tariff for existing customers that satisfy the eligibility criteria for the ICC tariff class. Customers are assigned to this tariff. Rates are individually calculated and comprise a daily fixed charge in $ per day, a capacity charge in $/kVA/month, a volume charge per kWh and a peak demand charge in $/kVA/month during the billing period. The price level of the DUoS peak charging parameter of a non-standard ICC tariff is transitioned to LRMC over a reasonable period of transition to mitigate the impact of the introduction of cost reflective pricing.	East, West, Mt Isa	Refer to Appendix A of this TSS

4. STANDARD CONTROL SERVICES: TARIFF STRUCTURES

The term 'tariff structure' is the combination of the charging parameters within a specific tariff. Charging parameters are structured to provide signals to customers about the efficient use of the network and their impact on future network capacity and costs.

The proposed tariff structures and their constituent charging parameters have been developed to achieve the pricing principles in the NER as discussed in Chapter 2 of this TSS.

4.1 Tariff structures of Ergon Energy's primary tariffs

Our network tariffs, tariff structures and implementation approach for residential customers are outlined in Chapter 3 of this TSS. Our proposed tariff structures and charging parameters for the 2020-25 regulatory control period are set out in Table 5 below.

Table 5 - Tariff structures for the proposed tariffs offered from 1 July 2020

Tariff structure	Charging parameter	Application to tariffs
Fixed (or access) charge	Represented as a rate ($) per day or rate ($) per day per device.	Applies to all primary tariffs.
Usage (or volume) charge	Represented as a rate ($) per kWh. Different parameters apply to this charge for different tariffs. Within a tariff structure, usage charge rates can be flat or be applied to different blocks (based on consumption volume) or times (peak and off-peak).	Applies to all primary and secondary tariffs
Block usage (or volume)	Represented as a rate ($) per kWh. Different charges apply to each consumption block. • For the IBT Residential the blocks are: 0<1,000kWh; 1,000-6,000kWh; and >6,000-100,000 kWh • For IBT Business the blocks are: 0<1,000kWh; 1,000-20,000kWh; and >20,000-100,000 kWh.	Applies to the following tariffs: • IBT Residential • IBT Business.
Inclining Fixed charge	Represented as a rate ($) per day. Different charges apply to 20 MWh/year blocks. There are five blocks: 0<20 MWh per year, 20<40 MWh per year, 40<60 MWh per year, 60<80 MWh per year, and =>80MWh per year.	Applies to the: • Small Business WIFT • Small Business ToU Energy
Demand charge	Represented as either a rate ($) per kW or a rate ($) per kVA.[a] Different parameters apply to this charge for different tariffs. Within a tariff structure, demand charge rates can be: • Applied year round (with different peak window rates) • Calculated based on: ○ A single period in the month, or	Applies to all primary tariffs except: • Residential IBT • Business IBT • Residential ToU Energy • Small Business ToU Energy • Small Business WIFT • Controlled load, and • Unmetered supplies.

Tariff structure	Charging parameter	Application to tariffs
	○ The maximum demand within a peak demand window [34] Some tariff structures include a threshold (the demand charge is only calculated for demands recorded above a particular level).	
Excess Demand Charge	Represented as a rate ($) per excess kVA. It is measured as the single maximum demand outside the peak charging window minus the maximum demand during the peak period in the billing period. Where the maximum demand outside the evening window is less than the highest maximum demand inside the evening window in the billing period, the excess demand charge for that billing period is set to zero.	SAC Large ToU Demand tariff
Capacity Charge CAC and ICC	Represented as a rate ($) per kVA	The charge applies to the following primary tariffs: • CAC anytime demand tariffs • ICC site-specific tariffs.
Connection Unit Charge	Represented as a rate ($) per connection unit per day	Applies to all CAC tariffs

Note:

a. We propose to adopt kVA demand-based charging parameters for SAC Large customers. Where customer metering does not support kVA billing data being available, a kW denominated version of the tariff will continue to be available.

4.2 Time of Use charging timeframes

Time of Use (ToU) tariffs offer different charges during peak or off-peak periods and day or evening periods.

The charging periods for ToU tariffs are set out in Table 6 below:

Table 6 - ToU charging timeframes

Tariff class	Network Tariffs	Charging timeframes	Weekdays[a]	Weekends
SAC	**SAC Small tariffs**			
	Residential TOU Energy	Evening (peak)	4pm – 9pm	4pm – 9pm
		Night (shoulder)	9pm – 9am	9pm – 9am
		Day (off-peak)	9am – 4pm	9am – 4pm
		Evening (peak)	4pm – 9pm	No peak

[34] For ICC and CAC customers, demand charges can be determined on the basis of contractual arrangements or as part of the annual pricing proposal using historical demand data.

Tariff class	Network Tariffs	Charging timeframes	Weekdays[a]	Weekends
	Small Business ToU Energy	Night (shoulder)	9pm – 9am	4pm – 9am
		Day (off-peak)	9am – 4pm	9am – 4pm
	Residential Transitional Demand Residential Demand	Evening (peak)	4pm – 9pm	4pm – 9pm
		Day (off-peak)	9pm-4pm	9pm-4pm
		Evening (peak)	4pm-9pm	No peak
		Day	9pm-4pm	Anytime
	Transitional Network ToU Energy Tariff 1	Peak	7am – 9pm first 10,000 kWh	NA
		Peak	7am – 9pm remaining usage	NA
		Off-peak	Usage all other times	All usage all time
	Transitional Network ToU Energy Tariff 2	Peak	Daily period[c]	Daily period[c]
		Off-peak	All other times	All other times
	Transitional Network Dual Rate Demand Tariff 3	Tariff structure windows mirror existing Gazetted Transitional Retail Tariff 66		
	SAC Large tariffs			
	TOU Demand	Evening (peak)	4pm – 9pm	No peak
		Day (off-peak)	9pm – 4pm	Anytime
	Seasonal TOU Demand	Peak	10:00am to 8:00pm during Summer [b]	No peak
		Off-peak	Non-Summer[b]	Anytime
	Seasonal ToU Demand 11 or 22kV Bus Seasonal ToU Demand 11 or 22kV Line Seasonal ToU Demand 33 or 66 kV	Peak	10:00am to 8:00pm during Summer[b]	No peak
		Off-peak	Non-Summer[b]	Anytime

Tariff class	Network Tariffs	Charging timeframes	Weekdays[a]	Weekends

Notes:

a. Weekdays include government gazetted full day public and bank holidays i.e. State, regional and local public holidays.
b. 'Summer' is defined as the months of December, January and February.
c. As agreed between the retailer and the customer one of the following periods: 7am to 7pm; 7.30am to 7.30pm; or 8am to 8pm.

4.3 Indicative Price Schedule

Our proposed SCS charges for the 2020-25 regulatory control period are set out in Attachment A - Indicative Pricing Schedule provided as part of the December 2019 Revised TSS submission.

4.4 Legacy Tariff Consideration

Ergon Energy notes that in addition to the above tariff structures, the possibility exists that there could be a small number of legacy systems arrangements in place which pre-date the TSS requirements in the NER. Ergon Energy will complete a review of their network pricing and billing arrangements on a reasonable endeavours basis by no later than 31 December 2020. The purpose of this review is as follows:

- Identify legacy network tariffs and the number of customers on these tariff arrangements;
- Assess the extent that these customers have been over or under charged at the NUOS level in a historical context;
- In the event Ergon Energy identifies the existence of any such arrangements, to work with relevant stakeholders to develop a plan to:
    - Address any historical over billing of NUOS charges to the extent that it is reasonable to do so;
    - Mitigate the impact of reassigning these customers to an appropriate default network tariff in the future.

5. ASSIGNMENT AND RE-ASSIGNMENT OF CUSTOMERS TO SCS TARIFF CLASSES AND TARIFFS

Clause 6.18.1A(1)(a) of the NER requires that our TSS must include the policies and procedures that will apply for assigning retail customers to tariffs, or reassigning customers from one tariff to another.

The principles and provisions governing the assignment and re-assignment of customers to or between tariff classes and tariffs are outlined in clause 6.18.4 of the NER and the AER's Final Decision on Ergon Energy's 2020-25 Determination.

The process guiding us in assigning and re-assigning customers to tariff classes and tariffs is summarised below and described in Table 3 of this document.

5.1 Tariff class and tariff assignment process

To comply with the NER, our process for tariff class and tariff assignment, ensures no direct control services customer can take supply without being a member of at least one tariff class.

Where a new customer connection request is received and no tariff is nominated, using the tariff assignment process in this section, the customer will be allocated first to a tariff class and then to the most appropriate default tariff. In these instances, we will consider the following connection characteristics:

- The nature and extent of the customer's usage
- The nature of the customer's connection to the network (i.e. voltage at coupling point and/or capacity of connection assets), and
- Whether remotely-read interval or other similar metering technology has been installed at the customer's premises as a result of a regulatory obligation or requirement.

