2024-25 Pricing Proposal Overview document

28 March 2024

Ergon Energy Network
Part of Energy Queensland

Contents

1 INTRODUCTION

1.1 Purpose

This document forms part of the suite of documents and models comprising our 2024-25 Pricing Proposal to the Australian Energy Regulator (AER).

In previous years, the explanation of our price changes as well as demonstration of compliance was incorporated within a single Pricing Proposal document supported by additional models and documentation required by the AER.

Earlier this year, the AER requested that demonstration of compliance be met through standardised pricing models and compliance documentation template (consistent for all distribution network service providers). Our 2024-25 Pricing Proposal Compliance Statement submission to the AER provides all information required by the AER for its assessment of compliance against the National Electricity Rules.

This Pricing Proposal Overview provides other additional information for stakeholders regarding Ergon Energy Network's proposed 2024-25 network prices, including our tariff offerings, proposed tariff trials and network bill impacts for our customers from 1 July 2024.

Our Pricing Proposal is based on the AER-approved 2020-25 Tariff Structure Statement (TSS).

Ergon Energy Network's tariff offering and tariff assignment rules remain unchanged from the prior year. Further information is available in our 2020-25 TSS and our Network Tariff Guide.

1.2 Background

Ergon Energy Network is subject to economic regulation by the AER. The AER determines how Ergon Energy Network's distribution services are classified and in turn the nature of economic regulation. This is important as it determines how prices will be set and how revenue is recovered from customers. The AER approves prices for services it classifies as Direct Control Services.

Direct Control Services are divided into two subclasses:

- **Standard Control Services** are core distribution services associated with the access and supply of electricity to customers. They include network services (construction, maintenance and repair of the network), some connection services (small customer connections) and Type 7 metering services. The AER applies a revenue cap form of control to Standard Control Services. Ergon Energy Network recovers the costs in providing these services through network tariffs billed to retailers.
- **Alternative Control Services** are akin to a 'user-pays' system whereby the whole cost of the service is paid by those customers who benefit from the service, rather than recovered from all customers.

Further information about the economic regulation of electricity distribution network businesses, including the legislative and regulatory frameworks, is available on the AER's website.[1]

[1] https://www.aer.gov.au/about/aer/our-role#:~:text=The%20AER%20regulates%20electricity%20networks,for%20electricity%20and%20natural%20gas

1.3 2024-25 network prices

Ergon Energy Network's network charges cover the cost of transporting electricity to and from our customers' homes or businesses and represent the aggregation of the following components:

- Distribution use of system (DUOS) charges, which reflect Ergon Energy Network's electricity distribution costs.
- Designated pricing proposal charges (DPPC) or transmission use of system charges which reflect the costs associated with transmission of electricity over Powerlink's high voltage network.
- Jurisdictional scheme amounts which Ergon Energy Network must pay pursuant to the State Government requirements. These charges comprise of the Solar Feed-in tariff and Energy Industry Levy, covering a proportion of the Queensland Government's funding commitments for the Australian Energy Market Commission.

The combined result of these network bill components is often referred to as the network use of system bill.

Our network charges reflect what we charge electricity retailers in regional Queensland, including Ergon Energy Retail. These costs reflect the true costs of distributing electricity in regional Queensland. The Queensland Government establishes notified prices in regional Queensland, including the application of a subsidy. This subsidy recognises that it costs more to supply electricity in regional Queensland compared to the South East due to the large geographic supply area and lower population.

Notified retail prices for small customers in Ergon Energy Network's area are set by the Queensland Competition Authority based on the cost of supply in South East Queensland. For large customers, notified prices are based on the Ergon Energy Network network pricing region with the lowest cost of supply (region East). Taking into account these considerations, customer bill impacts presented in this report reflect impacts for Ergon Energy Network network region East customers charged to the retailer.

We estimate that total annual network charges (inclusive of transmission charges and jurisdictional schemes) will increase by an average of:

- $112 or 13.4 per cent annually for residential customers
- $232 or 13.7 per cent annually for small business customers, and
- $4,734 or 13.5 per cent annually for a large business connected on the low voltage network in 2024-25 compared with 2023-24.

The contribution of the distribution, transmission and jurisdictional scheme charges to the total annual network bill for a typical residential and a small business customer is presented in Figures 2 and 3.

Figure 1: Average annual residential network bill[2]

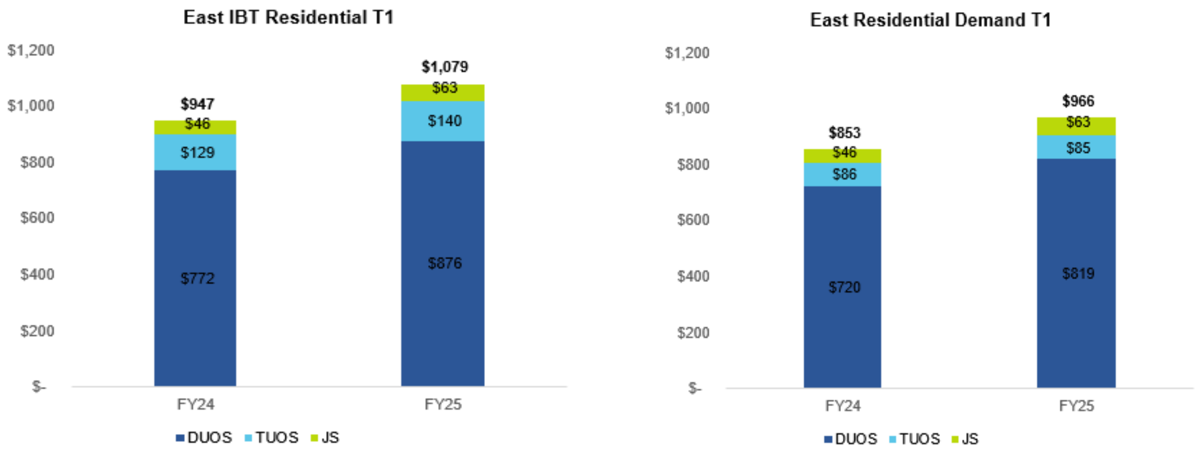
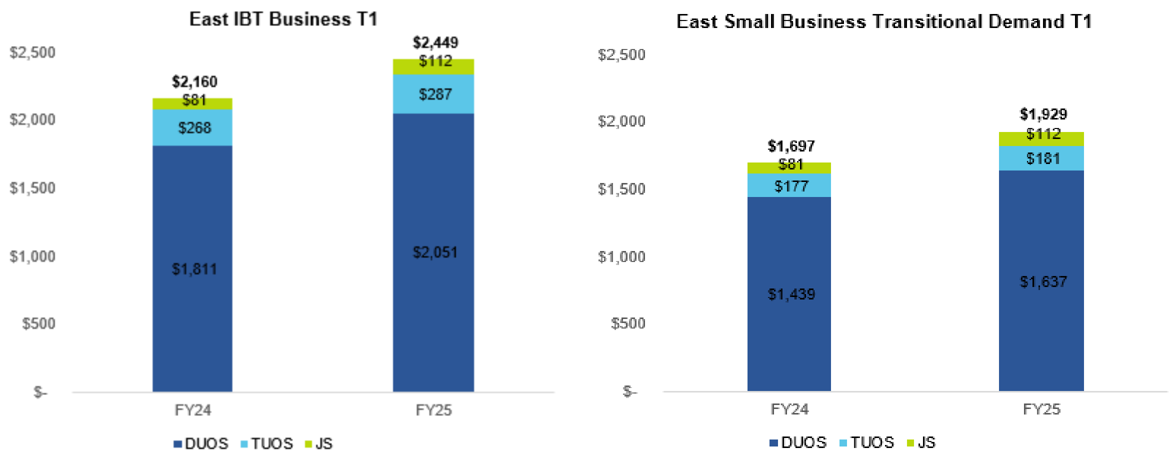


