

# Draft Decision

## Ergon Energy and Energex Electricity Distribution Determinations 2025 to 2030 (1 July 2025 to 30 June 2030)

### Attachment 19 Tariff structure statement

September 2024

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## 19 Tariff structure statement

This attachment sets out our draft decisions on Ergon Energy and Energex’s tariff structure statements to apply for the 2025–30 regulatory control period (2025–30 period).

A tariff structure statement applies to a distributor's tariffs for the duration of the regulatory control period, providing consumers and retailers with certainty and transparency in relation to their distribution charges. This allows consumers to make more informed decisions about their energy use. A tariff structure statement informs customer choices by:

- providing clear price signals—network tariffs which reflect what it costs to use electricity at different times can allow customers (or their retailer) to make informed decisions to better manage their bills
- transitioning tariffs to greater cost reflectivity—with the requirement that distributors explicitly consider the impacts on retail customers, by engaging with customers, customer representatives and retailers in developing network tariff proposals
- managing future expectations—providing guidance for retailers, customers and suppliers of services such as local generation, batteries and demand management by setting out the distributor's tariff approaches for a set period of time.

In this round of tariff structure statements, SA Power Networks, Ergon Energy and Energex have continued to move towards more cost reflective tariff structures. In particular, the proposed tariff structure statements respond to the trend of increased consumer energy resources (CER) and the role network tariffs can play in assisting their integration into the grid by signalling how and when the use of those resources drives costs and benefits to the network. For example:

- solar photo voltaic (PV) installations continue to increase, requiring distributors to manage minimum demand on their networks when solar generation is at its highest
- the uptake of electric vehicles (EV) is ramping up, requiring distributors to consider how to encourage charging of EVs in ways that minimise their contribution to existing demand peaks, avoid the creation of new peaks, and maximise their contribution to efficient use of the network
- there is increasing interest in behind-the-meter, community and grid-scale storage with several national and state level government programs encouraging their uptake.

Further supporting their path towards more cost reflective tariffs, Ergon Energy and Energex have proposed export reward tariffs. It follows the Australian Energy Market Commission (AEMC) 2021 rule change, *Final determination - Access, pricing and incentive arrangements for distributed energy resources* to allow the introduction of two-way pricing (i.e. rewards and charges for exporting energy as well as consuming energy).

Ergon Energy and Energex’s proposed tariff changes also included 4 ‘contingent tariff adjustments.’ These make specific changes to a tariff or availability of a tariff in the event of an identified trigger event. They are a response to uncertainty in the 2025–30 period caused by the rapid pace of change in the energy sector and give distributors some flexibility within a regulatory period to adjust to changing circumstances.

Smart meters are essential for the application of most cost reflective network tariffs. In their latest reported data for 2023, the percentage of residential customers with smart meters has increased from 31.85% in 2022 to 39.90% in 2023 (Ergon Energy), and from 29.02% in 2022 to 35.62% in 2023 (Energex). It will accelerate further over the 2025–30 period given the AEMC’s *Accelerating smart meter deployment* draft rule change which provides for a target of 100% smart meter roll out by 2030. This level of smart meter penetration will see increased numbers of customers whose retailer is facing a cost reflective network tariff. In time, this will increase the number of customers on cost reflective retail offers. We anticipate the accelerated smart meter roll out will encourage retail competition and innovation in retail tariffs and service products for consumers.<sup>1</sup>

The AEMC’s draft determination noted that the sooner smart meters are installed across the NEM the greater the benefits to consumers.<sup>2</sup> The AEMC recommended safeguards to support customers through the transition to an energy system that features smart meters. It is also consulting on further safeguards, in response to stakeholder concern on changes to retail tariffs following smart meter installation. The safeguards focus on retailer decisions, including a decision around providing sufficient notification and information of changes to a customer’s retail pricing structure, as well as requiring explicit consent from customers for changes to retail tariffs. While the AEMC’s recommended safeguards focused on managing customer risks associated with retailer decisions, our draft decision on tariff structure statements also considers the impacts to consumers from distributors’ arrangements for transitioning retailers to cost reflective network tariffs on customer receipt of a smart meter.

#### **Retail pricing interactions with network tariffs**

The network tariffs we approve may not be directly passed on to end-use customers (i.e. the retail customer). This is because distributors charge network tariffs directly to retailers (for the transport of electricity to end-use customers). Retailers then choose whether to pass on the network price signals exactly or repackage them in their retail offers (including in flat rate retail offers).

Cost reflective network tariffs provide signals to retailers on the costs of using the network at different times and encourage retailers to design retail tariff offers that reflect network costs. Retail offers that reflect cost reflective network tariffs best signal to end-use customers when it is more or less costly to use the network. Ultimately cost reflective network tariffs encourage retailer competition and innovation in how they reflect these network costs in diverse retail offers.

Customers should have access to a range of retail tariff structures across different retailers since distributors typically offer at least two cost reflective tariff structures for small customers, and because retailers can choose whether or not to reflect the structure of the

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<sup>1</sup> We note that at the time of this draft decision, the AEMC is consulting on additional consumer safeguards to include in its final rule change (i.e. imposing a period during which retailers cannot assign their customers to cost reflective retail offers without consent, and requiring designated retailers to provide flat retail offers). The proposed changes under consultation would not impact network tariff assignment.

<sup>2</sup> AEMC, *National Electricity Amendment (Accelerating Smart Meter Deployment) Rule – Draft rule determination*, April 2024, p i.

underlying network tariff. Importantly, customers should be able to choose the retail tariff structure that best suits their needs and preferences.

Customer input is important in developing tariffs since their ultimate objective is to influence consumer behaviour. We observe the Ergon Energy and Energex have generally engaged well with stakeholders in developing their 2025–30 tariff structure statements. More generally, we observe that distributors' consumer consultation processes have improved over successive resets and our AER's *Better Resets Handbook* (Handbook) published in 2021 supports this improvement. The Handbook encourages network businesses to better engage with stakeholders and to have consumer preferences drive the development of their regulatory proposals.

We acknowledge the challenge for distributors to engage consumers on network tariffs they will not see directly, that may be complex and not structured for consumer understanding.<sup>3</sup> When it comes to customers' experience, it is the retailer's role to develop and communicate retail tariffs that are appealing and understandable, appropriate to their customers' circumstances and incentivise customer behaviour to support efficient use of the network (i.e. to reduce the network bill the retailer is charged for their customers' use of the network).

### **Retail pricing regulation**

Retail competition is limited in regional Queensland, with most customers being served by Ergon Energy Retail. The Queensland Competition Authority sets regulated prices for small customers (customers consuming less than 100 MWh per annum) on the Ergon Energy network so that they pay the same prices (including network prices) as Energex customers in southeast Queensland.<sup>4</sup> The network component of a customer's retail bill makes up approximately 37% of the final bill.

There is no retail price regulation in southeast Queensland, so retailers' default standing offer contracts must adhere to the default market offer (DMO). This is the maximum annual price, for a set amount of usage, that a retailer can charge for its standing offer contracts and is determined by the AER each year. The DMO price for each distribution region also acts as a 'reference price' for residential and small business offers in that network. When advertising or promoting offer pricing, retailers must show the price of their market offer in comparison to the DMO/reference price. This helps customers more simply compare the price of different offers.

### **References to tariff assignment and customers impacts**

In this decision document we may refer to (retail) customers being assigned to a network tariff and these customers having choice in network tariffs or the ability (or inability) to opt into or out of particular tariffs. We also comment on customer impacts under the distributors' assignment policies. These customer impacts assume the network price signals are directly passed on to the end-use customer by the retailer. We acknowledge that it is the retailer who may seek reassignment where choice is provided through network tariff opt-in or opt-out provisions, rather than the customer. Actual customer outcomes as a result of approved tariff

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<sup>3</sup> The NER allows for tariffs that may not be understood by retail customers, if the tariffs instead are capable of being understood and incorporated by retailers in retail tariffs, NER, cl. 6.18.5(i).

<sup>4</sup> MWh = megawatt hour.

structure statements, and the incentive for any customer behavioural change associated with these tariffs, will also depend on the retailer, how the retailer chose to package or pass on the network tariff costs, and the retail tariff the customer chooses.

For ease of communicating particular issues, our language may not always accurately reflect the indirectness of the relationship between a customer and their network tariff. We occasionally refer explicitly to retail tariffs but any general reference to tariffs refers to network tariffs.

## 19.1 Draft decision

Our draft decision is to not approve Ergon Energy and Energex’s proposed 2025–30 tariff structure statements. We are not satisfied all elements comply with the pricing principles for direct control services in the National Electricity Rules (NER) and other requirements of the NER, or contribute to achieving the National Electricity Objectives (NEO).<sup>5,6</sup>

We are satisfied many elements of the proposed tariff structure statements comply with the pricing principles and contribute to the achievement of the network pricing objective. We consider that Ergon Energy and Energex’s proposals include tariffs with cost reflective price signals and network tariff choice for retailers and customers.

Our draft decision is to approve the following elements of Ergon Energy and Energex’s 2025–30 proposed tariff structure statements:

- tariff structures for residential and small business customers (also called standard asset customers (SAC) small), not including two-way tariffs or the new proposed optional flexible load control tariffs
- tariff structures for large LV (low voltage) and HV (high voltage) business customers (SAC large and connection asset customers (CAC)), not including two-way tariffs
- tariff assignment for HV business customers
- continuation of primary and secondary load control tariffs
- tariff streamlining and withdrawal of obsolete or closed tariffs
- approach to setting and assigning customers to individually calculated customer (ICC) tariffs.

We are not approving the following elements of Ergon Energy and Energex’s tariff structure statements, as we are not satisfied these elements comply with pricing principles or other applicable requirements of the NER or contribute to achieving the NEO, based on the information available:

- proposed flexible load control tariffs
- tariff assignment for residential and small business customers
- proposed two-way tariffs

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<sup>5</sup> NER, cl. 6.12.3(k).

<sup>6</sup> NEL, s. 7.

- grid-scale storage tariffs
- tariff assignment for large LV commercial customers.

We require Ergon Energy and Energex to make the following changes in their revised proposals:

- make default assignment for residential and small business customers with smart meters from the proposed time-of-use demand tariffs to the proposed time-of-use tariffs
- include further information on the proposed contingent tariff adjustments to remove obsolete tariffs within the 2025–30 period (this information has already been provided to the AER in response to an information request)<sup>7</sup>
- include an explicit export tariff transition strategy, convert proposed export charges and basic export levels from kW to kWh<sup>8</sup> and include network bill impact analysis for small businesses and large customers proposed to face two-way pricing
- provide further detail on proposed grid-scale storage tariffs, including more detail on the proposed critical peak pricing mechanism
- offer time-of-use tariffs for LV large customers with demand greater than 120 kVA<sup>9</sup> and with consumption less than 160 MWh per annum
- include further description of control arrangements that are contained in the Queensland Electricity Connections Manual, including the relationship between the Manual and tariff structure statements, and the extent to which control arrangements influence tariff options, including the proposed new flexible load control tariff.

We also encourage Ergon Energy and Energex to provide the following with their revised proposals to further improve their tariff structure statements:

- fact sheets and worked examples of how the proposed export rewards and export charges / two-way pricing will apply in practice, including analysis of how customers with different sized solar PV systems could be impacted by two-way pricing
- further information on dynamic connections for exporting customers
- addition of the controlled load tariff supply times to the tariff structure statements, rather than referring to external Network Tariff Guides for this detail
- more consistency across customer bill impact analysis, more detail on the percentage of customers better and worse off from changes to their tariffs, and include more detail on how customers could mitigate the impact of changes to tariffs
- further detail on proposed contingent tariff adjustments to bring forward introduction of new, optional, demand-only tariffs for small customers if EV take-up in the 2025–30 period is higher than anticipated
- for Ergon Energy only, explanation of why it has removed the kW version of the 'demand small' tariff for large LV customers, including more detail on the engagement it did to

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<sup>7</sup> Ergon and Energex – *Information request ESS IR#002 – Tariffs – 20240229* – Public.

<sup>8</sup> kW = kilowatt, kWh = kilowatt hour.

<sup>9</sup> kVA = kilovolt amp.



support this change, and further information on the value of ‘avoided transmission-use-of-system (TUOS)’ costs for HV and ICC customers

- further description of the ICC tariff class, explaining when customers with installed capacity bellow 10 MVA may be eligible for this tariff class<sup>10</sup>
- editing some text on tariff streamlining, and information on the number of customers affected by withdrawn tariffs (most of this additional information has already been provided to us in response to an information request)<sup>11</sup>
- stakeholder engagement strategies, particularly for customers who may be materially impacted from changes to their tariffs.

## 19.2 Ergon Energy and Energex’s proposals

Ergon Energy and Energex’s 2025–30 tariff structure statements seek to continue the pricing reform they commenced in 2017 by:

- introducing secondary two-way (export reward) tariffs in 2026 for all LV customers with smart meters and PV systems with less than 30 kW export capacity. From 2028, customers would have no ability to opt-out unless they enter into a dynamic connection agreement with the distributor. Availability of two-way pricing in the 2025–30 period is contingent on availability of dynamic connections<sup>12</sup>
- withdrawing 27 Ergon Energy tariffs associated with a proposed amalgamation of 3 existing transmission regions into 1, and 9 Energex tariffs, that are obsolete, or that have few or no customers assigned to them, including:<sup>13</sup>
  - obsolete time-of-use and demand tariffs for small customers
  - 3 x transitional time-of-use large customers tariffs (Ergon Energy only)
  - obsolete demand and residential tariffs currently available for large LV customers
  - 2 x demand tariffs for HV customers (Energex only)
- introducing 4 contingent tariff adjustments to:
  1. defer default assignment of new customers to two-way tariffs if dynamic connections are not available in any part of the network
  2. defer default assignment of existing customers to two-way tariffs if dynamic connections are not available in any part of the network
  3. bring forward the planned July 2027 introduction of additional, optional residential and small business demand tariffs if take up of EVs increases variability of evening and weekend demand
  4. withdraw some network tariffs if there is limited take-up during the 2025–30 period<sup>14</sup>

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<sup>10</sup> MVA = mega volt amp.

<sup>11</sup> Ergon and Energex – *Information request ESS IR#002 – Tariffs – 20240229* – Public.

<sup>12</sup> Ergon Energy, *Tariff structure statement – Compliance statement*, January 2024, pp 28–29; Energex, *Tariff structure statement – Compliance statement*, January 2024, p 27.

<sup>13</sup> Ergon Energy, *Tariff structure statement – Compliance statement*, January 2024, pp 12–29; Energex, *Tariff structure statement – Compliance statement*, January 2024, pp 12–28.

<sup>14</sup> Ergon Energy, *Tariff structure statement – Compliance statement*, January 2024, p 5; Energex, *Tariff structure statement – Compliance statement*, January 2024, p 6.