In addition to the above, the following procedures apply:

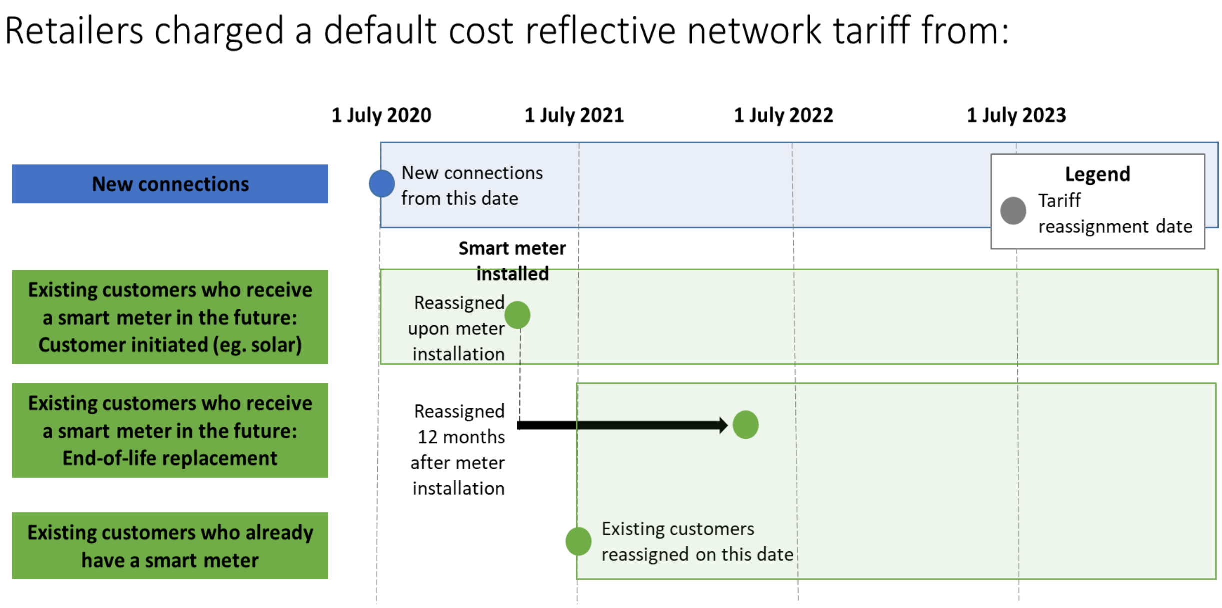
- Customers with similar connection and usage profiles are treated equally
- Assignment of a customer with micro-generation facilities to a tariff will be made on the same basis as other connections in so far as they have a similar usage profile
- New connections with no previous load history will be assigned to the appropriate default tariff based on their network connection agreement specifications, expected energy usage, supply voltage and meter type
- Instead of the default tariff, a customer will be assigned to a specific tariff for which they are eligible if requested by their electricity retailer or electrical contractor, and
- In accordance with clauses 6.18.4(a)(4) and 6.18.4(b) of the NER, assignment of customers to tariff classes and tariffs is reviewed periodically to assess if the tariff assigned to customers is still applicable, given potential changes in usage or load profile. A change in connection voltage means that we will re-assign the customer to a suitable tariff class and eligible tariff in accordance with the process set out in Section 5.3.

Within each tariff class there are several tariffs available. Typically, each tariff class has a default tariff that is applied to customers unless a specific tariff, for which they are eligible, is requested by their electricity retailer or electrical contractor.

From 1 July 2020, new SAC Small customers, and existing SAC Small customers that upgrade[35] to a smart meter will be immediately assigned to the applicable transitional demand tariff. In recognition of the impact of the COVID-19 pandemic, retailers may temporarily request these customers be opted-out to a legacy flat tariff in 2020-21.[36] Existing SAC Small customers that have a digital meter installed prior to 1 July 2020 will not be reassigned to a cost reflective network tariff until 1 July 2021 unless their retailer has already voluntarily opted into a network cost reflective tariff. Existing SAC Small customers that have their basic accumulation meter replaced due to end of life reasons after 30 June 2020 may remain on a legacy flat tariff (IBT) for a period of 12 months from the date of replacement.[37] At the end of this grace period, these customers will be reassigned to the default cost reflective network tariff, unless their retailers has already voluntarily requested reassignment to a cost reflective network tariff.

Figure 2 provides an overview of the procedure for assigning new SAC small customers and existing SAC small customers with a smart meter installed to a cost reflective network tariff in the 2020-25 regulatory control periods.

Figure 2 – Timing of network tariff reform of SAC small customers



In addition, for premises where SAC Small customers have utilised transitional notified retail tariff 62/65/66 at any time during 1 July 2017 to 30 June 2020 these customers may opt-in to transitional network tariffs

[35] This is where the Retailer or customer initiate the upgrade of their metering for the purpose of enabling a rooftop solar installation or changing their connection characteristic (upgrade to 3 phase) to enable the installation of an air conditioner or electric vehicle charger.

[36] All existing SAC small customers with smart meters, except to customers subject to a 12 month grace period, will be reassigned to a transitional demand tariff on 1 July 2021, unless they have already voluntarily opted in to a cost reflective tariff.

[37] This requirement applies to the Queensland distributors on a reasonable endeavours basis.

5.2 Customers with micro-generation facilities

In accordance with clause 6.18.4(a)(3) of the NER, it is our policy to treat customers with micro-generation facilities no less favourably than customers without these facilities but with a similar consumption profile.

Assignment of a micro-generation customer to a tariff class will be made on the same basis as other customers; this being the extent and nature of usage and the nature of the connection to the network. The network tariff will include fixed and variable components, and if the customer's demand and energy are met entirely by the micro-generator, then the levied charge will only be the fixed connection component.

Our compliance with clause 6.18.4(a)(3) of the NER is demonstrated by the fact that customers participating in the Queensland Government's SBS are treated no less favourably than other customers as the billed consumption of these customers will be unaffected by their participation in the SBS. The tariff class assignment is also unaffected by participation in the SBS.

5.3 Tariff class and tariff re-assignment process

We will periodically review the assignment of customers to tariff classes and tariffs to ensure customers are assigned to the correct tariff.

The decision-making process for tariff class and tariff re-assignment is similar to that used for the assignment of customers to tariff classes and tariffs outlined in Section 5.1. Consistent with clause 6.18.4 of the NER, we ensure customers with similar characteristics are treated equitably by specifically considering the nature and extent of their usage and the nature of their connection to the network.

For customers with consumption levels that fluctuate frequently, we may apply a tolerance limit on tariff thresholds of 15% on an annualised consumption basis to mitigate frequent tariff re-assignment and customer impact.

Our detailed procedures for the re-assignment of tariff classes and tariffs for SAC customers have been included in the sections below.

For retailer/customer requested tariff re-assignments, customers are only allowed one tariff change per 12-month period to limit transaction costs and ensure pricing signals are not distorted by constant changes.[38] This condition will not apply to customers who have opted in to the newly introduced Small Business Primary Load Control Tariff, the Large Business Primary Load Control Tariff and the Large Business Secondary Load Control Tariff. Customers on these tariffs will be permitted to opt out of their load control tariffs within the 12-month period. The proposed tariff re-assignment will need to be done in accordance with the procedures set out in Section 6.3.4 below.

5.3.1 Tariff class and tariff re-assignment procedures for major customers

For major customers with connection points coupled at the 11kV network and above, demand and volume characteristics are reviewed annually, while connection assets and network configurations are reviewed periodically or on request.

[38] This customer requested tariff re-assignment is free of charge.

5.3.2 Tariff class and tariff re-assignment procedures for SAC customers

We undertake a review of the assignment of network tariffs and tariff classes to our customers on a regular basis to ensure customers are assigned to the correct network tariff and have suitable metering in place.

SAC customers are assigned a classification of either Large or Small depending on their annual energy consumption. If a customer has an annual consumption greater than the energy consumption threshold specified in the *National Energy Retail Law (Queensland) Act 2014* (the Act), the customer is classified as Large. In addition, a customer who exceeds the annual energy consumption threshold set in the National Electricity Market Metrology Procedure is required to have communication-enabled metering (Type 1–4). Large customers are required to be placed on a demand network tariff subject to having the appropriate metering.

Customers with an annual consumption of less than the energy consumption threshold specified in the Act are classified as Small and can either access an energy-based tariff or, subject to having the appropriate metering, a demand network tariff.

