

Pricing proposal statement of compliance

Purpose

The purpose of this document is to specify in greater detail what information the AER needs to assess pricing proposals for compliance. The AER will consider this document as well as the models provided by the DNSP to be the formal pricing proposal.

General principles

- This document will replace the previous statement of compliance.
- This document should be replicated in the DNSP's report template and should be a separate document.
- We do not expect DNSPs to replicate information across the statement of compliance and the standardised model.
- DNSPs must explain changes made in comparison to the previous pricing proposal (for annual pricing proposals) and the approved determination (including any relevant final decision attachments and the tariff structure statement).
- DNSPs may opt to make further materials for stakeholders which can be submitted to and published by the AER, however these materials will not be subject to our review and not form part of the AER process. These materials can include customer-facing information about the proposal (i.e. documents in the same format as previous pricing proposal documents provided by DNSPs), cover letters, and price lists for different services.
- 'Initial pricing proposal' refers to pricing proposals that apply to the first year of the regulatory period. 'Annual pricing proposal' refers to pricing proposals for subsequent years of the regulatory period.
- Text in square brackets provide a space to be filled in by the DNSP. AER notes are in highlighted text and should be removed/replaced in the final document. Where reference is requested, footnote the AER's decision or the DNSP's documentation, including page numbers, where appropriate.

Pricing proposal statement of compliance template

Chapter 1: Introduction

This statement of compliance as well as the standardised SCS and ACS pricing models form Power and Water Corporation's pricing proposal for 2024-25. This is an initial pricing proposal that 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 proposal:

- Statement of compliance (this document)
- Power and Water Corporation - Network Pricing Proposal 2024-25 - 8 May 2024 – Public
- Power and Water Corporation - 2024-25 annual SCS pricing model - 8 May 2024 – Public
- Power and Water Corporation - 2024-25 annual ACS pricing model - 8 May 2024 – Public

Chapter 2: Demand forecasts

Power and Water Corporation 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 similar.

Power and Water Corporation has used the forecast approved/submitted in our revised regulatory proposal (30 November 2023) and is based on the work undertaken by industry experts and independent contractors Energeia, who provided the forecast and trend analysis used in our initial regulatory proposal. We used their trend analysis and applied it to an updated base when preparing our forecast for the revised regulatory proposal and this initial annual proposal.

To ensure the accuracy of the load profile provided within this annual pricing proposal, PWC revaluated the forecast twice since the revised regulatory proposal was submitted in November 2023. First in January 2024 using the six months to December 2023 data, and then the nine months to March 2024.

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 statement¹. This is demonstrated in tariff schedule 2 of the SCS pricing model.

All tariffs retain the same charging parameters as the current tariff structure statement². This is also demonstrated in tariff schedule 2 of the SCS pricing model. Below is a summary of each charging parameter:

| Charging parameters | Unit | Explanation |
|---------------------------------|------------|---|
| System access charge | \$/Day/NMI | A daily charge, charged at dollars per day, per NMI |
| Anytime energy | \$/kWh | Flat energy rate applied to all energy consumption |
| Super Off-peak energy | \$/kWh | Rate applied to customers with a smart meter consuming below 750MWh per year, applies: <ul style="list-style-type: none">• 9am to 3pm Monday to Sunday, all year. |
| Off-peak energy | \$/kWh | Rate applied to customers with a smart meter consuming below 750MWh per year, applies: <ul style="list-style-type: none">• 3pm to 9am Monday to Sunday from 1 April to 30 September, and• 9pm to 9am Monday to Sunday from 1 October to 31 March, and 3pm to 9pm on weekends |
| Peak energy | \$/kWh | Rate applied to customers with a smart meter consuming below 750MWh per year, applies: <ul style="list-style-type: none">• 3pm to 9pm Monday to Friday (including public holidays) from 1 October to 31 March |
| On-season demand charge | \$/KVA | Rate applied to customers with a smart meter consuming above 750MWh per year, applies: <ul style="list-style-type: none">• 3pm to 9pm Monday to Friday (including public holidays) from 1 October to 31 March |
| Off-season demand charge | \$/KVA | Rate applied to customers with a smart meter consuming above 750MWh per year, applies: <ul style="list-style-type: none">• 3pm to 9pm Monday to Friday (including public holidays) from 1 April to 30 September |

¹ Chapter 5, page 22 in [Power and Water Corporation's 2024-29 revised Tariff Structure Statement](#).

² Chapter 5, page 22 in [Power and Water Corporation's 2024-29 revised Tariff Structure Statement](#).

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 sets out the proposed 2024-25 prices for alternative control services.

Power and Water will offer the same list of services for metering and ancillary network services as approved in the AER's final determination for alternative control services³. The list of services for metering and fee-based services is provided in the ACS pricing model. Quoted services are provided in line with the approved control mechanism formula⁴ 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

Power and Water is not proposing sub-threshold tariffs for the regulatory year.

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 and approved as part of Power and Water's approved 5-year determination. We calculated the stand-alone costs based on the cost of a median customer in a tariff class going 'off-grid' with a PV generating unit, battery and diesel generator. In calculating avoidable costs, we have based it on the contribution to the system peak by each class, multiplied by the LRMC.

The sum of the revenue expected to be recovered from each tariff allows Power and Water 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 current tariff structure statement.

