

Final Decision

Ausgrid Electricity Distribution Determination 2024 to 2029 (1 July 2024 to 30 June 2029)

Attachment 19 Tariff structure statement

April 2024

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List of attachments

This attachment forms part of the AER's final decision on the distribution determination that will apply to Ausgrid for the 2024–29 period. It should be read with all other parts of the final decision.

As a number of issues were settled at the draft decision stage or required only minor updates, we have not prepared all attachments. The final decision attachments have been numbered consistently with the equivalent attachments to our draft decision. In these circumstances, our draft decision reasons form part of this final decision.

The final decision includes the following documents:

Overview

Attachment 1 – Annual revenue requirement

Attachment 2 – Regulatory asset base

Attachment 4 – Regulatory depreciation

Attachment 5 – Capital expenditure

Attachment 6 – Operating expenditure

Attachment 7 – Corporate income tax

Attachment 12 – Customer service incentive scheme

Attachment 13 – Classification of services

Attachment 14 – Control mechanisms

Attachment 15 – Pass through events

Attachment 16 – Alternative control services

Attachment 19 – Tariff structure statement

Attachment 20 – Metering services

Contents

List of attachments	iii
19 Tariff structure statement	1
19.1 Final decision.....	1
19.2 Ausgrid’s proposal	3
19.3 Assessment approach	4
19.4 Reasons for final decision.....	5
Shortened forms	15

19 Tariff structure statement

This attachment sets out our final decision on Ausgrid’s tariff structure statement to apply for the 2024–29 regulatory control period. A tariff structure statement describes:

- the distributor’s tariff classes and structures
- the distributor’s policies and procedures for assigning customers to tariffs and tariff classes
- the charging parameters for each tariff
- the distributor’s approach to setting tariff prices in annual pricing proposals.

It is accompanied by an indicative pricing schedule.¹

We accepted most elements of Ausgrid’s initial tariff structure statement in our draft decision. Attachment 19 of our draft decision sets out our reasons for accepting those elements. We do not repeat them in this final decision.

Our final decision focuses on:

- issues unresolved after our draft decision
- our assessment of changes between Ausgrid’s initial and revised tariff structure statement
- concerns raised by submissions in response to our draft decision and Ausgrid’s revised tariff structure statement.

19.1 Final decision

Our final decision is to approve Ausgrid’s revised 2024–29 tariff structure statement with amendments. We are satisfied that with the amendments, Ausgrid’s revised 2024–29 tariff structure statement complies with the pricing principles for direct control services in the National Electricity Rules (NER) and is consistent with other applicable requirements of the NER. The amendments are to:

- extend the transition period over which Ausgrid’s embedded network tariffs will be introduced from 5 years to 7 years
- to include an individually calculated tariff for storage customers.

Our draft decision noted that the New South Wales Government is working with distributors on common principles to recover New South Wales Electricity Roadmap costs. Once agreed on, common principles to govern distributors’ Roadmap costs will be reflected through Ausgrid’s annual pricing proposal.

Our final decision sets out the minimum changes required that we consider necessary for us to approve Ausgrid’s tariff structure statement.² We publish the final version of Ausgrid’s tariff

¹ NER, cl. 6.18.1A.

² NER, cl 6.18.5(d).

structure statement alongside this decision. For transparency, we publish both a clean version and a version which is marked-up from Ausgrid’s revised tariff structure statement.

Table 19.1 summarises our final decision on elements of the Ausgrid’s revised tariff structure statement that were not approved in our draft decision or have been changed from the proposed tariff structure statement.

