

Pricing proposal statement of compliance

Chapter 1: Introduction

This statement of compliance as well as the standardised SCS and ACS pricing models form Powercor's pricing proposal for 2024/25. This is an annual pricing proposal that has been submitted on 28 March 2024.

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

- Powercor for 2024/25 pricing - note that this document is not reviewed by the AER
- Att. A - Statement of compliance (this document)
- Att. B - SCS pricing model
- Att. C - ACS pricing model
- Att. D - Standalone Avoidable model
- Att. E – Tariff summary

Chapter 2: Demand forecasts

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

In comparison to the prior year's pricing proposal forecast, the customer numbers for the current regulatory year are similar but the consumption volumes are different.

| Class | Forecast consumption (GWh) | Estimate consumption (GWh) | Change (%) |
|---------------------------------------|----------------------------|----------------------------|--------------|
| Residential | 3,963 | 3,831 | -3.3% |
| Small and medium commercial (SME) | 1,916 | 1,964 | 2.5% |
| Large commercial and industrial (C&I) | 5,269 | 5,265 | -0.1% |
| Total | 11,148 | 11,060 | -0.8% |

There are two main drivers for this change:

- inclement weather in the first seven months of the period, and
- a recently observed trend of declining per customer average consumption in the residential customer class.

The following methodology was used to estimate and forecast volumes for this pricing proposal:

- extracted 31 consecutive months of actual volumes (Jul 2021 – Jan 2024) by tariff component for current tariff structures
- adjusted the energy volumes for each tariff component to reflect a POE 50 (weather normal) month
- calculated average volume per customer for each tariff component
- adjusted average volume per customer for the recently observed consumption trend
- forecast customer number growth considering average growth over the last 31 months
- multiplied forecast customer numbers by weather normal average volume per customer
- reduced residential energy volumes for self-consumption arising from forecast new solar PV installations
- increased residential energy volumes to allow for new electric vehicles on the network and for customers' consumption change due to Victoria phasing out new gas connections for new dwellings, apartment buildings, and residential subdivisions¹.

¹ Amendment VC250 to the Victoria Planning Provisions

Chapter 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 statement². This is demonstrated in tariff schedule 2 of the SCS pricing model.

All tariffs retain the same charging parameters as the current tariff structure statement³. This is also demonstrated in tariff schedule 2 of the SCS pricing model.

Below is a summary of each charging parameter:

| Residential charging parameters | Unit | Explanation |
|---------------------------------|-------------|---|
| Fixed charge | c/day | Measured per day |
| Anytime energy | c/kWh | Applies all times |
| Peak energy | c/kWh | Applies between 3am-9pm local time every day. Residential daytime saver peak period is 4pm-9pm every day |
| Off peak energy | c/kWh | All other times that are not covered by the peak period. Includes controlled load times |
| Summer demand | \$/kW/month | Measured as the highest half hourly kW achieved between 3pm-9pm local time workdays 1 December to 31 March |
| Non-summer demand | \$/kW/month | Measured as the highest half hourly kW achieved between 3pm-9pm local time workdays 1 April to 30 November |
| Saver energy | c/kWh | Applies between 10am-3pm local time every day |

| Small Business charging parameters | Unit | Explanation |
|------------------------------------|-------------|---|
| Fixed charge | c/day | Measured per day |
| Anytime energy | c/kWh | Applies all times |
| Peak energy | c/kWh | Applies between 9am-9pm local time workdays. Unmetered supply between 7am-11pm weekdays. Community battery 4pm-9pm all days |
| Off peak energy | c/kWh | All other times that are not covered by the peak period. Includes controlled load times |
| Summer demand | \$/kW/month | Measured as the highest half hourly kW achieved between 10am-6pm local time workdays 1 December to 31 March |
| Non-summer demand | \$/kW/month | Measured as the highest half hourly kW achieved between 10am-6pm local time workdays 1 April to 30 November |
| Saver energy | c/kWh | Applies between 10am-3pm local time every day |
| Peak export energy | c/kWh | Applies between 4pm-9pm local time every day |

² Powercor - Revised Regulatory Proposal - 2021-26 - APP06 - Tariff Structure Statement - December 2020

