United Energy 2014 Pricing Proposal

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Executive summary

This Pricing Proposal addresses the obligations specified in the Electricity Distribution Price Review (EDPR) where United Energy (UE) is required to make an annual submission to the AER outlining;

- Electricity distribution (DUoS), transmission use of system (TUoS) and jurisdictional/pass through charges
- Rates for standard control and alternative control services
- Tariff eligibility criteria
- Customer impact of new tariffs versus prior year
- Pricing principles and tariff strategy
- Customer/stakeholder engagement process

In developing this Annual Tariff Report, UE conducted a targeted consultation program with key stakeholder groups identified through previous engagement initiatives, the existing Community Consultative Committee (CCC) and energy retailers. This is part of our growing commitment to stakeholder engagement and recognises the draft guidelines published recently by the Australian Energy Regulator (AER).

Under the price control formula the average DUoS increase is calculated to be a 4.91% on the 2013 rates. DUoS increases have been offset by an average decline of 8.5% in the TUOS to be recovered by UE in 2014. A summary of the annual movement in DUoS and TUoS appears below. When combined with increases in jurisdictional and pass through charges (PFIT/TFIT recovery, AMI and fire factor), the average residential customer on a single rate tariff will see an annual network use of system (NUoS) increase of $37.46 over the 2013 charges levied by UE. Eligible residential customers have the opportunity to mitigate the impacts of this increase by moving to the TODFLEX (time of use) tariff and taking advantage of off peak rates.

The tariffs proposed in this submission are intended to apply for the period 1st January 2014 to 31st December 2014 and are subject to endorsement from the AER. An initial response from the AER is anticipated by mid-December 2013.

UED Indicative 2014 Tariff Price Movements

Description	Tariff Code	DUOS % price movement	TUOS % price movement	NUOS % price movement
Class - Low Voltage Small				
Low voltage small 1 rate	LVS1R	3.3%	-8.5%	0.5%
Dedicated circuit	LVDed	-1.6%		-1.6%
Time of Day Flexible	TODFLEX	3.3%	-8.5%	0.5%
Class - Low Voltage Medium				
Low voltage medium 1 rate	LVM1R	4.6%	-8.5%	1.8%
Low voltage medium 2 rate 5 day	LVM2R5D	4.6%	-8.5%	2.3%
Low voltage KW time of use	LVkWTOU	7.9%	-8.5%	4.9%
Time Of Use	TOU	3.3%	-8.5%	0.0%
Class - Low Voltage Large				
Low voltage large 2 rate	LVL2R	0.0%	-8.5%	5.1%
Low voltage large 1 rate	LVL1R	0.0%	-8.5%	2.5%
Low voltage large KVA time of use	LVkVATOU	0.0%	-8.5%	3.2%
Class - High Voltage Large				
High voltage KVA time of use	HVkVATOU	0.0%	-8.5%	1.9%
Class - Subtransmission Large				
Subtransmission KVA time of use	SubTkVATOU	0.0%	-8.5%	-3.0%

1. Introduction and structure

United Energy (UE) is one of five electricity distribution businesses operating under licence within the State of Victoria. UE manages and operates an extensive urban and semi-rural electricity distribution network with a replacement value of over $4 billion, comprising 46 zone substations, approximately 214,000 poles, 12,500 distribution substations, 10,300 km of overhead power lines and 2,670 km of underground cables. UE's electricity distribution network provides services to some 650,000 end-use customers, located in an area of 1,472 km2 in south-east Melbourne and the Mornington Peninsula. UE's distribution area is shown below:

Figure 1-1: UE Distribution Territory

This document is UE's 2014 Pricing Proposal to the Australian Energy Regulator (AER). In accordance with the requirements of the National Electricity Rules (Rules), clause 6.18.2(b) requires that a Pricing Proposal must:

(a) set out the *tariff classes* that are to apply for the relevant *regulatory year*; and

(b) set out the proposed tariffs for each *tariff class*; and

(c) set out, for each proposed tariff, the *charging parameters* and the elements of service to which each *charging parameter* relates; and

(d) set out, for each *tariff class* related to *standard control services*, the expected weighted average revenue for the relevant *regulatory year* and also for the current *regulatory year*; and

(e) set out the nature of any variation or adjustment to the tariff that could occur during the course of the *regulatory year* and the basis on which it could occur; and

(f) set out how charges incurred by the Distribution Network Service Provider for transmission use of system services are to be passed on to customers and any adjustments to tariffs resulting from over or under recovery of those charges in the previous regulatory year; and

(g) demonstrate compliance with the *Rules* and any applicable distribution determination; and

(h) describe the nature and extent of change from the previous *regulatory year* and demonstrate that the changes comply with the *Rules* and any applicable distribution determination.

In addition to the above provisions:

- clause 6.18.3 sets out requirements in relation to the definition of tariff classes;
- clause 6.18.4 sets out principles for the reassignment of customers to tariff classes;
- clause 6.18.5 describes the pricing principles that must apply to tariff classes;
- clause 6.18.6 provides for a side constraint on tariffs for standard control services;
- clause 6.18.7 defines the arrangements for the recovery of charges for transmission use of system;
- clause 6.18.8 sets out the arrangements for approving the Pricing Proposal; and
- clause 6.18.9 sets out provisions regarding the website publication of pricing information prior to the commencement of the regulatory year.

This Pricing proposal highlights aspects of the AER's final determination and subsequent re-determination that UE has taken into account in developing this Pricing Proposal. The remainder of this Pricing Proposal is structured as follows;

- Section 2 identifies the pricing issues arising from the AER's final determination and subsequent redetermination[1];
- Section 3 sets out UE's proposed tariff classes and charging parameters;
- Section 4 describes UE's tariff strategy and the application of the pricing principles in the Rules;
- Section 5 sets out UE's proposed standard control tariffs for 2014 and the average charges to customers;
- Section 6 demonstrates that UE's proposed tariffs for 2014 complies with the Rules and the AER's final determination;
- Section 7 provides information in relation to the transmission component in the network tariffs;
- Section 8 provides details of UE's approach to tariff assignment and reassignment;
- Section 9 sets out information in relation to UE's alternative control services;
- Section 10 sets out information in relation to UE's public lighting charges; and
- The appendices provide details of UE's proposed tariffs for 2014.

[1] Issued by AER 2 October 2012.

In summary, this Pricing Proposal demonstrates compliance with the Rules and also provides helpful information to stakeholders regarding the issues, principles and rationale that have shaped UE's approach to setting its network tariffs for 2014. UE welcomes comments from interested parties as UE continually evolves its approach to tariff and price setting.

1.2. UE's average charge for small residential customers without hot water

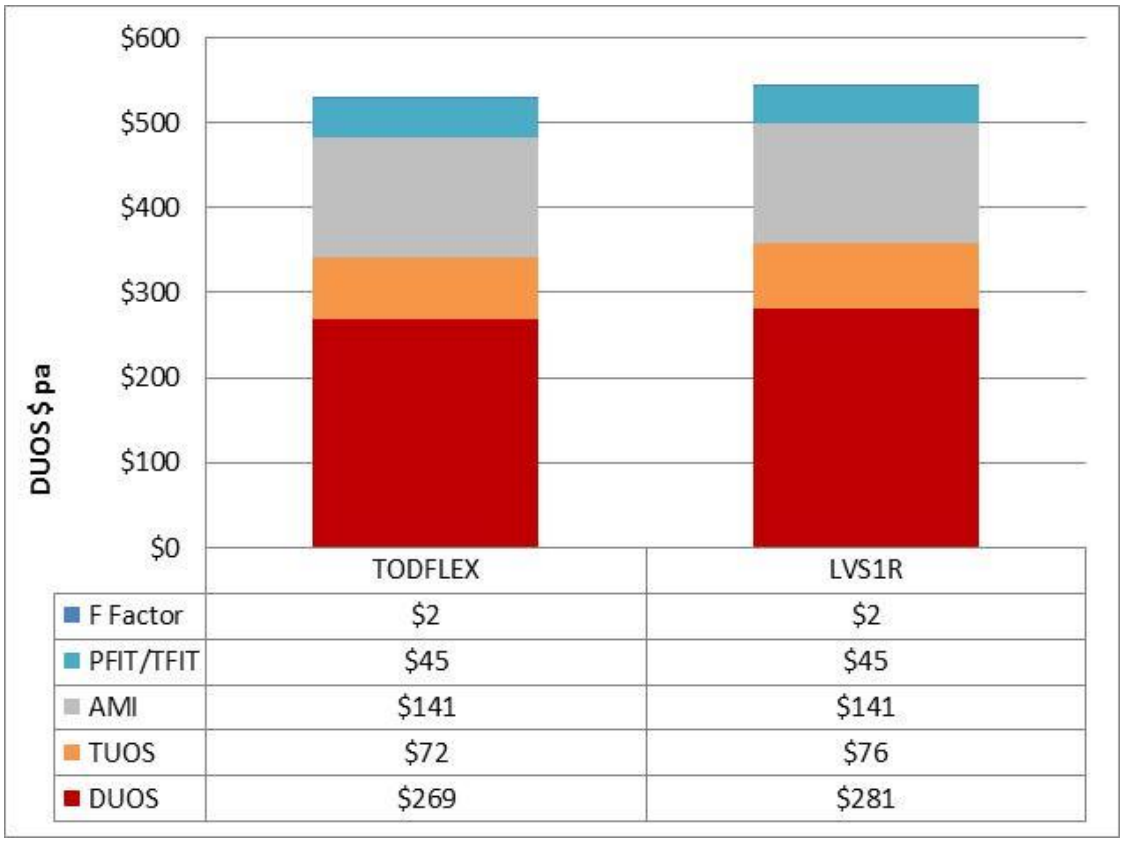
Of the average 2014 UE network tariff bill for residential customers, there are four components which make up the bill. These components are Distribution Use of System (DUOS), Transmission Use of System (TUOS), Advanced Interval Metering (AMI) and Feed in Tariff (PFIT/TFIT) charges.

The average residential customer without electric hot water consumes approximately 4.6MWh per annum. The makeup of the network charge is approximately 52% DUOS, 14% TUOS, 26% AMI and 8% PFIT/TFIT.

For 2014 the AER has approved a t (pass through) factor of $980,000 relating United Energy's fire prevention performance in 2012 as assessed by the AER. This will be passed through to customers as a fixed charge of $1.55 for 2014.

Figure 1 below shows the 2014 average network charge for a residential customer with no hot water split by the components for the residential tariffs LVS1R and TODFLEX.

Figure 1-2: 2014 average network charge for a residential customer with no hot water



	TODFLEX	LVS1R
F Factor	$2	$2
PFIT/TFIT	$45	$45
AMI	$141	$141
TUOS	$72	$76
DUOS	$269	$281

Further details relating to residential/small customers average charges can be found in section 5.3.1.

2. Pricing issues arising from the AER's final determination and subsequent re-determination

2.1. UE's expected revenues for standard control services and X factors

As per the AER's re-determination[2], UE's revenue requirements and X factors are set out below.

Table 2-1: AER re-determination–revenues and X factors

	2011	2012	2013	2014	2015
Expected Revenues ($'m, nominal)	$301.9	$313.6	$331.74	$364.38	$403.35
AER's CPI estimate	2.57%	2.57%	2.57%	2.57%	2.57%
X factor*	-0.37%	-1.0%	-4.27%	-8.10%	-8.10%

*Negative values for X indicate real price increases under the CPI-X formula

2.2. Weighted average price cap formula (WAPC)

As part of the Pricing Proposal, UE must submit to the AER proposed tariffs and charging parameters which correspond to the price terms contained in the WAPC and side constraint equations.

The WAPC formula to apply to the Victorian DNSPs for the forthcoming regulatory control period is:

$$\frac{\sum_{i=1}^{n}\sum_{j=1}^{m} p_t^{ij} \times q_{t-2}^{ij}}{\sum_{i=1}^{n}\sum_{j=1}^{m} p_{t-1}^{ij} \times q_{t-2}^{ij}} \leq (1+CPI_t)\times(1-X_t)\times(1+S_t)\times(1+L_t)\pm(passthrough_t)$$

Where a DNSP has *"n"* distribution tariffs, which each have up to *"m"* distribution tariff components, and where:

- regulatory year "t" is the regulatory year in respect of which the calculation is being made; regulatory year "t-1" is the regulatory year immediately preceding regulatory year "t";
- regulatory year "t-2" is the regulatory year immediately preceding regulatory year "t-1";
- p_t^{ij} is the proposed distribution tariff for component j of distribution tariff i in regulatory year t;
- pt-1ij is the distribution tariff being charged in regulatory year t-1 for component j of distribution tariff j;
- q_{t-2}^{ij} t is the quantity of component j of distribution tariff i that was delivered in regulatory year t-2;
- CPI_t is calculated as follows:

[2] As published by the AER on 2 October 2012.

The Consumer Price Index, All Groups Index Number (weighted average of eight capital cities) published by the Australia Bureau of Statistics for the September Quarter immediately preceding the start of regulatory year t;

divided by

The Consumer Price Index, All Groups Index Number (weighted average of eight capital cities) published by the Australia Bureau of Statistics for the September Quarter immediately preceding the start of regulatory year t-1;

minus one.

- X_t is the value of X for year t of the regulatory control period as determined by the AER;
- S_t is the Service Target Performance Incentive Scheme factor to be applied in regulatory year t;
- L_t is the licence fee pass through adjustment to be applied in regulatory year t in accordance with appendix E of the AER's final determination; and
- Pass through $_t$ represents approved pass through amounts with respect to regulatory year t as determined by the AER under clause 6.6 of the Rules, chapter 16 and appendix E of the AER's final determination. For 2014 a fire (F) factor of $980,000 applies with recovery levied on a fixed rate per customer basis. The F factor pass through charge relates to bush fire prevention performance as of United Energy during 2012.