Table 19-1 – Overview of new or amended elements of Ausgrid’s revised tariff structure statement

Issue	Our draft decision	Ausgrid’s revised tariff structure statement	Our final decision
Embedded network tariffs	Did not approve embedded network tariffs and required Ausgrid to conduct further analysis and consultation	Conducted further stakeholder engagement and provided further information on embedded network tariffs	Accept the proposed embedded network tariffs, but amend the transition period to extend over 7 years instead of 5 years
Individually calculated tariffs	Required Ausgrid to provide more information on its approach to setting individually calculated tariffs and the associated charging parameters	Provided further information on individually calculated tariffs	Approve the proposed tariffs and tariff structures and amend the revised tariff structure statement to include individually calculated tariffs for storage
Tariffs for flexible loads, including controlled load tariffs	Encouraged Ausgrid to consider tariffs for flexible loads such as electric vehicles (EVs)	Provided further information on how the proposed tariffs will address the potential rapid uptake of EVs, including more information on how its controlled load and trial tariffs can be used for EV charging	Accept the revised tariff structure statement with additional explanatory information
Small customer assignment policy	Encouraged Ausgrid to include more information to clarify that its transitional demand tariff will be available to customers whose meters are upgraded	Changed its small customer assignment policy to: <ul style="list-style-type: none"> clarify that customers whose meters are upgraded will be assigned to a 12-month introductory demand tariff assign customers on the withdrawn transitional 	Accept Ausgrid’s revisions to clarify its small customer assignment policy and to assign customers to the introductory demand tariff for 12 months

Issue	Our draft decision	Ausgrid’s revised tariff structure statement	Our final decision
		time-of-use tariff to the introductory demand tariff for 12 months before assigning them to the demand tariff (instead of assigning them directly to the demand tariff)	instead of directly to the demand tariff.
Two-way tariffs	Encouraged Ausgrid to provide a fact sheet and worked examples of how its export reward tariff will apply in practice	Provided a fact sheet explaining the export reward tariff and adjusted its assignment policy for its export reward tariffs	Accept the changes to assignment policy for export reward tariffs
Small-medium business tariff assignment	Approved medium business tariff assignment thresholds but requested information on a further change to allow customers with high demand to access small business tariffs	Provided additional information	Accept the changes to assignment policy for small and medium businesses
Storage tariffs	Approved the introduction of network tariffs for utility scale storage (grid-scale batteries)	Changed the tariff codes for storage tariffs and clarified it is unlikely to apply its storage tariffs on a locational basis in the 2024–29 period.	Accept the changes and clarification to storage tariffs

19.2 Ausgrid’s proposal

Ausgrid’s 2024–29 revised tariff structure statement is largely consistent with the tariff structure statement initially submitted in January 2023. In response to our draft decision Ausgrid’s revised tariff structure statement included:

- more information about its stakeholder engagement on its new embedded network tariffs
- more information on its individually calculated tariffs

- more information on a change to the threshold at which medium businesses can opt-out of capacity tariffs (so that businesses that consume up to 160 MWh and with demand over 100 kVA can still access time-of-use or demand tariffs)³
- information on how its existing controlled load and trial tariffs can manage EV charging load
- an export reward tariff factsheet that includes case studies, bill impacts and worked examples of the tariff being applied.

Ausgrid proposed the following changes in its revised tariff structure statement that did not respond to issues raised in our draft decision:

- clarification of its small customer assignment policy for controlled load and export reward tariffs
- that under its small customer assignment policy, customers on the withdrawn transitional time-of-use tariffs will be assigned to the introductory demand tariff for 12 months before being assigned to the standard demand tariff.

Following submission of its revised proposal and discussion with AER staff, Ausgrid also expanded the description of individually calculated tariffs to include individually calculated tariffs for storage.

19.3 Assessment approach

We assessed the tariff structure statement against the requirements of the NER.

First, the NER set out elements that an approved tariff structure statement must contain.⁴ These include the structure of proposed tariffs, and the policies and procedures the distributor will use to assign customers to those tariffs.

Second, a tariff structure statement must comply with the distribution pricing principles.⁵ Broadly, the pricing principles require tariffs to be based on long-run marginal costs and reflect a distributor's efficient costs of providing the service. An approved tariff structure statement must have regard to the impact on customers in the transition to cost reflective tariffs.

Refer to our draft decision for a detailed description of our assessment approach.⁶

19.3.1 What happens after a tariff structure is approved?

Once approved, a tariff structure statement will remain in effect for the relevant regulatory control period. The distributor must comply with the approved tariff structure statement and be consistent with the indicative pricing schedule when setting prices annually for direct control services.⁷

³ kVA = kilovolt-amps.