It is important to also note that SAC small customers with a basic meter that are assessed as exceeding the 100 MWh pa threshold after 30 June 2021 will be reassigned to a new tariff (in accordance with the nature of their usage) that is to be introduced on 1 July 2021.[39]

5.3.3 Ergon Energy initiated tariff re-assignment

Small to Large reclassification and network tariff re-assignment

We review SAC customers on an annual energy consumption basis to ensure they are classified correctly and assigned to the appropriate network tariff code. Upon identifying incorrectly classified customers, we will initiate a reclassification and network tariff code re-assignment where the premise is fitted with Type 1-4 metering. We will write to the customer's retailer making it aware of the impending changes.[40]

The notification that is sent to the customer's retailer includes the following:

- The current National Metering Identifier (NMI) classification that the customer is moving from and the new NMI classification they are moving to
- The current network tariff class of the customer and what this is changing to
- The reason for the change
- A definition of what a Small or Large customer is
- The specifications relating to the customer's classification as a Large or Small customer (this includes metering and the governing bodies they may refer to)
- How the customer can dispute the decision, and
- The date the change will take effect (all changes initiated by us are prospective).

Note: Where a customer's NMI is reclassified from Small to Large and has the appropriate metering, we are able to assign the customer to a demand network tariff code as specified in the relevant approved Annual Pricing Proposal.

[39] The level and structure of these new tariffs will be set out in Ergon Energy's 2021-22 pricing proposal

[40] In the case of a premise fitted with a basic accumulation Type 6 meter, we will notify the customer's retailer that a reclassification has occurred and that the customer's meter is non-compliant and would need to be updated to a Type 1-4 meter.

SAC Large customers upgrading to communication-enabled Type 1 – 4 metering

Where a Large customer that is not already on a demand tariff has upgraded their metering from Type 6 (Basic) to Type 1–4 (Comms), we will initiate a network tariff change to a demand tariff. We will notify the customer's retailer electronically by way of a change request notice through Market Settlements and Transfer Solutions.

5.3.4 Retailer initiated reclassification and network tariff code change

A customer's retailer is permitted to submit a Queensland Electricity Supply Industry (QESI) Application for Review form[41] to change classification on any site with any type of metering. For customers on a Type 6 meter (Basic) wanting a network tariff code change, the meter will either be reprogrammed or may need to be replaced with a Type 1-4 meter depending on the capability of the basic meter. The decision will be at our discretion. Where a meter is able to be reprogrammed and a Field Visit is required, this type of work is raised as a B2B Meter Reconfiguration.

A customer's retailer is permitted to initiate an application or request by submitting a QESI or a Supply Service Works (SSW) for a reclassification and network tariff code re-assignment where Type 1–4 (Comms) metering is installed at the site.

A customer is able to submit the QESI Application for Review to us. However, we will seek the endorsement from the customer's retailer prior to proceeding with the tariff change. Upon receipt of the application, we will carry out the following:

Retailer requesting a Large to Small / Small to Large reclassification and network tariff code re-assignment

We will assess the customer's consumption for the last 12 months. Where the request is approved, the customer's classification and network tariff code will be updated. We will notify the requesting retailer of the approval and the date on which the changes have taken place. We will write to the customer and the customer's retailer making them aware of the changes, outlining the following:

- Who initiated the classification change (the customer's retailer)
- A definition of what a Small or Large customer is
- The specifications relating to the classification as a Large or Small customer (this includes metering and the governing bodies they may refer to)
- How the customer can dispute the decision, and
- The date the change will take effect (all retailer-initiated changes take place at the first of the month the information is received unless specified otherwise).

Retailer initiated network tariff code re-assignment only

We will approve the request and notify the retailer where the network tariff change aligns to our tariff assignment policy (as per Section 5.3 of this TSS). The notification will include the following:

- Who initiated the network tariff change (the customer's retailer)
- The current network tariff class and network tariff of the customer and what these are moving to
- How the customer can dispute the decision, and
- The date the change will take effect (all retailer-initiated changes take place at the first of the month after the information is received unless specified otherwise).

[41] Or a Supply Service Works (SSW) if used during the 2020-25 regulatory control period.

5.4 Customer notification process for tariff class assignment and re-assignment

The AER's 2020-25 Final Decision requires us to notify the customer's electricity retailer of the tariff class to which the customer has been assigned or re-assigned. However, it should be noted that we may elect to continue the practice of notifying both the customer's retailer and the customer, particularly when dealing with major customers. The process for notifying a customer's retailer of a tariff class and/or tariff change is outlined in the Table 7 below.

Table 7 - Customer notification process for tariff class changes

Input to tariff class assignment process	Notification process
Ergon Energy-driven re-assignment based on a change in usage or connection	Based on NMI classification, we identify customers who are assigned to an incorrect tariff class and/or tariff code. The correct tariff class and/or tariff code are determined based on the process outlined in Section 6.3 of this TSS. The customer's retailer is notified in writing of the intended tariff class and/or tariff code re-assignment, and the customer is given the opportunity to object to the proposed re-assignment and request a review[a] of the decision be undertaken prior to the change being initiated.
Retailer or customer-driven re-assignment	We receive a completed Form 1634 – QESI from the customer or customer's retailer for tariff re-assignment. A customer is able to submit the QESI request to us. However, in the case of SAC customers, we will seek the endorsement from the customer's retailer prior to proceeding with the tariff change. If the request is approved, the customer's retailer is notified in writing of the tariff re-assignment and subsequent tariff class re-assignment. If the request is not approved, the customer's retailer is notified in writing that the tariff re-assignment and subsequent tariff class re-assignment have not been approved. The customer is given the opportunity to object to the decision and request that a review[1] be undertaken.
New connection	We receive notification of a new customer connection. For CAC and ICC customers: • The correct tariff class and tariff are determined by undertaking a network and connection investigation and following the process outlined in Section 5.1 of this TSS, and • The customer's retailer and customer are notified of the tariff classification as part of the Connection Agreement and are given the opportunity to object to the classification and request a review of the decision.[a] For SAC customers: • Where a tariff code is nominated on the connection request thus informing tariff class assignment, we will confirm if this is appropriate • If a tariff code is not nominated on the connection request, the correct tariff class and tariff code are determined based on the process outlined in Section 5.1 of this TSS. The customer will thereafter be assigned to the default tariff, and • Notification to the retailer will occur electronically by way of a Change Request notice through Market Settlement and Transfer Solutions (and the customer is given an opportunity to request a review of the decision.[a]

Input to tariff class assignment process	Notification process
Tariff re-assignment	We notify the customer's retailer and/or the customer to inform them about: • The customer's current network tariff class and tariff and what these are changed to • The reasons for the change • How the customer can dispute the decision, and • The date the change will take effect.

Note:

a. The process for tariff class and tariff code assignment or re-assignment objection review is outlined in Section 5.5 of this Revised TSS.

5.5 Tariff class and tariff assignment objections review process

The notification of a tariff class or tariff assignment or re-assignment will include advice that the customer may request further information from us and that they may object to the proposed assignment or re-assignment and request that we undertake a review.

This notification will include:

- Advice that if a customer is not satisfied with their tariff class or tariff code assignment or re-assignment, they may request a review of the tariff allocation made by us
- A copy of our internal assignment/re-assignment review procedures or the link to where such information is available on our website
- Advice that if the customer is not satisfied with the review and their objection has not been addressed adequately by our internal review procedures, the next steps include:
    - For SAC customers – to the extent that resolution of the dispute is within the jurisdiction of the Energy and Water Ombudsman Queensland, the customer is entitled to escalate the matter to such a body, and
    - For CAC and ICC customers – the customer is entitled to escalate the matter to the Department of Natural Resources, Mines and Energy for resolution.
- Advice that if the dispute is still not resolved to the customer's satisfaction, the customer is entitled to seek resolution via the dispute resolution process available under Part 10 of the *National Electricity Law* and enforced by the AER.

If a customer objects to the proposed assignment or re-assignment and requests a review be undertaken, we will follow the process set out in Table 8. In reviewing a customer's request, we will take into account clauses 6.18.4(a)(1)–(3) of the NER, and the tariff class and tariff assignment process detailed in Section 5.1 of this TSS. We will notify the customer and/or their electricity retailer in writing of our decision and the reasons for that decision.

In accordance with the AER's 2020-25 Final Distribution Determination, if a customer's objection to an assignment or re-assignment is upheld by an external dispute resolution body, the tariff adjustments deriving from this decision will be made by us as part of the next network bill.