2.3. Side constraint formula

The side constraints formula to apply to the Victorian DNSPs for the forthcoming regulatory control period is set out below.

Where for each tariff class a DNSP has *n* distribution tariffs, which each have up to *m* distribution tariff components:

$$\frac{\sum_{i=1}^{n}\sum_{j=1}^{m} p_t^{ij} \times q_{t-2}^{ij}}{\sum_{i=1}^{n}\sum_{j=1}^{m} p_{t-1}^{ij} \times q_{t-2}^{ij}} \leq (1+CPI_t)\times(1-X_t)\times(1+S_t)\times(1+L_t)\times(1+2\%)\pm(passthrough_t)$$

- regulatory year "t" is the regulatory year in respect of which the calculation is being made; regulatory year "t-1" is the regulatory year immediately preceding regulatory year "t";
- regulatory year "t-2" is the regulatory year immediately preceding regulatory year "t-1";
- p_t^{ij} is the proposed distribution tariff for component j of distribution tariff i in regulatory year t;
- p_{t-1}^{ij} is the distribution tariff being charged in regulatory year t-1 for component j of distribution tariff I;
- q_{t-2}^{ij} t is the quantity of component j of distribution tariff i that was delivered in regulatory year t-2;
- CPI_t is calculated as described in section 2.1 above.
- X_t is the value of X for year t of the regulatory control period as determined by the AER;
- S_t is the Service Target Performance Incentive Scheme factor to be applied in regulatory year t;

- L_t is the licence fee pass through adjustment to be applied in regulatory year t in accordance with appendix E of the AER's final determination; and
- Pass through $_t$ represents approved pass through amounts with respect to regulatory year t as determined by the AER under clause 6.6 of the Rules, chapter 16 and appendix E of the AER's final determination.

2.4. Tariff class assignment and reassignment procedures

The AER's procedures for assigning and reassigning customers to tariff classes for the Victorian DNSPs are set out in appendix G of the AER's final determination. These procedures require that in determining the tariff class to which a customer or potential customer will be assigned, or reassigned, UE must take into account one or more of the following factors:

- the nature and extent of the customer's usage;
- the nature of the customer's connection to the network; and
- whether remotely-read interval metering or other similar metering technology has been installed at the customer's premises as a result of a regulatory obligation or requirement.

In addition to these requirements, when assigning or reassigning a customer to a tariff class, UE must ensure the following:

- that customers with similar connection and usage profiles are treated equally
- that customers who have micro–generation facilities are not treated less favourably than customers with similar load profiles without such facilities.

In addition to these guiding principles, the AER's procedures for tariff assignment and reassignment:

- describe the arrangements that DNSPs must adopt to notify their customers of a tariff assignment or reassignment, and to address a customer's objections;
- require the DNSP's Pricing Proposal to describe its system for assessing and reviewing the basis on which a customer is charged; and
- confirms that if a DNSP installs an interval meter for an existing distribution customer, the DNSP may reassign that distribution customer to a time of use distribution tariff subject to clause 9.1.14 of the Victorian Electricity Distribution Code.

UE is currently in the process of replacing all meters with advanced interval metering (AMI). Once an AMI meter is installed UE has the capability to read the meter remotely and to offer a "time of use" tariff structure.

In this Pricing Proposal, UE confirms that it will comply fully with the AER's procedures for assigning and reassigning customers to tariff classes as set out in Appendix G of the AER's final determination. Further details of UE's approach to tariff assignment and reassignment are provided in section 8 of this Pricing Proposal.

2.5. Recovering the cost of Transmission/Grid Fees

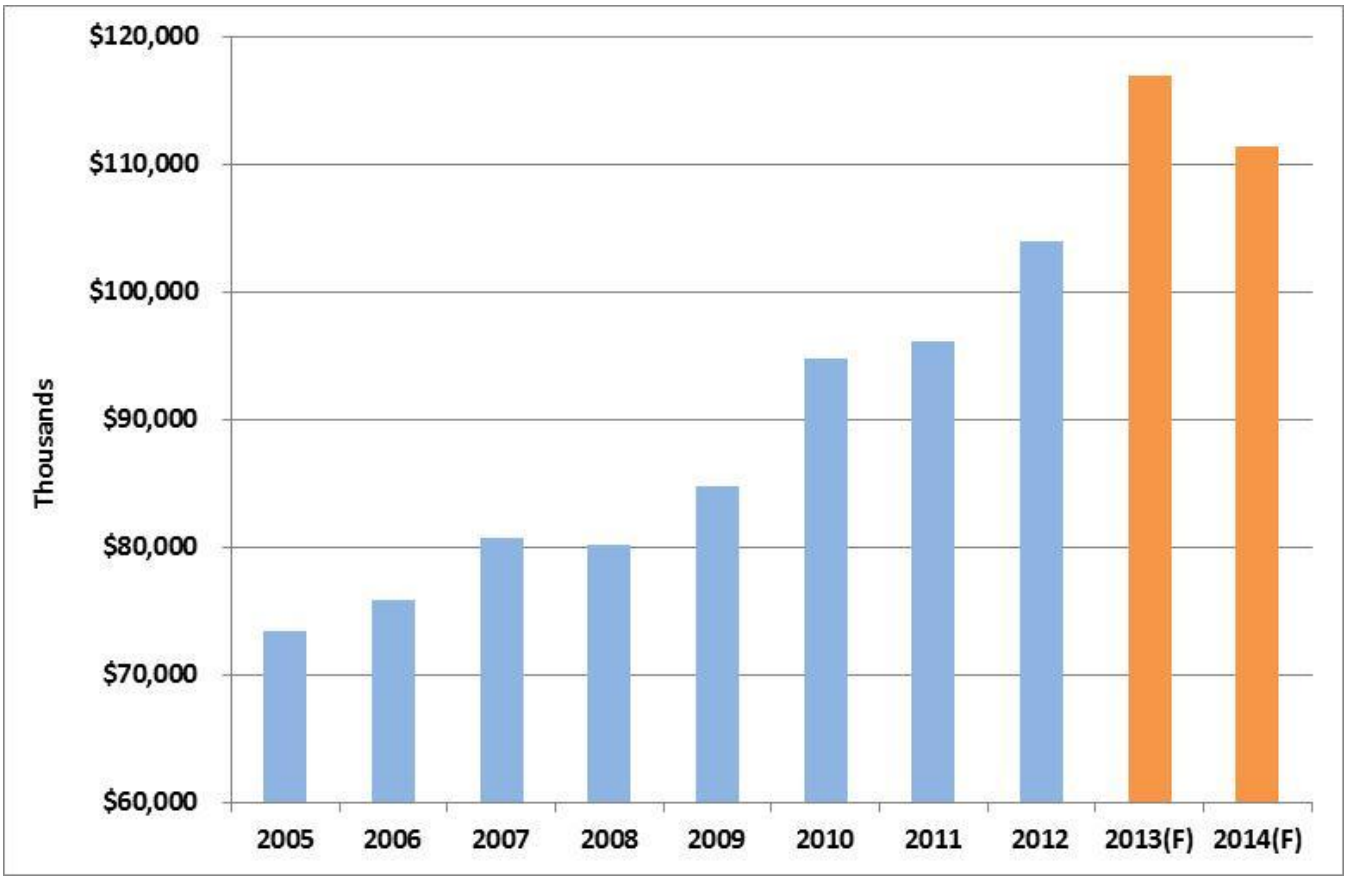
As shown by table 2-2 and Figure 2-1 below, grid fees can change significantly from year to year.

The expected TUOS revenue reduction from 2013 to 2014 is 11%.

Table 2-2: Estimated TUOS Revenue Increase ($'M)

	2013	2014	Var(%)
Grid Fee Forecast	$117	$110	
Over recovery from previous year	$6	$11	
Actual/Allowed Revenue current year (grid fees less over recovery)	$111	$99	
Estimated Revenue collected	$111	$99	-11%

Figure 2-1: Grid Fees 2005-2014 ($'000)



3. Tariff classes and charging parameters

3.1. Regulatory requirements

This section addresses the Rules requirements in relation to tariff classes. In particular, it provides the following information:

- the tariff classes that are to apply for 2014, in accordance with clause 6.18.2(b)(1);
- the proposed tariffs for each tariff class, in accordance with clause 6.18.2(b)(2); and
- for each proposed tariff, the charging parameters and the elements of service to which each charging parameter relates, in accordance with clause 6.18.2(b)(3); and
- the tariff classes into which customers for direct control services are divided, in accordance with clause 6.18.3, noting that:
    - Separate *tariff classes* must be constituted for customers to whom *standard control services* are supplied and customers to who *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*).
    - A *tariff class* must be constituted with regard to:

1. the need to group customers together on an economically efficient basis; and
2. the need to avoid unnecessary transaction costs.

3.2. Service classification

Before addressing the provisions outlined in section 3.1 above, to assist stakeholders' understanding of the Rules requirements it is useful to summarise the AER's final determination for UE's classification of services into Standard Control Services, Alternative Control Services; Negotiated Services; and Unregulated Services.

3.2.1. Standard control services - Network services

The following services are provided within this classification.

- Constructing the distribution network
- Maintaining the distribution network and connection assets
- Operating the distribution network and connection assets (for DNSP purposes)
- Designing the distribution network
- Planning the distribution network
- Emergency response
- Administrative support (for example, call centre, network billing)
- Location of underground cables

3.2.2. Standard control services - Connection services

The following services are provided within this classification.

- New connections requiring augmentations

3.2.3. Alternative control services - Fee based services

- The following services are provided within this classification.
- Fault response (not DNSP fault)
- Energisation of new connections
- Temporary disconnect / reconnect services
- Wasted attendance (not DNSP fault)
- Service truck visits
- Fault level compliance service
- Reserve feeder
- Photovoltaic installation
- Routine connections (customers below 100 amps)
- Temporary supply services

3.2.4. Alternative control services - Quoted services

The following services are provided within this classification.

- Rearrangement of network assets at customer request, excluding alteration and relocation of existing public lighting assets
- Supply enhancement at customer request
- Emergency recoverable works (that is, emergency works where customer is at fault and immediate action needs to be taken by the DNSP)
- Auditing of design and construction
- Specification and design enquiry fees
- Elective underground service where an existing overhead service exists
- Covering of low voltage mains for safety reasons
- Damage to overhead service cables caused by high load vehicles
- High load escorts (lifting overhead lines)
- Routine connections (customers above 100 amps)
- Supply abolishment
- After hours truck by appointment.

3.2.5. Alternative control services - Public lighting services – fee based

The following services are provided within this classification.

- Operation, repair, replacement and maintenance of DNSP public lighting assets

3.2.6. Alternative control services - Metering services – fee based

The following services are provided within this classification.

- De-energisation of existing connections
- Re-energisation of existing connections
- Meter investigation
- Special meter reading
- Re-test of types 5 and 6 metering installations for first tier customers with annual consumption greater than 160 MWh

3.2.7. Negotiated services

The following services are provided within this classification.

- Alteration and relocation of DNSP public lighting assets
- New public lighting assets (that is, new lighting types not subject to a regulated charge and new public lighting at green field sites)

3.2.8. Unregulated services

The following services are provided within this classification.

- The installation, maintenance and provision and repair of watchman (security) lights
- Provision of possum guards.

It should be noted that Section 9 of this Pricing Proposal outlines the arrangements for UE's alternative control metering service tariffs, which in accordance with clause 6.18.3(c) of the Rules has been constituted as a separate tariff class with separate charging parameters. The remainder of this section 3 addresses the Rules tariff class requirements in relation to the standard control services.

3.3. Standard control service tariff classes

UE has established five tariff classes for standard control services as follows:

- **Low Voltage Small:**
  The predominant tariff in this category is the Low Voltage Small One Rate (LVS1R). The "typical" customer within this category is residential with an average consumption of 4.5 MWh per annum. This existing customer may also have a dedicated circuit tariff (for hot water/slab heating) which has an average consumption of 2.8 MWh per annum.
- **Low Voltage Medium:**
  The predominant tariff in this category is the Low Voltage Medium One Rate (LVM1R). A "typical" customer within this category is small commercial with an average consumption of

25MWh per annum.
Large residential customers may be included in this category.

- **Low Voltage Large:**
  The predominant tariff in this category is the Low Voltage Large KVA Time of Use (LVkVATOU). The ”typical” customer within this category is large commercial with an average consumption of 825 MWh per annum.

- **High Voltage Large:**
  The predominant tariff in this category is the High Voltage KVA Time of Use (HVkVATOU). The ”typical” customer within this category is large industrial with an average consumption of 12,200 MWh per annum.

- **Sub-transmission Large:**
  The only tariff (now closed) in this category is the Sub transmission KVA Time of Use (SubTkVATOU) with an average consumption of 30,500 MWh per annum.

UE’s proposed allocation of individual tariffs into tariff classes is shown below. This table includes closed tariffs to new connections.