- increasing the cost reflectivity of price signals in LV tariffs by:
  - strengthening the price signals of residential and small business time-of-use demand tariffs so that they are no longer transitional (higher peak charges)
  - introducing solar soak / low cost periods for LV tariffs (11am – 4pm for residential customers, 11am – 1pm for small and large business customers)
  - removing distribution-use-of-system charges from the solar soak period for small customers
  - shortening the peak charging window for LV small and large business customers from 4pm – 9pm to 5pm – 8pm<sup>15</sup>
- introducing optional demand-only tariffs for small customers from 2027 with stronger price signals than the proposed time-of-use demand tariffs (with a contingent tariff adjustment to bring forward introduction of the tariff if high uptake of EVs increases the variability of demand)<sup>16</sup>
- retaining some existing legacy tariffs for customers with accumulation meters but keeping those tariffs closed to customers with smart meters<sup>17</sup>
- retaining existing primary and secondary load control tariffs and introducing flexible control load rebate tariffs for small customers whose EV chargers are on a dynamic connection, while retaining existing primary and secondary load control options<sup>18</sup>
- reassigning all large LV customers to the proposed default time-of-use demand tariffs<sup>19</sup>
- removing the kW option from the optional demand small tariff for large LV business customers (Ergon Energy only) so that the tariff aligns with Energex’s demand small tariff<sup>20</sup>
- introducing optional tariffs for HV customers that have the same structure and charging periods as the LV business time-of-use demand tariffs<sup>21</sup>
- introducing 2 new optional grid-scale storage tariffs, ‘Dynamic Flex’ and ‘Dynamic Price’, available on application only and subject to Ergon Energy and Energex’s approval.<sup>22</sup>

In addition to these tariff reforms, Ergon Energy and Energex proposed to add a new fixed metering charge to their residential and small business tariffs. This fixed charge

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<sup>15</sup> Ergon Energy, *Tariff structure statement – Compliance statement*, January 2024, pp 13–16; Energex, *Tariff structure statement – Compliance statement*, January 2024, pp 14–16.

<sup>16</sup> Ergon Energy, *Tariff structure statement – Compliance statement*, January 2024, pp 29–30; Energex, *Tariff structure statement – Compliance statement*, January 2024, pp 27–28.

<sup>17</sup> Ergon Energy, *Tariff structure statement – Compliance statement*, January 2024, pp 12–13; Energex, *Tariff structure statement – Compliance statement*, January 2024, p 13.

<sup>18</sup> Ergon Energy, *Tariff structure statement – Compliance statement*, January 2024, p 21; Energex, *Tariff structure statement – Compliance statement*, January 2024, pp 19–20.

<sup>19</sup> Ergon Energy, *Tariff structure statement – Compliance statement*, January 2024, p 38; Energex, *Tariff structure statement – Compliance statement*, January 2024, p 37.

<sup>20</sup> Ergon Energy, *Tariff Structure – Explanatory Statement*, January 2024, p 67.

<sup>21</sup> Ergon Energy, *Tariff structure statement – Compliance statement*, January 2024, pp 16–19; Energex, *Tariff structure statement – Compliance statement*, January 2024, pp 16–18.

<sup>22</sup> Ergon Energy, *Tariff structure statement – Compliance statement*, January 2024, pp 22–24; Energex, *Tariff structure statement – Compliance statement*, January 2024, pp 20–22.

accommodates the reclassification of most legacy metering services from alternative control services to standard control services. This is discussed further in Attachment 20.

## 19.3 Assessment approach

This section outlines our approach to assessing tariff structure statements.

The NER set out elements that an approved tariff structure statement must contain.<sup>23</sup> A tariff structure statement must also comply with the distribution pricing principles.<sup>24</sup> Our preference is for distributors to structure their tariff structure statement compliance document in accordance with our [standardised template](#).<sup>25</sup>

### 19.3.1 What must a tariff structure statement contain?

The NER require a tariff structure statement to include:<sup>26</sup>

- the tariff classes into which retail customers for direct control services will be divided
- the policies and procedures the distributor will apply for assigning retail customers to tariffs or reassigning retail customers from one tariff to another
- a description of the strategy or strategies the distributor has adopted, taking into account the pricing principle in clause 6.18.5(h), for the introduction of export tariffs including where relevant the period of transition (export tariff transition strategy)
- structures for each proposed tariff
- charging parameters for each proposed tariff
- a description of the approach that the distributor will take in setting each tariff in each pricing proposal.

A distributor's tariff structure statement must be accompanied by an indicative pricing schedule.<sup>27</sup>

### 19.3.2 What must a tariff structure statement comply with?

The NER require distributors to demonstrate to us how their proposed tariff structure statement complies with the distribution pricing principles.<sup>28</sup>

Broadly the pricing principles require:

- for each tariff class, the revenue expected to be recovered must lie between the avoidable cost of not serving those customers and the standalone cost of serving those customers
- tariffs to be based on the long run marginal cost (LRMC) of providing the service

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<sup>23</sup> NER, cl. 6.18.1A(a).

<sup>24</sup> NER, cl. 6.8.2(d2) and cl. 6.18.1A(b).

<sup>25</sup> AER, [Standardised TSS Compliance Template](#).

<sup>26</sup> NER, cl. 6.18.1A(a).

<sup>27</sup> NER, cl. 6.8.2(d1) and cl. 6.18.1A(e).

<sup>28</sup> NER, cl. 6.18.5 and cl. 6.8.2(c)(7).

- revenue collected from each tariff to reflect the total efficient costs of customers assigned to the tariff
- distortions to price signals to be minimised
- consideration of the impact of proposed changes to tariffs on customers
- each tariff to be reasonably capable of being understood by retail customers or incorporated into retail tariffs.

### 19.3.3 How we assess tariff structure statement proposals

In reviewing tariff structure statement proposals we assess compliance with the distribution pricing principles and other applicable requirements of the NER.<sup>29</sup> Also, in approving tariff structure statements, the National Electricity Law (NEL) requires us to make our draft decision in a manner that will or is likely to contribute to the achievement of the national electricity objective (NEO).<sup>30</sup> We note the NEO has recently been updated to include an element which promotes efficiency in the long term interest of consumers with respect to achieving jurisdictional targets for emissions reduction. For tariff structure statements, we consider in particular the NEO elements of price and achievement of jurisdictional emissions reduction targets to be most relevant.

In line with the Handbook, our expectation is that distributors demonstrate the following elements in their proposed tariff structure statements:

- progression of tariff reform
- incorporation of their tariff strategy in their overall business plans
- significant stakeholder engagement and broad stakeholder support for their proposed tariff structures
- insight into and management of any adverse customer impacts.

For the 2025–30 period our engagement with Ergon Energy and Energex to develop their tariff structure statements commenced several months prior to formal submission. This included observing stakeholder engagement sessions and working closely with Ergon Energy and Energex to support development of their tariff structure statements.

The AEMC's *Access, pricing and incentive arrangements for distributed energy resources* rule change in August 2021 enabled distributors to introduce two-way pricing.<sup>31,32</sup> We

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<sup>29</sup> NEL, s. 16(2). The national electricity objective is in NEL, s. 7.

<sup>30</sup> NEL, s. 16(1)(a).

<sup>31</sup> Distributed energy resources (DER) / consumer energy resources (CER) are renewable energy units or systems (including energy storage and energy management assets) that are commonly located at houses or businesses to provide them with power. This also includes energy storage and energy management assets. This can also be referred to as 'behind the meter' because the electricity is generated or managed 'behind' the electricity meter in the home or business. Common examples include rooftop solar units, battery storage, thermal energy storage, EVs and chargers, smart meters and home energy management systems.

<sup>32</sup> Previously under the NER, distribution services involved one-way flows of electricity imported from the grid for consumption. The AEMC's rule change updated the NER to clarify that distribution services can be two-way. That is, they include both the 'import' of energy from the grid for consumption and 'export' of energy, such as rooftop solar, to the grid.

approved two-way tariffs / export reward tariffs for the first time for NSW distributors in April 2024. We assess any two-way pricing proposals with regard to the AEMC’s rule and the guidance provided in our *Export Tariff Guidelines*.<sup>33</sup>

### 19.3.4 How tariff structure statements relate to broader pricing process

The tariff structure statement is the first stage of a two-stage network pricing process. The second stage is for distributors to develop and submit an annual pricing proposal to the AER. The annual pricing proposals apply pricing levels to each of the tariff structures in the approved tariff structure statement. Distributors’ proposed pricing levels must be consistent with the corresponding indicative pricing levels for the relevant regulatory year as set out in the relevant indicative pricing schedule, or the distributor must explain any material differences between them.<sup>34</sup>

## 19.4 Reasons for draft decision

Our draft decision is to accept many elements of Ergon Energy and Energex’s proposed tariff structure statements. However, there are some elements that either do not comply with the pricing principles or are not consistent with other NER requirements, including the updated NEO which now includes an objective to achieve jurisdictional targets for emissions reduction. The AER is required to make its decisions in a manner that will or is likely to contribute to the achievement of the NEO.<sup>35</sup>

In line with the Handbook, we consider Ergon Energy and Energex demonstrated:

- progress on tariff reform by refining charging windows and making them consistent across customer types, proposing to introduce two-way pricing and introducing optional cost reflective demand tariffs for those able to respond
- incorporation of tariff strategies in their overall business plans by linking their proposed tariff structure statements with their network expenditure and DER strategies
- targeted stakeholder engagement and support, and incorporation of some customer preferences on the pace of transitioning customers to cost reflective tariffs, particularly small customer preferences. Although we note the distributors’ consultation with customers was limited in scope. For example, it did not extend to seeking customer views on preferred structures for the default cost reflective tariffs
- some insight into customer impacts, with some detailed analysis of impacts of different tariffs on different groups of customers.

Below we outline the reasoning for our decisions for each customer group as well as discussing our assessment of some specific tariff issues. It is structured as follows:

- Stakeholder support for Ergon Energy and Energex’s tariff structure statements

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<sup>33</sup> AER, *Export Tariff Guidelines*, May 2022.

<sup>34</sup> NER, cl. 6.18.2(b)(7A).

<sup>35</sup> NEL, s. 16(1).

- Residential and small business tariffs
- Two-way tariffs
- Large customer tariffs
- Individually calculated customer tariffs
- Grid-scale storage tariffs
- Long run marginal cost methodologies

Assignment to tariff classes and statement structures and completeness are discussed separately in sections 19.5 and 19.6 respectively.

### **19.4.1 Stakeholder support for Ergon Energy and Energex’s tariff structure statements**

Ergon Energy and Energex’s tariff structure statements progress tariff reform and generally reflect stakeholder preferences. However, stakeholder preferences expressed during their engagement is not always consistent with feedback we received in submissions. We consider this reflects that engagement, although genuine, was limited in its scope. There are some elements that we encourage further engagement on, particularly on large customer tariffs.

Ergon Energy and Energex conducted stakeholder engagement with a range of customer groups. The type of engagement was targeted to the respective stakeholder group. This included multiple deep dives with their network pricing groups, 6 Voice of the Customer panel sessions with 35 randomly selected residential customers, 11 (Ergon Energy) and 16 (Energex) interviews with small business customers, and forums for large customers.

Ergon Energy and Energex’s engagement with their communities was on 5 specific tariff topics (engagement themes), rather than the entire proposed tariff structure statements. This narrow set of engagement topics was the result of commencing engagement on tariffs relatively late in the reset proposal development process (end of 2022). Most targeted engagement was aimed at small customers.

A key outcome of this engagement is Ergon Energy and Energex’s simplified suite of tariffs, aimed at encouraging more retailers to reflect Ergon Energy and Energex’s network tariff price signals in retail tariff offers. In consideration of their stakeholder engagement, Ergon Energy and Energex also proposed to:

- continue assigning customers with smart meters to a cost reflective network tariff
- for residential customers, maintain longer peak periods and introduce 4-hour solar soak periods
- for business customers, introduce shorter, more strongly priced peak demand periods and 2-hour solar-soak periods
- introduce export reward tariffs / two-way tariffs, but with the option for customers with dynamic connections to opt-out of them.



## Stakeholder submissions

Stakeholder submissions supported many aspects of Ergon Energy and Energex’s tariff strategies. For example, they generally supported two-way tariffs.<sup>36,37,38</sup> However, many stakeholders did not support default demand tariffs for small customers.<sup>39, 40, 41</sup> Ergon Energy and Energex’s combined reset reference group believed more engagement should have been done with large customers but supported their long term strategies to move to tariffs based on demand / capacity charges only.<sup>42</sup> The AER’s Consumer Challenge Panel (CCP30) acknowledged the level of effort that went into their engagement, but submitted that it would like to see a consumer and retailer engagement strategy and a communication strategy for tariff changes.<sup>43</sup>

## AER consideration

Customer engagement in tariff structure development is an important consideration for our assessment. This is becoming increasingly important with the acceleration of the smart meter rollout and a rapidly changing energy sector.<sup>44</sup> More customers will face cost reflective tariffs and utilise technology such as solar panels and batteries, which can shift the way customers use, store and understand their energy. Engagement by retailers on behalf of their customers, or by a portion of customers directly, is key to providing successful tariff reforms. We take customer and other stakeholder views into account when assessing whether each proposed tariff is reasonably capable of being understood by customers or incorporated into retail offerings.<sup>45</sup> We expect that distributors demonstrate significant customer engagement, clear links between customer feedback and their tariff structure statement proposals and, where possible, broad stakeholder support for their tariff plans.

## 19.4.2 Residential and small business tariffs

Our draft decision is to accept most elements of Ergon Energy and Energex’s small customer tariffs. We are largely satisfied that Ergon Energy and Energex’s proposals for residential and small business customers comply with the pricing principles and contribute to achieving the network pricing objective and the NEO.

For instance:

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- <sup>36</sup> SouthEast Queensland Community Alliance (SEQCA), *Submission – 2025-30 Electricity Determination – Energex*, May 2024, p 4.
- <sup>37</sup> Origin Energy, *Submission – 2025-30 Electricity Determination – Energex, Ergon and SAPN*, May 2024, p 6.
- <sup>38</sup> Master Electricians Australia, *Submission – 2025-30 Electricity Determination – Energex*, May 2024, p 5; Master Electricians Australia, *Submission – 2025-30 Electricity Determination – Ergon*, May 2024, p 5.
- <sup>39</sup> Origin Energy, *Submission – 2025-30 Electricity Determination – Energex, Ergon and SA Power Networks*, May 2024, p 1.
- <sup>40</sup> Red Energy and Lumo Energy, *Submission – 2025-30 Electricity Determination – Energex*, May 2024, p 2.
- <sup>41</sup> SouthEast Queensland Community Alliance (SEQCA), *Submission – 2025-30 Electricity Determination – Energex*, May 2024, p 2.
- <sup>42</sup> Energy Queensland Reset Reference Group, *Submission – 2025-30 Electricity Determination – Ergon Energy and Energex*, May 2024, pp 3, 64–65.
- <sup>43</sup> CCP30, *Submission - 2025-30 Electricity Determination – Ergon Energy and Energex*, May 2024, pp 34–35.
- <sup>44</sup> AEMC, *Accelerating smart meter deployment (draft determination)*, 4 April 2024.
- <sup>45</sup> NER, cl. 6.18.5(i).

