



FINAL DECISION

SA Power Networks Distribution Determination 2020 to 2025

Attachment 18 Tariff structure statement

June 2020

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Note

This attachment forms part of the AER's final decision on the distribution determination that will apply to SA Power Networks for the 2020–25 regulatory control period. It should be read with all other parts of the final decision.

The final decision includes the following attachments:

Overview

Attachment 1 – Annual revenue requirement

Attachment 2 – Regulatory asset base

Attachment 3 – Rate of return

Attachment 4 – Regulatory depreciation

Attachment 5 – Capital expenditure

Attachment 6 – Operating expenditure

Attachment 7 – Corporate income tax

Attachment 8 – Efficiency benefit sharing scheme

Attachment 9 – Capital expenditure sharing scheme

Attachment 10 – Service target performance incentive scheme

Attachment 12 – Classification of services

Attachment 13 – Control mechanisms

Attachment 14 – Pass through events

Attachment 15 – Alternative control services

Attachment 17 – Connection policy

Attachment 18 – Tariff structure statement

Attachment A – Negotiating framework

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18 Tariff structure statement

This attachment sets out our final decision on SA Power Network's tariff structure statement (TSS) to apply for the 2020–25 regulatory control period.

A TSS applies to a distributor's tariffs for the duration of the regulatory control period. It describes a distributor's tariff classes and structures, the distributor's policies and procedures for assigning consumers to tariffs, the charging parameters for each tariff, and a description of the approach the distributor will take to setting tariff levels in annual pricing proposals. It is accompanied by an indicative pricing schedule.¹ A TSS provides consumers and retailers with a level of certainty and transparency in relation to how and when network prices will change.

Our final decision focuses on our assessment of:

- changes between SA Power Networks' initial and revised TSS proposals which are limited
- submissions on our draft decision and SA Power Networks' revised TSS proposal which largely supported our draft decision and SA Power Networks' revised proposal, and
- new information that has come to light since our draft decision such as the COVID-19 pandemic.

In our draft decision we accepted SA Power Networks' initial TSS proposal which the distributor has maintained the substance of in its revised TSS proposal.² We do not repeat our reasons for that acceptance here. For details of our consideration of previously settled issues, please see attachment 18 of our draft decision.³

18.1 Final decision

Our final decision is to approve SA Power Network's revised TSS proposal, subject to the addition of transitional arrangements applied to the tariff assignment policies for the first year (2020–21) of the regulatory control period.⁴

This change is in response to the uncertainty in the broader environment regarding the economic implications of COVID-19 restrictions. There are also some minor wording changes we have made to SA Power Networks' TSS to improve clarity in a few areas

¹ NER, cl. 6.18.1A(a).

² AER, *Draft Decision: SA Power Networks distribution determination 2020–25, Attachment 18 – Tariff Structure Statement*, October 2019.

³ AER, *Draft Decision: SA Power Networks distribution determination 2020–25, Attachment 18 – Tariff Structure Statement*, October 2019.

⁴ NER, cl. 6.12.1(14A).

including in response to stakeholder feedback.⁵ In all other respects, we approve SA Power Network's revised TSS proposal.

Consistent with our draft decision, we remain of the view that SA Power Networks has established a clear rationale for tariff reform in South Australia, has proposed tariffs that align with this rationale, and that its proposal reflects good engagement with stakeholders.

We publish the final version of SA Power Networks' TSS alongside this decision. For transparency, we also publish both a clean version and a version which is marked-up from SA Power Networks' revised TSS proposal.

Our final distribution determination for SA Power Networks was delayed from 30 April 2020 to 5 June 2020 to allow us to include a more accurate forecast of inflation. However, to aid transparency and to assist stakeholders to prepare for 1 July network price changes, we committed to publishing a number of documents in advance of this decision. This included an indicative final version of SA Power Networks' TSS which we published on 12 May 2020. Our final TSS for SA Power Networks is consistent with the indicative final TSS we previously published with one minor exception.⁶

We have also made a final decision on the policies and procedures for assigning retail customers to tariff classes for SA Power Networks.⁷ For simplicity, these policies and procedures are included within SA Power Networks' final TSS.⁸

18.2 SA Power Networks' revised proposal

SA Power Networks' revised TSS proposal is consistent with its initial TSS proposal. The couple of incremental improvements in its revised proposal reflect suggestions we made in our draft decision. Specifically:

- Separating the regulatory proposal into Part A with the regulatory material required under the National Electricity Rules (NER) and Part B providing the strategy and analysis behind Part A
- Introducing a section establishing relative values to provide greater certainty for how unexpected changes in revenue will be managed in the regulatory period⁹

⁵ For example, clarifying that new customer means a new connection to the network.

