



Sub-threshold Tariff Notice

23 February 2024



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1. Introduction and alignment to TSS strategy

In accordance with Rule 6.18.1C of the National Electricity Rules (NER), Endeavour Energy is making this submission to notify the Australian Energy Regulator (AER) of its intention to trial a sub-threshold tariff from 1 July 2024.

The proposed tariff is **Off Peak+**. A flexible controlled load tariff with specific focus on Hot Water Solar soaking and potential EV application. Off Peak+ is a continuation of the trial tariff first raised in our FY23 sub-threshold tariff notice and was flagged as a continuing trial tariff in section 5.6 of our Tariff Structures Explanatory Statement.

We have responded to retailer concerns about customer acceptance of demand-based tariffs and have converted the trial to a seasonal time of use energy structure inclusive of a solar soaking window. This structure brings the Off Peak+ tariff structure into alignment with the proposed tariff structures in our 2025-29 TSS submission.

The overarching purpose of our tariff strategy is to make energy more affordable by providing customers with the information they require to improve network utilisation by making informed and efficient decisions about their use of the network and their investment in new technologies such as solar, batteries and electric vehicles.

The objective of this trial is to investigate a new cost-reflective pricing option for customers with a view to making the tariff more widely available in future regulatory periods. This tariff has the potential to provide customers with more control over their network electricity bills, improve network utilisation, and enable efficient integration of distributed energy resources (DER) in the distribution network.

The tariff trial provides Endeavour Energy with an opportunity to test a new and innovative tariff structure that can meet the future needs of its customers and the distribution network. The emergence of new technologies, such as batteries and Electric Vehicles (EV), and the increasing uptake of solar are changing the way customers interact with the distribution network, and it is important that Endeavour Energy's tariffs keep pace with these changes. The proposed tariff trial sets the path for ensuring Endeavour Energy can provide its future customers with more choices and pricing structures that reflect customers' changing technological preferences and energy usage behaviours.

With the Off Peak+ trial we are providing a tariff option to customers that may not have the time or inclination to consider and respond to tariff incentives and so will allow them to hand over control of their discretionary load to the network or retailer to manage this load to the benefit of both the individual customer and the broader Grid. For those customers who prefer to maintain control of the timing of their consumption, or who would prefer their own equipment manage their response to tariff incentives, the new Prosumer and Solar Soak tariffs use prices and incentives to signal the cost and benefits of consuming and exporting electricity at different times of the day.

2. Summary of notification information

Table 1: Summary of OP+

	Off Peak+
Required Information	
Name of trial	Off Peak+
Objectives of trial	The objective of this trial is to investigate a new cost-reflective pricing option for customers with a view to making the tariff more widely available in future regulatory periods. This tariff has the potential to provide customers with more control over their network electricity bills, improve network utilisation, and enable efficient integration of distributed energy resources (DER) in the distribution network.
Retailer engagement and expected retailer response	<p>Off Peak+ is a continuation of the trial tariff first raised in our FY23 sub-threshold tariff notice.</p> <p>We have responded to retailer concerns about customer acceptance of demand-based tariffs and have converted the trial to a seasonal time of use energy structure with solar soaking window.</p> <p>This structure brings the Off Peak + tariff structure into alignment with the proposed tariff structures in our 2025-29 TSS submission.</p> <p>One-on-one retailer meetings.</p> <p>See further Section 5 below.</p>
Consumer engagement and expected consumer response	<p>Off Peak+ is a continuation of the trial tariff first raised in our FY23 sub-threshold tariff notice.</p> <p>In developing our 2025-29 TSS and prior consultation on previous iterations of the Off Peak + trial, dynamic controlled load for solar soaking was seen by stakeholders as a potential improvement on traditional controlled load tariff structures.</p> <p>See further Section 5 below.</p>
Proposed tariff structure & pricing	Flexible controlled load
Forecast revenue (\$ and % AAR)	\$0.05m; 0.00% of AAR
Trial start date	1 July 2022
Duration of trial	We intend to trial this tariff until the end of the 2025-29 Regulatory Control Period.
Potential changes and triggers	Endeavour Energy will monitor uptake relative to NER limitations on sub-threshold tariffs. Tariff will be closed to new entrants when cap is achieved.
Notification date	23 February 2024

