Final Decision

Evoenergy Electricity Distribution Determination 2024 to 2029

(1 July 2024 to 30 June 2029)

Attachment 19

Tariff structure statement

April 2024

AUSTRALIAN ENERGY REGULATOR

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Amendment record

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1	30 April 2024	15

List of attachments

This attachment forms part of the AER's final decision on the distribution determination that will apply to Evoenergy for the 2024–29 regulatory control 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 8 – Efficiency benefit sharing scheme

Attachment 9 – Capital expenditure sharing scheme

Attachment 13 – Classification of services

Attachment 14 – Control mechanisms

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Attachment 18 – Connection policy

Attachment 19 – Tariff structure statement

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19 Tariff structure statement

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

- a 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 Evoenergy'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 Evoenergy's proposed and revised tariff structure statement
- submissions on our draft decision and Evoenergy's revised tariff structure statement where they raised concerns over our draft decision or Evoenergy's revised proposal.

19.1 Final Decision

Our final decision is to approve Evoenergy's revised 2024–29 tariff structure statement with one amendment. We are satisfied that with the amendment, all elements of Evoenergy's revised 2024–29 tariff structure statement comply with the pricing principles for direct control services in the National Electricity Rules (NER) and are consistent with other applicable requirements of the NER. The amendment is to:

- explicitly extend Evoenergy's battery tariffs to storage technologies other than batteries, i.e. technologies with similar connection and load profile characteristics to batteries.

Our final decision sets out the minimum changes that we consider necessary for us to approve Evoenergy's tariff structure statement.[2] We publish the final version of Evoenergy's tariff structure statement alongside this decision. For transparency, we publish both a clean version and a version which is marked-up from Evoenergy's revised tariff structure statement.

1 NER, cl. 6.18.1A.

2 NER, cl 6.18.5(d).

Table 19-1 summarises our final decision on elements of Evoenergy'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 revised tariff structure statement

Issue	Our draft decision	Evoenergy's revised tariff structure statement	Our final decision
Opt-in controlled load tariff for flexible load	Required Evoenergy to develop an additional controlled load tariff targeting flexible load	Did not develop the tariff but explained how its proposed tariffs will address potential rapid uptake of EV	Approve the revised tariff structure statement with additional explanatory information
Trigger events for contingent tariff adjustments	Required that trigger events be clearer	Withdrew all contingent tariff adjustments	Accept withdrawal
Mandatory assignment of customers with electric vehicle (EV) fast chargers to demand tariffs	Required Evoenergy to remove this contingent tariff adjustment	Withdrew all contingent tariff adjustments	Accept withdrawal
Basic export level in grid-scale battery tariff	Required Evoenergy to add a basic export level to the proposed tariff	Added a basic export level to the tariff	Approve basic export level
Two-way tariffs	Approved the proposed export reward tariff	Withdrew the export reward tariff	Accept withdrawal
Structure of proposed residential tariffs (time-of-use and demand)	Approved the proposed tariff structures	Made adjustments to the structure of residential tariffs	Approve the revised tariff structures
Individually calculated tariffs	Not applicable (no individually calculated tariffs were proposed)	Proposed individually calculated tariffs	Approve the proposed tariffs and tariff structure

19.2 Evoenergy's revised proposal

Evoenergy's 2024–29 revised tariff structure statement is largely consistent with the tariff structure statement initially submitted in January 2023 with the exception of withdrawing a proposed tariff. In response to our draft decision Evoenergy's revised tariff structure statement:

- withdrew all contingent tariff adjustments
- introduced a basic export level to its grid-scale battery tariff.

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

- withdrawing its proposed residential export reward tariff
- adjusting the structure of its proposed residential tariffs
- introducing individually calculated tariffs.

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.[3] 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.[4] 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.[5]

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.[6]

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.

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3 NER, cl. 6.18.1A(a).