⁶ The one change was to remove the assignment of small business customers with substantial generation capacity (> 200 kVA) to large LV, HV, zone substation or sub-transmission tariff classes. This is in response to feedback from a stakeholder and further discussion with SA Power Networks on this matter.

⁷ NER, cl. 6.12.1(17).

⁸ See section 17.2.2 of SA Power Networks' TSS. Technically the policies and procedure for assigning consumers to tariff classes are an element of the distribution determination and not part of the TSS. A different test in the NER also applies to this element (NER, cl.6.18.4). This is because this element of the framework predates the TSS framework. We have applied the relevant test in making this decision. However, for simplicity and convenience for stakeholders, we have presented the tariff class policies and procedures within the same document as SA Power Networks' TSS.

- Outlining the assumptions regarding retailer behaviour underlying the proposed assignment policies and tariff structures.¹⁰

18.3 Assessment approach

We assessed the proposed tariff structure statement against two sets of requirements under the NER:

- First, the NER sets out a number of elements that an approved tariff structure statement must contain.¹¹ These include the structure of the proposed tariffs, and the policies and procedures the distributor will use to assign consumers to those tariffs.
- Second, a tariff structure statement must comply with the distribution pricing principles.¹² Broadly, the pricing principles require tariffs to reflect a distributor's efficient costs. An approved tariff structure statement must have regard to the impact on consumers in the transition to cost reflective tariffs.

Please refer to our draft decision for more details.¹³

18.4 Reasons for final decision

In this section, we outline:

- Our support for solar sponge pricing to manage minimum demand in South Australia which is the key rationale for SA Powers Networks' proposed tariff reforms
- The feedback we received from stakeholders in their submissions which broadly supported our draft decision and SA Power Networks' revised TSS proposal and therefore why we have maintained most elements of our draft decision position in this final decision
- Our reasons for including transitional tariff assignment policies in the first year of the regulatory period in response to COVID-19
- Our assessment of stakeholders' views on SA Power Network's charging windows
- The minor additional clarifications we have made to SA Power Networks' TSS for added transparency.

⁹ SA Power Networks, *Revised regulatory proposal, Attachment 17 Tariff Structure Statement Part A*, December 2019, p 21-22.

¹⁰ SA Power Networks, *Revised regulatory proposal, Attachment 17 Tariff Structure Statement Part B*, December 2019, p 63-64.

¹¹ NER, cl. 6.18.1A(a).

¹² NER, cl. 6.18.1A(b).

¹³ AER, *Draft Decision: SA Power Networks distribution determination 2020–25, Attachment 18 – Tariff Structure Statement*, October 2019, p 18-11 to 18-14.

We consider solar sponge pricing will help manage the minimum demand challenge in South Australia

An important and growing challenge in South Australia is managing the minimum demand on the system in the middle of the day as a result of significant amounts of solar exported onto the system. These challenges include voltage rises (which can result in network costs and customers' solar exports being curtailed or "wasted") and challenges in having a fleet of generators and storage that are flexible enough to ramp up generation output from the midday lows to evening peaks in demand. We expect the tariff reforms from SA Power Networks that we are approving to contribute to addressing these challenges and enable more solar to be integrated into the grid, in addition to encouraging more efficient use of the network.

A key element of SA Power Networks' proposal is the application of "solar sponge" pricing in its network tariff design for residential customers. Usage rates during the solar sponge period of 10am to 3pm are set at a 75 per cent discount to the single rate network tariff. This is designed to provide an incentive to residential customers who are able to shift consumption to the middle of the day to do so to address the system challenges in the low voltage network. These tariffs should also encourage those customers with solar and storage to save some of that solar to offset their consumption during peak periods. For consumers currently on controlled load arrangements (e.g. for hot water) and who have a smart meter (type 4), the timing of the controlled load will also be amended to take advantage of the low solar sponge rates during the middle of the day.

From the second year of the regulatory control period (1 July 2021 onwards), retailers will face cost reflective tariff networks for all of their residential and small business consumers who have a smart meter (type 4 and type 5). For the first year of the regulatory period (1 July 2020 tariffs) we have decided to include transitional arrangements where retailers will face a cost reflective network tariff by default for some of their consumers (new connections; existing consumers who upgrade their connection) with the ability to opt-out to legacy tariffs in the first year only. Our reasons for these transitional arrangements are discussed further below.