Figure 2: Average annual small business network bill[3]



[2] Network bill impacts are based on a typical residential customer in the east pricing zone consuming 5,170 kWh pa, with a monthly peak demand of 3.42 kW.
[3] Network bill impacts are based on a typical small business customer in the east pricing zone consuming 14,465 kWh pa, with a monthly peak demand of 7.14 kW.

2 NETWORK TARIFFS

2.1 Network tariff classes

We have categorised Standard Control Services customers into three tariff classes mainly based on the voltage level at which customers are connected to the network as this ensures customers who impose similar costs on the network are classified together with similar tariff structures.

Our tariff classes are described below.

Figure 3: Tariff classes

Tariff class	Eligibility criteria	Network tariffs
Standard Asset Customers	Customers connected at Low Voltage are classified as SAC. Customers may further be categorised as Small or Large	Tariff choice depends on customer type (i.e. residential vs business), annual consumption and meter type SAC Large are customers over 100 megawatt hours/annum
Connection Asset Customers	Customers with a network coupled to the Network Voltage from 11kV who are not allocated to the ICC tariff class are allocated to the CAC tariff class	Mix of site-specific & standard tariffs Tariff choice depends on connection characteristics i.e. voltage level, line vs bus connection
Individually Calculated Customers	Customers are allocated to the ICC tariff class if they are coupled to the network at 33kV or above. At discretion of the Network, we may permit customers coupled from 11kV in instances where 33kV is not available and there are no other voltages required for the bulk supply point	Site-specific distribution and transmission tariffs depending on connection assets, location and capacity requirements

2.2 Network tariffs by class

Each tariff class consists of a number of different network tariffs. Table 1 sets out the individual tariffs in each tariff class and by customer segment.

Table 1: 2024-25 Network tariffs by tariff class

Tariff class	Customer type	Primary Tariffs	Secondary tariffs
Standard Asset Customers (SAC)	Residential	• Residential Inclining Block • Residential Transitional Demand • Residential Demand • Residential Time of Use Energy	• Volume Night Controlled • Volume Controlled

Tariff class	Customer type	Primary Tariffs	Secondary tariffs
	Small business	• Small Business Including Block • Small Business Wide Inclining Fixed Tariff • Small Business Transitional Demand • Small Business Demand • Small Business Time of Use Energy • Small Business Primary Load Control • Transitional Network Time of Use Energy Tariff 1[a] • Transitional Network Time of Use Energy Tariff 2[a] • Transitional Network Dual Rate Demand Tariff 3[a]	• Volume Night Controlled • Volume Controlled
	Large customer	• Demand Large • Demand Medium • Demand Small • Large Business Time of Use Demand • Seasonal Time of Use Demand[b] • Large Business Primary Load Control • Large Residential Energy • Large Business Energy	• Large Business Secondary Load Control
	Other	• Unmetered Supply	
Connection Asset Customers (CAC)		• CAC 66kV • CAC 33kV • CAC 22/11kV Bus • CAC 22/11kV Line • Seasonal Time of Use Demand 11 or 22kV Bus • Seasonal Time of Use Demand 11 or 22kV Line • Seasonal Time of Use Demand 33 or 66kV	
Individually Calculated Customers (ICC)		• ICC tariff	

Note:

a. Introduced on 1 July 2021 and grandfathered immediately
b. Grandfathered tariffs (closed to new customers)

2.3 Trial tariffs

The flowing trial tariffs will commence in 2024-25:

- Large Dynamic Flex Storage tariff:
  - This trial tariff is available to customers connected to the low voltage network where customers take load from the network solely for the purpose of export back to the grid.
  - Acceptance to the tariff will be at the discretion of the network based on availability of technical and operational considerations to assign the customer to the tariff in their location. Applies to storage above 30kW capacity.
  - To the extent that the dynamic tariffs are not available to the customer, the default tariff relevant to the tariff class will apply.
- High Voltage Dynamic Flex Storage:
  - This trial tariff is available to customers connected to the high voltage network where customers take load from the network solely for the purpose of export back to the grid.
  - Acceptance to the tariff will be at the discretion of the network based on availability of technical and operational considerations to assign the customer to the tariff in their location.
  - To the extent that the dynamic tariffs are not available to the customer, the default tariff relevant to the tariff class will apply.
- CAC Dynamic Price Storage:
  - This trial tariff is available to any connection to the high voltage network where customers take load from the network solely for the purpose of export back to the grid.
  - Acceptance to the tariff will be at the discretion of the network based on availability of technical and operational considerations to assign the customer to the tariff in their location.
  - To the extent that the dynamic tariffs are not available to the customer, the default tariff relevant to the tariff class will apply.

The primary objective of these trials is to test our systems and processes for the implementation of storage tariffs which we intend to offer in the next regulatory control period.

These trials will also assess the ability of energy storage customers to respond to cost reflective price signals and support the electricity network in periods of low system demand and peak periods when the electricity network is more likely to be constrained.

The current 2023-24 trial tariffs will close on 1 July 2024.

3 NETWORK BILL IMPACTS

3.1 Summary of average customer bill impacts

On average, customers are expected to experience an increase of between 13 per cent and 14 per cent in network charges in 2024-25 compared with their 2023-24 charges. A summary of average annual network bill impacts for customers on the low voltage tariffs is presented in the table below.