4 NER, cl. 6.18.1A(b).

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

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

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.[7] 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.[8]

19.4 Reasons for final decision

As noted under *19.1 Final Decision*, our final decision is to approve Evoenergy's revised tariff structure statement with one amendment. In this section, we outline our reasons for:

- approving proposed adjustments to the residential demand and time-of-use tariffs
- approving the proposed individually calculated tariffs
- amending references to battery tariffs to instead refer to storage tariffs
- accepting Evoenergy's decision to not propose new options for flexible load like EVs
- accepting Evoenergy's proposal to withdraw its residential two-way tariff.

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

We note that ActewAGL submitted that Evoenergy should include in its tariff structure statement the Business-to-Business market transaction codes that generate tariff changes.[9] While we do not require these to be included in a tariff structure statement, we encourage ActewAGL to engage directly with Evoenergy to seek ways to reduce the administrative burden it identified.

19.4.1 Adjustments to residential tariffs

Our draft decision approved Evoenergy's proposed residential time-of-use and demand tariffs. Evoenergy's revised tariff structure statement adjusted the structure of these tariffs in response to stakeholder feedback and Evoenergy's latest available load profile data.

We support Evoenergy's adjustments. They are modest refinements, are consistent with broad stakeholder feedback and the tariffs remain compliant with the NER pricing principles.

Evoenergy's proposal

Evoenergy's changes to the structures of its residential tariffs comprised:

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7 NER, cl.6.18.1B.

8 NER, cl.6.18.1B(d).

9 *ActewAGL Retail - Submission on Evoenergy's revised proposal and draft decision 2024-29 - January 2024*, p 2.

- extending by one hour the evening peak charging period for the approved time-of-use and demand tariffs, to 5pm − 9pm (from 5pm − 8pm)
- re-establishing in its approved time-of-use tariff the morning peak period of 7am − 9am that exists in its current time-of-use tariff
- removing the inclining block off-peak charge of the approved time-of-use tariff, leaving a flat off-peak charge.

Stakeholder views

There was some stakeholder support for Evoenergy's adjustments.

ACTCOSS submitted it appreciated Evoenergy removing the inclining-block charge (although remained concerned over the application of time-of-use and demand tariffs more generally).[10, 11]

Origin submitted on Evoenergy's proposed tariff structure statement that contingent tariff adjustments introduced unnecessary complexity and distribution network service providers (DNSPs) ought to adopt a single structure for the entire 2024−29 period. This outcome is delivered with Evoenergy's adjustments because the first change listed above was one that Evoenergy had proposed to introduce as a contingent tariff adjustment but it will now be adopted in a single structure for the entire 2024−29 period.

ActewAGL also supported Evoenergy simplifying the time-of-use tariff, submitting that the initial tariffs could have reduced the efficiency of price signals and impacted the take-up of cost reflective tariffs.[12]

AER considerations

We consider that the extended peak charging window and re-instated morning peak period are supported by Evoenergy's updated load profile data. The data shows the evening peak is already extending beyond 8pm and the morning peak at some residential substations is approaching a level comparable to the evening peak.[13]

We also consider that removing the inclining block charge from the time-of-use tariff responds to stakeholder feedback that the tariff was too complex and we accept Evoenergy's assessment that it is not needed. Complexity is a relevant consideration for a tariff Evoenergy provides as its simple alternative to its demand tariff. Evoenergy assessed updated load profiles to conclude that overnight EV charging will not create new peaks in the 2024−29 period.[14]

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10 ACT Council of Social Service - *ACTCOSS - Submission on Evoenergy's revised proposal and draft decision 2024-29 - January 2024*, p13.

11 Our consideration of Evoenergy's assignment policies and the impact of retail customers moving to cost reflective tariffs is discussed in our draft determination, *Draft Decision Evoenergy Electricity Distribution Determination 2024 to 2029*, pp19-20.

12 *ActewAGL Retail - Submission on Evoenergy's revised proposal and draft decision 2024-29 - January 2024*, pp1-2.

13 *Evoenergy – information request Evo IR4048 – Tariffs (multiple) - 20231214 - PUBLIC*, pp2-6.

14 *Evoenergy - Appendix 4.1 Tariff Structure Explanatory Statement - November 2023*, p91.