- the tariffs are structured to reflect network constraints and the efficient costs of providing services
- assignment policies increase exposure of retailers to cost reflective tariffs<sup>46</sup>
- tariff structures support the price and emissions reduction elements of the NEO by encouraging consumption during periods dominated by renewables and supporting the integration of CER while delivering economic efficiency.<sup>47</sup>

However, we are concerned that demand-based tariffs may not be suitable as a default tariff option for small customers, as customers may be likely to understand and manage impacts from them, and retailers may be less able to incorporate them in their offers.<sup>48</sup>

#### 19.4.2.1 Cost reflectivity of Ergon Energy and Energex’s tariffs

We consider Ergon Energy and Energex’s tariffs for residential and small business customers are capable of acceptance because they are structured to reflect the efficient costs of providing distribution services to those customers.<sup>49</sup> We consider their proposed changes to the charging windows are reasonable and respond to its network circumstances and feedback from stakeholders. We also consider that it is appropriate for Ergon Energy and Energex to remove transitional signals from its proposed time-of-use demand tariffs and to make them more cost reflective.

Tariffs aimed at residential and small business customers with EVs is discussed separately. See below in section titled *19.4.2.3 Tariffs and residential/small business EV owners (including controlled load tariffs)* for why we require more detail on this element of Ergon Energy and Energex’s tariff structure statements.

Ergon Energy and Energex proposed to make the following changes to their charging windows and prices:

- introduce solar soak periods to apply daily
  - for residential customers: from 11am – 4pm
  - for small business customers: from 11am – 1pm
- shorten peak period for small business customers from 4pm – 9pm to 5pm – 8pm (peak period for residential customers have not changed)
- remove distribution charges from the solar soak period (transmission and jurisdictional scheme charges would still apply)
- strengthen the peak demand signals in the time-of-use demand tariffs by increasing the price level, so that they are no longer transitional tariffs. For the proposed time-of-use demand tariff, demand charges would only apply during the peak period
- for the proposed new optional demand-only tariffs, customers would face demand charges in peak and shoulder periods at varying levels and nominal volume charges.

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<sup>46</sup> NER, cl. 6.18.5(g).

<sup>47</sup> NEL, s 7.

<sup>48</sup> NER, cl. 6.18.5(h), (i).

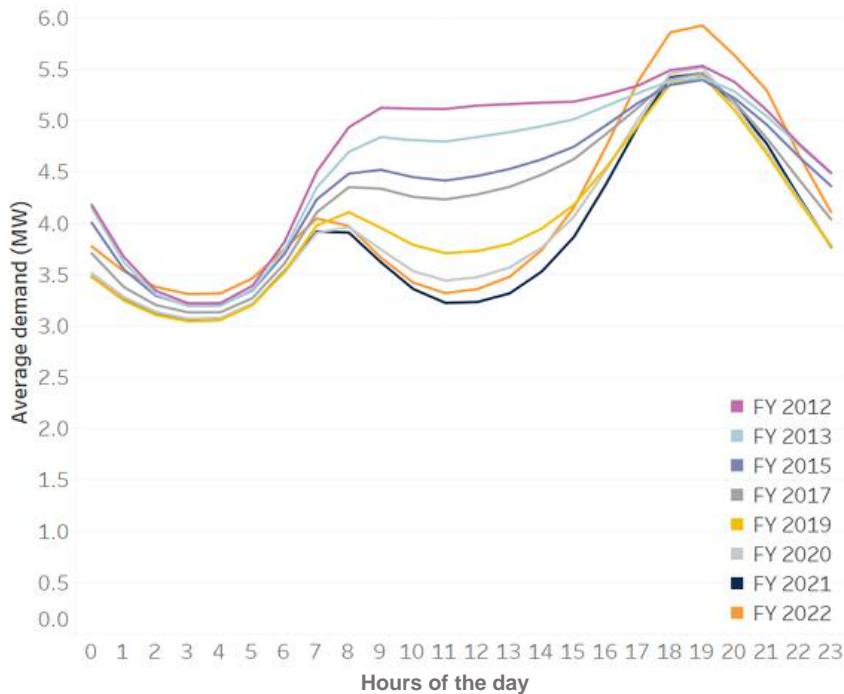
<sup>49</sup> NER, cl. 6.18.5(f).



Ergon Energy and Energex’s analysis showed demand reaches yearly minimums between 11am – 1pm and 10am – 1pm respectively, at most substations.<sup>50</sup> The narrower windows of the proposed business solar soak and peak windows most tightly align with these times of minimum and maximum demand. The longer windows of the residential tariffs are not as tightly aligned to the network extremes of minimum/maximum demand. However, the less tightly aligned residential windows were Ergon Energy and Energex’s response to residential customer and retail preferences for wider windows. Small business customers on the other hand preferred shorter peak periods (5pm – 8pm) that has been combined with the more targeted solar soak periods.

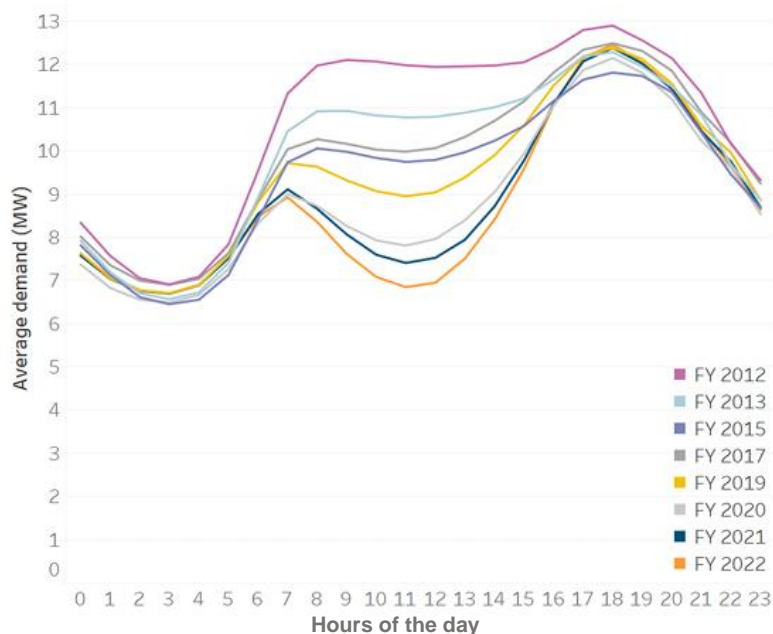
Ergon Energy and Energex engaged Endgame Economics to create a report analysing peak and minimum demand periods in both networks, and time-of-use windows. Results from this report support Ergon Energy and Energex’s proposed charging windows, for example:<sup>51</sup>

**Figure 19.1 Ergon Energy average network demand**



<sup>50</sup> Ergon Energy, *Tariff Structure Statement – Explanatory Statement*, January 2024, p 28; Energex, *Tariff Structure Statement – Explanatory Statement*, January 2024, p 27.

<sup>51</sup> Ergon Energy, *Att. 9.03, Endgame Economics TOU charging windows analysis*, January 2024, p 12; Energex, *Att. 9.03, Endgame Economics TOU charging windows analysis*, January 2024, p 12.

**Figure 19.2 Energex average network demand**

### Stakeholder feedback

Submissions supported maintaining longer charging windows for residential tariffs and more targeted windows for businesses. Submissions from Master Electricians Australia and Queensland Farmers Federation (QFF) support the charging windows for small customers.<sup>52</sup> QFF submitted it preferred the narrow peak pricing window (5pm – 8pm) and the zero distribution use of system (DUOS) charge solar periods for business customers, but that a pilot prior to implementation of the narrow peak window should be prioritised.

### AER considerations

Customers most likely to face bill impacts from changes to charging windows and cost reflectivity of price signals are customers on Ergon Energy and Energex's default, transitional residential and small business tariffs. This is because they currently do not face fully cost reflective price signals.

Residential and small business customers currently on the default transitional demand tariffs would face an average distribution network bill increase of 13% (residential) or 10% (small business) on transfer to the time-of-use demand tariffs.<sup>54</sup> Alternatively, customers moving

<sup>52</sup> Master Electricians Australia, *Submission – 2025-30 Electricity Determination – Ergon Energy*, May 2024, p 5; Master Electricians Australia, *Submission – 2025-30 Electricity Determination – Energex*, May 2024, p 5.

<sup>53</sup> Queensland Farmers Federation, *Submission – 2025-30 Electricity Determination – Ergon Energy*, June 2025, p 6.

<sup>54</sup> Energex, *Att. 9.02 – 2025-2030 Network Bill Impacts*, January 2024, pp 9, 6.

from the flat tariffs to the time-of-use demand tariffs would be on average better off (by 2% for residential customers, 5% for small business customers).<sup>55</sup> However, Ergon Energy and Energex’s bill impact analysis attachments assume that customers who get smart meters would be assigned to the proposed time-of-use demand tariffs by default, not the time-of-use only tariffs (noting our draft decision is to change default assignment to the time-of-use only tariffs). As discussed further in the section below titled *Ergon Energy and Energex’s assignment policies*, we expect Ergon Energy and Energex to update their bill impact analysis to reflect our draft decision (that customers on the transitional demand tariff would be assigned to time-of-use only tariffs).

We note that the bill impact analysis provided by Ergon Energy and Energex does not assume any change in behaviour or any load control. Ergon Energy and Energex provided socio-economic segmentation bill analysis, and impact analysis using residential and small business ‘personas’. They identified savings residential customers could make by reducing peak demand by 5% and moving 10% of energy into the middle of the day.<sup>56</sup>

We support Ergon Energy and Energex increasing the cost reflectivity of their demand charges so that they are no longer transitional. In combination, the solar soak periods and evening peak charges incentivise improved network efficiency while also encouraging greater use of energy at times of solar abundance and less use of energy during evening peak periods when energy supply is still dominated by fossil fuels. Also, simple tariff structures, that are consistent across different customer groups, and stronger price signals are likely to elicit a greater response from retailers to incorporate these cost reflective price signals in their retail offers.

We consider that generally, tariffs for small customers are consistent with the economic pricing principles in the NER.<sup>57</sup> We also consider that they are reasonably capable of being understood or incorporated in retail offers, although note our discussion on demand-based tariffs below.<sup>58</sup> However, in consideration of NER cl. 6.18.5(h), we consider Ergon Energy and Energex could provide further information in revised proposals on customer impact analysis. For example, the percentage of customers better/worse off from moving tariffs (analysis currently only shows the percentage of customers better/worse off from remaining on a default tariff), or how bill impacts may be mitigated through controlled load. Some of this additional information has already been provided to us in response to information requests.

#### **19.4.2.2 Ergon Energy and Energex’s tariff assignment policies**

Our draft decision is to not accept Ergon Energy and Energex’s proposed assignment policies for residential and small business customers. While we accept mandatory assignment of smart meter customers to cost-reflective network tariffs, we require Ergon Energy and Energex to:

- make time-of-use tariffs the default tariffs for small customers with smart meters, and update network bill impact analysis accordingly

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<sup>55</sup> Energex, *Att. 9.02 – 2025-2030 Network Bill Impacts*, January 2024, pp 14, 31.

<sup>56</sup> Ergon Energy, *Att. 9.02 – 2025-30 Network Bill Impacts*, January 2024, p 23; Energex, *Att. 9.02 – 2025-30 Network Bill Impacts*, January 2024, p 22.

<sup>57</sup> NER, cl. 6.18.5(f), (g).

<sup>58</sup> NER, cl. 6.18.5(i).

- include more information on the proposed contingent tariff adjustment to remove tariffs with limited take up during the 2025–30 period.

Our draft decision is to accept the following other elements of Ergon Energy and Energex’s proposed small customer tariff assignment policies:

- retaining a choice in cost reflective small customer tariffs for customers with smart meters (time-of-use demand, time-of-use or optional demand tariffs from 2027), without the option for these customers to opt-out to a flat tariff
- providing a 12-month lag on assignment to a cost reflective network tariff for customers whose accumulation meters are replaced by smart meters by their retailer or as a result of the AEMC’s accelerated smart meter roll out<sup>59</sup>
- streamlining their suite of tariffs by withdrawing obsolete or closed residential and small business tariffs from 1 July 2024.

We also encourage Ergon Energy and Energex to include more supporting information in their proposals (most of which they have already provided us in responses to information requests). For example, provide the percentage of customers better or worse off from changes to their tariffs consistently, and include the number of customers who are affected by being reassigned to a new tariff after their tariffs are withdrawn (which we have included in Table 19.1 below).

#### **We require default time-of-use tariffs for small customers**

Ergon Energy and Energex proposed to replace the current default transitional demand tariffs for customers with smart meters with more cost reflective time-of-use demand tariffs that have stronger price signals, including a low-priced solar soak period. Ergon Energy and Energex have signalled this is part of longer-term tariff strategies under which they would look to withdraw the optional time-of-use tariffs in the following 2030–35 period.<sup>60</sup> For the 2025–30 period, small customers with smart meters would be assigned to the default time-of-use demand tariff, with the option to opt-out to an alternative time-of-use only tariff.

Our draft decision to make the optional time-of-use tariffs the default tariffs aligns with many stakeholder submissions. Some retailers (Origin and Red Energy and Lumo Energy) and South East Queensland Community Alliance submitted that demand tariffs are too complex for residential customers.<sup>61, 62, 63</sup> Master Electricians Australia supported stronger price signals and new charging windows in default tariffs but noted that vulnerable groups may not

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<sup>59</sup> We note that this is separate to additional safeguards the AEMC is proposing as part of its *Accelerating smart meter deployment* rule change directions paper. One of its proposed safeguards is that a retailer must obtain a customer’s explicit informed consent to change the customer’s retail tariff after the customer receives a smart meter. The proposed informed consent period is 3 years, after which a retailer could move the customer to a new retail tariff without the customer’s explicit informed consent.

<sup>60</sup> Ergon Energy, *Tariff Structure – Explanatory Statement*, January 2024, p 57; Energex, *Tariff Structure – Explanatory Statement*, January 2024, p 55.

<sup>61</sup> Origin Energy, *Submission – 2025-30 Electricity Determination – Energex, Ergon and SA Power Networks*, May 2024, p 1.

<sup>62</sup> Red Energy and Lumo Energy, *Submission – 2025-30 Electricity Determination – Energex*, May 2024, p 2.

<sup>63</sup> SouthEast Queensland Community Alliance (SEQCA), *Submission – 2025-30 Electricity Determination – Energex*, May 2024, p 2.

be equipped to respond to these price signals.<sup>64</sup> Conversely, Ergon Energy and Energex’s reset reference group supported the long-term shift to demand / capacity charges.<sup>65</sup>

We have approved default tariffs with demand-based charges for small customers in past resets based on NER cl. 6.18.5(g), which requires distributors to develop cost reflective tariffs.<sup>66</sup> We have recognised some customers may prefer demand tariffs, or retailers/customers could seek reassignment to alternative time-of-use tariffs. We also put weight on the engagement distributors undertake to inform their tariff structure statements and we acknowledge the support Ergon Energy and Energex have for default demand-based tariffs from their reset reference group.

In consideration of NER cl. 6.18.5(h) (the impact on customers from changes in tariffs), our view is that Ergon Energy and Energex’s proposed optional time-of-use tariffs should be the default tariffs for small customers with smart meters. Under this principle, distributors must consider the impact on retail customers of changes in tariffs from the previous regulatory year, having regard to:

1. The desirability for tariffs to comply with the pricing principles for LRMC and efficient costs, after a reasonable period of transition
2. The extent to which retail customers can choose the tariff to which they are assigned and
3. The extent to which retail customers are able to mitigate the impact of changes in tariffs through their decisions about usage of services.