Table 8- Tariff class and tariff assignment review objection process

Process	Inputs	Outcome
Written request for review of objection received		We will notify the customer within 1 business day acknowledging receipt of their request.
Review energy / demand / voltage / nature of connection	Energy usage will be determined considering: • Any additional information the customer has provided • Estimated energy consumption for new customers, and • Historical consumption for existing customers. Note: Depending on the nature of the connection, there may be exceptions to the application of criteria around energy use.	Customer's energy use (i.e. consumption and/or demand) and nature of connection is known.
	Nature of connection will be determined considering: • Reviewing connection asset databases. • Any additional information the customer provided • Network connection point / charge, and • Assets	
Determine tariff class	Using the data collected, the applicable tariff class will be determined according to the approved process for assigning customers to tariff classes.	**Key Outcome 1:** Applicable tariff class is identified.
Determine metering and customer type	For SAC on demand tariffs, CAC and ICC: • Metering: is the site HV or LV? • Customer type: is the customer business or residential? For SAC customer on non-demand tariffs: • Metering: Is the NMI metered or unmetered? • Customer type: Is the customer business or residential?	Metering and customer type is known.
Determine network tariffs	Using the data collected, the applicable network tariff will be determined according to the approved process for assigning customers to tariff classes.	**Key Outcome 2:** Applicable network tariff is identified.
Managerial review of identified tariff class / network tariff	The review department's manager will review the tariff class (Key Outcome 1) and network tariff (Key Outcome 2) identified through this process and decide whether the proposed tariff class / tariff assignment / re-assignment is approved.	**Key Outcome 3:** Managerial approval to proceed with assignment / re-assignment.

Process	Inputs	Outcome
Notification of outcome	The review outcome and final decision for the appropriate tariff class / tariff assignment or re-assignment confirmed in Key Outcome 3.	We will use best endeavours to notify in writing the customer’s retailer of the outcome of the review within: • 10 business days for SAC customers • 20 business days for CAC and ICC customers.

6. ALTERNATIVE CONTROL SERVICES

In its Final Framework and Approach – Energex and Ergon Energy (F&A) for the 2020-25 regulatory control period, the AER classified a range of distribution services provided by us as Alternative Control Services (ACS). These services can be attributed to an individual customer rather than shared across our entire customer base and therefore we allocate the costs of providing these services to the customer who requested the service.

It is important to recognise that we are limited in our ability to recover the efficient cost of providing certain ACS due to the operation of clause 226 and Schedule 8 of the *Electricity Regulation 2006 (Qld)*. Clause 226 prevents us from applying the AER approved price for certain ACS and instead we must apply the Schedule 8 maximum price. The Schedule 8 maximum prices are not set out in the Indicative Pricing Schedule that accompanies this TSS. For those services, the prices set out in this TSS will not be the same as the Schedule 8 maximum prices that will ultimately be paid by customers.

6.1 Tariff Classes

Compliance with clause 6.18.3(c) of the NER is met by us distinguishing between the tariff classes for SCS and for ACS. Our tariff classes for ACS have been determined according to the classification of services set out in the AER's F&A for the 2020-25 regulatory control period.

In accordance with clause 6.18.3(d) of the NER, ACS tariff classes have been developed to group retail customers together on an economically efficient basis and to avoid unnecessary transaction costs. It should also be noted that customers are provided with the option to request services specific to their needs on a price on application basis.

The ACS tariff classes for the 2020-25 regulatory control period are defined in the table below.

Table 9 - ACS tariff classes

Tariff classes	Description	Basis of control mechanism
Connection services – Services relating to the electrical or physical connection of a customer to the network		
Major customer - Premises connections	The F&A defines this service grouping as any addition or upgrades to connection assets located on the customer's premises for major customer connections. Note; This service includes design, construction, commissioning and energisation of connection assets (including administration services (e.g. reconciling project financials) and generation required to supply existing customers while equipment is de-energised to allow testing and commissioning to occur). It excludes all metering services and services separately identified under 'Connection management services'.	Quoted - A formula-based approach (cost build-up).
Major customer - Network extensions	The F&A defines this service grouping as an enhancement required to connect a power line or facility outside the present boundaries of the transmission or distribution network owned or operated by a network service provider to facilitate new or altered major customer connection.	Quoted - A formula-based approach (cost build-up).

Tariff classes	Description	Basis of control mechanism
Connection application and management services	The F&A defines this service grouping as a range of services and activities provided by distributors, and sought by customers, which are specific to a connection point, and encompasses: • Connection application related services • De-energisations and re-energisations • Temporary connections • Temporary disconnections and reconnections • Supply abolishment • Remove or reposition connections • Overhead service line replacements (e.g. as a result of a point of attachment relocation) • Protection and power quality assessment • Customer requested change requiring secondary and primary plant studies for safe operation of the network (e.g. change protection settings) • Upgrade from overhead to underground service • Rectification of illegal connections or damage to overhead or underground service cables • Supply enhancement (e.g. upgrade from single phase to three phase) • Power factor correction.	Fee based – a formula-based approach (cost build-up) in the first year and then a price path for the remaining years of the regulatory control period. Quoted - A formula-based approach (cost build-up).
Enhanced connection services	The F&A defines this service grouping as activities to provide customers with a higher standard of services that exceeds the minimum technically feasible standard. These include services at the request of customer or third party that are: • Provided with higher quality of reliability standards, or lower quality of reliability standards (where permissible) than required by the NER or any other applicable regulatory instruments • In excess of levels of service or plant ratings required by the distributor, or • For embedded generators, including the removal of network constraints.	Quoted - A formula-based approach (cost build-up).
Network ancillary services − customer and third party initiated services related to the common distribution service		
Network safety services	Examples include: • Provision of traffic control and safety observer services • Fitting of tiger tails and aerial markers	Quoted - A formula-based approach (cost build-up).

Tariff classes	Description	Basis of control mechanism
	• Third party request for de-energising for safety • High load escorts.	
Customer requested planned interruptions	Includes: • Where the customer requests to move a distributor planned interruption and agrees to fund the additional cost of performing this distribution service outside of normal business hours • customer initiated network outage (e.g. to allow customer and/or contractor to perform maintenance on the customer's assets, work close to or for safe approach, which impacts other networks users).	Quoted - A formula-based approach (cost build-up).
Attendance at customers' premises to perform a statutory right where access is prevented.	A follow up attendance at a customer's premises to perform a statutory right where access was prevented or declined by the customer on the initial visit. This includes the costs of arranging, and the provision of, a security escort or police escort (where the cost is passed through to the distributor).	Fee based – a formula-based approach (cost build-up) in the first year and then a price path for the remaining years of the regulatory control period.
Customer, retailer or third party requested appointments	Works initiated by a customer, retailer or third party which are not covered by another service and are not required for the efficient management of the network, or to satisfy distributor purposes or obligations. Includes, but is not limited to: • Restoration of supply due to customer action • Re-test at customer's installation (i.e. customer has submitted Form A and the Retailer has issued a Service Order Request, but installation fails test and cannot be connected, requiring a re-test of the installation) • Safety observer • Tree trimming • Switching • Cable bundling, and • Checking pump size for tariff eligibility.	Quoted - A formula-based approach (cost build-up).
Removal/rearrangement of network assets	Removal, relocation or rearrangement of network assets (other than connection assets) at customer request that would not otherwise have been required for the efficient management of the network.	Quoted - A formula-based approach (cost build-up).
Network related property services	The F&A defines this service grouping as: • Network related property services such as property tenure services relating to providing advice on, or obtaining: deeds of agreement, deeds of indemnity, leases, easements or other property tenure in relation to property rights	Quoted - A formula-based approach (cost build-up).

Tariff classes	Description	Basis of control mechanism
	associated with a connection or relocation • Conveyancing inquiry services relating to the provision of property conveyancing information at the request of a customer.	
Authorisation and approval of third-party service providers design and works	Accreditation and approval of alternative service providers to provide design and construction services for real estate development and/or provide construction services for real estate development	Quoted - A formula-based approach (cost build-up).
Inspection and auditing services	Auditing / inspecting of connection assets after energisation to network	Quoted - A formula-based approach (cost build-up).
Sale of approved materials or equipment	Includes the sale of approved materials/equipment to third parties for connection assets that are gifted back to become part of the shared distribution network.	Quoted - A formula-based approach (cost build-up).
Provision of training to third parties for network related access	Training services provided to third parties that result in a set of learning outcomes that are required to obtain a distribution network access authorisation specific to a distributor's network. Such learning outcomes may include those necessary to demonstrate competency in the distributor's electrical safety rules, to hold an access authority on the distributor's network and to carry out switching on the distributor's network.	Quoted - A formula-based approach (cost build-up).
Security (watchman) lights	Provision, installation, operation and maintenance of equipment mounted on a distribution equipment used for security services, e.g. night watchman lights. Note: excludes connection services.	Quoted - A formula-based approach (cost build-up) - for installation service costs. Fee based - a formula-based approach (cost build-up) in the first year and then a price path for the remaining years of the regulatory control period - for the maintenance, operation and replacement of the assets.
Non-standard network data requests	Customer requests provision of electricity network data requiring customised investigation, analysis or technical input (e.g. requests for pole assess information and zone substation data).	Quoted - A formula-based approach (cost build-up).
Customer requested provision of electricity network data	Data requests by customers or third parties including requests for the provision of electricity network data or consumption data outside of legislative obligations.	Quoted - A formula-based approach (cost build-up).
Third party funded network alternations	The F&A defines this service group as alterations or other improvements to the shared distribution network to enable third party infrastructure (e.g. NBN Co telecommunications assets) to be installed on the shared distribution network. This does not relate to upstream distribution network augmentation.	Quoted - A formula-based approach (cost build-up).

