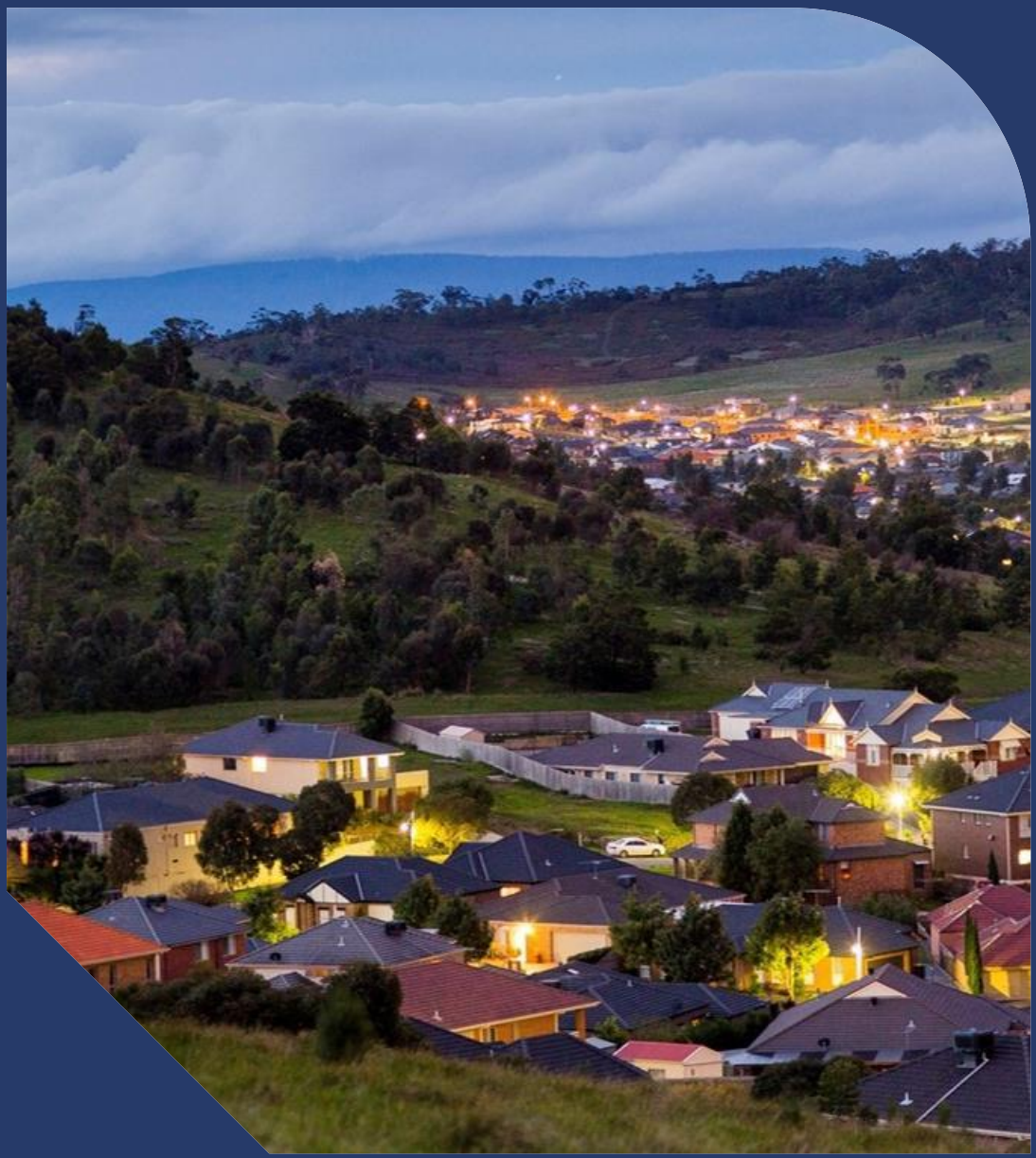
AusNet

Statement of compliance 2024-25

Thursday, 28 March 2024



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1. Introduction

This statement of compliance as well as the standardised SCS and ACS pricing models form AusNet's pricing proposal for 2024-25. This is an annual pricing proposal that has been submitted at least 3 months before the commencement of the regulatory year.

