1 May 2024

Ausgrid's 2024-25 Pricing Proposal

Attachment A

Statement of compliance

Empowering communities for a resilient, affordable and net-zero future.

Ausgrid

Contents

1. Introduction

This statement of compliance forms part of Ausgrid's network pricing proposal for 2024/25. Our pricing proposal has been submitted within 15 business days after publication of the distribution determination.

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

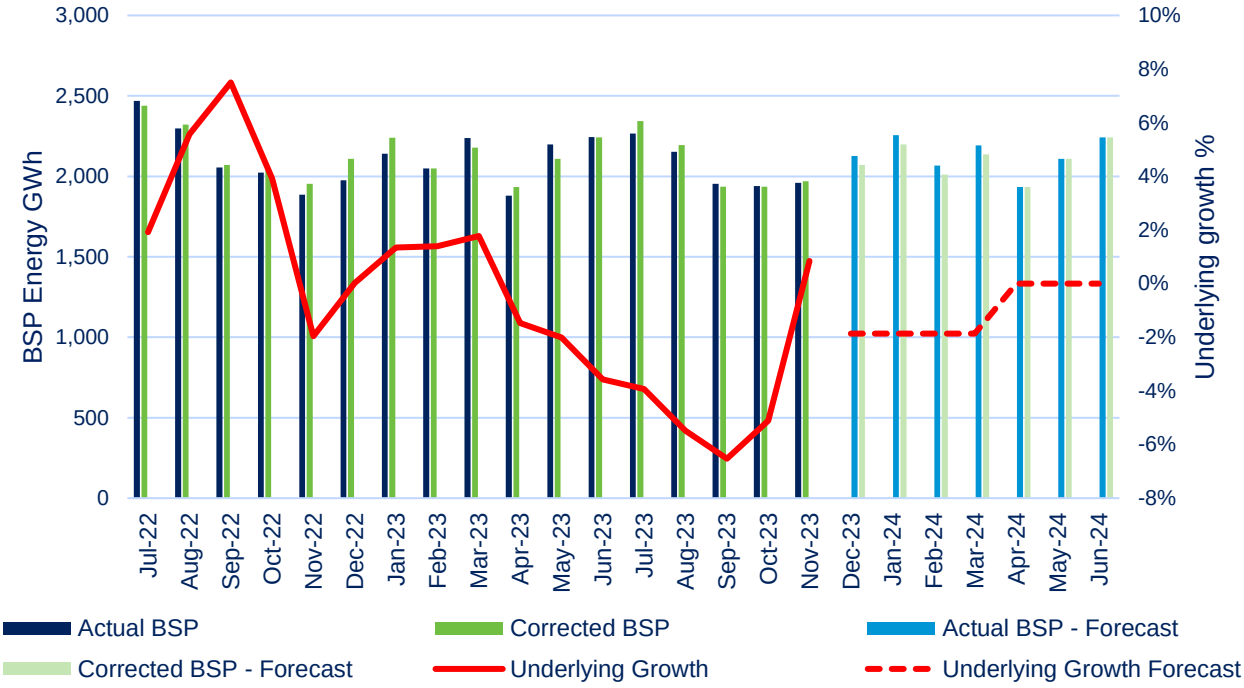
- Ausgrid's 2024/25 pricing proposal cover letter – public and confidential versions
- Ausgrid's 2024/25 price proposal overview document – public and confidential versions
- Att. A - Statement of compliance (this document) – public and confidential versions
- Att. B - SCS pricing model - public
- Att. C - SCS pricing model - confidential
- Att. D - ACS pricing model - public
- Att. E – Retailer of last resort (RoLR) source data - confidential

2. Demand forecasts

Ausgrid has provided quantity forecasts for standard control services in the 'Qty forecasts' sheet of the SCS pricing model. There has not been a change in methodology in the demand forecasts compared to the previous price proposal.

The basis of the forecast for FY24 is to use 5 months (July to November) of actuals and 7 months of forecasts. This forecast is determined by extrapolating the monthly total volume results as seen at the bulk supply points (BSP) on the boundary of the network. Based on the monthly volume trends, the underlying growth in January to March 2024 is assumed to be the average of last 12 months (-1.9%). The underlying growth from April 2024 onwards is assumed to have returned to post-COVID 'normal' with a zero rate applied. The following figure shows these assumptions as the red dotted line.