Notwithstanding ActewAGL's support for the simplification, we reiterate our views from the draft decisions that cost reflective network tariffs signal to retailers the costs of using the network at different times. It encourages retailers to design retail tariff offers that reflect those costs and signal to end-use customers when it is more or less costly to use the network. The NER provides for the role of retailers in repackaging network tariffs to be understandable and appealing to customers, and it is not a necessary feature of tariff design and AER approval that the retailer agree to pass through the key features of the tariff.

Additional issues

One stakeholder raised issues with already approved elements of the tariff structure statement. Red and Lumo submitted that Evoenergy's demand tariff was complex, particularly for a default tariff and would prefer a time-of-use tariff as the default.[15] We have already considered this issue in our draft decision and note that retailers are able to opt-out their customers from Evoenergy's demand tariff to its alternative time-of-use tariff.

19.4.2 Options for flexible load like EVs

Our draft decision required Evoenergy to investigate the feasibility of an opt-in controlled load tariff for flexible load. This requirement reflected the high EV uptake rate in the Australian Capital Territory and consequential need to manage EV charging on the grid.

We accept Evoenergy's reasons for not proposing a new tariff option to manage EV charging. Its insights into customer preferences on EV load control and technical limitations of load control are reasonable and consistent with the views of other distributors and retailers.

Evoenergy's proposal

Evoenergy found customers generally did not support controlled load options for EV charging. Evoenergy explored the technical feasibility and customer support for a new opt-in controlled load tariff specifically targeting flexible load. Evoenergy found that customer ability to override the DNSP control is necessary for customer acceptance of DNSP control but that override capability depended on the metering configuration and it was something Evoenergy could not guarantee. Evoenergy confirmed that customers could opt-in to its existing load control tariffs for EV charging and some customers may have the ability to override its control but uptake was expected to be limited.[16]

Instead, Evoenergy proposed to rely on its suite of tariffs already approved in the draft decision to manage EV charging. These tariffs have structures that incentivise EV charging at times that benefit the network, particularly during high solar periods but also overnight for those without access to daytime charging. Both primary residential tariffs have a low-priced solar soak period in the middle of the day (i.e. solar soak charges) to incentivise customers to shift flexible load to that period, and higher prices in the peak periods to encourage load shifting out of those periods.

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15 *Red and Lumo Energy - Submission on the NSW and ACT revised proposals and draft decisions 2024-29 - January 2024*, p2.

16 *Evoenergy - Appendix 4.1 Tariff Structure Explanatory Statement - November 2023*, pp97-98.

Evoenergy is also developing but not yet ready to deploy flexible load tariffs that would allow Evoenergy to dynamically manage EV charging. Its research concluded dynamically managed EV charging with customer override capability would be more acceptable to customers.

Submissions

Most submissions did not support further action by Evoenergy to develop EV charging control. While ACTCOSS supported our draft decision requirement, Tesla submitted that price signals (like time-of-use) were the 'low hanging fruit' to manage EV charging load and together with ActewAGL submitted that controlled load tariffs were not appropriate for managing EV charging.[17, 18, 19] CCP26 submitted that Evoenergy's consumer engagement on a load control tariff for EVs was consultative and Evoenergy's position reflected views expressed by consumers.[20]

AER considerations

In the absence of a viable load control alternative, we consider Evoenergy's current suite of tariffs are appropriate for managing EV charging load at this time. As referenced in our draft decision, recent studies of EV charging behaviour support the importance and effectiveness of price signals in shifting charging times. The four-hour solar soak periods provided in Evoenergy's residential time-of-use and demand tariffs provide opportunity for low priced EV charging during the day, and for those without access to day-time charging off-peak prices overnight provide a cheaper alternative than peak-period charging.

19.4.3 Individually calculated tariffs

Our draft decision did not cover individually calculated tariffs since Evoenergy's proposed tariff structure statement did not include them. Individually calculated tariffs are for 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.

In its revised tariff structure statement, Evoenergy has included a new proposal for individually calculated tariffs to apply to large HV customers connecting to its sub-transmission assets.

We consider the proposed individually calculated tariff structure is acceptable. It is compliant with the pricing principles in being based on the long-run marginal costs of serving the customers that would be assigned to it and it aims to recover efficient costs. Evoenergy has included sufficient detail to provide certainty to the AER, retailers and customers over the structure of the tariffs.