Below is a full list of documents that form part of this proposal:

- Cover letter – confidential and public versions;
- AusNet's pricing proposal 2024-25;
- 2024-25 SCS pricing model – confidential and public versions;
- 2024-25 - ACS pricing model – public version;
- Schedule of tariffs;
- Alternative control service charges;
- Prescribed metering charges;
- Public lighting charges;
- Confidentiality template;
- Statement of compliance (this document) – confidential and public versions; and
- Supporting information

2. Demand forecasts

AusNet has provided quantity forecasts for standard control services in the 'Qty forecasts' sheet of the SCS pricing model.

In comparison to the previous pricing proposal's forecast, the consumption volumes and customer numbers for the current regulatory year are materially different.

AusNet is forecasting an increase in consumption volumes and customer numbers. The overall increase in energy is due to strong forecasted growth in residential customers numbers, whilst partly being offset by continual increase in solar uptake and historical trend of industrial demand decreasing.

The forecasting methodology uses historical billed (rather than MSATs) customer numbers and volumes by tariffs, accounts for expected weather conditions, and any known future step changes in load for large customers. The forecast was produced using the Python Darts Library, incorporating exponential smoothing with linear trend technique which was a change from 2023-24 where Excel was used to produce the forecast. The reason for changing the methodology and tools is that we seek to improve our forecasting capabilities by utilising more sophisticated tools over time.

For the estimate customer numbers and volumes for 2023-24 period, 6 months of billed data (July 23 to December 23) and 6 months of forecast data was used to produce the 2023-24 estimate. The reason for only using 6 moths of billed data was because the forecast was prepared in late January 2024 and billed data up until 31st December 2023 was available at that time. The main driver of variance between the 2023-24 estimate and the 2023-24 forecast submitted in 2023 is due to variation in weather. Overall, since 2016 and excluding HY21 (which was impacted by Covid-19), the average forecast variance when compared to actuals is 1.56%.

3. Tariffs

3.1. Standard control services

The 'Tariff schedule' sheet of the SCS pricing model sets out the proposed 2024-25 prices for standard control services.

All tariffs remain in the same tariff class as the current tariff structure statement.[1] This is demonstrated in tariff schedule 2 of the SCS pricing model.

All tariffs retain the same charging parameters as the current tariff structure statement.[2] This is also demonstrated in tariff schedule 2 of the SCS pricing model. Below is a summary of each charging parameter per tariff:

Tariff(s)	Charging parameter	Unit	Explanation
NEE11, NEE11S, NEE11P, NEN11, NEE12, NEE12S, NEE12P, NEN12	Standing charge Inclining block 1 Inclining block 2	$/yr c/kWh c/kWh	 1020 kWh/qtr kWh balance
NEE13, NEE16	Standing charge Inclining block 1 Inclining block 2 Dedicated circuit	$/yr c/kWh c/kWh c/kWh	 1020 kWh/qtr kWh balance 11:00pm to 7:00am Monday to Sunday
NEE14, NEE17	Standing charge Inclining block 1 Inclining block 2 Dedicated circuit	$/yr c/kWh c/kWh c/kWh	 1020 kWh/qtr kWh balance 11:00pm to 7:00am and 1:00pm to 4:00pm Monday to Sunday
NEE15, NEE18	Standing charge Inclining block 1 Inclining block 2 Dedicated circuit	$/yr c/kWh c/kWh c/kWh	 1020 kWh/qtr kWh balance 6 or 8hrs between 8:00pm to 8:00am Monday to Sunday
NASN21, NASN2S, NASN2P	Standing charge Peak Off peak Demand	$/yr c/kWh c/kWh $/kW/mth	 7:00am to 11:00pm Monday to Friday All other times 3:00pm to 9:00pm ADST Monday to Friday. Peak season – December to March, Off peak season – All other months
NEN20, NEN21, NEE51, NEE52, NEE74, NEE93	Standing charge Peak Off peak	$/yr c/kWh c/kWh	 7:00am to 11:00pm Monday to Friday All other times
NEE24	Standing charge Peak Off peak	$/yr c/kWh c/kWh	 8:00am to 8:00pm Monday to Friday All other times
NEE60	Standing charge Peak Off peak	$/yr c/kWh c/kWh	 7:00am to 11:00pm Monday to Sunday All other times
NEE40	Standing charge Energy	$/yr c/kWh	 All energy
NEE41	Standing charge Energy Dedicated circuit	$/yr c/kWh c/kWh	 All energy 11:00pm to 7:00am Monday to Sunday
NEE42	Standing charge Energy Dedicated circuit	$/yr c/kWh c/kWh	 All energy 11:00pm to 7:00am and 1:00pm to 4:00pm Monday to Sunday
NEE43	Standing charge Energy Dedicated circuit	$/yr c/kWh c/kWh	 All energy 6 or 8hrs between 8:00pm to 8:00am Monday to Sunday