Tariff classes	Description	Basis of control mechanism
Metering Services (Type 5 and 6)		
Type 6 (Default) metering services	These services support the continued operation and recovery of capital costs of existing type 6 meters. Services include: • Ongoing Ergon Energy initiated meter maintenance • Cyclic meter reading and • Provision and maintenance of meter data.	Price cap based on a limited building block in the first year of the regulatory control period and then a price path for the remaining years.
Auxiliary metering services	Examples of auxiliary metering services include: • Off cycle meter reads for Type 5 and 6 meters • Change distributor's load control relay channel • Customer requested meter inspection and investigation • Type 5 and 6 meter removal and disposal • Works to reseal a Type 5 and 6 meter due to customer or third party action, and • Testing and maintenance of instrument transformers for Type 5 and 6 metering purposes. • Emergency supply restoration in relation to metering equipment not owned by the distributor • **Mount Isa-Cloncurry supply network only -** Onsite installation or upgrade of a type 5 or 6 meter	Fee based - a formula-based approach (cost build-up) in the first year and then a price path for the remaining years of the regulatory control period. Quoted - A formula-based approach (cost build-up).
Provision of services for approved unmetered supplies	Provision of services to extend / augment the network, to make supply available for the connection of approved unmetered equipment, e.g. public telephones, streetlights, extension to the network to provide a point of supply for a billboard & city cycle, e.g. Installation of a pillar to supply connection for R3 public lighting.	Quoted - A formula-based approach (cost build-up).
Public Lighting Services		
Public lighting services	Provision, construction and maintenance of public lighting.	Price cap based on a limited building block in the first year of the regulatory control period and then a price path for the remaining years.
Auxiliary public lighting services	Ad hoc, customer requested public lighting services: • Removal /rearrangement of public lights • Provision of unique luminaire glare screening or customer requests	Quoted - A formula-based approach (cost build-up).

Tariff classes	Description	Basis of control mechanism
	• Review, inspection and auditing of design or construction works carried out by an accredited service provider • Exit fees for the residual asset value of non-contributed public lights when the entire assets (pole, cabling, bracket, luminaire and lamp) are replaced before the end of their expected life[a], and • Emerging public lighting technologies.	

Note:

a. Excludes the replacement of conventional lights with Light Emitting Diode (LED) technology.

6.2 Pricing methodologies

Under clause 6.2.6 of the NER, the prices and/or pricing methodologies for ACS must be established by the AER in the relevant distribution determination. For the purpose of this TSS, the relevant determination is the F&A for the 2020-25 regulatory control period. In accordance with the F&A, we have applied the formulas as set out in Figures 2.2 and 2.3 of the F&A to the maximum price for the first year to set the price paths for each subsequent regulatory year.

The ACS service types, charges and charging parameters are summarised in the table below.

Table 10 - Types of services, charges and charging parameters for ACS

Services	Charges	Charging parameter
Fee-based services	Fixed charge	Represented as a fixed rate ($) per service. Reflects the estimated cost of providing each service and varies depending on the type of service requested. Where call out fees apply, the fixed charge varies depending on the size of the crew required for the service that the original call out was for.
Quoted services	Quoted price	Represented as a quoted rate ($) per service. The quoted price varies based on actual resources required to deliver the type of service requested. Where call out fees apply, the quoted price reflects actual costs incurred in attending the premises.
Type 6 (default) metering services	Fixed charge	Represented as a fixed rate ($) per day per meter. Within the tariff structure, metering service charges differ by: • The type of metering service (primary, controlled load, embedded generation), and • The type of cost recovery (capital, non-capital). For call outs associated with Type 6 (default) Metering Services - a fixed rate ($) per call out applies.
Public Lighting Services	Fixed charge and in some circumstances, a quoted price	Daily public lighting charges Represented as a fixed rate ($) per day per light. Within the tariff structure, daily public lighting charges differ by: • The ownership status (Ergon Energy owned and operated, or Gifted and Ergon Energy operated) • The size of the lamp (major or minor lantern type), and

Services	Charges	Charging parameter
		• The type of technology (conventional or LED). Exit fees Represented as a quoted service ($) per light. Exit fees apply when a customer requests the replacement of an existing public light. Non-standard public light charges Represented as a quoted rate ($) per service. Non-standard public lighting charges apply where the cost of constructing public lights is not expected to be fully recovered through daily public lighting charges over a 20-year term. In these circumstances, we may require the customer to pay an additional upfront amount.

6.2.1 Fee-based (price cap)

The prices for fee-based (price cap) services are set in accordance with specified service assumptions due to the standardised nature of the services.

Fee-based services are determined via a cost build up approach at the individual service level and relate to activities undertaken by us at the request of customers or their agents (e.g. retailers or contractors). The costs for these activities can be directly attributed to customers and service-specific prices can be charged.

Charging parameters

The prices for fee-based services are determined using a cost build-up approach in 2020-21 based on the following formula:

Equation 1: Cost build-up formula for fee-based services in first year of regulatory control period

Price = Labour + Contractor services + Materials

Where:

- Labour (including on costs and overheads) - consists of all labour costs directly incurred in the provision of the service which may include, but is not limited to, labour on costs, fleet on costs and overheads. The labour cost for each service is dependent on the skill level and experience of the employee/s, time of day/week in which the service is undertaken, travel time, number of hours, number of site visits and crew size required to perform the service
- Contractor services (including overheads) - reflects all costs associated with the use of external labour in the provision of the service, including overheads and any direct costs incurred as part of performing the service. The contracted services charge applies the rates under existing contractual arrangements. Direct costs incurred as part of performing the service, for example permits for road closures or footpath access, are passed on to the customer, and
- Materials (including on costs and overheads) - reflects the cost of materials directly incurred in the provision of the service, material storage and logistics on costs and overheads.

Prices in subsequent years of the regulatory control period will be based on the cost build-up developed for 2020-21, escalated using the AER's approved formula in Equation 2 as per the AER's F&A[42]:

Equation 2: Control mechanism formula for fee-based services

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

Where:

p_i^t is the cap on the price of service i in year t

p_i^{t-1} is the cap on the price of service i in year t-1

ΔCPI_t is the annual percentage change in the Australian Bureau of Statistics (ABS) Consumer Price Index All Groups, Weighted Average of Eight Capital Cities from December in year t–2 to December in year t–1.

$X^t{}_i$ is the X-factor for service i in year t. The X factors for fee-based services are based on the forecast indicative labour escalation rates.[43]

$A^t{}_i$ 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.

The indicative prices for fee-based services are included in the attached Indicative Price Schedule provided as part of the December 2019 Revised TSS submission. It should be noted that these indicative prices do not represent binding maximum prices. The actual prices for price capped services each year are subject to an annual escalation process and submitted as part of the annual Pricing Proposal process.

6.2.2 Quoted services

Prices for quoted services are determined at the time the customer makes an enquiry and therefore reflect the individual nature and scope of the requested service which cannot be known in advance.

<u>Charging parameters</u>

The indicative prices for quoted services are determined using the AER's approved formula-based price cap control mechanisms:

Equation 3: Cost build-up formula for quoted services

Price = Labour + Contractor Services + Materials

[42] In accordance with clause 6.8.2(c)(3) we provide a demonstration of this calculation in the ACS fee-based pricing model provided as part of the Revised Regulatory Proposal submission.
[43] Energex and Ergon Energy, Our Draft Plans 2020-25.

Where:

- Labour (including on costs and overheads) - consists of all labour costs directly incurred in the provision of the service which may include, but is not limited to, labour on costs, fleet on costs and overheads. The labour cost for each service is dependent on the skill level and experience of the employee/s, time of day/week in which the service is undertaken, travel time, number of hours, number of site visits and crew size required to perform the service,
- Contractor services (including overheads) - reflects all costs associated with the use of external labour in the provision of the service, including overheads and any direct costs incurred as part of performing the service. The contracted services charge applies the rates under existing contractual arrangements. Direct costs incurred as part of performing the service, for example permits for road closures or footpath access, are passed on to the customer, and
- Materials (including on costs and overheads) - reflects the cost of materials directly incurred in the provision of the service, material storage and logistics on costs and overheads.