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17 *ACTCOSS - Submission on Evoenergy's revised proposal and draft decision 2024-29 - January 2024*, p13.

18 *Tesla - Submission for the revised proposals and draft decisions 2024-29 - January 2024*, pp2-3.

19 *ActewAGL Retail - Submission on Evoenergy's revised proposal and draft decision 2024-29 - January 2024*, p2.

20 *Consumer Challenge Panel 26 - Advice to AER - 2024–29 Revised Electricity Determination and Draft Decision - Evoenergy - January 2024*, p18.

Evoenergy's proposal

Evoenergy proposed highly cost reflective individually calculated tariffs on the basis that sub transmission customers are sophisticated network users and able to accept advanced, cost-reflective price signals. The tariffs will:

- include a peak demand charge, capacity charge, net consumption charge, peak export rebate and charge, and peak import rebate
- ensure recovery of total efficient costs through allocation of residual costs based on the customer's use of sub-transmission assets relative to other customers.[21]

We received no submission on this element of the revised tariff structure statement.

AER considerations

Evoenergy has chosen to propose the tariffs at this stage of the regulatory process because it has recently received enquiries for sub-transmission connections, and it has no appropriate tariff. Its existing HV tariffs reflect the efficient cost of providing network services to customers using both the sub-transmission and HV assets but not to customers using only sub-transmission assets.

19.4.4 Storage tariffs

Our draft decision accepted most elements of Evoenergy's proposed grid-scale battery tariffs but required Evoenergy to add a basic export level to the tariffs.

We consider the basic export level that Evoenergy included in its revised tariff structure statement is acceptable. The storage tariffs are now consistent with:

- NER requirements that all export tariffs include a basic export level
- our Export Tariff Guidelines which set the expectation that basic export levels be greater than zero.[22,23]

Submissions and AER considerations

ActewAGL submitted that it does not support the capacity charge in Evoenergy's battery tariff (consistent with views it submitted on Evoenergy's proposed tariff structure statement).[24] In response to ActewAGL's initial submission, Evoenergy's revised tariff structure statement further explained the capacity charge, that it recovers residual costs and does so in a way that is stable (because a battery's maximum import rate will be stable) and will naturally scale to different battery sizes for a proportional contribution. We consider that Evoenergy has reasonably justified its capacity charge.

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21 Evoenergy – Attachment 4 Tariff Structure Statement – November 2023, pp26-27.

22 NER, cl. 11.141.13(a)(1).

23 *AER, Export tariff guidelines, May 2022.*

24 *ActewAGL Retail - Submission on Evoenergy's revised proposal and draft decision 2024-29 - January 2024.*

Tesla submitted that Evoenergy would apply transmission-use-of-system charges to storage and thus discourage grid-scale batteries.[25] Evoenergy proposed an avoided/incurred TUOS charge which we consider to be cost reflective. We note that through these charges it is also possible for batteries to derive a net financial benefit during periods when their operation assists transmission businesses avoid augmentation costs.

Additional issues

Following our draft decision, the AER also sought clarity from the DNSPs proposing battery tariffs that their tariffs could apply to all storage technology with similar connections and load profiles. As for other DNSPs, Evoenergy confirmed this is the case.[26] In this final decision, the AER has amended the revised tariff structure statement to clarify this. We consider this is necessary for the tariffs to comply with the NER.[27]

19.4.5 Two-way tariffs

Our draft decision approved Evoenergy's two-way pricing for both residential and grid-scale batteries. In its revised proposal Evoenergy withdrew its two-way pricing for residential customers for the 2024−29 period (but maintained two-way pricing for grid-scale batteries).

We accept Evoenergy's withdrawal of two-way pricing for residential customers for the 2024−29 period.