3. NER and AER requirements

NER requirements

Section 6.18.1.C(1)¹ of the NER requires a Distribution Network Service Provider (DNSP) to notify the AER, affected retailers, and affected retail customers of a new proposed tariff that is determined otherwise than in accordance with the current Tariff Structure Statement (TSS). In particular, the NER requires that:

- The DNSP's forecast annual revenue for each tariff is no greater than 1 per cent of the DNSP's annual revenue requirement (the individual threshold); and
- The DNSP's forecast annual revenue from all tariff trials is no greater than 5 per cent of the DNSP's annual revenue requirement (the cumulative threshold).

Endeavour Energy's proposed tariffs are within both the individual threshold and cumulative threshold, as shown in Table 4.

AER guidance

The AER has published a guidance note on its expectations for tariff trials pursued under the regulatory framework. The AER's guidance note states that distributors should provide clear links between the tariff trial and the distributors' TSS strategy. The AER also requests that distributors report on the results of the tariff trials, and how these learnings have been used by the business.

Endeavour Energy's proposed tariff trials aim to further its strategy of moving towards greater cost reflectivity and providing customers with greater tariff choice and the opportunity to better manage their network bills. The alignment of the sub-threshold tariffs to Endeavour Energy's TSS strategy is described in Section 1.

4. Eligibility and duration

This section outlines the proposed duration of the tariff trials and the mechanisms by which customers will be assigned to the tariffs.

Tariff trial period

Off Peak+ was first introduced in FY23. Endeavour Energy intends to continue the tariff trial through the duration of the 2025-29 regulatory control period.

Off Peak+ eligibility and assignment

The Off Peak+ tariff trial will be provided to customers on an opt-in basis. To be eligible for this pricing trial, a customer must have the metrology and controllable device required to support the trial tariff.

Retailers can apply for the trial tariff through our standard tariff change request process. Before approving the request, Endeavour Energy will verify the customer's eligibility for the trial, assess Retailer willingness to share data with Endeavour Energy, and review the impact on revenue limits placed on sub-threshold tariffs under the NER (6.18.1.C).

Endeavour Energy will close the trial tariff to new entrants to ensure the revenue limits placed on sub-threshold tariff under the NER (6.18.1.C) are not breached.

Customers on the Off Peak+ trial may opt-out to an eligible tariff at any time in accordance with Endeavour Energy's current tariff assignment policy. This means that customers can opt -out to our standard Controlled Load tariff options (N50 and N54).

¹ Amended under 11.141.8 of Transitional Chapter 11.

5. Engagement

To date, Endeavour Energy has engaged with the following audiences.

Stakeholders

Off Peak+ is a continuation of the trial tariff first raised in our FY23 sub-threshold tariff notice.

In developing our 2025-29 TSS and prior consultation on previous iterations of the Off Peak+ trial, dynamic controlled load for solar soaking was seen by stakeholders as a potential improvement on traditional controlled load tariff structures.

Endeavour Energy has engaged with our Regulatory Reference Group (RRG) and Retailer Reference Group (ReRG) and various other customer and stakeholder forums throughout the development of our 2024-29 TSS proposal.

Retailers

Feedback received from retailers has been supportive with most recognising the need for a residential tariff that is designed for customers who are highly engaged in their interactions with the energy industry. The conversation with retailers will be ongoing and Endeavour Energy is optimistic that a retailer will pass through the network tariff trial price signals directly to the end customer.

Endeavour Energy was contacted in early February 2024 by multiple retailers looking to offer a product based on our proposed Off Peak + tariff structure.

We have responded to retailer concerns about customer acceptance of demand-based tariffs and have converted the trial to a seasonal time of use energy structure with solar soaking window.

This structure brings the Off Peak+ tariff structure into alignment with the proposed tariff structures in our 2025-29 TSS submission.

6. Tariff Structure

The charging parameters for the proposed trial tariff are set out in the table below.

