

Draft Decision

SA Power Networks Electricity Distribution Determination 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 decision on SA Power Networks' tariff structure statement 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, SA Power Networks has proposed two-way 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).

Smart meters are essential for the application of most cost-reflective network tariffs. The percentage of residential customers with smart meters on SA Power Networks' network has increased from 31.58% in 2022 to 39.42% in its latest reported data for 2023. 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.¹

The AEMC's draft determination noted that the sooner smart meters are installed across the NEM the greater the benefits to consumers.² 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 consider the impacts to consumers from distributor's 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 encourages 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 retail tariffs are not required to reflect the structure of the 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 customer behaviour. We observe SA Power Networks has generally engaged well with

¹ 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.

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

stakeholders in developing its 2025–30 tariff structure statement. More generally, we observe that distributors’ consumer consultation processes have improved over successive resets and our Better Resets Handbook (Handbook) published in 2021 supports this improvement.³ The Handbook encourages network businesses to better engage with stakeholders and to have customer 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.⁴ 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

There is no State-wide pricing order or legislation in South Australia that influences how retailers can set prices. As such, retailers in South Australia set their own retail prices. These cover the network costs of transporting electricity through the networks, as discussed above, as well as wholesale costs of electricity, their own retail costs and margin, and any state jurisdictional scheme costs (for example environmental schemes). The network component of a customer’s retail bill makes up approximately 40% of the final bill.

There is no retail price regulation in South Australia, 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 customer 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 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

³ AER, *Better Resets Handbook*, December 2021.

⁴ 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).

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 SA Power Networks' proposed 2025–30 tariff structure statement. We are not satisfied all elements comply with the requirements of the National Electricity Rules (NER), or contribute to achieving the National Electricity Objectives (NEO).^{5,6}

We are satisfied most elements of the proposed tariff structure statement comply with the pricing principles and contribute to the achievement of the network pricing objective. We consider that SA Power Networks' proposal includes tariffs with cost reflective price signals and assignment policies that balance advancing reform against management of customer impacts.

Our draft decision is to approve the following elements of SA Power Networks' 2025–30 proposed tariff structure statement:

- tariff assignment and tariff structures for residential and small business customers, which includes changes to charging times and two-way pricing
- the new optional tariff for small customers, Electrify, which feature sharper price signals and time-of-use pricing
- tariff structures for medium and large business customers
- the new, optional flexible demand tariffs for large business and storage customers
- approach to setting and assigning customers to individually calculated customer (ICC) tariffs
- grid-scale storage tariffs
- the withdrawal of obsolete network tariffs.

Our draft decision does not approve SA Power Networks' tariff assignment policy for customers greater than 120 kVA⁷ but less than 160 MWh⁸. We consider the tariffs and tariff assignment policies for these customers are compliant with the pricing principles and contribute to achievement of the price element of the NEO. However, we consider offering a time-of-use tariff for these customers, consistent with other jurisdictions, will better support South Australia's jurisdictional emissions reduction targets under the new element of the NEO. We discuss the reasons behind this in detail in section 19.4.4.4. We have identified requirements below that we consider will lead to a tariff structure statement that will better contribute to achievement of both price and emissions reduction elements of the NEO.

We also consider that SA Power Networks must, in its revised proposal, demonstrate how its alternative control services are compliant with the pricing principles, and provide information

⁵ NER, cl. 6.12.3(k).

⁶ NEL, s. 7.

⁷ kVA = kilovolt amp.

⁸ MWh = megawatt hour.

on the proposed tariff structures and charging parameters for these services. We consider that SA Power Networks has not complied with the applicable NER requirements in this regard because the NER require tariffs related to direct control services (which includes alternative control services) to comply with the pricing principles.⁹

We also encourage SA Power Networks to provide the following with its revised proposal to further improve its tariff structure statement:

- indicative prices in an Excel format rather than embedded in the tariff structure statement document
- further clarity on the application of ICC tariffs to its large low voltage and high voltage tariff classes.

19.2 SA Power Networks' proposal

SA Power Networks' 2025–30 tariff structure statement seeks to continue the pricing reform it commenced in 2017 by:

- introducing two-way pricing for small customers in July 2025 through addition of export pricing elements to its suite of tariffs (including customers who are not on a smart meter)¹⁰
- introducing an 'Electrify' tariff for residential and small business customers, which is a time-of-use tariff that features sharper price signals compared to default tariffs¹¹
- withdrawing 8 network tariffs that are obsolete:¹²
 - the residential prosumer demand tariff (replaced by the Electrify tariff)
 - the small business time-of-use demand tariff (renamed the medium business time-of-use demand tariff, small business customers may also access the Electrify tariff)
 - a duplicate tariff for unmetered load with the same prices and structure as another tariff
 - 2 legacy large business tariffs with no assigned customers
 - 3 transitional business tariffs introduced in 2020–25 which are closed to new customers
- adjusting the peak, off-peak and solar soak charging windows of its default time-of-use tariff for residential customers¹³
- segment its small business tariff class (less than 160 MWh annual usage) into small business (greater than 40 MWh annual usage) and medium business (40-160 MWh annual usage), with targeted tariffs for each group¹⁴

⁹ NER, cl. 6.18.1 and NER, cl. 6.18.1A(b).