Table 2: Average customer network bill impacts - Nominal ($)[4]

SAC Tariffs		Demand (kW or kVA/month)	Usage (kWh/year)	2023-24 NUOS Nom ($)	2024-25 NUOS Nom ($)	Annual NUOS change ($)	Annual NUOS change (%)
Residential (<100MWh pa) - East							
ERTDEMT1	Residential Transitional Demand East T1	3.42	5,170	841.71	954.12	112.41	13.4%
ERDEMT1	Residential Demand East T1	3.42	5,170	852.79	966.25	113.46	13.3%
ERTOUET1	Residential ToU Energy East T1	N/A	5,170	808.73	917.58	108.85	13.5%
ERIBT1	Residential IBT East T1*	N/A	5,170	947.21	1,078.83	131.62	13.9%
*Grandfathered							
Small Business (<100MWh pa) - East							
EBTDEMT1	Small Business Transitional Demand East T1	7.14	14,465	1,696.50	1,928.91	232.41	13.7%
EBDEMT1	Small Business Demand East T1	7.14	14,465	1,909.64	2,162.58	252.94	13.2%
EBTOUET1	Small Business ToU Energy East T1	N/A	14,465	2,217.29	2,524.87	307.58	13.9%
EBIBT1	Small Business IBT East T1*	N/A	14,465	2,159.99	2,449.49	289.50	13.4%
EBWIFT1	Small Business Wide Inclining Fixed East T1	N/A	14,465	1,998.84	2,278.81	279.97	14.0%
EBPLCT1	Small Business Primary Load Control	N/A	14,465	1,173.99	1,332.41	158.42	13.5%
*Grandfathered							
Large (>100MWh pa) - East							
EBESTT1	Large Business Energy East 1	N/A	134,331	22,236.49	25,252.37	3,015.88	13.6%
EDSTT1	Demand Small East T1 kVA	45.68	282,578	35,049.20	39,783.18	4,733.98	13.5%
EDMTT1	Demand Medium East T1 kVA	91.77	753,909	91,361.57	103,329.67	11,968.10	13.1%
EDLTT1	Demand Large East T1 kVA	110.75	1,705,918	189,426.20	214,571.29	25,145.09	13.3%
ELTOUDT1	Large Business Time-of-Use Demand East T1	363.83	821,568	137,058.08	154,873.96	17,815.88	13.0%
ESTOUDT1	Seasonal Time-of-Use Demand East T1*	86.32	401,417	58,687.61	67,428.78	8,741.17	14.9%
*Grandfathered kW demand							

3.1.1 Key drivers of network price changes

This change in network prices is driven by:

- higher distribution revenue requirements in 2024-25, mainly due to the change in the Consumer Price Index (CPI) and our cost of debt, and
- higher jurisdictional scheme amounts that we are required to recover from customers in 2024-25.

[4] The prices used for the customer impact analysis are the AER-approved network prices for 2023-24 and the proposed 2024-25 network prices. To eliminate the impact of fluctuation in demand and energy between years, the same usage and demand profiles were used to calculate customers' bills for both 2023-24 and 2024-25.

The table below provides a summary of our revenue requirements for 2024-25 compared with 2023-24.

Table 3: Forecast revenue requirement ($M Nominal)

Revenue component	2024-25	2023-24	% change
Distribution	1,391.9	1,282.0	9%
Transmission	286.3	275.1	4%
Jurisdictional schemes	64.3	46.0	40%
Total Network use of system	**1,742.5**	**1,603.1**	**9%**

The key drivers of higher charges from jurisdictional schemes in 2024-25 compared with 2023-24 relate to the following impacts from solar bonus scheme payments:

- the revenue required to recover solar bonus scheme payments in 2023-24 was lower than historic trends as actual payment amounts in prior years were lower than forecast. This variance from forecast was driven by higher housing market activity which led to more customers leaving the Solar Feed-in Tariff scheme, and
- Solar Feed-in Tariff payments are expected to be higher in 2023-24 than what we forecast in our Pricing Proposal, due to weather conditions favourable to higher export quantities per customer.

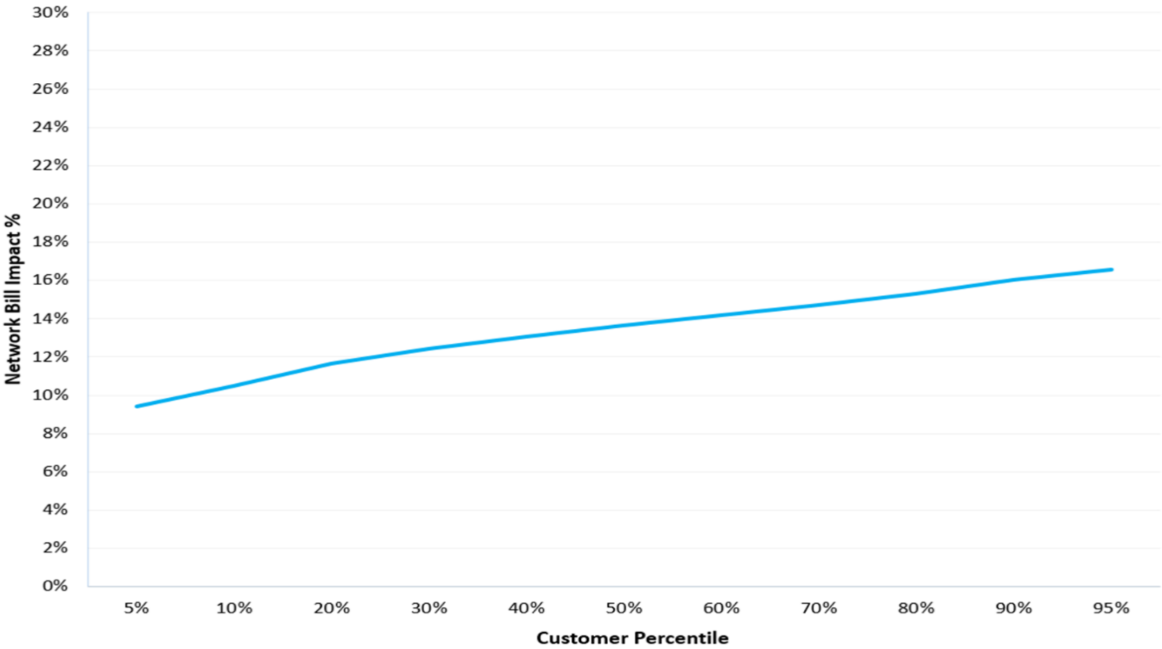
The expected under-recovery in 2023-24 needs to be recovered in 2024-25 which is adding to the higher charges in 2024-25 for jurisdictional schemes.

3.2 Residential customers

3.2.1 Default tariff

The network bill impacts for customers currently on the default Transitional Demand tariff are presented in Figure 4.