⁴ NER, cl. 6.18.1A(a).

⁵ NER, cl. 6.18.1A(b).

⁶ *AER - Draft Decision Attachment 19 - Tariff structure statement - Ausgrid - 2024-29 Distribution revenue proposal* - September 2023.

⁷ NER cl. 6.18.2(b)(7), cl. 6.18.2(b)(7A).

We will separately assess the distributors' pricing proposals for the coming 12 months. Our assessment of pricing proposals will be consistent with the requirements of the relevant approved tariff structure statement. A distributor is required to submit its initial pricing proposal within 15 business days after publication of our determination.

An approved tariff structure statement is intended to provide certainty and transparency to customers for 5 years. It can only be amended within a regulatory control period with our approval.⁸ We will approve an amendment if the distributor demonstrates that an event has occurred that was beyond its control and which it could not have foreseen, and that the occurrence of the event means that the amended tariff structure statement materially better complies with the distribution pricing principles.⁹

19.4 Reasons for final decision

As noted under *19.1 Final Decision*, our final decision is to approve Ausgrid's revised tariff structure statement with amendments.

In this section, we outline our reasons for:

- approving Ausgrid's proposed changes to its residential and small business tariffs assignment policy
- accepting Ausgrid's reasons for not including additional tariff options for flexible loads
- amending Ausgrid's new embedded network tariffs so that the transitional period is 7 years (instead of 5 years)
- approving Ausgrid's proposed changes to its small and medium business assignment policy
- amending the revised tariff structure statement to include individually calculated tariffs for storage
- accepting Ausgrid's clarification of the application of critical peak events for its storage tariffs

We have not provided additional analysis of the following (stakeholders should refer to Attachment 19 of our draft decision for our reasoning on these):

- elements we approved in our draft decision and Ausgrid did not change between its proposed and revised tariff structure statements
- elements of our draft decision that Ausgrid adopted or addressed.

⁸ NER, cl.6.18.1B.

⁹ NER, cl.6.18.1B(d).

19.4.1 Residential and small business tariffs

19.4.1.1 Assignment policy

Our draft decision approved Ausgrid's assignment policies for small customers. In its revised tariff structure statement Ausgrid made some minor changes to its small customer assignment policies, including:

- retaining its existing introductory demand tariffs (EA111 and EA251) and assigning customers to the introductory demand tariffs for 12 months before assigning them to default demand tariffs
- clarifying its controlled load tariffs are only available to customers with capable metering
- changing its assignment policy for its export reward tariff so it only applies to customers with export capability.

We approve the changes Ausgrid made to its small customer assignment policies in its revised proposal.

Ausgrid's revised proposal

In its revised proposal Ausgrid proposed to retain its existing introductory demand tariffs (EA111 and EA251) instead of withdrawing them as initially proposed.¹⁰ Ausgrid initially proposed withdrawing both its introductory demand tariffs and its transitional time-of-use tariffs and assigning affected customers directly to its standard default demand tariffs.

Ausgrid proposed in its revised proposal that by retaining its introductory demand tariffs it can transition customers currently on its transitional time-of-use tariffs (that will be withdrawn) to the introductory demand tariffs (EA111 and EA251) for 12 months before assigning them to its standard default demand tariffs. Ausgrid considered this change in response to feedback from AER staff in October 2022 that customers on flat tariffs who have meter upgrades should have a 12-month delay before moving to standard cost reflective demand tariffs. Ausgrid submitted that assigning customers to an introductory demand tariff is a better approach (than delayed assignment and customers remaining on flat tariffs for 12-months) as customers will have the opportunity to understand demand charges before receiving the full price signal.¹¹

In its revised proposal Ausgrid also clarified its assignment policy for its controlled load tariffs and export reward tariff. Ausgrid's revised proposal clarifies that controlled load tariffs are only available for customers with capable metering and the export reward tariff only applies to customers who have an approved network connection with export capability. In addition to these changes Ausgrid updated its tariff code for its export reward tariff to EA029 and

¹⁰ In its initial proposal Ausgrid proposed to withdraw its transitional time-of-use tariffs and its time-of-use demand tariffs for residential and small business customers as they had few or no customers on them and to re-assign affected customers to its standard cost reflective tariffs. Ausgrid considered streamlining its tariffs would make it easier for its stakeholders to understand and adopt more cost reflective structures.