¹⁰ SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part A*, January 2024, p. 15.

¹¹ SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part A*, January 2024, pp. 18, 31.

¹² SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part A*, January 2024, p. 11.

¹³ SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part B*, January 2024, p. 25.

¹⁴ SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part B*, January 2024, p. 9, 25.

- introducing new grid-scale storage tariffs for customers on the zone substation and sub-transmission network¹⁵
- introducing new tariffs for large customers that reward flexibility.¹⁶

In addition to these tariff reforms, SA Power Networks proposed to add a new fixed metering charge to its residential and small business tariffs. This fixed charge 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.¹⁷ A tariff structure statement must also comply with the distribution pricing principles.¹⁸ Our preference is for distributors to structure their tariff structure statement compliance document in accordance with our [standardised template](#).¹⁹

19.3.1 What must a tariff structure statement contain?

The NER require a tariff structure statement to include:²⁰

- 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.²¹

¹⁵ SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part A*, January 2024, p. 38.

¹⁶ SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part A*, January 2024, p. 38.

¹⁷ NER, cl. 6.18.1A(a).

¹⁸ NER, cl. 6.8.2 (d2) and cl. 6.18.1A(b).

¹⁹ AER, [Standardised TSS Compliance Template](#).

²⁰ NER, cl. 6.18.1A(a).

²¹ NER, cl. 6.8.2(d1) and cl. 6.18.1A(e).

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.²²

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
- 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 will assess tariff structure statement proposals

SA Power Networks participated in the voluntary Early Signal Pathway provided for in the Handbook. This pathway can create a more efficient regulatory process for all stakeholders by increasing the likelihood of a tariff structure statement being approved earlier in the assessment process. Under this pathway, we have already provided SA Power Networks with significant feedback on the direction of its tariff structure statement while it was in development. For tariff structure statements, we consider in particular the NEO elements of price and achievement of jurisdictional emissions reduction targets to be most relevant.

Our review of tariff structure statements of distributors on the early signal pathway is targeted at issues we consider need further examination. Our assessment considers compliance with the distribution pricing principles and other applicable requirements of the NER.²³ 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.²⁴ 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.

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

²² NER, cl. 6.18.5 and cl. 6.8.2(c)(7).

²³ NEL, s. 16(2). The national electricity objective is in NEL, s. 7.

²⁴ NEL, s. 16(1)(a).

- 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 SA Power Networks to develop its tariff structure statement commenced a year and a half prior to its formal submission. This included observing stakeholder engagement sessions and working closely with SA Power Networks to support its development of a compliant tariff structure statement.

The AEMC's *Access, pricing and incentive arrangements for distributed energy resources* rule change in August 2021 enabled distributors to introduce two-way pricing.^{25, 26} We approved the first two-way tariffs 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*.²⁷

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.²⁸

19.4 Reasons for draft decision

Our draft decision is to accept most elements of SA Power Networks' proposed tariff structure statement. 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 object 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.²⁹ We also consider that SA Power Networks should demonstrate how its alternative control services are compliant with the pricing principles.³⁰

²⁵ 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. These 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.

²⁶ 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.

²⁷ AER, *Export Tariff Guidelines*, May 2022.

²⁸ NER, cl. 6.18.2(b)(7A).

²⁹ NEL, s. 16(1).

³⁰ NER, cl. 6.18.1 and NER, cl. 6.18.1A(b).

In line with the Handbook, we consider SA Power Networks demonstrated:

- progress on tariff reform by introducing two-way pricing for most small customers in 2025 and refining alignment of charging windows for its default residential time-of-use tariff with network load profiles
- incorporation of its tariff strategy in its overall business plan by linking its proposed tariff structure statement to its network expenditure, and designing tariffs that improve network utilisation by incentivising customer behavioural change
- significant stakeholder engagement and support by incorporating customer preferences in developing its proposed tariff structure statement
- insight into customer impacts with detailed analysis of impacts on different groups of customers.

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

- Stakeholder support for SA Power Networks' tariff structure statement
- Residential and small business tariffs
- Two-way tariffs
- Medium and large business tariffs
- Individually calculated customer tariffs
- Grid-scale storage tariffs
- Long run marginal cost methodologies

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

19.4.1 Stakeholder support for SA Power Networks' tariff structure statement

SA Power Networks' tariff structure statement proposal continues to progress tariff reform for its customers, reflects its stakeholders' preferences as expressed during its stakeholder engagement, and considers customer impacts.

SA Power Networks conducted a series of 10 workshops across 2022 to develop its tariff strategy and achieved broad stakeholder support. These workshops gave opportunity for stakeholders to discuss different tariff options and the implications of these tariffs (i.e. price impacts). SA Power Networks also engaged with its retailers on the outcomes of its engagement with their customers as part of a separate consultation process.

In consideration of its stakeholder engagement, SA Power Networks proposed to:³¹

- reduce the peak window of the residential tariff

³¹ SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part B*, January 2024, pp. 25–26.