We also considered NER, cl. 6.18.5(i), that the structure of each tariff must be reasonably capable of being understood by retail customers *or* being directly or indirectly incorporated by retailers. While we recognise that retailers in Queensland currently offer demand-based tariffs, the existing underlying network tariff is transitional, and customers may not be equipped to respond to stronger price signals.

Our view is that, on mass, many customers who are assigned from flat tariffs to cost reflective demand tariffs may not be able to mitigate the impact of them, in consideration of the third limb of NER cl. 6.18.5(h), because they may not be able to understand demand-based tariff structures or have capacity to mitigate their impact.

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<sup>64</sup> Master Electricians Australia, *Submission – 2025-30 Electricity Determination – Energex*, May 2024, pp 3–4; Master Electricians Australia, *Submission – 2025-30 Electricity Determination – Ergon*, May 2024, pp 3–4.

<sup>65</sup> Energy Queensland Reset Reference Group, *Submission – 2025-30 Electricity Determination – Ergon Energy and Energex*, May 2024, p 65.

<sup>66</sup> NER cl. 6.18.5(g) states: *The revenue expected to be recovered from each tariff must:*  
**(1)** reflect the Distribution Network Service Provider’s total efficient costs of serving the retail customers that are assigned to that tariff;  
**(2)** when summed with the revenue expected to be received from all other tariffs, permit the Distribution Network Service Provider to recover the expected revenue for the relevant services in accordance with the applicable distribution determination for the Distribution Network Service Provider; and  
**(3)** comply with sub-paragraphs (1) and (2) in a way that minimises distortions to the price signals for efficient usage of the relevant service that would result from tariffs that comply with the pricing principle set out in paragraph (f).

Reflecting on the following factors in combination, and in consideration of the above pricing principles, we consider time-of-use tariffs are a better default tariff for small customers than demand-based tariffs:

- Customers not involved in Ergon Energy and Energex’s stakeholder engagement do not have the understanding or have had the capacity building to understand and respond to default demand-based tariffs, and as a result could experience stress and higher bills when faced with a cost reflective demand tariff.<sup>67</sup> A RACE for 2030 report stated that household understanding of the energy system and the relationship is between their behaviour and energy use is variable but generally low.<sup>68</sup> It also commented that demand tariffs add further complexity, and make it harder for customers to understand their bills.<sup>69</sup>
- While we have approved default demand tariffs in the past, over the 2025–30 period we expect the numbers of customers being assigned to cost reflective network tariff to increase sharply as smart meter penetration accelerates (to reach 100% smart meter penetration by 2030).
- We acknowledge that Ergon Energy and Energex’s current default tariffs for customers with smart meters are demand-based but note that they are transitional tariffs with muted price signals. On assignment to the proposed default time-of-use demand tariff, these customers would face more cost reflective tariffs for the first time.
- We recognise that retailers typically mirror demand-based network charges with demand-based retail charges (although they are not required to do so). Retailers can also opt customers out of a default tariff, however, this may depend on an engaged retailer and/or customer. Even then, it is foreseeable that many, if not all customers would be assigned to a default network tariff for a period before any reassignment to an alternative tariff was given effect.
- This would be occurring at a time of general and ongoing cost of living pressures.
- The discussion of submissions provided above highlights that retailers are concerned about demand tariffs being too complex for small customers.

Under our draft decision, existing customers on the default transitional demand tariff would be reassigned to the time-of-use tariffs from 1 July 2025. Customers whose meters are upgraded by their retailer or because of the AEMC’s accelerated smart meter roll out would have a 12-month lag before being placed on a time-of-use tariff.

Our draft decision recognises that optionality is important, so that those customers who are better off on a time-of-use demand tariff or more engaged with their energy use and able to manage their load, and those retailers who can package those price signals into their offers, retain the option to do so.

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<sup>67</sup> For example, ABC, *Energy retailers' 'insidious' power pricing charges households based on highest point of use*, 3 June 2024.

<sup>68</sup> Race for 2030, *Rewarding flexible demand: Customer friendly cost reflective tariffs and incentives, Final report*, November 2021, p 9.

<sup>69</sup> Race for 2030, *Rewarding flexible demand: Customer friendly cost reflective tariffs and incentives, Final report*, November 2021, p 100.



We otherwise consider that the structure of the time-of-use demand tariffs is capable of being accepted. The kW-based demand charge is cost reflective in applying to the peak period only. We accept Ergon Energy and Energex increasing the cost reflectivity of the tariffs with stronger price signals. The time-of-use demand tariffs would also incentivise the shift from flat tariffs to cost reflective tariffs since network bill impact analysis shows that customers moving from flat tariffs to the time-of-use demand tariffs would be 2% better off on average.<sup>70</sup>

We invite stakeholder views on our draft decision and acknowledge that this is a shift from the engagement that Ergon Energy and Energex have completed to date and their longer-term tariff strategies. We also acknowledge that shifting approximately 300,000 residential and small business customers in Ergon Energy’s Network and approximately 522,000 in Energex’s network who are currently on the default transitional demand tariff, onto the time-of-use tariffs, may not be possible in one move.<sup>71</sup> We would support a staged approach to reassigning customers to time-of-use tariffs.

#### Withdrawal of obsolete tariffs

A significant aspect of Ergon Energy and Energex’s tariff strategies is to withdraw obsolete tariffs that have minimal take up, or those tariffs that were closed to new customers in the 2020–25 period. Ergon Energy also proposed to amalgamate its three transmission zones into one for all proposed tariffs.

Table 19.1 below sets out the withdrawn tariffs and the number of customers affected. Customers would be re-assigned to the relevant default tariff (based on AER’s draft decisions to change the default tariff, this would be to time-of-use for smart meter customers and flat tariffs for accumulation meter customers). Customers with smart meters would retain the option to opt-in to time-of-use demand tariffs or other optional tariffs.

Withdrawn tariffs for large customers are set out in the section 19.4.4 *Large customer tariffs*.

**Table 19.1- Small customer tariffs proposed to be withdrawn**

Tariffs to be withdrawn	Number of customers affected
<b>Ergon Energy</b>	
East residential demand (ERDEM)	1813
West residential demand (WRDEM)	2
Mt Isa residential demand (MRDEM)	
East small business demand (EBDEM)	27,429
West small business demand (WBDEM)	2
Mt Isa small business demand (MBDEM)	
Transitional Network ToU (time-of-use) Energy Tariff 1 (EBFRM)	0

<sup>70</sup> Energex, *Att. 9.02 – 2025-30 Network Bill Impacts*, January 2024. We note that where we discuss small customer bill impacts, we refer to Energex’s bill impact analysis because small customers in Ergon Energy’s network face Energex’s prices.

<sup>71</sup> This information is from publicly available 2023 Annual RIN data.

Tariffs to be withdrawn	Number of customers affected
Transitional Network ToU Energy Tariff 2 (EBIRR)	
Transitional Network Dual Rate Demand Tariff 3 (EBPMPT1)	
<b>Energex</b>	
Residential TOU (8900)	262
Residential demand (3700)	2011
Business demand (7100)	678
Business TOU (8800)	5530
Small business demand (3600)	1486

We support Ergon Energy and Energex’s proposals to withdraw these tariffs. Streamlined tariff offerings will make it easier for retailers to pass through tariff structures and for customers to understand their applicable tariffs. We also consider Ergon Energy and Energex have retained sufficient optionality for its small customers.

Ergon Energy and Energex provided analysis on bill impacts for customers being reassigned from withdrawn tariffs. However, they modelled analysis on the basis that the proposed time-of-use demand tariffs would be the default tariff for small customers. We expect Ergon Energy and Energex to update their bill impact analysis to reflect our draft decision that the time-of-use tariffs be made the default tariffs for smart meter customers.

Nevertheless, we consider the impact to these customers will be comparable to existing bill impact analysis, and many customers would be better off from being reassigned to the proposed default time-of-use tariff. For example, Energex’s modelling showed that residential customers being reassigned from withdrawn time-of-use and demand tariffs would be on average better off by 2% and 10% respectively. For small business customers, customers would be on average better off by 5% (if reassigned from the time-of-use tariff), 1% (if reassigned from the small business demand tariff) and 12% (if reassigned from the demand tariff).<sup>72, 73</sup>

We also consider that Ergon Energy and Energex’s revised proposals could add some further detail on the tariffs withdrawn. For example, include further information they have provided to us via responses to information requests, such as the number of customers affected from each withdrawn tariff (as listed in Table 19.1), indicate a clear number of

<sup>72</sup> Energex, *Att. 9.02 – 2025-2030 Network Bill Impacts*, January 2024, pp 17–18, 33–35.

<sup>73</sup> Note that when referring to small customer bill impacts for Ergon Energy and Energex, we use Energex’s prices. This is because notified retail prices for small customers in Ergon Energy’s area are set by the Queensland Competition Authority based on the cost of supply in Southeast Queensland (Energex’s region). It stems from Queensland Government’s uniform tariff policy, delivered through payment of a community service obligation subsidy to Ergon Energy Retail by the Government. This subsidy recognises that it costs more to supply electricity in regional Queensland compared to the Southeast due to the large geographic supply area and lower population.



withdrawn tariffs and fix minor editorial issues in their existing tables.<sup>74</sup> We consider this would make it easier for customers and retailers to understand the impact of being reassigned to new tariffs, consistent with the NER, cl. 6.18.5(h).

#### **Proposed contingent tariff adjustments require further detail**

Ergon Energy and Energex indicated that they would withdraw additional tariffs during the 2025–30 period if there are low customers on these tariffs (contingent tariff adjustments). We consider the incorporation of a contingent adjustment to tariffs is, when well defined and its trigger is made clear, a reasonable way of balancing certainty and flexibility. However, we consider that Ergon Energy and Energex have not included sufficient specificity on the tariffs they may withdraw or the criteria for their withdrawal.

In response to an information request, Ergon Energy and Energex provided the following further clarification that the contingent tariff adjustment would apply to:<sup>75</sup>

- closed network tariffs with less than 500 customers or open network tariffs with less than 1,000 customers. Tariffs may be withdrawn at network discretion with three months' notice ahead of the regulatory year in which tariff withdrawal would take place. Notification would be made to the AER along with impacted retailers
- the wide inclining fixed tariff – Ergon Energy and Energex may seek to align the 5 'bands' in this tariff should the number of customers on it reduce below 1,000, or if more than 75% of the customers are on bands 1-3. This tariff is currently available to small business customers with accumulation meters.

Customers on withdrawn tariffs would be reassigned to the relevant default tariff.

We consider this contingent tariff adjustment capable of acceptance if Ergon Energy and Energex include the above information in their revised tariff structure statements.

#### **19.4.2.3 Tariffs and residential/small business EV owners (including controlled load tariffs)**

Our draft decision is to accept in principle that Ergon Energy and Energex's suite of tariffs adequately considers EV charging load at the residential and small business level. However, we require Ergon Energy and Energex to include further description of load control arrangements in the Queensland Electricity Connections Manual, insofar as they relate to the tariff structure statements.

For transparency, we encourage Ergon Energy and Energex to include their controlled load tariff supply times within their tariff structure statements rather than in their external Network Tariff Guides (which do not make up part of the regulatory proposals). We also encourage them to include further information on their proposed contingent tariff adjustments to bring forward introduction of optional demand-only tariffs.<sup>76</sup>

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<sup>74</sup> Ergon Energy and Energex, *Information request ESS IR#002 – Tariffs – 20240229* – Public; Ergon Energy, *Information request ESS IR#030 – Tariffs – 20240514* – Public; Ergon Energy, *Information request ESS IR#054 – Tariffs – 20249703* – Public; Energex, *Information request ESS IR#024 – Tariffs – 20240514* – Public; Energex, *Information request ESS IR#047 – Tariffs – 20249703* – Public.

<sup>75</sup> Ergon and Energex, *Information request ESS IR#002 – Tariffs – 20240229* – Public.

<sup>76</sup> Ergon Energy, *Network Tariff Guide 2023-24*, May 2023; Energex, *Network Tariff Guide 2023-24*, May 2023.

We encourage further consultation with stakeholders over distributor control of EV equipment. We are also aware that Ergon Energy and Energex may propose adjustments to the rebate for their proposed new flexible load control rebate tariffs in their revised tariff structure statements. We will consider any changes for our final decisions.

Our draft decision on tariffs for EV charge point operators is explained below under section *19.4.4.3 Threshold for large customer access to time-of-use tariffs*.

### **Ergon Energy and Energex’s proposals**

Ergon Energy and Energex anticipate that load from residential EV charging will increase from 2028. Ergon Energy and Energex proposed to manage this anticipated increase in EV charging load through a combination of cost reflective tariffs and controlled load by:

- progressing tariff reform broadly, for example introducing low daytime and overnight pricing windows to incentivise EV charging outside peak periods, and introducing an optional demand-only tariff aimed at customers with flexible load who can respond to demand pricing
- including a contingent tariff adjustment to introduce proposed optional demand-only tariffs earlier than 2027, if there is a need for it to be introduced if EV charging load increases earlier than anticipated
- continuing to offer standard secondary controlled load tariffs guaranteeing energy supply for either 6 or 18 hours:
  - for Ergon Energy: volume night controlled and volume controlled tariffs
  - for Energex: super economy and economy tariffs
- continuing to offer small business primary load control tariffs, where total connected load is controlled by network equipment so supply will be guaranteed for a minimum period of 18 hours per day during time periods set at the discretion of Ergon Energy and Energex
- introducing an optional, secondary flexible load control tariff, where flexible load such as EVs is connected to the main circuit but is under a dynamic connection agreement. Customers would be offered a 25 c/day (residential) or 28 c/day (small business) rebate for flexible load on a dynamic connection, in addition to the charging parameters of the primary tariff. Under a dynamic connection agreement, Ergon Energy and Energex will control charging speed in response to network conditions. The minimum import limit will be 1.5 kW, with a maximum of 15 kW.

Further, Ergon Energy and Energex’s continuing assignment policies, which do not allow customers on smart meters to opt-out of cost reflective tariffs, and the anticipated acceleration of smart meter roll out, will see more EV owners face cost reflective tariffs in the 2025–30 period. We consider the combination of cost reflective tariffs, assignment policies, controlled load options, and the higher prevalence of smart meters, will allow and encourage more customers to shift their EV charging outside of the evening peak demand period.

In future, Ergon Energy and Energex’s proposed two-way tariffs could support vehicle to grid (V2G) export of electricity whereby customers use their EVs as batteries, charging from solar or from the grid during low price periods, and exporting from their EV into the grid at times of high network demand. However, customers on a dynamic connection who opt-out of two-way

pricing would not be able to access these benefits. This is discussed below in the section on two-way pricing.

