Powercor

Amended Revised Proposed Tariff Structure Statement 2017–2020

Powercor AUSTRALIA

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1 Executive summary

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1 Executive summary

Our network tariffs are a key component of our overall demand management strategy. Our aim when developing network tariffs is to reduce long-term average charges for using our network by promoting efficient network investment and utilisation. This revised proposed tariff structure statement (**TSS**) sets out how we will achieve this objective for the period from 2017–2020.

Our proposed and revised proposed TSSs have been prepared in accordance with the National Electricity Rules (**the Rules**).[1] Consistent with the Rules, it has been developed following extensive stakeholder engagement. This includes talking to customers, retailers and stakeholders across our electricity distribution area. Opportunities to participate were promoted via our Talking Electricity website and e-news, as well as directly via meetings, workshops, forums, email and phone. Our key objective is to ensure an understanding of our proposed and our revised proposed network tariff structures, their impacts and our approach to introducing these networks tariffs.

The key difference between our existing and proposed network tariffs is the introduction of a demand charge for our residential, small business, and medium business customers. This demand charge will form part of our new cost-reflective network tariffs.

For residential and small business customers, the introduction of cost-reflective network tariffs will be in addition to our existing open network tariffs. This reflects feedback from our customers, retailers and stakeholders, and also takes into account the Victorian Government's decision in December 2015 that cost-reflective network tariffs for residential and small business customers must be offered on an opt-in basis. Our medium business customers will be assigned to our cost-reflective network tariff following a period of transition but from 1 January 2018 will be able to opt out to a medium business tariff with a zero demand charge.

We will continue to work with all stakeholders (including the Victorian Government, Australian Energy Regulator (**AER**), customers, retailers and customer groups) to ensure the introduction of cost-reflective network tariffs minimise any impacts on consumers. Importantly, our revised proposed network tariff structures encourage investment in energy efficient household appliances; embedded generation and storage; and greater electricity use outside of the maximum demand period.

For our commercial and industrial customers, we do not propose to change our network tariff structures during the 2017–2020 period—a demand charge already exists for these customers.

A summary of our revised proposed network tariff structures for the 2017–2020 period is set out in table 1.1 to table 1.4. Our actual network tariffs will be determined each year through the AER's annual pricing proposal process, but must comply with the structures set out in our approved TSS.

[1] NER, cl. 6.8.2 and NER, cl. 6.10.3

Table 1.1 Residential customers—revised proposed network tariff structures

Network tariff	Components	Charging parameter
Residential flat	Fixed	Supply charge reflecting a fixed amount per annum
	Usage	Anytime charge based on usage within the month
Residential flexible	Fixed	Supply charge reflecting a fixed amount per annum
	Usage (peak)	Charge based on usage between 3:00PM and 9:00PM weekdays
	Usage (shoulder)	Charge based on usage between 7:00AM to 3:00PM weekdays, 9:00PM to 10:00PM weekdays, and 7:00AM to 10:00PM weekends
	Usage (off-peak)	Charge based on usage between 10:00PM and 7:00AM all days
Residential cost-reflective	Fixed	Supply charge reflecting a fixed amount per annum
	Usage	Anytime charge based on usage within the month
	Demand	Maximum demand charge based on monthly maximum kilowatt demand, measured: • over a 30-minute period; • between 3:00PM to 9:00PM (local time); • work days only; and • higher charge from December to March, and lower charge from April to November.
Residential controlled load	Usage	Charge based on controlled usage within the month (usually between 9.30PM and 7:00AM, local time)

Source: Powercor
Notes: Work days are defined as any day of the week excluding public holidays and weekends.

Table 1.2 Small business customers—revised proposed network tariff structures

Network tariff	Components	Charging parameter
Small business flat	Fixed	Supply charge reflecting a fixed amount per annum
	Usage	Anytime charge based on usage within the month
Small business cost-reflective	Fixed	Supply charge reflecting a fixed amount per annum
	Usage	Anytime charge based on usage within the month
	Demand	Maximum demand charge based on monthly maximum kilowatt demand, measured: • over a 30-minute period; • between 10:00AM to 6:00PM (local time); • work days only; and • higher charge from December to March, and lower charge from April to November.
Unmetered supplies	Usage	Anytime charge based on calculated usage within the month

Source: Powercor
Notes: Work days are defined as any day of the week excluding public holidays and weekends.

Table 1.3 Medium business customers—revised proposed network tariff structures

Network tariff	Components	Charging parameter
Medium business cost-reflective	Fixed	Supply charge reflecting a fixed amount per annum
	Usage	Anytime charge based on usage within the month
	Demand	Maximum demand charge based on monthly maximum kilowatt demand, measured: • over a 30-minute period; • between 10:00AM to 6:00PM (local time); • work days only; and • higher charge from December to March, and lower charge from April to November.
Medium business opt-out	Fixed	Supply charge reflecting a fixed amount per annum
	Usage (peak)	Charge based on usage between 7:00AM and 11:00PM work days
	Usage (off-peak)	Charge based on usage that is not in the peak usage period

Source: Powercor
Notes: Work days are defined as any day of the week excluding public holidays and weekends.

Table 1.4 Commercial and industrial customers—proposed network tariff structures

Network tariff	Components	Charging parameter
Large low voltage	Fixed	Supply charge reflecting a fixed amount per annum
	Usage (peak)	Charge based on usage between 7:00AM and 11:00PM
	Usage (off-peak)	Charge based on usage between 11:00PM and 7:00AM
	Demand	Maximum demand charge based on 12-month rolling maximum kVA demand over a 15-minute period, calculated on a monthly basis
High voltage	Fixed	As for large low voltage tariff
	Usage (peak)	As for large low voltage tariff
	Usage (off-peak)	As for large low voltage tariff
	Demand	As for large low voltage tariff
Sub-transmission	Fixed	As for large low voltage tariff
	Usage (peak)	As for large low voltage tariff
	Usage (off-peak)	As for large low voltage tariff
	Demand	As for large low voltage tariff

Source: Powercor
Notes: There is no change between our proposed and revised proposed network tariff structures for commercial and industrial customers.

Our business and changing network tariff structures

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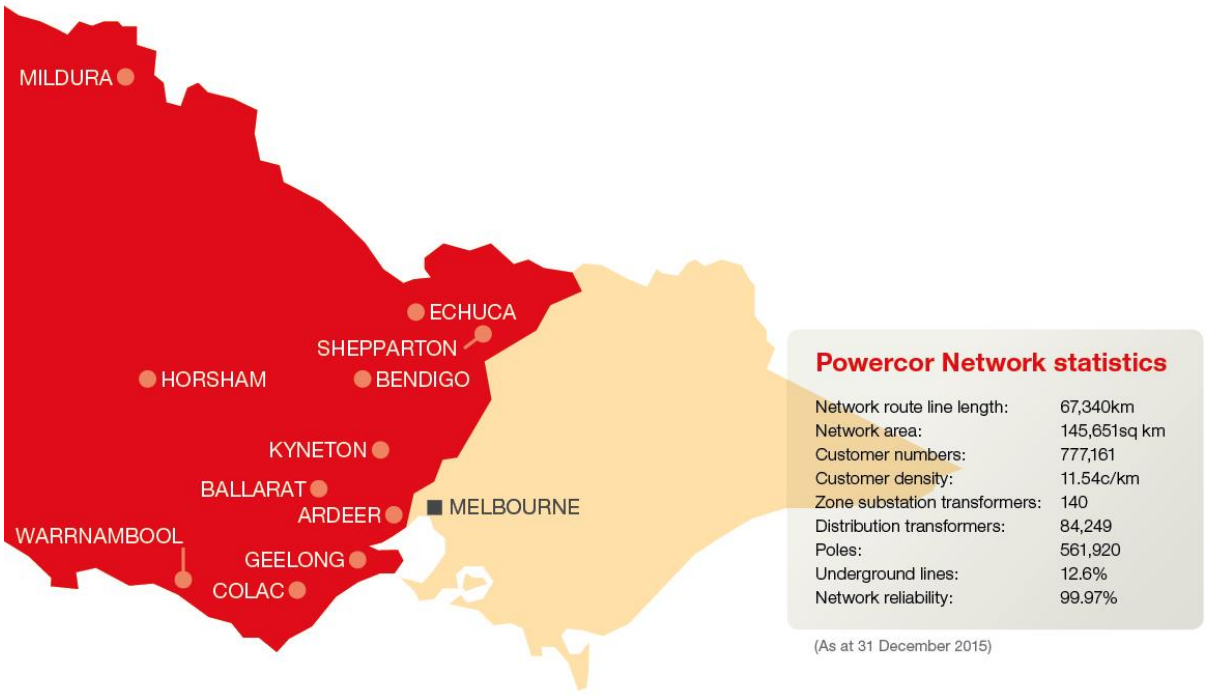
2 Our business and changing network tariff structures

This chapter of our revised proposed TSS provides background information on our network, and sets out why the structures of our existing network tariffs need to change.

2.1 Who we are and our responsibility

We are one of the most efficient and reliable rural electricity distribution networks in Australia. As one of Victoria's five privately owned electricity distributors, we own and manage assets that deliver electricity to more than 777,000 homes and businesses across Melbourne's outer western suburbs and central and western Victoria. Our electricity distribution network is vast and complex, covering more than 145,000 square kilometres and traversing some of the most difficult and remote terrain.

Figure 2.1 Our distribution network area



Source: Powercor

We are responsible for maintaining distribution network safety and reliability, along with planning and designing network extensions and upgrades to meet our customers' current and future electricity needs. We also operate the network on a day-to-day basis, connect new customers (large and small) to our network, and provide metering services.

2.2 Delivering affordable pricing outcomes

As a regulated business, the distribution revenue we are allowed to recover from our customers is determined by the AER on a five yearly basis. The regulatory determination process for the 2016–2020 regulatory control period is currently underway. The AER released their preliminary distribution determination in October 2015 and is expected to revoke and substitute the determination by end May 2016.

Each year, we also submit an annual pricing proposal to the AER. The purpose of these pricing proposals is to obtain approval for how we recover our distribution revenue allowance, transmission costs and other government policy charges in any given year.

Our customers currently pay some of the lowest network charges in Australia, and Victorians pay the lowest network charges in the country. These network charges cover the cost of transporting electricity from the generator through the transmission and distribution networks to our customers' homes or businesses. Metering charges cover the cost of the meter and meter data services.

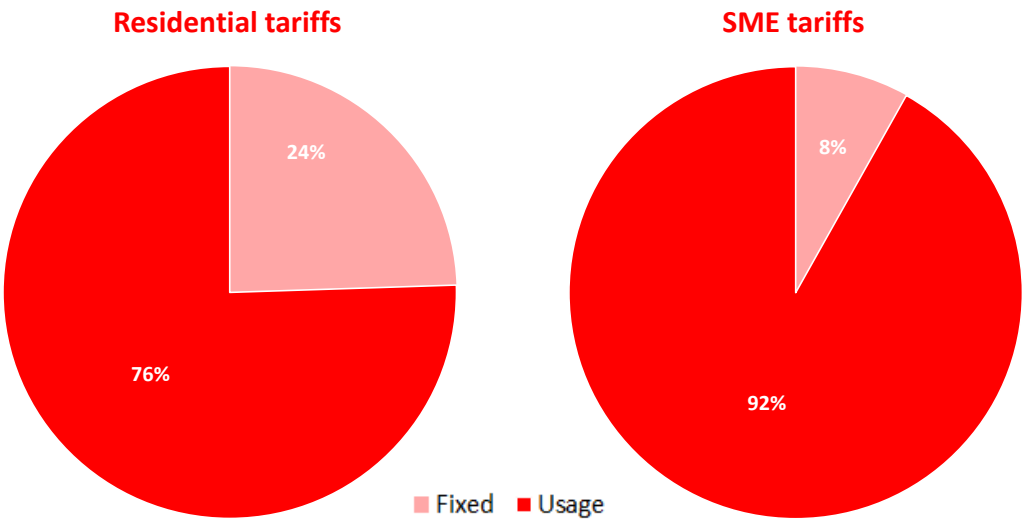
We pass network and metering charges onto electricity retailers, who pass them onto our customers via electricity bills. In general, the electricity bill customers receive from their retailer does not distinguish between network, metering and other charges.

2.3 Why we are changing our network tariff structures

Our existing network tariffs are based on the three customer types—residential; small and medium enterprises (**SME**); and commercial and industrial. Within these customer types, we offer several network tariffs that reflect factors such as the usage profile of a customer group, as well as the type of connection.

For residential and SME customers, the structure of our existing network tariffs typically include a fixed daily charge and an energy usage component (which may vary depending on the time of day). As shown in figure 2.2, these network tariff structures result in our customer bills being driven predominantly by energy usage.

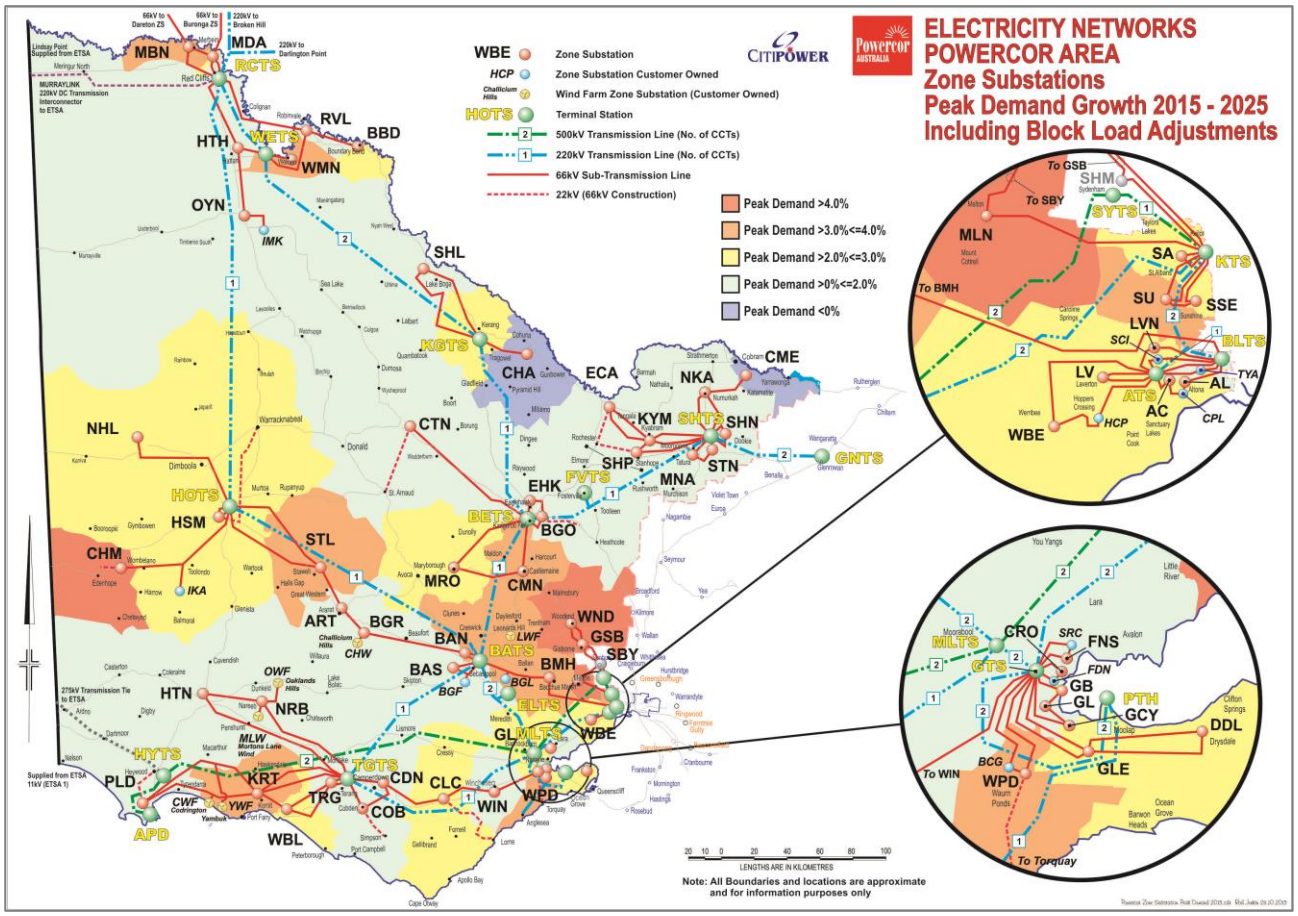
Figure 2.2 Composition of charges for our existing residential and SME network tariff structures



Source: Powercor

Although our existing residential and SME network tariffs are largely usage based, the predominant driver of our network costs is meeting the maximum demand on our network at any given time. For example, our network must be built to accommodate maximum demand, notwithstanding that this maximum demand only occurs for a small period of time each year. As shown in figure 2.3, maximum (or peak) demand growth is forecast to vary across our network.

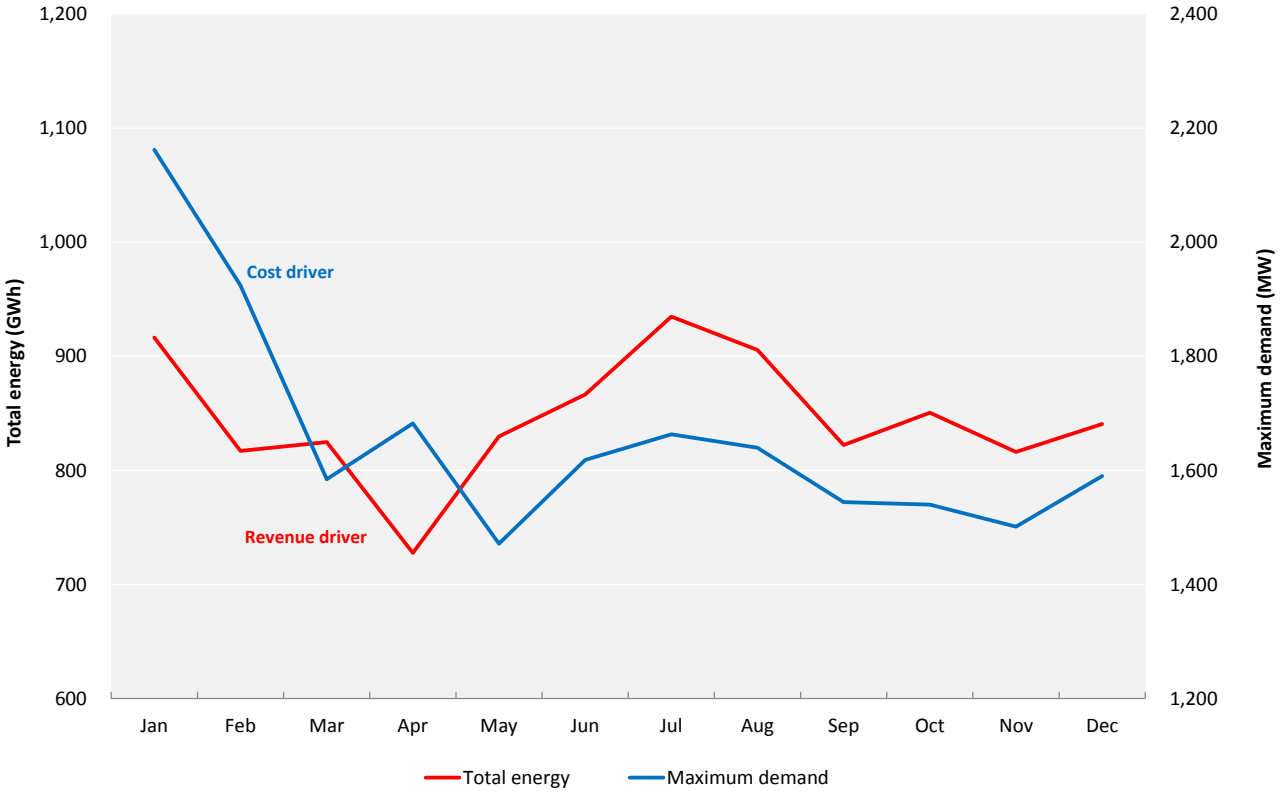
Figure 2.3 Forecast maximum demand growth (2015–2025)



Source: Powercor

Energy usage and demand, however, may not be correlated (as shown in figure 2.4). Our existing network tariff structure, therefore, creates a disconnect between the drivers of our costs and how we charge our customers.

Figure 2.4 Energy consumption relative to maximum demand



Source: Powercor

The disconnect between our cost drivers and our network tariffs is a key reason for changing our network tariff structures to be more cost-reflective. Cost-reflective network tariffs will encourage our customers to shift their usage from times when our network is near full capacity. This is expected to avoid or defer future network investment which will result in lower future network tariffs. For example, cost-reflective network tariffs can encourage the following:

- changing consumer behaviour during periods of maximum demand, such as not using washing machines and dryers at the same time during these periods;
- innovative demand management products, such as cycling of air-conditioners; and
- embedded generation and/or energy storage where cost-effective.

As set out in this revised proposed TSS, we are also moving towards simplifying our network tariffs by consolidating the number of network tariffs we offer.

Further, we will be subject to a revenue cap for the 2016–2020 regulatory control period. As a consequence, changing our network tariff structure will not change the total revenue will can recover through this period. Network tariffs, however, can change consumption behaviour which affects future investment in our network—future investment affects the amount of revenue we will need to recover in future regulatory control periods.

Changes from our proposed tariff structure statement 3

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3 Changes from our proposed tariff structure statement

On 25 September 2015, we submitted our proposed TSS to the AER for approval. As outlined below, our revised proposed TSS incorporates changes to reflect subsequent policy announcements by the Victorian Government (and associated changes to regulatory obligations), as well as the AER's draft decision.

3.1 Victorian Government policy announcement

On 21 December 2015, the Minister for Energy and Resources (**Minister**) advised that cost reflective pricing arrangements will be implemented in Victoria through an opt-in approach (for the period January 2017 to December 2020). The Minister stated that this implementation approach will be delivered by amending Victoria's Advanced Metering Infrastructure (AMI Tariffs) Order (**AMI Tariffs Order**). On 18 August 2017 the Minister advised that from 1 January 2018 medium business customers consuming between 40 MWh per annum and 160 MWh per annum would be able to opt out from a cost-reflective demand tariff.

3.2 Amendments to the AMI Tariffs Order

On 5 February 2016, the Department of Economic Development, Jobs, Transport and Resources (**DEDJTR**) commenced consultation on draft amendments to the AMI Tariffs Order to give effect to the Victorian Government's policy.

The draft amendments stated that an opt-in approach will apply to small customers who opt-in to a cost-reflective tariff after 1 January 2017. Consistent with the existing definition in the AMI Tariffs Order, a small customer is defined as a residential customer or a small business customer who consumes less than 40MWh per annum. The draft amendments also required we offer residential customers a choice of three tariff alternatives—a flat tariff, a flexible tariff, and a cost-reflective tariff.

On 12 April 2016, the Advanced Metering Infrastructure (AMI Tariffs) Amendment Order 2016 (**AMI Tariffs Amendment Order**) was finalised.[2] The final amendments set out in the AMI Tariffs Amendment Order were reasonably consistent with the proposed draft amendments. Subsequent amendments were also made to the National Electricity (Victoria) Act 2005.[3]

On 31 August 2017 we were provided with a draft AMI Tariffs Amendment Order and NEVA Ministerial Order (draft Orders) to give effect to the opt-out arrangements for medium business customers.

Our revised proposed TSS is consistent with the AMI Tariffs Order and National Electricity (Victoria) Act 2005, as at end April 2016 and the draft Orders provided on 31 August 2017.

3.3 AER's draft decision on our proposed TSS

On 22 February 2016, the AER published its draft decision (also referred to as determination) on our proposed TSS. Given our proposed TSS did not reflect the AMI Tariffs Amendment Order, the AER's draft decision was to not approve our proposed network tariff structures.

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2 Notification of the AMI Tariffs Amendment Order was published in the Victorian Government Gazette G 15, published on 14 April 2016.

3 These amendments were made on 18 April 2016 by the 2016 Ministerial Order under section 16BA, and published in the Victorian Government Gazette G 16 on 21 April 2016.