- introduce optional ‘Electrify’ tariffs (with strong time-of-use price signals) and withdraw the current optional demand tariffs for small customers
- segment the small business customer class to offer separate small and medium business tariffs
- introduce two-way pricing for small customers
- introduce flexible load tariffs for large customers
- introduce grid-scale storage tariffs for customers on the zone substation and sub-transmission network.

In developing its proposed two-way tariffs, SA Power Networks demonstrated strong stakeholder engagement consistent with our Handbook and demonstrated that it incorporated feedback provided by stakeholders through its engagement processes in designing its proposed two-way tariffs.³² Stakeholder feedback incorporated in the design of SA Power Networks’ two-way tariffs and the export tariff transition strategy includes:

- designing its tariffs in a way that did not advantage customers based on their meter type
- proposing fixed export charges across the five-year period
- introducing two-way tariffs on a uniform basis starting on 1 July 2025
- allowing customers to rollover unused basic export level credits within a billing period.³³

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.³⁴ 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.³⁵ We expect that distributors demonstrate significant customer engagement, clear links between customer feedback and the tariff structure statement proposal and, where possible, broad stakeholder support for their tariff plans.

Stakeholder submissions

The AER’s Consumer Challenge Panel (CCP30) submitted that SA Power Networks’ proposed tariff strategy carried out extensive engagement on tariffs that is reflected in the proposal.³⁶ Stakeholders such as Energy and Water Ombudsman SA (EWOSA) and Department for Energy and Mining SA submitted that the tariffs were capable of approval

³² SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part B*, January 2024, pp. 76–77.

³³ SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part B*, January 2024, p. 77.

³⁴ AEMC, *Accelerating smart meter deployment* (draft determination), 4 April 2024.

³⁵ NER, cl. 6.18.5(i).

³⁶ CCP30, *Submission - 2025-30 Electricity Determination - SA Power Networks*, May 2024, p. 8.

and that it appropriately considered cost reflectivity, fairness and equity respectively.³⁷ EWOSA further added that small customers should have the option of choosing a flat rate tariff and that ultimately retailers should offer this option. On the other hand, SA Council of Social Services (SACOSS) and the SA Wine Industry Association (SAWIA) submitted that small customers be allowed to opt-out back to the flat tariff.³⁸

In relation to SA Power Networks' tariff strategy for medium and large business customers, we received only one submission from the Electric Vehicle Council.³⁹ The Electric Vehicle Council submitted for SA Power Networks to provide access to time-of-use tariffs for customers with demand greater than 120 kVA and consumption up to 160 MWh (peaky load business customers), to support the development of EV charge point operators.

AER consideration

We accept most elements of SA Power Networks' proposed tariff strategy because it conducted a broad engagement program and built broad support for its strategy. Our draft decision will require SA Power Networks to create a suitable time-of-use tariff for peaky load business customers. This addresses the Electric Vehicle Council's submission and our reasons for this requirement are explained in detail under section 19.4.4.4.

While SA Power Networks proposed mandatory assignment to cost reflective tariffs for all customers with a smart meter, with no opt-out, it provided customer bill impact analysis to support its approach. SA Power Networks also demonstrated how the stakeholder feedback it received was linked to various aspects of its tariff structure statement proposal in its explanatory statement.⁴⁰

19.4.2 Residential and small business tariffs

Our draft decision is to accept all aspects of SA Power Networks' small customer tariffs. We are satisfied that SA Power Networks' proposal for residential and small business customers comply with the pricing principles and contribute to achieving the network pricing objective and the NEO. For instance:

- the tariff structures reflect times of network constraint and the efficient costs of providing both import and export services⁴¹
- the tariff structures are reasonably capable of being understood by retail customers or being directly or indirectly incorporated by retailers⁴²

³⁷ EWOSA, *Submission - 2025-30 Electricity Determination - SA Power Networks*, May 2024, p. 3; Department for Energy and Mining, *Submission - 2025-30 Electricity Determination - SA Power Networks*, May 2024, p. 4.

³⁸ SACOSS, *Submission - 2025-30 Electricity Determination - SA Power Networks*, May 2024, p. 30; SAWIA, *Submission - 2025-30 Electricity Determination - SA Power Networks*, May 2024, p. 7.

³⁹ Electric Vehicle Council, *Submission - 2025-30 Electricity Determination - SA Power Networks*, May 2024, pp. 2–4.

⁴⁰ SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part B*, January 2024, pp. 25–26, 76.

⁴¹ NER, cl. 6.18.5(g).

⁴² NER, cl. 6.18.5(i).

- the new and optional Electrify tariffs send sharper price signals that rewards behaviour that does not contribute to demand peaks
- assignment policies and the pace of tariff reform reflect thoughtful consideration of customer impact analysis and has broad stakeholder support⁴³
- 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.⁴⁴

19.4.2.1 Cost reflectivity of SA Power Networks' tariffs

We consider SA Power Networks' tariffs for small customers are capable of acceptance because they are structured to reflect the efficient costs of providing distribution services to those customers.⁴⁵ These tariffs are also reasonably capable of being understood by retail customers and/or being directly or indirectly incorporated by retailers in their offerings to customers.⁴⁶

SA Power Networks changed the structure of its default residential time-of-use tariff. The tariff now features a 12-hour peak period (instead of 14), composed of a 4-hour morning peak (6am – 10am) and an 8-hour evening peak (reduced from 10) between 4pm and midnight. The solar sponge (10am – 4pm) and off-peak (midnight – 6am) periods have each been increased by an hour so that they are 6 hours each. This responds to feedback from its stakeholders that the peak period was too wide.⁴⁷

For small business, the structure of the default small business time-of-use tariff remains the same with peaks occurring between 5pm and 9pm during November to March. The tariff also includes shoulder (7am – 5pm during November to March and 7am – 9pm during April to October) and off-peak (all other times) components.

