

Ref: 20240220MC:CB

20 February 2024

Dale Johansen
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Email: [REDACTED]

Dear Dale,

Intention to continue the on-going co-design of tariff trials with stakeholders and consumers over the 2024–29 regulatory period

Essential Energy's 2019–24 tariff trial outcomes were presented in our 2024–29 Revised Regulatory Proposal and accompanying Revised Tariff Structure Statement, lodged with the Australian Energy Regulator ("AER") in late 2023. Our Revised Proposal outlined our high-level tariff trial plans for the 2024–29 regulatory period which include and highlights our commitment to embedding on-going engagement into our business.

At this stage, we are not proposing any specific tariffs for the 2024–25 financial year that would make use of clause 6.18.1C in the National Electricity Rules (NER). We are, however, continuing the co-design of tariff trials in the 2024–29 regulatory period through on-going engagement with several stakeholder groups including:

- > Consumers – through our Essential People's Panel, which meets three times a year
- > New technology providers (energy resource installers and developers)
- > Retailers and aggregators
- > Industry advocates (and their members where appropriate)
- > Consumer advocates.

Designing potential tariffs and associated trials in collaboration with consumers and stakeholders facilitates new ideas, a shared understanding of the need for change and consideration of the value proposition through the lens of all stakeholders. This approach also maintains flexibility and agility in designing and implementing trial tariffs at a time of shifting government policy and rapid technological and regulatory change.

Whilst the specifics of any 2024–29 trial tariffs are still unknown, we are considering trialling:

- > Alternative battery tariff structures, which may be more appropriate than those put forward in our Revised TSS.
- > A tariff for small customers flexible behind-the-meter loads where a separate metering device is available for load (and exports if appropriate) and linked to a flexible connection agreement.
- > Tariffs for different customer load profiles where a flexible connection agreement is in place and the relevant metering device for load (and exports if appropriate) can respond to a dynamic operating envelope signal – including whether there is a need for a demand component in the peak window for relevant customers.
- > Localised pricing where consumers' energy resources are coupled with network-based storage.

- > Alternative tariffs for large, peaky load customers, such as irrigators. Whilst we were unsuccessful in obtaining retailer buy-in to undertake these trials in 2019-24 (due to the small number of customers), we would like to progress with these trials in 2024-29.

Essential Energy is also a lead partner in a new Energy Charter project specifically aimed at demonstrating how networks and retailers can work together on tariff changes for the benefit of customers and the transition.

Tariff design guiding principles

Tariff trials undertaken in the 2024–29 regulatory period will align with Essential Energy's underlying tariff design principles. These design principles were developed in conjunction with customers and stakeholders and will be retested, and if necessary refined, at the start of each tariff trial engagement project. These tariff principles can be found in Attachment 1 and, whilst they are shown in order of customer preference, it is recognised that no tariff can satisfy all the principles, so an appropriate balance must be sought:

1. Avoid bill shock
2. Easy to understand
3. Fair
4. Integrate renewables and new technologies
5. Effective.

As part of our 2024-29 Regulatory Proposal, we have also agreed principles for assessing divergent stakeholder feedback in relation to pricing. The principles to consider and balance competing views are:

- > Advancing the National Electricity Objective (NEO) in the National Electricity Law (NEL)
- > Advancing the network pricing objective in the NER
- > Balancing the pricing principles co-designed with customers shown above; and
- > Considering impacts on retailers and other market players who develop products and services for electricity consumers, while not losing the existing focus on consumers' interests.

Alignment with Tariff Structure Statement (TSS) strategy

Essential Energy's role is to provide a safe, reliable future-focussed network that supports a decentralised, decarbonised energy supply chain and allows customers to maximise the value of their energy resource investments. Designing and trialling new network tariffs is fundamental to our role as a Business. Our focus is to design network tariffs that address network challenges, embrace new technologies and business models, appropriately balance the tariff design principles and that can be implemented in a cost-effective manner is essential. Any trials and associated learnings will form part of the engagement program for our 2029–34 Tariff Structure Statement.

Our network challenges (see Attachment 2) inform the design of trial tariffs – trials are aimed at assisting with the management of these challenges. Network tariffs are a low-cost tool that can help address our network challenges, defer (or even avoid) expensive network upgrades, and facilitate the integration of distributed energy resources. This interrelationship was highlighted in our Revised TSS, and an extract is shown at Attachment 3.

Consistent with the intent of clause 6.18.1C of the NER, Essential Energy is committed to not only keeping the AER, retailers, aggregators and affected retail customers informed of any trial tariffs, but also relevant stakeholders and consumer advocates.