### **Load control for EV owners via the Queensland Electricity Connections Manual**

While we accept the tariffs proposed in principle (as discussed above), we consider that Ergon Energy and Energex have not adequately described the relationship between the Queensland Electricity Connections Manual and its tariff structure statements. Ergon Energy and Energex, via the Queensland Electricity Connections Manual, require mandatory distributor-control of standard level 2 EV wall chargers. Mandatory control is not required for level 1 charging ('trickle' charging) or customer upgrades to a 3-phase supply (costing ~\$6,000 to \$11,000 but up to \$25,000). This requirement is established under the Queensland Electricity Connection Manual which is governed by state legislation and outside the remit of the AER's decision making.<sup>77</sup>

Under the Queensland Electricity Connections Manual, Ergon Energy and Energex may switch off, or significantly slow, a wall charger for up to 18 hours per day, depending on which connection and tariff arrangement customers select. Some load controls are static, akin to hot water load control, while some are dynamic – effectively a form of appliance-specific dynamic operating envelope. Under the Queensland Electricity Connections Manual:

- the customer opts for a separately metered secondary circuit in addition to their primary circuit, with a distributor relay (to be installed in the customer's fuse box) controlling load on their secondary circuit. The customer could opt-in to a traditional secondary load control tariff for their EV charging
- the customer opts for a distributor relay controlling load on the primary circuit. The customer could access a combination of one or both of primary and secondary tariffs for their EV charging
- the customer opts for a dynamic connection (the distributor can control the device via a dynamic operating envelope), which does not require a distributor relay. Customers could access either primary or secondary tariffs for their EV charging. Customers could also access the proposed optional flexible load control tariff.<sup>78</sup>

We note that these options are not made clear in the tariff structure statements and were only made clear to us through the distributors' responses to information requests. Further, the tariff structure statements do not make it clear that the proposed optional flexible load control rebate tariff is only available to those EV customers who opt into a dynamic connection under the Queensland Electricity Connections Manual.

### **Stakeholder feedback**

We received two submissions on this issue. Tesla submitted that Ergon Energy and Energex's use of control is at odds with technological advances, and it does not support on/off import controls but does support flexible import limits, i.e. dynamic operating envelopes.<sup>79</sup> The Electric Vehicle Council submitted that control without consent falls short of

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<sup>77</sup> *Qld Electricity Act 1994.*

<sup>78</sup> Ergon Energy, *Response to Information Request IR#030 – 20240527 – Public*; Energex, *Response to Information Request IR#024 – 20240527 – Public.*

<sup>79</sup> Tesla, *Submission – 2025-30 Electricity Determination – Energex and Ergon*, May 2024, p 4.

industry and consumer expectations, and it prefers cost reflective tariffs and optional control tariffs.<sup>80</sup>

### **AER considerations**

We support a combination of cost reflective tariffs and other mechanisms, such as load control, to address network needs. However, our decisions on tariff structure statements for other distributors have emphasised the importance of load control being optional. We note that for Ergon Energy and Energex, mandatory load control requirements are governed by the Queensland Electricity Connections Manual, over which the AER has no remit.

We consider Ergon Energy and Energex have justified inclusion of cost reflective tariffs and load control in its tariff proposals. For example, they identified long term benefits to the network and individuals if customers face both cost reflective tariffs and dynamic control. Ergon Energy and Energex’s modelling showed that the costs each residential customer pays for electricity would be 20% lower by 2050 under cost reflective tariffs and dynamic controls relative to flat tariffs.<sup>81</sup> Modelling also shows that projected capital expenditure would be approximately \$600 million less for Ergon Energy and \$550 million less for Energex if both cost reflective tariffs and dynamic control were used to manage electricity demand.<sup>82</sup>

However, we consider the following changes should be included in Ergon Energy and Energex’s revised proposals so that tariffs available to EV customers are easier to understand and easier for retailers to incorporate in their offers:<sup>83</sup>

- further description on the three types of control under the Queensland Electricity Connections Manual and how they interact with tariffs
- further information or examples of circumstances when supply may be turned off or curtailed for customers where an EV charger is on a primary tariff and how they are notified
- further description on the proposed flexible load rebate tariff, for example noting that it is only available to those customers whose EV chargers are connected on a dynamic connection.

We also note that Ergon Energy and Energex may change the rebate amount to a \$400 lump sum annually. We will consider any changes to the proposal for our final decision.

### **Proposed contingent tariff adjustments could include further detail**

Ergon Energy and Energex proposed contingent tariff adjustments to bring forward introduction of their proposed optional demand-only tariffs, if there are EV charging load increases earlier than anticipated. We consider Ergon Energy and Energex could include more information on what information or evidence might trigger earlier introduction of these tariffs. As these tariffs would be optional, we do not think this additional information is a

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<sup>80</sup> Electric Vehicle Council, *Submission – 2025-30 Electricity Determination – Energex*, May 2024, pp 2–3; Electric Vehicle Council, *Submission – 2025-30 Electricity Determination – Ergon*, May 2024, pp 2–3.

<sup>81</sup> Ergon Energy, *Att. 9.06 – Network Tariffs and Dynamic Controls*, January 2024, p 6; Energex, *Att. 9.06 – Network Tariffs and Dynamic Controls*, January 2024, p 6.

<sup>82</sup> Ergon Energy, *Att. 9.06 – Network Tariffs and Dynamic Controls*, January 2024, p 17; Energex, *Att. 9.06 – Network Tariffs and Dynamic Controls*, January 2024, p 17.

<sup>83</sup> NER cl. 6.18.5(i).

requirement for Ergon Energy and Energex’s compliance with the NER. However, we consider more specificity would provide better certainty for retailers in developing these tariffs.

### 19.4.3 Two-way tariffs

Our draft decision is to not accept Ergon Energy and Energex’s proposed two-way tariffs as they do not comply with all the requirements in the NER.<sup>84</sup> While we support their two-way proposals in principle, we require Ergon Energy and Energex to make the following changes in their revised tariff structure statements:

- express the basic export level and export charges in kWh rather than in kW for small customers. This is based on our view that kWh-based charges are easier for customers and retailers to understand, and will allow customers to better manage the impact of export charges
- include an explicit export tariff transition strategy, as required by NER, cl. 6.18.1A(a)(2A)
- include customer bill impact analysis for LV business customers facing two-way pricing.

We also encourage Ergon Energy and Energex to include the following:

- further detail on how ‘dynamic connections’ work in practice within their export tariff transition strategy
- an export tariff factsheet.

We encourage Ergon Energy and Energex to include revised two-way pricing proposals in their revised proposals that address the above points. Ergon Energy and Energex have otherwise incorporated customer protections required by the NER,<sup>85</sup> for example by including a basic export level, the amount of electricity that a customer can export to the grid at no cost and must apply for a 10-year period (two regulatory periods). Two-way pricing in principle is cost reflective and contributes to the achievement of the price element of the NEO. It also contributes to the achievement of the NEO’s new emissions reduction element, as two-way pricing can help to enable more CER onto the grid and increase overall consumption of renewables (through electricity sourced from solar PV), thereby contributing to Queensland’s net zero 2050 target.

#### 19.4.3.1 Ergon Energy and Energex’s proposed two-way tariffs

Ergon Energy and Energex proposed that their two-way tariffs apply as secondary tariffs for all LV customers with smart meters and with export capacity greater than 30 kW from 1 July 2025. The tariffs and their assignment are summarised below. For small customers, we’ve used Energex’s indicative prices.

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<sup>84</sup> These are tariffs that can charge based on exports, i.e. the surplus electricity sent from a consumer’s rooftop solar PV or on-site battery to supply other customers on the grid.

<sup>85</sup> NER, cl. 11.141.12; NER, cl. 11.141.13; NER, cl. 6.18.1A(a)(2A); NER, cl. 11.141.11.

**Table 19.2: Summary of Ergon Energy and Energex’s proposed two-way tariffs**

Proposed tariff	Assignment	Basic export level	Export charge - applied to single highest 30-minute kW during the month above 1.5kW	Export reward <sup>86</sup>
Residential	Default from 1 July 2026 for new customers.  Opt-in from 1 July 2026 for existing customers.	1.5 kW	75.8 c/kW/month  <b>11am – 4pm daily</b>	15.67 c/kWh  <b>4pm – 9pm daily</b>
Small business	Default from 1 July 2028 for all customers.  Customers with a dynamic connection may opt out of a two-way tariff. A customer may be on a dynamic connection <i>and</i> face two-way tariffs.		81.2 c/kW/month  <b>11am – 1pm daily</b>	23.42 c/kWh  <b>5pm – 8pm daily</b>
Large customers	Introduction of two-way pricing is contingent on availability of dynamic connections.		Ergon Energy East: \$4.84 \$/kW/month  Ergon Energy West: \$4.73 /kW/month  Ergon Energy Mt Isa: \$4.84 / kW/ month  Energex: \$1.252/kW/month  <b>11am – 1pm daily</b>	36.65 c/kWh  38.06 c/kWh  25.4 c/kWh  23.424 c/kWh

Ergon Energy and Energex’s proposed assignment policies allow customers to opt into a dynamic flexible export arrangement (dynamic connection agreement) instead of or as well as facing two-way pricing.

Under this arrangement, signals are sent from the network to each customers’ solar PV system in 5-minute intervals, which tell the solar PV system how much exported generation the network can accept at each point in time. The introduction of two-way pricing is contingent on these dynamic connections being available.

#### Stakeholder views

Ergon Energy and Energex’s proposals generally reflect stakeholder engagement consistent with our Handbook. They demonstrated that they incorporated feedback in designing its proposed two-way tariffs by:

- giving customers who do not want to face export charges the option to have a dynamic connection

<sup>86</sup> Charges based on 2025 indicative prices.



- proposing to introduce these tariffs as a default for existing customers from 2028, and not from 2025, as customers preferred more time to adjust to this pricing option reflecting customer preference in the export charging and reward windows.

Stakeholder submissions also generally supported the introduction of two-way pricing. Southeast Queensland Community Alliance submitted that export reward tariffs should be introduced immediately and with sharper price signals to support behind the meter batteries.<sup>87</sup> Origin Energy also submitted support for export reward tariffs but sought further information on bill impacts.<sup>88</sup> Master Electricians Australia submitted support for dynamic connection agreements.<sup>89</sup> We also acknowledge the Electric Vehicle Council’s submissions that rewards and charges should not be inextricably linked. The Electric Vehicle Council submitted that it would prefer if export charges were either applied to all customers or none at all.<sup>90</sup>

#### 19.4.3.2 AER consideration on two-way tariffs

Ergon Energy and Energex’s two-way pricing proposals are consistent with the pricing principles that tariffs must reflect efficient costs and minimise distortions to LPMC price signals.<sup>91</sup> However, we consider that customer impacts have not been adequately considered.<sup>92</sup> Further, while Ergon Energy and Energex included a basic export level, they did not include an explicit export tariff transition strategy.<sup>93</sup>

#### Dynamic connection agreements

We encourage Ergon Energy and Energex to include more information in their revised proposals on the dynamic connection agreement alternative to two-way tariffs, the bill impacts of this option on customers and comparison of this with bill impacts to customers facing two-way pricing and customers facing both two-way pricing and dynamic connections.

As a transitional measure to encourage customers to take up a flexible export arrangement, we consider this option is capable of acceptance. However, we encourage description on the longer-term impacts of this arrangement, as we consider flexible export customers (like all exporting customers) should contribute to the recovery of a distributor’s costs for delivering export services, commensurate with their contribution to those costs. There may not be an incentive for the customer to optimise exports (for benefits to both the network and the customer) under a flexible export arrangement only option.

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<sup>87</sup> SouthEast Queensland Community Alliance (SEQCA), *Submission – 2025-30 Electricity Determination – Energex*, May 2024, p 4.

<sup>88</sup> Origin Energy, *Submission – 2025-30 Electricity Determination – Energex, Ergon and SAPN*, May 2024, p 6.

<sup>89</sup> Master Electricians Australia, *Submission – 2025-30 Electricity Determination – Energex*, May 2024, p 5; Master Electricians Australia, *Submission – 2025-30 Electricity Determination – Ergon*, May 2024, p 5.

<sup>90</sup> Electric Vehicle Council, *Submission – 2025-30 Electricity Determination – Energex*, May 2024, p 5; Electric Vehicle Council, *Submission – 2025-30 Electricity Determination – Ergon*, May 2024, p 6.

<sup>91</sup> NER, cl. 6.18.5(f), (g).

<sup>92</sup> NER, cl. 6.18.5(h).

<sup>93</sup> NER, cl. 6.12.3(k). The export transition strategy should provide transparency about the distributors long-term intentions to introduce or not introduce export tariffs, to assist customers who are considering investing in CER, including rooftop solar.

### **Requirement for kWh-based export charges and basic export level for small customer two-way tariffs**

We require Ergon Energy and Energex to express export charges and the basic export level in kWh rather than kW for residential and small business two-way tariffs. Our rationale for this is similar to section 19.4.2.2 above under heading *We require default time-of-use tariffs for small customers*. Our view is that energy-based export charges for these customers are easier to understand and help manage bill impact, and for retailers to incorporate in their retail offers.<sup>94</sup>

We acknowledge that this decision goes further than our draft decisions for Essential Energy and Endeavour Energy for the 2024–29 period, where we *encouraged* the distributors to make this change, rather than *required* it. We also acknowledge that there is no direct conversion between kWh and kW-based charges. A kW measures demand. It is a measure of energy use at a given moment, not over time. A kWh measures the total amount of electricity used.

We engaged with Ergon Energy and Energex on the conversion from kW to kWh. In response to information requests, Ergon Energy and Energex proposed the same approach to convert their kW based basic export level as Essential Energy and Endeavour Energy proposed in their revised proposals, and which we accepted.<sup>95</sup> Under this approach, the basic export level would be 7.5 kWh per day for residential customers and 3 kWh per day for small business customers. We also acknowledge that there will be flow on affects from this shift, for example to Ergon Energy and Energex’s customer impact analysis. We will work with the distributors on updating their analysis.

### **Requirement for an explicit export tariff transition strategy**

We require Ergon Energy and Energex to include an explicit export tariff transition strategy in their revised proposals. Distributors are required to include this to provide transparency about their long-term intentions to introduce or not introduce export tariffs, and to assist customers who are considering investing in DER, including rooftop solar.<sup>96</sup>

Ergon Energy and Energex have provided much of the information required to go into an export tariff transition strategy, such as timeframes for moving customers onto two-way tariffs. However, we consider there is merit in consolidating all information in an easy-to-read format, for clear compliance with the NER. Our [standardised tariff structure statement compliance document template](#) sets out how an explicit export tariff transition strategy could be included.<sup>97</sup> Further, our *Export Tariff Guidelines* provides guidance on additional information the strategy could include, for example explaining how tariff trials were considered.

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<sup>94</sup> NER, cl. 6.18.5(h), (i).

<sup>95</sup> Ergon Energy, *Information request ESS IR#054 – Two-way-pricing – 20240617* – Public; Energex, *Information request ESS IR#037 – Two-way-pricing – 20240617* – Public.

<sup>96</sup> NER cl. NER, cl. 6.18.1A(a)(2A).

<sup>97</sup> AER, *Standardised tariff structure statement compliance document*.



### Requirement for further customer impact modelling

We consider that Ergon Energy and Energex have demonstrated how residential customers with different system sizes and levels of self-consumption would be affected by two-way tariffs. However, they have not included any analysis on the network bill impacts to small business or large customers. We require Ergon Energy and Energex to provide this information in their revised proposals.