While the small business tariff structure is unchanged, SA Power Networks proposed this tariff no longer be the default for business customers with usage more than 40 MWh per annum or more than 120 kVA – the default tariff for these customers would be the proposed medium business demand tariff which features a higher fixed charge and lower consumption charges than their current default tariff. With the removal of medium business customers no longer assigned to this tariff by default, the tariff was rebalanced to have lower fixed charges, matching those faced by residential customers. This change responds to feedback SA Power Networks received in its workshops that a pricing differential should be introduced within the small business class given that the current small business tariffs are accessed by customers of disparate levels of consumption.⁴⁸

Both residential and small business customers may opt into the new Electrify tariffs. The Electrify tariffs feature a year-round peak of 5pm – 9pm and sharper price signals (i.e. the ratio between peak and solar sponge prices is higher compared to the time-of-use tariff). This

⁴³ NER, cl. 6.18.5(h).

⁴⁴ NEL, s 7.

⁴⁵ NER, cl. 6.18.5(f).

⁴⁶ NER, cl. 6.18.5(i).

⁴⁷ SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part B*, January 2024, p. 25.

⁴⁸ SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part B*, January 2024, p. 25.

optional tariff is targeted at customers that can shift load, so it has sharper price signals that provide strong incentives (rewards in the form of lower prices) for load shifted out of the evening peak period. SA Power Networks designed these tariffs to replace the current optional demand tariffs in response to feedback that they were too difficult for customers to respond to.⁴⁹

For customers with less than 30 kW⁵⁰ export capacity, the tariffs feature two-way pricing. This is discussed further in section 19.4.3.

We consider that SA Power Networks' proposed tariff structures for small customers continue to align with its customers' load profiles and reflect efficient costs. We consider that its load profiles have not materially changed in the current period. To support its proposal, SA Power Networks provided load profiles (excluding major customers) to show how the proposed peak periods for the default and Electrify tariffs align with peaks in demand on the network (see Figure 19.1). It also shows how the solar soak period, which features lower prices, is directly related to times where network utilisation is lowest.

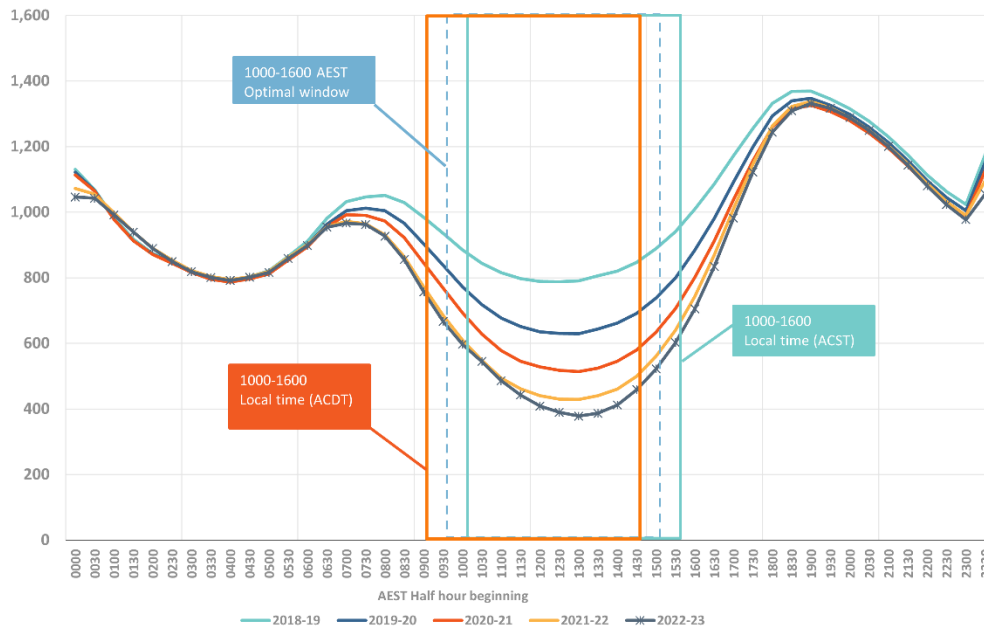
SA Power Networks' change to reduce the duration of its peak period for its default residential time-of-use tariff increases cost reflectivity as it features a closer alignment to load profiles. However, its peak period is relatively long compared to other distributors' tariffs and compared to the network demand peak. This longer peak period allows it to set peak prices that are not as steep (i.e. lower ratio of peak to off-peak prices) which mitigates bill impacts for customers with no/limited ability to shift load. Reducing the duration of the peak period further would require SA Power Networks to charge higher peak prices to recover its required amount of revenue, creating larger bill impacts for customers who are unable to shift their load. Given that SA Power Networks is proposing mandatory assignment, we consider the longer peak period approach for its default tariff to be reasonable as it creates modest bill impacts while also providing modest rewards for customers able to shift some of their load.