3.4 Our revised proposed TSS

Our revised proposed TSS has been prepared in accordance with the Rules.[4] These Rules state that we may only make revisions to our proposed TSS so as to incorporate the substance of any changes required to address matters raised by the AER in its draft determination (on our proposed TSS).[5]

Given our proposed TSS did not reflect the AMI Tariffs Amendment Order, our revised proposed TSS seeks to comply with the Rules governing the proposed TSS, as well as those governing the revised proposed TSS. This includes updating of our TSS overview paper.

3.5 Our amended revised proposed TSS

The AER approved our revised proposed TSS in August 2016. Our amended revised proposed TSS has been prepared to also comply with the draft Orders provided on 31 August 2017.

[4] NER, cl. 6.10.3.

[5] NER, cl. 6.10.3(b), as amended by cl. 11.76.2(a).

Our customer, retailer and stakeholder engagement

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4 Our customer, retailer and stakeholder engagement

Engagement is core to the strategic priorities of our business. We regularly consult and seek feedback to help us shape our future plans and business decisions.

In 2013 we commenced our stakeholder engagement program for the 2016–2020 regulatory control period. We undertook a research phase which found almost 60 per cent of our customers did not know who we were, what our role was or what services we provide. We responded by launching www.talkingelectricity.com.au and delivering information to each of our customers via a mail out.

In 2014 we began engaging our customers around network tariff reform. We reached out to our customers via focus groups, online surveys and our publications.

In 2015 we used a range of consultation mechanisms to give our customers, retailers and stakeholders the opportunity to have their say on our proposed changes to network tariff structures. We held face-to-face meetings and forums, engaged an independent market research company to deliver us insights, and communicated with our customers, retailers and stakeholders via our Talking Electricity website and e-news.

In 2016, we engaged with retailers and stakeholders (including our customer consultative committee members) on our revised proposed tariff structures, and incorporated their feedback into our revised proposed tariff structures. Our engagement program is discussed in detail in appendix D.

4.1 Key insights from our customer, retailer and stakeholder engagement

The feedback we gathered from our customer, retailer and stakeholder engagement has helped to shape the structure of our proposed and revised proposed cost-reflective tariffs for the 2017–2020 period. The key insights from our engagement program are set out in figure 4.1

Figure 4.1 Key insights from our stakeholder engagement program

Source: Powercor

4.1.1 2014 engagement approach

The engagement activities we undertook in 2014, and the feedback we received from these activities are set out in figure 4.2.

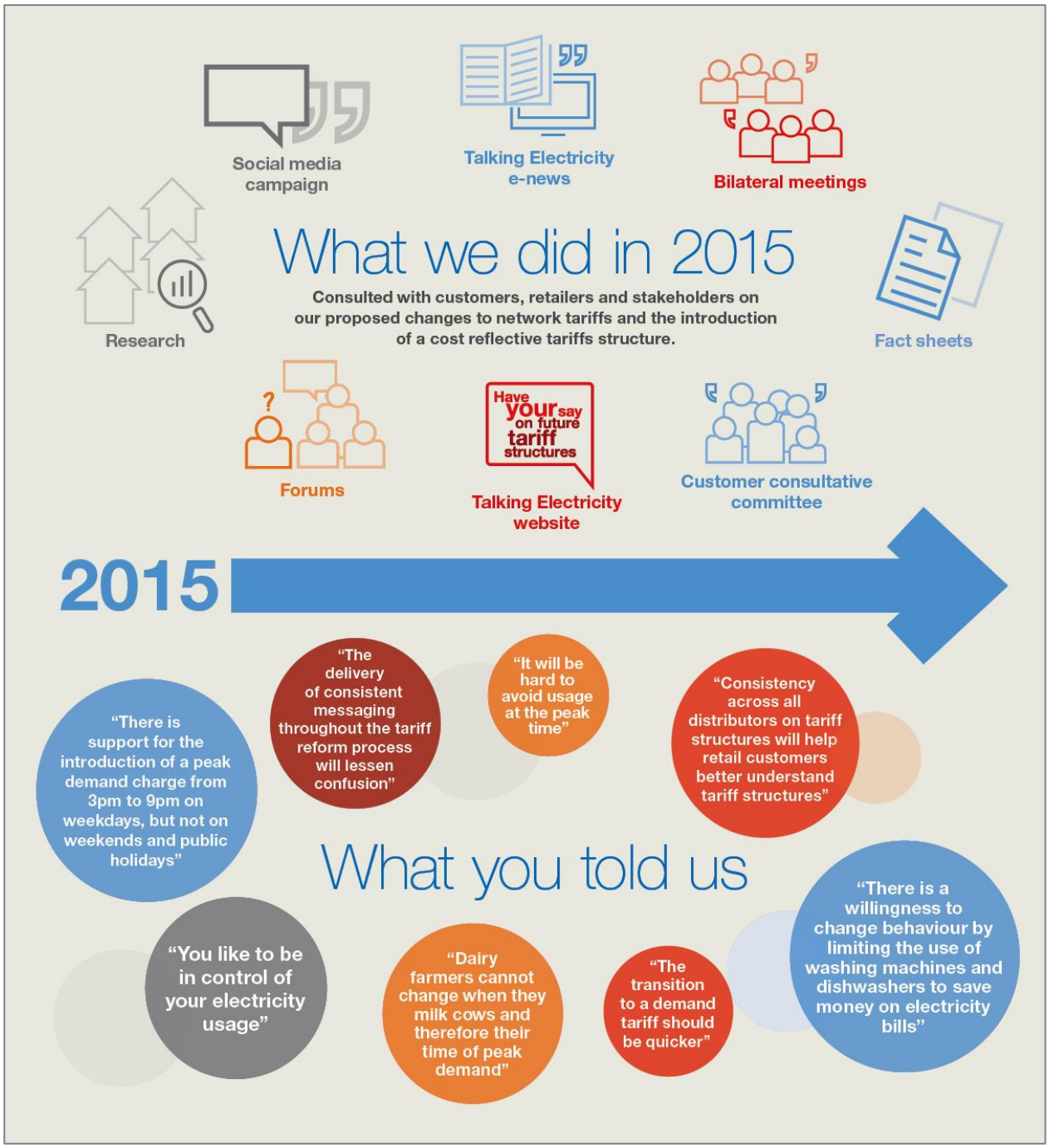
Figure 4.2 Engagement activities and insight (2014)

Source: Powercor

4.1.2 2015 engagement approach

The engagement activities we undertook in 2015, and the feedback we received from these activities are set out in figure 4.3.

Figure 4.3 Engagement activities and insight (2015)

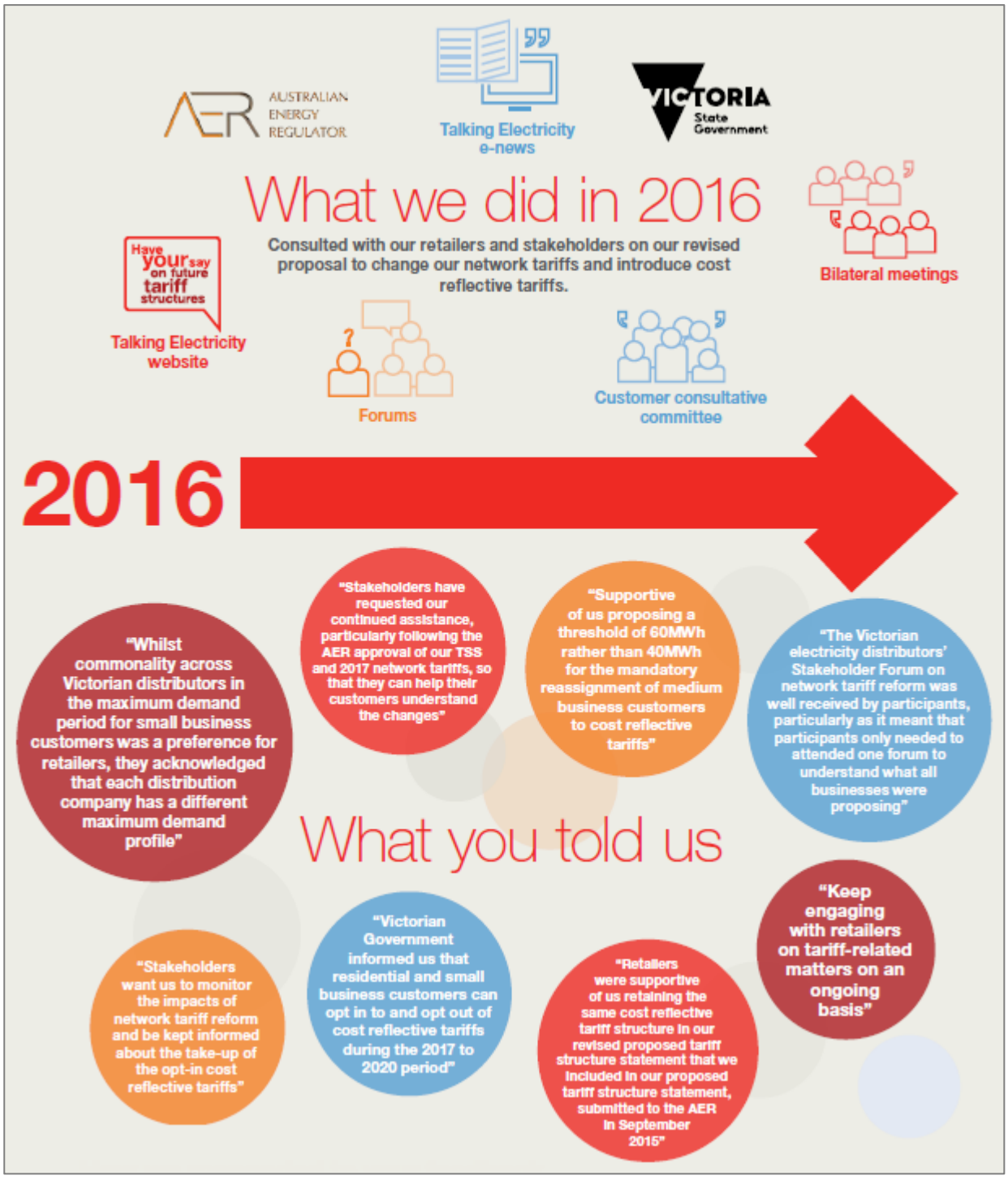


Source: Powercor

4.1.3 2016 engagement approach

The engagement activities we have undertaken to date in 2016, and the feedback we received from these activities are set out in figure 4.4.

Figure 4.4 Engagement activities and insight (2016)



Source: Powercor

4.2 How we responded to your feedback

The feedback we received from our customers, retailers and stakeholders has informed a number of key components of our proposed and revised proposed network tariff structures. These components are discussed in greater detail in section 5 of our revised proposed TSS, and include the following:

- we have aligned key elements of our proposed residential network tariff structure with the other Victorian distributors;
- all Victorian distribution companies have agreed on one maximum demand period for residential customers, 3:00PM to 9:00PM on workdays;
- our maximum demand charge will only apply on workdays, not on weekends and public holidays;
- we will transition our medium business customers to our proposed cost-reflective tariff structure (noting that residential and small business customers will only be transferred onto a cost-reflective tariff structure with the customer's informed consent); and
- we are not introducing location based tariffs or rebates as part of our proposed cost-reflective tariff structure.

We will also continue to work with the other Victorian distribution companies to ensure communication with our customers, retailers and stakeholders is clear and consistent throughout the network tariff reform process.

Our proposed network tariffs 5

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5 Our proposed network tariffs

Our proposed network tariffs have been developed to be consistent with the network pricing objective set out in the Rules.[6] This chapter sets out the overall structure of our proposed network tariffs, including the following:

- our proposed network tariff classes;
- our proposed network tariff structures and the charging parameters for each network tariff; and
- other factors relevant to establishing our proposed network tariffs.

Our revised proposed network tariffs, as set out below, differ from those outlined in our proposed TSS. As discussed in section 3, these changes reflect the amendments to the AMI Tariff Order, as gazetted on 14 April 2016.

The differences between our proposed and revised proposed TSS include the following:

- for residential customers, our network tariffs will be offered on an opt-in basis. We are only allowed to assign a residential customer to a cost-reflective network tariff if directed to do so by the customer's retailer. Accordingly, our revised transition process for residential customers is via retailers opting customers into the cost-reflective tariff; and
- our small and medium enterprise customers (excluding unmetered supplies) are now separated into two segments—small business, and medium business. Small business is defined as business customers consuming less than 60 MWh over the last year, whereas medium business is defined as business customers consuming more than 60 MWh over the last year and with maximum demand of less than 120 kW over the last year.
- network tariffs for our small business customers will be offered on an opt-in basis. We are only allowed to assign a small business customer to a cost-reflective network tariff if directed to do so by the customer's retailer. Accordingly, our revised transition process for small business customers is via retailers opting customers into the cost-reflective tariff
- our medium business customers will be assigned to a new medium business tariff, which will transition to a cost-reflective tariff by 2019.

Our smart meter customers will continue to be charged a fixed fee for metering services.

5.1 Our proposed network tariff classes

Our network tariffs allow us to recover the revenue we require to provide an efficient, reliable and safe electricity network. This revenue is determined by the AER every five years—the forthcoming period relevant to this TSS being the 2016–2020 regulatory control period.

To recover the revenue determined by the AER, we first group our customers into network tariff classes. Grouping our customers into network tariff classes ensures that customers with similar characteristics and similar demands on our network pay similar prices. Our network tariff classes are grouped based on the following:

- nature of the customer (for example, residential or commercial);
- supply voltage;
- customer maximum demand;
- customer usage; and

[6] NER, cl. 6.18.5(a).

- metering characteristics (for example, metered or unmetered).

Our network tariff classes are also aggregated to minimise the transaction costs that may arise (to us as well as retailers) from providing further disaggregation. This includes transaction costs associated with developing billing systems and processes to assign customers to alternative network tariff classes.

For the 2016–2020 regulatory control period, we propose to group our customers into one of the network tariff classes set out in table 5.1. These classes are identical to our existing network tariff classes.

Table 5.1 Customer types and network tariff classes

Customer type	Network tariff class
Residential	Low voltage residential
Small business	Low voltage business
Medium business	Low voltage business
Unmetered supplies	Low voltage business
Commercial and industrial	Large low voltage business
	High voltage business
	Sub-transmission

Source: Powercor
Notes: Customers are assigned to a given network tariff class in accordance with our network tariff assignment policy (appendix E).

5.2 Our proposed network tariff structures and charging parameters

Within each network tariff class we propose to offer a number of different network tariffs. The structure of each of these network tariffs is broadly the same for all our customers, and typically comprises a combination of the following three components:

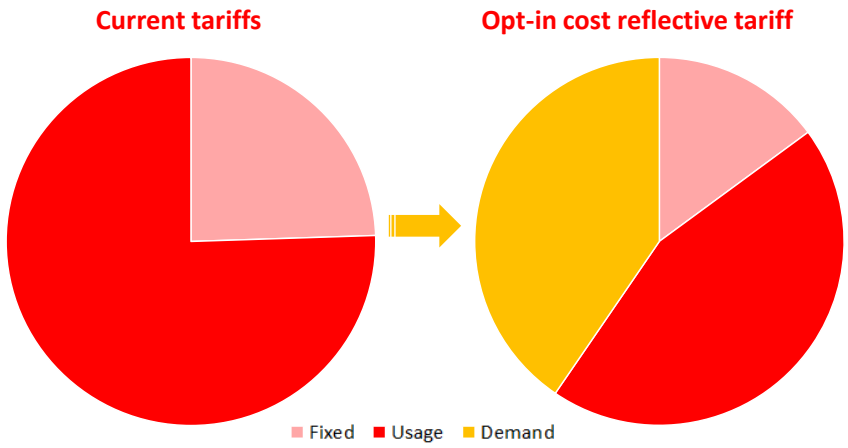
- fixed charge;
- usage charge; and
- demand charge (currently only applies to large low voltage, high voltage and sub-transmission customers).

The key difference between our existing and proposed network tariffs for residential, small and medium business customers is the introduction of a cost-reflective network tariff which includes a demand charge.[7] We discuss the implementation of demand charges, and the specific network tariffs and charging parameters for each customer category below.

The indicative average composition of a network bill for the proposed cost-reflective network tariffs are shown in figure 5.1 (residential customers), figure 5.2 (small business), and figure 5.3 (medium business).

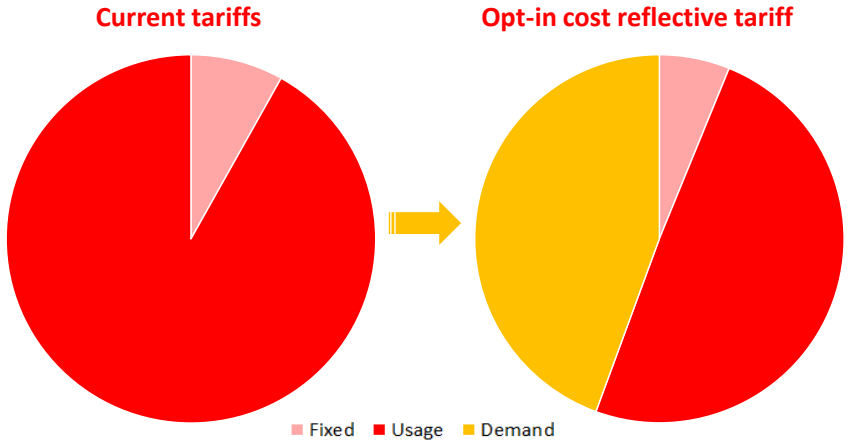
[7] Our existing commercial and industrial tariffs already include a demand charge.

Figure 5.1 Indicative composition of current and cost-reflective network tariff structures (residential customers)



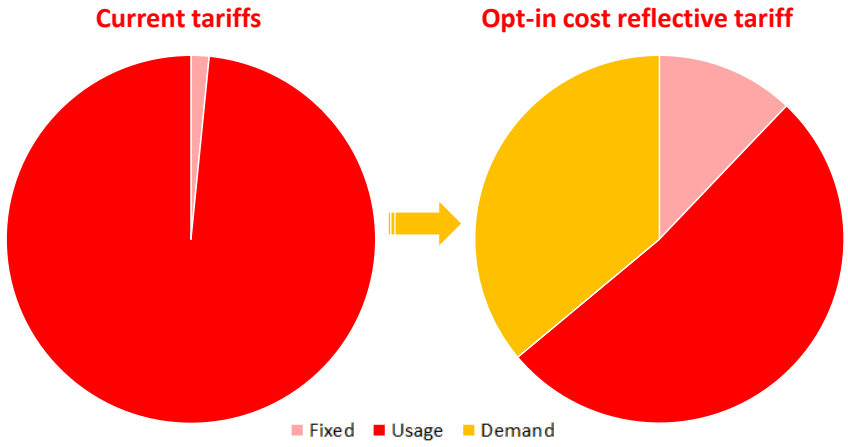
Source: Powercor

Figure 5.2 Indicative composition of current and cost-reflective network tariff structures (small business customers)



Source: Powercor

Figure 5.3 Indicative composition of current and cost-reflective network tariff structures (medium business customers)



Source: Powercor

5.3 Introduction of demand charges

A key driver of our network costs is meeting maximum demand. Our network must be built to accommodate maximum demand, even though this level of demand only occurs for small periods of time each year. Currently, 10 per cent of our network is used on less than two days per year.

The introduction of a demand charge to our cost-reflective network tariff for our residential, small and medium business customers will encourage them to manage their energy usage during particular periods. Lowering maximum demand is expected to reduce future infrastructure requirements, and therefore lower future costs for all users.

As a starting point for introducing a demand charge, we first had regard to the actual usage data of all our customers to better understand the characteristics of our network. This data was available through our advanced metering infrastructure. We also had regard to the feedback provided during our stakeholder engagement process. Based on the characteristics of our network, and feedback from our stakeholders, we propose the demand charging parameters shown in table 5.2.

Table 5.2 Demand charges for residential, small and medium business customers

Customer type	High charge period	Low charge period	Day	Time
Residential	December to March	April to November	Work days only	3.00PM to 9.00PM
Small business	December to March	April to November	Work days only	10.00AM to 6.00PM
Medium business	December to March	April to November	Work days only	10.00AM to 6.00PM

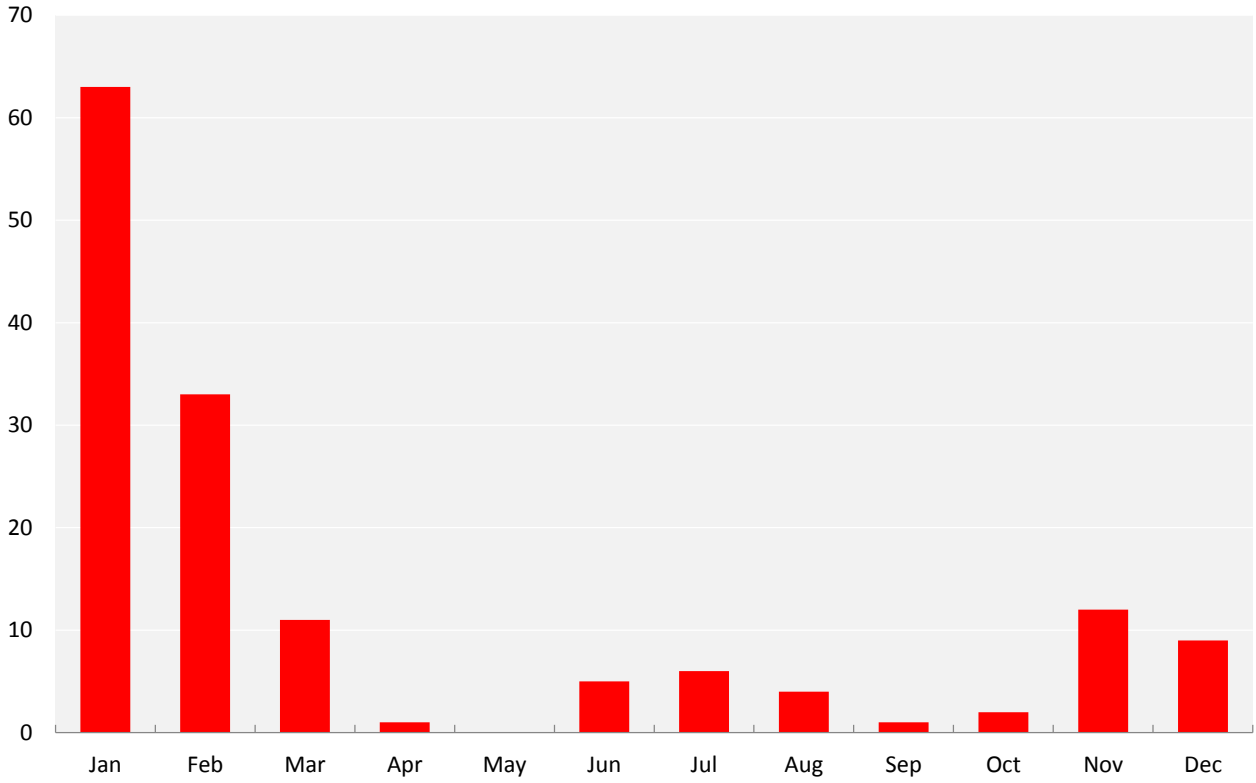
Source: Powercor
Notes: Work days are defined as any day of the week excluding public holidays and weekends.

The drivers for each component of our demand charge are discussed below.