Figure 4: Residential annual network bill impact – Transitional Demand tariff by percentile



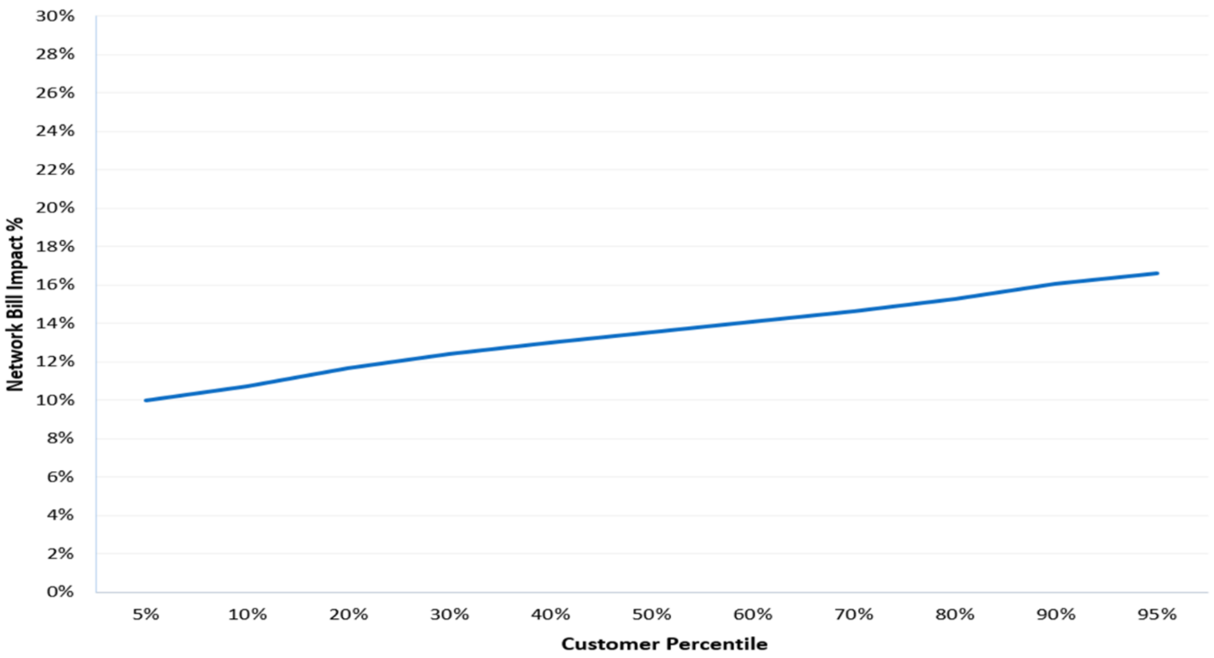
The above figure shows that the median customer percentile faces an average 13.4 per cent network bill increase in 2024-25. The bottom fifth percentile faces a 9.5 per cent bill increase, while the top fifth percentile faces an average 16.5 per cent network bill impact.

3.2.2 Inclining Block tariff

To present the annual network bill impact for our basic meter customers we have used energy data from smart meter customers and applied the proposed Residential Inclining Block tariff prices. Customers with rooftop solar are excluded from the analysis as customers with solar typically have a smart meter and are assigned on either our default tariff or the optional Time of Use Energy tariff.

The annual network bill impact in 2024-25 for customers currently on the basic meter tariff is presented in Figure 5.

Figure 5: Residential annual network bill impact – Inclining Block Tariff by percentile



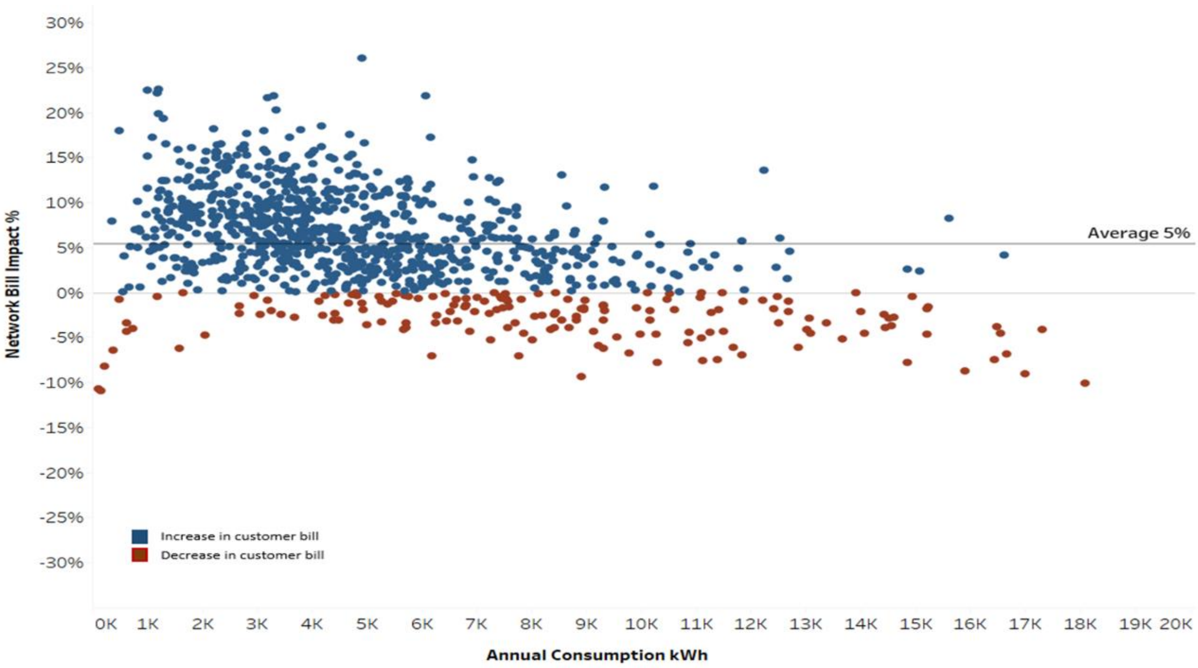
The above figure shows that the median customer percentile faces an average 13.9 per cent network bill increase in 2024-25, slightly higher than the network bill increase faced by customers on the default tariff. These customer impacts reflect Ergon Energy Network's tariff strategy which provides gradual incentives to customers to transition to cost reflective tariffs.

3.2.3 Changing from a basic meter tariff to default tariff

Under our tariff assignment policy, existing customers on our basic meter (Inclining Block) tariff will be reassigned to the default tariff (Transitional Demand tariff) when they receive a smart meter (subject to any grace period provisions outlined in our 2020-25 TSS).

The indicative network bill impact of the reassignment from the Residential Inclining Block tariff to the Residential Transitional Demand tariff in 2024-25 is presented in Figure 7.