¹¹ Ausgrid, *Revised proposal, Attachment 8.2, Our Revised TSS Explanatory Statement for 2024-29*, November 2023, p 35.

included a factsheet on two-way pricing. Ausgrid’s factsheet explains customer assignment for its export reward tariff and how its export reward tariff applies in practice.

AER consideration

We consider Ausgrid’s proposal to retain its introductory demand tariffs a better approach for introducing customers to a new pricing structure than its initial proposal which assigned customers directly to its standard default demand tariffs. We consider Ausgrid’s revised proposal better takes into account customer impact and understandability. It allows customers that will be transitioned to a network demand tariff the opportunity over a 12-month period to better understand demand price signals. This will help customers make more informed decisions on their energy use before being assigned to a more cost reflective demand tariff.

We also consider Ausgrid’s proposed change to clarify its assignment policy for its controlled load customers and two-way pricing customers makes it easier for its stakeholders to understand.

We further consider Ausgrid’s factsheet explaining customer assignment to its proposed export reward tariff and how the export reward tariff will be applied in practice improves customer understandability. We consider this will make it easier for stakeholders to implement and respond to the price signals.

19.4.1.2 Tariff structures for flexible load like electric vehicles (EVs)

Our draft decision encouraged Ausgrid to investigate the feasibility of an opt-in controlled load tariff for flexible load. We accept Ausgrid’s reasons for not proposing new tariff options targeting flexible load like EVs. We consider that Ausgrid’s proposed suite of tariffs and tariff assignment policies are appropriate for managing EV charging load at this time. Ausgrid also confirmed that its general controlled load tariffs are available to EV owners.¹²

Ausgrid’s revised proposal

Ausgrid, like other distributors, decided not to propose any new tariff option targeting residential EVs and other flexible load. Ausgrid confirmed that while single-phase EV chargers would be eligible to access its existing controlled load tariffs, EV owners would be unlikely to use them because present technology generally does not permit customer override. Additionally, under existing controlled load tariffs, customers may not be able to use solar energy on their primary circuit to charge EVs on a secondary, controlled load circuit. We note this could further disincentivise uptake of the controlled load tariff by EV owners. Ausgrid also provided feedback from retailers that load control to manage EV use is only preferable if it is at a retailer’s discretion.¹³

Instead, Ausgrid proposed to rely on its suite of tariffs already approved in the draft decision to manage EV charging load. These tariffs have structures that incentivise EV charging at times that benefit the network, particularly during the high solar period. All EV customers with

¹² Ausgrid, *Revised proposal, Attachment 8.2, Our Revised TSS Explanatory Statement for 2024-29*, November 2023, p 16.

¹³ Ausgrid, *Revised proposal, Attachment 8.2, Our Revised TSS Explanatory Statement for 2024-29*, November 2023, p 16.

smart meters will be assigned to a default network tariff with a low-priced solar soak period in the middle of the day. This could incentivise customers to shift flexible load to that period, and higher prices in the peak periods will help to encourage load shifting out of those periods. Customers with solar are also incentivised to use their solar energy to charge their EVs during the day.

Ausgrid will also continue to offer its existing flexible load tariff trial aimed at EV owners. The trial has been adjusted to include a critical peak price element.¹⁴

Tesla’s submission supported the view that controlled load tariffs are not appropriate to manage EV load.¹⁵

AER considerations

We consider Ausgrid’s suite of tariffs are appropriate for managing residential EV charging load for the 2024–29 period. The off-peak periods in its residential time-of-use and demand tariffs (between 9pm–3pm) provide opportunity for low priced EV charging during the day and overnight, suitable to customers with access to day-time charging and overnight charging. We encourage Ausgrid to continue to progress its flexible load trial tariff.