5.3.1 Charging period: months of the year

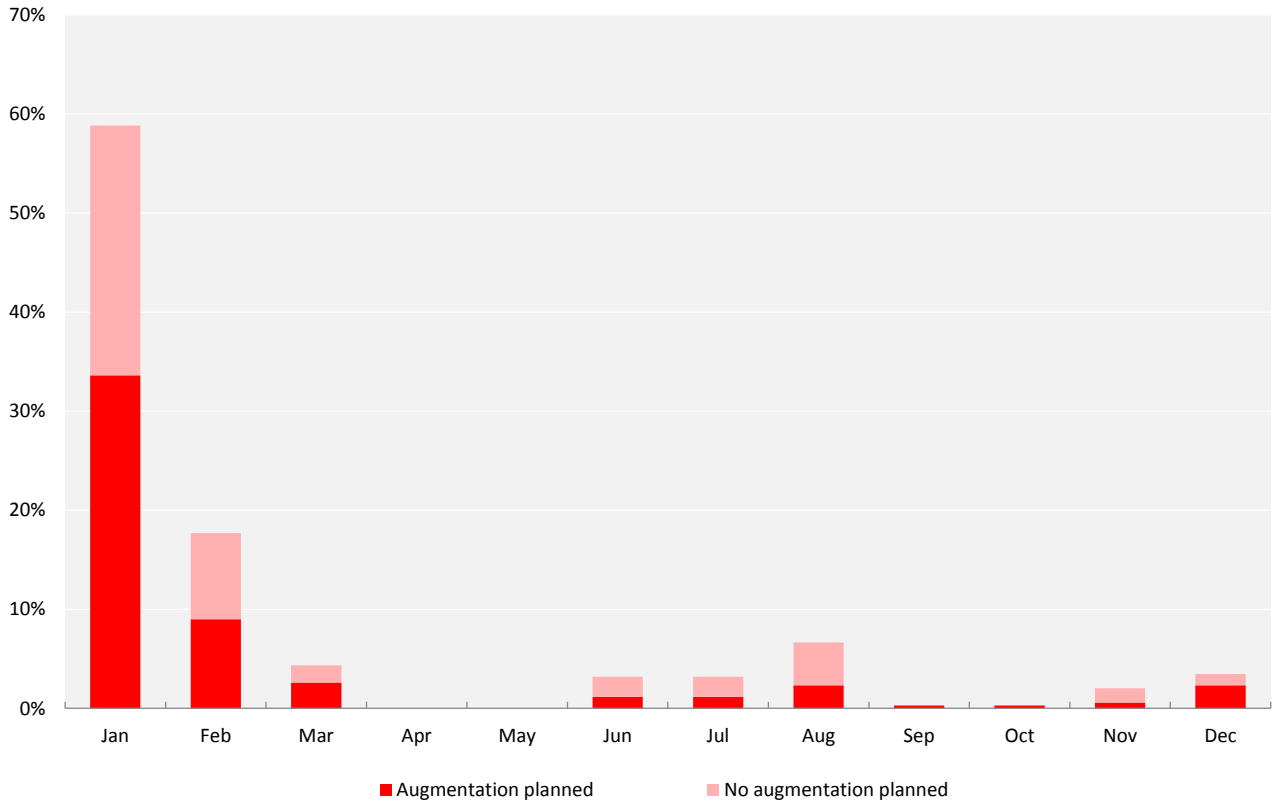
To determine when throughout the year we should provide a demand signal, we reviewed our demand data at both the terminal station and zone substation level. As shown in figure 5.4 and figure 5.5, this allowed us to better understand which months contribute to our maximum demand.

Figure 5.4 Terminal stations: number of annual maximum demand observations by month (2007–2014)



Source: Powercor

Figure 5.5 Zone substations: proportion of annual maximum demand events by month (2009–2014)



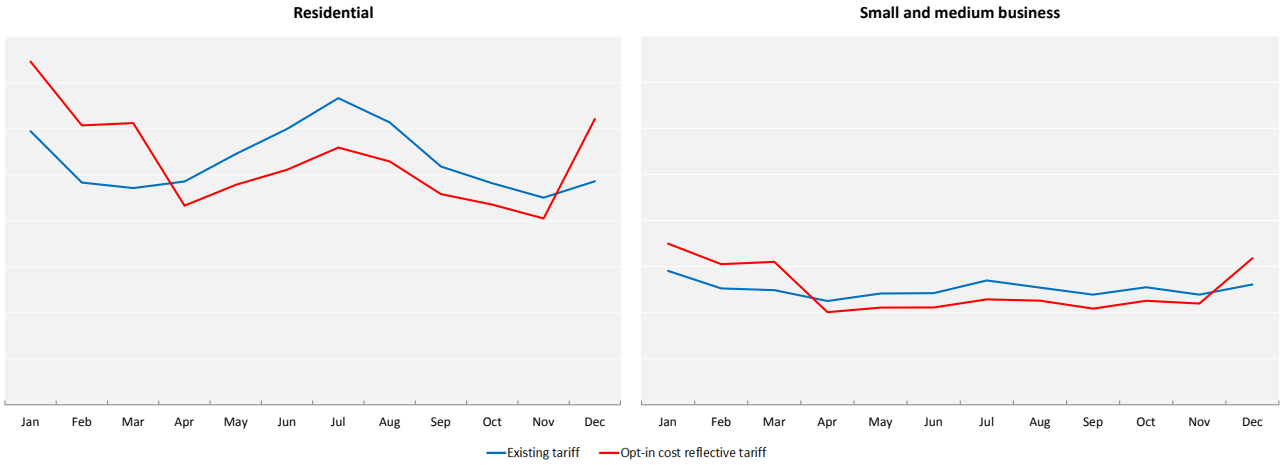
Source: Powercor
Notes: Planned augmentation is within the next 10 year period

Our network demand typically peaks during the warmer months of the year, from December through to March. For the following reasons, however, our proposed approach is to apply a high period demand charge from December to March and a low period demand charge from April to November:[8]

- applying demand charges throughout the entire year allows us to manage the customer impacts that may otherwise occur if our demand component was only recovered during a narrow window—these impacts are shown in the difference in a typical bill based on our current tariffs and proposed cost-reflective network tariffs, shown in figure 5.6; and
- our proposed demand charging periods match those proposed by the other Victorian distributors—retailers and consumer representatives stated that consistency across all distributors will assist in minimising transaction costs on all parties (particularly regarding billing systems), and help retail customers understand our network tariff structures.

[8] NER, cl. 6.18.5(f)–(i).

Figure 5.6 Indicative bill profile for typical residential, and small and medium business customers

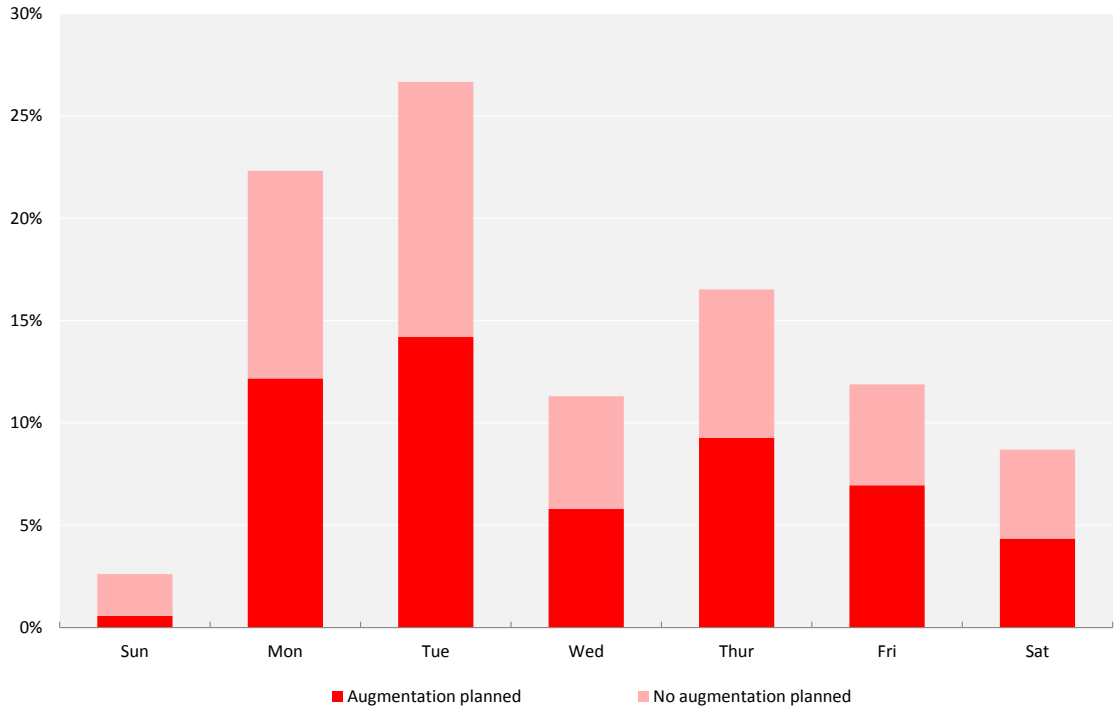


Source: Powercor
Note: Scale on vertical axis is not comparable for residential and small and medium customers. The figures are shown together for presentation purposes only.

5.3.2 Measurement period: day of the week

We also considered the demand profile of our network throughout the week to determine whether our demand signal should apply only on specific days. As demand on our network is typically driven by high temperature levels, particularly for residential customers, maximum demand may occur on any day of the week (except Sunday, when most local businesses are closed). This is shown in figure 5.7.

Figure 5.7 Zone substations: proportion of annual maximum demand events by day of week (2009–2014)



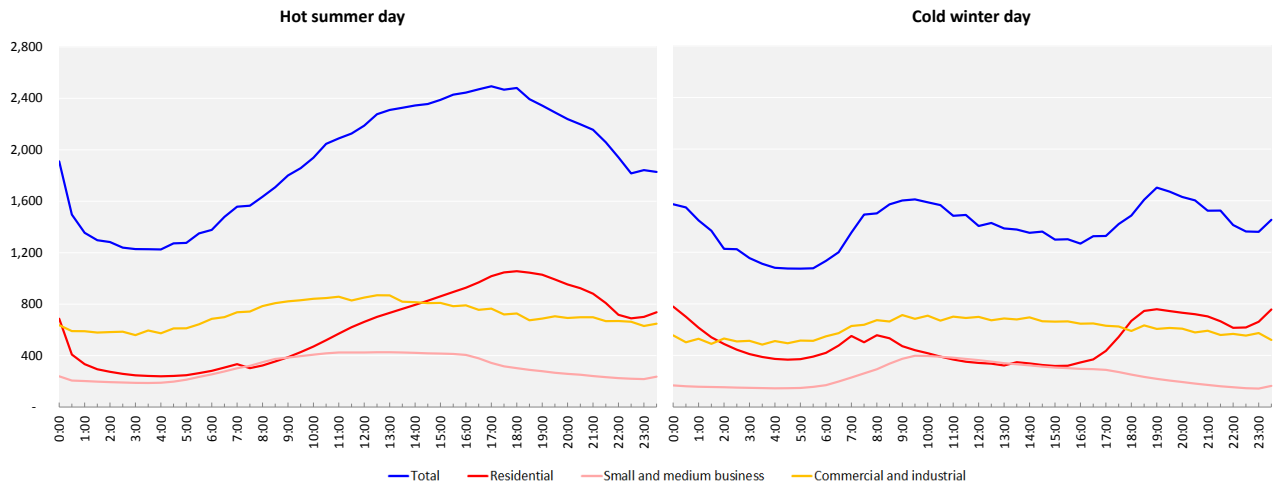
Source: Powercor
Notes: Planned augmentation is within the next 10 year period

Our stakeholders, however, supported measuring demand over as narrow a period as possible, as this would provide customers with greater ability to manage any possible price impacts due to changes in our network tariffs.[9] As outlined previously, a further theme from retailers and consumer representatives was that consistency across all distributors will assist in minimising transaction costs on all parties (particularly regarding billing systems), and help retail customers understand our network tariff structures.[10] For these reasons, we propose to measure our demand charge only during work days (i.e. any day of the week, excluding public holidays and weekends).

5.3.3 Measurement period: time of day

In order to provide a demand signal that effectively encourages customers to manage their energy usage during particular periods, it is important the time of day over which our demand charge is measured captures the maximum daily demand on our network. Figure 5.8 demonstrates these peaks as the aggregation of the demand for all of our customers on a particular hot summer and cold winter day.

Figure 5.8 Network demand profile for a hot summer and cold winter day (MW)



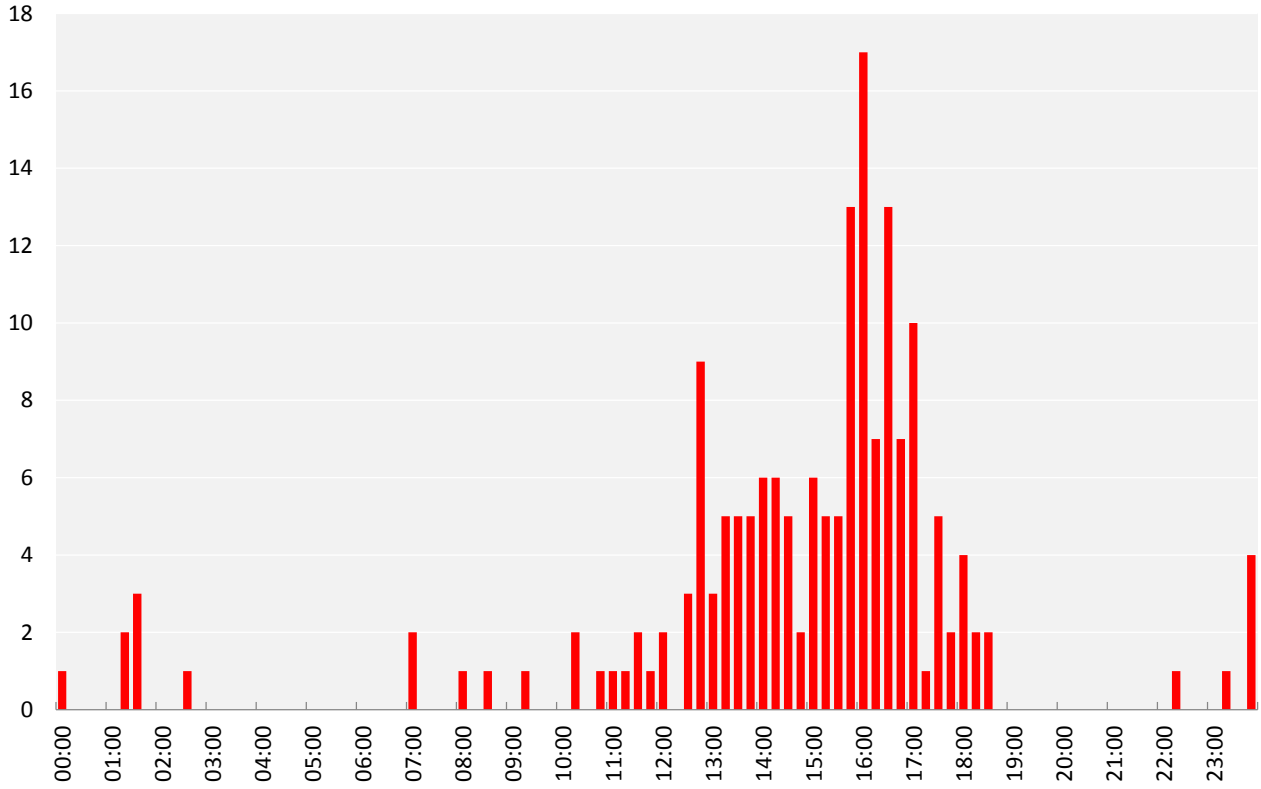
Source: Powercor

Further, figure 5.9 and figure 5.10 show the distribution of daily maximum demand at both the terminal station and zone substation level.

9 NER, cl. 6.18.5(h)(3).

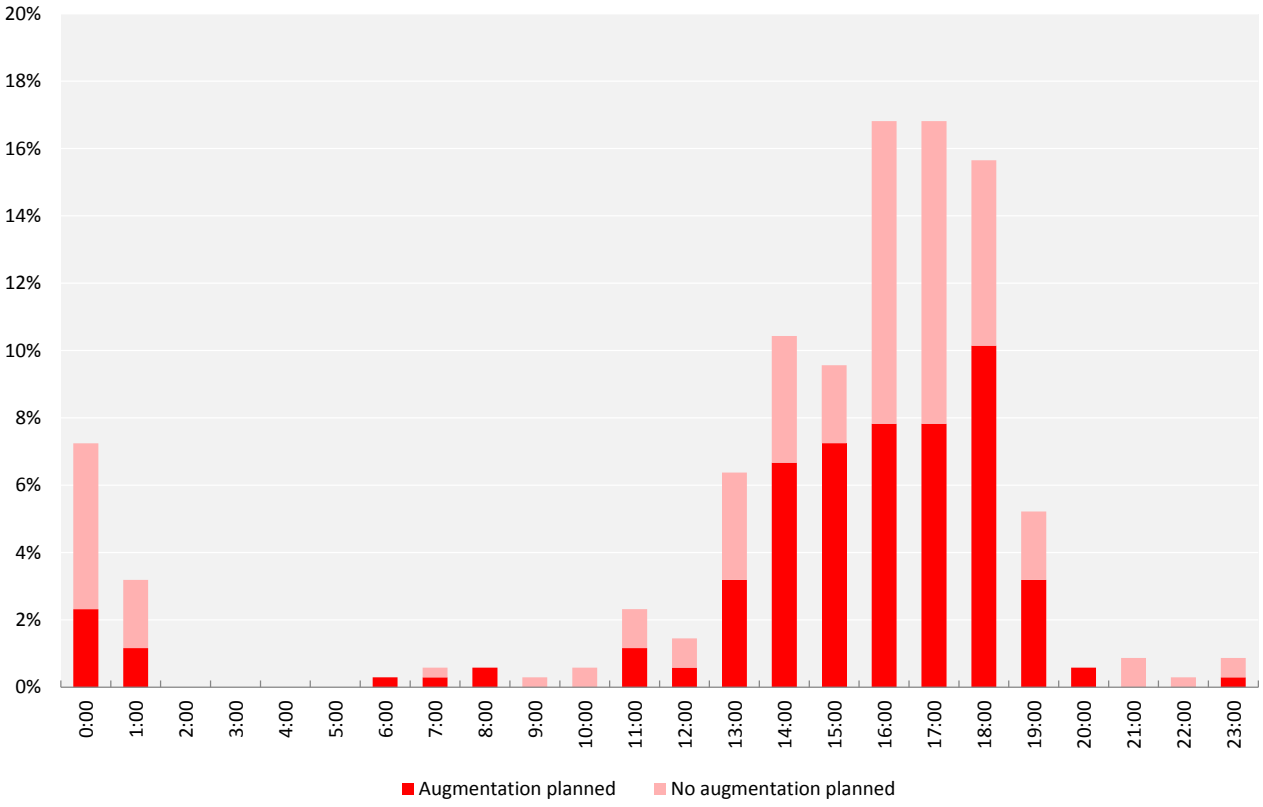
10 NER, cl. 6.18.5(f); and NER, cl. 6.18.5(i).

Figure 5.9 Terminal stations: number of annual maximum demand observations by time of day (2007–2014)



Source: Powercor

Figure 5.10 Zone substations: proportion of annual maximum demand events by time of day (2009–2014)



Source: Powercor
Notes: Planned augmentation is within the next 10 year period

Our proposed approach is to measure demand between 3:00PM to 9:00PM (local time) for residential customers, and between 10:00AM to 6:00PM (local time) for small and medium business customers. These periods reasonably reflect the timing of maximum demand on our network. These periods also reflect the feedback provided during our stakeholder engagement process—our stakeholders supported measuring demand over as narrow a period as possible, and stated a preference for consistency across all distributors (to assist in minimising transaction costs on all parties, and to help retail customers understand our network tariff structures).

5.3.4 Other demand factors

Our analysis on the impact of demand on our network also considered whether the signal to encourage customers to manage their energy usage during particular periods should differ depending on the location of a customer within our network. For example, as shown in section 2.3, maximum (or peak) demand growth is forecast to vary across our network.

For the following reasons, however, we do not propose to apply locational pricing for the purpose of this TSS:

- the impact on customer bills is likely to be material in certain locations, and those customers may have limited ability to mitigate the impact of these changes through their usage decisions;
- locational pricing introduces additional complexity to network tariffs; and
- in these initial stages of network tariff reform our long-run marginal cost modelling and customer understanding of network tariff reform is not yet sufficiently mature.

5.4 Residential network tariffs and charging parameters

We plan to offer our new residential customers (excluding controlled load) a choice of three network tariffs—a flat tariff, a flexible (time-of-use) tariff, and a cost-reflective tariff.

Single phase residential customers with electric hot water or slab heating will also have the choice of these loads being operated by a time switch, and being charged a controlled load tariff for these loads.

The charging parameters for our proposed residential network tariffs are set out in table 5.3.

Table 5.3 Residential network tariff structures and charging parameters

Network tariff	Components	Measurement	Charging parameter
Residential flat	Fixed	$/customer/pa	Supply charge reflecting a fixed amount per annum
	Usage	c/kWh	Anytime charge based on usage within the month
Residential flexible	Fixed	$/customer/pa	Supply charge reflecting a fixed amount per annum
	Usage (peak)	c/kWh	Charge based on usage between 3:00PM and 9:00PM weekdays
	Usage (shoulder)	c/kWh	Charge based on usage between 7:00AM to 3:00PM weekdays, 9:00PM to 10:00PM weekdays, and 7:00AM to 10:00PM weekends
	Usage (off-peak)	c/kWh	Charge based on usage between 10:00PM and 7:00AM all days
Residential cost-reflective	Fixed	$/customer/pa	Supply charge reflecting a fixed amount per annum
	Usage	c/kWh	Anytime charge based on usage within the month
	Demand	$/kW/month	Maximum demand charge based on monthly maximum kilowatt demand, measured: • over a 30-minute period; • between 3:00PM to 9:00PM (local time); • work days only; and • higher charge from December to March, and lower charge from April to November.
Residential controlled load	Usage	c/kWh	Charge based on controlled usage within the month (usually between 9.30PM and 7:00AM, local time)

Source: Powercor
Notes: Work days are defined as any day of the week excluding public holidays and weekends.

We may trial innovative tariffs over the period from 2017–2019 in preparation for our next TSS.

5.5 Small business network tariffs and charging parameters

We plan to offer our new small business customers (excluding unmetered supplies) a choice of two network tariffs—a flat tariff, and a cost-reflective tariff.

Unmetered supplies will continue to be offered a usage-only tariff.

As outlined in chapter 3 of this revised proposed TSS, the AMI Tariffs Order defines small business customers as those business customers consuming less than 40 MWh per annum. For the purpose of developing our tariffs,

however, we define small business customers as those business customers consuming less than 60 MWh per annum. We have adopted a higher threshold for the following reasons:

- some business customers' usage will fluctuate above and below 40 MWh per annum, so setting a higher threshold assists in managing compliance with the AMI Tariffs Order; and
- we have approximately 4,500 customers who currently consume between 40 and 60 MWh per annum that would be, on average, materially worse off under our medium business or commercial and industrial network tariffs.

The charging parameters for our proposed small business network tariffs are set out in table 5.4.

Table 5.4 Small business network tariff structures and charging parameters

Network tariff	Components	Measurement	Charging parameter
Small business flat	Fixed	$/customer/pa	Supply charge reflecting a fixed amount per annum
	Usage	c/kWh	Anytime charge based on usage within the month
Small business cost-reflective	Fixed	$/customer/pa	Supply charge reflecting a fixed amount per annum
	Usage	c/kWh	Anytime charge based on usage within the month
	Demand	$/kW/month	Maximum demand charge based on monthly maximum kilowatt demand, measured: • over a 30-minute period; • between 10:00AM to 6:00PM (local time); • work days only; and • higher charge from December to March, and lower charge from April to November.
Unmetered supplies	Usage	c/kWh	Anytime charge based on calculated usage within the month

Source: Powercor
Notes: Work days are defined as any day of the week excluding public holidays and weekends.

We may trial innovative tariffs over the period from 2017–2019 in preparation for our next TSS.

5.6 Medium business network tariffs and charging parameters

We plan to assign our medium business customers to a single network tariff. This tariff will transition to a cost-reflective tariff following the approach outlined in section 6.2 of this revised proposed TSS.

The charging parameters for our proposed medium business cost-reflective network tariff (following our transition process) and the medium business opt-out tariff are set out in table 5.5.