Figure 6: Residential annual network bill impact – Inclining Block Tariff to Transitional Demand tariff by percentile

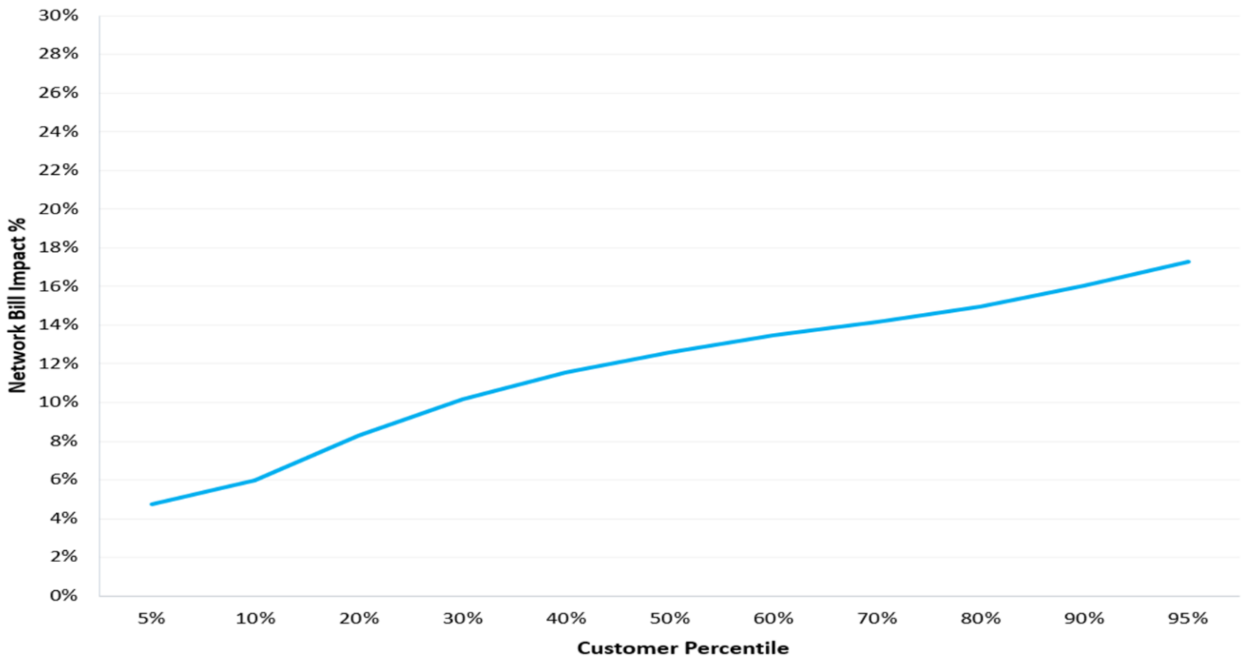


3.3 Small business customers

3.3.1 Default tariff

The network bill impacts for customers currently on the default Transitional Demand tariff are presented in Figure 7.

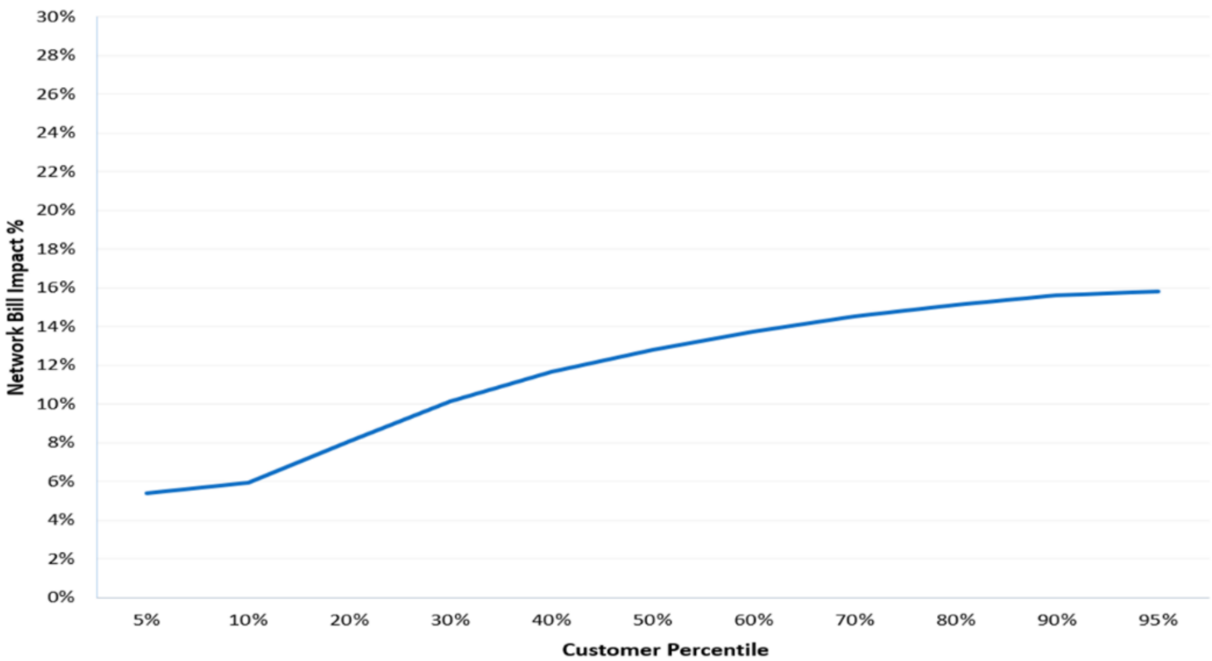
Figure 7: Small business annual network bill impact – Transitional Demand tariff by percentile



3.3.2 Inclining Block tariff

The annual network bill impact in 2024-25 for customers currently on the basic meter tariff is presented in Figure 8.

Figure 8: Small business annual network bill impact – Inclining Block Tariff by percentile

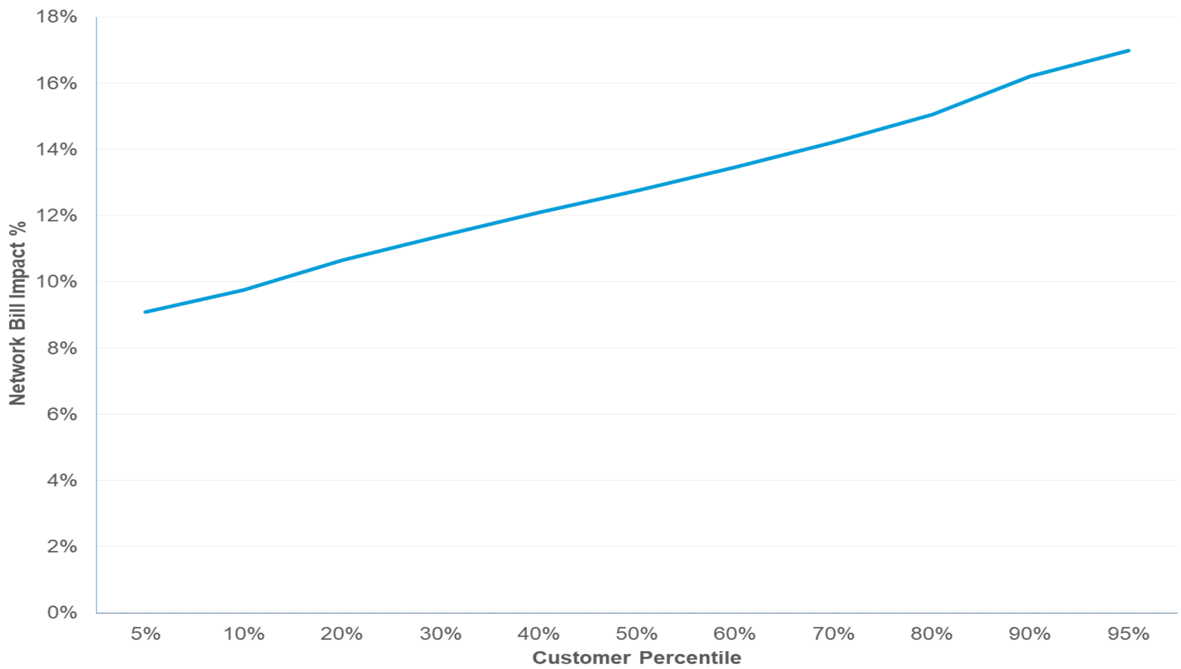


3.4 Large low voltage business customers

3.4.1 Demand Small tariff

The network bill impacts for customers currently on the default Demand Small tariff are presented in Figure 9.