Table 2: Off Peak+ trial tariff structure

	Units	Charging Parameter
Fixed	c/day	Daily access charge
Off-peak energy	c/kWh	Charge applied to energy consumed at all other times
Import Peak Period (4pm to 8pm) – Business Days		
High-season peak energy	c/kWh	Charge applied to energy consumed between 16:00 to 20:00 on business days. High-season includes the months November to March inclusive.
Low-season peak energy	c/kWh	Charge applied to energy consumed between 16:00 to 20:00 on business days. Low-season includes the months April to October inclusive.
Export Peak Period (10am to 2pm) – All Days		
Solar soak energy	c/kWh	Charge applied to energy consumed between 10:00 to 14:00 on all days.

The Off Peak+ tariff structure aligns to our Residential and General Supply Seasonal TOU Energy tariffs as proposed in Table 4 (page 21) of our Revised Tariff Structure Statement.

The Off Peak+ trial builds on a pre-existing innovative technology trial in the suburb of Albion Park on NSW's South Coast. As opposed to traditional controlled load technology, the Off Peak+ arrangement allows the network or retailer to flexibly control the customers load through their smart meter in response to real-time network or market constraints without the need to maintain a traditional load control network. The key focus of the broader Off Peak+ trial is to use residential electric hot water systems as a solar soak for excess PV export, but we believe there is potential application for other discretionary household loads, such as EV.

7. Indicative pricing

At the time of this tariff notification, Endeavour Energy has developed indicative prices for its proposed trial tariff. Endeavour Energy will submit the expected revenue from the trial tariff to the AER as part of Endeavour Energy's 2024/25 Pricing Proposal, due in May 2024. In doing so, Endeavour Energy will ensure the proposed prices continue to adhere to the sub-threshold revenue requirements. The table below sets out Endeavour Energy's indicative 2024/25 prices for the Off Peak+ tariff trial.

Table 3: Indicative Off Peak+ prices

	Units	Indicative DUOS Price	Indicative NUOS Price
Fixed	\$pa	23.98	23.98
All Other Energy Import	c/kWh	1.82	2.88
Import Peak Period (4pm to 8pm) – Business Days			
HS Import	c/kWh	17.57	18.62
LS Import	c/kWh	9.95	11.01
Export Peak Period (10am to 2pm) – All Days			
Solar Soak Energy Import	c/kWh	0.00	0.00

8. Forecast revenues and thresholds

Section 6.18.1C(a) requires that subthreshold tariffs must satisfy both an individual and cumulative revenue threshold. In particular, the NER requires that Endeavour Energy's:

- forecast annual revenue for each tariff is no greater than 1 per cent of the annual revenue requirement (the individual threshold); and
- forecast annual revenue from all tariff trials is no greater than 5 per cent of the annual revenue requirement (the cumulative threshold).

As shown in Table 4 and Table 5, Endeavour Energy's proposed sub-threshold tariffs are forecast to fall significantly below both the individual and cumulative thresholds for 2024/25.

Endeavour Energy will continue to monitor customer numbers and volumes on the trial tariffs. In the unlikely event that the trials approach the revenue thresholds, Endeavour Energy will close the trial tariff to new entrants.

Endeavour Energy intends to demonstrate ongoing compliance with the revenue thresholds in its annual pricing proposal to the AER.

Table 4: Compliance with revenue thresholds for subthreshold tariffs

Annual Smoothed Revenue Requirement (AAR)	Rules threshold (\$'000)	Expected Trial DUOS (Absolute Value) (\$'000)	Expected Trial DUOS (% of ARR)
Indicative 2024/25 AAR (DUOS)	1,016,324		
5% of AAR – Aggregate of all Trials	50,816	48	0.00%
1% of AAR – Off Peak+ Trial	10,163	48	0.00%

Table 5: Detailed revenue forecast for calculation of subthreshold tariff compliance

	Forecast Quantity	Indicative DUOS Price	Forecast DUOS Revenue (\$'000)
Off Peak+			
Fixed	1,000	23.98	24
All Other Energy Import	1,294,987	1.82	24
Import Peak Period (4pm to 8pm) – Business Days			
HS Import	0	17.57	0
LS Import	0	9.95	0
Export Peak Period (10am to 2pm) – All Days			
Solar Soak Energy Import	863,325	0.00	0
Tariff Total			48
Sub-Threshold Tariff Total (Absolute Value)			10,163