Table 3-1: Proposed Tariff Class Allocation

Tariff Code	Tariff Open New Connection	Tariff Description	Tariff Class
Unmet	Yes	Unmetered supplies	
LVS1R	Yes	Low voltage small 1 rate	
LVS2R	No	Low voltage small 2 rate	
LVDed*	Yes	Dedicated circuit	Low voltage small
WET2Step	No	Winter economy tariff	
TOD	Yes	Time of Day	
TOD9	Yes	Time of Day 9pm off peak	
TODFLEX**	Yes	Time of Day Flexible	
LVM1R	Yes	Low voltage medium 1 rate	
LVM2R5D	No	Low voltage medium 2 rate 5 day	
LVM2R7D	No	Low voltage medium 2 rate 7 day	
LVkWTOU	No	Low voltage KW time of use	Low voltage medium
LVkWTOUH	No	Low voltage KW time of use – HOT	
TOU	Yes	Time of use	
TODFLEX**	Yes	Time of Day Flexible	
LVL2R	No	Low voltage large 2 rate	
LVL1R	No	Low voltage large 1 rate	
LVkVATOU	Yes	Low voltage large KVA time of use	Low voltage large
LVkVATOUH	No	Low voltage large KVA time of use-HOT	
HVkVATOU	Yes	High voltage KVA time of use	High voltage large
SubTkVATOU	No	Subtransmission KVA time of use	Subtransmission large

* LVDed not available to any customer with solar installed.

** UE Tariff (refer section 4.3) only available to residential customers with an AMI meter (has been available since 17th September, 2013).

NB: Where the tariff also includes P/TFIT, a prefix of “F” or “T” for each applicable tariff will apply eg.FLVS1R or TLVS1R

UE's 2014 Network Use of System tariffs (NUoS) for standard control services reflect the underlying structure of both the TUoS and DUoS charges. That is, the structures of the Transmission Use of System (TUoS) and Distribution Use of System (DUoS) tariffs are identical and the NUoS rates are the simple addition of the two.

The following sections set out the charging parameters for each proposed tariff, in accordance with clause 6.18.2(b)(3) of the Rules.

3.4. Charging parameters

3.4.1. Charging Parameters for DUoS Tariffs

The following table provides the charging parameters for each open Distribution tariff:

Table 3-2: Charging parameters – DUOS

DUoS Tariffs									
Charging Parameters	Units	Unmet	LVS1R	LVDed	TOD/TOD9/ TODFLEX	LVM1R	TOU	LVkVA TOU	HVkVA TOU
Standing Charge	c/day		✓		✓	✓			
Summer peak energy	c/kWh	✓	✓		✓	✓	✓	✓	✓
Non summer peak energy	c/kWh	✓	✓		✓	✓	✓	✓	✓
Summer shoulder energy	c/kWh				✓	✓			
Non summer shoulder energy	c/kWh				✓	✓			
Off peak energy	c/kWh	✓		✓	✓	✓	✓	✓	✓
Rolling Peak Demand	c/kVA/day							✓	✓
Summer demand incentive charge	c/kVA/day						✓	✓	✓

3.4.2. Charging Parameters for TUoS Tariffs

The following table provides the charging parameters for each open Transmission tariff:

Table 3-3: Charging parameters–TUOS

TUoS Tariffs									
Charging Parameters	Units	Unmet	LVS1R	LVDed	TOD/TOD9/ TODFLEX	LVM1R	TOU	LVkVA TOU	HVkVA TOU
Standing Charge	c/day								
Summer peak energy	c/kWh	✓	✓		✓	✓	✓	✓	✓
Non summer peak energy	c/kWh	✓	✓		✓	✓	✓	✓	✓
Summer shoulder energy	c/kWh				✓				
Non summer shoulder energy	c/kWh				✓				
Off peak energy	c/kWh								
Rolling Peak Demand	c/kVA/day							✓	✓
Summer demand incentive charge	c/kVA/day						✓	✓	✓

3.5. Tariff Availability per tariff class

The following section outlines which type of customer the UE network tariff is available to:

3.5.1. Low Voltage Small

- Unmet — Available to unmetered supplies.
- LVS1R — The Low Voltage Small Single Rate tariff is available to customers consuming less than 20 MWh per annum.
- LVDed — The low voltage dedicated circuit tariff is available on request to new customers on the LVS1R tariff with hot water and or slab heating and no TFIT consuming less than 20MWh per annum.
- TOD — The Time of Day tariff is available to customers consuming less than 20MWh per annum with an interval meter.
- TOD9 — The Time of Day 9pm off peak tariff is available to customers consuming less than 20MWh per annum with an interval meter.

- TODFLEX — The Time of Day Flexible Tariff is available to residential customers with an AMI enabled interval meter (available from 17th September, 2013).

3.5.2. Low Voltage Medium

- LVM1R — The low voltage medium single rate tariff is available to customers consuming between 20MWh and 400 MWh per annum.

- TOU — The Time of Use tariff is available to customers consuming between 20 MWh and 400 MWh per annum, and with a demand of less than 150kVA per annum with an interval meter.

3.5.3. Low Voltage Large

- LVkVATOU — The Low Voltage Large kVA Time of Use tariff is available to large customers consuming 400 MWh or above, and/or a demand of 150 kVA or above. A minimum chargeable rolling demand of 150 KVA applies.

3.5.4. High Voltage Large

- HVkVATOU — The High Voltage kVA Time of Use tariff is available to large customers consuming 400 MWh or above, and/or a demand of 150 kVA or above. A minimum chargeable rolling demand of 1,150 KVA applies.

3.5.5. Subtransmission Large

- SubTkVATOU: — The Subtransmission KVA Time of Use tariff is closed to new connections. It has a similar makeup (different rates) to the High Voltage kVA Time of Use Tariff; however a minimum chargeable demand of 11,100 kVA applies.

3.6. Operating periods, time of day and season definitions

The tables below provide a reference showing the time of day for peak, off peak and shoulder periods together with providing details of UE seasonal charging parameters.

Table 3-4: Tariff - HVkVATOU, LVkVATOU, ST22KVATOU

Business Days			Rolling Demand																												
Business Days	Off Peak						Peak																						Off Peak		
Week Days Summer Only															Summer Demand																
Week End & Public Hol	Off Peak																														
1/2 hr interval	1	2			13	14	15	16			27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42			47	48		
Local Time	12:00 AM		to		6:00 AM		7:00 AM		to		1:00 PM		2:00 PM		3:00 PM		4:00 PM		5:00 PM		6:00 PM		7:00 PM		8:00 PM		to		11:00 PM		

Table 3-5: Tariff – TOU

Business Days	Off Peak						Peak																						Off Peak	
Week Days Summer Only															Summer Demand															
Week End & Public Hol	Off Peak																													
1/2 hr interval	1	2			13	14	15	16			27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42			47	48
Local Time*	12:00 AM		to		6:00 AM		7:00 AM		to		1:00 PM		2:00 PM		3:00 PM		4:00 PM		5:00 PM		6:00 PM		7:00 PM		8:00 PM		to		11:00 PM	

Table 3-6: Tariff – TOD

Business Days	Off Peak						Shoulder								Peak														Off Peak	
Week End & Public Hol	Off Peak																													
1/2 hr interval	1	2			13	14	15	16			27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42			47	48
Local Time*	12:00 AM		to		6:00 AM		7:00 AM		to		1:00 PM		2:00 PM		3:00 PM		4:00 PM		5:00 PM		6:00 PM		7:00 PM		8:00 PM		to		11:00 PM	

Table 3-7: Tariff – TOD9

Business Days	Off Peak						Shoulder								Peak										Off Peak			
Week End & Public Hol	Off Peak																											
1/2 hr interval	1	2			13	14	15	16			27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	47	48
Local Time*	12:00 AM		to		6:00 AM		7:00 AM		to		1:00 PM		2:00 PM		3:00 PM		4:00 PM		5:00 PM		6:00 PM		7:00 PM		8:00 PM		9:00 PM	11:00 PM

Table 3-8: Tariff – TODFLEX

Week Days	Off Peak						Shoulder								Peak										Shoulder		Off Peak	
Week End	Off Peak						Shoulder																				Off Peak	
1/2 hr interval	1	2			13	14	15	16			27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	48
Local Time*	12:00 AM		to		6:00 AM		7:00 AM		to		1:00 PM		2:00 PM		3:00 PM		4:00 PM		5:00 PM		6:00 PM		7:00 PM		8:00 PM		9-10 PM	10-12 PM

Table 3-9: Tariff - LVDED (Dedicated Load)

Any Day			Off Peak																											
1/2 hr interval	1	2	3	4	13	14	15	16			27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42			47	48
EST	12:00 AM		1:00am		6:00 AM		7:00 AM		to		1:00 PM		2:00 PM		3:00 PM		4:00 PM		5:00 PM		6:00 PM		7:00 PM		8:00 PM		to		11:00 PM	

Table 3-10: Tariff - LVS1R, LVM1R

All times	Peak																													
1/2 hr interval	1	2	3	4	13	14	15	16			27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42			47	48
EST	12:00 AM		1:00am		6:00 AM		7:00 AM		to		1:00 PM		2:00 PM		3:00 PM		4:00 PM		5:00 PM		6:00 PM		7:00 PM		8:00 PM		to		11:00 PM	

NOTE: In order to maintain the same time limits during Eastern Standard Time (EST) and Daylight Saving Time (DST), billing data is adjusted by shifting the data forward an hour to accommodate for the time shift during DST.

Table 3-11: Seasonal Periods (all tariffs except TODFLEX)

Months	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Period	Non Summer				Summer					Non Summer		

Table 3-12: Seasonal Periods (TODFLEX)

(Summer commences 1st day Daylight savings and finishes last day of Daylight savings)

Months	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Period	Non Summer			Summer						Non Summer		

4. Pricing principles and UE's tariff strategy

4.1. Regulatory requirements

Clause 6.18.5 of the Rules requires UE to comply with the following 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

2. a lower bound representing the avoidable cost of not serving those customers.

(b) A tariff, and if it consists of two 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

2. must be determined having regard to:

(i) transaction costs associated with the tariff or each charging parameter; and

(ii) whether customers of the relevant tariff class are able or likely to respond to price signals.

(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.

This section provides an overview of UE's approach to tariff-setting, including its application of the pricing principles described above. Section 6 of this Pricing Proposal demonstrates that UE's tariff proposals for 2014 comply with the Rules requirements and the AER's final determination.

4.2. UE's Network Tariff Objectives

UE adopts the following objectives in developing its network tariffs:

- **Regulatory compliance.** UE must comply with the pricing principles set out above and any other requirements in the AER's final determination. As noted above, the Rules require that the revenue for each tariff class must lie between the avoidable cost (lower bound) and the stand-alone costs (upper bound). This regulatory requirement ensures that charges for tariff classes are economically efficient.

- **Customer choice.** UE provides customers with meaningful choices of tariff options, taking account of customers' likely behavioural response.

- **Market equity.** UE considers existing price levels and seeks to ensure that proposed changes do not introduce price shocks. UE also ensures that all retailers are treated equitably and to minimise any potential impediments to effective full retail contestability.

- **Cost reflectivity.** UE ensures that its pricing is cost-reflective so that efficient price signals are provided to customers. Individual charging parameters within each tariff take account of the long run marginal costs. UE also considers inter-customer group equity.

- **Responsiveness to price signals**. UE recognises that some (but not all) consumers will change their behaviour in response to pricing signals, both in terms of usage and tariff switching. The time of use tariffs are intended to provide pricing signals to customers (especially in relation to air conditioning load) to assist in managing growth in peak demand and to avoid increases in UE's capital expenditure requirements. UE also provides customers with an opportunity to shift their loads away from peak to off-peak periods.
- **Cost recovery and rebalancing.** UE intends to set tariffs to recover the revenue allowance defined by the AER's price controls. Full cost recovery enables UE to recover the efficient costs of operating the network business, including a commercial return on invested capital for "business as usual" service levels. UE also intends to use inter-tariff class rebalancing where necessary to provide improved pricing signals.
- **Practicality.** Where possible, UE seeks to simplify its charging mechanisms in order to assist customers and reduce administration costs.
- **Environmental.** Within the limitations of the scope and context of electricity distribution pricing, UE has regard to opportunities to improve asset utilisation and accommodate emerging energy technologies, particularly in respect of reducing greenhouse gas emissions.

UE's tariff proposals may reflect a compromise between these competing pricing objectives. UE's overall approach is to satisfy the above principles to the greatest extent possible, subject to ensuring that UE's regulatory obligations are fully satisfied.

4.3. Stakeholder consultation & tariff Initiatives

Recently the Australian Energy Regulator (AER) published draft guidelines for consultation on a range of matters including stakeholder engagement, so as to improve the level of consultation and ensure that network proposals reflect customer expectations and requirements.

Even though these guidelines are yet to be finalised, UE has given them due consideration as part of its growing commitment to stakeholder engagement.

Whilst acknowledging that distributors do not deal directly with customers, we understand that customers ultimately bear the cost of our services. In this regard, UE plays a significant role in distributing electricity to many Victorian business and domestic customers. Together with our core objectives of delivering energy in a safe and reliable manner, UE strives to provide an efficient and cost effective service for our customers.

In the development of this annual Pricing Proposal, UE conducted a targeted consultation program with key stakeholder groups identified through previous engagement initiatives, these being the existing Community Consultative Committee (CCC) and energy retailers.

UE wrote to stakeholders with an invitation to participate in briefing consultation sessions through the month of August. Four separate sessions were held, each consisting of a presentation by UE representatives, followed by an open discussion on key elements of interest to participants.

UE appreciates the strong interest and time committed by a range of stakeholders, recognising in particular that many of the consumer advocacy groups work under considerable resource constraints. As part of its enhanced engagement strategy, UE will work with these groups to ensure that they have the opportunity to represent their constituents in a timely and efficient manner.

The series of forums and presentations stimulated discussion in the following areas;

- Regulatory framework (EDPR) and the annual distribution pricing process and determinations.
- Key issues/feedback from customers and industry on approach to improve efficiency and service levels in the short, medium and long term.
- Indicative approach for 2014 distribution pricing from UE.