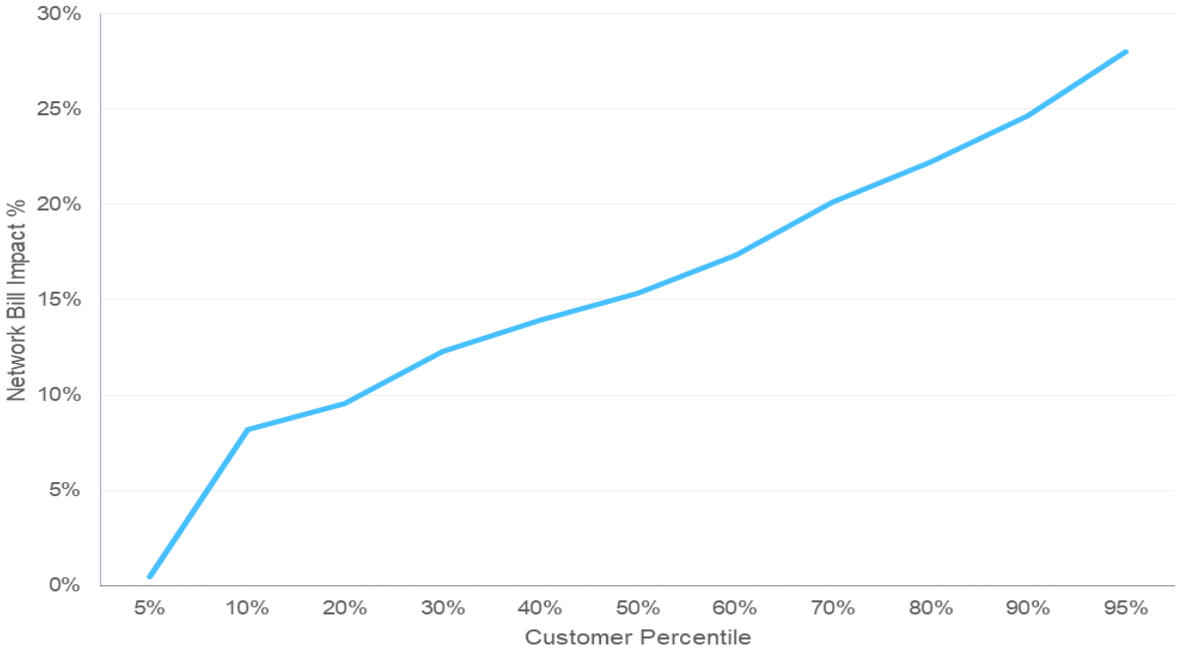
Figure 9: Large low voltage business annual network bill impact – Demand Small tariff by percentile



3.5 High voltage customers

As ICC and CAC tariffs are confidential, we are not able to include a customer specific impact analysis. General trends in average ICC customer impacts between 2023-24 and 2024-25 are presented in Figure 11.

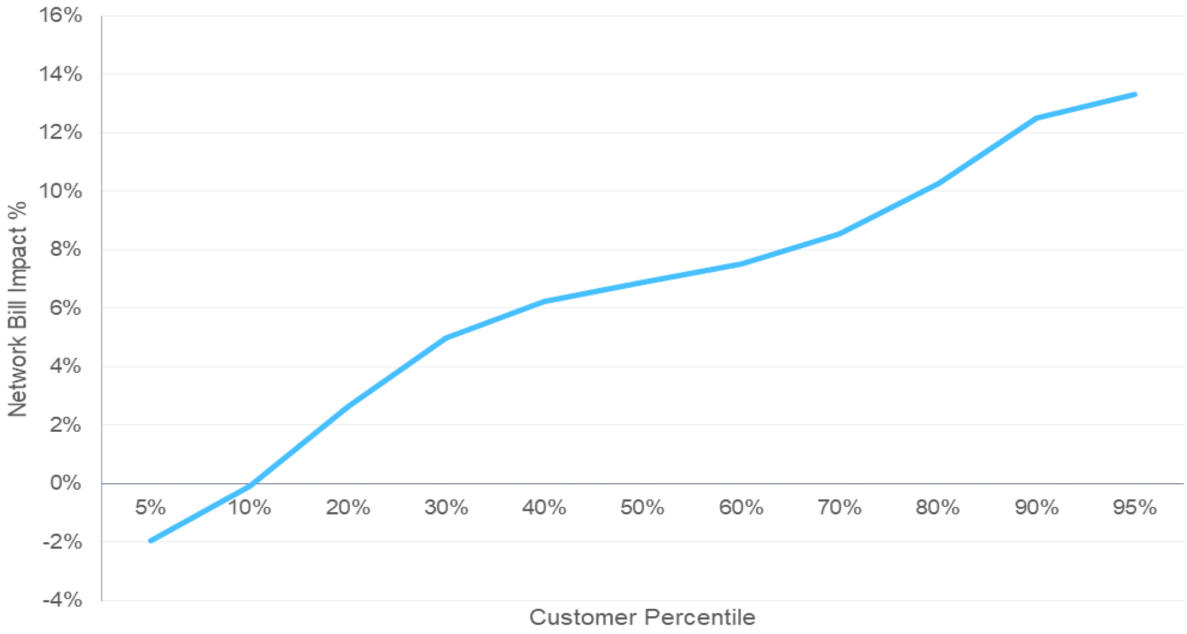
Figure 11: Average customer impacts for the ICC tariff class



The average network bill impact for ICC customers is around 15 per cent but there is a wide distribution of impacts. Higher transmission volume prices from Powerlink which are directly passed through to customers are impacting high consuming customers compared to those with lower consumption.

Percentile impacts for customers in the CAC tariff class can be found in Figure 12.

Figure 102: Average customer impacts for the CAC tariff class



The average network bill impact for CAC customers is around 7 per cent, which is lower than the overall change in our revenue requirement. Customers with lower energy consumption in this tariff class have been less impacts from overall network charges due to reductions in some fixed prices and the relatively higher transmission and jurisdictional scheme charges coming through the volume components of the bill.