Furthermore, we consider the proposal to segment the small business customer tariff class with separate default tariffs for small and medium business customers improves cost reflectivity. Small business customers, who have similar loads as residential customers (in terms of total consumption), will now face the same fixed charges as residential customers. Meanwhile, customers with larger levels of consumption are assigned to a tariff with higher fixed charges.

⁴⁹ SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part B*, January 2024, pp. 25–26.

⁵⁰ kW = kilowatt.

Figure 19.1 SA Power Networks distribution network average MW load profile (excluding major customers)



Source: SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part B*, January 2024, p. 30.

Red Energy and Lumo Energy submitted that SA Power Networks should have similar peak windows between its default time-of-use and opt-in Electrify tariffs.⁵¹ However, we note that the default tariff features a longer peak period to mitigate bill impacts for customers while customers who opt into the Electrify tariff can receive greater rewards when responding to the sharper price signals. The Electrify tariff would not enable recovery of the efficient costs of providing the service, necessary to be compliant with the pricing principles, if it were to combine the lower price levels of the peak period in the default tariff with the short duration of the peak period in the Electrify tariff.

Overall, we consider the suite of tariffs for residential and small business customers reflect efficient costs and provide customers with signals for efficient network use. Given that the proposed tariffs are substantially similar to the current tariffs, we continue to consider SA Power Networks’ suite of tariffs to be reasonably capable of being understood by customers and incorporated into retail offerings.⁵²

19.4.2.2 SA Power Networks’ customer bill impact modelling and assignment policy

Our draft decision is to accept that SA Power Networks’ tariff structure statement proposal considered customer impacts for small customers which justified the continuation of its mandatory assignment policy.⁵³

⁵¹ Red Energy and Lumo Energy, *Submission - 2025-30 Electricity Determination - SA Power Networks*, May 2024, pp. 3–4.

⁵² NER, cl. 6.18.5(f), (g) and (i).

⁵³ NER, cl. 6.18.5(h).

SA Power Networks proposed to continue its policy of mandatory assignment for customers with a smart meter onto the default time-of-use tariff, with no opt-out. Customers also have the option to opt into the Electrify tariffs, which feature more cost reflective price signals. This assignment policy showed consideration of SA Power Networks' customer bill impact analysis which found that:

- 55% of all residential customers would be better off on the default time-of-use tariff compared to the flat tariff, with an average annual bill impact of a \$20 reduction across the customer base⁵⁴
- non-solar residential customers pay on average 5.5% less on the default time-of-use tariff, whereas solar residential customers pay on average 1.3% more⁵⁵
- vulnerable residential customers (who tend to have flatter consumption) pay on average 4.92% less on the default time-of-use tariff⁵⁶
- 82% of small business customers with annual usage up to 20 MWh were better off on the newly segmented small business tariff compared to the current tariff
- 98% of small business customers were better off on the proposed time-of-use tariff compared to the flat tariff.⁵⁷

SA Power Networks also provided analysis on how different groups of residential and small business customers (e.g. different family sizes and types of businesses) could benefit from the default tariffs as well as how customers with sufficient load flexibility could benefit from opting in to the Electrify tariffs.⁵⁸

We consider that SA Power Networks provided comprehensive customer bill impact modelling to support its proposed assignment policy of mandatory assignment. Its modelling found that most customers (55% of residential customers and 98% of small business customers) were better off on the default time-of-use tariff compared to the flat tariff.

SA Power Networks' analysis also showed that the average bill impacts would be relatively small for customers who were worse off on its time-of-use tariffs. This is because, as noted in the previous section, the long peak period of the tariff allows SA Power Networks to set peak prices that are not as steep, enabling smaller price impacts for customers who are unable to shift their load. In other words, the default tariffs, by design, moderately reward customers who can shift load while not significantly penalising those unable to.

19.4.2.3 Withdrawal of obsolete tariffs

Our draft decision supports SA Power Networks' approach to simplify its suite of tariffs by withdrawing three small customer tariffs.

SA Power Networks proposed to withdraw its optional residential and small business demand tariffs in favour of its new time-of-use Electrify tariffs because of low uptake. SA

⁵⁴ SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part B*, January 2024, p. 57.

⁵⁵ SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part B*, January 2024, p. 58.

⁵⁶ SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part B*, January 2024, p. 63–64.

⁵⁷ SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part B*, January 2024, p. 65–66.

⁵⁸ See for example, SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part B*, January 2024, pp. 11–13.

Power Networks also proposed to withdraw its overnight unmetered load tariff because it has the same pricing structure and prices as its other unmetered load tariff.

We consider that these changes demonstrate compliance with the pricing principles. The Electrify tariffs, compared to the previous demand tariffs, are easier for customers to understand and for retailers to incorporate into their retail offerings since they are not demand-based.⁵⁹ For the small business demand tariff, SA Power Networks renamed the tariff so that it applies to medium business customers, as it proposed to retain this option for those customers. This is discussed further in section 19.4.4.