Table 5.5 Medium business network tariff structures and charging parameters

Network tariff	Components	Measurement	Charging parameter
Medium business cost-reflective	Fixed	$/customer/pa	Supply charge reflecting a fixed amount per annum
	Usage	c/kWh	Anytime charge based on usage within the month
	Demand	$/kW/month	Maximum demand charge based on monthly maximum kilowatt demand, measured: • over a 30-minute period; • between 10:00AM to 6:00PM (local time); • work days only; and • higher charge from December to March, and lower charge from April to November.
Medium business opt-out	Fixed	$/customer/pa	Supply charge reflecting a fixed amount per annum
	Usage (peak)	c/kWh	Charge based on usage between 7:00AM and 11:00PM work days
	Usage (off-peak)	c/kWh	Charge based on usage that is not in the peak usage period

Source: Powercor
Notes: Work days are defined as any day of the week excluding public holidays and weekends.

We may trial innovative tariffs over the period from 2017–2019 in preparation for our next TSS.

5.7 Commercial and industrial network tariffs and charging parameters

We plan to continue to offer four commercial and industrial network tariffs. These network tariffs, and the eligibility criteria for these network tariffs is set out in table 5.6.

Table 5.6 Eligibility for commercial and industrial tariffs

Network tariff	Eligibility
Large low voltage	• Supply capacity is greater than or equal to 120 kW • Supply voltage is less than 1 kV
High voltage	• Supply voltage is greater than 1 kV and less than 66 kV
High voltage (Docklands)	• Supply voltage is greater than 1 kV and less than 66 kV • Connected in the Docklands Area
Sub-transmission	• Supply voltage is 66 kV

Source: Powercor

Our existing commercial and industrial network tariffs already include a demand component. There is no specified measurement period for the demand component, as the non-coincident maximum demand of a large customer can be material for the capacity of network assets supplying that customer.

We may also trial some form of coincident maximum demand signal for our commercial and industrial customers during the period from 2017–2020. This may take the form of critical peak price or critical peak rebate trials, and may be location based.

The charging parameters for our commercial and industrial network tariffs are set out in table 5.7.

Table 5.7 Commercial and industrial network tariff structures and charging parameters

Network tariff	Components	Measurement	Charging parameter
Large low voltage	Fixed	$/customer/pa	Supply charge reflecting a fixed amount per annum
	Usage (peak)	c/kWh	Charge based on usage between 7:00AM and 11:00PM
	Usage (off-peak)	c/kWh	Charge based on usage between 11:00PM and 7:00AM
	Demand	$/kVA/pa	Maximum demand charge based on 12-month rolling maximum kVA demand over a 15-minute period, calculated on a monthly basis
High voltage	Fixed	$/customer/pa	As for large low voltage tariff
	Usage (peak)	c/kWh	As for large low voltage tariff
	Usage (off-peak)	c/kWh	As for large low voltage tariff
	Demand	$/kVA/pa	As for large low voltage tariff
Sub-transmission	Fixed	$/customer/pa	As for large low voltage tariff
	Usage (peak)	c/kWh	As for large low voltage tariff
	Usage (off-peak)	c/kWh	As for large low voltage tariff
	Demand	$/kVA/pa	As for large low voltage tariff

Source: Powercor

5.8 Other factors relevant to establishing our proposed network tariffs

In section 5.2 and 5.3 we set out how the demand components of our network tariff structures were developed having regard to the impact of changing network tariffs on our customers. This included, for example, the extent to which our customers can mitigate the impact of changes through their usage decisions, and their ability to understand particular network tariffs. The ability for customers to respond to changing network tariffs is further reflected in our transition strategy for medium business customers (noting that our residential and small business customers may remain on their existing network tariffs).

Several other factors are also important for how our network tariffs are determined. These include the following Rules requirements:

- the revenue expected to be recovered from our customers, for each network tariff class, must lie between the stand-alone costs of serving customers who belong to that class and the avoidable costs of not serving those customers;[11] and
- each network tariff must be based on the long run marginal cost (**LRMC**) of providing our service.[12]

Our approach to calculating stand-alone and avoidable costs is set out in appendix B. Each year our annual pricing proposal will demonstrate that the revenue expected to be recovered from our customers, for each

[11] NER, cl. 6.18.5(e).

[12] NER, cl. 6.18.5(f).

network tariff class, lies between the stand-alone costs of serving customers who belong to that class and the avoidable costs of not serving those customers.

Appendix B also sets out our approach to calculating LRMC. Specifically, we used an average incremental cost approach to calculate LRMC for different voltage levels in our network. Our calculated LRMC, however, is sensitive to both the calculation method and the inputs used. Given this sensitivity, we have adopted a cautious approach and set our demand charges for residential and small and medium business customers below the level implied by our calculated LRMC.

Our placeholder network charges for the 2017–2020 TSS period are set out in the indicative pricing schedule, included in appendix C. Our placeholder charges have been set to collect the same amount of forecast revenue each year. The actual level of our charges will depend on the AER's substitute determination on distribution revenue (due in May 2016), any future pass-through or contingent projects, changes in service performance rewards and/or penalties, changes in inflation, changes in transmission costs and changes in feed-in tariff costs.

5.9 Alternative control services

Alternative control services include our ancillary network services, public lighting, and metering services. These services can be attributed to a particular customer (rather than shared across our entire customer base).

Our approach to determining our alternative control service charges is detailed in our regulatory proposal for the 2016–2020 regulatory control period. Our proposed alternative control service charges for the 2017–2020 TSS period are set out in the indicative pricing schedule, included in appendix C. The AER will revoke the preliminary determination and make a substitute determination on these charges in May 2016 (the determination will only specify the revenue cap for metering services).

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Our proposed transition 6

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6 Our proposed transition strategy

The introduction of cost-reflective network tariffs is in the long-term interests of consumers, as it can assist in reducing long-term average network tariffs. We recognise, however, that some customers may require a period of time to understand our proposed network tariffs, and to adapt their behaviour or implement solutions that can help manage their demand. This is particularly the case where customers cannot choose the network tariff to which they are assigned.

As part of our network tariff reform process, we considered the impacts of our proposed network tariffs on different customer groups. This informed the development of our proposed network tariffs, as well as our strategy to transition to these proposed network tariffs. We will continue to work with all stakeholders (including Government, customers, retailers and customer groups) to ensure this transition minimises any impacts on consumers.

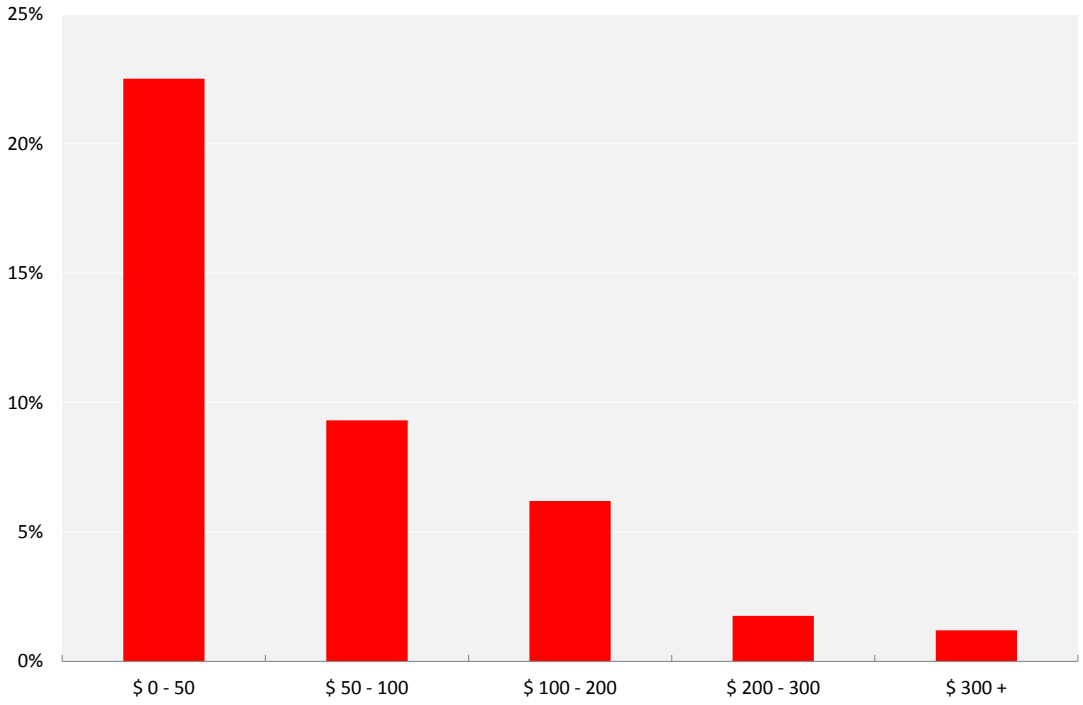
6.1 Residential and small business customers

Our cost-reflective network tariffs are being introduced for our residential and small business customers on an opt-in basis only. This is consistent with the amended AMI Tariffs Order (as outlined in chapter 3), which only allows us to assign a residential or small business customer to a cost-reflective network tariff if directed to do so by the customer's retailer.

To assess the impact of this transition approach on our customers, we assume that 2.5 per cent of our residential and small business customers will opt-in to our cost-reflective network tariffs each year from 2017–2020. In 2017, this reflects customers who will experience a network bill reduction in excess of $220 per annum (based on their 2015 usage profile, and our 2017 illustrative tariffs).

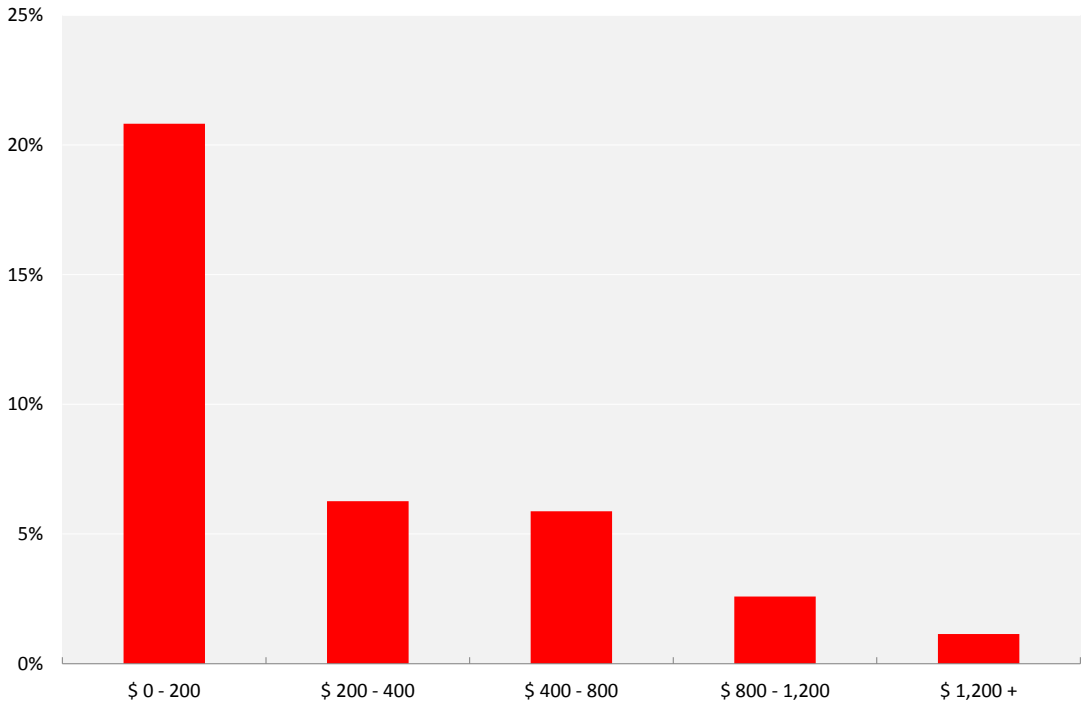
Ultimately, our forecast take-up of cost-reflective network tariffs will depend on how retailers offer and market our network tariffs to customers, and how they are perceived by customers. Figure 6.1 and figure 6.2, however, show that a significant number of our customers will be better off by opting-in to our cost-reflective network tariff (based on their 2015 usage profile, and our 2017 illustrative tariffs).

Figure 6.1 Distribution of residential customers forecast to be better off under cost-reflective network tariffs



Source: Powercor

Figure 6.2 Distribution of small business customers forecast to be better off under cost-reflective network tariffs

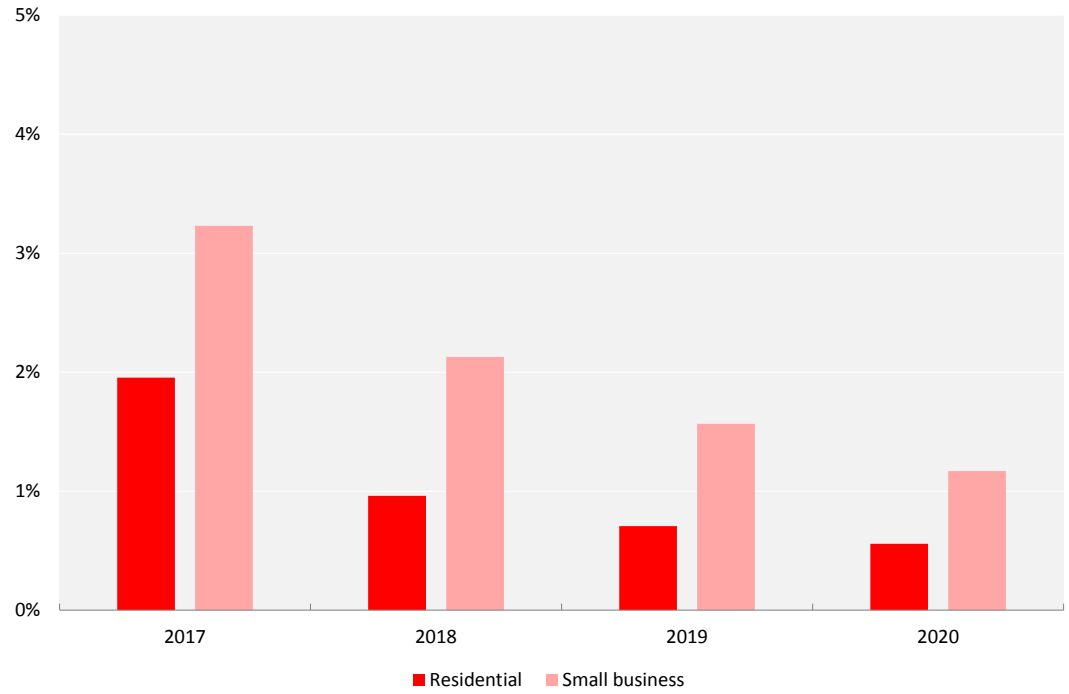


Source: Powercor

We also recognise that our residential and small business customers who do not opt-in to cost-reflective network tariffs may still be affected by the take up of cost-reflective network tariffs. For example, we expect customers that opt-in to our cost-reflective network tariffs will be those who will experience an immediate reduction in their network bill. This implies that the cost of supplying electricity to these customers (i.e. those that will experience a network bill reduction from opting-in to cost-reflective network tariffs) is lower than the cost of supplying a customer with an average usage profile. As we will be subject to a revenue cap during the period of our revised proposed TSS, network bill reductions for some customers will be off-set by comparatively higher charges for our remaining customers (i.e. those who remain on non-cost-reflective network tariffs).

Figure 6.3, therefore, shows the average percentage increase in non cost-reflective residential and small business tariffs each year based on our assumed take-up of cost-reflective network tariffs. For clarity, when we actually set tariffs each year, our non cost-reflective tariffs are planned to be set such that the revenue recovered from customers on non-cost reflective tariffs will be equivalent to the amount recovered had those customers opted-in to our cost-reflective tariffs. Given the uncertainties about take-up of cost-reflective tariffs, other considerations may become relevant in the setting of tariffs.

Figure 6.3 Average percentage increase in non cost-reflective network tariffs (year-on-year)



Source: Powercor

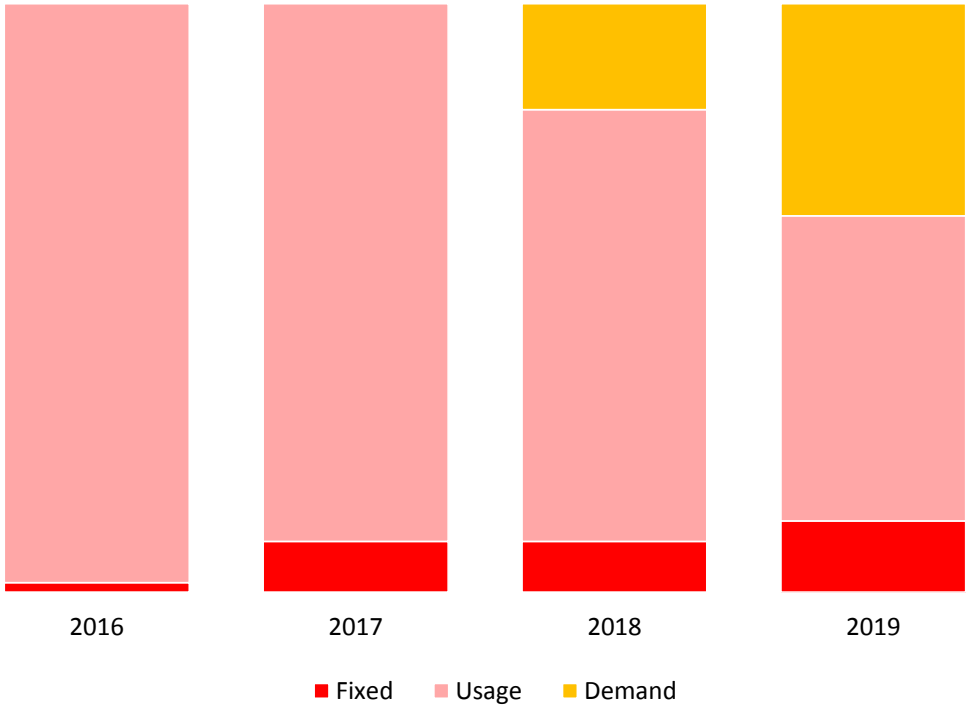
6.2 Transitioning medium business customers

For our medium business customers, we propose the following transition strategy to our proposed medium business cost-reflective network tariff, commencing from 1 January 2017:

- on 1 January 2017, all customers with usage greater than 60 MWh per annum, and demand less than 120 kW, will be assigned to a medium business transitional tariff. The medium business transitional tariff in 2017 will consist of a fixed charge, a peak usage and off-peak usage charge, and a demand charge. The demand charge, however, will be set to zero for 2017;
- on 1 January 2018, the demand charge will be increased to approximately half of the final cost-reflective tariff demand charge. The peak usage charge will be reduced accordingly so that the 2018 tariff is (approximately) revenue neutral with the 2017 tariff; and
- on 1 January 2019, the demand charge and fixed charge will increase to the cost-reflective tariff level. The peak usage charge will be reduced accordingly to the off-peak usage charge so that the 2019 tariff is (approximately) revenue neutral with the 2018 tariff.

Our proposed transition approach for medium business customers is shown in figure 6.4.

Figure 6.4 Indicative transition to cost-reflective network tariffs for medium business customers

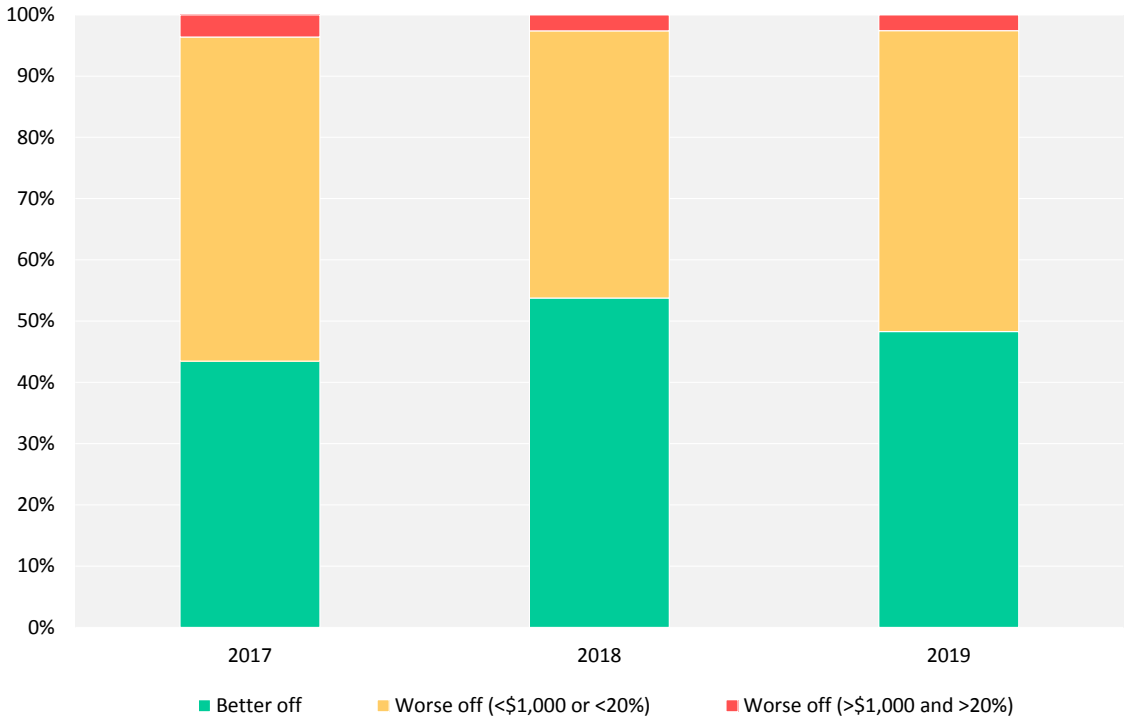


Source: Powercor

The year-on-year impact of our proposed transition approach on medium business customers is also set out in figure 6.5 assuming no customers are opted out of the medium business cost-reflective tariff.

From 1 January 2018 the retailer of a business customer consuming more than 40 MWh per annum and less than 160 MWh per annum who has given notice to their retailer that they wish to cease being charged a retail demand charge, can request for the customer to be opted out from a network tariff with a demand charge. The customer will be reassigned to the medium business opt-out tariff with zero demand charge.

Figure 6.5 Impact of proposed transition approach on medium business customers (year-on-year)

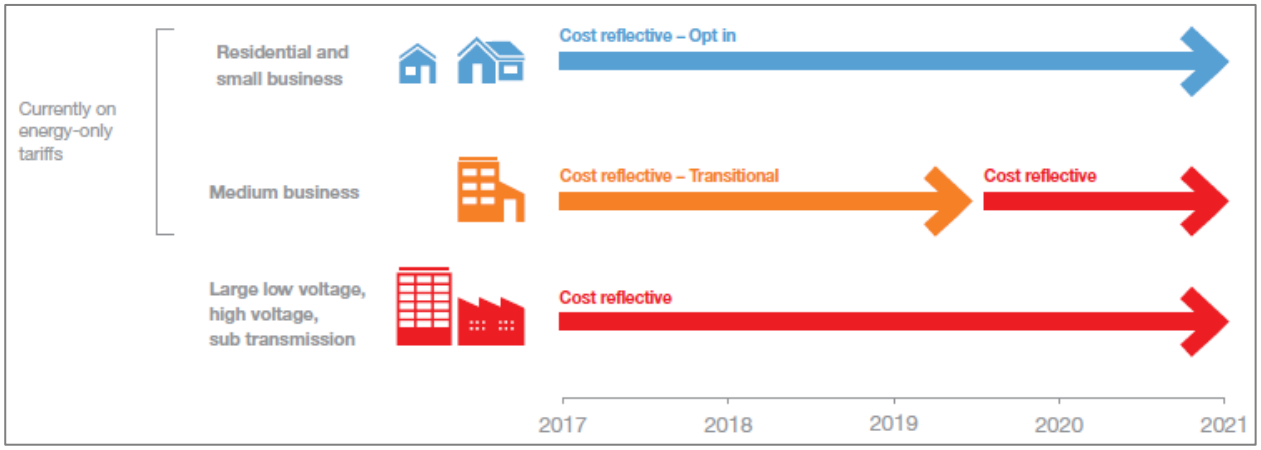


Source: Powercor

6.3 Summary of transition approach

A summary of our proposed approach to transition to cost-reflective network tariffs is shown in figure 6.6.