³ Chapter 7, page 29 of [Power and Water Corporation 2024-29 revised Tariff Structure Statement](#)

⁴ [AER - Service Classification Guideline - 28 September 2018.pdf](#)

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.

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 mechanisms⁵.

6.2 - Designated pricing proposal charges

Power and Water is not proposing tariffs designed to pass on designated pricing proposal charges.

6.3 - System strength charges

Power and Water is not planning to pass through system strength charges for system strength connection points for the 2024-25 period.

6.4 - Jurisdictional scheme amounts

Power and Water is not proposing tariffs designed to pass on jurisdictional scheme amounts because it is not subject to a jurisdictional scheme.

Chapter 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 current TSS and is compliant with the NER⁶.

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) | This report and accompanying attachments constitute our initial pricing proposal for 2024-25. It has been provided to the AER within 15 business days after publication of the distribution determination. |
| 6.18.8(a)(3) | Refer to section 3.2 |
| 6.18.2(b)(2) | 6.18.2(b)(2) For SCS services see section 3.3 |
| 6.18.2(b)(3) | For ACS Metering services see section 4.2 |
| 6.18.2(b)(4) | For ACS Quoted services see section 4.3 For ACS Fee based services see section 4.4 |

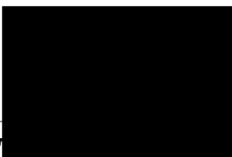
⁵ Appendix B, Attachment 14 Control Mechanisms, Final Decision Power and Water Corporation, 1 July 2024 to 30 June 2029

⁶ Chapter 5, page 22 in the final decision on [Power and Water Corporation's 2024-29 revised Tariff Structure Statement](#).

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| <p>6.18.2(b)(5)</p> <p>6.18.6</p> <p>6.18.1C</p> <p>11.141.8</p> | <p>6.18.2(b)(3) Refer to section 2.2 for description of charging parameters and elements of service that the charge relates to. See section 3.3 for the tariff rate that applies to each charging parameter.</p> <p>6.18.2(b)(4) Refer to section 5.2.1 and Appendix E (SCS Pricing Model)</p> <p>6.18.2(b)(5) Refer to section 5.2.2</p> <p>6.18.6 Refer to section 5.2.1</p> <p>6.18.1C Not applicable</p> <p>11.141.8 Not applicable</p> |
| <p>6.18.5(e)</p> <p>6.18.5(f)</p> <p>6.18.5(g)(2)</p> | <p>6.18.5(e) Refer to section 5.1.2</p> <p>6.18.5(f) Refer to section 5.1.3</p> <p>6.18.5(g)(2) This is demonstrated in Appendix E (SCS pricing model)</p> |
| <p>6.18.2(d)</p> <p>6.18.2(e)</p> <p>6.18.2(b)(7A)</p> | <p>6.18.2(d) This is set out at:</p> <ul style="list-style-type: none"> • Appendix A for SCS, • Appendix B for ACS Metering, • Appendix C for ACS Quoted Service, and Appendix D for ACS Fee Based Services. <p>The underlying inputs, forecasts and calculations for SCS are contained in Appendix E for SCS and Appendix F for ACS.</p> <p>6.18.2(e) We have not exercised our option under 6.18.1C. That is we have not sought the AER's approval for a new proposed tariff (a relevant tariff) that is outside of our approved TSS.</p> <p>6.18.2(b)(7A) Refer to section 5.2.2</p> |
| <p>6.18.2(b)(6)</p> <p>6.18.2(b)(6B)</p> <p>6.18.2(b)(6C)</p> <p>6.18.7</p> <p>6.18.7A</p> | <p>6.18.2(b)(6) Not applicable as Power and Water has no designated pricing proposal charges. This is confirmed in calculation of TAR in section 3.1.</p> |

| | |
|---|---|
| | <p>6.18.2(b)(6B) Not applicable as Power and Water has no jurisdiction scheme amounts. This is confirmed in calculation of TAR in section 3.1.</p> <p>6.18.2(b)(6C) We have no system strength charge amounts as discussed in section 3.1</p> <p>6.18.7 We have no designated pricing proposal charges as discussed in section 3.1.</p> <p>6.18.7A We have no jurisdictional scheme amounts as discussed in section 3.1.</p> |
| <p>6.18.3</p> <p>6.18.4</p> <p>6.18.2(b)(7)</p> <p>6.18.2(b)(8)</p> | <p>6.18.3 Refer to section 2.1</p> <p>6.18.4 Refer to section 2.3</p> <p>6.18.2(b)(7) This is set out in this compliance register, with key elements such as Pricing Principles discussed in chapter 5 of Power and Water's TSS. Quantitative compliance is demonstrated in Appendix E (SCS Pricing Model). We have also demonstrated how our tariff strategy is consistent with the AER approved TSS published in April 2024.</p> <p>6.18.2(b)(8) Refer to section 3 of this document which discusses the key inputs that drive the calculation of tariffs (sections 3.1 and 3.2) and the tariff strategy that establishes changes at a charging parameter level to achieve the TAR.</p> |

I, *Andrew Gniel, Power and Water's Manager, Economics and Pricing*, confirm that the above statements are true and correct.

[signature] 

15/05/2024.
[date]