4 ALTERNATIVE CONTROL SERVICES

4.1 Overview of Alternative Control Services

Alternative control services are regulated services we offer that are customer-initiated or requested and are directly recovered from customers seeking the service. Ergon Energy Network's Alternative Control Services are broadly categorised into:

- network ancillary services – customer and third party-initiated services related to the common distribution services but for which a separate charge applies (includes network safety services, non-standard network data requests, security lighting services)
- connection services – services relating to the electrical or physical connection of a customer to the network (including temporary connections, de-energisations, re-energisations and supply abolishment)
- metering services – services include Type 6 default metering services and auxiliary metering services, and
- public lighting services – services relating to the provision, installation and maintenance of public lighting assets and emerging public lighting technology.

A more detailed list of the Alternative Control Services we provide is set out in Appendix A.

4.2 Alternative Control Services pricing arrangements

Ergon Energy Network's Alternative Control Services are regulated under a price cap control mechanism. This means that the AER determines our efficient costs and approves a maximum price that we can charge for the service.

Pricing arrangements for these services are either fee-based or quoted depending on the type of service.

4.2.1 Fee-based services

The prices for fee-based services are set in accordance with specified service assumptions due to the standardised nature of the services. Fee-based services are determined via a cost build up approach at the individual service level and relate to activities undertaken by us at the request of customers or their agents.

Each year, as part of the annual Pricing Proposal the prices for fee-based services are escalated by inflation (CPI) and an AER-approved labour escalator (x factor). Prices for fee-based services are available in the annual ACS pricing model and our 2024-25 Network Price List.

4.2.2 Quoted services

Prices for quoted services are determined at the time the customer makes an enquiry and therefore reflect the individual nature and scope of the requested service which cannot be known in advance. The indicative prices for quoted services are determined using the AER's approved labour rates which are available in the annual SCS pricing model and our 2024-25 Network Price List.

4.3 Public lighting services

We provide public lighting services for local councils and Queensland's Department of Transport and Main Roads (DTMR). The cost of these services is charged to customers through an operation, maintenance, and replacement charge per each light.

Public lighting charges reflect whether:

- the public lighting services are located on minor or major roads
- the assets have been funded by us or by the customer i.e. NPL1 "Ergon Energy owned and operated" versus NPL2 "customer gifted and operated by Ergon Energy", NPL4 for assets where customers fund the replacement of the NPL1 luminaire and lamp to LED, but where the associated pole and cabling are legacy and non-contributed assets, and
- the type of public lighting technology (i.e., conventional or LED).

The public lighting tariffs offered in 2020-25 are set out in the table below.

Table 4: Public lighting tariffs

Tariff group	Conventional Lights tariffs	LED specific tariffs	Charging parameters
NPL1 - Minor	NPL1C Minor – funded by Ergon Energy Network	NPL1L Minor – Funded by Ergon Energy Network	Fixed rate ($) per day per light
NPL1 - Major	NPL1C Major – funded by Ergon Energy Network	NPL1L Major – Funded by Ergon Energy Network	
NPL2 - Minor	NPL2C Minor – Funded by Council	NPL2L Minor – Funded by Councils	
NPL2 - Major	NPL2C Major – Funded by Council and DTMR	NPL2L Major – Funded by Councils and DTMR	
NPL4 - Minor	N/A	NPL4 Minor – Funded by Councils	
NPL4 - Major	N/A	NPL4 Major – Funded by Councils	

All other public lighting services, including emerging public lighting technology services, are treated as quoted services.

4.4 Type 6 default metering services

We provide Type 6 default metering services which include maintenance, reading, data services, and the recovery of capital costs related to Type 6 (legacy) meters.

The cost of these services is charged to residential and small business customers via retailers, through a daily metering services charge. These charges are separated into two components:

- Capital charges – which allow us to recover our investment in Type 6 meters over their remaining life, i.e., the legacy metering asset base. These charges are incurred by all customers who had a legacy meter installed prior to 30 June 2015 – even if they no longer have a legacy meter installed.

- Non-capital charges – which allow us to recover the efficient costs of operating and managing the legacy meters, such as meter reading and data services. These charges are only incurred by customers who still have a legacy meter installed.

We apply the following tariffs to recover the costs of Type 6 default metering services:

- a metering service charge for the primary metering service
- a supplementary charge for each secondary controlled load, and
- a supplementary charge for solar PV.

Table 5: Type 6 Default Metering Service tariffs

Tariff group	Tariffs	Charging parameters
Primary tariff	Non-capital	Fixed rate ($) per day
	Capital	
Load control	Non-capital	
	Capital	
Solar PV	Non-capital	
	Capital	

Appendix A. Alternative Control Services list and pricing arrangements

Our Alternative Control Services and pricing arrangements for these services are set out below.

Table 6: Pricing arrangements for Alternative Control Services

Services	Pricing arrangements	Charging parameter
Connection services – Services relating to the electrical or physical connection of a customer to the network		
Major customer - Premises connections	Quoted price	Quoted rate ($) per service. The quoted price varies according to the requested service and actual resources required to deliver the service.
Major customer - Network extensions	Quoted price	Quoted rate ($) per service. The quoted price varies according to the requested service and actual resources required to deliver the service.
Connection application and management services	Fixed charge and in some cases Quoted price	Fixed rate ($) per service. The rate varies depending on the service requested. Quoted rate ($) per service. The quoted price varies according to the requested service and actual resources required to deliver the service.
Enhanced connection services	Quoted price	Quoted rate ($) per service. The quoted price varies according to the requested service and actual resources required to deliver the service.
Network ancillary services – Customer and third party-initiated services related to the common distribution service		
Network safety services	Quoted price	Quoted rate ($) per service. The quoted price varies according to the requested service and actual resources required to deliver the service.
Customer requested planned interruptions	Quoted price	Quoted rate ($) per service. The quoted price varies according to the requested service and actual resources required to deliver the service.
Attendance at customers' premises to perform a statutory right	Fixed charge	Fixed rate ($) per service. The rate varies depending on the service requested.
Customer, retailer or third party requested appointments	Quoted price	Quoted rate ($) per service. The quoted price varies according to the requested service and actual resources required to deliver the service.
Removal/rearrangement of network assets	Quoted price	Quoted rate ($) per service. The quoted price varies according to the requested service and actual resources required to deliver the service.
Network related property services	Quoted price	Quoted rate ($) per service. The quoted price varies according to the requested service and actual resources required to deliver the service.