Bill impact analysis shows that residential customers with small solar PV systems (up to 3kW) are likely to receive a modest benefit with the introduction of two-way pricing. Customers with larger solar systems would experience modest negative bill impacts increasing to \$20.40 for customers with PV systems larger than 10 kW.<sup>98,99</sup>

### Ergon Energy and Energex justified the introduction of two-way pricing

Ergon Energy and Energex justified the need to introduce two-way pricing, which we require of distributors as part of any proposal for two-way pricing.<sup>100</sup> Their justification included, for example:

- minimum demand, driven by solar exporting in the middle of the day is likely to increase with further penetration of solar PV. 33% of customers in Queensland currently have rooftop solar, with a 15% forecast increase in exporting customers in Ergon Energy's network and 25% forecast increase in exporting customers in Energex's network in the 2025–30 period<sup>101</sup>
- forecast minimum demands are expected to continue to occur in the middle of the day in the 2025–30 period.

We consider that Ergon Energy and Energex are well placed to introduce two-way tariffs at this time and when the costs being recovered are low. Price signals set early enough can reduce price volatility over the long term by reducing the likelihood of customers locking in investments under invalid assumptions about future costs. Retailers responding to these signals through retail offers that reflect Ergon Energy and Energex's proposed two-way tariffs will help address the peak solar generation during the middle of the day and help signal to customers to consume more of their own solar.

Furthermore, we consider that two-way pricing, in addition to contributing to the achievement of the price element of the NEO, could contribute to the achievement of the new emissions reduction element. By incentivising more self-consumption through two-way tariffs, more capacity on the network becomes available for other local exporters which avoids export curtailment of both new and existing customers and maximises the total amount of energy utilised from solar PV. More capacity for solar on the network therefore reduces reliance on fossil fuel baseload generation, thereby reducing emissions and contributing to the achievement of Queensland's emissions targets.<sup>102</sup>

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<sup>98</sup> Ergon Energy - *Information request IR#45 – TSS – multiple areas – 20240703* – Public.

<sup>99</sup> Energex – *Information request IR#37 – TSS – multiple areas – 20240703* – Public.

<sup>100</sup> AER, *Export Tariff Guidelines*, p 2.

<sup>101</sup> Ergon Energy, *Att. 5.6.01, DER Integration strategy*, January 2024, p 16; Energex, *Att. 5.6.01, DER Integration strategy*, January 2024, p 16.

<sup>102</sup> AEMC, *Emissions targets statement*, June 2024, p 1.

### **Charging windows and price signals align with peak export and minimum demand periods**

We consider Ergon Energy and Energex’s proposed export charge and reward windows for the interval meter tariffs reflect peak export and demand times when the costs to support these services are highest, and therefore, reflect efficient costs.<sup>103</sup> Proposed two-way tariffs recover only the LRMC of providing incremental export capacity and the proposed charging periods reflect the times of export-related constraint on the networks.

Consistent with our *Export Tariff Guidelines*, they also did not propose to recover historical costs through their export charges. That is, Ergon Energy and Energex proposed to only recover costs through export charges that were incurred following the AEMC’s *Final determination - Access, pricing and incentive arrangements for distributed energy resources* rule change.<sup>104</sup> This protects exporting customers from paying for network costs incurred prior to the AEMC’s rule change that facilitated two-way pricing. It reflects that customers already paid for export related network costs to that point in time through the consumption charges imposed on all customers (exporting and non-exporting customers).

Ergon Energy and Energex proposed different charging windows for their residential and business customers. The proposed export charging windows coincide with proposed solar soak period – 11am – 4pm for residential customers, 11am – 1pm for business customers. Similarly, the proposed export reward windows coincide with peak load windows – 4pm – 9pm for residential customers, 5pm – 8pm for business customers. Ergon Energy and Energex found through their stakeholder engagement that residential customers preferred a wide low-price window of 11am – 4pm rather than a shorter period with sharper price signals. However, small business customers expressed a preference for shorter windows with sharper price signals.

While a shorter charging window better aligns with times of over-voltage and other network problems associated with times of high exports, Ergon Energy and Energex balanced their proposed longer charging window with lower export charges for residential customers. We consider Ergon Energy and Energex’s proposed charge on exports during the solar soak period will signal to customers to use their own solar generated electricity during the middle of the day.

### **Ergon Energy and Energex’s two-way tariffs recover costs equitably**

Ergon Energy and Energex’s two-way tariffs promote a more efficient and equitable integration of CER into the electricity grid. The proposed export charge recovers the costs of hosting solar, when it is driving network costs, from those customers who are contributing to these costs.

Ergon Energy and Energex demonstrated that with their proposed two-way tariffs the recovery of costs to support excess solar exports on the grid will be recovered from those customers contributing to the costs. Ergon Energy and Energex expect to recover \$47.1 million and \$57.2 million in export charges respectively, that would otherwise be recovered

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<sup>103</sup> NER, cl. 6.18.5(g).

<sup>104</sup> AER, *Export Tariff Guidelines*, May 2022, p 12.

from non-exporting customers.<sup>105,106</sup> We encourage Ergon Energy and Energex to include this information in their revised proposals.

In principle, we consider Ergon Energy and Energex’s proposed two-way tariffs (once the necessary changes are made to their revised two-way pricing proposals) will provide a more efficient and equitable recovery of costs associated with hosting excess exports, and will benefit other electricity customers by:

- protecting those customers who cannot invest in export-capable appliances (such as rooftop PV, EVs with vehicle-to-grid functionality and on-site batteries) from paying for export services they do not use (currently, all customers pay for investment that increases export capacity)
- rewarding or reducing the bills of those customers who can respond to these price signals by changing how they use their own solar power and/or when they export it
- incentivising higher utilisation of existing network assets, which will help mitigate network augmentation investment needs for both import and export capacity and keep future costs (future bills) lower for all electricity users (to the extent augmentation expenditure is avoided).

#### **Ergon Energy and Energex’s basic export levels reflect their intrinsic hosting capacity**

Ergon Energy and Energex’s methodology to determine their basic export levels is consistent with the basic export level guidelines (in the *Export Tariff Guidelines*), notwithstanding the requirement to express the basic export level in kWh rather than kW.

Ergon Energy and Energex’s modelling showed the percentage of their assets that could host a basic export level declines after 1.5 kW hosting capacity.<sup>107</sup> At a basic export level of 1.5 kW, approximately 75% of HV feeders and 72% of distribution transformers (Ergon Energy) and 79% of HV feeders and 79% of distribution transformers (Energex) are still able to host additional exports.<sup>108</sup>

Their analysis also demonstrates that the investment requirements to host exports increases significantly with a higher basic export level. For example, if 75% of customers who currently do not have solar start to export with a 3 kW basic export level, Ergon Energy and Energex would have to invest approximately \$240 million and \$180 million respectively. Conversely, under the 1.5 kW basic export level, with a 75% increase in customers exporting solar, Ergon Energy and Energex would have to invest approximately \$60 million and \$39 million respectively.<sup>109</sup>

Under the proposed basic export level of 1.5 kW (7.5 kWh for residential customers, 3 kWh for small business customers), with an expected increase in exporting customers of 25% in

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<sup>105</sup> Ergon Energy, *Information request IR#45 – TSS – multiple areas – 20240703* – Public.

<sup>106</sup> Energex, *Information request IR#37 – TSS – multiple areas – 20240703* – Public.

<sup>107</sup> Ergon Energy, *Att. 5.6.01, DER Integration strategy*, January 2024, p 15; Energex, *Att. 5.6.01, DER Integration strategy*, January 2024, p 15.

<sup>108</sup> Ergon Energy, *Att. 5.6.01, DER Integration strategy*, January 2024, p 15; Energex, *Att. 5.6.01, DER Integration strategy*, January 2024, p 15.

<sup>109</sup> Ergon Energy, *Att. 5.6.01, DER Integration strategy*, January 2024, p 16; Energex, *Att. 5.6.01, DER Integration strategy*, January 2024, p 16.

the 2025–30 period, required network investment would be approximately \$7.3 million and \$6.3 million for Ergon Energy and Energex respectively.<sup>110</sup>

We agree with Ergon Energy and Energex that the 1.5 kW basic export level balances the need for required investment while ensuring there is sufficient capacity in the network for customers to export.

#### 19.4.4 Large customer tariffs

We are largely satisfied that Ergon Energy and Energex’s proposals for large customers (LV customers consuming over 100 MWh per annum and HV customers) comply with the distribution pricing principles for direct control services and contribute to achievement of the NEO because:

- the tariff structures continue to reflect times of network constraint and the efficient costs of providing both import and export services
- the tariff structures are reasonably capable of being understood by retail customers or being directly or indirectly incorporated by retailers.

However, we require Ergon Energy and Energex to offer a time-of-use tariff for customers consuming up to 160 MWh per annum. While we consider the tariffs and tariff assignment policies for customers meet the economic pricing principles set out in NER clauses 6.18.5(e) – (g) and the price element of the NEO, Ergon Energy and Energex should offer additional time-of-use only tariffs for these customers. We consider that a consistent NEM-wide structure for peaky load business customers, such as EV charge point operators, would further contribute to Queensland’s jurisdictional emissions reduction targets.<sup>111</sup>

We also encourage Ergon Energy and Energex to make further improvements to bill impact analysis and include more supporting information on the proposal to remove a kW option from its optional Demand Small tariff and the value of avoided TUOS (Ergon Energy only).

We accept those elements that are being carried over from the 2020–25 period and have not changed, including options for customers on accumulation meters and the controlled load options (large business secondary and primary load control). We do, however, consider supply times for the controlled load tariffs could be included within the tariff structures, rather than only in respective Network Tariff Guides.

We also note that Ergon Energy and Energex did not propose network tariffs specific to embedded network customers. We would assess these tariffs in future if Ergon Energy and Energex were to propose them and demonstrate a need for them. At this stage, we do not anticipate these tariffs will be proposed for the 2025–30 period. We received submissions on Ergon Energy and Energex from one stakeholder outlining the benefits of embedded networks and opposing specific embedded network tariffs.<sup>112</sup>

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<sup>110</sup> Ergon Energy, *Att. 5.6.01, DER Integration strategy*, January 2024, p 16; Energex, *Att. 5.6.01, DER Integration strategy*, January 2024, p 16.

<sup>111</sup> AEMC, *Emissions Targets statement under the national energy laws*, June 2024.

<sup>112</sup> Network Energy Services, *Submission – 2025-30 Electricity Determination – Ergon*, March 2024; Network Energy Services, *Submission – 2025-30 Electricity Determination – Energex*, March 2024.

Tariffs for ICC customers and grid-scale storage customers are discussed in separate sections below.

#### **19.4.4.1 Cost reflectivity and understandability of Ergon Energy and Energex’s large customer tariffs**

Our draft decision is to approve Ergon Energy and Energex’s proposed tariff structures for large customers. We consider their proposed changes to the structures and charging windows are reasonable and are in response to its network circumstances and feedback from stakeholders.

##### **Ergon Energy and Energex’s proposals**

Ergon Energy and Energex proposed the following:

For LV large customers:

- to replace existing default tariffs for customers with smart meters with time-of-use demand tariffs that have the same structure and charging windows as the small business time-of-use demand tariffs, offering a daytime solar soak off-peak window between 11am – 1pm and narrowing the peak window to 5pm – 8pm (previously 4pm – 9pm).<sup>113</sup> For the same reasons given under section 19.4.2.1 *Cost reflectivity of Ergon Energy and Energex’s tariffs* we approve these proposed changes to align tariff charging windows with Ergon Energy and Energex’s peak and minimum network demand periods
- to continue to assign customers consuming over 100 MWh per annum to large customer tariffs<sup>114</sup>
- to assign all large LV business customers to the default time-of-use demand tariff, with the option to opt back in to the optional demand small tariff (on application)<sup>115</sup>
- to remove the ‘kW’ version of the demand small tariff so that there is only a kVA option (Ergon Energy only), to better align the tariff with Energex’s demand small tariff<sup>116,117</sup>
- obsolete or closed tariffs have been withdrawn.

For HV business customers:

- Ergon Energy:
  - to continue to offer 8 anytime default tariffs with the same structure as was approved in the 2020–25 period (where demand is charged on the greater of the authorised demand (AD) import or maximum kVA demand recorded in any 30-minute period during the billing month. Demand \$/kVA charge applied to single highest 30-minute kVA demand during the month)

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<sup>113</sup> Ergon Energy, *Tariff structure statement – Compliance statement*, January 2024, pp 15–16; Energex, *Tariff structure statement – Compliance statement*, January 2024, pp 15–16.

<sup>114</sup> Ergon Energy, *Tariff structure statement – Compliance statement*, January 2024, p 38; Energex, *Tariff structure statement – Compliance statement*, January 2024, p 37.

<sup>115</sup> Ergon Energy, *Tariff structure statement – Compliance statement*, January 2024, p 38; Energex, *Tariff structure statement – Compliance statement*, January 2024, p 37.

<sup>116</sup> Ergon Energy, *Tariff Structure – Explanatory Statement*, January 2024, p 67.

<sup>117</sup> Energex already has only the kVA option.

- to introduce 8 equivalent optional time-of-use demand tariffs with same charging windows as the large and small business time-of-use demand tariffs.
- For Energex:
  - to remove the site-specific fixed charges from the 2 default CAC tariffs and replace them with standard rate distribution connection charges
  - to offer 2 equivalent optional time-of-use demand tariffs with the same charging windows as the large and small business time-of-use demand tariffs.<sup>118</sup>

We note the Queensland Farmer’s Federation’s concern on Ergon Energy’s proposal, that removing the kW-based option in the demand small tariff could have negative impacts on agricultural customers with inefficient equipment.<sup>119</sup>

We understand that Ergon Energy previously retained a kW option because some of their customers could not accommodate kVA-based charges. In our 2020–25 draft decision, we asked Ergon Energy to explore kVA-based charging with its stakeholders. We also note that Ergon Energy has proposed a kW-based option for its proposed default LV large customer tariff in instances where the meter is unable to publish underpinning interval data for the purposes of determining kVA for billing.<sup>120</sup> While we consider kVA-based charges might be more cost reflective for large customers, and see merit in Ergon Energy simplifying its suite of tariffs, we encourage Ergon Energy to provide further detail on how it has engaged with affected customers on the Demand Small tariff. We also invite stakeholders to make submissions on this issue.

We also note Mirabou Energy’s submission that Ergon Energy does not provide information to its HV and ICC customers that have behind the meter resources, on the value of ‘avoided TUOS’ in their electricity bills.<sup>121</sup> We encourage Ergon Energy to conduct further engagement and provide more guidance to its large customers on this in its revised proposal.

#### **19.4.4.2 Ergon Energy and Energex’s assignment policies**

Our draft decision is to not accept Ergon Energy and Energex’s proposed assignment policies for large customers because we require them to introduce a new time-of-use option for customers consuming up to 160 MWh per annum. We otherwise consider proposed changes have simplified the suite of tariffs offered, retain a level of choice for customers and ensure more large customers face cost reflective network tariffs. However, we encourage Ergon Energy and Energex to include further detail on the impact to customers from changes to their tariffs. We consider some of this information has already been included via information request responses.<sup>122</sup>

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<sup>118</sup> Ergon Energy, *Tariff structure statement – Compliance statement*, January 2024, pp 16–19; Energex, *Tariff structure statement – Compliance statement*, January 2024, pp 15–17.

<sup>119</sup> Queensland Farmers Federation, *Submission – 2025-30 Electricity Determination – Ergon Energy*, June 2024, p 8.