Indicative prices for every quoted service have not been provided given the customer-specific nature of quoted services. However, a demonstration of the control mechanism is set out in Attachment 15.009 of the Regulatory Proposal submission.

6.2.3 Type 6 (default) Metering Services

Type 6 metering services involve services provided by us on legacy meters in our role as the default Metering Coordinator for type 6 metering installations in accordance with Chapter 7 of the NER. Type 6 metering services classified as ACS in the F&A to the 2020-25 Regulatory Control Period include:

- Recovery of capital cost of Type 6 meters installed prior to 1 December 2017
- Meter maintenance works to inspect, test, maintain and repair metering
- Meter reading costs for quarterly or other regular meter reading activities
- Metering data services that involve the collection, processing, storage and delivery of data services to relevant market participants and customers
- Management of NMI standing data in accordance with the NER, and
- Meter provision and installation in the Mount Isa-Cloncurry supply network.

For these metering services, a limited building block approach is used to determine the allowable revenues over the 2020-25 regulatory control period, which are then used to calculate the charges in the first regulatory year. These charges are escalated using the CPI minus X formula for the remainder of the regulatory control period as per the formula set out in figure 2.2 of the F&A[44].

Consistent with the 2015-20 regulatory control period, we have developed the following types of ACS default metering charges to recover the annual revenue requirement from customers:

- An annual metering service charge for the primary metering service
- A supplementary charge for each secondary controlled load, and
- A supplementary charge for solar.

Our proposed metering tariffs from 1 July 2020 are set out in the table below:

[44] In accordance with clause 6.8.3(c)(3), we provide a demonstration of this calculation in the ACS metering pricing model provided as part of the Revised Regulatory Proposal submission.

Table 11 - Default Metering Services

Tariff grouping	Tariffs	Charging parameters
Primary tariff	Non-capital	Fixed rate ($) per day
	Capital charge	
Controlled load	Non-capital charge	
	Capital charge	
Solar PV	Non-capital charge	
	Capital charge	

Power of Choice Review:

The contestability in metering and related services rule change introduced as an outcome of the Australian Energy Market Commission's Power of Choice review took effect in Queensland from 1 December 2017. Under the new arrangements, distribution network service providers are no longer responsible for the provision and installation of meters. As such, Ergon Energy is only able to provide metering services in respect of existing Type 6 meters until such time as they are replaced. As a result, from 1 December 2017, a number of ACS were either discontinued or had the metering provision component separated from the service with the remaining service components covering the services still performed by us.

It is important to note that that the Power of Choice arrangements described above only apply to those parts of our area of supply that form part of the National Grid.

However, in the Power of Choice exempt areas (Mount Isa-Cloncurry and other Isolated supply networks) we remain responsible for the installation and replacement of metering equipment.

Metering services charges

The indicative metering services charges for the 2020-25 regulatory control period are included in the Indicative Price Schedule provided as part of the December 2019 Revised TSS submission. It should be noted that these charges are not binding as they are subject to a further annual escalation update, submitted as part of the annual Pricing Proposal process.

Details of the approach used to develop the metering services charges are provided in the TSS Explanatory Notes accompanying the December 2019 Revised TSS.

6.2.4 Public Lighting Services

For public lighting services (provision, installation and maintenance of assets), a limited building block approach is used to determine the allowable revenues over the 2020-25 regulatory control period, which are then used to calculate the charges in the first regulatory year. These charges are escalated using the CPI minus X formula for the remainder of the regulatory control period as per the formula set out in figure 2.2 of the F&A.[45]

For the 2020-25 regulatory control period we propose Network Public Lighting ("NPL") charges which will reflect whether:

[45] In accordance with clause 6.8.2(c)(3), we provide a demonstration of this calculation in the ACS public lighting pricing model provided as part of the regulatory proposal submission.

- The public lighting services are located on minor or major roads[46]
- The assets have been funded by us or by the customer, i.e. "Ergon Energy owned and operated" versus "customer gifted and operated by Ergon Energy", and
- The type of public lighting technology (i.e. conventional or LED).

The proposed public lighting tariffs to be offered by us are set out in the table below:

Table 12 - Proposed public lighting tariffs

Tariff grouping	Conventional Lights tariffs	LED specific tariffs	Charging parameters
NPL1 - Minor	NPL1C Minor – funded by Ergon Energy	NPL1L Minor – Funded by Ergon Energy	Fixed rate ($) per day per light
NPL1 - Major	NPL1C Major – funded by Ergon Energy	NPL1L Major – Funded by Ergon Energy	
NPL2 - Minor	NPL2C Minor – Funded by Council	NPL2L Minor – Funded by Councils[a]	
NPL2 - Major	NPL2C Major – Funded by Council (and DTMR)	NPL2L Major – Funded by Councils (and DTMR)[a]	
NPL4 - Minor	N/A	NPL4 Minor – Funded by Councils[a]	
NPL4 - Major	N/A	NPL4 Major – Funded by Councils[a]	

Note:

a. New tariff offered from 1 July 2020

The proposed new tariffs for LEDs have been developed to account for the specific characteristics of the LED technology. Key features include:

- It is a new technology involving an integrated lamp and luminaire, which together have a significantly longer expected life than conventional lamps, and
- Ability to include smart electronic features such as self-diagnostics which will reduce inspections and patrols, resulting in lower maintenance costs.

The proposed new NPL4 tariff will apply for assets where customers fund the replacement of the NPL1 luminaire and lamp with an LED and gift the LED luminaire to us. In this circumstance, the associated pole and cabling remain legacy and non-contributed assets owned by us. We will operate and maintain the entire public lighting asset.

Exit fee

We will apply an exit fee for the residual asset value of non-contributed public lights when the entire assets (pole, cabling, bracket, luminaire and lamp) are replaced before the end of their expected life in the following circumstances: e.g. customer requested relocations or road diversions. The fees will be developed on a price-on-application basis as they cannot be estimated in advance.

Indicative charges

The proposed public lighting charges for the 2020-25 regulatory control period are included in the Indicative Price Schedule provided as part of the December 2019 Revised TSS submission.

[46] Public lighting on minor roads is used primarily for the visual requirements of pedestrians. It is typically the responsibility of councils. Public lighting on major roads is used primarily for the visual requirements of motorists (e.g. traffic routes). It is typically the responsibility of a state or territory road authority (e.g. DTMR).

6.2.5 Security (watchman) lights

Security lighting services involve installation, operation, maintenance and replacement of lighting equipment which is typically mounted to our distribution network poles and structures. For the 2020-25 regulatory period prices for security lighting will be regulated by the AER.

Recognising that this service is currently unregulated we are proposing minimal changes to the pricing structure in order to minimise the impact on our customers.

For security lighting we propose that:

- the one-off installation charge will be charged on an as-quoted basis
- the ongoing maintenance, operation, replacement and energy use charge will be on a fee basis.

The installation service charge will be determined depending on the resources (labour, contractors, time on job) required to install the lighting equipment to the poles and structures. This charge does not include the capital component (e.g. fixtures, brackets).

The proposed on-going maintenance, operation, replacement and energy use charges vary depending on the type and level illumination requested by the customer. These charges are designed to recover both the capital and non-capital components, with the capital costs incurred during installation as well as the luminaire replacement costs being recovered during the life of the lighting equipment. We have incorporated inputs (WACC and CPI) in our security lighting pricing model which are consistent with the AER's forecasting methodologies.

The energy use charge is calculated based on an estimated amount of electricity consumption calculated in accordance with the AEMO published load tables for unmetered connection points and our SCS unmetered supply tariff.

The proposed security lighting charges for the 2020-25 regulatory control period are provided in the attached Indicative Price Schedule. It should be noted that these charges are not binding as they are subject to a further annual escalation update, submitted as part of the annual Pricing Proposal process. Details of the approach used to develop the security lighting services charges are provided in the accompanying TSS Explanatory Notes accompanying the December 2019 Revised TSS.