[1] Section 2.3, page 8, AusNet's Revised Tariff Structure Statement 2022-26
[2] Section 2.4, page 10, AusNet's Revised Tariff Structure Statement 2022-26

NSP20, NSP23, SSP23, NSP21, NSP27, SSP27, SSP21, NSP55	Standing charge Summer peak Summer shoulder Winter peak Off peak	$/yr c/kWh c/kWh c/kWh c/kWh	 2:00pm to 6:00pm Monday to Friday, December to March 12:00pm to 2:00pm and 6:00pm to 8:00pm Monday to Friday, December to March 4:00pm to 8:00pm Monday to Friday, June to August All other times
NEE30	Standing charge Dedicated circuit	$/yr c/kWh	 11:00pm to 7:00am Monday to Sunday
NEE31	Standing charge Dedicated circuit	$/yr c/kWh	 11:00pm to 7:00am and 1:00pm to 4:00pm Monday to Sunday
NEE32	Standing charge	$/yr c/kWh	 6 or 8hrs between 8:00pm to 8:00am Monday to Sunday
NEE55	Standing charge Peak Off peak	$/yr c/kWh c/kWh	 1 May to 30 September All other times
NEN56, NSP75, NSP76, NSP77, NSP78, NSP82, NSP83	Standing charge Peak Shoulder Off peak Capacity Critical peak demand	$/yr c/kWh c/kWh c/kWh $/kVA/yr $/kVA/yr	 7:00am to 10:00am and 4:00pm to 11:00pm Monday to Friday 10:00am to 4:00pm Monday to Friday All other times Fixed value Average of five recorded between 3:00pm to 7:00pm ADST on five days nominated in advance
NSP81, NSP91, NSP94, NSP95	Standing charge Peak Off peak Capacity Critical peak demand	$/yr c/kWh c/kWh $/kVA/yr $/kVA/yr	 7:00am to 11:00pm Monday to Friday All other times Fixed value Average of five recorded between 3:00pm to 7:00pm ADST on five days nominated in advance
NASN11, NASN11S, NASN11P, NASN12, NASN12S, NASN12P, NASN19	Standing charge Anytime Monthly demand	$/yr c/kWh $/kW/mth	 All energy 3:00pm to 9:00pm ADST Monday to Friday. Peak season – December to March, Off peak season – All other months
NAST11, NAST11S, NAST11P	Standing charge Peak Off peak	$/yr c/kWh c/kWh	 3:00pm to 9:00pm Monday to Sunday (local time) All other times
NAST13	Standing charge Peak Off peak Dedicated circuit	$/yr c/kWh c/kWh c/kWh	 3:00pm to 9:00pm Monday to Sunday (local time) All other times 11:00pm to 7:00am Monday to Sunday
NAST14	Standing charge Peak Off peak Dedicated circuit	$/yr c/kWh c/kWh c/kWh	 3:00pm to 9:00pm Monday to Sunday (local time) All other times 11:00pm to 7:00am and 1:00pm to 4:00pm Monday to Sunday
NAST15	Standing charge Peak Off peak Dedicated circuit	$/yr c/kWh c/kWh c/kWh	 3:00pm to 9:00pm Monday to Sunday (local time) All other times 6 or 8hrs between 8:00pm to 8:00am Monday to Sunday
NAST12, NAST12S, NAST12P	Standing charge Peak Off peak	$/yr c/kWh c/kWh	 9:00am to 9:00pm Monday to Friday (local time) All other times