Stakeholders broadly supported SA Power Networks' proposal

Our draft decision accepted SA Power Networks' initial TSS proposal. Stakeholders broadly supported our draft decision and SA Power Networks' revised TSS proposal. Accordingly, stakeholder submissions do not give us any reason to depart from our draft decision. We have therefore broadly maintained our draft decision position in this final decision. We explain here the support we received from stakeholders. One area we received suggestions from a small number of stakeholders to amend SA Power Networks' proposal was in relation the timing of peak and off peak charging windows on the weekend. We explain our response to stakeholders' views on that topic later in this attachment.

We received a number of stakeholder submissions which were supportive of SA Power Networks' revised tariff structure statement, as well as the AER's draft decision to

accept SA Power Network's proposal. The key themes picked up on by stakeholders were:

- Appreciation of SA Power Networks to engage meaningfully with consumers
- Network tariffs are one of the tools to facilitate effective integration of distributed energy resources (DER), particularly through the introduction of the 'solar sponge'
- Network tariffs are targeted at retailers so SA Power Networks needs to engage with retailers on how these signals may reach consumers.

Strong and successful consultation

A number of stakeholders acknowledged SA Power Networks' constructive consultation with consumers on their preferences and consultation on the potential impacts on tariff changes. The stakeholder feedback we received included:

- Business SA noted this included seeking to understand the expected impact and being open about the realities of the different scenarios.¹⁴
- SA Power Networks' Consumer Consultative Panel identified strong and successful consultation which appeased concerns raised by consumers, including in relation to demand based tariffs.¹⁵
- Consumer Challenge Panel, sub-panel 14 (CCP14) also congratulated SA Power Networks on their engagement and noted the positive comments from stakeholders and consumers.¹⁶

Clear link to network challenges

Stakeholders also appreciated the clear link between the issues being faced by the network (e.g. minimum demand) and the role tariffs play in complementing other initiatives. In particular:

- The South Australia Minister for Energy and Mining stated sending the appropriate price signals to incentivise more efficient use of the network was an important mechanism to manage network issues, such as minimum demand.¹⁷
- AGL noted that the proposal clearly recognised there had been a fundamental shift in demand load profiles with the rise of household solar PV ownership and that the propose tariffs reflected a move to more cost reflective tariff structures.¹⁸
- Herbst noted that SA Power Networks was making profound reforms which appear likely to benefit consumers in meaningful ways and noted that inefficient use of the grid would be expected to inflate long run capacity needs and costs.¹⁹

¹⁴ Business SA, *Submission on SA Power Networks Revised Regulatory Proposal 2020–25*, January 2020, p. 5.

¹⁵ SAPN CCP, *Submission on SA Power Networks Revised Regulatory Proposal 2020–25*, January 2020, p. 12.

¹⁶ CCP14, *Submission on SA Power Networks Revised Regulatory Proposal 2020–25*, revised, February 2020, p. 8.

¹⁷ Hon Dan van Holst Pellekaan MP, *Submission on SA Power Networks Draft Decision 2020–25*, January 2020, p. 4.

¹⁸ AGL, *Submission on SA Power Networks Revised Regulatory Proposal 2020–25*, January 2020, p. 4.

Delivering better outcomes

A number of stakeholders noted that ultimately SA Power Networks cannot control what end users see as this is managed by retailers as part of their retail offers. However, it was recognised that SA Power Networks had made clear efforts to engage with retailers across the state to collaborate to benefit consumers. Stakeholder feedback included:

- Energy Consumers Australia (ECA) in particular appreciated SA Power Networks efforts to establish a retailer-specific forum to discuss how the benefits of tariff reform can be passed on to consumers.²⁰
- The joint submission from Uniting Communities, South Australian Financial Counsellors Association, and The Energy Project acknowledged that it is only by retailers effectively implementing these more cost reflective network tariffs that the benefits will be achieved.²¹
- CCP14 identified SA Power Networks efforts to encourage retailers to engage with these tariffs and develop innovative but appropriate options for consumers as one of the more impressive elements of SA Power Networks' approach.²²

We have included transitional tariff assignment policy arrangements for one year in response to COVID-19

Our draft decision was to approve SA Power Networks tariff assignment policy, noting that it will support the progression of network tariff reform. This policy included the assignment of residential and small business with smart (type 4 or 5) meters to the relevant default cost reflective tariff without the ability for retailers to opt out to legacy tariff arrangements. The NER require networks to progress network tariff reform, tempered by consumer impacts, and there seemed to be broad stakeholder support for this approach. Therefore before the COVID-19 pandemic, we were minded to approve this approach again in this final decision.