Figure 6.6 Summary of transition approach to cost-reflective network tariffs



Source: Powercor

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Glossary A

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A Glossary

Table A.1 Glossary of terms

Term	Definition
AER	Australian Energy Regulator
AIC	Average incremental cost
AMI Tariffs Amendment Order	Advanced Metering Infrastructure (AMI tariffs) Amendment Order 2016, an Order in Council made by the Governor in General under section 46D of the Electricity Industry Act made 12 April 2016 and published in the Victorian Government Gazette G 15 on 14 April 2016
AMI Tariffs Order	Advanced Metering Infrastructure (AMI Tariffs) Order made on 18 June 2013 under section 46D of the Electricity Industry Act 2000 and published in the Victorian Government Gazette S 216 on 19 June 2013 as amended by the Order in Council made 22 December 2015 published in the Victorian Government Gazette S 430 on 23 December 2015 as amended by the Order in Council made 12 April 2016 published in the Victorian Government Gazette G 15 on 14 April 2016
CCC	Consumer Consultative Committee
CUAC	Consumer Utilities Advocacy Centre
DEDJTR	Department of Economic Development, Jobs, Transport & Resources
DUoS	Distribution use of system
ESV	Energy Safe Victoria
EWOV	Energy and Water Ombudsman
kV	Kilovolt
kVA	Kilovolt amperes
kW	Kilowatt
kWh	Kilowatt hour
GWh	Gigawatt hour
Law	National Electricity Law
LRMC	Long-run marginal cost
Medium business customer	Business customers consuming more than 60 MWh over the previous year, and with maximum demand of less than 120 kW over the previous year
Ministerial Order or 2016 section 16BA Order	2016 Ministerial Order under Section 16BA of the National Electricity (Victoria) Act 2005 made 18 April 2016 and published in the Victorian Government Gazette G 16 on 21 April 2016
MWh	Megawatt hour
MW	Megawatt
NPV	Net present value
NUoS	Network use of system

Term	Definition
Rules	National Electricity Rules
Small business customer	Business customers consuming less than 60 MWh over the previous year
SME	Small and medium enterprise
TSS	Tariff structure statement

Establishing our proposed network tariffs

B

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B Establishing our proposed network tariffs

As set out in section 5.8, there are many factors we must have regard to when establishing network tariffs. This appendix sets out in greater detail our approach to establishing three of these factors—long run marginal costs; stand-alone costs; and avoided costs.

B.1 Establishing long-run marginal costs

The Rules require that each of our network tariffs must be based on the long run marginal cost (**LRMC**) of providing our service.[13] LRMC provides a measure of how our operating and capital expenditure will change (in the long-run) in response to incremental changes in demand. As the predominant driver of our network costs is meeting maximum demand, setting network tariffs based on LRMC will provide our customers with a cost-reflective signal that encourages efficient electricity usage.

We have estimated LRMC using an average incremental cost (**AIC**) approach. Specifically, our estimate of LRMC is based on our forecast of demand driven augmentation capital expenditure, and the operating costs, required to meet our forecast of cumulative growth in maximum demand on our network over the next 10 years. This approach is represented by the following formula:

$$LRMC = \frac{NPV\ of\ the\ demand\ driven\ augmentation\ capital\ costs\ and\ operating\ costsnd.}{NPV\ of\ forecast\ growth\ in\ the\ cumulative\ growth\ in\ peak\ demand}$$

Our reasons for adopting this approach for estimating LRMC include the following:

- our approach relies primarily on information that is available in our regulatory proposal—including that forecast growth in demand matches the forecast we have included in our regulatory proposal;
- our approach ensures that if our underlying demand and cost forecasts eventuate, a cost-reflective network price based on that LRMC will generate revenue over the evaluation period equal to the cost incurred as a result of that growth (in NPV terms); and
- our approach is commonly used by distribution networks, as it is generally considered to be well suited to situations where there is a fairly consistent profile of investment over time to service demand growth.

Our current LRMC estimates have only been used as a guide for setting our demand charges, as they are highly sensitive to the forecast inputs used. Ideally, a LRMC calculation would be based on at least 20 years of demand and expenditure forecasts. The reliability of these forecasts, however, becomes increasingly uncertain due to uncertainties about the future.

Our estimates of LRMC for each of our network tariff classes are set out in table B.1.

[13] The Rules define LRMC as the cost of an incremental change in demand for direct control services provided by a distributor over a period of time in which all factors of production required to provide those direct control services can be varied.

Table B.1 LRMC estimates for each network tariff class

Tariff class	LRMC demand ($/kVA)
Low voltage residential	96.6
Low voltage business	112.7
Large low voltage business	109.5
High voltage business	77.0
Sub-transmission	9.8

Source: Powercor

B.2 Establishing stand-alone costs

The stand-alone costs of providing network services are those costs we would incur to develop and operate our network in order to just serve a given network tariff class. Our approach to calculating stand-alone costs is derived from an estimate of the proportion of the cost of providing network infrastructure that would need to remain in place to service load for each tariff class if the other tariff classes were no longer required to be supplied.

If we set our network tariffs to recover more revenue than the stand-alone costs of serving a particular network tariff class, this may result in the following:

- a hypothetical alternate supplier may enter the market and profitably supply that particular network tariff class at a lower price; or
- a particular class of customers would be cross-subsidising customers in other network tariff classes—that is, customers in one particular network tariff class would be paying too much, and others too little.

Our estimates of current stand-alone costs for each of our network tariff classes are set out in table B.2.

Table B.2 Stand-alone cost estimates for each network tariff class

Tariff class	Stand-alone costs ($'000s, $2015)
Low voltage residential	446,613
Low voltage business	359,156
Large low voltage	260,675
High voltage	207,052
Sub-transmission	167,050

Source: Powercor

B.3 Establishing avoidable costs

Avoidable costs are those we would avoid if we no longer served a specific network tariff class (whilst all other network tariff classes remained supplied). In a similar manner to stand-alone costs, the avoidable costs for each network tariff class were derived from an estimate of the cost of providing network infrastructure that would be avoided if a particular network tariff class was no longer served (with all else remaining equal).

If we set our network tariffs to recover less revenue than our avoidable costs, this may result in the following:

- it would be economically beneficial for us to stop supplying that network tariff class; or
- a particular class of customers would be cross-subsidised by customers in other network tariff classes—that is, customers in one particular network tariff class would be paying too little, and others too much.

Our estimates of current avoidable costs for each of our network tariff classes are set out in table B.3.

Table B.3 Avoidable cost estimates for each network tariff class

Tariff class	Avoidable costs ($'000s, $2015)
Low voltage residential	87,652
Low voltage business	42,857
Large low voltage	17,453
High voltage	4,379
Sub-transmission	1,214

Source: Powercor

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Revised indicative pricing schedules

C

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C Revised indicative pricing schedules

This appendix sets out our placeholder charges for the 2017–2020 TSS period. These placeholder charges have been set to collect the same amount of forecast revenue each year. The actual level of our charges will depend on the AER's substitute determination on distribution revenue.

C.1 Revised indicative pricing schedules for network services (NUOS)

Table C.1 Network tariffs: 2017

Network tariffs	Status	Fixed	Demand			Usage			Time of use (summer)			Time of use (non-summer)		
			Jan-Dec	Dec- Mar	Apr-Nov	Anytime	Peak	Off-peak	Peak	Shoulder	Off-peak	Peak	Shoulder	Off-peak
		$/cust/pa	$/kVA/pa	$/kW/mth	$/kW/mth	c/kWh	c/kWh	c/kWh	c/kWh	c/kWh	c/kWh	c/kWh	c/kWh	c/kWh
Residential flat	Opt in	115	-	-	-	8.2	-	-	-	-	-	-	-	-
Residential Docklands flat	Opt in	115	-	-	-	-	7.5	-	-	-	-	-	-	-
Residential flexible	Opt in	115	-	-	-	-	-	-	14.7	7.3	2.7	14.7	7.3	2.7
Residential Docklands flexible	Opt in	115	-	-	-	-	-	-	7.3	3.7	1.4	7.3	3.7	1.4
Residential cost-reflective	Opt in	115	-	10.5	3.5	3.2	-	-	-	-	-	-	-	-
Residential controlled load	Opt in	-	-	-	-	-	-	2.5	-	-	-	-	-	-
Residential climate saver	Closed	-	-	-	-	-	10.9	2.5	-	-	-	-	-	-
Residential climate saver interval	Closed	-	-	-	-	-	10.9	2.5	-	-	-	-	-	-
Residential climate saver flexible pricing	Closed	-	-	-	-	-	-	-	10.9	-	-	2.5	-	-
Residential two rate 5d	Closed	115	-	-	-	-	13.4	2.8	-	-	-	-	-	-
Residential Docklands two rate 5d	Closed	115	-	-	-	-	12.5	2.5	-	-	-	-	-	-
Residential interval	Closed	115	-	-	-	-	13.4	2.8	-	-	-	-	-	-

Network tariffs	Status	Fixed	Demand			Usage			Time of use (summer)			Time of use (non-summer)		
Small business flat	Opt in	150	-	-	-	8.3	-	-	-	-	-	-	-	-
Small business cost-reflective	Opt in	150	-	13.5	4.5	3.3	-	-	-	-	-	-	-	-
Non-residential flexible pricing	Closed	150	-	-	-	-	-	-	17.6	4.6	3.4	17.6	4.6	3.4
Non-residential two rate 5d	Closed	150	-	-	-	-	12.4	3.0	-	-	-	-	-	-
Non-residential interval	Closed	150	-	-	-	-	12.4	3.0	-	-	-	-	-	-
Non-residential two rate 7d	Closed	150	-	-	-	-	10.9	3.0	-	-	-	-	-	-
Unmetered supplies	Open	-	-	-	-	-	16.8	5.1	-	-	-	-	-	-
Medium business cost-reflective	Open	900	-	-	-	-	9.8	4.2	-	-	-	-	-	-
Large low voltage	Open	7,380	103	-	-	-	4.0	2.1	-	-	-	-	-	-
High voltage	Open	44,000	92	-	-	-	2.6	1.0	-	-	-	-	-	-
High voltage Docklands	Open	35,200	75	-	-	-	2.0	0.8	-	-	-	-	-	-
Subtransmission	Open	238,000	24	-	-	-	2.6	0.8	-	-	-	-	-	-

Source: Powercor

Table C.2 Placeholder network tariffs: 2018

Network tariffs	Status	Fixed	Demand			Usage		Time of use (summer)			Time of use (non-summer)		
			Jan-Dec	Dec- Mar	Apr-Nov	Anytime	Peak	Off-peak	Peak	Shoulder	Off-peak	Peak	Shoulder	Off-peak
		$/cust/pa	$/kVA/pa	$/kW/mth	$/kW/mth	c/kWh	c/kWh	c/kWh	c/kWh	c/kWh	c/kWh	c/kWh	c/kWh	c/kWh
Residential flat	Opt in	115	-	-	-	8.3	-	-	-	-	-	-	-	-
Residential Docklands flat	Opt in	115	-	-	-	-	7.6	-	-	-	-	-	-	-
Residential flexible	Opt in	115	-	-	-	-	-	-	14.9	7.5	2.7	14.9	7.5	2.7
Residential Docklands flexible	Opt in	115	-	-	-	-	-	-	7.5	3.7	1.4	7.5	3.7	1.4
Residential cost-reflective	Opt in	115	-	10.5	3.5	3.2	-	-	-	-	-	-	-	-
Residential controlled load	Opt in	-	-	-	-	-	-	2.5	-	-	-	-	-	-
Residential climate saver	Closed	-	-	-	-	-	11.0	2.5	-	-	-	-	-	-
Residential climate saver interval	Closed	-	-	-	-	-	11.0	2.5	-	-	-	-	-	-
Residential climate saver flexible pricing	Closed	-	-	-	-	-	-	-	11.0	-	-	2.5	-	-
Residential two rate 5d	Closed	115	-	-	-	-	13.6	2.9	-	-	-	-	-	-
Residential Docklands two rate 5d	Closed	115	-	-	-	-	12.7	2.5	-	-	-	-	-	-
Residential interval	Closed	115	-	-	-	-	13.6	2.9	-	-	-	-	-	-
Small business flat	Opt in	150	-	-	-	8.5	-	-	-	-	-	-	-	-
Small business cost-reflective	Opt in	150	-	13.5	4.5	3.3	-	-	-	-	-	-	-	-
Non-residential flexible pricing	Closed	150	-	-	-	-	-	-	18.1	4.7	3.5	18.1	4.7	3.5

Network tariffs	Status	Fixed	Demand				Usage		Time of use (summer)			Time of use (non-summer)		
Non-residential two rate 5d	Closed	150	-	-	-	-	12.7	3.1	-	-	-	-	-	-
Non-residential interval	Closed	150	-	-	-	-	12.7	3.1	-	-	-	-	-	-
Non-residential two rate 7d	Closed	150	-	-	-	-	11.2	3.1	-	-	-	-	-	-
Unmetered supplies	Open	-	-	-	-	-	17.3	5.2	-	-	-	-	-	-
Medium business cost-reflective	Open	900	-	6.8	2.3	-	7.3	4.2	-	-	-	-	-	-
Medium business opt-out	Open	900					13.0	4.2						
Large low voltage	Open	7,380	103	-	-	-	4.0	2.1	-	-	-	-	-	-
High voltage	Open	44,000	92	-	-	-	2.6	1.0	-	-	-	-	-	-
High voltage Docklands	Open	35,200	75	-	-	-	2.0	0.8	-	-	-	-	-	-
Subtransmission	Open	238,000	24	-	-	-	2.6	0.8	-	-	-	-	-	-

Source: Powercor

Table C.3 Placeholder network tariffs: 2019

Network tariffs	Status	Fixed	Demand			Usage			Time of use (summer)			Time of use (non-summer)		
			Jan-Dec	Dec- Mar	Apr-Nov	Anytime	Peak	Off-peak	Peak	Shoulder	Off-peak	Peak	Shoulder	Off-peak
		$/cust/pa	$/kVA/pa	$/kW/mth	$/kW/mth	c/kWh	c/kWh	c/kWh	c/kWh	c/kWh	c/kWh	c/kWh	c/kWh	c/kWh
Residential flat	Opt in	115	-	-	-	8.4	-	-	-	-	-	-	-	-
Residential Docklands flat	Opt in	115	-	-	-	-	7.7	-	-	-	-	-	-	-
Residential flexible	Opt in	115	-	-	-	-	-	-	15.1	7.6	2.8	15.1	7.6	2.8
Residential Docklands flexible	Opt in	115	-	-	-	-	-	-	7.6	3.8	1.4	7.6	3.8	1.4
Residential cost-reflective	Opt in	115	-	10.5	3.5	3.2	-	-	-	-	-	-	-	-
Residential controlled load	Opt in	-	-	-	-	-	-	2.6	-	-	-	-	-	-
Residential climate saver	Closed	-	-	-	-	-	11.2	2.6	-	-	-	-	-	-
Residential climate saver interval	Closed	-	-	-	-	-	11.2	2.6	-	-	-	-	-	-
Residential climate saver flexible pricing	Closed	-	-	-	-	-	-	-	11.2	-	-	2.6	-	-
Residential two rate 5d	Closed	115	-	-	-	-	13.7	2.9	-	-	-	-	-	-
Residential Docklands two rate 5d	Closed	115	-	-	-	-	12.9	2.6	-	-	-	-	-	-
Residential interval	Closed	115	-	-	-	-	13.7	2.9	-	-	-	-	-	-
Small business flat	Opt in	150	-	-	-	8.8	-	-	-	-	-	-	-	-
Small business cost-reflective	Opt in	150	-	13.5	4.5	3.3	-	-	-	-	-	-	-	-
Non-residential flexible pricing	Closed	150	-	-	-	-	-	-	18.6	4.8	3.6	18.6	4.8	3.6

Network tariffs	Status	Fixed	Demand				Usage		Time of use (summer)			Time of use (non-summer)		
Non-residential two rate 5d	Closed	150	-	-	-	-	13.1	3.2	-	-	-	-	-	-
Non-residential interval	Closed	150	-	-	-	-	13.1	3.2	-	-	-	-	-	-
Non-residential two rate 7d	Closed	150	-	-	-	-	11.6	3.2	-	-	-	-	-	-
Unmetered supplies	Open	-	-	-	-	-	17.3	5.2	-	-	-	-	-	-
Medium business cost-reflective	Open	1,300	-	13.5	4.5	4.2	-	-	-	-	-	-	-	-
Medium business opt-out	Open	1300					12.0	4.2						
Large low voltage	Open	7,380	103	-	-	-	4.0	2.1	-	-	-	-	-	-
High voltage	Open	44,000	92	-	-	-	2.6	1.0	-	-	-	-	-	-
High voltage Docklands	Open	35,200	75	-	-	-	2.0	0.8	-	-	-	-	-	-
Subtransmission	Open	238,000	24	-	-	-	2.6	0.8	-	-	-	-	-	-

Source: Powercor

Table C.4 Placeholder network tariffs: 2020

Network tariffs	Status	Fixed	Demand			Usage			Time of use (summer)			Time of use (non-summer)		
			Jan-Dec	Dec- Mar	Apr-Nov	Anytime	Peak	Off-peak	Peak	Shoulder	Off-peak	Peak	Shoulder	Off-peak
		$/cust/pa	$/kVA/pa	$/kW/mth	$/kW/mth	c/kWh	c/kWh	c/kWh	c/kWh	c/kWh	c/kWh	c/kWh	c/kWh	c/kWh
Residential flat	Opt in	115	-	-	-	8.5	-	-	-	-	-	-	-	-
Residential Docklands flat	Opt in	115	-	-	-	-	7.8	-	-	-	-	-	-	-
Residential flexible	Opt in	115	-	-	-	-	-	-	15.3	7.6	2.8	15.3	7.6	2.8
Residential Docklands flexible	Opt in	115	-	-	-	-	-	-	7.6	3.8	1.4	7.6	3.8	1.4
Residential cost-reflective	Opt in	115	-	10.5	3.5	3.2	-	-	-	-	-	-	-	-
Residential controlled load	Opt in	-	-	-	-	-	-	2.6	-	-	-	-	-	-
Residential climate saver	Closed	-	-	-	-	-	11.3	2.6	-	-	-	-	-	-
Residential climate saver interval	Closed	-	-	-	-	-	11.3	2.6	-	-	-	-	-	-
Residential climate saver flexible pricing	Closed	-	-	-	-	-	-	-	11.3	-	-	2.6	-	-
Residential two rate 5d	Closed	115	-	-	-	-	13.9	3.0	-	-	-	-	-	-
Residential Docklands two rate 5d	Closed	115	-	-	-	-	13.0	2.6	-	-	-	-	-	-
Residential interval	Closed	115	-	-	-	-	13.9	3.0	-	-	-	-	-	-
Small business flat	Opt in	150	-	-	-	9.0	-	-	-	-	-	-	-	-
Small business cost-reflective	Opt in	150	-	13.5	4.5	3.3	-	-	-	-	-	-	-	-
Non-residential flexible pricing	Closed	150	-	-	-	-	-	-	19.1	5.0	3.7	19.1	5.0	3.7

Network tariffs	Status	Fixed	Demand				Usage		Time of use (summer)			Time of use (non-summer)		
Non-residential two rate 5d	Closed	150	-	-	-	-	13.4	3.3	-	-	-	-	-	-
Non-residential interval	Closed	150	-	-	-	-	13.4	3.3	-	-	-	-	-	-
Non-residential two rate 7d	Closed	150	-	-	-	-	11.9	3.3	-	-	-	-	-	-
Unmetered supplies	Open	-	-	-	-	-	17.3	5.2	-	-	-	-	-	-
Medium business cost-reflective	Open	1,300	-	13.5	4.5	4.2	-	-	-	-	-	-	-	-
Medium business opt-out	Open	1,300					12.0	4.2						
Large low voltage	Open	7,380	103	-	-	-	4.0	2.1	-	-	-	-	-	-
High voltage	Open	44,000	92	-	-	-	2.6	1.0	-	-	-	-	-	-
High voltage Docklands	Open	35,200	75	-	-	-	2.0	0.8	-	-	-	-	-	-
Subtransmission	Open	238,000	24	-	-	-	2.6	0.8	-	-	-	-	-	-

Source: Powercor

C.2 Revised indicative pricing schedules alternative control services

Table C.5 Metering charges (nominal, $/NMI/p.a., GST exclusive)

Metering charge	2017	2018	2019	2020
Single phase	88.50	83.40	78.60	74.07
Three phase direct connected meter	116.74	110.01	103.67	97.70
Three phase CT connected meter	154.96	146.03	137.62	129.69

Source: Powercor

Table C.6 Manual meter reading charge (nominal, $/read, GST exclusive)

Manual meter reading charge	2017	2018	2019	2020
Manual meter reading	46.15	47.91	49.84	51.78

Source: Powercor

Table C.7 Metering exit fees (nominal, $, GST exclusive)

Metering exit fee	2017	2018	2019	2020
AMI 1P	494.43	461.30	419.53	380.60
AMI 3P	611.13	572.31	524.24	477.07
AMI 3P CT	1,209.13	1,153.26	1,085.09	1,013.25
Basic or MRIM all	42.10	43.70	45.43	47.19

Source: Powercor

Table C.8 Ancillary network services (nominal, $, GST exclusive)

Alternative control services	2017	2018	2019	2020
Meter investigation test (BH)	398.42	413.60	430.22	447.01
Meter investigation test (AH)	456.43	473.83	492.86	512.11
Meter accuracy test - single phase (BH)	439.87	456.64	474.98	493.53
Meter accuracy test - single phase (AH)	505.12	524.38	545.44	566.74
Meter accuracy test - single phase additional meter (BH)	184.59	191.62	199.32	207.10
Meter accuracy test - multi phase (BH)	529.97	550.17	572.27	594.61
Meter accuracy test - multi phase (AH)	610.93	634.22	659.70	685.45
Meter accuracy test - multi phase additional meter (BH)	336.59	349.42	363.46	377.65
Meter accuracy test - CT (BH)	620.62	644.28	670.16	696.33
Meter accuracy test - CT (AH)	717.39	744.74	774.65	804.90
Reconnections (incl customer transfer) BH	52.56	54.57	56.76	58.97
Reconnections (same day) BH	85.66	88.93	92.50	96.11
Reconnections (incl customer transfer) AH	232.17	241.02	250.70	260.49
Disconnection (BH only)	55.88	58.01	60.34	62.69
Disconnection for non-payment (BH only)	55.88	58.01	60.34	62.69
Special reading BH	46.15	47.91	49.84	51.78
Access to meter data	46.89	48.68	50.63	52.61

Alternative control services	2017	2018	2019	2020
Service truck visit BH	627.78	651.72	677.89	704.36
Service truck visit AH	754.46	783.22	814.68	846.49
Wasted truck visit BH	345.32	358.48	372.88	387.44
Wasted truck visit AH	398.99	414.20	430.84	447.66
Reserve feeder - high voltage - $ per kVA	4.34	4.51	4.69	4.87
Reserve feeder – low voltage - $ per kVA	9.61	9.97	10.37	10.78
Remote meter reconfiguration	54.71	56.80	59.08	61.39
Remote re-energisation	10.32	10.71	11.14	11.58
Remote de-energisation	10.32	10.71	11.14	11.58
New connections responsible for metering				
Single phase BH	502.90	522.07	543.04	564.24
Single phase AH	563.63	585.12	608.62	632.39
Multi phase DC BH	622.82	646.57	672.54	698.80
Multi phase DC AH	683.55	709.60	738.11	766.92
Multi phase CT BH	2,438.63	2,531.59	2,633.28	2,736.09
Multi phase CT AH	3,024.49	3,139.79	3,265.91	3,393.42

Alternative control services	2017	2018	2019	2020
New connections not responsible for metering				
Single phase BH	470.38	488.31	507.93	527.76
Single phase AH	525.44	545.47	567.38	589.53
Multi phase DC BH	590.29	612.79	637.41	662.30
Multi phase DC AH	645.35	669.95	696.86	724.07
Multi phase CT BH	2,085.66	2,165.17	2,252.15	2,340.07
Multi phase CT AH	2,366.15	2,456.35	2,555.02	2,654.77

Source: Powercor

Table C.9 Quoted services labour rates (nominal, $, GST exclusive)

Alternative control services	2017	2018	2019	2020
Skilled electrical worker BH	126.24	131.05	136.32	141.64
Skilled electrical worker AH	148.25	153.91	160.09	166.34
Support staff (Category RIN)	71.40	74.12	77.10	80.11

Source: Powercor

Table C.10 Public lighting services (nominal, $, GST exclusive)

Alternative control services	2017	2018	2019	2020
Compact fluorescent T5 (2 X 14W)	39.46	40.40	41.34	42.24
Replacement luminaire - WDV recovery	82.72	94.01	105.20	116.07

Alternative control services	2017	2018	2019	2020
Replacement luminaire - avoided costs	-27.52	-28.45	-29.45	-30.46
Fluorescent 20 watt	107.62	113.43	119.86	126.22
Fluorescent 40 watt	107.62	113.43	119.86	126.22
Mercury vapour 50 watt	70.57	74.37	78.59	82.76
Mercury vapour 80 watt	50.77	53.50	56.54	59.54
Mercury vapour 125 watt	68.53	72.23	76.33	80.37
Mercury vapour 250 watt	73.04	76.43	80.13	83.82
Mercury vapour 400 watt	84.58	88.50	92.78	97.05
Mercury vapour 700 watt	127.83	133.75	140.23	146.68
Sodium pressure 90 watt	127.89	133.69	140.03	146.33
Sodium pressure 150 watt	94.73	99.03	103.73	108.40
Sodium pressure 180 watt	127.89	133.69	140.03	146.33
Sodium pressure 250 watt	96.11	100.56	105.43	110.28
Sodium pressure 400 watt	127.83	133.75	140.23	146.68
Incandescent 100 watt	141.13	148.74	157.17	165.51
Incandescent 150 watt	141.13	148.74	157.17	165.51
Metal halide 250 watt	127.83	133.75	140.23	146.68
Metal halide 400 watt	127.83	133.75	140.23	146.68

Source: Powercor

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Our customer, retailer and stakeholder engagement

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D Our customer, retailer and stakeholder engagement

Stakeholder engagement is core to the strategic priorities of our business. We regularly seek feedback from our customers to help shape our business, and we see it as our responsibility to understand our customers' requirements. This ensures we continue to deliver services that meet their needs now and into the future.