NSP56			Tariff structure applicable from 1 July 2021 to 30 June 2023
	Standing charge	$/yr	
	Peak	c/kWh	
	Shoulder	c/kWh	7:00am to 10:00am and 4:00pm to 11:00pm Monday to Friday
	Off peak	c/kWh	
	Capacity	$/kVA/yr	10:00am to 4:00pm Monday to Friday
	Critical peak demand	$/kVA/yr	All other times Fixed value Average of five recorded between 3:00pm to 7:00pm ADST on five days nominated in advance
	Standing charge	$/yr	
	Peak	c/kWh	Tariff structure applicable from 1 July 2023
	Shoulder	c/kWh	
	Off peak	c/kWh	4:00pm to 9:00pm Monday to Friday
	Capacity	$/kVA/yr	10:00am to 4:00pm Monday to Friday
	Critical peak demand	$/kVA/yr	All other times Fixed value Average of five recorded between 3:00pm to 7:00pm ADST on five days nominated in advance

The expected weighted average revenue for each tariff class for the current and forecast years is demonstrated in output table 5 of the SCS pricing model.

The expected weighted average revenue raised for each tariff class does not exceed the corresponding expected weighted average revenue for the preceding regulatory year by more than the permissible percentage. This permissible percentage is calculated in accordance with the determination.[3] This is demonstrated in compliance table 3 of the SCS pricing model.

3.2. Alternative control services

The ACS pricing model sets out the proposed 2024-25 prices for alternative control services.

AusNet will offer the same list of services for metering, public lighting, and ancillary network services as approved in the AER's final determination for alternative control services.[4] The list of services for metering, public lighting, and fee-based services is provided in the ACS pricing model. Quoted services are provided in line with the approved control mechanism formula[5] using the applicable labour rates in the ACS pricing model.

For our MC cyclic meter read fee service approved in our 2022-26 regulatory determination, AusNet will not be offering it in 2024-25 due to the current cost of living pressures faced by our customers. We will review the status of this service in the upcoming financial year and consider offering it in 2025-26.

For our Non-standard AMI request service approved in our 2022-26 regulatory determination, AusNet will not be offering it in 2024-25. We are currently working to introduce this service in 2025-26.

3.3. Tariff variations

We are not anticipating variations or adjustments to our tariff prices, tariff class or charging parameters within the 2024-25 period.

[3] AER – Final decision – AusNet Services distribution determination 2021-26 – Attachment 14 – Control mechanisms – April 2021
[4] Appendix A Ancillary network services prices, page 40, AER – Final decision – AusNet Services distribution determination 2021-26 – Attachment 14 – Alternative control services – April 2021
[5] Figure 14.6 Price cap formula to apply for the Victorian distributors' quoted alternative control services, page 39, AER – Final decision – AusNet Services distribution determination 2021-26 – Attachment 14 – Control mechanisms – April 2021

3.4. Sub-threshold tariffs

AusNet is proposing 7 sub-threshold tariffs for the regulatory year. These are:

- EV Dynamic, introduced in 2023-24;
- CPD+, introduced in 2023-24;
- CPD Flex, introduced in 2023-24;
- Utility energy storge system (HV), introduced this year;
- Utility energy storge system (Sub-Tx), introduced this year;
- Neighbourhood storage tariff (medium), introduced this year; and
- Neighbourhood storage tariff (large), introduced this year.

AusNet has notified the AER on these sub-threshold tariffs no later than four months before the start of a regulatory year. These are available on the AER website.

Each sub-threshold tariff has a forecast revenue that is less than 1 per cent of total allowable revenue, and all sub-threshold tariffs have a combined forecast revenue less than 5 per cent of total allowable revenue. This is demonstrated in compliance table 4 of the SCS pricing model.