³ Powercor - Revised Regulatory Proposal - 2021-26 - APP06 - Tariff Structure Statement - December 2020

| Large LLV, HV and Sub-transmission customers charging parameters | Unit | Explanation |
|--|--------------|--|
| Peak energy | c/kWh | Applies between 7am-7pm local time workdays |
| Off peak energy | c/kWh | All other times that are not covered by the peak period |
| 12-month rolling demand | \$/kVA/month | Calculated as the kVA at the highest measured 15-minute kVA demand achieved between 7am-7pm local time workdays over the previous 12 months period. Minimum thresholds apply |
| Incentive demand | \$/kVA/month | Calculated as the kVA at the highest measured half hourly kW achieved between 1pm-4pm or 4pm-7pm local time workdays 1 December to 31 March |
| 12-month rolling demand | \$/kW/month | Measured as the highest half hourly kW achieved between 11am-4pm or 4pm-9pm local time workdays over the previous 12 months period. |

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 determination⁴. 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.

Powercor 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 services⁵. 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 formula⁶ using the applicable labour rates in the ACS pricing model.

3.3 - Tariff variations

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

3.4 - Sub-threshold tariffs

Powercor is proposing four sub-threshold tariffs for the regulatory year. These are:

- Residential daytime saver: introduced 2022/23
- Non-distributor owned community battery: introduced in 2022/23
- Distributor owned community battery: introduced in 2022/23

⁴ AER - Final decision - Powercor distribution determination 2021-26 - Attachment 14 - Control mechanisms - April 2021

⁵ AER - Final decision - Powercor distribution determination - 2021-26 - ACS - Ancillary network services model - April 2021

⁶ AER - Final decision - Powercor distribution determination 2021-26 - Attachment 14 - Control mechanisms - April 2021

- HV storage: introduced in 2022/23
- Generator storage: introduced in 2023/24

Powercor has notified the AER of these sub-threshold tariffs no later than four months before the start of the relevant 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.

Chapter 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. These bounds were calculated as follows:

- the stand-alone cost comprises of both the capital and operating costs of service provision. The stand-alone network capital cost for each tariff class was derived from an estimate of the proportions of the cost of providing network infrastructure that would need to remain in place to service the load in each tariff class if the other tariff classes were no longer required to be supplied. The stand-alone operating cost for a tariff class has been estimated as the total of all operating cost less the avoidable operating costs of serving all the other tariff classes.
- the avoidable cost for a tariff class is defined as the cost that would be avoided should the distribution business no longer serve that specific tariff class (whilst all other tariff classes remain supplied). If a tariff class were to be charged below the avoidable cost, it would be economically efficient for the business to stop supplying that tariff class as the associated costs would exceed the revenue obtained from the customer. Further, where avoidable costs are higher than revenue recovered, the associated tariff levels may also result in inefficient levels of consumption, which therefore provides a rationale for having avoidable costs as a lower bound.

The sum of the revenue expected to be recovered from each tariff allows Powercor to recover the expected revenue for the relevant services in accordance with the distribution. 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 previous pricing proposal.

Chapter 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.

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.

Chapter 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 mechanisms⁷.

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 mechanisms⁸ and is compliant with the NER.

6.3 - System strength charges

Powercor will pass through system strength charges for system strength connection points for the 2024/25 period.

In accordance with NER clause 6.18.2(b)(6C), we will pass system strength charges through to distribution customers that have opted to utilise AEMO's system strength services. The charges will be calculated using the charges and charge structure of AEMO. Charges will be invoiced monthly to be consistent with AEMO's timing.

6.4 - Jurisdictional scheme amounts

Powercor'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 mechanisms⁹ and is compliant with the NER.

Chapter 7: Compliance

7.1 - Compliance with the determination

⁷ AER - Final decision - Powercor distribution determination 2021–26 - Attachment 14 - Control mechanisms - April 2021

⁸ AER - Final decision - Powercor distribution determination 2021–26 - Attachment 14 - Control mechanisms - April 2021

⁹ AER - Final decision - Powercor distribution determination 2021–26 - Attachment 14 - Control mechanisms - April 2021

We confirm that our tariff assignment policy and the methodology in which we review and assess the basis on which a customer is charged is unchanged from the current TSS¹⁰ and is compliant with the NER.

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, *Mark De Villiers*, confirm that the above statements are true and correct.



28 March 2024

Mark De Villiers

Date

¹⁰ AER - Final decision - Powercor distribution determination 2021–26 - Attachment 19 - Tariff structure statement - April 2021