Table 13 - Proposed security lighting tariffs

Tariff grouping	Tariffs	Description	Charging parameters
Installation	Installation service	Initial installation service cost. Service may include installation of multiple lights.	Quoted ($) per service
Maintenance, operation and replacement	Small LED	W70, W100	Fixed rate ($) per day per light
	Medium LED	W200	
	Small conventional	High Pressure Sodium or Metal Hallide 150W	
	Medium conventional	High Pressure Sodium, Metal Hallide or Mercury Vapour 250W[b] or 220W[a]	
	Large conventional	High Pressure Sodium, Metal Hallide or Mercury Vapour 400W[b] or 360W[a]	

Tariff grouping	Tariffs	Description	Charging parameters
Energy use	Unmetered tariff	Charges vary depending on the light type and size. Usage based on actual wattage according to AEMO.	Fixed rate ($) per kwh per light

Note:

a. 220W and 360W are only available for existing customers as we no longer supply these lamps
b. Mercury Vapour option is only available for existing customer as we no longer supply these lamps

6.3 Compliance with Pricing PrinciplesLong run marginal cost

Clause 6.18.5(f) of the NER requires us to base network tariffs on LRMC. The NER define LRMC as "the cost of an incremental change in demand for direct control services provided by a DNSP over a period of time in which all factors of production required to provide those direct control services can be varied." It should be noted that ACS are priced on a price path basis and, as such, an LRMC based pricing approach is not applicable.

Notwithstanding, it could be argued that for fee-based and quoted services, by virtue of them being customer specific or customer driven, customers are provided with the ability to respond to the price signal by deciding to proceed with the decision to request a service or not. This is therefore considered to be a proxy for LRMC.

For default metering services, the charges are based on the need to recover the capital and non-capital charges associated with legacy metering assets and do not include LRMC values. The ability of customers to avoid these charges in response to price signal is limited.

Similarly, for public lighting services, the charges do not include LRMC as they are only based on the costs to acquire, maintain/operate and replace the light if it fails in service. Customer ability to respond to the efficient cost of the service is limited to the type and number of lights customers require, and the funding arrangements.

6.3.1 Estimating avoidable and stand-alone costs

The price build-up for ACS has been designed to ensure prices will represent the efficient costs of providing and delivering the service and signal the economic costs of service provision by being subsidy-free.

Prices are cost-reflective, representing costs derived through the same allocation method as that used to determine costs for SCS, in accordance with the AER's approved Cost Allocation Method. The prices for each tariff class within ACS will be between the bounds of avoidable and stand-alone costs due to the economies of scale in providing each service.

The avoidable cost for a particular service is equivalent to the direct labour, contractor cost and materials cost. Overhead costs and capital allowance will be incurred regardless of whether the service is provided.

The stand-alone cost is equal to the costs of serving each tariff class within ACS on a stand-alone basis. For example, the stand-alone cost would require the use of dedicated resources and assets. As these costs can be shared among tariff classes within SCS and ACS, the cost calculated for each individual service will be less than the stand-alone cost and therefore ACS complies with clauses 6.8.5(c)(1) and (2) of the NER.

6.3.2 Revenue recovery

The AER, through its price cap control mechanism, sets the basis on which we are allowed to recover the efficient costs of providing each service. The total amount of revenue recovered depends on the volume of services provided in the relevant year multiplied by the rates (or the schedule of rates, as is the case for quoted services) determined by the AER. As a result, we consider that our ACS comply with clauses 6.18.5(g)(1) and (2) of the NER.

6.3.3 Impact on retail customers

The price cap control mechanism limits customer impact by constraining annual price increases to a certain level. The indicative prices accompanying the Revised TSS have been escalated using the AER's approved formula as per figure 2.2 of the F&A. In doing so, we are of the view that we have considered the impact on retail customers of changes in tariffs from the previous regulatory year when setting its ACS prices and have therefore complied with clause 6.18.5(h) of the NER.

6.3.4 Simplicity and least distortionary to the price signal

Our ACS are accessed by all types of customers – from residential customers to large business customers. We have therefore structured each of our ACS tariffs with a view to being as simple and easy to understand as possible, cost reflective and providing a clear signal to customers about the efficient costs of these services.

Each ACS tariff comprises one charging parameter only. For most ACS tariffs, this is a fixed charge – the simplest and easiest to understand charging type.

For quoted services, we develop a user-specific quote based on the requestor's needs. This quote includes a breakdown of the costs we expect to incur in delivering the requested service. We also provide information in this TSS on how quoted prices are determined, so that stakeholders can understand how their charge has been derived.

Accordingly, we consider that, in developing its ACS, we have complied with clauses 6.18.5(g)(3) and 6.18.5(i) of the NER.

6.4 Engagement

We have extensively consulted with our customers throughout 2018 and 2019 in relation to public lighting charges. The introduction of new public lighting tariffs specific to LED lights (NPL4) is in response to the feedback from customers who have indicated a strong desire to adopt LED technologies to replace existing conventional lights. This is consistent with the approach adopted by other DNSPs.

We have also consulted with our major customers and retailers in relation to ancillary network services and the proposed changes in charging on a fee-based or quotation basis. Customers have indicated a desire for transparency.

Further details on the engagement process and customer feedback are provided in the *Tariff Structure Statement 2020-25 Engagement Summary* which accompanies the December 2019 Revised TSS.

6.5 Assignment and re-assignment of customers to ACS tariff classes and tariffs

All of our customers for Direct Control Services, which includes ACS, are a member of one or more tariff classes, as required by clause 6.18.3(b) of the NER. In accordance with clause 6.18.4 of the

NER, this section sets out our procedures on assigning and reassigning customers to ACS tariff classes and tariffs.

Prior to the provision of an ACS, a customer will be assigned to the relevant tariff class and tariff based on the type of ACS required. Similar to tariff class membership requirement for SCS, described in Section 3 of this TSS, an ACS customer will not receive the service prior to being allocated to the appropriate tariff class and tariff.

Assignment to an ACS tariff class

Assignment to our ACS tariff classes occurs when:

- Major customers request a new connection to the network or an upgrade to their existing connection
- Real estate developers request a new connection to the network
- Public lighting customers request installation of a new public light or gifting a new public light to Ergon Energy
- New service orders or work requests are raised as a result of a request for service by either a customer and/or customer's retailer, and
- In the Power of Choice Exempt areas (Mount Isa-Cloncurry and other Isolated supply networks), small customers requesting the installation and provision of a Type 5 or 6 meter.

For ACS, customers or customers' retailers self-assign to a tariff class included in Table 9 when requesting the service they require.

Re-assignment to an ACS tariff class

We generally do not initiate tariff class re-assignments for ACS. However, there are some circumstances where a field crew attends a site and the scope of work does not match the service order or work request. This may mean a different service type and/or tariff class may be more appropriate. In these instances, the job is generally returned as not completed and a new service order or work request would need to be submitted. Consequently, a new tariff class assignment, rather than reassignment, would occur.

Notification of a tariff class assignment and re-assignment

It should be noted that in the 2015-20 Final Distribution Determination the AER considered that it was not practical for us to provide written notification to a customer's retailer for each tariff class assignment or reassignment in relation to ACS. The AER was of the view that customers or customers' retailers essentially assign themselves to a tariff class when requesting the ACS they require. We agree with the AER's view and will continue to apply this approach in the 2020-25 regulatory control period.

Objection

If a customer makes an objection about the proposed assignment or re-assignment to an ACS tariff class, we will follow the procedures set out in the process used for objection of SCS tariff class assignment as outlined in Chapter 5 of this TSS.

6.6 Indicative Price Schedule

Our proposed ACS charges for the 2020-25 regulatory control period are set out in the Indicative Price Schedule provided as part the December 2019 Revised TSS.

Appendix A. CAC to ICC tariff assignment process (transitional ICC network tariff option)

Ergon Energy will consider applications for a transitional ‘non-standard’ ICC network tariff option in accordance with the policy set out below. This process is only available to existing CAC customers on an obsolete retail transitional tariff set out by the Queensland Commission Authority (QCA), in the period 1 July 2017 to 30 June 2020. Any such re-assignment application must be made between 1 July 2020 and the date by which the transitional tariff(s) will be retired (currently scheduled for 30 June 2021).[47] To be considered for an ICC tariff, the applicant must comply with the following steps.

STEP 1

Customers must first discuss their circumstances with their individual account managers before being considered for a non-standard ICC network tariff solution. As part of this process, our account managers will explore with customers whether their network bills can be reduced through network reconfiguration, re-assignment to an alternative tariff option (e.g. primary load control tariff) or adoption of energy management solutions.

STEP 2

Where the process in STEP 1 does not deliver an outcome that is sufficient to mitigate the step change in the customer’s network bill, Ergon Energy will offer the customer the opportunity to access an ICC tariff, subject to receipt of evidence of the customer having accessed an obsolete retail transitional tariff in the period 1 July 2017 to 30 June 2020.

STEP 3

If after following the process described in STEP 2, it has not been possible to deliver an outcome that is sufficient to mitigate the network bill impact, customers may make an application in writing to their account manager to be considered for an ICC tariff incorporating a transitional path for the DUOS peak charging parameter.[48]

Customers who are eligible for this arrangement will have their peak charging parameter transitioned to the applicable full LRMC over a period of up to 10 years from the date the customer has been re-assigned to the ICC tariff. This will enable the customer to seek access to a retail price, based on the underlying ICC network tariff that Ergon Energy will develop for it.