Figure 1 BSP Energy and Growth Forecast (FY23 and FY24)

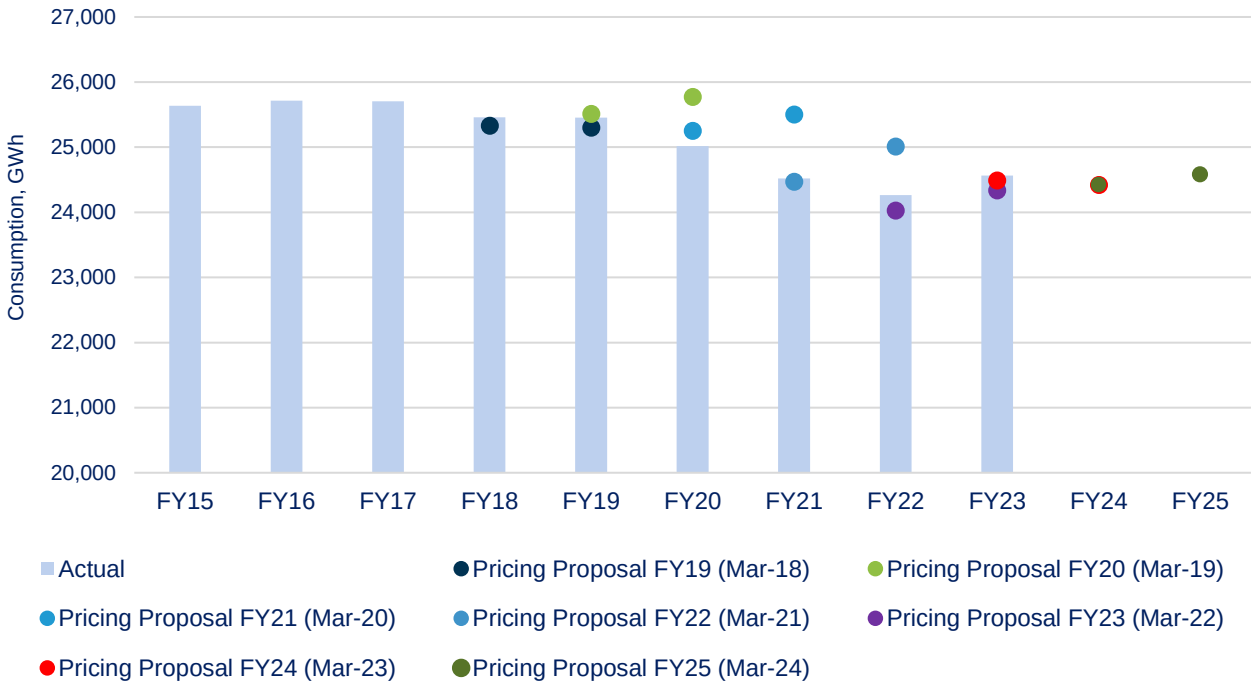


FY24 forecast volumes are allocated to tariffs using a combination of actual meter reads and estimates of billing accruals. An estimated DLF is applied.

The following figure shows the annual energy volumes used in each Ausgrid price proposal from FY19 to FY25. These can be compared to actual volumes which are also shown on the same figure (as a bar chart). Forecasting consistent volume forecasts was challenging during the COVID period, however a close alignment has been achieved in the last two price proposals. Specifically, the most recent year of actual volumes (FY23) is close to what was submitted in the last two proposals.

Comparing the previous pricing proposal to the latest forecast for the current year (ie. FY24 to FY24), the total consumption volumes are similar. A decrease in residential volumes has been offset by an increase in business volumes.

Figure 2 Total consumption (actuals and forecast)



Comparing the estimate for the current year with the forecast for the next financial year (ie. the FY24 estimate to FY25 forecast):

- The overall consumption trend is to increase by 0.6% or 154 GWh. The residential consumption trend is to change by -3.8% or -279 GWh. The business consumption trend is to increase by 2.5% or 404 GWh. Controlled load volume is expected to increase by 3.3% or 29 GWh.
- The overall customer numbers have increased by 9,898. The residential customer numbers have increased by 9,020. The business customer numbers have increased by 879.

The main drivers in the forecast are (1) the macroeconomic variables that support a linear least squares regression model, (2) offsets for rooftop PV and energy efficiency, and (3) additional load for large industrial loads and electric vehicle charging.

The macroeconomic variables driving residential volumes are electricity price and household disposable income. The variables driving business volumes are gross state product and electricity price.

Residential customer numbers are forecast using the Housing Industry Association's estimate of dwelling starts with a 1 year delay. Business customer numbers are held flat while volume changes for this sector are driven by the macroeconomic model and increasing industrial loads.

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 approved 2024-29 Tariff Structure Statement. This is demonstrated in tariff schedule 2 of the SCS pricing model.