A brief summary of the residential, business & commercial customer and retailer forums and attendees is indicated below.

Residential Customer Advocacy Groups including;
UE extended invitations to key customer advocacy groups to attend a forum on the 20th of August 2013. Discussion was focused how new technology may be able to assist in reducing the cost of energy generation and distribution in addition to flagging the impact of rising fixed costs for vulnerable customers.

- St Vincents De Paul
- Consumer Utilities Advocacy Centre
- Alternative Technology Association
- Victorian Council of Social Services
- Kildonan Uniting Church

Retailer Forum
UE extended invitations to all registered retailers in Victoria to a forum on the 23rd of August 2013. An excellent response resulted in 32 attendees with the following retailers represented. Discussion was focused the logistics of implementing new tariffs and the timing of the release of 2014 pricing.

- AGL
- Origin
- Energy Australia
- Simply Energy
- Lumo
- Dodo
- Power Direct
- Blue NRG
- People Energy

Commercial and business customer groups
UE extended invitations to key commercial and industrial customer groups to discuss any issues pertaining to distribution tariffs. Discussions were held with the following customer group representatives.

Energy Users Association	5th August, 2013
Australian Industry Group	12th August, 2013

4.3.1. Time of Day Flexible (TODFLEX) Tariff

In response to industry demand, UE developed the new three part Time of Day (TODFLEX) tariff and has begun to transition residential customers requesting transfer via their retailer since September 2013. With multi part pricing, TODFLEX encourages customers to shift their discretionary load away from peak periods. UE will continue to monitor its load curves and modify the commencement of the off peak period as necessary.

4.4. Future tariff developments

Clause 6.18.2 (b)(5) requires UE set out the nature of any variation or adjustment to the tariff that could occur during the course of the regulatory year and the basis on which it could occur. For the forthcoming regulatory year, UE does not anticipate any variation to the tariffs set out in this Pricing Proposal.

In general, future prices will be affected by UE's network performance (through the service target performance incentive scheme) and any additional unexpected costs that are allowed to be passed through to customers. UE will provide updated information on future price changes in accordance with the requirements of Clause 6.18.9 of the Rules.

UE will continue to review the effectiveness of its existing tariffs and will monitor the need for future tariff changes taking into account the following:

- Encouraging an increased uptake of interval-metering based tariffs such as the current time of use series;
- The Summer Demand Incentive Charge (SDIC) concept will remain, but the time window may be updated from time to time in order that it remain aligned with the key network peak demands;
- Cost-of-supply modelling updated to reflect changes in relative contributions from segments;
- Daily and Monthly peak and shoulder time periods. These periods may change over time to align with the system peak demand.
- Further accentuating the emphasis on peak season (summer), day of week and time of day in order to stimulate Demand Side Management (DSM) response;
- Properly integrate the contribution that distribution-connected generator customers should be making to the costs of providing network services that all users share and derive value from;
- Further closure of tariffs based on obsolete metering;
- Premium service tariffs whereby customers get a choice of above code-level supply reliability and services, for a premium above the standard tariff. This must be seen in the overall context of customer service as well as relationship strategies;
- An increased number of time-of-day bands, with greater peak / off peak differential, and energy and distribution tariff components peaking at different times; and
- Demand management (DM) programs aimed at different customer classes may be investigated, for example:
    - Interruptible tariffs for business customers whereby customers agree to reduce their power consumption for agreed periods at the request of the distributor (likely to be at a time like a hot summer afternoon when the system is heavily stressed), and in return get some compensation payments from the distributor; and

- DM aggregation program, which involves working with a range of customers and bidding their combined interruptible load in either the wholesale energy or ancillary services market.

- Investigate positive pricing incentives such as rewards and rebates as motivational mechanisms for DM.

4.5. Publication of information regarding tariffs and tariff classes

Clause 6.18.9 of the Rules requires that a DNSP must maintain on its website:

1. a statement of the provider's tariff classes and the tariffs applicable to each class; and
2. for each tariff – the charging parameters and the elements of the service to which each charging parameter relates; and
3. a statement of expected price trends (to be updated for each regulatory year) giving an indication of how the DNSP expects prices to change over the regulatory control period and the reasons for the expected changes.

The Rules also require that the information for a particular regulatory year must, if practicable, be posted on the website 20 business days before the commencement of the relevant regulatory year and, if that is not practicable, as soon as practicable thereafter. In accordance with the Rules requirements and subject to AER approval, UE will make this information available on its website within the specified timeframe. UE expects annual prices for all tariffs to change broadly in line with the AER's X factors in its final determination as set out in Table 2.1 of this Pricing Proposal.

4.6. Expected DUoS price trends 2015

The following table summarises UE's indicative movement in tariff charging parameters. The actual price movements in each year will remain subject to review at the time, following consideration of the objectives set out in section 4.4.

Table 4-1: Indicative charging component movement in 2015 being the balance of the Regulatory Control Period

Indicative relative charging component movement in the 2015 Regulatory Control Period								
Distribution Tariff Class and Tariff	Standing Charge	Summer Peak Energy	Non Summer Peak Energy	Summer Shoulder Energy	Non Summer Shoulder Energy	Off Peak Energy	Rolling Peak Demand	Summer Demand Incentive Charge
Low Voltage Small								
Unmetered supplies		-	-			-		
Low voltage small 1 rate	↓	↑	-					
Dedicated circuit						-		
Time of Day (TOD, TOD9 &TODFLEX)	-	↑	-	-	↓	-		
Low Voltage Medium								
Low voltage medium 1 rate	↓	↑	-					
Time of Use		↑	-	-	↓	-		↑
Low Voltage Large								
Low voltage large KVA time of use		↑	-	-	-	-	↑	↑
High Voltage Large								
High voltage KVA time of use		↑	-	-	-	-	↑	↑
Subtransmission Large								
Subtransmission KVA time of use		↑	-	-	-	-	↑	↑

↑ Increase relative to the average price movement per tariff.
↓ Decrease relative to the average price movement per tariff.
\- In line with average price movement per tariff.
A grey cell indicates that the corresponding charging parameter is not applicable for a particular tariff.

5. Standard control services - Tariffs and average charges

5.1. Regulatory Requirements

This section of the Pricing Proposal addresses clause 6.18.2(b)(4) of the Rules, which requires UE to provide details of the expected weighted average revenue for each tariff class for standard control services for the relevant regulatory year, 2014, and also for the current regulatory year, 2013. This section also provides useful information regarding the proposed average price change for each standard control tariff.

5.2. Proposed average increases and weighted average revenue

The following table provides the percentage movement of DUoS, TUoS and NUoS revenue for each tariff between 2013 and 2014:

Table 5-1: UE 2014 Tariff Price Movements

UED 2014 Tariff Price Movements

Description	Tariff Code	DUOS % price movement	TUOS % price movement	NUOS % price movement
Class - Low Voltage Small				
Unmetered supplies	UnMet	4.6%	-8.5%	1.5%
Low voltage small 1 rate	LVS1R	3.3%	-8.5%	0.5%
Low voltage small 2 rate	LVS2R*	3.3%	-8.5%	0.6%
Dedicated circuit	LVDed	-1.6%		-1.6%
Winter economy tariff	WET2Step*	3.3%	-8.5%	-1.1%
Time Of Day	TOD	3.3%	-8.5%	1.7%
Time of Day 9pm Off Peak	TOD9	N/A	-8.5%	N/A
Time of Day Flexible	TODFLEX	3.3%	-8.5%	0.5%
Class - Low Voltage Medium				
Low voltage medium 1 rate	LVM1R	4.6%	-8.5%	1.8%
Low voltage medium 2 rate 5 day	LVM2R5D*	4.6%	-8.5%	2.3%
Low voltage medium 2 rate 7 day	LVM2R7D*	4.6%	-8.5%	1.6%
Low voltage KW time of use	LVkWTOU*	7.9%	-8.5%	4.9%
Low voltage KW time of use - HOT	LVkWTOUH*	7.9%	-8.5%	5.8%
Reverse cycle airconditioning time of use	RCACkWTOU*	3.3%	-8.5%	-0.2%
Time Of Use	TOU	3.3%	-8.5%	0.0%
Class - Low Voltage Large				
Low voltage large 2 rate	LVL2R*	7.9%	-8.5%	5.1%
Low voltage large 1 rate	LVL1R*	7.9%	-8.5%	2.5%
Low voltage large KVA time of use	LVkVATOU	7.9%	-8.5%	3.2%
Low voltage large KVA time of use - HOT	LVkVATOUH*	7.9%	-8.5%	4.7%
Class - High Voltage Large				
High voltage KVA time of use	HVkVATOU	8.0%	-8.5%	1.9%
High voltage KVA time of use - HOT	HVkVATOUH*	7.9%	-8.5%	3.9%
Class - Subtransmission Large				
Subtransmission KVA time of use	SubTkVATOU*	7.9%	-8.5%	-3.0%

*Tariff closed to premises not already taking supply under this tariff and new connections.

The average price movement allowed for the 2014 DUOS tariffs is 4.91%. This is determined by the price path (1+CPI)*(1-X)*(1+L)*(1+S), with a CPI of 2.16%, L of 0.001%, S of -5.01% and an X of -8.1% (a negative x factor represents a price increase). The above table shows this price movement has been applied to the majority of DUOS tariffs.

The average price movement for the 2014 TUOS tariffs is a reduction of 8.5%. This is determined by the maximum transmission revenue allowed for 2014 versus the estimated transmission revenue recovered in 2013. The above table shows this price movement has been applied to the all TUOS tariffs, except Dedicated which does not have a TUOS tariff.

The table below shows the expected weighted average DUoS revenue for each tariff class for standard control services for the relevant regulatory year, 2014, and also for the current regulatory year, 2013. For completeness, it also shows that UE's Pricing Proposal complies with the weighted average price cap and tariff class side constraints as set out in the AER's final determination.

Table 5-2: UE DUOS Revenue by Tariff Class

Class	2013 Revenue $M	2014 Revenue $M	% Movement	Weighted Average Price Control	Max. Allowed Side Constraint
Low Voltage Small	165.78	171.10	3.2%		12.6%
Low Voltage Medium	86.64	90.78	4.8%		12.6%
Low Voltage Large	81.48	87.94	7.9%		12.6%
High Voltage Large	15.18	16.39	8.0%		12.6%
Subtransmission Large	0.16	0.18	7.9%		12.6%
Total	**349.2**	**366.4**	**4.9%**	**4.9%**	

The prime underlying drivers which are causing DUOS prices to increase are expanding network capacity to meet consumer demand at peak times and replacing aging infrastructure.

Figure 5-1: 2014 Expected Revenue % by Customer Class

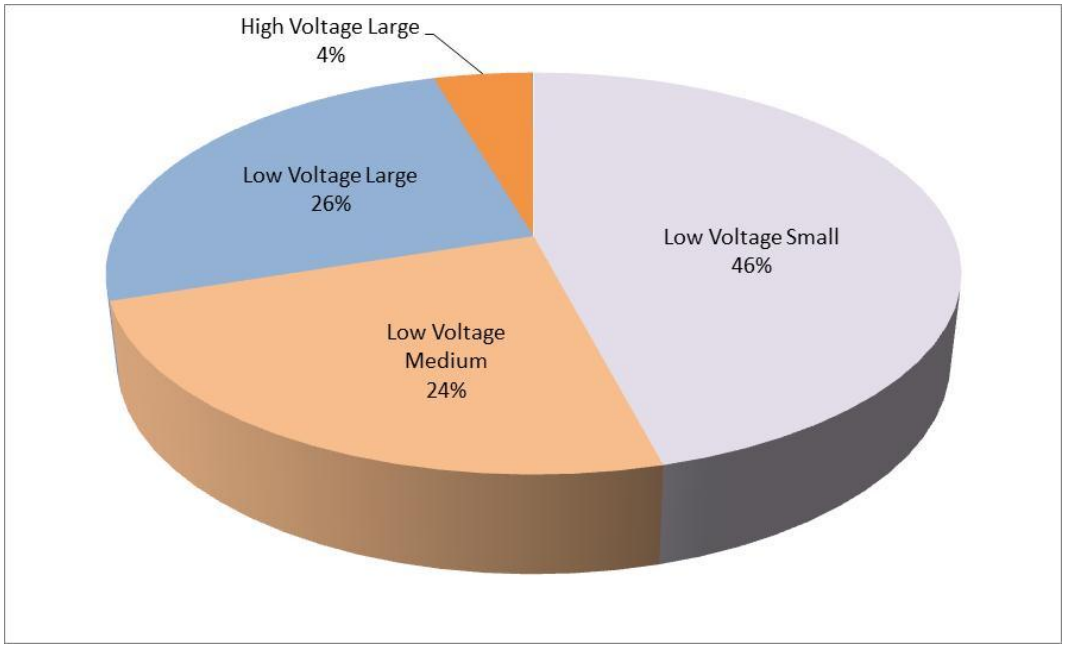
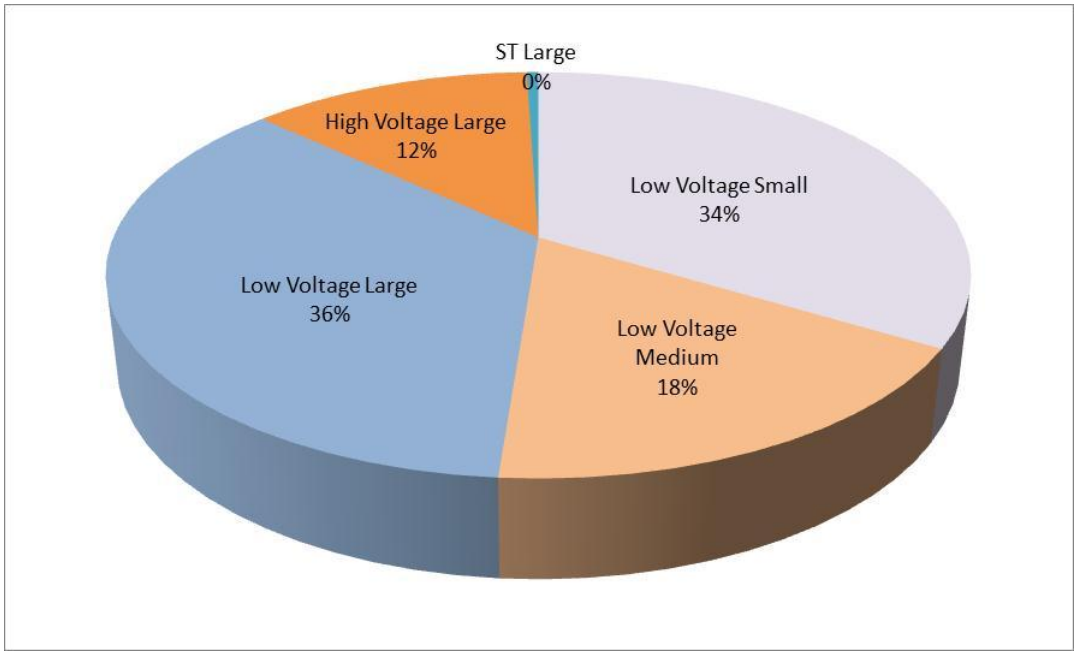