19.4.2 Small to large business tariffs

19.4.2.1 Embedded network tariffs

Our draft decision accepted Ausgrid’s embedded network tariffs in principle but kept the issue open for further consultation and analysis. We sought additional feedback from a broad range of stakeholders on issues including:

- the level of charges and amount of residual costs Ausgrid proposed to recover through its embedded network tariffs
- whether Ausgrid adequately considered the benefits embedded networks provide in its proposed charges (for example, the avoided costs or network costs savings resulting from the formation of embedded networks).¹⁶

Our final decision is to approve Ausgrid’s revised embedded network tariff structures with an amendment to its proposal to transition the price levels of its embedded network tariffs to cost reflective levels over 7 years (rather than the 5 years proposed by Ausgrid).

Ausgrid’s revised proposal

Ausgrid did not make any changes to the tariff structures or the charges for its embedded network tariffs in its revised tariff structure statement. It also maintained a 5-year transition period as initially proposed. Rather, it included further details of its stakeholder engagement on embedded network tariffs, commentary on the proposed tariff component structure, and

¹⁴ Ausgrid, *Revised proposal, Attachment 8.2, Our Revised TSS Explanatory Statement for 2024-29*, November 2023, pp 19 – 20.

¹⁵ Tesla, *Submission on the revised proposals and draft decisions 2024-29*, January 2024, pp 2 – 3.

¹⁶ For a complete list of areas we asked for stakeholder feedback, see section 19.4.3.5 of our draft decision. AER, *Attachment 19 - Tariff structure statement, Draft decision - Ausgrid distribution determination 2024–29*, September 2023, pp 32 - 36.

published a model estimating the extent of the tariff arbitrage which it had previously provided to the AER via an information request.

Ausgrid considered whether there are any savings to it from avoided costs (i.e., costs that Ausgrid avoids as a result of embedded networks within its distribution network) but found that these costs were minimal. It submitted that while there are avoided cost savings for both its LV and HV networks due to embedded networks, the current and future tariff cross subsidy is much larger than the savings. On this basis Ausgrid maintained its proposed tariff structure statement to recover between 37% and 86% of the cross subsidy (depending on the size of the embedded network),¹⁷ and did not make any changes to its embedded network tariffs to further reflect avoided cost savings. That is, because Ausgrid was unwinding only a portion of the cross subsidy, it did not reduce charges any further in consideration of avoided cost savings.

Submissions

We received 16 submissions in total on embedded network tariffs, 8 specific to Ausgrid. Many of these submissions were from embedded network operators or retailers opposing embedded network tariffs and were consistent with submissions in response to proposed tariff structure statements. In summary, submissions included that:

- an embedded network's connection at a single parent meter is consistent with other large customers, so a separate tariff for embedded networks is not appropriate
- it is not in the AER's jurisdiction to make decisions on equity
- the 50% increase in capacity tariffs in Ausgrid's embedded network tariffs is too high
- Ausgrid did not consult with embedded network operators between the AER's draft decision and submitting its revised tariff structure statement
- if embedded network tariffs are approved, a 5-year transition period is preferred
- Ausgrid has not justified introducing a separate embedded network tariff
- independent modelling is required to determine the avoided costs of embedded networks
- embedded network tariffs impact the viability of embedded networks and will increase costs for both embedded network customers and customers within embedded networks
- distributors are trying to increase revenue through embedded network tariffs
- embedded network tariffs should not apply to certain types of embedded networks, such as retirement homes and land lease communities.¹⁸

¹⁷ Ausgrid, Revised proposal, *Att. 8.13 – Embedded network tariff arbitrage model*, 30 November 2023.