19.4.2.4 Tariffs and residential/small business EV owners (including controlled load tariffs)

Our draft decision is to accept that SA Power Networks' suite of tariffs adequately considers EV charging load at the residential and small business level.

SA Power Networks' proposal and AER considerations

SA Power Networks anticipate 200,000 EVs on the road in South Australia by 2030, with 3% of total energy attributable to EVs.⁶⁰ SA Power Networks proposed to manage the associated anticipated increase in load in residential EV charging through a combination of cost-reflective tariffs and controlled load by:

- progressing tariff reform broadly, for example continuing low daytime and overnight charges to incentivise EV charging outside peak periods, and introducing an optional Electrify tariff aimed at customers with flexible load who can respond to peaky price signals
 - under the default time-of-use tariff, customers would have a 6-hour off-peak window to charge their EVs overnight (midnight – 6am) or the 6-hour solar sponge window (10am – 4pm)
 - under the Electrify tariff, customers have 20 hours in the day at discounted prices to encourage maximum utilisation of the distribution network.
- continuing to offer two controlled load tariffs:
 - a flat controlled load tariff for residential and small business customers with accumulation meters, where customers are guaranteed supply between 11pm – 7am and 10am – 3pm. Control is managed by SA Power Networks
 - a time-of-use controlled load tariff for residential customers only with smart meters, with 11.30pm – 6.30am off-peak supply, 6.30am – 9.30am and 4.30pm – 11.30pm peak supply and 9.30am – 4.30pm solar sponge supply. Control is managed by the retailer and start times randomised by at least an hour.

Further, SA Power Networks' continuing assignment policy, which does 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 policy, appealing opt-in

⁵⁹ NER, cl. 6.18.5(i).

⁶⁰ SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part B*, January 2024, p. 27.

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 the future, the export reward component of SA Power Networks' proposed Electrify tariff 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. We note that the Electric Vehicle Council submitted that the AER should encourage peak export rewards to act as incentives year-round for V2G.⁶¹ However, we accept SA Power Networks' reasoning for only applying the reward from November – March (summer months) as it does not currently have widespread load constraints that would benefit from exports into peak consumption periods. Rather, SA Power Networks is trying to encourage self-consumption. We would encourage SA Power Networks proposed to re-assess this in the 2030–35 period if the need arises, and invite feedback from stakeholders on this.

19.4.3 Two-way tariffs

Our draft decision is to accept SA Power Networks' proposed two-way tariffs.⁶² We consider SA Power Networks justified its need for two-way pricing and that its proposed tariffs are consistent with the guidance set out in the *Export Tariff Guidelines*, comply with the pricing principles as required by the NER,⁶³ and contribute to the achievement of the pricing element of the NEO. Two-way pricing in principle 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 South Australia's net zero 2050 target.

19.4.3.1 SA Power Networks' proposed two-way tariffs

SA Power Networks proposed two-way tariffs apply as secondary tariffs for all residential and small and medium business customers with any export capacity less than 30 kW, regardless of meter type.⁶⁴ SA Power Networks suite of two-way tariffs is summarised below.

⁶¹ Electric Vehicle Council, *Submission - 2025-30 Electricity Determination - SA Power Networks*, May 2024, p. 6.

⁶² 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.

⁶³ AER, *Export Tariff Guidelines*, May 2022; NER, cl. 6.18.5.

⁶⁴ Accumulation meter customers would be charged because 36.5% of solar customers in South Australia have these meters.

Table 19.1 Summary of SA Power Networks' proposed two-way tariffs

Proposed tariff	Assignment	Basic export level ⁶⁵	Export charge	Export reward
Residential and small/medium business single rate	Default for all single rate customers with legacy meters and export capacity less than 30 kW. No opt-out.	11 kWh/day	0.75 c/kWh	None
Small/medium business two rate				
Residential and small/medium business default time of use	Default for all customers with smart meters and export capacity less than 30 kW. No opt-out.	9 kWh/day 10am – 4pm daily	1 c/kWh 10am – 4pm daily	None
Residential and small/medium business Electrify				

Source: SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part A*, January 2024, p. 18, 21–22, 23, 28–31, 53–54.

SA Power Networks did not propose two-way pricing for customers with export capacity greater than 30 kW as these customers would have already paid for their export capacity through their connection charges.

SA Power Networks also did not propose two-way pricing for its large commercial and industrial load customers (including grid-scale storage) because the main source of solar generation is on its low-voltage distribution network.⁶⁶

Stakeholder views

As noted in section 19.4.1, SA Power Networks' developed its export tariff transition strategy and the design of its two-way tariffs in consulting with its tariff working group.

Some stakeholders supported SA Power Networks' two-way pricing strategy. CCP30 submitted that the proposed export charges were modest and that SA Power Networks' engagement was appropriate.⁶⁷ The Energy and Water Ombudsman SA and the Department for Energy and Mining SA, submitted that two-way pricing allowed for more efficient usage of

⁶⁵ If a customer's exports during the export charging period are less than Basic Export Level, the remainder of the free allowance would roll over to following days, within a single billing period. For residential customers the rollover of free allowance applies to every day within a billing period. For its small business export tariffs any unused free export on a workday can only be rolled over to another workday. Unused free export on a non-workday can only be rolled over to another non-workday.