Figure 5-2: 2014 Expected Energy Consumption % by Customer Class



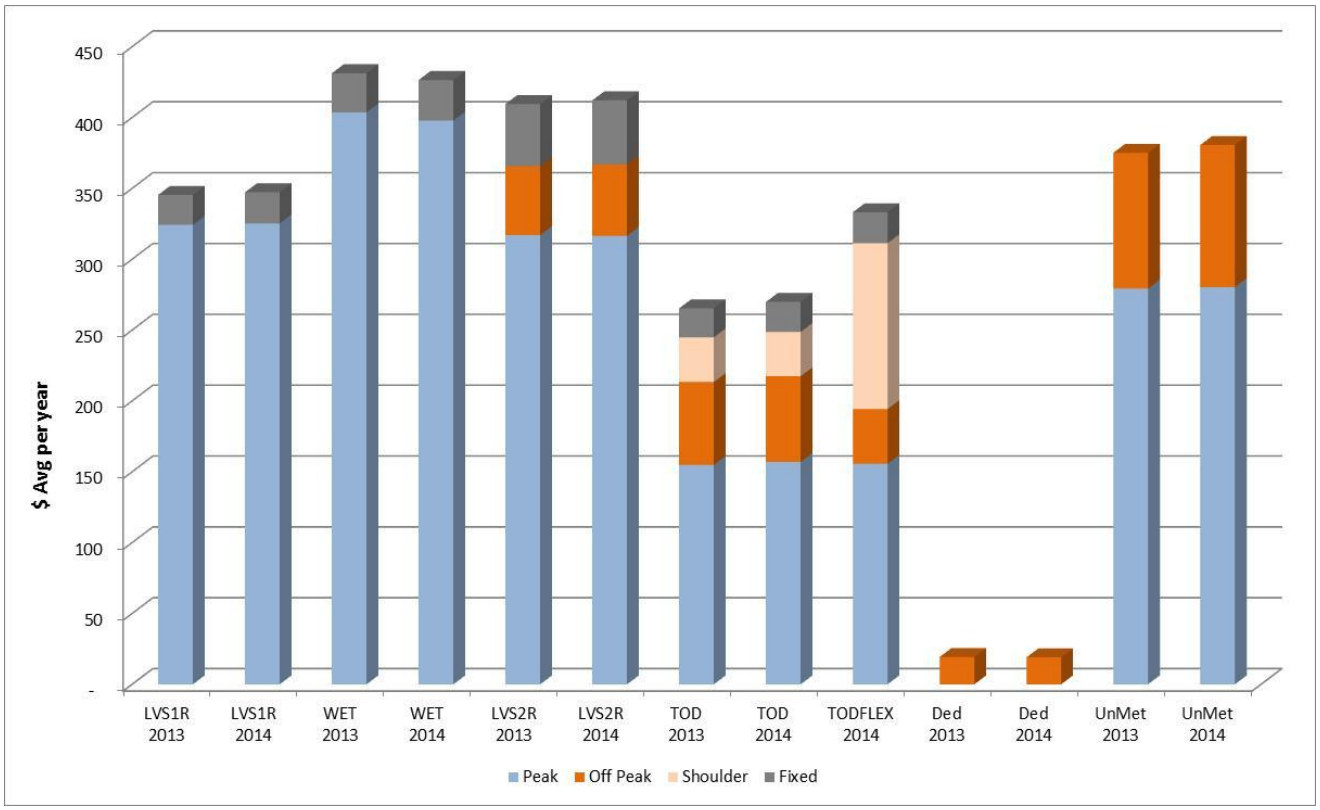
As shown by figure 1 and 2, UE's larger customers represent greater energy volumes, but contribute less revenue, and conversely the smaller customers represent lesser energy in comparison to revenue. This reflects the aggregate of assets required to service the customers. Smaller customers utilise more of the electricity network, therefore are priced comparatively higher than larger customers who use comparatively less of the electricity network.

5.3. Average tariff charges per customer for 2013 and 2014

This section presents the average yearly charges for UE's customers in 2013 and 2014. The following graphs are presented for each tariff class for standard control services.

5.3.1. Low Voltage Small Class

Figure 5-3: Average Distribution and Transmission charge per customer – LV Small



Each customer's bill is comprised of two components in addition to DUOS and TUOS. These components are Advanced Interval Meter (AMI) and PFIT/TFIT charges which respectively recover revenue for AMI meters and solar rebates.

Table 5.3 below shows the average network charge and percentage increases for a residential customer with no hot water split by the 4 components for the residential tariffs LVS1R and the 2014 tariff TODFLEX. Also shown is the composition of the DUOS charge. DUOS rebalancing has occurred across the small tariffs so that the TOU tariff has a DUoS increase less than the small average to incentivise usage.

The average residential customer with no hot water uses approximately 4.5MWh per annum.

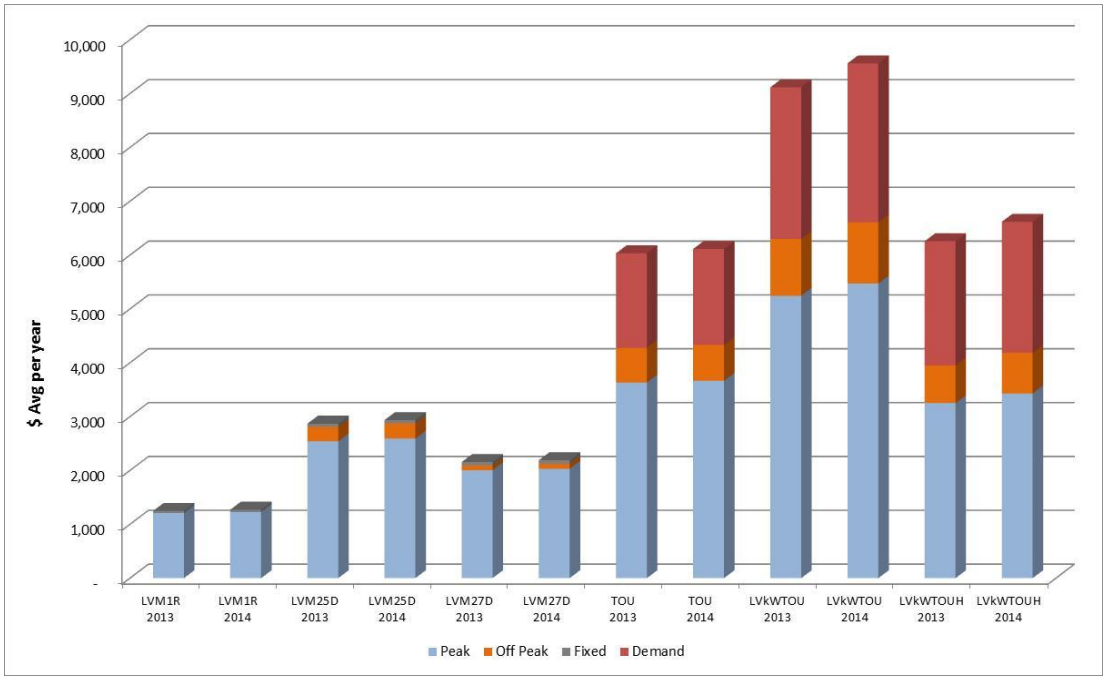
Table 5-3: Residential Customer Impact (No Hot Water) 4.5MWh per annum

Indicative Tariff	Component	2013	2014	% Change	Delta $
DUOS average	L			0.00%	
	X			-8.10%	
	S			-5.01%	
	CPI			2.16%	
	DUOS average			**4.91%**	
LVS1R	DUOS*	$ 272.61	$ 283.05	4%	$ 10.44
	TUOS	$ 82.80	$ 75.77	-8%	-$ 7.03
	AMI	$ 124.45	$ 141.33	14%	$ 16.88
	PFIT/TFIT	$ 28.00	$ 45.22	62%	$ 17.22
	Total	**$ 507.86**	**$ 545.37**	**7.4%**	**$ 37.51**
TODFLEX	DUOS*	$ 260.14	$ 270.19	4%	$ 10.04
	TUOS	$ 78.84	$ 72.15	-8%	-$ 6.69
	AMI	$ 124.45	$ 141.33	14%	$ 16.88
	PFIT/TFIT	$ 28.00	$ 45.22	62%	$ 17.22
	Total	**$ 491.43**	**$ 528.89**	**7.6%**	**$ 37.46**

* DUoS charges for 2014 include $1.55 fixed charge representing the F Factor (UE fire mitigation performance)