Services	Pricing arrangements	Charging parameter
Authorisation and approval of third-party service providers design/ works	Quoted price	Quoted rate ($) per service. The quoted price varies according to the requested service and actual resources required to deliver the service.
Inspection and auditing services	Quoted price	Quoted rate ($) per service. The quoted price varies according to the requested service and actual resources required to deliver the service.
Sale of approved materials or equipment	Quoted price	Quoted rate ($) per service. The quoted price varies according to the requested service and actual resources required to deliver the service.
Provision of training to third parties for network related access	Quoted price	Quoted rate ($) per service. The quoted price varies according to the requested service and actual resources required to deliver the service.
Security (watchman) lights	Quoted price - for installation service costs Fixed charge - for the maintenance, operation and replacement of the assets	Quoted rate ($) per service. The quoted price varies according to the requested service and actual resources required to deliver the service. Fixed rate ($) per day per light - within the tariff structure, daily charges differ by: – light type (conventional or LED) and – the size of the lamp/luminaire.
Non-standard network data requests	Quoted price	Quoted rate ($) per service. The quoted price varies according to the requested service and actual resources required to deliver the service.
Customer requested provision of electricity network data	Quoted price	Quoted rate ($) per service. The quoted price varies according to the requested service and actual resources required to deliver the service.
Third party funded network alternations	Quoted price	Quoted rate ($) per service. The quoted price varies according to the requested service and actual resources required to deliver the service.
Metering services		
Type 6 default metering services	Fixed price	Metering services charge: fixed ($) per day per tariff. Metering service charges differ by: – the type of metering service (primary, controlled load, solar PV), and – the type of cost recovery (capital, non-capital).
Auxiliary metering services	Fixed price, and in some cases Quoted price	Fixed rate ($) per service. The rate varies depending on the service requested. Quoted rate ($) per service. The quoted price varies according to the requested service and actual resources required to deliver the service.
Public Lighting Services		
Public lighting services	Fixed price	Public lighting charge: Fixed rate ($) per day per light. Daily public lighting charges differ by:

Services	Pricing arrangements	Charging parameter
		– the ownership status (owned and operated, or gifted and operated), – the size of the lamp (major or minor), and technology (conventional or LED).
Auxiliary public lighting services	Quoted price	Quoted rate ($) per service. The quoted price varies according to the requested service and actual resources required to deliver the service.

Appendix B. ICC price setting methodology

The AER's final determination on the 2020-25 TSS requires Ergon Energy Network to include a detailed description of the approach to setting the ICC tariffs in our annual Pricing Proposals.

Ergon Energy Network's methodology for setting the price level of the ICC tariffs is designed to price the provision of electricity services in the most equitable and efficient manner possible. The equity outcomes under this methodology are achieved by allocating residual costs to site-specific connections in a manner that reflects their utilisation of the assets involved in the provision of network services. Favourable customer outcomes are also realised by transitioning the level of ICC tariffs where it is necessary to do so for customer impact considerations.[5] The superior economic efficiency outcomes associated with the ICC tariffs are achieved mainly by these customers receiving the pass through of Powerlink's transmission charges. This creates an important economic incentive for new ICC customers to locate in areas of the network that have a low cost to serve from a transmission perspective.

In contrast to the published tariffs, the ICC tariffs are also capable of signalling economic costs in a manner that more accurately reflect localised economic conditions.[6] The extent to which it is appropriate to signal economic costs to this degree is dependent upon a range of considerations, such as the nature of these economic conditions, the responsiveness of customers to price signals, the impact on customers as well as the transaction costs associated with developing more refined price signals.

A detailed description of each component of the ICC price-setting methodology is provided below.

1 DUOS price setting methodology

Ergon Energy Network's methodology for setting the DUOS prices for ICC customers is comprised of the following steps:

1. the distribution cost to serve for each ICC customer is calculated by allocating the TAR for standard control distribution services into system and non-system components[7]
2. these costs are then allocated into site-specific cost elements (i.e. connection and shared) and non-site specific cost elements (i.e. common and non-system), and
3. the distribution cost to serve for an ICC customer is then allocated into each of the individual charging parameters.

The tariff calculated in step 3 is adjusted to determine the extent that is appropriate to signal long run marginal cost (LRMC) through the demand charge which is evaluated on the basis of customer impact the extent that customers are expected to respond to marginal price signals given the nature of their usage and the expected benefits from doing so given the nature of localised network conditions.

[5] Refer to Clause 6.18.5(h) of the NER.

[6] Refer to Clause 6.18.5(f) of the NER.

[7] System costs are the directly attributable costs associated with the provision of network connection and distribution services. Non-system costs include items such as corporate support that are not directly attributable to the operation and maintenance of the network, but which are associated with network service delivery.

Tariffs for ICC tariff classes are set having regard to the LRMC of providing services for all customers in the tariff class, the relative share of common infrastructure the contribution arrangements at time of connection and the relative contribution to shared infrastructure.

In relation to the ICC tariff class the attribution relates to each sites relative contribution to dedicated connection and shared cost elements based on the customer's specific location, recognising the more complex nature of these connections and connection arrangements and the significant attribution to each connection to fully dedicated and shared infrastructure. For a majority of customers in this class connecting close to the bulk supply point, connection agreements often reflect a capacity which they contributed much of the investment for up front – and the extent to which these connections increase capacity significantly, would require additional investment and contribution under the relevant connection policy. Nevertheless, the LRMC component is proportionally collected through the demand charge.

2 DPPC price setting methodology

DPPC charges for ICC customers are site specific and based on the charges which Powerlink charges Ergon Energy Network at the Bulk Supply Point at which the customer is connected. The methodology to convert Powerlink’s charges to DPPC charges is summarised in the table below.

Table 7: DPPC charging parameters

Powerlink charges	Methodology to convert Powerlink’s charge to DPPC charge	Corresponding DPPC charging parameter	Application
Entry/Exit connection charge ($'000/month)	Entry/Exit connection charge is apportioned to ICC customers using customers individual monthly peak demand (kW) and the total demand supplied through that Bulk Supply Point	Fixed charge ($/day)	Site and customer specific price
Locational charge ($/kW/month)	This charge is a direct pass-through	Locational charge ($/kW/month)	DPPC charge applied to individual ICC forecast monthly peak demand kW
General energy charge (c/kWh)	This charge is a direct pass-through	General services charge ($/kWh)	DPPC charge applied to individual ICC forecast annual energy (kWh)
Common service energy charge (c/kWh)	This charge is a direct pass-through	Common services charge ($/kWh)	DPPC charge applied to individual ICC forecast annual energy(kWh)

3 Jurisdictional scheme price setting methodology

Jurisdictional scheme charges for ICC customers are not site specific i.e., the same Fixed ($/day) and Volume ($/kWh) charge applies to all ICC customers.

- **Step 1:** Jurisdictional scheme revenue allocation

  To allocate an ICC jurisdictional scheme revenue the default is the same for all network tariff classes being a proportion of the total jurisdictional scheme revenue using customer numbers and energy.

- **Step 2:** The jurisdictional scheme allocation is then converted to rates.

These rates are not site specific, so the same jurisdictional scheme Fixed and Volume charge applies to all ICCs. The rates are set using the sum of individual ICC numbers and forecast annual energy. The split of allocation between Fixed and Volume charges is done by tariff group.