We look forward to working with the AER on our future tariff trial projects. Should you have any questions, please contact Mary-Clare Crowley, Network Regulation Manager on [REDACTED]

Yours sincerely

[REDACTED]
Charlie Boyes

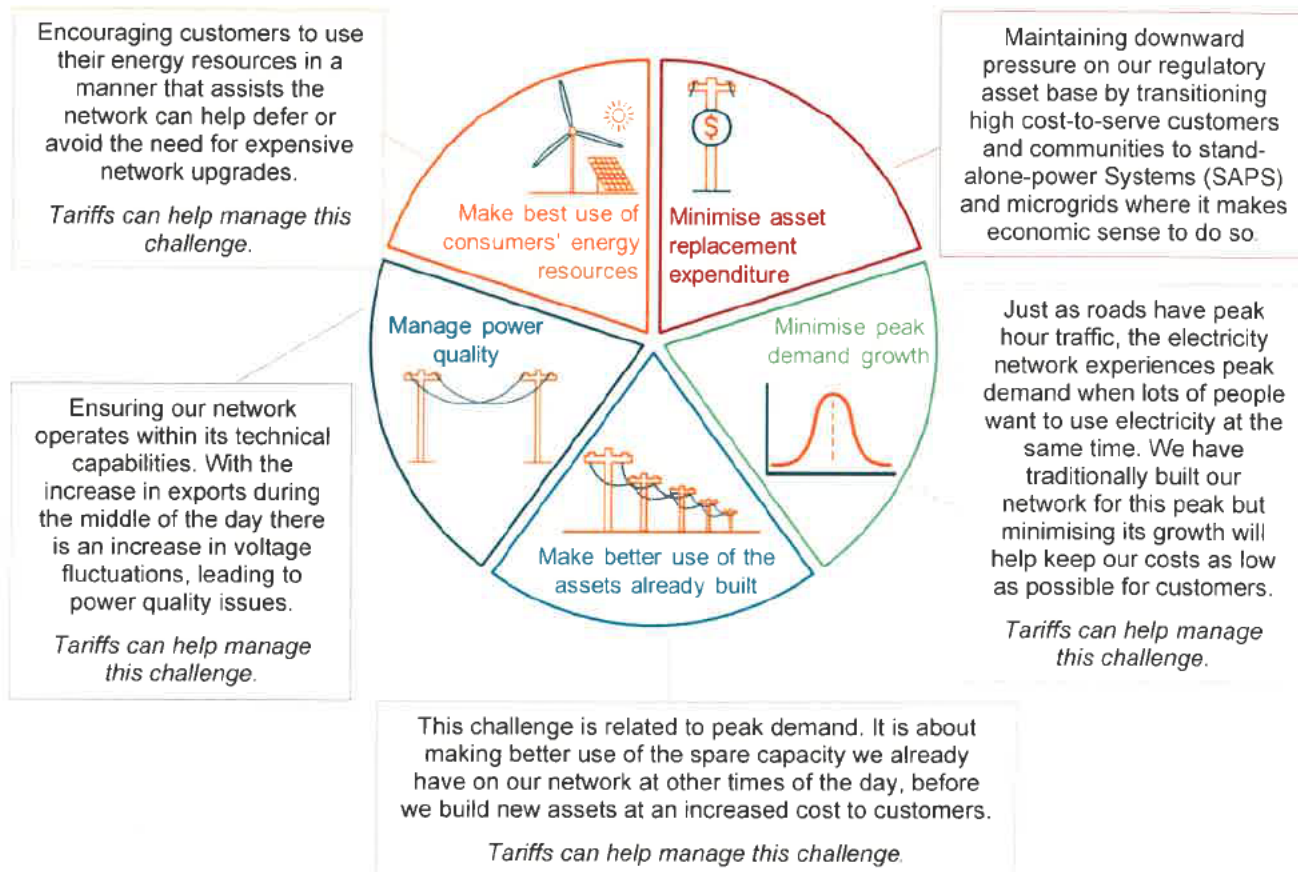
Chief Financial Officer

Attachment 1 – Tariff design principles

Principle	What this means
 Avoid bill shock	Tariffs minimise the risk of bill shock for customers (especially vulnerable customers)
 Easy to understand	Tariffs are relatively simple to interpret
 Fair	Customers pay their fair share of network costs (cost-reflective)
 Integrate renewables and new technologies	Tariffs accommodate changing technology, energy flows and greener customer choices
 Effective	Tariffs do the job - they solve network issues and do not create new ones

Attachment 2 – Our network challenges

Below is a summary of our five key network challenges. Some of these challenges influence each other. Tariffs can assist with managing four of these five challenges.



Attachment 3 – The suite of tools we use to help manage our network challenges and keep our network costs as low as possible and their inter-relationship