Evoenergy's proposal

Evoenergy submitted that the main reasons for its proposed withdrawal of two-way pricing for residential customers are significant costs and implementation complexity of residential export tariffs within its billing system.[28] Evoenergy submitted that a better pathway to introduce residential customers to export-related pricing concepts is through 'solar soak' charges. Evoenergy had proposed solar soak charges within its proposed tariff structure statement for its residential time-of-use and demand tariffs.[29]

Submissions

ActewAGL supported Evoenergy's proposed withdrawal, submitting that 'solar soak' charges are a simpler more customer friendly way to incentivise the efficient use of the electricity network.[30]

ACTCOSS, on the other hand, agreed with the principle that tariffs should be simple for consumers to understand, but submitted that export tariffs were more equitable. ACTCOSS submitted that export tariffs would benefit both network security and customers. It submitted that export tariffs reduce the amount that low-income consumers (who are less likely to have solar) pay for the network impacts caused by those with consumer energy resources. It also noted that under the current approach and Evoenergy's revised proposal, non-solar

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25 *AER - 2024-2029 NSP Regulatory Determination Decisions*_Tesla Response, p14.

26 *Evoenergy – information request Evo IR4048 – Tariffs (multiple) - 20231214 - PUBLIC*, p15.

27 NER, cl.6.18.4(2).

28 *Evoenergy, Appendix 4.1 revised Tariff Structure Explanatory Statement*, p84.

29 *Evoenergy, Appendix 4.1 revised Tariff Structure Explanatory Statement*, pp84 - 85.

30 *ActewAGL, Submission in response to Evoenergy's 2024-29 revised proposal, 18 January 2024*, p2.

households effectively subsidise the impact on the network of solar households. ACTCOSS submitted that export tariffs are more equitable because they mean households with solar pay for the impact that they have on the network.[31]

CCP26 noted that two-way pricing was not raised by the AER in its draft decision as a topic for engagement, nor had it seen the evidence in support of Evoenergy's revised position or identified any widespread consumer calls for the change. CCP26 submitted that the removal of export charging could not be justified solely based on engagement with consumers since the engagement at the Deep Dive Panel was at the 'inform' level, further commenting that it had observed very different approaches to engagement on other tariff issues.[32]

AER considerations

In its revised proposal Evoenergy emphasised that its low-priced solar soak period (during the middle of the day) in its consumption tariffs will help address its forecast increase in peak exports during the 2024−29 period. Evoenergy submitted the low solar soak price will signal the benefits to (non-solar PV) customers of shifting consumption of energy from the grid during periods of peak solar exports to the grid. Evoenergy submitted this as an alternative to two-way pricing that that will help address problems associated with peak exports to the grid in the middle of the day. Evoenergy further proposed the solar soak tariff does not have the associated costs to upgrade its billing system that Evoenergy identified for two-way pricing.

In principle we consider two-way pricing to be more equitable and better able to signal to exporting customers when it is more costly to export to the grid and when it is beneficial, including because customers can be rewarded for their exports at times when it is beneficial.

We also place importance on customer consultation. Evoenergy had demonstrated broad support for two-way pricing in its initial proposal. Evoenergy did not consult as meaningfully on withdrawing its two-way tariff.[33]

On balance, however, we accept Evoenergy's submission that subsequent to its initial proposal it identified additional costs for its billing system that were not clear at the time of its initial proposal. We also accept that these additional costs mean that the costs of introducing the tariff would outweigh the benefits for the 2024−29 period.

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31 *ACT Council of Social Services*, *Submission in response to AER draft decision and Evoenergy electricity distribution determination 20244-29, January 2024*, pp13-14.

32 *CCP26*, *Submission to the Australian Energy Regulator's Draft Decision and Evoenergy's Revised Regulatory Proposal, January 2024*, p18.

33 *CCP26*, *Submission to the Australian Energy Regulator's Draft Decision and Evoenergy's Revised Regulatory Proposal, January 2024*, p18.

Shortened forms

Term	Definition
ACTCOSS	ACT Council of Social Services
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
augex	augmentation expenditure
capex	capital expenditure
CCP	Consumer Challenge Panel
CER	consumer energy resources
CPI	consumer price index
DNSP	distribution network service provider
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
opex	operating expenditure
PV	photovoltaic
RAB	regulatory asset base
RBA	Reserve Bank of Australia
repex	replacement expenditure
RIN	regulatory information notice