In 2013 we commenced our stakeholder engagement program for the 2016–2020 regulatory control period. We undertook a research phase which found almost 60 per cent of our customers did not know who were, what our role was or what services we provide. We responded by launching www.talkingelectricity.com.au and delivering information to our customers via a mail out. We also provided input to the AER as they developed the Consumer Engagement Guideline for Network Service Providers (Consumer Engagement Guidelines).

In 2014 we began engaging our customers around network tariff reform. Since this time we have continued to inform and consult with our customers, retailers and stakeholders. Our consultation mechanisms have included focus groups, online surveys, face-to-face meetings, stakeholder forums, facts sheets, social media, our Talking Electricity website and e-news. We also engaged an independent market research company to learn about our customers' views on network tariff reform.

In 2015 and 2016, we continued our stakeholder engagement program focused on network tariff reform.

Following the Victorian Government's decision in December 2015 (that residential and small business customers should have the choice to opt in to cost reflective tariff structures), we engaged with our retailers and stakeholders, including our customer consultative committee members, on our revised proposed tariff structures. We incorporated their feedback into our revised proposed tariff structures.

In addition, we engaged with the Victorian Government to understand their tariff policy position and how it will be implemented, and the AER to understand the implications of the Victorian Government's policy position on the TSS determination process. We also worked closely with the other Victorian electricity distributors to ensure alignment, where possible, of our revised proposed TSS positions.

The conversations we had and the feedback we gathered has helped shape our proposed and revised proposed TSS for the 2017–2020 period.

D.1 Our objectives for stakeholder engagement

The major focus of our stakeholder engagement plan is to ensure key customer segments, retailers and stakeholders understand our network tariff structures, their impacts and how we propose to transition to these network tariffs. As a result, the key objectives of our plan were to:

- engage key customer segments to ensure they understand our proposed changes to network tariff structures, the timing of the introduction of our proposed network tariff structures and what they can do to reduce their electricity bills;
- engage with retailers to ensure they understand our proposed changes to network tariff structures, to identify any billing system constraints and to build new/enhance existing relationships with pricing managers;
- ensure stakeholders are well equipped to actively participate in the consultation process; and
- adopt a best practice approach to engagement, by following the internationally recognised IAP2 public participation spectrum.

D.2 Guiding engagement principles

The following guiding principles underpinned our engagement plan:

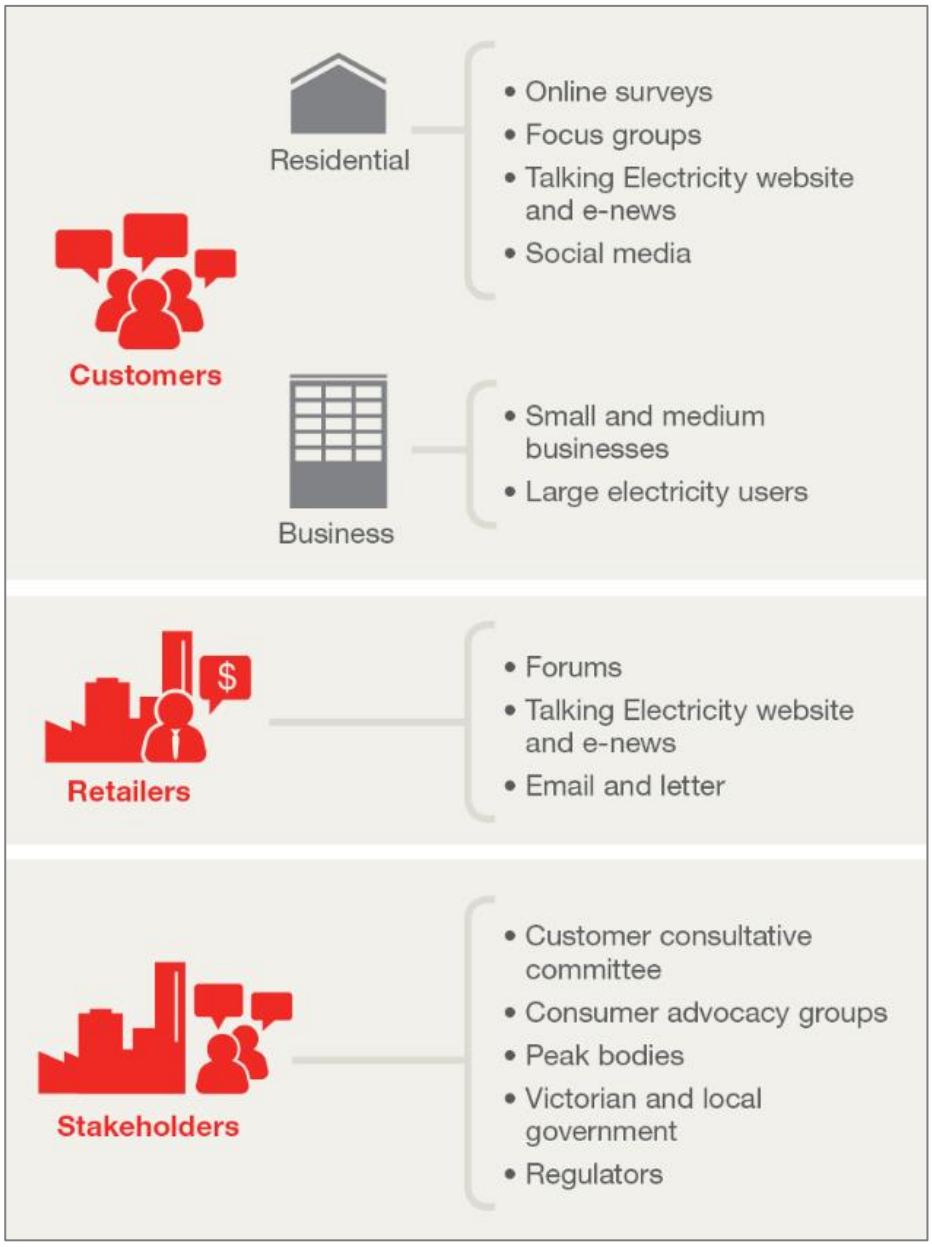
- targeted engagement using network tariff and customer impact analysis;
- building on existing stakeholder relationships and our Customer Consultative Committee (**CCC**);

- leveraging engagement activities, learnings and tools such as the Talking Electricity website and e-news;
- undertaking quantitative research;
- ensuring engagement activities were in accordance with the principles in the AER's Consumer Engagement Guideline, including:
  - clear, accurate, relevant and timely;
  - accessible and inclusive;
  - transparent; and
  - measurable.

D.3 Our customers, retailers and stakeholders

As part of our engagement program, we identified customers, retailers and stakeholders to engage with via a variety of channels and activities. Figure D.1 provides an overview of our customers, retailers and stakeholders.

Figure D.1 Our customers, retailers and stakeholders



Source: Powercor

Residential customers

We have over 777,000 customers, 86 per cent of which are residential customers. We sought views from our residential customers across a broad range of demographics including age, income and geographic location.

Business customers

Our business customers comprise 14 per cent of our total customer base. These customers are a diverse group, and 95 per cent of our small and medium business customers have an annual network spend of less than $8,000. Our commercial and industrial customers typically have an annual network spend of between $5,000 and $9,000,000, a large number of which are account managed by our Regional Business Managers.

Retailers

We sought views from our energy retailers on our proposed introduction of cost-reflective network tariffs.

Stakeholders

We sought views from other stakeholder groups, including the following:

- customer consultative committee—was established in 2000, members included a customer advocacy group representative, industry, local government and rural stakeholders;
- consumer advocacy groups—we have relationships with the Energy and Water Ombudsman (**EWOV**), St Vincent de Paul and Consumer Utilities Advocacy Centre (**CUAC**)
- peak bodies—various parts of our business have a long standing relationship with peak bodies and local development associations
- Victorian and local government—our business has long standing relationships with state and local government
- regulators—in the course of business as usual stakeholder engagement activity, we have frequent bilateral meetings with regulators such as the AER and Energy Safe Victoria (**ESV**)

D.4 Our engagement approach

Our engagement approach focused on talking to customers, retailers and stakeholders across our electricity distribution area. Opportunities to participate were promoted via our Talking Electricity website and e-news, and directly via email and phone.

D.4.1 2014 approach

In 2014 we took the opportunity to gather feedback from our customers and stakeholders while conducting our stakeholder engagement program for the 2016–2020 regulatory control period. For example:

- we engaged an external research company (Colmar Brunton) to conduct research on network tariff reform—specifically, Colmar Brunton:
  - held focus groups with residential customers and conducted interviews with small and medium businesses, asking for their views on consumption based network tariffs and location based network tariffs;
  - ran an online customer survey, asking for views on small increases in electricity bills to: improve network infrastructure; reduce the risk of fire danger; and create screening zones around substations, or to move them underground; and
  - conducted in-depth interviews with our top 200 largest electricity users, asking for their views on critical peak rebates, location based network tariffs and using kilovolt amperes (**kVA**) rather than kilowatts (**kW**) to measure demand.
- we also engaged Nature Research and Deloitte Access Economics to gather residential customers views on network tariffs. We asked if residential customers would be open to rebates for reducing their electricity usage on the hottest days of the year and allowing an electricity provider to remotely control air conditioners/pool pumps.
- in our Directions and Priorities consultation paper, we featured feedback prompts where we asked customers and stakeholders for their views on:
  - our existing network tariff structures;

– the introduction of a maximum demand tariff; and

– other network tariff options such as critical peak pricing, consumption and location based network tariffs.

D.4.2 2015 approach

In 2015 we conducted a stakeholder engagement program which focused solely on network tariff reform. Table D.1 details the stakeholders we engaged with, the channels we used to reach these stakeholders, and the specific activities we undertook. Our activities can be assessed against the IAP2 framework as meeting the inform and consult objectives.

Table D.1 Our 2015 stakeholder engagement approach and activities

Engagement channel	Stakeholder	Activities
Talking Electricity website Talking Electricity e-news	All stakeholders: • Residential and small and medium business customers • Commercial and industrial customers • Retailers • Government departments • Government agencies • State MPs and Ministers • Local MPs • Local councils • Customer advocacy groups • Key industry bodies and groups • Customer Consultative Committee	Updated the Talking Electricity website and used the e-news to share news as follows: • fact sheets; • updates; • news; and • other information. *IAP2 Objective: Inform*
Customer Consultative Committee	5 x committee members who are external	Informed about engagement plans/ segment strategies and encouraged to promote website and e-news. *IAP2 Objective: Inform/Consult*
Forums	• Retailers • Customer advocacy groups • Other stakeholders (as required)	Used to identified the best way to communicate/consult with key stakeholders on: • rationale for reform; • our approach to network tariff structures; and • structures and impacts. *IAP2 Objective: Inform/Consult*
Bilateral meetings	• Retailers • Government agencies • State MPs and Ministers • Customer advocacy groups • Key industry bodies and groups	Meetings were held on a regular basis with key members of our regulation team *IAP2 Objective: Inform/Consult*
Research	• Residential	Nature Research is developed an online survey for collecting quantitative data *IAP2 Objective: Inform/Consult*

Engagement channel	Stakeholder	Activities
Social media (Twitter and Facebook)	• All stakeholders	Implemented a social media campaign encouraging stakeholders to sign up to e-news, established listening posts. *IAP2 Objective: Inform*

Source: Powercor

Engagement with key segments

We undertook engagement activities for key segments as per below.

Retailer engagement

We engaged with retailers on a range of issues, including the following:

- invitations were issued to representatives from all electricity retailers and forums were held in July 2015, they covered a range of topics including:
  - context around network tariff reform and our engagement approach;
  - an overview of our business and network profiling analysis;
  - understanding our existing network tariff arrangements (by segment as appropriate), preferred network tariff structures, customer impact analysis and transition arrangements;
  - discussion on key challenges and opportunities in respect to network tariff structures and transition arrangements to ensure smooth implementation of our proposed network tariffs, as well as identifying opportunities to work together to ensure success; and
  - they also helped to identify the best way to undertake further engagement and consultation activities for us to develop its TSS for each business.
- our regulation team held bilateral meetings with Pricing and Regulation Managers from all electricity retailers. They were identified following a review of their customer numbers and monthly network use of system (**NUoS**) revenue;
- communication took place via the retailer newsletter developed and distributed by the customer services group; and
- customer services group held regular bilateral meetings with their retailer counterparts.

Commercial and Industrial customers (large users)

To support the move from a $/kW demand charge to a rolling 12 month kVA demand tariffs effective from 1 July 2016, the following engagement activities took place:

- letter and kVA demand tariff fact sheet issued to all large users; and
- industry bodies and associations representing large users to be notified of the change, and as appropriate bilateral meetings offered for further information.

Research

We engaged Nature Research to undertake research activities to understand and measure the reaction of our customers to proposed reforms to networks tariff structures, and to gauge customers' acceptance of our proposed transition arrangements. Key insights from the research were used to shape the development of our TSS.

The research addressed four broad goals:

- quantified the level of acceptance of preferred network tariff structures amongst customers, with a view to validating customer segments currently expected to be most impacted;
- measured the level of understanding of preferred network tariff structures (when outlined to the customer) and identified areas/aspects that customers may feel are hard to understand, unappealing, irrelevant or unbelievable;
- aim to uncover what can support changing customer behaviour, in order to move usage away from peak periods; and
- understand ways in which category engagement can be increased and how we can most effectively interact with our customers.

An online survey was used to encourage broad participation from customers from across the network.

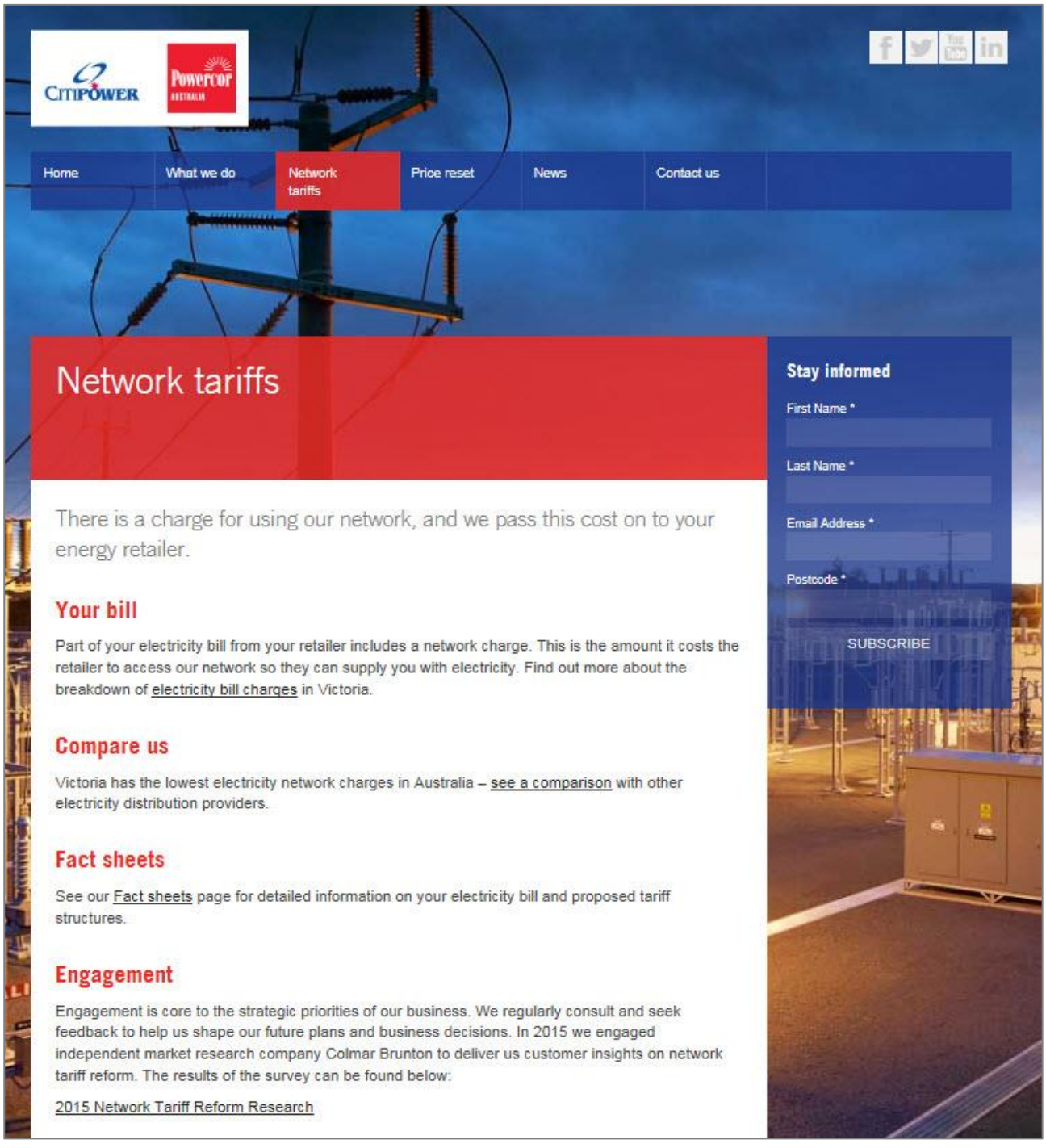
Engagement channels

Our engagement channels are discussed in detail below.

Talking Electricity website

Talking Electricity is a dedicated engagement website that provides customers, retailers and stakeholders with information and updates on network tariff reform. We used it house information including fact sheets, electricity bill detailed information, research and seasonal demand profiles.

Figure D.2 Talking Electricity network tariffs page

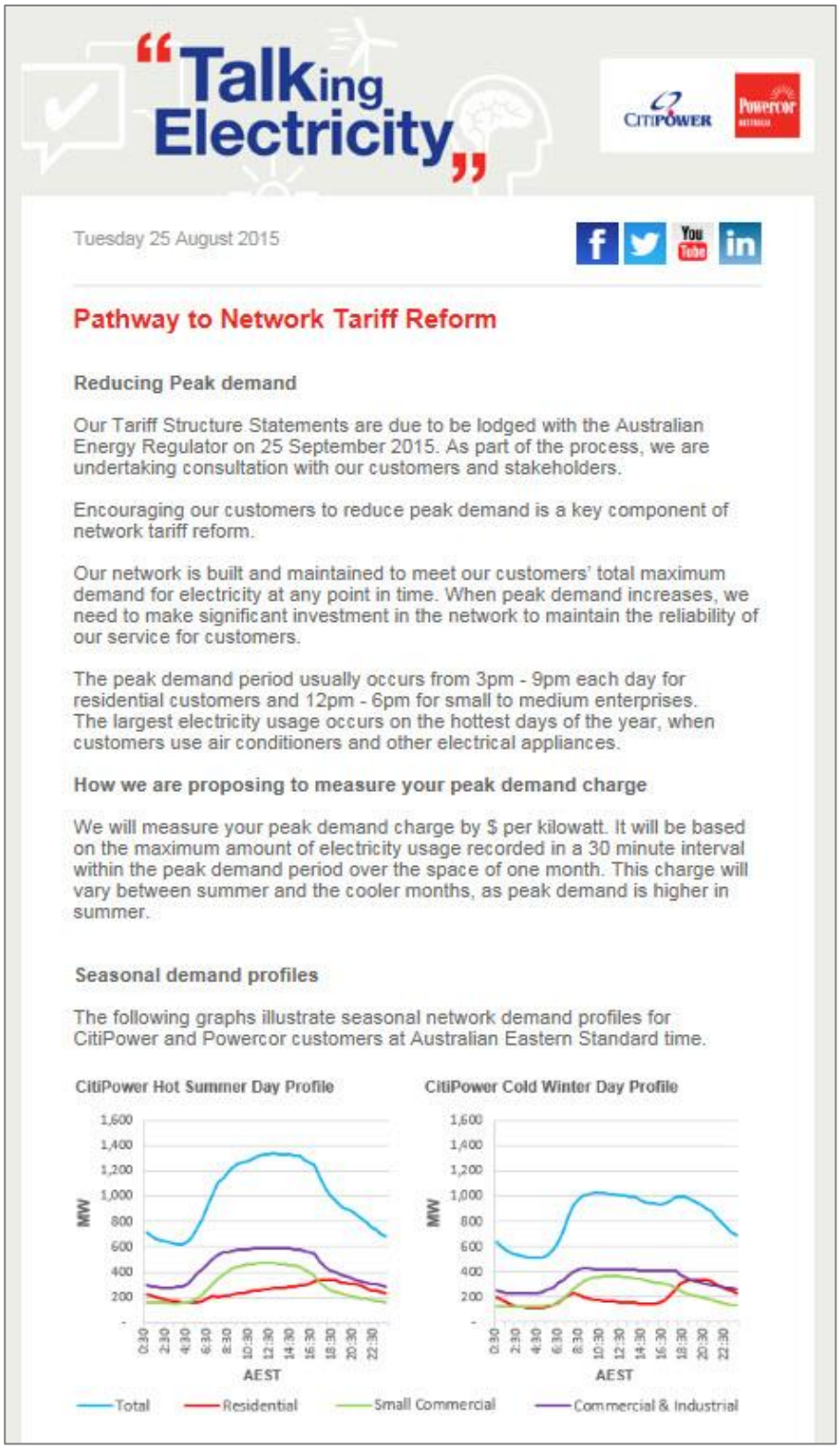


Source: Powercor

Talking Electricity e-news

Our e-news provided stakeholders with the latest information on network tariff form. Subscribers totalled 272 at end September 2015, with an open rate of about 50 per cent, compared to the industry average of 18 per cent.

Figure D.3 Example of Talking Electricity e-news



"Talking Electricity"

CitiPower Powercor

Tuesday 25 August 2015

Pathway to Network Tariff Reform

Reducing Peak demand

Our Tariff Structure Statements are due to be lodged with the Australian Energy Regulator on 25 September 2015. As part of the process, we are undertaking consultation with our customers and stakeholders.

Encouraging our customers to reduce peak demand is a key component of network tariff reform.

Our network is built and maintained to meet our customers' total maximum demand for electricity at any point in time. When peak demand increases, we need to make significant investment in the network to maintain the reliability of our service for customers.