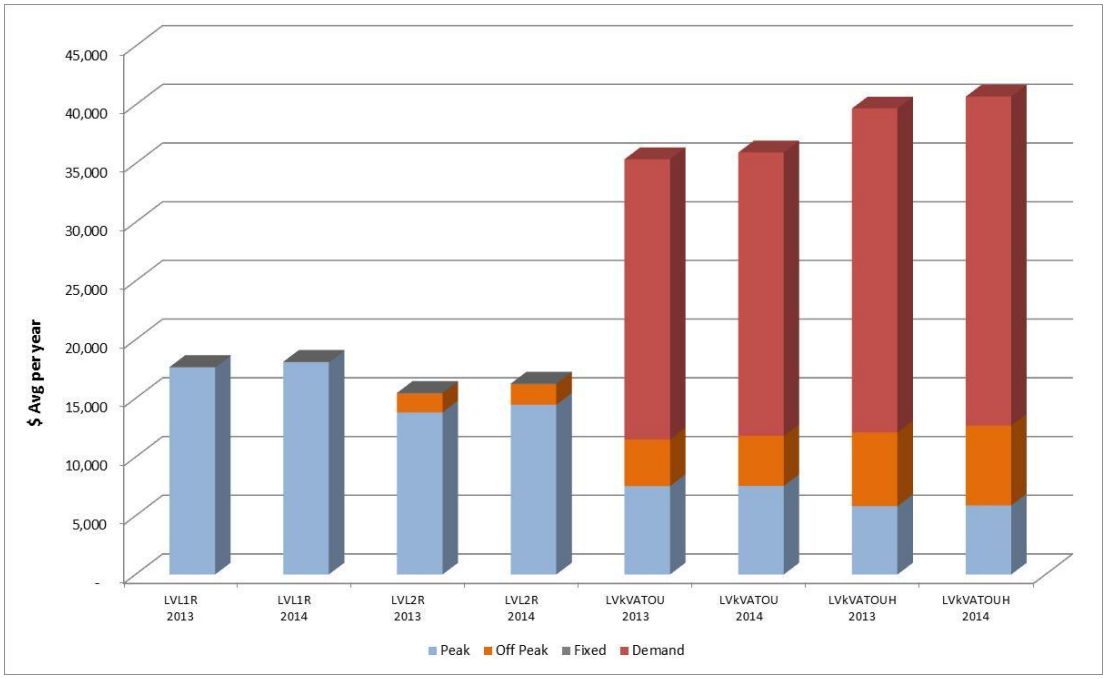
5.3.2. Low Voltage Medium Class

Figure 5-4: Average network charge per customer – LV Medium



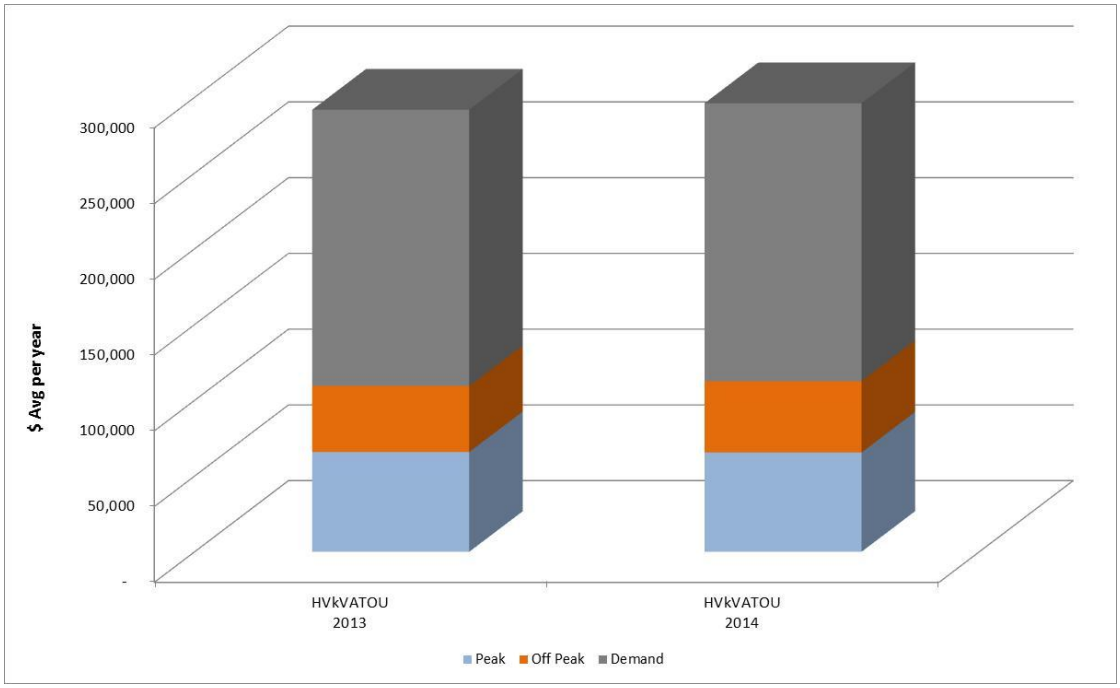
5.3.3 Low Voltage Large Class

Figure 5-5: Average network charge per customer – LV Large



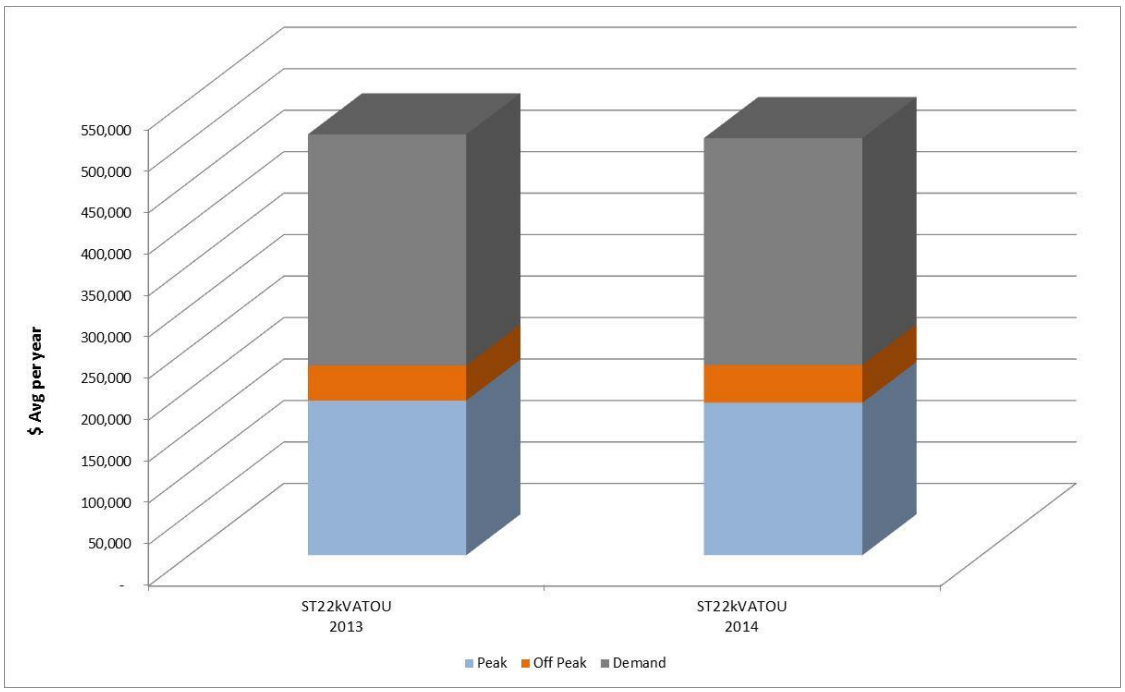
5.3.4. High Voltage Large Class

Figure 5-6: Average network charge per customer – HV Large



5.3.5. Sub-transmission Large Class

Figure 5-5: Average network charge per customer – Subtransmission Large



6. Demonstrating compliance with the Rules

6.1. Regulatory Requirements

Clause 6.18.2(b)(7) requires UE to demonstrate compliance with the Rules and any applicable distribution determination. Section 2 of this Pricing Proposal provided information in relation to the compliance issues arising from the AER's final determination, and the steps that UE has taken to ensure compliance. Furthermore, Section 3 described UE's approach to tariff-setting, including its compliance with the pricing principles in the Rules.

Notwithstanding the information already provided, this section provides further detailed information regarding UE's compliance with the Rules.

6.2. Compliance with the weighted average price cap

Section 2.2 of this Pricing Proposal sets out the AER's weighted average price control for UE for the 2011-2015 period. The table below shows the contribution from each element in the formula to UE's average price increase in 2014 for standard control service.

Table 6.1 – 2014 Regulated Price Control Formulae

Component	% Increase/Decrease
CPI	2.16%
Lt	0.002%
X*	8.10%
St	5.01%
Pass-through *t***	0.003%
DUOS	**104.91%**

*X factor is in fact negative, however formulae is (1-X), therefore X factor produces an 8.1% increase.

As noted in section 2.2, the L-factor relates to licence fees paid by UE in the past financial year. The X-factor is the underlying price path for distribution tariffs over the regulatory period. The S factor relates to network reliability and reflects the network reliability statistics achieved by UE's management of its network assets. The Pass through t represents approved pass through amounts with respect to regulatory year t as determined by the AER under clause 6.6 of the Rules, chapter 16 and appendix E of the AER's final determination.

**For 2014 the AER has approved a t (pass through) factor of $980,000 relating United Energy's fire prevention performance in 2012 as assessed by the AER. This will be passed through to customers as a fixed charge of $1.55 for 2014.

6.3. Compliance with the side constraints

Section 2.3 provides details of the side constraint that applies to average price changes for tariff classes, and section 5.2 shows the DUOS movement by tariff. UE's Pricing Proposal is compliant with the overall movement allowed per tariff class of 12.65%.

6.4. Standalone and Avoidable Costs

6.4.1. Definition

Standalone Costs:
The Standalone cost for a tariff class is the cost of supplying only the tariff class concerned, with all other tariff classes not being supplied. If customers were to pay above the standalone cost then it would be economically beneficial for customers to switch to an alternate provider, and economically feasible for an alternate provider to operate. This creates the possibility of inefficient bypass of the existing infrastructure.

Avoidable Costs:
The Avoidable cost for a tariff class is the reduction in network cost that would take place if the tariff class were not supplied (whilst all other tariffs remained supplied). If customers were to be charged below the avoidable cost, it would be economically beneficial for the business to stop supplying the customers as the associated costs would exceed the revenue obtained from the customer.

6.4.2. Compliance

As noted in Section 4 of this Pricing Proposal, the Rules require that distribution tariffs should lie between the following upper and lower bounds:

- tariffs for each customer should generate revenue in excess of the avoidable cost to service the customer; and
- tariffs for each customer should generate revenue less than the cost of providing the service on a stand-alone basis to the customer.

To demonstrate that distribution tariffs fall between the avoidable cost "floor" and standalone cost "ceiling", UE must first apply a "cost of supply" methodology to assist in setting tariff rates. Broadly speaking, tariff rates are set to recover the allocated distribution revenue from that customer group. It is noted, however, that UE's approach to setting tariff rates is to consider all the pricing principles outlined in Section 4 of this Pricing Proposal.

The critical issue from a cost of supply modelling perspective is the method by which distribution revenue is allocated across the tariff groups. As network businesses are characterised by relatively high fixed costs and significant asset-sharing between customer groups, there is no unambiguously "correct" method for allocating costs. UE's method of allocation is based on each tariff's relative usage of UE's network assets.

In the model, customers are assigned into tariff groups based on voltage and demand characteristics. The consumption and demand characteristics for each tariff group are calculated as follows:

- For asset based costs, the quantity of assets and supporting infrastructure are assigned to the tariff groups according to the combined consumption and demand characteristics of all customers using the asset, e.g. HV assets are assigned to LV and HV customers, but not to sub-transmission customers. The cost of providing the assigned assets is then calculated for each customer class.
- For operational and maintenance costs, costs are directly attributed to particular asset classes, where possible, and the remaining costs are assigned to overheads

- Attributable costs use a weighted averaging to apply to the customers in each class
- Overheads are averaged over all customers
- Combining the overhead, maintenance and infrastructure costs, the overall cost of supply for each customer is calculated.
- UE has extended its "cost of supply" methodology to assess the avoidable and standalone costs. The avoidable cost model recognises that only a proportion of total costs are avoidable. In particular, the majority of asset-related costs cannot be avoided even if a particular customer group is no longer served. Inevitably, the assessment of which costs are avoidable is a matter of judgement. It should be noted, however, that as the avoidable costs are less than the total costs, UE's cost of supply methodology will always set tariffs at a level that exceeds avoidable costs.

UE's modelling of standalone costs is similarly based on the cost of supply model. The principal differences between the "basic" cost of supply estimates and standalone costs are:

- Standalone networks to serve a particular tariff class will not enjoy the benefit of diversity in peak demand between tariff classes;
- Economies of scale may be lost in supplying a subset of existing customers or tariffs;
- Greater urban congestion may result in the optimised replacement cost exceeding UE's regulated asset value; and
- It is likely that a notional "standalone" competitor to UE may seek a rate of return that exceeds the regulated cost of capital.

These factors indicate that the standalone costs will exceed the cost of supply estimates on which UE bases its tariff design. It is important to recognise that it is difficult to determine the standalone costs with precision – inevitably a judgement must be made. The results of UE's modelling is summarised in Table 6.2 below:

Table 6-2: Comparison of 2014 Tariff Rates with Existing Estimated "Cost Window"

Tariff Code	Tariff Class	Lower Bound "Avoidable Cost" (c/kWh)	2014 Avg DUOS (Exc GST) (c/kWh)	Upper Bound "Standalone Cost" (c/kWh)
Unmet	Low Voltage Small	0.32	2.81	11.37
LVS1R			6.25	
LVS2R*			5.18	
LVDed			1.42	
WET2Step*			3.30	
TOD			5.59	
TOD9			N/A	
TODFLEX			5.98	
LVM1R	Low Voltage Medium	0.39	8.23	14.50
LVM2R5D*			4.98	
LVM2R7D*			5.76	
LVkWTOU*			5.55	
LVkWTOUH*			5.74	
TOU			6.36	
LVL2R*	Low Voltage Large	0.14	5.01	5.33
LVL1R*			4.67	
LVKVATOU			3.33	
LVKVATOUH			2.87	
HVkVATOU	High Voltage Large	0.08	1.57	2.65
SubTkVATOU*	Subtransmission Large	0.08	0.45	2.65

6.5. Long Run Marginal Costs

The Rules require a tariff, and if it consists of two 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
2. must be determined having regard to:

(i) transaction costs associated with the tariff or each charging parameter; and

(ii) whether customers of the relevant tariff class are able or likely to respond to price signals.

As explained in section three of this Pricing Paper, UE's tariff-setting approach balances the objectives of cost reflectivity against the practical constraints imposed by existing prices; the limitations places on tariff rebalancing; and customers' propensity to change behavior in response to price signals.

UE's approach to estimating the marginal costs to is to estimate the present value of the incremental investment associated with increasing demand divided by the present value of the increment in demand. This approach provides an estimate of marginal costs which is not materially different to the avoidable costs estimates presented in section 6.4 above.

Table 6-3: Long-run Marginal Cost Comparison

Class	Lower Bound "Avoidable Cost" (c/kWh)	2014 Avg DUOS (Exc GST) (c/kWh)	Upper Bound "Standalone Cost" (c/kWh)	Long-run Marginal Cost (c/kWh
Low voltage small	0.32	5.96	11.37	5.38
Low voltage medium	0.39	5.89	14.50	5.68
Low voltage large	0.14	3.34	5.33	3.05
High voltage large	0.08	1.57	2.65	1.36
Subtransmission	0.08	0.45	2.65	0.41

6.6. Description of price changes

Consistent with the AER 2011-2015 Price Determination, rebalancing has been undertaken of tariffs at the tariff class level.

This rebalancing takes into consideration and is consistent with the Price Determination and tariff policies, balancing the need to:

- recover maximum allowable revenue to recover the efficient costs of operating the network business;
- reduce risk in recovering revenue;
- give pricing signals to customers to provide an incentive for efficient utilisation of the network;
- be consistent with Pricing Principles and Cost of Supply Model where each tariff is;
  - above the avoidable cost of serving distribution customers;
  - below the cost of providing the service on a standalone basis;
- signal the impact of additional usage on future investment costs;
- recover NUoS from customers in proportion to the services provided - classified by voltage, demand, and consumption patterns;
- be consistent with UE's tariff strategies;
- be consistent with the UE tariff policy framework.

Given the above considerations, it has been decided not to implement the average price movement across all tariffs as this would be inconsistent with the pricing principles which require signalling of the impact of additional usage on future investment costs. Accordingly some rebalancing has been undertaken at the tariff class level. A revised cost of supply model and other optimisation tools have been used to derive the final prices.