⁶⁶ SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part B*, January 2024, p. 74.

⁶⁷ CCP30, *Submission - 2025-30 Electricity Determination - SA Power Networks*, May 2024, p. 20.

the network and was equitable.⁶⁸ Amber Electric, Smart Energy Council, and Tesla also submitted that the tariffs incentivised the adoption of batteries and other storage systems.⁶⁹

Meanwhile, the SA Wine Industry Association, the SA Business Chamber, and a confidential submission, submitted against mandatory assignment to two-way pricing. They submitted it was difficult for consumers to shift their energy use (consumption) and solar exports and the tariffs disincentivise rooftop solar.⁷⁰ Sonnen and the Electric Vehicle Council submitted that they needed further engagement from SA Power Networks on dynamic export limits and imports.⁷¹

19.4.3.2 AER’s consideration of two-way tariffs

SA Power Networks’ proposed two-way tariffs are consistent with the pricing principles that tariffs must reflect efficient costs, minimise distortions to price signals and consider customer impacts.⁷² SA Power Networks reflected the guidance set out in our *Export Tariff Guidelines*, including consideration of stakeholder feedback on the design of its proposed two-way tariffs and on its assignment policy. It also included customer protections required by the NER,⁷³ 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)
- an export tariff transition strategy.⁷⁴

Our consideration of SA Power Networks’ justification of its proposed two-way tariffs and compliance with the pricing principles is set out below.⁷⁵

SA Power Networks justified the introduction of two-way pricing

SA Power Networks demonstrated a need for two-way pricing, which we require distributors to explain as part of any proposal for two-way pricing.⁷⁶

In its explanatory statement, SA Power Networks explained that:

- more than 1 in 3 premises had rooftop solar, with the average system size increasing annually

⁶⁸ EWOSA, *Submission - 2025-30 Electricity Determination - SA Power Networks*, May 2024, p. 3.

⁶⁹ Amber Electric, *Submission - 2025-30 Electricity Determination - SA Power Networks*, May 2024, pp. 1–2; Smart Energy Council, *Submission - 2025-30 Electricity Determination - SA Power Networks*, May 2024, pp. 2; Tesla, *Submission - 2025-30 Electricity Determination - SA Power Networks*, May 2024, pp. 4–5.

⁷⁰ SAWIA, *Submission - 2025-30 Electricity Determination - SA Power Networks*, May 2024, p. 7; SA Business Chamber, *Submission - 2025-30 Electricity Determination - SA Power Networks*, May 2024, pp. 2–3; and an individual (confidential submission).

⁷¹ Sonnen Australia Pty Ltd, *Submission - 2025-30 Electricity Determination - SA Power Networks*, May 2024, p. 4; Electric Vehicle Council, *Submission - 2025-30 Electricity Determination - SA Power Networks*, May 2024, pp. 5–6.

⁷² NER, cl. 6.18.5(f), (g), (h) and NER, cl. 6.12.3(k).

⁷³ NER, cl. 11.141.12; NER, cl. 11.141.13; NER, cl. 6.18.1A(a)(2A); NER, cl. 11.141.11.

⁷⁴ 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.

⁷⁵ NER, cl. 6.18.5(f), (g), (h) and NER, cl. 6.12.3(k).

⁷⁶ AER, *Export Tariff Guidelines*, May 2022, p. 2.

- based on forecast uptake of rooftop solar and behind-the-meter batteries, modelling shows a steady increase in export-related constraints where reverse power flows exceed the capacity of the distribution network
- it has already spent \$10 million in voltage management to manage exports.⁷⁷

The SA Wine Industry Association and the SA Business Chamber submitted that two-way pricing was not justified because it was difficult for consumers to respond to the proposed two-way prices and the tariffs disincentivise rooftop solar.⁷⁸

We consider consumers are more likely to respond to price signals if those signals are consistent and apply for a reasonable period. Price signals set early enough can over the longer term reduce price volatility 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 the proposed two-way tariff 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 exports (such as solar) which avoids new customers from being limited in their level of exports and increases the aggregate level of energy consumed from solar sources. More energy consumed from solar sources reduces reliance on fossil fuel baseload generation, thereby reducing emissions and contributing to the achievement of South Australia’s emissions targets.⁷⁹

We consider SA Power Networks sufficiently justified its need for two-way pricing given that it had already spent a significant amount of expenditure on voltage management and the potential for increasing number of export-related constraints on its network given the rates of rooftop solar and battery uptake.

SA Power Networks’ charging windows and price signals align with peak export and minimum demand periods

We consider SA Power Networks’ 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.⁸⁰

SA Power Networks’ proposed two-way tariffs recover only the long run marginal cost (LRMC) of providing incremental export capacity and the charging periods reflect the times of export-related constraint on its network.

SA Power Networks did not propose to recover any historical costs through its export charge and only attributed LRMC to export charges commencing from the first day of the 2025–30

⁷⁷ SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part B*, January 2024, pp. 72–73.