<sup>120</sup> Ergon Energy, *Tariff Structure Statement*, January 2024, p 16.

<sup>121</sup> Mirabou Energy, *Submission – 2025-30 Electricity Determination – Ergon Energy*, May 2024, p 5.

<sup>122</sup> Ergon Energy and Energex, *Information request ESS IR#002 – Tariffs – 20240229 – Public*; Ergon Energy, *Information request ESS IR#030 – Tariffs – 20240514 – Public*; Ergon Energy, *Information request ESS IR#054 – Tariffs – 20249703 – Public*; Energex, *Information request ESS IR#024 – Tariffs – 20240514 – Public*; Energex, *Information request ESS IR#047 – Tariffs – 20249703 – Public*.



### Default assignment policies are capable of acceptance

For LV large customers, Ergon Energy and Energex proposed to reassign all existing smart meter customers to the proposed default time-of-use demand tariffs. Customers currently on the default tariff who remain on it would face average network bill savings of 25% (Ergon Energy) or bill increases of 1% (Energex).<sup>123,124</sup> Customers who would be materially worse off would be able to opt back into the Demand Small tariff on application to Ergon Energy and Energex – these customers would face average network bill savings of 2% (Ergon Energy) and 1% (Energex).<sup>125, 126</sup>

HV customers would continue to be assigned to existing default tariffs, based on the customer’s connection level at the relevant connection point.

- For Ergon Energy customers, 66 kV, 33 kV, 22/11 kV bus, 22/11 kV line.
- For Energex customers, 11 kV bus and 11 kV time-of-use demand.

Customers would also have the option of opting into equivalent time-of-use demand tariffs with the same charging structures as the large LV business tariffs.

We acknowledge the submissions by Queensland Farmer’s Federation in relation to Ergon Energy’s large customer tariffs. In particular, its submission that Ergon Energy pursue an appropriate tariff assignment for agricultural customers based on their operation characteristics.<sup>127</sup> While not the intended purpose, we consider that our draft decision to require Ergon Energy and Energex to introduce a new time-of-use tariff for customers with peaky loads and consuming up to 160 MWh could address some of issues raised by Queensland Farmer’s Federation, and give their represented stakeholders more tariff optionality. See section titled *Threshold for large customer access to time-of-use tariffs* below.

### Withdrawal of obsolete tariffs

As mentioned above in the section *19.4.2.2 Withdrawal of obsolete tariffs* for small customer tariffs, Ergon Energy and Energex have proposed to simplify their suite of tariffs by withdrawing obsolete tariffs. Ergon Energy and Energex have proposed to withdraw tariffs that are obsolete, have minimal take up, or those that were closed to customers in the 2020–25 period to new customers, and streamline their tariff offerings. Table 19.3 below sets out the withdrawn tariffs and the number of customers affected. Unless otherwise stated, customers would be re-assigned to the relevant default tariff.

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<sup>123</sup> Ergon Energy, *Att. 9.02 – 2025-30 Network Bill Impacts*, January 2024, p 40.

<sup>124</sup> Energex, *Att. 9.02 – 2025-30 Network Bill Impacts*, January 2024, p 38.

<sup>125</sup> Ergon Energy, *Att. 9.02 – 2025-30 Network Bill Impacts*, January 2024, p 44.

<sup>126</sup> Energex, *Att. 9.02 – 2025-30 Network Bill Impacts*, January 2024, p 42.

<sup>127</sup> Queensland Farmers Federation, *Submission – 2025-30 Electricity Determination – Ergon*, June 2024, pp 7–8.



**Table 19.3: Large customer tariffs proposed to be withdrawn**

Tariffs to be withdrawn	Number of customers affected
<b>Ergon Energy</b>	
East Demand Large (EDLT)	172
West Demand Large (WDLT)	13
Mt Isa Demand Large (MDLT)	4
East Demand Medium (EDMT)	985
West Demand Medium (WDMT)	100
Mt Isa Demand Medium (MDMT)	28
East Seasonal TOU Demand (ESTOUD)	398
West Seasonal TOU Demand (WSTOUD)	41
Mt Isa Seasonal TOU Demand (MSTOUD)	2
East Large Residential (EREST)	0
West Large Residential (WREST)	
Mt Isa Large Residential (MREST)	
East 66/33 kV STOUD	2
West 66/33 kV STOUD	0
(Reassigned to equivalent CAC66 kV Anytime or CAC 66 kV TOU Demand)	
East 22/11 kV Bus STOUD	0
West 22/11 kV Busy SOUD	
(Reassigned to equivalent CAC22/11kV Bus Anytime or CAC HV Bus TOU Demand)	
East 22/11 kV Line STOUD	0
West 22/11 kV Line STOUD	
(Reassigned to equivalent CAC22/11kV Line Anytime or CAC HV Line TOU Demand)	
<b>Energex</b>	
Demand Large (8100)	600
Large Residential Energy (6600)	0
EG 11 kV	13
(Reassigned to the 11 kV Bus)	
11 kV Line	344
(Reassigned to the 11 kV TOU Demand)	

## AER considerations

We support distributors simplifying their suite of tariffs and introduction of the proposed new optional time-of-use demand tariffs for LV and HV large customers. However, we encourage Ergon Energy and Energex to include additional supporting information in its network bill impact analysis which it has already provided to us via responses to information requests.<sup>128</sup>

Ergon Energy and Energex modelled some network bill impacts for customers being reassigned to new tariffs. As with small customers, network bill impacts moderate from FY27 after the step change associated with structural changes to default tariffs. While average 2025–26 impacts are favourable or manageable, some customers may face material bill impacts. In particular, Energex HV customers being reassigned from the 11kV tariff to the 11kV time-of-use demand tariff could face bill increases upwards of 250% or an average bill increase of \$15,000.<sup>129</sup> This results from changes in tariff structure as these customers move to standard network prices. This tariff was closed to new customers in the 2020–25 period. Nevertheless, we expect Energex to continue to engage with these customers on how they might mitigate bill impacts. We encourage continued engagement with customers who are a materially worse off, and encourage Ergon Energy and Energex to include further information on how it will engage with these customers in their revised proposals.

### 19.4.4.3 Threshold for large customer access to time-of-use tariffs

Our draft decisions for Ergon Energy and Energex are to require that they offer a cost reflective time-of-use tariff for large customers consuming up to 160 MWh with demand over 120 kVA.

The AER is seeking stakeholder feedback on this requirement. We will take this feedback and any other supporting information Ergon Energy and Energex provide to us in their revised tariff structure statements into consideration when we make our final decision.

### Ergon Energy and Energex’s proposals

Ergon Energy and Energex’s large customer tariffs have a demand charge. These customers may not opt-out to volume only tariffs.

During the distributors’ development of their tariff structure statements, agricultural stakeholders advocated for extending the small business access to volume tariffs to businesses consuming up to 160 MWh per annum.<sup>130</sup> One mechanism proposed to achieve this was to increase the threshold for moving to the large customer category.

In Queensland, large customers are those consuming over 100 MWh per annum. This is a jurisdictional statutory threshold.<sup>131</sup> Queensland’s large customer threshold is unlikely to be amended as it relates to the annual community service obligation payment the Queensland Government makes to Ergon Energy Retail to facilitate Queensland’s uniform tariff policy.

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<sup>128</sup> Ergon Energy and Energex, *Information request ESS IR#002 – Tariffs – 20240229* – Public; Ergon Energy, *Information request ESS IR#030 – Tariffs – 20240514* – Public.

<sup>129</sup> Energex, *Att. 9.02 – 2025-30 Network Bill Impacts*, January 2024, pp 47–48.

<sup>130</sup> Ergon Energy, *Tariff Structure Statement – Explanatory Statement*, January 2024, p 50; Energex, *Tariff Structure Statement – Explanatory Statement – January 2024*, p 48.

<sup>131</sup> *National Energy Retail Law (Qld) s 5* and the *Electricity Act 1994 (QLD) s 23*.

The consumer service obligations do not apply in relation to tariffs for large customers, i.e. those consuming over 100 MWh. Raising the statutory threshold, thereby classifying more customers as small customers, would increase community service obligation subsidy payments because the number of customers on subsidised retail tariffs would grow.

The distributors considered the drivers of the requests to change the threshold stemmed from step change impacts in the current tariff structure statement and attempted to address those step change impacts in their proposed tariff structure statements. The step change occurs because the fixed charges of network tariffs increase once customers consume over 100 MWh per annum and, for Ergon Energy customers, the underpinning network charges change from Energex rates below 100 MWh to Ergon rates above 100 MWh. To mitigate these impacts, Ergon energy and Energex proposed to lower fixed rates, lower shoulder period rates, include new solar soak periods with zero DUOS charges and narrow the peak window to better enable customers to avoid peak charges.

### Stakeholder submissions

Some stakeholders submitted a preference for a time-of-use tariff for customers with high demand and relatively low consumption or that these customers should have industry specific tariffs. The Electric Vehicle Council submitted to allow access to a time-of-use tariff for customers with demand over 100 kVA and consumption up to 160 MWh, to support the development of the EV charging industry.<sup>132</sup> Evie Networks submitted that demand tariffs are inappropriate for public charge point operators regardless of energy consumption (including because the industry will contribute to Australia’s emissions reduction efforts) and the AER should mandate an industry specific energy only tariff set at an off-peak rate at all times.<sup>133</sup> Similarly, the Queensland Farmers’ Federation submitted to seek industry specific support, asking for tailored Ergon Energy network tariffs for large agricultural customers with episodic energy requirements, and suggesting an inclining block tariff.<sup>134</sup>

After submitting the proposed tariff structure statements, and in response to submissions to the AER seeking alternative tariffs for charge point operators, Energy Queensland (for both Ergon Energy and Energex) commissioned modelling of the impact of different tariffs on charge point operators.<sup>135</sup> The modelling indicated that while bills for charge point operators would be lower under time-of-use relative to time-of-use-demand tariffs in the short term, the difference is not large and would level out as charge point utilisation increased. At low utilisation levels, time-of-use-demand tariffs resulted in a greater alignment of peak charge recovery and LRMC of EV charge point operation.

### AER considerations

As discussed under *19.4.4.1 Cost reflectivity and understandability of Ergon Energy and Energex’s large customer tariffs*, the AER considers the tariffs available for large customers comply with the pricing principles and are capable of acceptance. Our initial assessment of

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<sup>132</sup> Electric Vehicle Council, *Submission – 2025-30 Electricity Determination – Energex*, May 2024, p 5; Electric Vehicle Council, *Submission – 2025-30 Electricity Determination – Ergon*, May 2024, p 6.

<sup>133</sup> Evie Networks, *Submission – 2025-30 Electricity Determination – Energex and Ergon*, June 2024, p 4.

<sup>134</sup> Queensland Farmers’ Federation, *Submission – 2025-30 Electricity Determination – Energex*, June 2024, p 2.

<sup>135</sup> Energia, *DCFC Tariff Results Analysis, Draft Results*, July 2024.

Ergon Energy and Energex’s large customer tariffs against the pricing principles in isolation, demonstrates compliance with the NER.

However, we are also required to make our decisions in a manner that will or is likely to contribute to the achievement of the NEO.<sup>136</sup> We consider the emissions reduction element of the NEO to be particularly relevant to our tariff structure statement decisions, along with the price element (to promote efficient use of electricity services for the long-term interests of consumers of electricity with respect to price). While we consider that Ergon Energy and Energex’s time-of-use demand tariffs meet the economic pricing principles set out in clauses 6.18.5(e) – (g), and contribute to the price element of the NEO, we consider Ergon Energy and Energex should offer additional time-of-use only tariffs for their tariff structure statement to further contribute to the achievement of the NEO. In particular, a consistent NEM-wide structure for network tariff charges for EV charge point operators would further contribute to achievement of Queensland’s emissions reduction targets (i.e. its net zero 2050 target and its Zero Emission Vehicle Strategy (ZEV Strategy) 2022–2032).<sup>137</sup>

This consistency has already been achieved in most NEM jurisdictions. Across Victoria, NSW, Tasmania and the ACT, EV charge point operators can access time-of-use tariffs while consumption is less than 160 MWh. South Australia and Queensland are now the only NEM regions that do not align with this approach.

If EV charge point operators were to face a similar network tariff structure NEM-wide, we consider it could increase the confidence of charge point operators (and potential investors) to extend their charging networks. Similar network tariff structures would also assist charge point operators to roll out more consistent charging structures for their customers. We anticipate this would increase the confidence of consumers in the charges they would face to charge their EVs and would further support uptake and utilisation of EVs. Together, these outcomes could contribute to outcomes sought under the Australian Government’s National Electric Vehicle Strategy, specifically, to “make it easy to charge EVs across Australia” and “reduce road transport emissions”<sup>138</sup>, and Queensland’s Zero Emission Vehicle Strategy which is one of its emissions targets under the NEO.<sup>139</sup>

The AER’s requirement for Ergon Energy and Energex to offer this time-of-use tariff option reflects the AER’s approach to assessing tariffs in accordance with the pricing principles and approving tariff structure statements in a manner that will or is likely to contribute to the achievement of the NEO. We consider the achievement of jurisdictional targets for emissions reduction, along with other elements of the NEO, is directly relevant to our constituent decision to approve tariff structure statements. We acknowledge the tariff would then be open to all customers that meet the eligibility requirements, which may include customers that do not have a role in supporting the emissions reduction objectives. However, we consider it preferable to retain tariffs that are technology and industry neutral. Importantly, we emphasise our expectation that the time-of-use tariffs offered be cost reflective, i.e. that they

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<sup>136</sup> NEL, s. 16(1)(a).

<sup>137</sup> AEMC, *Emissions Targets statement under the national energy laws*, June 2024.

<sup>138</sup> DCCEEW 2023, *The National Electric Vehicle Strategy*, Department of Climate Change, Energy, the Environment and Water, Canberra, CC BY 4.0, p vi.

<sup>139</sup> AEMC, *Emissions Targets statement under the national energy laws*, June 2024, p 3.

signal to the retailer and their customer the costs to the network from the customer’s energy consumption consistent with the requirement of the pricing principles.<sup>140</sup>

We consider that the threshold of 160MWh per annum is the appropriate threshold to balance the emissions reduction element of the NEO against the pricing element and distributors’ preferences for large customer tariffs, at this stage of the EV public charging industry’s development. We note that these tariffs would only be available for those peaky load customers, with demand over 120 kVA. Once those businesses are consuming over 160MWh, they can reasonably be considered capable of understanding and responding to more complex price signals like demand tariffs.

We acknowledge that a peak demand charge, based on modelling commissioned by Energy Queensland, better recovered the LRMC of a charge point operator while consumption was low but believe it is possible for Ergon Energy and Energex to develop time-of-use network tariffs that are revenue neutral, include peak period pricing signals, and that recover a comparable contribution to the LRMC as consumption increases.

#### 19.4.5 Individually calculated tariffs

Our draft decision is to approve Ergon Energy and Energex’s approach to ICC tariffs as we are satisfied it contains all elements required by the NER.<sup>141</sup> The tariff structure statements (Table 13) set out the charging parameters applicable to ICC tariffs, including locational elements. For these customers, demand and volume characteristics are reviewed annually. Customers are allocated to the ICC tariff class if they are connected to the network at 33 kV or above with installed capacity above 10 MVA. In addition, for Ergon Energy, customers may be assigned to ICC tariffs at discretion of the network in instances where 33 kV is not available and there are no other voltages required for the bulk supply point.