7. Transmission Cost Recovery Tariffs

7.1. Transmission Cost Recovery Tariff Methodology

TUoS tariffs are designed to recover the transmission costs (grid fees) incurred by the distribution business. The TUoS tariff structure is compatible with the DUoS tariff structure. This structure has been maintained in order to allow the NUoS tariff to be determined by simply adding the DUoS and TUoS rates. However, UE has restricted the application of TUoS rates to those components of the NUoS which best reflect the underlying Grid Fees (i.e. Peak Energy, Summer Demand Incentive Charge and Rolling Demand). Therefore, off peak energy and fixed charges do not attract TUoS.

7.2. Transmission Use of System Charges and Under/Over Recovery Previous Years

As shown by table 7-1 below, the expected TUOS revenue decrease from 2013 to 2014 is 11%.

Table 7-1: Estimated TUOS Revenue Increase ($'M)

	2013	2014	Var(%)
Grid Fee Forecast	$117	$110	
Over recovery from previous year	$6	$11	
Actual/Allowed Revenue current year (grid fees less over recovery)	$111	$99	
Estimated Revenue collected	$111	$99	-11%

8. Customer Tariff Class Assignment and Reassignment

8.1. Network Use of System Tariffs

The table below sets out UE closed network tariffs and the open network tariffs that are available to newly connecting customers.

Table 8-1: Closed and Open Network Tariffs to new connections

Tariff Code	Tariff Open New Connection	Tariff Description	Tariff Class
Unmet	Yes	Unmetered supplies	
LVS1R	Yes	Low voltage small 1 rate	
LVS2R	No	Low voltage small 2 rate	
LVDed*	Yes	Dedicated circuit	Low voltage small
WET2Step	No	Winter economy tariff	
TOD	Yes	Time of Day	
TOD9	Yes	Time of Day 9pm off peak	
TODFLEX**	Yes	Time of Day Flexible	
LVM1R	Yes	Low voltage medium 1 rate	
LVM2R5D	No	Low voltage medium 2 rate 5 day	
LVM2R7D	No	Low voltage medium 2 rate 7 day	
LVkWTOU	No	Low voltage KW time of use	Low voltage medium
LVkWTOUH	No	Low voltage KW time of use – HOT	
TOU	Yes	Time of use	
TODFLEX**	Yes	Time of Day Flexible	
LVL2R	No	Low voltage large 2 rate	
LVL1R	No	Low voltage large 1 rate	
LVkVATOU	Yes	Low voltage large KVA time of use	Low voltage large
LVkVATOUH	No	Low voltage large KVA time of use-HOT	
HVkVATOU	Yes	High voltage KVA time of use	High voltage large
SubTkVATOU	No	Subtransmission KVA time of use	Subtransmission large

*LVDed not available to any customer with solar installed.

** Available to residential customers with AMI meter.

NB: Where the tariff also includes a feed in tariff component a prefix of “F” (PFIT) and “T” (TFIT) for each applicable tariff will apply eg. FLVS1R, TLVS1R.

8.2. Tariff Assignment for New Connections

The AER's procedures for assigning and reassigning customers to tariff classes for the Victorian DNSPs are set out in appendix G of the AER's final determination. These procedures require that in determining the tariff class to which a customer or potential customer will be assigned, or reassigned, UE must take into account one or more of the following factors:

(a) the nature and extent of the customer's usage;

(b) the nature of the customer's connection to the network; and

(c) whether remotely-read interval metering or other similar metering technology has been installed at the customer's premises as a result of a regulatory obligation or requirement.

8.2.1. Customers Usage

The table below outlines the customer categories based on energy consumption and maximum demand. The customer category determines the network tariff options.

Table 8-2: Customer Usage

Category	Maximum Demand (kVA)	Annual Energy Consumption (MWh)
Small	NA	<20
Medium	NA	20 to 400
Large	>150 and/or	>400

8.2.2. Metering and regulatory implications

UE has an obligation to roll out advanced interval meters to all 160MWh per annum customers and below. The standard metering being rolled out to the meet this regulatory obligation is a single element interval meter.

Where customers have an off peak heating load and a LVS1R plus Dedicated tariff combination, a two element AMI enabled meter with contactor will be installed to separately measure the off peak hot water load, which is the same as the current two meters plus time switch meter combination.

Where a customer wishes to receive a feed in tariff, a net interval metering configuration is required to provide a net export energy stream. In this circumstance, a single measurement element will not be able to provide a dedicated measurement for off peak heating load and a Time of Day or a Time of Use network tariff with an off peak component will be assigned as the default.

8.2.3. Tariff Re-assignment

UE's network tariffs contain summer and non-summer components. To avoid tariff arbitrage, a new connection must remain on the initial network tariff for a minimum of 12 consecutive months unless there is a load or connection characteristic change. It is important that customers speak to retailers to ensure they are well informed about retail and network tariff offerings.

With the commencement of the Government flexible pricing policy, additional reassignment rules for residential customers with an AMI meter include:

- During the transitional period until the end of 2015, a retailer is able to offer a residential customer a choice of network tariffs within the respective tariff class.
- During the safe try period, from the commencement date of the flexible pricing policy until 31 March 2015, a residential customer may request their retailer;
    - if there has been no change of retailer from the commencement date to revert from TODFLEX back to the customers previous legacy network tariff (this can include reversion to a closed tariff)
    - where there has been a change of retailer (or change of customer at the premises) revert from TODFLEX (or any residential tariff) back to an open network tariff
- Change of network tariff will be prospective. Limited retrospectivity may be sought to align to a retail transfer.
- Whilst the 12 month reversion rule has been relaxed for residential customers from the commencement of the Government's flexible pricing policy, UE reserves its right to reject a tariff change request where there appears to be retailers performing "mass" changes with a view to tariff arbitrage.

8.3. Network options for newly connecting small customers <20MWh pa

Subject to the commencement of the Government flexible pricing policy, for residential customers:

- During the transitional period until the end of 2015, a retailer is able to offer a residential customer a choice of network tariffs within the respective tariff class.
- Where a default tariff is applied and the retailer wishes to move to a different network tariff within the tariff class this may occur at any time
- Change of network tariff will be prospective. Limited retrospectivity may be sought to align to a retail transfer.

For customers who use less than 20MWh per annum, the default and optional tariff combinations for new connections are detailed below.

Metering requirements are noted: a prefix of "B" denotes a basic meter, a prefix of "I" denotes an interval meter and a prefix of "A" denotes an AMI interval meter.

Table 8-3: Default and Tariff Options (Small Residential Customers)

	Default UE Network Tariff from 1 January 2014	Optional UE Network Tariff from 1 January 2014 if requested*
New connections (no solar)		
- Standard	LVS1R (B, A or I)	TOD (I or A) TOD9 (I or A) TODFLEX (A)
- Plus hot water and or slab	LVS1R + Ded (B, A or I)	TOD (I or A) TOD9 (I or A) TODFLEX* (A) LVS1R (B, A or I)
New Connections (Solar)		
- Standard	TOD9 (I or A)	TOD (I or A) TODFLEX (A) LVS1R (I or A)
- Plus hot water and or slab	TOD9 (I or A)	TOD (I or A) TODFLEX (A) LVS1R (I or A)

NB: Where a customer is not residential, a new connection must remain on the initial network tariff for a minimum of 12 consecutive months unless there is a load or connection characteristic change.

Until the end of 2015, a retailer may select the network tariff for residential customers. Where a default tariff is applied and the retailer wishes to move to a different network tariff within the tariff class for a residential customer, a prospective network tariff change will be allowed.

8.4. Network options for newly connecting medium customers >20MWh pa and <400MWh per annum

For customers who use between 20-400 MWh per annum, the default and optional tariff combinations for new connections are detailed below:

Table 8-4: Default Tariff Options (Medium Customers)

	Default UE Network Tariff from 1 January 2014	Optional UE Network Tariff from 1 January 2014 if requested
New connections (no Solar)		
- Standard	LVM1R (B, A or I)	TOU (A or I)*
New Connections (Solar)		
- Standard	TOU (A or I)	LVM1R (A or I) *

Further information on the above tariffs and tariff eligibility is provided in the following section.

* TODFLEX is applicable to residential customers only with an AMI meter. On occasion, a residential customer may consume greater than 20MWh. In these cases, these customers are deemed “medium” and can be assigned the TODFLEX tariff.

8.5. 2014 Default Network Tariffs for New Connections

The following section provides information on the default tariffs for new connections and the applicable tariff eligibility:

LVS1R:

- This tariff is available to new connections
- Customers must consume <20 MWh/pa.
- Includes a summer and non summer peak energy charge.
- Customers can make savings by reducing their energy consumption during summer months. Usage during non summer is cheaper.
- Summer is defined as 1 November to 31 March.
- Where the customer is residential with an AMI meter installed, tariff re-assignment rules apply as per section 8.2.3 and section 8.3.

LVM1R:

- This tariff is available to new connections.
- Customers must consume between 20 and 400 MWh/pa.
- Includes a summer and non summer peak energy charge.
- Customers can make savings by reducing their energy consumption during summer months. Usage during non summer is cheaper.
- Summer is defined as 1 November to 31 March.
- Once on this tariff, non-residential customers cannot move onto another tariff for a minimum period of 12 months.

LVDED:

- This tariff is only available in conjunction with the LVS1R tariff for new connections.
- Customer must have a dedicated circuit connected to a controlled electric hot water service and/or storage space heating.
- Requires a separately metered dedicated circuit controlled by UE by means of time switch or other means.
- Is a dedicated off peak charge.
- The Off Peak period is 11pm to 7am EST.
- This tariff is not available to New Customers with embedded generation or Existing Customers that install embedded generation.

TIME OF DAY (TOD):

- Customers to consume <20MWh/annum
- Requires an interval meter.
- Includes a seasonal peak energy charge. Customers can make savings by reducing their energy consumption during the peak periods (3pm-11pm Local Time workdays).
- Non-Summer Peak energy charge is lower than Summer Peak energy charge to encourage heating usage.
- Includes a seasonal shoulder energy charge. Customers can make savings by reducing their energy consumption during the shoulder periods (7am-3pm Local Time workdays).
- Non-Summer shoulder energy charge is lower than Summer Shoulder energy charge to encourage heating usage.
- Off-peak energy is all day weekends and public holidays and 11pm to 7am Local Time workdays. Usage during off peak times is cheaper than peak times.
- Includes a daily Standing Charge
- All controlled load is controlled by the meter. Note, if there are any controlled load boosts during peak periods, these will be charged the peak tariff rate.
- Where the customer is residential with an AMI meter installed, tariff re-assignment rules apply as per section 8.2.3 and section 8.3.
- Summer is defined as 1 November to 31 March.

TIME OF DAY 9PM OFF PEAK (TOD9):

- Customers to consume <20MWh/annum
- Requires an interval meter.
- Includes a seasonal peak energy charge. Customers can make savings by reducing their energy consumption during the peak periods (3pm-9pm Local Time workdays).
- Non-Summer Peak energy charge is lower than Summer Peak energy charge to encourage heating usage.
- Includes a seasonal shoulder energy charge. Customers can make savings by reducing their energy consumption during the shoulder periods (7am-3pm Local Time workdays).
- Non-Summer shoulder energy charge is lower than Summer Shoulder energy charge to encourage heating usage.
- Off-peak energy is all day weekends and public holidays and 9pm to 7am Local Time workdays. Usage during off peak times is cheaper than peak times.
- Includes a daily Standing Charge
- All controlled load is controlled by the meter. Note, if there are any controlled load boosts during peak periods, these will be charged the peak tariff rate.

- Where the customer is residential with an AMI meter installed, tariff re-assignment rules apply as per section 8.2.3 and section 8.3.
- Summer is defined as 1 November to 31 March.

TIME OF DAY FLEXIBLE (TODFLEX):

- Customers must be Residential.
- Requires an AMI meter.
- Includes a seasonal peak energy charge. Customers can make savings by reducing their energy consumption during the peak periods. The peak energy period is between 3pm and 9pm Local Time workdays inclusive of public holidays on weekdays.
- Non-Summer Peak energy charge is lower than Summer Peak energy charge to encourage heating usage.
- Includes a seasonal shoulder energy charge. Customers can make savings by reducing their energy consumption during the shoulder periods. Shoulder energy is 7am-3pm and 9pm-10pm Local Time workdays including public holidays, and 7am-10pm weekends.
- Non-Summer shoulder energy charge is lower than Summer Shoulder energy charge to encourage heating usage.
- Off-peak energy is 10pm to 7am Local Time workdays including public holidays and weekends . Usage during off peak times is cheaper than peak times.
- Includes a daily Standing Charge
- All controlled load is controlled by the meter. Note, if there are any controlled load boosts during peak periods, these will be charged the peak tariff rate.
- Tariff re-assignment rules apply as per section 8.2.3 and section 8.3.
- Summer is defined as the commencement of daylight savings (early October) to the finish of daylight savings (early April).

TIME OF USE (TOU):

- Customers must consume >20 and <400MWh/annum.
- Requires an interval meter.
- Includes a seasonal peak energy charge. Customers can make savings by reducing their energy consumption during the peak periods (7am-11pm Local Time workdays).
- Off-peak energy is all day weekends and public holidays and 11pm to 7am Local Time workdays. Usage during off peak times is cheaper than peak times.
- Includes a Summer Demand Incentive Charge measured at maximum kW per billing period between 2pm and 7pm local time workdays in summer. This empowers customers to make savings by altering the time of use of their consumption away from 2pm to 7pm Local Time workdays in summer.

- Once on this tariff, non-residential customers cannot move onto another tariff for a minimum period of 12 months.
- Summer is defined as 1 November to 31 March.