¹⁸ Submissions from: Origin Energy – *Submission on Endeavour Energy and Ausgrid's revised proposals and draft decisions 2024-29*. January 2024; EWON, *Submission on Ausgrid and Endeavour Energy's Revised*

- Two submissions noted Ausgrid’s significant engagement and consultation on embedded network tariffs.¹⁹

AER considerations

We consider that Ausgrid’s rationale for maintaining its originally proposed embedded network tariff structures reflects the level of cross subsidy it is trying to unwind and the growing number of embedded networks in its jurisdiction. We also consider that any costs Ausgrid avoids through the existence of the embedded networks are accounted for through Ausgrid’s approach of unwinding only a portion of the implied cross-subsidy.

Our view is that there is no exact like-for-like comparison between Ausgrid and Endeavour Energy. Ausgrid has more embedded networks connected to its network so the aggregate cross-subsidy, and subsequently the charges needed to recover the cross subsidy, in Ausgrid’s network is larger than in Endeavour Energy’s network.

However, we amended its revised tariff structure statement and explanatory statement to extend the transition period from 5 years to 7 years. Under this amended approach, existing embedded network customers assigned to the tariff on 1 July 2024 will face a 4.3% average annual network bill increase for 7 years, with a total average network bill increase of 30%. Our view is that a 30% average network bill impact is a material impact, and the longer transition price path of 7 years will help ensure that embedded network customers (i.e., embedded network operators) can become accustomed to higher prices.

Our amendment was made in response to stakeholder submissions mentioned above, and in consideration of IPART’s draft report on the future of embedded networks²⁰ and ongoing work by the AER in this space.

IPART’s draft review held that even with the embedded network tariffs proposed by Ausgrid and Endeavour, embedded network customers are still better off compared to non-embedded network customers.²¹ IPART’s final report will be released in April 2024. If IPART’s final report confirms the price caps canvassed in its draft report, we consider that

Proposals and draft decision, January 2024; Compliance Quarter, Submission on Ausgrid’s revised proposal and draft decision 2024-29, January 2024; Compliance Quarter, Submission on Endeavour’s revised proposal and draft decision 2024-29, January 2024; Active Utilities, Submission on Ausgrid’s Revised Proposal and Draft Decision 2024-29, January 2024; Active Utilities, Submission on Endeavour Energy’s Revised Proposal and Draft Decision 2024-29, January 2024; Network Energy Services, Submission on Ausgrid’s revised proposal and draft decision 2024-29, January 2024; Network Energy Services, Submission on Endeavour Energy’s revised proposal and draft decision 2024-29, January 2024; Caravan, Camping and Touring Industry NSW, submission on Endeavour Energy’s revised proposal and draft decision 2024-29, January 2024; Caravan, Camping and Touring Industry NSW, submission on Ausgrid’s revised proposal and draft decision 2024-29, January 2024; EnergyLocals, Submission on Endeavour Energy and Ausgrid’s revised proposal and draft decision 2024-29, January 2024.

¹⁹ Consumer Challenge Panel 26, *Advice to AER – 2024-29 Revised Electricity Determination and Draft Decision – Ausgrid*, January 2024; Ausgrid’s reset customer panel, *2024-29 Revised Electricity Determination and Draft Decision – Ausgrid*, January 2024.

²⁰ IPART’s final report will be released in April 2024. We acknowledge that the final report could differ from the draft report, but we understand IPART will confirm its intent to introduce price caps for on-sale of electricity and other services to end-use customers by embedded network operators. This means embedded network operators will be prevented from passing on the cost increases from the Ausgrid and Endeavour Energy embedded network tariffs through electricity charges.

²¹ IPART, *Draft Report – Embedded networks*, December 2023, p 31.

there will be sufficient head room between Ausgrid’s embedded network tariff and confirmed price cap, for embedded network operators to remain commercially viable. The extended transition period will assist embedded network operators to adjust.

We continue to hold the view that improved cost recovery from embedded network operators is appropriate given the increasing numbers of embedded networks across the grid, and the cross subsidy that arises under existing tariff structures. We also consider that the 160 MWh per annum threshold under which the embedded network tariff does not apply will protect some smaller embedded network operators from higher network costs. Section 19.4.3.5 of our draft decision sets out a detailed consideration of our support for embedded network tariffs.