However, the COVID-19 pandemic occurred following the submission of SA Power Networks' revised tariff structure statement. This has resulted in significant societal change and there remains considerable uncertainty regarding the magnitude and duration of the impact of the restrictions required to manage this pandemic. Accordingly, taking into account the customer impact principle under the NER, we consider it is appropriate to introduce transitional arrangements within SA Power Networks tariff assignment policy for the first year of the regulatory control period. Our reasons for these transitional arrangements are:

¹⁹ John Herbst, *Submission on SA Power Networks Revised Regulatory Proposal 2020–25*, January 2020, p. 5.

²⁰ ECA, *submission on SA Power Networks Revised Regulatory Proposal 2020–25*, January 2020, p. 4.

²¹ UC, SAFCA and TEP, *Joint submission on SA Power Networks Revised Regulatory Proposal 2020–25*, January 2020, p. 51

²² CCP14, *submission on SA Power Networks Revised Regulatory Proposal 2020–25*, Revised, February 2020, p. 29.

- To provide retailers more time to develop new retail products in response to the new network tariff arrangements.
- To provide consumers more time to consider what new retail products might best suit their needs and preferences. We also consider consumers are likely to favour certainty in the current economic circumstances and consumers' ability to engage with any new and more innovative products may be limited by the impact of this pandemic.
- These transitional arrangements are temporary and SA Power Networks' proposed tariff assignment policy for residential and small business customers with a smart meter (type 4 or 5) will resume on 1 July 2021. This means that from 1 July 2021, retailers will receive cost reflective network price signals for all residential or small business customers with a smart meter in South Australia. Retailers will not be able to opt-out to legacy tariff arrangements from that point. Therefore we do not expect any long term impact on the pace of network tariff reform and SA Power Networks should still be able to achieve the same outcome as its proposed policy by the end of the regulatory control period (2025).

Retailers are the focus of cost reflective network tariffs. They are the ones who manage a number of risks, including volatile wholesale market prices and network tariff signals, to develop retail offers for consumers. These can range from flat rate retail tariffs where the retailer manages all the risk for consumers through to cost pass through retail tariffs where the consumer manages more of the risk and in return should be charged a lower retail price. More cost reflective network tariffs should result in retailers providing more choice for their consumers, including more innovative options.

However, the efficacy of reform is limited when retailers' resources are focused on customer services desks, hardship arrangements and they are not able to invest in the development of these more innovative retail offers and the necessary consumer education. We are concerned that the result would be some retailers absorbing these price signals indiscriminately which would undermine the objective of this reform, while others may not be able to absorb the signals and so may pass them through to all consumers whether that is their preference or not. Therefore we think allowing retailers another 12 months to manage the disruptions from COVID-19 and prepare for the introduction of these tariffs at scale is appropriate.

We believe in network tariff reform and consider it is important for networks to provide retailers with clear signals to encourage more efficient use of the network and ensure that consumption decisions are based on more accurate information. It is important for the benefit of all consumers that retailers are provided with the financial incentive network tariff reform can provide. Therefore, we continue to support the assignment of all residential and small business customers with smart meters to cost reflective network tariffs following these transitional arrangements (i.e. from 1 July 2021) to ensure that retailers receive these signals and are incentivised to respond.

We have included the following transitional arrangements in SA Power Networks tariff assignment policies for 2020–21:

- Residential and small business consumers who are new connections or existing consumers who initiate a change to their connection (e.g. install new solar PV) will be assigned to a cost reflective network tariff by default, which their retailer may opt-out to a legacy network tariff in the first year only.
- Residential and small business consumers who receive a smart meter for reasons not instigated by them (e.g. end of life replacement) or who received a smart meter before 1 July 2020 will be remain on their current legacy network tariff in the first year only, which their retailer may choose to opt-in to the more cost reflective tariff option.
- Large business consumers will be provided with the option to instruct their retailer to request reassignment to a different network tariff and will also be provided with the opportunity to request up to two tariff reassignments in the first year.

We have also decided there is no need for transitional arrangements (ie. no delay) to the reforms to off-peak controlled load tariff assignments. These are secondary tariffs for devices where consumers are already familiar with the concept of different prices applying at different times of the day, or where consumers are familiar with the concept of a device only operating at certain times of the day. Further, the timing of controlled loads (e.g. hot water) can be altered without materially impacting consumer convenience or amenity. So our reasons for introducing transitional arrangements for primary tariffs do not apply to controlled load tariffs. The changes to controlled load (type 4) arrangements to introduce solar sponge pricing is also expected to provide support to the management of minimum demand and we consider it is important this reform goes ahead as planned.

We have considered stakeholders' submissions on SA Power Networks' charging windows

Our final decision is to approve SA Power Networks proposed charging windows for peak and off peak times. In forming this position, we considered suggestions from a couple of stakeholders that SA Power Networks' charging windows should be amended.