LVkVATOU:

- Customers must be in "large" category (>400MWh and/or >150KVA).
- Must have an Interval meter measuring kW and kVar.
- Includes a seasonal peak energy charge. Customers can make savings by reducing their energy consumption during the peak periods (7am-7pm Local Time workdays).
- Includes a Summer Demand Incentive Charge (measured as kVA at maximum kW per billing period). This empowers customers to make savings by altering the time of use of their consumption away from 3pm to 6pm Local Time workdays in summer.
- Off-peak energy is all day weekends and public holidays and 7pm to 7am Local Time workdays. Usage during off peak times is cheaper than peak times.
- The peak rolling demand is 7am - 7pm Local Time workdays and is measured as kVA at maximum kW. The minimum rolling demand applicable is 150 kVA.
- Once on this tariff, customers cannot move onto another tariff for a minimum period of 12 months.
- Summer is defined as 1 November to 31 March.

HVKVATOU:

- Customers must be in "large" category (>400MWh and/or >150KVA).
- Must have an Interval meter measuring kW and kVar Includes a seasonal peak energy charge. Customers can make savings by reducing their energy consumption during the peak periods (7am-7pm Local Time workdays).
- Includes a Summer Demand Incentive Charge (measured as kVA at maximum kW per billing period). This empowers customers to make savings by altering the time of use of their consumption away from 3pm to 6pm Local Time workdays in summer.
- Off-peak energy is all day weekends and public holidays and 7pm to 7am Local Time workdays. Usage during off peak times is cheaper than peak times.
- The peak rolling demand is 7am - 7pm Local Time workdays and is measured as kVA at maximum kW. The minimum rolling demand applicable is 1150 kVA.
- Once on this tariff, customers cannot move onto another tariff for a minimum period of 12 months. .
- Summer is defined as 1 November to 31 March.

8.6. Jurisdictional Scheme: Feed in Tariff schemes

The Victorian Government introduced a premium feed in tariff policy in November 2009. A premium feed in tariff (PFIT) was available to residential and commercial customers consuming less than 100 MWh/annum who install up to 5 kW of solar panels and have net interval metering. However, as the scheme reached 100MW of installed solar capacity in November 2011 across Victoria, the Minister declared the end of the scheme. As a replacement, the Government introduced the Transitional Feed in Tariff (TFIT). The TFIT scheme closed as at 31 December 2012, and there is no new Distributor administered scheme since 1 January 2013.

UE administers the rebates under the jurisdictional scheme and seeks to recover the cost of the PFIT/TFIT credits by recovering on a fixed rate per customer basis. For 2014 the annual recovery is $45.22 per customer.

8.6.1. Jurisdictional Scheme Amounts

Table 8.5 outlines the jurisdictional charges and correction factors applicable to UE in 2014. The correction factor represents the accumulated under recovery of revenue versus rebates paid since the commencement of the scheme.

Table 8-5: Jurisdictional PFIT Scheme Amounts (Real $'000)

Jurisdictional PFIT/TFIT Scheme Amounts ($'000)				
	2011 actual	2012 actual	2013 estimated	2014 forecast
Revenue from PFIT/TFIT charges	$ 614	$ 9,209,887	$ 17,740,144	$ 28,620,147
PFIT/TFIT rebates paid	$ 5,477	$ 14,226,909	$ 17,235,958	$ 17,248,793
Correction factor				-$ 11,371,573

8.6.2. Calculation PFIT Rebate Costs applicable to Jurisdictional revenue forecast

The following table outlines the actual and estimated PFIT rebate costs from 2012 to 2014:

Table 8-6: PFIT Rebates

PFIT Rebate Cost	2011 actual	2012 actual	2013 estimated	2014 forecast
PFIT Rebate $/kWh exported	$ 0.60	$ 0.60	$ 0.60	$ 0.60
Customers on PFIT (31 Dec)	17,973	18,231	18,231	18,231
Customers on PFIT (average for year)	11,904	18,049	18,231	18,231
kWh exported	9,127,967	15,735,149	20,973,042	20,973,042
KWh per customer	767	872	1,150	1,150
PFIT rebate cost ($'000)	$ 5,477	$ 9,441	$ 12,584	$ 12,584

8.6.3. Calculation TFIT Rebate Costs applicable to Jurisdictional revenue forecast

The following table outlines the actual TFIT rebate costs from 2012 to 2014:

Table 8-7: TFIT Rebates

TFIT Rebate Cost	2011 actual	2012 actual	2013 estimated	2014 forecast
TFIT Rebate $/kWh exported		$ 0.25	$ 0.25	$ 0.25
Customers on TFIT (31 Dec)		11,844	13,667	13,667
Customers on TFIT (average for year)		5,922	13,667	13,667
kWh exported		5,162,810	18,608,532	18,608,532
KWh per customer		872	1,362	1,362
TFIT rebate cost ($'000)		$1,291	$ 4,652	$ 4,652

8.7. Tariff Reassignments for Existing Customers

Table 8-8: Tariff Reassignment for Existing Customers

Meter Type	<20MWh	>20MWh
Basic	LVS1R	LVM1R
Interval	LVS1R TOD TOD9	LVM1R TOU
AMI	LVS1R TOD TOD9 TODFLEX (residential only)	LVM1R TOU TODFLEX (residential only)
Solar	LVS1R TOD TOD9 TODFLEX (residential only with AMI enabled meter)	LVM1R TOU TODFLEX (residential only with AMI enabled meter)

NB: Where solar metering exists, customers may be on Feed in Schemes (TFIT or PFIT). In these cases, a prefix of 'T' or 'F' will precede the tariff eg. TOU becomes TTOU or FTOU.

UE's network tariffs contain summer and non-summer components. To avoid tariff arbitrage, an existing non-residential customer must remain on a re-assigned/assigned network tariff for a minimum of 12 consecutive months unless there is a load or connection characteristic change. It is important that customers speak to retailers to ensure they are well informed about retail and network tariff offerings.

Additional reassignment rules relating to Government flexible pricing policy for residential customers with an AMI meter:

- During the transitional period until the end of 2015, a retailer is able to offer a residential customer a choice of network tariffs within the respective tariff class. There will be no limit on the number of reversions.
- During the safe try period, from the commencement date of the flexible pricing policy until 31 March 2015, a residential customer may request their retailer;
    - if there has been no change of retailer from the commencement date to revert from TODFLEX back to the customers previous legacy network tariff (this can include reversion to a closed tariff)
    - where there has been a change of retailer (or change of customer at the premises) revert from TODFLEX (or any residential tariff) back to an open network tariff
- Change of network tariff will be prospective. Limited retrospectivity may be sought to align to a retail transfer.
- Whilst the 12 month reversion rule has been relaxed for residential customers from the commencement of the Government's flexible pricing policy, UE reserves its right to reject a tariff change request where there appears to be tariff arbitrage.

8.8. UE's system of assessing and reviewing a customer's charges

As noted in Section 2.4 of this Pricing Proposal, the AER's final determination requires UE to provide for an appropriate system of assessment and review of the basis on which a customer is charged. In accordance with the AER's requirements, UE's system of assessment and review involves the following three-step process:

- Step 1: UE's critically examines its draft annual tariff changes to identify customers that are likely to experience price changes that are materially different to the tariff average. It is noted that such variations may occur if a customer's load profile contrasts sharply with typical tariff customer and where tariff changes differ across tariff components. UE will amend its draft tariff proposals where appropriate, having regard to the principles that guide tariff prices.
- Step 2: Following UE's annual tariff review, UE contacts customers where the current tariff is inappropriate for the customer's load profile or would likely to result in a substantial increase in network charges. UE would identify alternative network options for the customer's consideration or measures to assist the customer in reducing its network charges.
- Step 3: Where a customer or customer's retailer contacts UE regarding the basis on which a customer is charged, UE will identify alternative network options or measures to assist the customer in reducing network charges. However, UE notes that steps 1 and 2 properly executed should minimise, if not eliminate, the number of contacts from customers and retailers regarding inappropriately high network charges.

In addition to the above steps, UE will monitor its system of assessment and review in light of experience.

9. Alternative Control Services

9.1. Regulatory Requirements

A number of the Rule requirements in clause 6.18 relating to direct control services are applicable to both standard control services and alternative control services. In contrast to standard control services, however, the pricing arrangements for alternative control services are not generally tariff-based. For this reason, this section provides a brief explanation of UE's approach to alternative control services.

9.2. Pricing principles

Clause 6.18.5 of the Rules sets out the pricing principles that must be complied with in respect of each tariff class, including a tariff class within the classification of alternative control services.

9.3. Charging parameters for alternative control services metering tariffs

There are only two charging parameters within the alternative control services metering services tariff class: customer numbers and exit fee transactions.

Meter provision services are charged to each alternative control services network customer on a $/day basis, so the relevant charging parameter is the number of customer days. Meter services exit fee transactions will be charged on an as incurred basis, so the relevant charging parameter is the number of exit fee transactions. The charging parameters for each tariff within the alternative control services metering services tariff class are set out in the table below.

The price path for the regulatory period is CPI – X, where X equals zero. The table below contains 2014 prices for each alternative control service.

Table 9-1: Fee based alternative control services prices for 2014

Fee based services	2014 Price (ex GST)
Field Officer Visits – Existing Premises	
Special read (basic meter)	$11.05
Special read (interval meter)	$12.28
Re-energise (fuse insert) - BH (unit rate)	$39.82
De-energise (fuse insert) - BH (unit rate)	$39.82
Express move in re-energise (fuse insert) – BH (unit rate)	$120.00
Re-energise (fuse insert) – AH (unit rate)	$127.26
De-energise (fuse removal) – AH (unit rate)	$127.26
Express move in re-energise (fuse insert) – AH (unit rate)	$127.26
Temporary Supplies (exe inspection) – Coincident Disconnection	
Standard single phase – BH (unit rate)	$93.11
Multi phase to 100A – BH (unit rate)	$93.11

Fee based services	2014 Price (ex GST)
Standard single phase – AH (unit rate)	$196.21
Multi phase to 100A – AH (unit rate)	$352.50
Temporary Supplies (exe inspection) – Independent Disconnection	
Independent disconnection standard single phase – BH (unit rate)	$186.21
Independent disconnection multi phase to 100A – BH (unit rate)	$369.97
Independent disconnection standard single phase – AH (unit rate)	$392.43
Independent disconnection multi phase to 100A – AH (unit rate)	$937.43
Conversion from Coincidental to Independent Disconnection	
Standard single phase – changed from coincidental to independent (unit rate)	$93.10
Multi Phase – changed from coincidental to independent (unit rate)	$196.21
New Connection where UE is the responsible person	
Single phase single element – BH (unit rate)	$223.29
Single phase two element (off peak) – BH (unit arte)	$223.29
Three phase direct connected – BH (unit rate)	$223.29
Single phase single element – AH (unit rate)	$289.80
Single phase two element (off peak) – AH (unit rate)	$351.71
Three phase direct connected – AH (unit rate)	$397.20
Routine new connections – three phase current transformer connected – BH	Quoted
Routine new connections – three phase current transformer connected – AH	Quoted
New Connections – where UE is Not the Responsible Person	
Single phase single element – BH (unit rate)	$97.04
Single phase two element (off peak) – BH (unit rate)	$97.04
Three phase direct connected – BH (unit rate)	$97.04
Single phase single element – AH (unit rate)	$276.72
Single phase two element (off peak) – AH (unit rate)	$360.59
Three phase direct connected – AH (unit rate)	$407.18
Routine new connections – three phase current transformer connected - BH	Quoted
Routine new connections – three phase current transformer connected - AH	Quoted
Service Vehicle Visits (without inspection)	

Fee based services	2014 Price (ex GST)
Service truck – first 30 minutes – BH (unit rate)	$113.29
Each additional 15 minutes – BH (unit rate)	$46.55
Wasted service truck visit - BH (unit rate)	$46.55
Service truck – 2 hrs min – AH (unit rate)	$231.12
Each additional 15 minutes – AH (unit rate)	$49.84
Wasted service truck visit – AH (unit rate)	$115.27

Fee Base Service	2014 Rate (ex GST)
Meter Equipment Test	
Single phase	$55.25
Single phase (each additional meter)	$49.10
Multi phase	$85.94
Multi phase (each additional meter)	$79.80

Table 9-2: Charge out rates for quoted alternative control services

Description	2014 Rate (ex GST)
Hourly labour rate—one person, business hours	$95.14
Hourly labour rate—one person plus vehicle, business hours	$129.84
Hourly labour rate—one person, after hours	$118.93
Hourly labour rate—one person plus vehicle, after hours	$144.94

10. Public Lighting

The table below contains the approved public lighting charges as per the AER Public Lighting updated with the September 2013 CPI.

Table 10-1: Alternative Control Services - Public Lighting Charges

Light Type	2014 Price (ex GST)
Mercury Vapour 80 watt	$60.86
Sodium High Pressure 150 watt	$93.05
Sodium High Pressure 250 watt	$94.82
Fluorescent 2x20 watt	$78.51
Fluorescent 3x20 watt	$77.27
Mercury Vapour 50 watt	$90.08
Mercury Vapour 125 watt	$90.08
Mercury Vapour 250 watt	$86.29
Mercury Vapour 400 watt	$119.48
Mercury Vapour 700 watt	$119.48
Sodium High Pressure 70 watt	$133.29
Sodium High Pressure 100 watt	$102.35
Sodium High Pressure 400 watt	$119.48
Metal Halide 70 watt	$125.62
Metal Halide 100 watt	$125.62
Metal Halide 150 watt	$125.62
Metal Halide 250 watt	$128.01
Metal Halide 400 watt	$128.01
T5 2X14W	$28.19

Appendix A: Tariff Model

Appendix B: Tariff Summary

Appendix C: Public Lighting Model

Appendix D: Alternative Control Services Model

Appendix E: Audit Report