We encourage Ergon Energy and Energex to provide the following additional information in their revised proposals for transparency and clarity:

- In their tariff structure explanatory statements, Ergon Energy and Energex explain that their 2023-24 Annual Pricing Proposals outline the methodology for calculating ICC tariffs. Their annual pricing proposals include further detail on where a customer with installed capacity *below* 10 MVA may be assigned to the ICC tariff class, for example if a customer is connected at or close to a transmission connection point.<sup>142</sup> We encourage Ergon Energy and Energex to include the information in table 1 of their 2023-24 pricing proposals in their revised tariff structure statements.
- Ergon Energy and Energex explained that charges for the ICC class are influenced by the connection assets dedicated to the customer’s connection point and how these connection assets were originally funded.<sup>143</sup> In response to an information request, they explained that for those customers with non-contributed assets, their ICCs tariff includes

<sup>140</sup> NER cl. 6.18.5 (e) to cl. 6.18.5 (g).

<sup>141</sup> NER, cl. 6.18.1A(a).

<sup>142</sup> Ergon Energy, *Annual Pricing Proposal 2023-24*, April 2023, p 8; Energex, *Annual Pricing Proposal 2023-24*, April 2023, p 9.

<sup>143</sup> Ergon Energy, *Tariff Structure Statement*, January 2024, p 22; Energex, *Tariff Structure Statement*, January 2024, p 24.

a proportionate allocation of their return on assets, depreciation and operating expenditure (opex) revenue. For those customers with contributed connection assets, their ICC tariffs includes a proportionate allocation of opex only.<sup>144</sup> We encourage Ergon Energy and Energex to provide this additional detail in their revised tariff structure statements.

We are also aware that Ergon Energy and Energex continue to engage with stakeholders on whether ICC customers should have access to storage tariffs. This is discussed below on the section on *Grid-scale storage tariffs*.

### 19.4.6 Grid-scale storage tariffs

Our draft decision is to not accept Ergon Energy and Energex’s proposed grid-scale storage tariffs because they are not compliant with the pricing principles. Our view is that their tariff structure statements do not include sufficient information on the charging parameters or specificity on how their tariffs would be implemented. Because of the lack of information, the tariffs are not capable of being understood by customers or able to be incorporated into retail offers.<sup>145</sup>

#### Ergon Energy and Energex’s proposals

Ergon Energy and Energex proposed two grid-scale storage tariffs: dynamic price and dynamic flex. These tariffs are offered at the distributors’ discretion and feature critical event pricing that is location-based. Both tariffs include a fixed charge of approximately \$6500 in 2025. These tariffs would be available to customers who:

- import load from the network for the purpose of exporting it back to the network, and meet AEMO’s classification as load and generator market participation, and
- could be classified as LV and above 30 kW, or HV 11-66 kV and are below 10 MVA (that is, not ICC customers).

For the dynamic price tariff, a critical peak period may occur for import, export and export rewards. The proposed critical peak reward would only be available in locations where the batteries would benefit the network. Most other distributors provide postage stamp rebates that allow batteries access to a reward that enables them to offset the charges, irrespective of location. Ergon Energy and Energex planned for this tariff to be available mid-period as they are still developing the capacity to bill critical pricing.

The dynamic flex tariff would be available immediately to customers with a dynamic connection, i.e. dynamic operating envelopes would apply to imports and exports. In exchange, there would be no critical peak charges. The (locational) critical event reward would remain available but location specific and at Ergon Energy and Energex’s discretion.

#### Stakeholder submissions

We received 11 submissions on the proposed storage tariffs. 9 submissions were targeted at Energex, from stakeholders in support of Zero Emissions Noosa Inc’s submission on the

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<sup>144</sup> Ergon Energy and Energex, *Information request ESS IR#002 – Tariffs – 20240229 – Public*.

<sup>145</sup> NER, cl. 6.18.1A(a)(4); NER, cl. 6.18.5(i).



Noosaville Community Battery project.<sup>146</sup> Zero Emissions Noosa Inc submitted that the fixed costs of the dynamic flex tariff are too high and storage proponents are not adequately rewarded.<sup>147</sup> Tesla supported the design of the tariffs but sought clarity on how transmission costs were to be incorporated (as transmission-connected batteries do not pay transmission costs). It also commented that dynamic operating envelopes for imports are not effective for stand-alone storage, given that wholesale prices are already an effective incentive.<sup>148</sup> Firm Power submitted that storage tariffs should apply to individually calculated customers.<sup>149</sup>

### AER considerations

Grid-scale storage has come into focus for the 2025–30 period, in response to the Australian Government program to fund the deployment of 400 community batteries across the country. With the right network price signals to indicate when battery operation drives costs or benefits to the network, grid-scale batteries have the potential to reduce long-run network costs for all customers by improving network utilisation. Conversely, without such price signals, battery owners may not factor network costs into their decisions on battery operation and may operate batteries in ways that trigger network augmentation, increasing future network costs to all consumers. Therefore, there is benefit for distributors (and ultimately all consumers) in developing network tariffs to facilitate retail tariffs that encourage battery operators to import rooftop solar energy during periods of low network demand and export energy during periods of peak demand.

While we support storage tariffs in principle, Ergon Energy and Energex have not explained the notice period, duration, frequency, or trigger for the proposed critical events. Critical events form an important part of the tariff's charging parameters, each critical peak (import, export, or export reward) is capped at 40 hours / 80 periods per annum. The lack of information also prevents customers from being able to respond to the tariffs and makes it difficult for retailers to incorporate these tariffs into their offerings. We note that Ergon Energy and Energex are currently trialling these tariffs, but tariff learnings are unlikely to be completely realised by the time revised proposals are submitted to us. The further specificity Ergon Energy and Energex could add in revised proposals include:

- how the locational element of tariffs will be implemented
- what criteria would qualify storage for access to the tariffs and to rewards
- how customers may be notified of critical peak events
- whether there is a minimum/maximum number of each type of critical peak event.

We understand that Energex staff are engaging with relevant parties to the Noosaville Community Battery project and is considering lowering its proposed fixed charge. While we acknowledge the fixed charge is relatively high it is not uniquely high when compared to all other storage tariffs. For example, Essential Energy's approved storage tariff will include a

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<sup>146</sup> Submissions from: Moreton Climate Action Now Campaign, Zero Emissions 4075 Inc., SEQRCRA, SEQCA, Renew Gold Coast Branch, Noosa Biosphere Reserve Foundation, Noosa Council, Climate Council.

<sup>147</sup> Zero Emissions Noosa Inc, *Submission – 2025-30 Electricity Determination – Energex*, May 2024.

<sup>148</sup> Tesla, *Submission – 2025-30 Electricity Determination – Energex and Ergon*, May 2024, p 7.

<sup>149</sup> Firm Power, *Submission – 2025-30 Electricity Determination – Energex and Ergon*, May 2024, pp 2–3.

fixed charge of approximately \$6941 per annum in 2025–26.<sup>150</sup> However, we understand that storage operators will typically look to offset fixed charges with the reward component of storage tariffs introduced in some other networks. We want to ensure there is sufficient specificity in the reward mechanism for storage customers to understand its financial impact on their operations.

We also understand that Ergon Energy and Energex will continue to engage with stakeholders on whether it is appropriate for ICC customers to face these storage tariffs. We will assess any proposed changes to ICC tariff charging parameters in our final decision.

We encourage Ergon Energy and Energex to consider these submissions when making their revised proposals. We also encourage stakeholder feedback on how Ergon Energy and Energex may provide more specificity in its revised proposals, and we will continue to engage with Ergon Energy and Energex on the level of information required for us to approve these tariffs in our final decisions.

### 19.4.7 Long run marginal cost methodology

The NER requires network tariffs to be based on LRMC.<sup>151</sup> For consumption services this means a tariff for the import of electricity must be based on the LRMC of providing additional capacity to support the import of electricity from grid to customers assigned to the tariff. For export services, this means export charges must be based on the LRMC of providing additional capacity to support and host exports to the grid by the customers assigned to the tariff.

However, not all distributor's costs are forward-looking and responsive to changes in demand for its service. If tariffs only reflected LRMC, a distributor would not recover all of its total efficient costs. Costs not covered by a distributor's LRMC are called 'residual costs'. The NER requires network tariffs to recover a distributor's total efficient costs (i.e., both LRMC and residual costs) in a way that minimises distortions to price signals for efficient usage that would result from tariffs reflecting LRMC.<sup>152</sup>

#### 19.4.7.1 Assessment approach

Our assessment approach is focused on considering Ergon Energy and Energex's overall approach and estimation of LRMC, including the justification of their estimation methods and how their methods changed compared to their previous tariff structure statements. We are also focused, for distributors proposing two-way pricing, on whether distributors have estimated export LRMC in accordance with the expectations set out in the *Export Tariff Guidelines*.

An important input into LRMC calculation is the distributor's forecast of long-run expenditure associated with incremental demand in the case of consumption services. For these services forecasts comprise estimates of:

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<sup>150</sup> Essential Energy, 2024-25 SCS pricing model, 20 May 2024.

<sup>151</sup> NER, cl. 6.18.5(f).

<sup>152</sup> NER, cl. 6.18.5(g)(3).

- augmentation expenditure (augex) on new network assets to increase the capacity and alleviate constraints for import and/or export distribution services
- opex dedicated to providing additional capacity and visibility for distribution services
- replacement expenditure (repex) to replace existing network assets. Distributors may estimate a proportion of repex which occurs to incremental demand or estimate avoided repex in areas of the network with declining demand (in these areas, distributors may opt to use assets with lower capacity which reduces repex).

#### 19.4.7.2 Proposed estimation methodology

We consider Ergon Energy and Energex’s proposed approach to estimate import and export LRMC reflects the requirements of the NER and the guidance as set out in our *Export Tariff Guidelines*. Their approach is appropriate at this stage of tariff reform given the low cost of implementation and the continuation of postage stamp pricing across its network.

For the 2025–30 period, Ergon Energy and Energex proposed to implement the average incremental cost approach over a ten-year period to estimate forward looking costs for distribution services.<sup>153</sup> This is a positive change from their previous long run incremental cost approach, which we accept in our draft decision. Their previous approach calculated LRMC based on the cost of building a hypothetical network to supply a total coincident demand of 500 MW. We recommended Ergon Energy and Energex evolve its approach to estimating LRMC because we considered that its approach:

- did not account for the spare capacity on its networks, which would not help customers’ awareness of cost reflective tariff structures and times of congestion
- assumed a growth in peak demand that may not have accounted for increasing CER on its network
- did not include estimates of reduced repex where there is the possibility of stagnant or declining demand on areas of its network.<sup>154</sup>

We consider the change to the average incremental cost approach to be reasonable and it addresses the concerns we raised in our previous draft decision, including the incorporation of repex in its estimates and the categorisation of zone substations as ‘growth’ or ‘declining’ for the purposes of calculating LRMC.<sup>155</sup> However, we encourage Ergon Energy and Energex to improve their approach in future iterations of its LRMC methodology by exploring the addition of more location-based elements to their calculations.

Ergon Energy and Energex calculated their export LRMC by attributing specific export-related project costs to export charges commencing from the date of the AEMC’s rule change taking effect. Also, they did not propose to recover any historical costs from the export charge. It is for these reasons we consider their export LRMC estimation methodology

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<sup>153</sup> Ergon Energy, *9.05 – Endgame Economics LRMC model*, January 2024; Energex, *9.05 – Endgame Economics LRMC model*, January 2024.

<sup>154</sup> AER, *Energex 2020-25 – Draft decision – Attachment 18 – Tariff structure statement*, October 2019, pp 51–52.

<sup>155</sup> AER, *Energex 2020-25 – Draft decision – Attachment 18 – Tariff structure statement*, October 2019, pp 50–51.

to be consistent with the guidance set out in our *Export Tariff Guidelines* and therefore capable of approval.

## 19.5 Assignment to tariff classes

Our draft decision is to approve Ergon Energy and Energex’s policies and procedures governing assignment or reassignment of retail customers to tariff classes for direct control services.<sup>156</sup> The table below summarises how Ergon Energy and Energex assign customers to their respective tariff classes.

**Table 4: Tariff classes for Ergon Energy and Energex**

Tariff class	Customer type and assignment
Standard Asset Customers (SAC)	Customers connected at Low Voltage are classified as SAC. Customers may further be categorised as Small or Large.
Connection Asset Customers (CAC)	Customers coupled to the Network Voltage from 11kV who are not allocated to the ICC tariff class are allocated to the CAC tariff class.
Individually Calculated Customers (ICC)	Customers are allocated to the ICC tariff class if they are coupled to the network at 33kV or above.  For Ergon Energy only: 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.

## 19.6 Statement structure and completeness

Ergon Energy and Energex must include the following elements within its tariff structure statements:

- the tariff classes into which retail customers for direct control services will be divided
- the policies and procedures the distributor will apply for assigning retail customers to tariffs or reassigning retail customers from one tariff to another
- a description of the strategy or strategies the distributor has adopted, taking into account the pricing principle in clause 6.18.5(h), for the introduction of export tariffs including where relevant the period of transition (export tariff transition strategy)
- structures for each proposed tariff
- charging parameters for each proposed tariff
- a description of the approach that the distributor will take in setting each tariff in each pricing proposal.<sup>157</sup>

<sup>156</sup> Linked to NER, cl. 6.12.1(17).

<sup>157</sup> NER, cl. 6.18.1A(a).

A distributor's tariff structure statement must be accompanied by an indicative pricing schedule.<sup>158</sup>

Ergon Energy and Energex's proposed tariff structure statements incorporate each of the elements required under the NER except for the inclusion of an explicit export tariff transition strategy.

The key focus of our assessment for this draft decision is on whether the elements above satisfy the pricing principles for direct control services in the NER. That assessment is covered in the sections above.

Ergon Energy and Energex have adopted our preferred two document approach, intended to improve the clarity for the retailers, customers, and the AER:

- The first document should include only include the aspects of the tariff structure statement that will bind Ergon Energy and Energex over the 2025–30 period.
- The second document should explain Ergon Energy and Energex's reasons for what they have proposed.<sup>159</sup>

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<sup>158</sup> NER, cl. 6.8.2(d1).

<sup>159</sup> NER, cl. 6.18.5(i).

## Shortened forms

Term	Definition
ACS	alternative control services
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
augex	augmentation expenditure
CAC	connection asset customers
capex	capital expenditure
CCP	Consumer Challenge Panel
CER	consumer energy resources
CPI	consumer price index
DER	distributed energy resources
distributor	distribution network service provider
HV	high voltage
ICC	individually calculated customer
LRMC	long-run marginal cost
LV	low voltage
NEL	national electricity law
NEM	national electricity market
NEO	national electricity objective
NER	national electricity rules
NSP	network service provider
opex	operating expenditure
PV	photovoltaic
RAB	regulatory asset base
RBA	Reserve Bank of Australia
repex	replacement expenditure
RIN	regulatory information notice
SAC	standard asset customers



Term	Definition
SCS	standard control services

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