Our draft decision was to approve the charging windows in SA Power Networks' proposed tariff structure statement. We considered these charging windows to broadly be cost reflective while being mindful of the customer impact principles.

In submissions on our draft decision and SA Power Networks' revised TSS proposal, some stakeholders raised concerns about whether there may be unintended consequences from applying the same charging window times on weekdays and on the weekend.²³ We acknowledge their concern that the revised proposal only considered maximum data in exploring whether tariffs should be applied to both

²³ John Herbst, *Submission on SA Power Networks Revised Regulatory Proposal 2020–25*, January 2020, p. 5.; Hon Dan van Holst Pellekaan MP, *Submission on SA Power Networks Draft Decision 2020–25*, January 2020, p. 4.

weekdays and weekends. However, as discussed in appendix A, SA Power Networks provided us with data on historical minimums across its different regions as part of their initial proposal. We consider this to support the position that the general trend in consumption does not vary noticeably between weekdays and weekends, with the exception of the central business district (CBD).

Also as the peak signal is not particularly strong and provides the opportunity to improve retailers' (and through their response consumers') ability to improve their understanding of, and ability to respond to, cost reflective tariffs we support this approach as part of a broader strategy.

We have made small minor clarifications to enhance transparency

As mentioned in 18.2, SA Power Networks took on board our guidance in the draft decision to provide more detail and explanation for certain components to support consumers' ability to understand their tariff strategy. This included introducing a section on the relative value of different tariffs and their components.

But in our engagement with stakeholders, we identified a number of additional points where additional clarity was considered desirable. This included clarifying that when the primary meter is upgraded from an accumulation (type 6) to an interval (smart or type 4) meter, any secondary meters at the NMI such as for off-peak controlled load should also be upgraded to interval meters. We also felt it important to distinguish between the requirements of the control mechanisms in our final decision and the extra constraints SA Power Networks was proposing to impose.

We encourage further work into long-run marginal cost estimation

We still consider the approach to incorporating replacement expenditure (repex) into the estimation of long-run marginal cost could be improved further to ensure age and condition related repex is excluded. But as with our recent decisions on TasNetworks²⁴ and Essential Energy²⁵ this will not stop us approving the TSS as a whole. We do however expect this to be addressed before the next regulatory period, a view supported by stakeholders.²⁶ In progressing these discussions, we would recommend considering the concerns raised with Energex in relation to their proposal to explore the 500MW model used by some distributors in the United Kingdom.²⁷

²⁴ AER, *Final Decision TasNetworks distribution determination 2019–24, Attachment 18 – Tariff Structure Statement*, April 2019, p 21.

²⁵ AER, *Final Decision Essential Energy distribution determination 2019–24, Attachment 18 – Tariff Structure Statement*, April 2019, p. 14.

²⁶ John Herbst, *Submission on SA Power Networks Revised Regulatory Proposal 2020–25*, January 2020.

²⁷ AER, *Draft Decision Energex distribution determination 2020–25, Attachment 18 – Tariff Structure Statement*, October 2019, p. 51.

A Balancing network dynamics and consumer preferences for charging windows

In submissions received, a few stakeholders queried the efficacy of the charging windows for the time of use tariffs for residential customers. The proposed residential time of use tariff applies the following structure every day:

- Peak: 06:00 to 10:00 and 15:00 to 01:00 at 125% of the single rate tariff
- Off-peak: 01:00 to 06:00 at 50% of the single rate tariff
- Solar sponge (off-peak): 10:00 to 15:00 at 25% of the single rate tariff.

Stakeholder concerns mainly revolved around two key considerations:

- How closely the tariff structure reflects the underlying network dynamics
- Whether the 01:00 start for the off-peak period stops consumers from responding.

Reflecting network dynamics

In considering whether these tariffs are cost reflective, it is important to note that it is the troughs (minimum demand) not the peaks which are a key cost driver for SA Power Networks at the low voltage (LV) level to which households are connected. This reflects the prevalence of rooftop solar PV amongst households in South Australia. With minimal augmentation expenditure requirements, SA Power Networks' tariff strategy is about moving demand into troughs rather than away from peaks. This is reflected in the substantial discount provided to use of the network between 10:00 and 15:00 when the majority of solar generation occurs.

SA Power Networks has also chosen to target their strategy at signalling the cost of general behaviour, rather than at capturing extreme events. This allows for price signals to be more muted and to be based on general trends. In the explanatory statement accompanying the revised tariff structure statement proposal (Part B), SA Power Networks provided graphs of maximum demand across the different regions on weekdays and weekends. These illustrated that outside of the central business district (CBD) region, the trend and level of maximums are relatively similar across weekdays and weekends.²⁸

SA Power Networks provided us with the equivalent minimum data across weekdays and weekends for the network as a whole as well as for regions within their network. As the following graphs show, while minimums may reach slightly lower levels on the weekends, the general trend remains the same across workdays outside of the CBD.