In addition to the reasoning in our draft decision supporting introduction of these tariffs, we consider there is a basis under the National Electricity Objective (NEO) in support of embedded network tariffs. Our view is that there is a basis for the AER to consider the comparative costs paid by consumers in consideration of the long-term interests of consumers. We consider that it is in the long-term interest of all consumers for embedded network customers to pay a more equal share of residual costs.

We also encourage Ausgrid to look for ways to further refine its embedded network tariffs if and when more information becomes available to it. For example, to consider restructuring its embedded network tariff or introducing additional tariffs if it can distinguish between different types of embedded networks (residential, commercial and mix-used).

19.4.2.2 Changes to tariff assignment for small and medium business tariffs

Our draft decision accepted the changes Ausgrid made in its tariff structure statement to extend the medium business tariff assignment ‘threshold’ from 40 MWh per annum to 100 MWh per annum over three years. However, we noted that Ausgrid alerted us to an additional change it intended to make to in revised tariff structure statement to allow customers consuming up to 160 MWh with demand over 100 kVA to access small business tariffs. We kept this change open to consultation.

Our final decision is to accept all elements of Ausgrid’s assignment policy for small and medium business customers. Ausgrid has provided information supporting the additional change, which will enable peaky load customers, such as EV charge point operators, to access time-of-use tariffs.

For clarity, Ausgrid retained the following policy from its initial tariff structure statement:

- move the assignment threshold between demand and capacity tariffs from 40 MWh to 100 MWh over three years.

Ausgrid also removed reference to the 100 amp rule in its tariff assignment for medium business customers (the 100 amp connection threshold is defined in the NSW Service and Installation Rules as the level above which an additional level of electrical compliance is required by both the accredited service provider and distribution network). This change will avoid an inconsistency between whether a 100 amp or 100 kVA demand threshold applies to new and existing business customers.

Submissions

Evie Networks submitted a number of arguments against existing tariffs being applied to EV charge point operators in NSW, including that the NEO's emissions targets have been misrepresented and should be considered as supporting a specific tariff for EV charge point operators.^{22,23} We have reflected on the new emissions reduction objectives in assessing tariffs available to charge point operators and consider Ausgrid's tariffs to be appropriately balanced against the pricing principles of the NER.

AER consideration

In this round of tariff structure statements, we have encouraged increased alignment across distributors on access to time-of-use tariffs for peaky load businesses like charge point operators. From 1 July 2024 peaky load customers with annual consumption below 160 MWh per annum in NSW will join similar customers in Victoria and the ACT in having access to time-of-use tariffs (opting-out of demand or capacity tariffs).²⁴ In Ausgrid's network, there will be the additional requirement for customers to have demand higher than 100 kVA to be able to access time-of-use tariffs where their annual consumption is less than 160 MWh.

Our view continues to be that demand and capacity tariffs are appropriate tariffs for EV charge point operators and their use of the network, and the 160 MWh per annum threshold is reasonable in the context of the new NEO. Peak demand and capacity charges only apply during peak times (3pm – 9pm for Ausgrid). Charge point operators in Ausgrid's network do not face demand/capacity charges for their demand outside of peak demand periods, i.e., they are only charged for spikes in demand that contribute to the evening peak. Existing large business tariffs signal the cost associated with peak time energy demand to charge point operators and incentivise these businesses to respond.²⁵

We support a collaborative approach to developing tariffs and tariff trials aimed at peaky load businesses, and encourage collaboration between the sector, distributors and government bodies. However, we do not support network tariff concessions for these customers that increase the contribution to network cost recovery required of other customers within the same customer class.

19.4.2.3 Individually calculated tariffs

Our draft decision did not approve Ausgrid's individually calculated tariffs. Individually calculated tariffs are specifically designed for individual customers. They are typically offered to large business users to signal bespoke, localised price signals due to their outsized impact on the distribution network.

We required Ausgrid to provide clarity on its individually calculated tariffs, specifically on how individually calculated tariffs are calculated and the charging parameters that apply. Our view

²² National Electricity Law, s 7(c).

