



# SA Power Networks Annual Pricing Proposal 2014-2015

Appendix K: Regulatory Compliance Checklist

30 April 2014

**SA Power Networks**

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### 1.1 Appendix K - Regulatory compliance checklist

Table 1 contains a checklist to indicate the sections of SA Power Networks' Pricing Proposal where each of the relevant provisions of the Rules and the AER's 2010 Decision have been addressed.

Table 1 - Regulatory compliance checklist

| Rule clause or Decision section   | Pricing Proposal reference |
|---|----------------------------|
| <b>Rule clause</b>  |                            |
| <b>6.18.2 Pricing proposals</b>   |                            |
| (b) <i>A pricing proposal must:</i>   |                            |
| (1) set out the <i>tariff classes</i> that are to apply for the relevant <i>regulatory year</i> ; and   | 4.3 to 4.6, 12.2           |
| (2) set out the proposed tariffs for each <i>tariff class</i> ; and   | 4.3 to 4.6                 |
| (3) set out, for each proposed tariff, the <i>charging parameters</i> and the elements of service to which each <i>charging parameter</i> relates; and  | 4.3 to 4.6                 |
| (4) set out, for each <i>tariff class</i> related to <i>standard control services</i> , the expected weighted average revenue for the relevant <i>regulatory year</i> and also for the current <i>regulatory year</i> ; and   | 8.2                        |
| (5) set out the nature of any variation or adjustment to the tariff that could occur during the course of the <i>regulatory year</i> and the basis on which it could occur; and   | 12                         |
| (6) set out how charges incurred by the <i>Distribution Network Service Provider</i> for <i>transmission use of system services</i> are to be passed on to customers and any adjustments to tariffs resulting from over or under recovery of those charges in the previous <i>regulatory year</i> ; and | 9                          |
| (6A) set out how <i>jurisdictional scheme amounts</i> for each <i>approved jurisdictional scheme</i> are to be passed on to customers and any adjustments to tariffs resulting from over or under recovery of those amounts; and  | 10                         |
| (6B) describe how each approved jurisdictional scheme that has been amended since the last <i>jurisdictional scheme approval date</i> meets the <i>jurisdictional scheme eligibility criteria</i> ; and   | Not applicable in 2014/15. |
| (7) demonstrate compliance with the <i>Rules</i> and any applicable distribution determination; and   | 4 to 12                    |
| (8) describe the nature and extent of change from the previous <i>regulatory year</i> and demonstrate that the changes comply with the <i>Rules</i> and any applicable distribution determination.  | 8.3 & 8.4                  |

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### 6.18.3 Tariff classes

- (a) A *pricing proposal* must define the *tariff classes* into which customers for *direct control services* are divided. 4.3 to 4.6, 12.2
- (b) Each customer for *direct control services* must be a member of 1 or more *tariff classes*.
- (c) Separate *tariff classes* must be constituted for customers to whom *standard control services* are supplied and 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*). 4.3 to 4.6, 12.2
- (d) A *tariff class* must be constituted with regard to: 4.2, 12.2
  - (1) the need to group customers together on an economically efficient basis; and
  - (2) the need to avoid unnecessary transaction costs.

### 6.18.5 Pricing principles

- (a) For each *tariff class*, the revenue expected to be recovered should lie on or between:
  - (1) an upper bound representing the stand alone cost of serving the customers who belong to that class; and 8.6, 12.4, Appendix F
  - (2) a lower bound representing the avoidable cost of not serving those customers. 8.7, 12.4, Appendix F
- (b) A tariff, and if it consists of 2 or more *charging parameters*, each *charging parameter* for a *tariff class*:
  - (1) must take into account the long run marginal cost for the service or, in the case of a *charging parameter*, for the element of the service to which the *charging parameter* relates; and 8.9, 12.4, Appendix E
  - (2) must be determined having regard to:
    - (i) transaction costs associated with the tariff or each *charging parameter*; and 8.10, 12.4
    - (ii) whether customers of the relevant *tariff class* are able or likely to respond to price signals. 8.11, 12.4
- (c) If, however, as a result of the operation of paragraph (b), the *Distribution Network Service Provider* may not recover the expected revenue, the provider must adjust its tariffs so as to ensure recovery of expected revenue with minimum distortion to efficient patterns of consumption.