4. Pricing principles

The revenue expected to be recovered from each tariff class lies on or between an upper bound representing the standalone cost of serving the retail customers who belong to that class and a lower bound representing the avoidable cost of not serving those retail customers. This is demonstrated in compliance table 5 of the SCS pricing model.

AusNet considers that the future costs driven by customers mainly relate to designing a network to cater for prospective customers coincident peak demands. Therefore, the lower bound of the avoidable costs of not serving retail customers is based on AusNet's estimated long-run marginal costs that is applied (at each voltage level) to the historical peak demands recorded of a selected group of customers.

For the upper bound, AusNet adopted an approach which considers the potential for an individual customer to bypass our network, avoiding paying distribution network and retail costs, and seek alternative supply. For large customers, the alternative is assumed to be connecting to the transmission network, and the costs of transmission network costs are estimated. For small customers, the cost of installing, operating and maintain a stand-alone power system is estimated.

The sum of the revenue expected to be recovered from each tariff allows AusNet to recover the expected revenue for the relevant services in accordance with the determination. This is demonstrated in compliance table 1 of the SCS pricing model.

Each tariff is based on the long-run marginal cost of providing the service to which it relates to the retail customers assigned to that tariff.

The long-run marginal cost estimates are unchanged from the current tariff structure statement (for previous pricing proposal (for annual pricing proposals).

5. Indicative prices

Revised indicative prices for standard control services tariffs are provided in input table 29 and 30 of the SCS pricing model. Revised indicative price caps for alternative control services are provided in the ACS pricing model. These indicative price levels have been determined in accordance with the current tariff structure statement and updated to account for this pricing proposal.

For annual pricing proposals with sub-threshold tariffs: Furthermore, revised indicative prices for sub-threshold tariffs are provided in input table 32 of the SCS pricing model.

The proposed tariff prices are materially different to the corresponding indicative prices and this is demonstrated in compliance table 6 and 7 of the SCS pricing model. Brief notes have been written in column AC of the 'Price comp. ind.' sheet explaining the reasons for the difference. Furthermore, we explain below in greater detail the source(s) for the material differences between the proposed tariff prices and their corresponding indicative prices.

The material difference between proposed tariff prices and their corresponding indicative prices are due to CPI, x factor and under/over recovery assumptions that were applied when the 2024-25 indicative prices were developed last year. This is in addition to the large increase in AEMO transmission use of system charges levied by AEMO from 1 July 2024 to 30 June 2025. The increase on average is 15.2% for AusNet.

6. Tariff components

6.1. Distribution use of system charges

Tariffs designed to pass on distribution use of system charges are available in the 'Tariff schedule' sheet of the SCS pricing model. The revenue expected to be recovered from these tariffs does not exceed the estimated amount of distributed use of system charges adjusted for over or under recovery. This is demonstrated in output table 6 of the SCS pricing model.

The over or under recovery amount is calculated in a manner consistent with the AER's final decision for control mechanisms.[6]

To ensure RoLR amounts can be recovered accurately via the over or under recovery mechanism, AusNet approach to determine under recovered DUoS amounts is based off the unpaid network bills that we send to the retailer. The network bills provide a line by line record of the charges relating to each customer, including charge type, total charges and transaction date. For network tariffs charges, the total network use of system charges is broken down into distribution use of system charges, designated pricing proposal charges, and jurisdictional scheme charges using the tariff component splits from each tariff from the relevant regulatory year. Each component is then summed, and the total for each component is used as RoLR inputs.

6.2. Designated pricing proposal charges

Tariffs designed to pass on designated pricing proposal charges are available in the 'Tariff schedule' sheet of the SCS pricing model. The revenue expected to be recovered from these tariffs does not exceed the estimated amount of designated pricing proposal charges adjusted for over or under recovery. This is demonstrated in output table 6 of the SCS pricing model.

The over or under recovery amount is calculated in a manner consistent with the AER's final decision for control mechanisms[7] and is compliant with the NER.

AusNet applies the following approach when calculating DPPC amounts:

- AEMO transmission charges and avoided TUOS payments are based on actuals.
- Transmission connection charges are based on best estimates provided by AusNet (Transmission) which will be updated in the 2025-26 annual pricing process.
- Cross boundary charges are based on best estimates using recent cross boundary invoices. These amounts will be updated in the 2025-26 annual pricing process to reflect all invoices paid for the 2024-25 regulatory year.