All tariffs retain the same charging parameters as the approved 2024-29 tariff structure statement. This is also demonstrated in tariff schedule 2 of the SCS pricing model. Below is a summary of each charging parameter:

Residential and business charging parameters	Unit	Explanation
Fixed charge	c/day	Access charge reflecting a fixed amount per day.
Energy charge	c/kWh	Charged applied to all energy consumed.
Peak energy charge	c/kWh	Charge applied to energy consumed between 3-9pm each day during Summer (November to March) and Winter (June to August) months. For business customers this applies on working weekdays.
Off-peak energy	c/kWh	Charged applied to energy consumed at times other than peak energy.
Peak demand	c/kW/day	Charge applied to the customer's highest kW demand in any half-hour period between 3-9pm during Summer (November to March) and Winter (June to August) months, resetting monthly. For business customers this applies on working weekdays.
Peak capacity - real capacity	c/kW/day	Charge applied to the customer's highest kW of demand during any half-hour period between 3-9pm on working weekdays in the previous 12 months.
Peak capacity - apparent capacity	c/kVA/day	Charge applied to the customer's highest kVA of demand during any half-hour period between 3-9pm on working weekdays in the previous 12 months
Export (charge)	c/kWh	Charge applies to energy exported above the Basic Export Limit between 10am-3pm each day
Export (reward)	c/kWh	Reward (credit or payment) applies to energy exported between 4-9pm each day.

Critical minimum energy	c/kWh	Charge or reward applied during minimum demand events
Critical peak energy	c/kWh	Charge or reward applied during maximum demand events
TUOS demand	c/kW/day	Transmission charge applied to the customer's highest kW demand in any half-hour period, resetting monthly.

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.

3.2 Alternative control services

The ACS pricing model (Attachment D) sets out the proposed FY25 prices for alternative control services.

Ausgrid's list of services for Type 5 and 6 metering, public lighting, and ancillary network services aligns with the AER's final determination for alternative control services. [1] The list of services for Type 5 and 6 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[2] using the applicable labour rates in the ACS pricing model.

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.

3.4 Sub-threshold tariffs

Ausgrid is proposing five sub-threshold tariffs for the regulatory year. These are:

- Residential local use of system tariff (EA956): introduced this year.
- Standalone power system tariff (EA957): introduced in 2023–24.
- Super off-peak tariff (EA958): introduced in 2023–24.
- Flexible load secondary (EA964): introduced in 2023–24.
- Flexible load primary (EA965): introduced in 2023–24.

Ausgrid has notified the AER of these sub-threshold tariffs no later than four months before the start of a regulatory year. These are in Ausgrid's revised proposal of November 2023 and available on the AER website.

[1] AER, Attachment 16 Alternative Control Services | Final Decision – Ausgrid Distribution Determination 2024-29, April 2024, pp 17-37 and AER, Attachment 20 Metering Services | Final Decision – Ausgrid Distribution Determination 2024-29, April 2024, p 15.
[2] AER, Attachment 14 Control Mechanisms | Final Decision – Ausgrid, Endeavour Energy, Essential Energy, Evoenergy, Power and Water Corporation and TasNetworks Distribution Determination 2024-29, April 2024, p12.

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. These bounds are from the model (Attachment 8.7) submitted as part of Ausgrid's revised regulatory proposal. This model calculates percentages of distribution revenue that represent the upper and lower bounds. These percentages are determined by allocating operating costs and asset value data to tariff classes based on whether the cost is considered scalable or not scalable.

The sum of the revenue expected to be recovered from each tariff allows Ausgrid to recover the expected revenue for the relevant services in accordance with the AER's final decision for 2024-29. 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 approved 2024-29 tariff structure statement.

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. This is largely due to the inclusion of updated Transgrid transmission revenues and the NSW Electricity Roadmap Infrastructure Fund.

The Transgrid transmission revenue has increased by $89 million (47%) compared to the current year and is mostly due to intraregional market settlement residues returning to historical levels. The Roadmap costs have increased by $89 million (147%) compared to the current year. These costs cover financial support for new renewable generation and storage investment, network investment and the administration costs of Roadmap entities.

6. Tariff components

6.1 Distribution use of system charges

Tariffs designed to pass on distribution use of system (DUOS) 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[3].

A $15.96 million (rounded, excluding interest) under recovery is forecast in 2023/24 for DUOS revenue. This has been included in the calculation of 2024/25 prices. $4.36 million (rounded) of the under recovery reflect unrecovered revenue from retailer of last resort (RoLR) events. Attachment E provides supporting detail for this unrecovered revenue.

There are no zeroed out DUOS charging components for 2024/25 (as compared to the previous year), however in accordance with the approved tariff structure statement the low season demand charges and shoulder period charges will be removed.