### 6.18.6 Side constraints on tariffs for standard control services

- (b) The expected weighted average revenue to be raised from a *tariff class* for a particular *regulatory year* of a *regulatory control period* must not exceed the corresponding expected weighted average revenue for the preceding *regulatory year* by more than the permissible percentage. 8.4
- (c) The permissible percentage is the greater of the following:

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|---|--|----------------------------|
| (1)   | the CPI-X limitation on any increase in the <i>Distribution Network Service Provider's</i> expected weighted average revenue between the two <i>regulatory years</i> plus 2%;  | 8.4                        |
| (2)   | CPI plus 2%.   |                            |
| (d)   | In deciding whether the permissible percentage has been exceeded in a particular <i>regulatory year</i> , the following are to be disregarded:   |                            |
| (1)   | the recovery of revenue to accommodate a variation to the distribution determination under rule 6.6 or 6.13;   | Not applicable in 2014/15. |
| (2)   | the recovery of revenue to accommodate pass through of charges for <i>transmission use of system services</i> to customers.  | 9.5                        |
| (e)   | This clause does not, however, limit the extent a tariff for customers with remotely-read interval metering or other similar metering technology may vary according to the time or other circumstances of the customer's usage.                            | Not applicable in 2014/15. |
| <b>6.18.7 Recovery of charges for transmission use of system services</b> |  |                            |
| (a)   | A <i>pricing proposal</i> must provide for tariffs designed to pass on to customers the charges to be incurred by the <i>Distribution Network Service Provider</i> for <i>transmission use of system services</i> .  | 4.3 to 4.6, 9              |
| (b)   | The amount to be passed on to <i>retail customers</i> for a particular <i>regulatory year</i> must not exceed the estimated amount of the <i>designated pricing proposal charges</i> adjusted for over or under recovery in accordance with paragraph (c). | 9                          |

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- (c) The extent of the over or under recovery is the difference between: 9
- (1) the amount actually paid by the *Distribution Network Service Provider* by way of *transmission use of system* charges in the previous *regulatory year*; and
  - (2) the amount passed on to customers by way of *transmission use of system* charges by the *Distribution Network Service Provider* in the previous *regulatory year*.
- (d) Notwithstanding anything else in this clause 6.18.7, a *Distribution Network Service Provider* may not recover charges under this clause to the extent these are: 9
- (1) recovered through the *Distribution Network Service Provider's annual revenue requirement*;
  - (2) recovered under clause 6.18.7A; or
  - (3) recovered from another *Distribution Network Service Provider*.
- 6.18.7A Recovery of jurisdictional scheme amounts** 10
- (a) A pricing proposal must provide for tariffs designed to pass on to customers a *Distribution Network Service Provider's* jurisdictional scheme amounts for approved jurisdictional schemes.
- (b) The amount to be passed on to customers for a particular regulatory year must not exceed the estimated amount of jurisdictional scheme amounts for a *Distribution Network Service Provider's* approved jurisdictional schemes adjusted for over or under recovery in accordance with paragraph (c).
- (c) The over and under recovery amount must be calculated in a way that:
- (1) subject to subparagraphs (2) and (3) below, is consistent with the method determined by the AER for jurisdictional scheme amounts in the relevant distribution determination for the *Distribution Network Service Provider*, or where no such method has been determined, with the method determined by the AER in the relevant distribution determination in respect of designated pricing proposal charges;
  - (2) ensures a *Distribution Network Service Provider* is able to recover from customers no more and no less than the jurisdictional scheme amounts it incurs; and
  - (3) adjusts for an appropriate cost of capital that is consistent with the allowed rate of return used in the relevant distribution determination for the relevant regulatory year.

### Provisions of the AER's Decision

#### Chapter 2 Appendix A - Classification of services:

- Clauses A.1 to A.4 - Direct control services 4
- Clauses A.5 and A.6 - Alternative Control services 13

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|            |   |                            |
|------------|---|----------------------------|
|            | Appendix B - Assigning customers to tariff classes:                         |                            |
|            | • Clause 1 - Initial tariff class assignment                                | 4                          |
|            | • Clauses 2 to 4 - Assignment during the next regulatory control period     | 12.2                       |
|            | • Clause 5 - Reassignment of existing customers to a new tariff             | 12.3                       |
|            | • Clauses 6 to 10 - Objections to proposed assignments and reassignments    | 12.4                       |
|            | • Clauses 11 to 13 - Assessment of the basis on which a customer is charged | 7.8                        |
| Chapter 4  | Control mechanism for standard control services                             | 8                          |
|            | Side constraints  | 8.4                        |
|            | Appendix E - Changes to tariff structures (reasonable estimates)            | 8.3                        |
|            | Appendix F - Transmission use of system under and overs account             | 9                          |
| Chapter 12 | STPIS arrangements  | 8.2                        |
|            | Appendix L - Annual reporting requirements                                  | Appendix C                 |
| Chapter 13 | EBSS arrangements   | Not applicable in 2014/15. |
|            | Appendix L - Annual reporting requirements                                  |                            |
| Chapter 14 | DMIS arrangements   | Not applicable in 2014/15. |
|            | Appendix L - Annual reporting requirements                                  |                            |
| Chapter 15 | Pass through arrangements   | 11                         |
| Chapter 16 | Pricing X factors   | 8                          |
| Chapter 17 | Alternative control services  | 13                         |
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