[6] AER – Final decision – AusNet Services distribution determination 2021-26 – Attachment 14 – Control mechanisms – April 2021
[7] AER – Final decision – AusNet Services distribution determination 2021-26 – Attachment 14 – Control mechanisms – April 2021

6.3. System strength charges

AusNet is planning to pass through system strength charges for system strength connection points for the 2024-25 period.

For a customer who connects to AusNet's distribution network and elects to pay the system strength charge associated with their system strength connection point, AusNet will, upon receipt of the system strength charge from the System Strength Services Provider (AEMO), pass the charge through to the customer.

6.4. Jurisdictional scheme amounts

AusNet's jurisdictional schemes have not been amended since the last jurisdictional scheme approval date.

Tariffs designed to pass on jurisdictional scheme amounts are available in the 'Tariff schedule' sheet of the SCS pricing model. The revenue expected to be recovered from these tariffs does not exceed the estimated amount of jurisdictional scheme amounts adjusted for over or under recovery. This is demonstrated in output table 6 of the SCS pricing model.

The over or under recovery amount is calculated in a manner consistent with the AER's final decision for control mechanisms[8] and is compliant with the NER.

Forecasting the premium feed-in tariff utilised an exponential smoothing model without a linear trend, reflecting stable customer numbers, and incorporated a 12-month seasonality adjustment for each feed-in tariff kWh per NMI per month. The forecasted kWh amounts were then multiplied by the forecasted customer numbers. For November 2024 and beyond, the payable amounts were adjusted to zero, aligning with the scheme's expiration.

The forecast ESV levy is based on escalation determined by the Minister for Energy and Resources, Climate Action and the State Electricity Commission. Once invoices for the regulatory period are received, these forecasts are updated with actual ESV levy amounts in future pricing models.

7. Compliance

7.1. Compliance with the determination

We confirm that our tariff assignment policy[9] and the methodology in which we review and assess the basis on which a customer is charged is unchanged from the current TSS and is compliant with the NER.

We also confirm that we are complying with the current TSS where we have made a commitment to:

- Discount the new ToU tariff and demand tariff relative to our single-rate tariff
- For the residential new ToU tariff, we will reduce the prices by one per cent per year, to be five per cent cheaper relative to our single-rate tariff by FY2026.
- For the residential demand tariff, we will reduce our demand tariff to be one per cent cheaper each year, relative to our single-rate tariff.

In addition to reducing our demand tariff to be one per cheaper than the single-rate tariff, we have further discounted this tariff, allowing us to rebalance our revenue allocation equitably across our tariff classes.

[8] AER – Final decision – AusNet Services distribution determination 2021-26 – Attachment 14 – Control mechanisms – April 2021
[9] Appendix C – Tariff assignment policy, page 44, AusNet's Revised Tariff Structure Statement 2022-26

There are no other material changes that should be brought to the attention of the AER.

7.2. Compliance table

Rule reference	Section reference
6.18.2(a)	Chapter 1 - Introduction
6.18.8(a)(3)	Chapter 2 - Demand forecasts
6.18.2(b)(2) 6.18.2(b)(3) 6.18.2(b)(4) 6.18.6 6.18.2(b)(5) 6.18.1C 11.141.8	Chapter 3 - Tariffs
6.18.5(e) 6.18.5(f) 6.18.5(g)(2)	Chapter 4 - Pricing principles
6.18.2(d) 6.18.2(e) 6.18.2(b)(7A)	Chapter 5 - Indicative prices
6.18.2(b)(6) 6.18.2(b)(6A) 6.18.2(b)(6B) 6.18.2(b)(6C) 6.18.7 6.18.7A	Chapter 6 - Tariff components
6.18.3 6.18.4 6.18.2(b)(7) 6.18.2(b)(8)	Chapter 7 - Compliance

I, Charlotte Eddy, GM Regulation and Policy (Distribution), confirm that the above statements are true and correct.

[signature]

28/03/2024

[date]

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