²⁸ See 'Peak-Demand - workday versus non-workday' in Part B of SA Power Networks, *Revised Tariff Structure Statement Proposal*, p 41 to 43.

This supports SA Power Networks proposal to adopt tariff structures across every day of the week for residential customers, particularly as this tariff class only has a minimal presence in the CBD. We have provided a few of these graphs below.

Figure 18.1 Historical minimum demand across the network (excluding Major Customers)

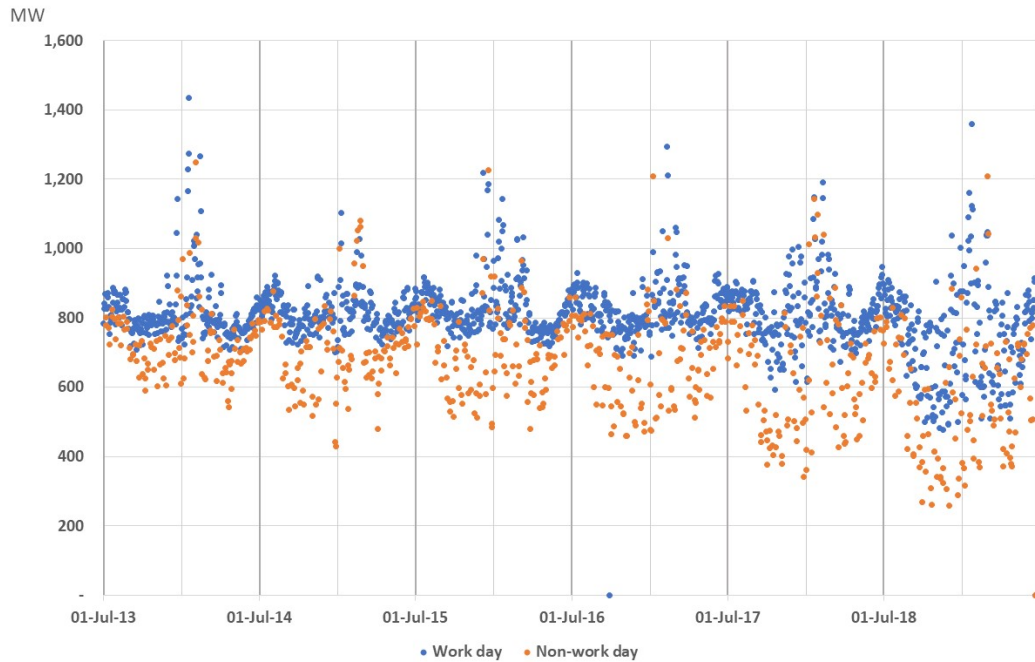


Figure 18.2 Historical minimum demand for one of the metro regions

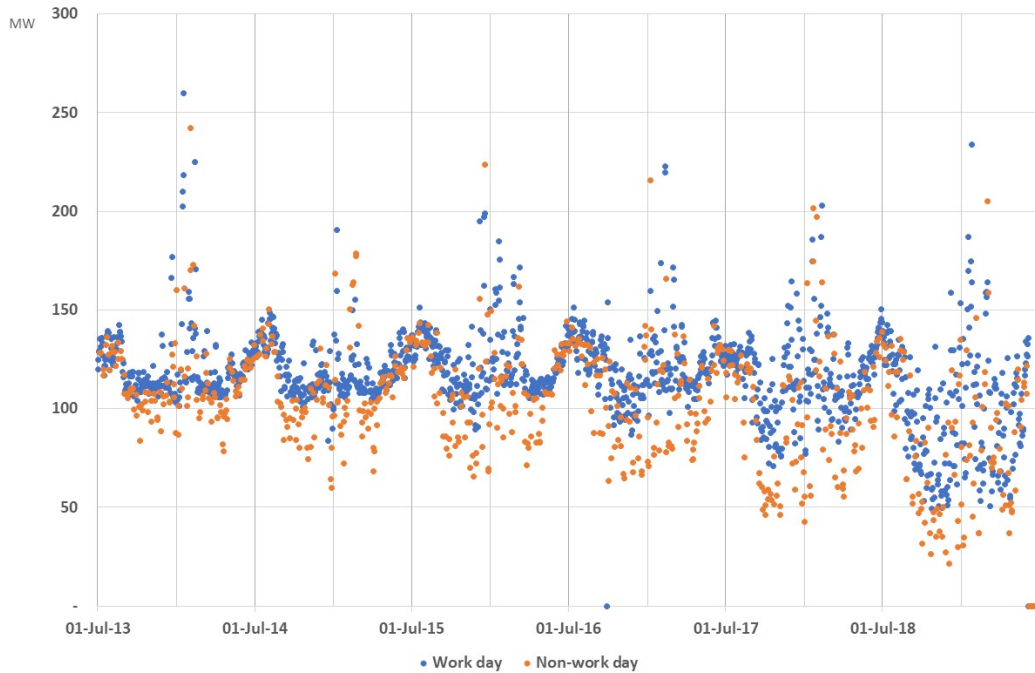
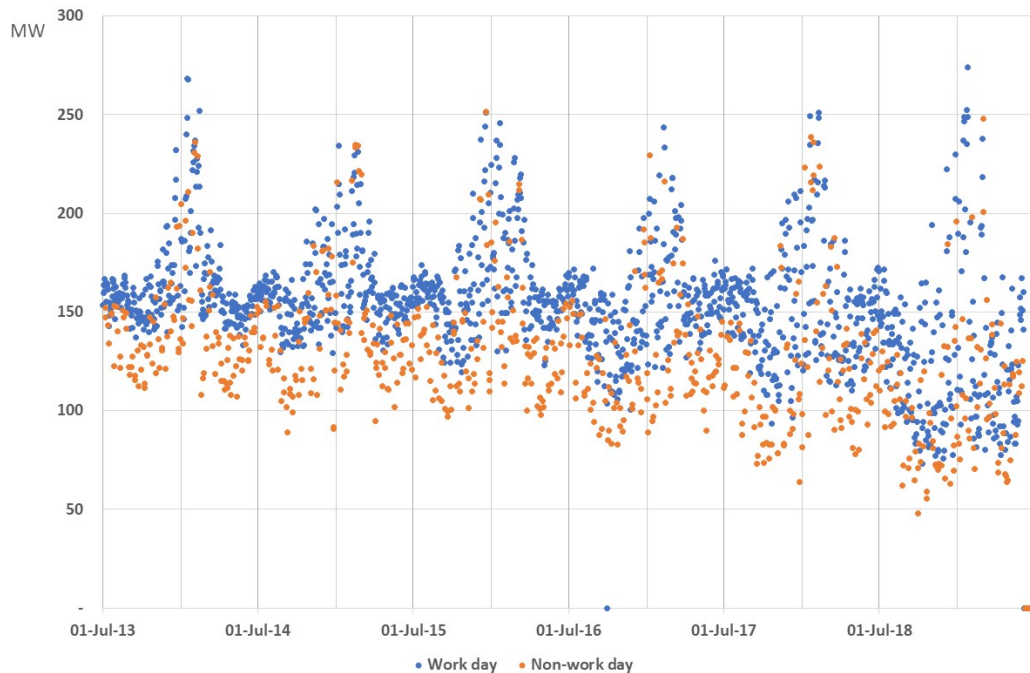


Figure 18.3 Historical minimum demand for country consumers



Engaging consumers in responding to signals

In their engagement with consumers and retailers on the initial TSS proposal, SA Power Networks identified a strong desire for simplicity. This contributed to the decision to apply the same structure everyday so consumers did not need to adapt, noting that ultimately how this signal reaches them will be determined by their retail offer. There was also strong support for the peak price component to be set at a lower level for a longer period to reflect the absence of major constraints while still enabling SA Power Networks to recover its revenue.

This compromise resulted in an off-peak period which will not commence till 01:00 and some stakeholders queried consumers' ability to shift consumption this late. They questioned whether the supporting technology was available to enable this and noted many may be at work during the heavily discounted solar sponge period of 10:00 to 15:00. We acknowledge these concerns, but consider SA Power Networks' proposed charging windows broadly supports the overall transition towards network tariff reform. This is based on the peak price signal being set relatively low (125% of the flat rate tariff) and the structure being developed through consultation with consumers.

It is also worth noting that the off-peak controlled load is not limited to the 01:00 to 06:00 off-peak period, instead SA Power Networks has provided this secondary tariff with a longer overnight window and access to the solar sponge during the day. This should help reduce the impact of larger energy consuming devices and encourage retailers to engage with consumers to offer lower prices in response for some control of larger energy consuming devices.