6.2 Designated pricing proposal charges

Ausgrid's designated pricing proposal charges (DPPC) are designed to recover the allowed revenue for our electricity transmission (dual function) network, to pass through the prescribed transmission costs of Transgrid, inter-distributor transfers and avoided TUOS payments.

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[3] and is compliant with the NER.

A $3.45 million (rounded, excluding interest) under recovery is forecast in 2023/24 for DPPC revenue. This has been included in the calculation of 2024/25 prices. $1.01 million (rounded) of the under recovery reflect unrecovered revenue from retailer of last resort (RoLR) events. Attachment E provides supporting detail for this unrecovered revenue.

Our price proposal overview document includes the notification of Transgrid's 2024/25 revenue as received on March 15.

There are no zeroed out DPPC charging components for 2024/25, as compared to the previous year. Network tariffs EA010 and EA050 include a fixed charge DPPC component which is consistent with the indicative prices submitted as part of Ausgrid's revised tariff structure statement 2024-29.

6.3 System strength charges

Ausgrid is not planning to pass through system strength charges for system strength connection points for the 2024/25 period.

In future years, and in accordance with clause 6A.23.6(b) of the Rules, for each system strength connection point on Ausgrid's network, Ausgrid will recover from the relevant Transmission Network User, on a pass through basis, the annual system strength charge for the system strength connection point determined by Transgrid, being the System Strength Service Provider for NSW.

Clause 6A.23.6(c) of the Rules requires the amount, structure and timing of the amount billed will replicate, as far as is reasonably practical, the amount, structure and timing of the corresponding system strength charge billed to Ausgrid. To comply with this requirement, Ausgrid will replicate, as far as reasonably practical, the amount, structure and timing of the annual system strength charge, in accordance with the charging information provided and billed by Transgrid.

6.4 Jurisdictional scheme amounts

There are two jurisdictional schemes recoveries for 2024/25. These are the Climate Change Fund (CCF) and the NSW Electricity Infrastructure Roadmap contribution determination. A third jurisdictional scheme, the Roadmap exemptions, has a recovery amount of zero for 2024/25 and will not impact pricing for the next financial year.

On 9 December 2021, the AER published its determination that the NSW Government's scheme established under section 58(1) of the Electricity Infrastructure Investment Act (NSW) 2020 (Roadmap) is a jurisdictional scheme. The Roadmap contribution determination of 21 February 2024 requires Ausgrid to recover $151.13 million in 2024/25. Ausgrid forecasts a $0.53 million (rounded, excluding interest) over recovery for this scheme in 2023/24 and this has been included in the 2024/25 prices.

Clause 34J of the NSW Energy and Utilities Administration Act 1987 enables the Minister to require licensed distributors to make contributions to the Climate Change Fund. The Climate Change Fund recovery amount for 2024/25 is $139.52 million (rounded). The email notification as received from the NSW Department of Climate Change is included in the price proposal overview document. Ausgrid forecasts a $2.15 million (rounded, excluding interest) over recovery for this scheme in 2023/24 and this has been included in the 2024/25 prices.

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 amounts for both schemes are calculated in a manner consistent with the AER's final decision for control mechanisms[3] and is compliant with the NER.

[3] AER, Attachment 14 Control Mechanisms | Final Decision – Ausgrid, Endeavour Energy, Essential Energy, Evoenergy, Power and Water Corporation and TasNetworks Distribution Determination 2024-29, April 2024.

$0.35 million (rounded) of under recovered revenue for the Climate Change Fund was from unrecovered revenue resulting from retailer of last resort (RoLR) events. Attachment E provides supporting detail for this unrecovered revenue.

Jurisdictional scheme recoveries will be passed on to customers via energy charges and include any adjustments for the over or under recovery of these schemes in any previous regulatory year.

7. Compliance

7.1 Compliance with the determination

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 approved tariff structure statement[4] and is compliant with Chapter 6 of National Electricity Rules (NER).

The 2025-29 TSS commits Ausgrid to:

1. introduce its embedded network tariffs with a 7-year transition to appropriate price levels. This 2024/25 price proposal has introduced these tariffs with prices for the first year of this transition period.

2. increase the assignment threshold for capacity tariffs from 40 MWh per annum to 60 MWh per annum. This is the first year of a three-year transition period.

3. introduce export tariffs as part of a one year “opt in” for small customers who are export capable. This is ahead of default assignment for these customers in 2025/26.

4. remove ten legacy tariffs, introduce storage tariffs, and update its charging windows and components at the start of the regulatory period.

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

[4] AER, Attachment 19 Tariff Structure Statement | Final Decision – Ausgrid Distribution Determination 2024-29, April 2024.

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, Bill Nixey, Network Pricing Manager, confirm that the above statements are true and correct.

15 May 2024