The peak demand period usually occurs from 3pm - 9pm each day for residential customers and 12pm - 6pm for small to medium enterprises. The largest electricity usage occurs on the hottest days of the year, when customers use air conditioners and other electrical appliances.

How we are proposing to measure your peak demand charge

We will measure your peak demand charge by $ per kilowatt. It will be based on the maximum amount of electricity usage recorded in a 30 minute interval within the peak demand period over the space of one month. This charge will vary between summer and the cooler months, as peak demand is higher in summer.

Seasonal demand profiles

The following graphs illustrate seasonal network demand profiles for CitiPower and Powercor customers at Australian Eastern Standard time.

CitiPower Hot Summer Day Profile

CitiPower Cold Winter Day Profile

Source: Powercor

Social media (Facebook and Twitter)

We used social media platforms, Facebook and Twitter, as a call to action to encourage customers to complete our 2015 Nature Research survey. Our Facebook posts reached up to 300 people.

Figure D.4 Social media posts (Facebook)

Source: Powercor

Figure D.5 Social media posts (Twitter)

Source: Powercor

D.4.3 2016 approach

In 2016, we engaged with our retailers and stakeholders, including our CCC members, on our revised proposed tariff structures. The feedback received during this engagement was incorporated into our revised proposed tariff structures.

In addition, we engaged with the Victorian Government to understand their tariff policy position and how it will be implemented. We also engaged with the AER to understand the implications of the Victorian Government's policy position on the TSS determination process. We continued to work closely with the other Victorian Electricity Distribution Businesses to ensure alignment, where possible, of our revised proposed TSS positions.

Table D.2 details the stakeholders we engaged with, the channels we used to reach these stakeholders, and specific activities we have undertaken. Our activities can be assessed against the IAP2 framework as meeting the inform and consult objectives.

Table D.2 Our 2016 stakeholder engagement approach and activities

Engagement channel	Stakeholder	Activities
Joint meetings	• Government department (DEDJTR) • AER • Victorian distributors	Joint meetings were held with the DEDJTR, AER and Victorian distributors to discuss the implications of the Victorian Government's network tariff policy on our proposed tariff structures and the AER's TSS process. *IAP2 Objective: Inform/Consult*

Engagement channel	Stakeholder	Activities
Customer Consultative Committee	• 5 x committee members who are external	Informed them of our revised proposed tariff structure positions in light of the Victorian Government's network tariff policy position and requested feedback. *IAP2 Objective: Inform/Consult*
Forums	• Retailers • Stakeholders including customer advocacy groups and retailers	Used to inform and consult on our revised proposed tariff structures and transition approaches. *IAP2 Objective: Inform/Consult*
Talking Electricity website Talking Electricity e-news	• All stakeholders: • Residential and small and medium business customers • Commercial and industrial customers • Retailers • Government departments • Government agencies • State MPs and Ministers • Local MPs • Local councils • Customer advocacy groups • Key industry bodies and groups • Customer Consultative Committee	Updated the Talking Electricity website and used the e-news to share news as follows: updates; and news. *IAP2 Objective: Inform*
Newsletters	• Retailers • Registered electrical contractors • Large energy users	We continue to use our business as usual newsletters to inform our retailers, registered electrical contractors and large energy users on network tariff reform and AER approved changes to our tariffs. *IAP2 Objective: Inform*

Source: Powercor

Engagement with key segments

Our engagement activities with key segments are discussed below.

Victorian Government

On 13 January 2016, the Victorian electricity distributors met with the DEDJTR to discuss the Victorian Government's policy position and the implications for future network tariffs.

Further meetings were held between the Victorian electricity distributors and the DEDJTR to discuss the AMI Tariffs Amendment Order. DEDJTR representatives also attended the joint Victorian electricity distributor stakeholder forum held on 4 April 2016.

Australian Energy Regulator

On 15 January 2016, the Victorian electricity distributors met with the AER to discuss the Victorian Government's policy position and the implications for future network tariffs and the TSS process.

Further meetings were held with the AER throughout the development of our revised proposed TSS, and AER representatives also attended the joint Victorian electricity distributor stakeholder forum held on 4 April 2016.

Customer Consultative Committee

An overview of our revised proposed tariff structures and transition approach was provided to our CCC members on 29 March 2016, along with an invitation to provide feedback either directly or at a specially convened committee meeting, if requested.

A number of CCC members discussed their feedback directly with our network pricing team and one member of the CCC attended the joint Victorian electricity distributor stakeholder forum held on 4 April 2016.

Network tariff reform is included on the agenda for the next customer consultative committee meeting scheduled for 3 May 2016.

Retailer forum

Following feedback from retailer forums held in July 2015, all retailers were invited to attend a single retailer forum on 22 March 2016.

The purpose of the forum was to share our revised proposed network tariff structures, including proposed transitional arrangements, with our retailers and obtain their feedback.

The agenda included the following:

- proposed network tariff structures (for residential, small business, and medium business customers);
- controlled load tariffs; and
- kVA demand charges.

The forum was attended by 28 participants, representing 13 retailers. The overwhelming feedback from attendees was that the forum was worthwhile. The retailer representatives appreciated the opportunity to understand not only our proposed network tariff structures and transition approach, but also to obtain an update on the introduction of controlled load tariffs and kVA demand charges on 1 July 2016.

The intimate nature of the forum, which was hosted by our Retailer & Customer Engagement Lead and presented by our pricing team, allowed attendees to ask questions and explore various aspects of the proposed tariff structures.

Retailers were asked for their input on what the potential issues would be with transferring customers above a certain consumption threshold to our kVA demand tariffs. Their feedback, both at the forum and in subsequent bi-lateral discussions, helped develop our proposed transition approach.

Figure D.6 Attendees at the network tariff retailer forum (22 March 2016)

Source: Powercor

Joint Victorian electricity distributors stakeholder forum on cost reflective tariff design

On 4 April 2016, the joint Victorian electricity distributors hosted a stakeholder forum on cost reflective tariff design at the RACV Club in Melbourne.

This independently chaired forum was attended by representatives from DEDJTR, the AER, retailers, consumer advocates and the Energy & Water Ombudsman Victoria.

The agenda included the following:

- opt in demand tariff for residential customers;
- customer impacts;
- small business tariffs; and
- revised proposal for business customers greater than 40 MWh per annum.

Time for questions following each agenda topic was incorporated into the agenda.

Feedback forms were completed by 28 participants and, taken together, the feedback results indicated participants were generally satisfied with the forum and derived some valuable insights from the discussion.

Participants supported the hosting of similar joint forums in the future.

Engagement channels

Our engagement channels are discussed in detail below.

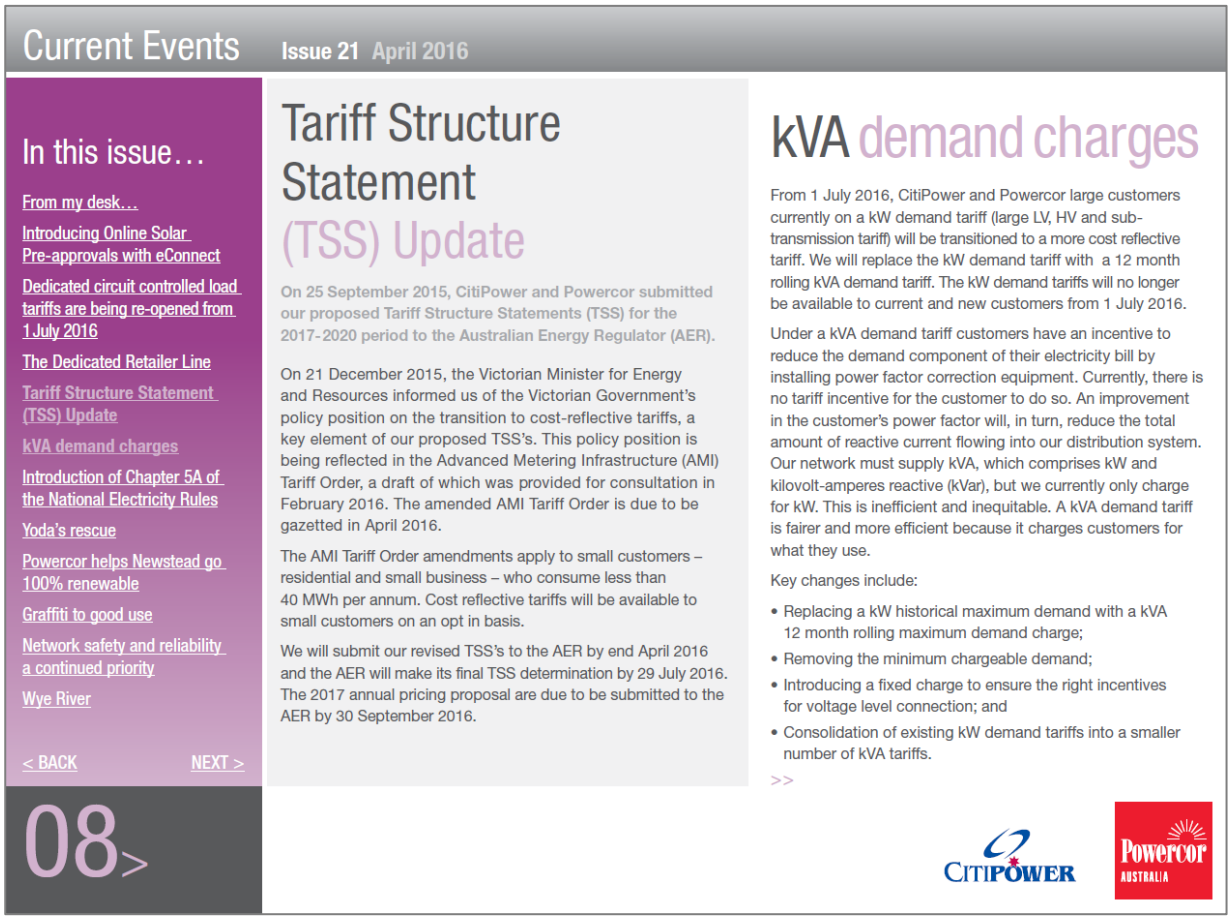
Talking Electricity website and e-news

We continue to use our dedicated engagement website and e-news to provide information and updates to our customers, retailers and stakeholders.

Newsletters

We continue to use our business as usual newsletters to inform our retailers, registered electrical contractors and large energy users on network tariff reform and AER approved changes to our tariffs.

Figure D.7 Extract from the latest Retailer newsletter (April 2016)



Current Events Issue 21 April 2016

In this issue…

From my desk…
Introducing Online Solar Pre-approvals with eConnect
Dedicated circuit controlled load tariffs are being re-opened from 1 July 2016
The Dedicated Retailer Line
Tariff Structure Statement (TSS) Update
kVA demand charges
Introduction of Chapter 5A of the National Electricity Rules
Yoda's rescue
Powercor helps Newstead go 100% renewable
Graffiti to good use
Network safety and reliability a continued priority
Wye River

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08>

Tariff Structure Statement (TSS) Update

On 25 September 2015, CitiPower and Powercor submitted our proposed Tariff Structure Statements (TSS) for the 2017-2020 period to the Australian Energy Regulator (AER).

On 21 December 2015, the Victorian Minister for Energy and Resources informed us of the Victorian Government's policy position on the transition to cost-reflective tariffs, a key element of our proposed TSS's. This policy position is being reflected in the Advanced Metering Infrastructure (AMI) Tariff Order, a draft of which was provided for consultation in February 2016. The amended AMI Tariff Order is due to be gazetted in April 2016.

The AMI Tariff Order amendments apply to small customers – residential and small business – who consume less than 40 MWh per annum. Cost reflective tariffs will be available to small customers on an opt in basis.

We will submit our revised TSS's to the AER by end April 2016 and the AER will make its final TSS determination by 29 July 2016. The 2017 annual pricing proposal are due to be submitted to the AER by 30 September 2016.

kVA demand charges

From 1 July 2016, CitiPower and Powercor large customers currently on a kW demand tariff (large LV, HV and sub-transmission tariff) will be transitioned to a more cost reflective tariff. We will replace the kW demand tariff with a 12 month rolling kVA demand tariff. The kW demand tariffs will no longer be available to current and new customers from 1 July 2016.

Under a kVA demand tariff customers have an incentive to reduce the demand component of their electricity bill by installing power factor correction equipment. Currently, there is no tariff incentive for the customer to do so. An improvement in the customer's power factor will, in turn, reduce the total amount of reactive current flowing into our distribution system. Our network must supply kVA, which comprises kW and kilovolt-amperes reactive (kVar), but we currently only charge for kW. This is inefficient and inequitable. A kVA demand tariff is fairer and more efficient because it charges customers for what they use.

Key changes include:

- Replacing a kW historical maximum demand with a kVA 12 month rolling maximum demand charge;
- Removing the minimum chargeable demand;
- Introducing a fixed charge to ensure the right incentives for voltage level connection; and
- Consolidation of existing kW demand tariffs into a smaller number of kVA tariffs.

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CITIPOWER Powercor AUSTRALIA

Source: Powercor

D.5 What our customers, retailers and stakeholders told us

Through our engagement program, customers, retailers and stakeholders told us about their views on our existing network tariff structure, consumption, location and maximum demand tariffs, rebates and our proposed introduction of cost-reflective network tariffs.

We used this feedback to form key insights on network tariff reform, which can be summarised as follows:

- changes to network tariff structures need to be transparent, extensively communicated and well understood by customers and key decision makers;
- our proposed network tariff structures are as easy to understand as our existing network tariff structure;
- residential customers want to be in control of their own electricity usage (including when and how they use electricity);
- small and medium business customers may find it challenging to change consumption behaviour to reduce network demand due to their reliance on electricity at particular times; and
- large electricity users felt the need for increased 'partnering' with us, and that we could take a lead role in asset and infrastructure investment.

The feedback we gathered has helped us develop our TSS, and is summarised in figure D.8 to figure D.11.

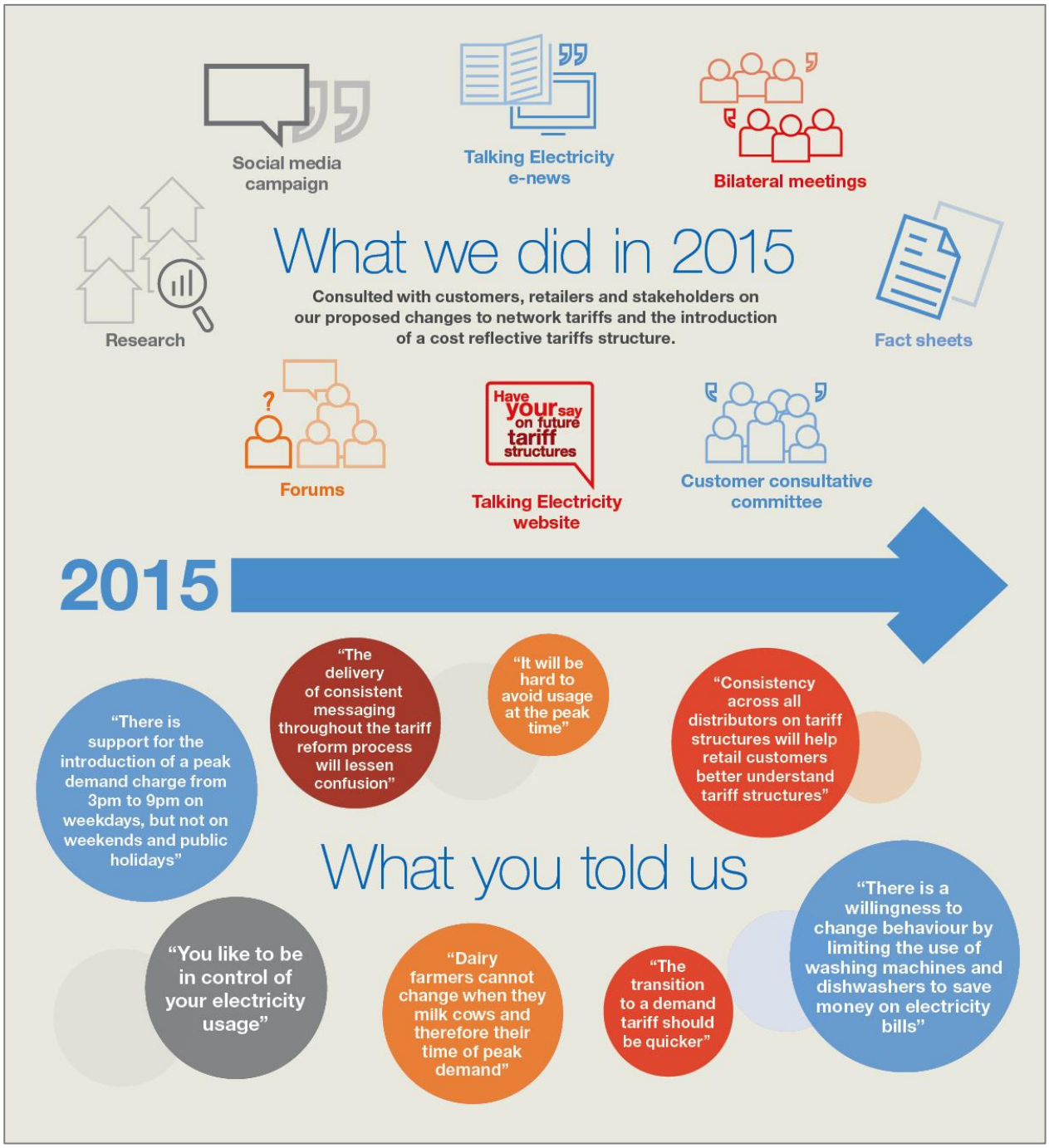
Figure D.8 Key insights from our stakeholder engagement program

Source: Powercor

Figure D.9 What you told us about particular network tariffs and rebates

Source: Powercor

Figure D.10 What you told us about the introduction of cost-reflective network tariffs in 2015



Source: Powercor

Figure D.11 What you told us about the introduction of cost-reflective network tariffs in 2016

Source: Powercor

D.6 How we responded to your feedback

The feedback we gathered from our customers, retailers and stakeholders has helped shape our proposed and revised proposed TSS for the 2017–2020 period. A recurring piece of feedback we received throughout the stakeholder consultation process was that it would be beneficial for retailers and our customers if we aligned (as much as practicable) with the other Victorian distribution companies on network tariff reform. We have done this in the following components of our cost reflective network tariffs:

- the broad tariff structure—fixed, anytime usage and demand charges;
- the method of measuring maximum demand;
- the maximum demand measurement period for residential customers (including the time, day and period); and
- the use of similar terminology when communicating our network tariff structures to our customers and stakeholders.

Customer, retailer and stakeholder expectations and concerns have been integrated into our planning and have been considered as a vital part of developing our cost-reflective network tariffs structure. Table D.3 provides further detail.

Table D.3 Our response to your feedback

What you told us	How we responded
Consistency across all distribution businesses will assist in minimising transaction costs on all parties, particularly regarding billing systems	Distributors have aligned residential demand charge, including: • maximum demand period of 3:00PM to 9:00PM, excluding weekends and public holidays • maximum demand is based on monthly maximum 30 minutes usage
Consistency across all distributors on residential network tariff structures will help retail customers understand our network tariff structures	
Alignment across all distribution businesses on the maximum demand period will make it easier for consumers to understand and respond to cost-reflective pricing	
The delivery of consistent messaging throughout the network tariff reform process will lessen confusion for electricity users	Distribution companies will work together to deliver consistent messages once the network tariff reform process begins
Supportive of the introduction of a peak kW demand charge from 3:00PM to 9:00PM on weekdays, but not on weekends and public holidays	The maximum demand charge will only apply across all distribution companies on workdays, not weekends and public holidays
Measuring demand over as narrow a period as possible would provide customers greater ability to manage any possible impacts due to changes in our network tariffs	A period of only six hours on work days only has been proposed
Distribution companies should consider an electric vehicle network tariff	It is premature to design an electric vehicle network tariff, as electric vehicle penetration is not expected to become material until 2020. We don't yet know what the charging model and usage characteristics will be

What you told us	How we responded
A time of use network tariff is cost-reflective so it is not necessary to introduce a demand tariff	A demand charge is more cost-reflective since our network is designed to meet maximum demand. A time of use signal is not as strong as a maximum demand signal. A maximum demand signal is more consistent with long run marginal costs. In light of the Victorian Government's network policy position announced in December 2015, we are required to offer a time of use network tariff
Locational tariffs would be more cost-reflective (or locational tariffs would be unfair)	Most stakeholders were opposed to locational tariffs because the distribution impacts are perceived to be severe. Locational tariffs may also be volatile, and the level of tariffs contentious. They would also be inconsistent with minimising transaction costs and achieving consistency across the Victorian distributors
The transition to a demand tariff should be quicker	Our residential and small business customers have the choice to opt into a cost reflective tariff. Our medium business customers will be transitioned to a cost reflective tariff by 2019
The demand tariff should be a higher proportion of the customer bill	We have taken a cautious approach to setting the level of the demand tariff which will be reviewed as part of the development of the TSS for the 2021–2025 period
A hardship network tariff should not be introduced	We are not proposing a hardship network tariff
The texting system currently used to notify customers of outages could be notify customers about maximum demand	This will be considered once a demand charge is in place
In a move in / move out situation, the new customer should not pay for the demand of the old customer	We are not always aware of all move in/out situations. Our systems are not able to calculate two maximum demands in one month when this occurs. Since demand is reset monthly, it is only the move in month that is a possible issue. A new customer will inherit the usage of the old customer from the start of the month to the date in the month when the move out occurs
Prefer the demand charge to be the same for every month of the year	This would not be cost-reflective since our maximum demand occurs predominantly in summer
Would prefer no minimum level of maximum demand	We have not proposed a minimum level of maximum demand
Could we have seasonal fixed charges so as to offset the impact of the seasonal demand charges	It may not educate customers to realise it costs more to supply customers in summer
You have provided evidence that in general customers who use less electricity will be worse off compared to customers who consume more. Why can't network tariffs be designed so that smaller uses are better off?	Customers who will experience an immediate bill reduction will have a higher load factor. These customers are more likely to consume more electricity
We should have an inclining demand charge to reduce impacts for smaller users	An inclining block charge is not cost-reflective—every kW of demand at a certain time makes the same contribution to maximum demand. It would also increase complexity

What you told us	How we responded
Provide retailers with all distributor customer communication material	We have shared communication with the relevant retailers
A cautious approach should be taken to network tariff reform	We believe our proposed and revised proposed TSS proposal reflects a cautious approach
Some customers cannot change the time of their demand (e.g. time for milking cows)—it would be unfair to put these customers on demand tariff	Residential and small business customer can opt into a costs reflective tariff. For medium business customers, we are proposing to transition to cost reflective tariffs by 2019. The demand charge will only be introduced from 1 January 2018. This will enable our customers to investigate whether their demand can be altered or whether emerging technologies such as the installation of PV solar/battery may be beneficial
Can network costs be shown separately on customer bills?	We are consulting with the Victorian Government about the feasibility of implementing this
Simpler network tariffs—cost-reflective network tariffs should be developed in a manner that makes they easy for consumers to understand	We believe our proposed fixed, anytime usage and demand charge is simple. There are many complex elements we have not included in our cost-reflective network tariffs structure
Consistent methodology should be used by all distributors in developing cost-reflective network tariffs	The Victorian distributors have aligned on key elements related to cost-reflective network tariff structures for residential customers
Long term price certainty is necessary in the development of cost-reflective network tariffs	The revised indicative network tariff schedule in our revised proposed TSS will provide customers with a better view of the longer term price path of individual network tariffs
Consumers need to be educated	We intend to work collaboratively with retailers and other stakeholders on customer education

Source: Powercor

D.7 Next steps for our engagement process

Our network tariff reform stakeholder engagement program has allowed us to deliver our ongoing commitment to improving the way we engage with our customers, retailers and stakeholders on what matters to them. Ensuring we meet the energy needs of Victorians today and well into the future is a priority for us and something we will continue to drive forward.

Learnings from the network tariff reform engagement process will help further refine our business-wide stakeholder engagement process to ensure it remains aligned with our current and future priorities.