Shortened forms

Shortened form	Extended form
AER	Australian Energy Regulator
CCP	Consumer Challenge Panel
CCP14	Consumer Challenge Panel, sub-panel 14
distributor	distribution network service provider
ECA	Energy Consumers Australia
NER	National Electricity Rules
repex	replacement expenditure
TSS	tariff structure statement

Glossary of terms

Term	Interpretation
Anytime demand tariff	A tariff incorporating a demand charge where the demand charge measures the customer's maximum demand at any time (i.e. not limited to within a peak charging window).
Apparent power	See kVA
CoAG Energy Council	The Council of Australian Governments Energy Council, the policymaking council for the electricity industry, comprised of federal and state (jurisdictional) governments.
Consumption tariff	A tariff that incorporates only a fixed charge and usage charge and where the usage charge is based on energy consumed (measured in kWh) during a billing cycle, and where the usage charge does not change based on when consumption occurs. Examples of consumption tariffs are flat tariffs, inclining block tariffs and declining block tariffs.
Cost reflective tariff	Consistent with the distribution pricing principles in the National Electricity Rules (NER), a cost reflective distribution network tariff is a tariff that a distributor charges in respect of its provision of direct control services to a retail customer that reflects the distributor's efficient costs of providing those services to the retail customer. These efficient costs reflect the long run marginal cost of providing the service and contribute to the efficient recovery of residual costs.
Declining block tariff	A tariff in which the per unit price of energy decreases in steps as energy consumption increases past set thresholds.
Demand charge	A tariff component based on the maximum amount of electricity consumed by the customer (measured in kW, kVA or kVA _r) over a designated time-period which may be reset after a specific period (e.g. at the end of a month or billing cycle). A demand charge could be incorporated into either an anytime demand tariff or a time-of-use demand tariff.
Demand tariff	A tariff that incorporates a demand charge component.
Fixed charge	A tariff component based on a fixed dollar amount per day that customers must pay to be connected to the network.
Flat tariff	A tariff based on a per unit usage charge (measured in kWh) that does not change regardless of how much electricity is consumed or when consumption occurs.
Flat usage charge	A per unit usage charge that does not change regardless of how much electricity is consumed or when consumption occurs.
Inclining block tariff	A tariff in which the per unit price of energy increases in steps as energy consumption increases past set thresholds.
Interval, smart and advanced meters	Used to refer to meters capable of measuring electricity usage in specific time intervals and enabling tariffs that can vary by time of day.
kVA	Also called apparent power. A kilovolt-ampere (kVA) is 1000 volt-amperes. Apparent power is a measure of the current and voltage and will differ from real power when the current and voltage are not in phase.
kW	Also called real power. Electrical power is measured in watts (W). A kilowatt (kW) is 1000 watts. In a unity power system the wattage is equal to the voltage times the current.
kWh	A kilowatt hour is a unit of energy equivalent to one kilowatt (1 kW) of power used for one hour.

Term	Interpretation
LRMC	Long Run Marginal Cost. Defined in the National Electricity Rules as follows: <i>"the cost of an incremental change in demand for direct control services provided by a Distribution Network Service Provider over a period of time in which all factors of production required to provide those direct control services can be varied"</i> .
Minimum demand charge	Where a customer is charged for a minimum level of demand during the billing period, irrespective of whether their actual demand reaches that level.
NEO	The National Electricity Objective, defined in the National Electricity Law as follows: <i>"to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to—</i> <i>(a) price, quality, safety, reliability and security of supply of electricity; and</i> <i>(b) the reliability, safety and security of the national electricity system"</i> .
Power factor	The power factor is the ratio of real power to apparent power (kW divided by kVA).
Tariff	The network tariff that is charged to the customer's retailer (or in limited circumstances, charged directly to large customers) for use of an electricity network. A single tariff may comprise one or more separate charges, or components.
Tariff charging parameter	The manner in which a tariff component, or charge, is determined (e.g. a fixed charge is a fixed dollar amount per day).
Tariff class	A class of retail customers for one or more direct control services who are subject to a particular tariff or particular tariffs.
Tariff structure	Tariff structure is the shape, form or design of a tariff, including its different components (charges) and how they may interact.
Time-of-use demand tariff (ToU demand tariff)	A tariff incorporating a demand charge where the demand charge measures the customer's maximum demand during a peak charging window. A ToU demand charge might also include an off-peak demand charge or minimum demand charge, and may include flat, block or time-of-use energy usage charges.
Time-of-use energy tariff (ToU energy tariff)	A tariff incorporating usage charges with varying levels applicable at different times of the day or week. A ToU energy tariff will have defined charging windows in which these different usage charges apply. These charging windows might be labelled the 'peak' window, 'shoulder' window, and 'off-peak' window.
Usage charge	A tariff component based on energy consumed (measured in kWh). Usage charges may be flat, inclining with consumption, declining with consumption, variable depending on the time at which consumption occurs, or some combination of these.