²³ Evie Networks, *2024-29 Submission on Revised Proposals and Draft Decision*, February 2024; Marsden Jacobs, *Report for Evie*, February 2024.

²⁴ MWh = megawatt hours.

²⁵ Evie Network's submitted that charge point operators are able to curtail demand on peak demand days. - Evie Networks, *2024-29 Submission on Revised Proposals and Draft Decision*, February 2024, p 7.

was that large customers on individually calculated tariffs should be afforded transparency and certainty in the tariff structures available to them in a regulatory control period.

Our final decision is to accept Ausgrid's revised proposal on individually calculated tariffs. We are satisfied that Ausgrid has provided sufficient information and that an additional change Ausgrid made to include an individually calculated storage tariff complies with the NER pricing principles and other NER requirements.

In Ausgrid's network, individually calculated tariffs are calculated on a site-specific basis, and are applicable to HV, sub-transmission or transmission customers that have network usage that is greater than 10 MW or 40 GWh per annum.²⁶

Ausgrid addressed our draft decision by:

- setting out that fixed, peak and off-peak energy and capacity charging parameters will apply to individually calculated tariffs (the same charging parameters that apply other large business)²⁷
- providing more information on its approach to setting individually calculated tariffs.²⁸

Additionally, we amended the revised tariff structure statement (on request from Ausgrid) to include an individually calculated tariff option for storage customers. In communication with AER staff, Ausgrid identified this as an unintended gap in its individually calculated tariffs. The amendments clarify that storage customers on individually calculated tariffs will have the same tariff structures as utility-scale storage tariffs (as per section 3.10 of Ausgrid's revised tariff structure statement).

19.4.2.4 Storage tariffs

Our draft decision approved Ausgrid's proposed introduction of network tariffs for utility scale storage (grid-scale batteries) connected to its sub-transmission network and its low-voltage and high-voltage distribution networks.

In its initial proposal Ausgrid proposed three storage tariffs, one each for its low-voltage, high-voltage, and sub-transmission networks, that comprised of a primary import tariff and a secondary export tariff. Ausgrid's proposed storage tariff structures were based on locational critical peak load events and locational critical peak export events. That is, Ausgrid initially proposed that the peak energy and peak export events reflect the locational conditions of the storage asset.

In its revised proposal Ausgrid submitted that while each of its critical peak and minimum energy events are intended to be locational, the AER decision on other elements of its proposal meant it may not be able achieve it. Ausgrid submitted that our draft decision on the ERP upgrade which provided for \$18 million (instead of Ausgrid's proposed \$149 million) may impact on its capability to apply its proposed storage tariffs on a locational basis in the 2024–29 period. Ausgrid further noted that locational pricing requires development of either

²⁶ Ausgrid, *Revised proposal - Att. 8.1 - Tariff Structure Statement compliance document* - 30 Nov 2023, p 39.

²⁷ Ausgrid, *Revised proposal - Att. 8.1 - Tariff Structure Statement compliance document* - 30 Nov 2023, p 28.

²⁸ Ausgrid, *Revised proposal - Att. 8.1 - Tariff Structure Statement compliance document* - 30 Nov 2023, p 12.

expanded or new platform functionality and is not currently supported by the SAP billing and MBS metering systems.²⁹

We accept Ausgrid's proposed change to signal that its critical peak and minimum energy events may not be able to reflect locational conditions of the storage asset. We consider this change reflects Ausgrid's circumstances.

²⁹ Ausgrid, *Revised proposal – Att. 8.2 – Our Revised TSS Explanatory Statement for 2024-29* – 30 Nov 2023, p 48.

Shortened forms

AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
augex	augmentation expenditure
capex	capital expenditure
CER	consumer energy resources
CPI	consumer price index
HV	high voltage
LRMC	long-run marginal cost
LV	low voltage
NEL	national electricity law
NEM	national electricity market
NEO	national electricity objective
NER	national electricity rules
NSP	network service provider
opex	operating expenditure
PV	photovoltaic
RAB	regulatory asset base
RBA	Reserve Bank of Australia
repex	replacement expenditure
RIN	regulatory information notice