Over the coming period our Talking Electricity website and e-news will provide our customers, retailers and stakeholders with updates on the AER's TSS determination process including any future AER consultation activities.

We will continue to develop, maintain and enhance long term relationships with our customers, retailers and stakeholders, and ensure we remain focused on the long term, interests and needs of our customers.

Assigning and reassigning customers

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E Assigning and reassigning customers

The AER's 2016–2020 distribution determination must set out provisions governing the assignment of retail customers to tariff classes or the re-assignment of retail customers from one tariff class to another, having regard to the principles set out in clause 6.18.4(a) of the Rules. The Rules also require the AER's 2016–2020 distribution determination contain provisions for an effective system of assessment and review of the basis on which a customer is charged if the charging parameters for a particular tariff result in a basis of charge that varies according to the usage or load profile of the customer. We will comply with the AER's 2016-20 determination on assignment or reassignment of retail customers to tariff classes.

E.1 Tariff assignment

The process under which new customers are assigned to network tariff classes and network tariffs occurs following the receipt from the retailer of the following:

- notice in writing or a B2B service order;
- an Electrical Work Request; and
- a Certificate of Electrical Safety.

Assignment to a tariff class and tariff is determined by the connection and consumption characteristics of the site, including the following:

- nature of the customer (for example, residential or commercial);
- supply voltage;
- customer maximum demand;
- customer usage; and
- metering characteristics (for example, metered or unmetered).

If no direction is given by the retailer, we will assign a residential or small business customer (**small customer**) to a flat AMI distribution tariff.

E.2 Tariff reassignment

Tariff reassignment of existing customers can occur when:

- the retailer requests a tariff change;
- the retailer requests to modify/upgrade an existing connection; or
- the customer's connection or consumption characteristics change.

E.2.1 Retailer requests a tariff change

The process under which an existing small customer is reassigned to another tariff within the tariff class can only occur under the direction by the retailer through notice in writing.

Upon receipt of the direction from the retailer and the customer satisfies the eligibility criteria in chapter 5, we will reassign the small customer to the requested tariff that is either:

- a flat AMI distribution tariff;
- a flexible AMI distribution tariff (residential customers only); or
- a cost reflective AMI distribution tariff.

Retailers may also apply for a residential single phase customer with electric hot water or slab heating to have this load operated by a time switch and charged a controlled load tariff for this load (in conjunction with their residential flat or cost-reflective tariff).

Under the direction of the retailer, an existing small customer who had opted in to a cost reflective tariff can revert back to their prior tariff had they not opted in as long as the site still satisfies the eligibility criteria in chapter 5.

Requests for a tariff change for customers who are not small customers will be assessed based on the eligibility criteria in chapter 5.

E.2.2 Retailer requests to modify or upgrade an existing connection

Under our process of tariff reassignment, a customer or retailer that lodges an application to modify or upgrade an existing network connection is treated identically to a new customer.

The request will be granted if it meets the eligibility requirements under chapter 5.

E.2.3 Change in customer's connection or consumption characteristics

When a site no longer meets the eligibility requirements for a network tariff class or network tariff, we will reassign the customer to the applicable tariff.

Compliance matrix F

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F Compliance matrix

The compliance matrix set out in table F.1 has been prepared with reference to version 66 of the Rules, as amended by the 2016 Ministerial Order under Section 16BA (**2016 section 16BA Order**).[14]

Table F.1 Rules compliance matrix

Rule provision	Amending clause	Requirement	Relevant section
Part E: Regulatory proposal and proposed tariff structure statement			
6.8.2		**Submission of tariff structure statement**	
6.8.2(a)	11.76.2(a)	(a) A Distribution Network Service Provider must, whenever required to do so under paragraph (b), submit to the AER a proposed tariff structure statement related to the distribution services provided by means of, or in connection with, the Distribution Network Service Provider's distribution system.	Noted
6.8.2(b)	11.76.2(a)	(b) A proposed tariff structure statement must be submitted: by 25 September 2015.	Noted
6.8.2(c)	11.76.2(a)	A proposed tariff structure statement must be accompanied by information that contains a description (with supporting materials) of how the proposed tariff structure statement complies with the pricing principles for direct control services.	Proposed TSS: chapter 3–5; and appendix B and D
6.8.2(c1a)	11.76.2(a)	(c1a) The proposed tariff structure statement must be accompanied by an overview paper which includes a description of how the Distribution Network Service Provider has engaged with retail customers and retailers in developing the proposed tariff structure statement and has sought to address any relevant concerns identified as a result of that engagement.	Proposed TSS Overview paper
6.8.2(d1)	11.76.2(a)	(d1) The proposed tariff structure statement must be accompanied by an indicative pricing schedule.	Proposed TSS: appendix C

[14] 2016 Ministerial Order under Section 16BA of the National Electricity (Victoria) Act 2005 made 18 April 2016 and published in the Victorian Government Gazette G 16 on 21 April 2016.

Rule provision	Amending clause	Requirement	Relevant section
6.8.2(d2)	11.76.2(a)	(d2) The proposed tariff structure statement must comply with the pricing principles for direct control services.	Proposed TSS: chapter 3–5; and appendix B and D
6.8.2(e)	11.76.2(a)	(e) If more than one distribution system is owned, controlled or operated by a Distribution Network Service Provider, then, unless the AER otherwise determines, a separate tariff structure statement are to be submitted for each distribution system.	Noted
6.10.3		**Submission of revised proposal**	
6.10.3(a)	11.76.2(a)	In addition to making written submissions, the Distribution Network Service Provider may, not more than 45 business days after the publication of the draft determination on the proposed tariff structure statement, submit a revised proposed tariff structure statement to the AER.	Noted
6.10.3(b)	11.76.2(a)	A Distribution Network Service Provider may only make the revisions referred to in paragraph (a) so as to incorporate the substance of any changes required to address matters raised by the draft determination on the proposed tariff structure statement or the AER's reasons for it.	Noted
6.10.3(b1)		(b1) A revised proposed tariff structure statement must comply with the pricing principles for direct control services and must be accompanied by a revised indicative pricing schedule.	Revised proposed TSS: appendix C
Part I: Distribution pricing rules			
6.18.1A		**Tariff structure statement**	
6.18.1A(a)		(a) A tariff structure statement of a Distribution Network Service Provider must include the following elements:	Noted
6.18.1A(a)(1)		(1) the tariff classes into which retail customers for direct control services will be divided during the relevant regulatory control period;	Revised proposed TSS: section 4.1
6.18.1A(a)(2)		(2) the policies and procedures the Distribution Network Service Provider will apply for assigning retail customers to tariffs or reassigning retail customers from one tariff to another (including any applicable restrictions);	Revised proposed TSS: appendix E
6.18.1A(a)(3)		(3) the structures for each proposed tariff;	Revised proposed TSS: section 4.2–4.6
6.18.1A(a)(4)		(4) the charging parameters for each proposed tariff; and	Revised proposed TSS: section 4.2–4.6

Rule provision	Amending clause	Requirement	Relevant section
6.18.1A(a)(5)		(5) a description of the approach that the Distribution Network Service Provider will take in setting each tariff in each pricing proposal of the Distribution Network Service Provider during the relevant regulatory control period in accordance with clause 6.18.5.	Revised proposed TSS: section 5
6.18.1A(b)		(b) A tariff structure statement must comply with the pricing principles for direct control services.	Revised proposed TSS: chapter 3–5; and appendix B and D
6.18.1A(ba)	Inserted pursuant to the 2016 section 16BA Order, clause 4(1)	A tariff structure statement must also comply with clause 9A of the Advanced Metering Infrastructure (AMI Tariffs) Order in Council 2013.	Noted
6.18.1A(c)		(c) A Distribution Network Service Provider must comply with the tariff structure statement approved by the AER and any other applicable requirements in the Rules, when the provider is setting the prices that may be charged for direct control services.	Noted
6.18.1A(d)		(d) Subject to clause 6.18.1B, a tariff structure statement may not be amended during a regulatory control period. Note: Rule 6.13 still applies in relation to a tariff structure statement because that rule deals with the revocation and substitution of a distribution determination (which includes a tariff structure statement) as opposed to its amendment.	Noted
6.18.1A(e)		(e) A 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.	Revised proposed TSS: appendix C
6.18.1A(f)	Inserted pursuant to the 2016 section 16BA Order, clause 4(2)	In the case of any inconsistency between clauses 9, 9A, 10 or 10A of the Advanced Metering Infrastructure (AMI Tariffs) Order in Council 2013 and the tariff structure statement, those clauses shall prevail.	Noted
6.18.3		**Tariff classes**	
6.18.3(b)		(b) Each customer for direct control services must be a member of 1 or more tariff classes.	Revised proposed TSS: section 4.1; and appendix E

Rule provision	Amending clause	Requirement	Relevant section
6.18.3(c)		(c) Separate tariff classes must be constituted for retail customers to whom standard control services are supplied and retail customers to whom alternative control services are supplied (but a customer for both standard control services and alternative control services may be a member of 2 or more tariff classes).	Revised proposed TSS: section 4.8
6.18.3(d)		(d) A tariff class must be constituted with regard to: (1) the need to group retail customers together on an economically efficient basis; and (2) the need to avoid unnecessary transaction costs.	Revised proposed TSS: section 4.1
6.18.4		**Principles governing assignment or re-assignment of retail customers to tariff classes and assessment and review of basis of charging**	
6.18.4(a)		(a) In formulating provisions of a distribution determination governing the assignment of retail customers to tariff classes or the re-assignment of retail customers from one tariff class to another, the AER must have regard to the following principles:	Noted
6.18.4(a)(1)		(1) retail customers should be assigned to tariff classes on the basis of one or more of the following factors: (i) the nature and extent of their usage; (ii) the nature of their connection to the network; (iii) whether remotely-read interval metering or other similar metering technology has been installed at the retail customer's premises as a result of a regulatory obligation or requirement;	Revised proposed TSS: section 4.1; and section 4.4–4.6
6.18.4(a)(2)		(2) retail customers with a similar connection and usage profile should be treated on an equal basis;	Revised proposed TSS: section 4.4–4.6
6.18.4(a)(3)		(3) however, retail customers with micro-generation facilities should be treated no less favourably than retail customers without such facilities but with a similar load profile;	Revised proposed TSS: section 4.4–4.6
6.18.4(a)(4)		(4) a Distribution Network Service Provider's decision to assign a customer to a particular tariff class, or to re-assign a customer from one tariff class to another should be subject to an effective system of assessment and review. Note: If (for example) a customer is assigned (or reassigned) to a tariff class on the basis of the customer's actual or assumed maximum demand, the system of assessment and review should allow for the reassignment of a customer who demonstrates a reduction or increase in maximum demand to a tariff class that is more appropriate to the customer's load profile.	Revised proposed TSS: appendix E

Rule provision	Amending clause	Requirement	Relevant section
6.18.4(b)		(b) If the charging parameters for a particular tariff result in a basis of charge that varies according to the usage or load profile of the customer, a distribution determination must contain provisions for an effective system of assessment and review of the basis on which a customer is charged.	Noted
6.18.4(c)	Inserted pursuant to the 2013 section 16BA Order and substituted by the 2016 section 16BA Order, clause 5	In the case of any inconsistency between clauses 9, 9A, 10 or 10A of the Advanced Metering Infrastructure (AMI Tariffs) Order in Council 2013 and: (1) the provisions of a distribution determination governing: a. the assignment of small customers to tariff classes; or b. the re-assignment of small customers from one tariff class to another; or (2) a tariff structure statement, Clauses 9, 9A, 10 and 10A of the Advanced Metering Infrastructure (AMI Tariffs) Order in Council shall prevail.	Noted
6.18.4(d)	Inserted pursuant to the 2013 section 16BA Order	Terms used in paragraph (c) and in the Advanced Metering Infrastructure (AMI Tariffs) Order in Council 2013 have the same respective meaning in that paragraph as they have in that Order.	Noted
6.18.5		**Pricing principles**	
		Network pricing objective	
6.18.5(a)		(a) The network pricing objective is that the tariffs that a Distribution Network Service Provider charges in respect of its provision of direct control services to a retail customer should reflect the Distribution Network Service Provider's efficient costs of providing those services to the retail customer.	Noted
		Application of the pricing principles	
6.18.5(b)		(b) Subject to paragraph (c), a Distribution Network Service Provider's tariffs must comply with the pricing principles set out in paragraphs (e) to (j).	Noted
6.18.5(c)		(c) A Distribution Network Service Provider's tariffs may vary from tariffs which would result from complying with the pricing principles set out in paragraphs (e) to (g) only: (1) to the extent permitted under paragraph (h); and (2) to the extent necessary to give effect to the pricing principles set out in paragraphs (i) to (j).	Noted

Rule provision	Amending clause	Requirement	Relevant section
6.18.5(d)		(d) A Distribution Network Service Provider must comply with paragraph (b) in a manner that will contribute to the achievement of the network pricing objective.	Noted
		Pricing principles	
6.18.5(e)		(e) For each tariff class, the revenue expected to be recovered must lie on or between: (1) an upper bound representing the stand-alone cost of serving the retail customers who belong to that class; and (2) a lower bound representing the avoidable cost of not serving those retail customers.	Revised proposed TSS: section 4.7; and appendix B
6.18.5(f)		(f) Each tariff must be based on the long run marginal cost of providing the service to which it relates to the retail customers assigned to that tariff with the method of calculating such cost and the manner in which that method is applied to be determined having regard to: (1) the costs and benefits associated with calculating, implementing and applying that method as proposed; (2) the additional costs likely to be associated with meeting demand from retail customers that are assigned to that tariff at times of greatest utilisation of the relevant part of the distribution network; and (3) the location of retail customers that are assigned to that tariff and the extent to which costs vary between different locations in the distribution network.	Revised proposed TSS: section 4.3–4.7; and appendix B
6.18.5(g)		(g) The revenue expected to be recovered from each tariff must: (1) reflect the Distribution Network Service Provider's total efficient costs of serving the retail customers that are assigned to that tariff; (2) when summed with the revenue expected to be received from all other tariffs, permit the Distribution Network Service Provider to recover the expected revenue for the relevant services in accordance with the applicable distribution determination for the Distribution Network Service Provider; and (3) comply with sub-paragraphs (1) and (2) in a way that minimises distortions to the price signals for efficient usage that would result from tariffs that comply with the pricing principle set out in paragraph (f).	Revised proposed TSS: section 4.3–4.7; and appendix B

Rule provision	Amending clause	Requirement	Relevant section
6.18.5(h)		(h) A Distribution Network Service Provider must consider the impact on retail customers of changes in tariffs from the previous regulatory year and may vary tariffs from those that comply with paragraphs (e) to (g) to the extent the Distribution Network Service Provider considers reasonably necessary having regard to: (1) the desirability for tariffs to comply with the pricing principles referred to in paragraphs (f) and (g), albeit after a reasonable period of transition (which may extend over more than one regulatory control period); (2) the extent to which retail customers can choose the tariff to which they are assigned; and (3) the extent to which retail customers are able to mitigate the impact of changes in tariffs through their usage decisions.	Revised proposed TSS: section 4.3–4.7; and section 5
6.18.5(i)		(i) The structure of each tariff must be reasonably capable of being understood by retail customers that are assigned to that tariff, having regard to: (1) the type and nature of those retail customers; and (2) the information provided to, and the consultation undertaken with, those retail customers.	Revised proposed TSS: section 3; section 4.3–4.7; and appendix D
6.18.5(j)		(j) A tariff must comply with the Rules and all applicable regulatory instruments.	Noted
6.18.5(k)	Inserted pursuant to the 2016 section 16BA Order, clause 6	Without limiting paragraph (j), a tariff must also comply with the Advanced Metering Infrastructure (AMI Tariffs) Order in Council 2013.	Noted

Source: Powercor

The compliance matrix set out in table F.2 has been prepared with reference to the Advanced Metering Infrastructure (AMI Tariffs) Order in Council 2013.[15]

Table F.2 Compliance matrix with Victorian jurisdictional instruments

Clause	Requirement	Relevant Section
9A	**Distributor's distribution tariffs must include a choice of AMI distribution tariffs**	
9A(1)	This clause 9A: (a) applies to any tariff structure statement submitted, or to be submitted in respect of the initial regulatory control period; (b) does not apply to any tariff structure statement submitted, or to be submitted, in respect of any other regulatory control period; (c) applies to all pricing proposals for the regulatory years 2017, 2018, 2019 and 2020; and (d) does not apply to pricing proposals for any other regulatory year.	Noted
9A(2)	The tariffs for each tariff class included by a distributor in a tariff structure statement and a pricing proposal, where the customers of that class may include domestic customers with advanced metering infrastructure, must include at least: (a) one TOU flexible AMI distribution tariff; and (b) one flat AMI distribution tariff. This clause does not prevent a tariff structure statement or a pricing proposal having one or more cost reflective AMI distribution tariffs.	Revised proposed TSS: section 5.4
9A(3)	For the purposes of clause 9A(2) at least one TOU flexible AMI distribution tariff must be consistent with the common form distribution tariff structure in the Schedule.	Revised proposed TSS: section 5.4

[15] Advanced Metering Infrastructure (AMI Tariffs) Order made on 18 June 2013 under section 46D of the Electricity Industry Act 2000 and published in the Victorian Government Gazette S 216 on 19 June 2013 as amended by the Order in Council made 22 December 2015 published in the Victorian Government Gazette S 430 on 23 December 2015 as amended by the Order in Council made 12 April 2016 published in the Victorian Government Gazette G 15 on 14 April 2016

Clause	Requirement	Relevant Section
9A(4)	In this clause: initial regulatory control period has the same meaning as it has in clause 11.75.1 of the National Electricity Rules; tariff structure statement includes a proposed, or revised proposed tariff structure statement submitted pursuant to clauses 6.8.2 and 6.10.3 (as those clauses stand amended by clause 11.76.2) of the National Electricity Rules; regulatory control period has the same meaning as it has in the National Electricity Rules; regulatory year has the same meaning as it has in the National Electricity Rules.	Noted
10A	**Distributor to assign distribution tariffs to small customers in accordance with a retailer's direction**	**Revised proposed TSS: appendix E**
	Additional transition period – direction a retailer may give	
10A(1)	During the additional transition period, a retailer may, by notice in writing, direct a distributor to assign to a small customer of that retailer an AMI distribution tariff from the tariff class applicable to that small customer.	Revised proposed TSS: appendix E
10A(2)	A direction pursuant to clause 10A(1) may not be given by a retailer unless the small customer has: (a) a deemed contract with the retailer pursuant to section 39(1) of the Act; (b) a deemed contract with the retailer pursuant to section 37 of the Act but only when that contract is varied; or (c) first entered into with the retailer a new or varied electricity contract for sale of electricity at: (i) an AMI retail tariff; or (ii) a new or varied AMI retail tariff.	Noted
10A(3)	During the additional transition period and where a small customer has already been assigned an AMI distribution tariff, a distributor must not assign a different AMI distribution tariff to that small customer except: (a) in accordance with a direction; or (b) where the assignment is consequent on a change of tariff class and that change is in accordance with the provisions of the distribution determination that applies to, or the tariff structure statement that relates to the electricity network services provided by that distributor. However a distributor must not assign pursuant to this paragraph a cost reflective flexible AMI distribution tariff.	Revised proposed TSS: appendix E
	Additional reversion period – small customer giving notice pursuant to clause 8A(1) – direction a retailer may give	

Clause	Requirement	Relevant Section
10A(4)	During the additional reversion period, if: (a) a retailer receives from a small customer notice pursuant to clause 8A(1); and (b) at the time that the notice is given by the small customer, that customer is on a cost reflective flexible AMI distribution tariff, the retailer may, by notice in writing, direct a distributor to assign to that small customer an AMI distribution tariff in accordance with clause 10A(5).	Revised proposed TSS: appendix E
10A(5)	The distributor must assign pursuant to clause 10A(4): (a) the AMI distribution tariff: (i) that is not a cost reflective flexible AMI distribution tariff; and (ii) which last applied before the distributor commenced distribution or supply to the small customer at a cost reflective flexible AMI distribution tariff; or (b) if that AMI distribution tariff has been replaced by or varied to another AMI distribution tariff (not itself being a cost reflective flexible AMI distribution tariff) that would have applied to the customer had distribution or supply to the small customer at a cost reflective flexible AMI distribution tariff not commenced, that replacement or varied AMI distribution tariff.	Revised proposed TSS: appendix E
10A(6)	The AMI distribution tariff that the distributor must assign pursuant to clause 10A(5) may be an AMI distribution tariff that is, or is otherwise: (a) a closed tariff; or (b) an open tariff. A distributor must not, pursuant to this clause 10A(6), assign a cost reflective flexible AMI distribution tariff.	Revised proposed TSS: appendix E
	Distributor's obligations when a direction given	
10A(7)	A distributor must assign an AMI distribution tariff in accordance with a direction except where: (a) the retailer neglects or fails to specify, or sufficiently specify in the notice the AMI distribution tariff to be assigned; (b) the retailer neglects or fails to provide sufficient details in the notice to enable the distributor to identify: (i) the small customer; or (ii) the metering installation of that customer; (c) in the case of a direction pursuant to clause 10A(1), the AMI distribution tariff specified in the notice is no longer an open tariff; or (d) otherwise the distributor reasonably determines that the AMI distribution tariff specified in the notice cannot be assigned to the small customer.	Revised proposed TSS: appendix E

Clause	Requirement	Relevant Section
10A(8)	An AMI distribution tariff assigned in accordance with a direction must be applied to the electricity distributed and supplied to the small customer under that tariff commencing from not later than 2 business days after receipt by the distributor of the notice containing the direction except where: (a) the retailer giving the direction specifies in the notice that it is a retailer to whom the small customer has transferred from another retailer, in which case the AMI distribution tariff must be applied to the electricity distributed and supplied to that customer under that tariff commencing from the later of: (i) the date of transfer of the customer; or Note: The Market Settlement and Transfer Procedures published by AEMO pursuant to clause 7.2.8 of the National Electricity Rules make provision for the date of transfer, see MSATS Procedures: CATS Procedure Principles and Obligations. (ii) 10 business days prior to receipt by the distributor of the notice containing the direction; or (b) the retailer in the notice specifies another date for the assignment to take effect, being a date later than the 2 business days.	Revised proposed TSS: appendix E
	Distributor's obligations when no direction given	
10A(9)	Where a retailer has not given a direction and a small customer has not already been assigned an AMI distribution tariff, the distributor must: (a) assign an AMI distribution tariff in accordance with the provisions of the distribution determination or tariff structure statement that applies to the electricity network services provided by that distributor; but (b) not assign to the small customer: (i) a cost reflective flexible AMI distribution tariff; or (ii) the TOU flexible AMI distribution tariff referred to in clause 9A(3).	Revised proposed TSS: appendix E
10A(10)	Where a retailer has not given a direction and a small customer has been assigned an AMI distribution tariff which is not a cost reflective flexible AMI distribution tariff, a distributor must not assign that small customer a cost reflective flexible AMI distribution tariff.	Revised proposed TSS: appendix E
	Limitation on charges – distributors	
10A(11)	A distributor may not impose on a retailer any fee or charge as a result of that retailer: (a) giving a direction; or (b) otherwise exercising the rights conferred on the retailer pursuant to this clause.	Noted

Clause	Requirement	Relevant Section
10A(12)	Clause 10A(11) does not prevent a distributor from charging the retailer any other fee or charge that would be payable by the retailer independently of that retailer: (a) giving a direction; or (b) otherwise exercising the rights conferred on that retailer pursuant to this clause.	Noted
	Miscellaneous	
10A(13)	This clause has effect despite anything to the contrary: (a) in any agreement or contract between the retailer and a distributor; (b) in any agreement or contract between the distributor and the small customer; and (c) in the distribution determination that applies, or the tariff structure statement that relates to the electricity network services provided by a distributor.	Noted
10A(14)	This clause does not: (a) derogate from or limit any restriction or requirement imposed on a retailer pursuant to clauses 7A and 8A; or (b) limit any right given to a small customer by those clauses.	Noted
10A(15)	In this clause and unless the context otherwise requires: additional transition period means the period commencing 1 January 2017 and ending 31 December 2020; assign includes re-assign; direction means a direction pursuant to clause 10A(1) or 10A(4).	Noted

Source: Powercor

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Future