The revenue shortfall as a result of a CAC customer being reassigned to the ICC tariff class will be recovered from all other Ergon Energy customers through the annual revenue cap Unders and Overs mechanism. This will mitigate confining the customer impact solely to the CAC tariff class and recognises that all network customers benefit from keeping as many of them as possible connected to the network.

[47] Any reassignment would only be executed following the retirement of transitional retail tariffs currently scheduled for 30 June 2021.

[48] For the avoidance of doubt, the transitional price path under the non-standard ICC network tariff solution process will not affect the DPPC and residual components of the customer’s network charge, subject to the satisfaction of the customer impact principle in the NER.

To be eligible for reclassification as an ICC customer with a transitional price path, customers will need to provide supporting evidence that their commercial viability is directly related to the level of their CAC network charges. Information to be provided in the application may include, but is not limited to:

- Evidence of having sought a solution as per Steps 1 and 2 of this policy, and the reasons for seeking a non-standard network tariff solution.
- Any other information which may support their application.

STEP 4:

Within 20 business days, Ergon Energy will review the information provided by the applicant in STEP 3. As part of this process, Ergon Energy will determine whether:

- the application has merit based on an assessment of that the customer is exposed to a material bill impact as a direct consequence of their current network pricing arrangements
- the applicant has sought non-network pricing solutions (STEP 1) before applying for an ICC tariff assignment and these have not resulted in a significant NUOS charge reduction (less than 10% reduction)
- the CAC customer benefits from accessing a non-standard ICC network tariff solution (at least 10% reduction in their NUOS charges) and the associated price impact on all other network customers will be quantifiably more favourable than if the affected CAC customer disconnected from the network
- the transition to cost reflectivity can be managed by the customer such that the ICC non-standard tariff solution offered mitigates the adverse customer impact both in the immediate and longer term
- the re-assignment of the CAC customer to an ICC tariff under a non-standard ICC tariff solution would not breach the avoidable cost floor and stand-alone cost ceilings at tariff class level (as required by Clause 6.18.5(e) of the NER (distribution pricing principles)) i.e. the re-assignment will not involve any inherent cross subsidies.

Ergon Energy will endeavour to provide a response within 20 business days. Ergon Energy's response will include:

- Ergon Energy's decision as to whether the application is successful or not, and the reasons for that decision
- If the application is successful, the process and timeframes for the tariff re-assignment
- If the application is not successful, the process to appeal the decision
- If a decision cannot be reached as a result of insufficient supporting information, the need to provide further details within 10 business days (or a mutually agreed alternative timeframe).

Appendix B. Compliance Matrix

Table 13 - Compliance matrix

Clause	Requirement	Demonstration of compliance
6.1.4	Ergon Energy must not charge for the export of electricity generated by the user	SCS tariff classes: Chapter 3, Section 3.2
6.8.2(c)(3)	Ergon Energy tariff structure statement for direct control services classified under the proposal as alternative control services, must demonstrate application of the control mechanism	Alternative Control Services: Chapter 6, Section 6.2
6.8.2(c)(7)	Ergon Energy tariff structure statement to provide description how it complies with pricing principles for direct control services	
6.8.2(d1)	Ergon Energy tariff structure statement must be accompanied by an indicative pricing schedule	SCS indicative rates for each tariff for each year of the regulatory control period: Attachment A of the December 2019 Revised TSS. ACS indicative rates for each tariff for each year of the regulatory control period: Attachment B of the December 2019 Revised TSS.
6.8.2(d2)	Ergon Energy tariff structure statement must comply with the pricing principles for direct control services	SCS: Chapter 2 ACS: Chapter 6, Section 6.3
6.8.2(e)	If more than one distribution system is owned, controlled or operated by a DNSP, then, unless the AER otherwise determines, a separate tariff structure statement is to be submitted for each distribution system.	Chapter 1 Section 1.1
6.18.1A(a)(1)	Ergon Energy's tariff structure statement must include the tariff classes into which retail customers for direct control services will be divided during the relevant regulatory control period	SCS tariff classes: Chapter 3, Section 3.1. ACS tariff classes: Chapter 6, Section 6.1.
6.18.1A(a)(2)	Ergon Energy's tariff structure statement must include the policies and procedures Ergon Energy will apply for assigning retail customers from one tariff to another (including any applicable restrictions)	Tariff assignment procedures for SCS: Section 2.6; Chapter 5. Tariff assignment procedures for ACS: Chapter 6, Section 6.5
6.18.1A(a)(3)	Ergon Energy's tariff structure statement must include the structures for each proposed tariff	Structures for each SCS tariff: Chapter 4. Structures for each ACS tariff: Chapter 6, Section 6.2.
6.18.1A(a)(4)	Ergon Energy's tariff structure statement must include the charging parameters for each proposed tariff	Charging parameters for each SCS: Chapter 4, Section 4.1. Structures for each ACS tariff: Chapter 6, Section 6.2.

Clause	Requirement	Demonstration of compliance
6.18.1A(a)(5)	Ergon Energy's tariff structure statement must include a description of the approach that Ergon Energy will take in setting each tariff in each pricing proposal during the regulatory control period in accordance with clause 6.18.5 (Pricing principles)	Description of the approach in setting each SCS tariff: Chapter 4. Description of the approach in setting each ACS tariff: Chapter 6, Section 6.2 and 6.3.
6.18.1A(b)	Ergon Energy's tariff structure statement must comply with the pricing principles for direct control services set out in clause 6.18.5.	SCS tariffs' compliance with the pricing principles: Chapter 3 ACS tariffs' compliance with pricing principles: Chapter 6, Section 6 .3.
6.18.1A(e)	Ergon Energy's tariff structure statement must be accompanied by an indicative pricing schedule which sets out, for each tariff for each regulatory year of the regulatory control period, the indicative price levels determined in accordance with the tariff structure statement.	SCS indicative rates for each tariff for each year of the regulatory control period: Attachment A of the December 2019 Revised TSS. ACS indicative rates for each tariff for each year of the regulatory control period: Attachment B of the December 2019 Revised TSS.
6.18.3	Ergon Energy tariff structure statement to provide tariff classes for retail customers for direct control services.	SCS tariff classes: Chapter 3, Section 3.1. ACS tariff classes: Chapter 6, Section 6.1.
6.18.4	Ergon Energy tariff structure statement to set assignment or re-assignment of retail customers to tariff classes.	SCS: Chapter 5 Chapter 6, Section 6.5

Appendix C. Glossary

Table 14 – Acronyms, abbreviations and key terms

Abbreviation	Description
ACS	Alternative Control Service
AER	Australian Energy Regulator
CAC	Connection Asset Customers
CPI	Consumer Price Index
DER	Distributed Energy Resources
DNSP	Distribution Network Service Provider
DPPC	Designated Pricing Proposal Charges (previously known as TUoS)
DUoS	Distribution Use of System
EG	Embedded Generators
FiT	Feed-in Tariff (Solar FiT) under the Queensland Solar Bonus Scheme
HV	High Voltage
ICC	Individually Calculated Customers
kW	Kilowatt
kWh	Kilowatt hour
kVA	Kilovolt ampere
LRIC	Long Run Incremental Cost
LRMC	Long Run Marginal Cost
LV	Low Voltage
MSATS	Market Settlement and Transfer Solution
NER	National Electricity Rules (or Rules)
NMI	National Metering Identifier
NPL	Network Public Lighting
NTC	Network Tariff Code
PV	Photovoltaic (Solar PV)
SAC	Standard Asset Customers
SBS	Solar Bonus Scheme
SCS	Standard Control Service

Abbreviation	Description
Smart Meter	Communication enabled interval digital Meter.
STPIS	Service Target Performance Incentive Scheme
ToU	Time of Use
TSS	Tariff Structure Statement
TUoS	Transmission Use of System
WACC	Weighted Average Cost of Capital

Table 15 - Units of measurement used throughout this document

Base Unit	Unit name	Multiples used in this document
h	hour	GWh, kWh, MWh
V	volt	kV, kVA, MVA
VA	volt ampere	kVA, MVA
var	var	kvar
W	watt	W, kW, kWh, MW

Table 16 - Multiples of prefixes (units) used throughout this document

Prefix symbol	Prefix name	Prefix multiples by unit	Prefixes used in this document
G	giga	10^9	GWh
M	mega	1 million or 10^6	MW, MWh, MVA
k	kilo	1 thousand or 10^3	kV, kVA, kvar, kW, kWh