⁷⁸ See previous footnote for South Australian Wine Industry Association. SA Business Chamber, *Submission - 2025-30 Electricity Determination - SA Power Networks*, May 2024, pp. 2–3; and an individual (confidential submission).

⁷⁹ AEMC, *Emissions targets statement*, June 2024, p 1.

⁸⁰ NER, cl. 6.18.5(g).

period, following the guidance set out in the *Export Tariff Guidelines*.⁸¹ This protects exporting customers from paying for network costs incurred prior to the AEMC’s rule change that facilitated two-way pricing as customers have 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). SA Power Networks provided further customer protection by fixing export charges to be the same level for the full five-year period, providing price certainty to customers.

SA Power Networks’ proposed export charge period for interval meter customers reflects its peak export period and is consistent with its solar soak consumption windows, applying between 10am – 4pm.

SA Power Networks also proposed to apply export rewards to customers only on the optional Electrify tariffs because it does not currently have widespread load constraints which would benefit from exports into peak consumption periods. The export reward would apply between 5pm – 9pm between November and March and set to 62% of the peak import price. SA Power Networks considered that this would incentivise behavioural change, west-facing solar, and investment in batteries. The reward is lower than the corresponding peak consumption price so that customers are encouraged to use their own energy rather than export it.

The Electric Vehicle Council submitted that SA Power Networks should provide year-round export rewards.⁸² We consider SA Power Networks has demonstrated why limiting the reward to the periods in which has greater constraints is cost reflective.

A unique aspect of SA Power Networks’ proposal is to charge two-way tariffs for customers on legacy metering arrangements because 36.5% of its export-capable customers are on legacy meters.⁸³ This is the first time a distributor has proposed these tariffs for customers on legacy metering arrangements.

SA Power Networks proposed more generous basic export levels and export charges for these customers compared to those with smart meters so that on average, a customer is neither advantaged nor disadvantaged because of their meter type.⁸⁴ This is due to the uncertainty about when export is occurring with this meter type (it might be outside the export charge period and so not contributing to any network voltage/thermal constraints). We support this proposal as it considers customer impact.

SA Power Networks’ two-way tariffs recover costs equitably

SA Power Networks’ two-way tariffs promote a more 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.

SA Power Networks’ proposed two-way pricing is estimated to reduce the average bill for non-solar residential customers by approximately \$4 per annum and non-solar business

⁸¹ AER, *Export Tariff Guidelines*, May 2022, p. 12.

⁸² Electric Vehicle Council, *Submission - 2025-30 Electricity Determination - SA Power Networks*, May 2024, p. 6.

⁸³ SA Power Networks’ response to information request, *SA Power Networks – information request IR#031 – Two way pricing*, July 2024.

⁸⁴ SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part B*, January 2024, p. 87.

customers by approximately \$12 per annum.⁸⁵ This recovery of costs is consistent with the aim of the AEMC’s rule change for the costs associated with the growth of CER to be distributed equitably.⁸⁶

We consider SA Power Networks’ proposed two-way tariffs provide a more efficient and equitable recovery of costs associated with hosting excess exports, and will help benefit other electricity users 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
- 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).

SA Power Networks’ basic export levels reflect its intrinsic hosting capacity

SA Power Networks’ methodology to determine its basic export level is consistent with the Basic export level guidelines (in the *Export Tariff Guidelines*).

SA Power Networks’ modelling suggested that the intrinsic hosting capacity for exports on its network is 1.5 kW per customer.⁸⁷ That is, if every customer had a solar system, the highly congested parts of the network could only support 1.5 kW of exports from each customer.

SA Power Networks then converted this to a kWh measure by multiplying 1.5 kW by 6 hours, the export charge periods, to arrive at a basic export level of 9 kWh per day. This aligns SA Power Networks’ approach to export charges with our final decisions for NSW distributors. The 9 kWh basic export limit was converted to 11 kWh for customers on legacy meters, as noted in the previous section.

In addition to the basic export level, SA Power Networks proposed that any unused basic export level be rolled over as credit until it is used, within a billing period.⁸⁸ For small businesses, credits on a workday can only be used on another workday whereas credits on a non-workday are rolled over to another non-workday. This provides certainty to customers that they can expect to not be charged for a fixed level of exports in each billing period.

⁸⁵ SA Power Networks’ response to information request, *SA Power Networks – information request IR#022 – Two way pricing*, June 2024.

⁸⁶ AEMC, Rule determination – National electricity amendment (access, pricing and incentive arrangements for distributed energy resources) rule 2021.

⁸⁷ SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part B*, January 2024, p. 77.

⁸⁸ SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part B*, January 2024, p. 78.

SA Power Networks’ two-way tariffs were developed in consideration of customer impacts

We consider that SA Power Networks’ two-way tariffs are supported by sophisticated analysis which demonstrated how different customers with different system sizes and levels of self-consumption would be affected by the new tariff.

SA Power Networks’ analysis of its two-way tariff proposal showed a reduction in the average bill of non-solar residential and small and medium business customers by approximately \$4 and \$12 per annum respectively. On the other hand, it increased the average bill of solar residential and business customers by approximately \$5.50 and \$57 respectively.⁸⁹

However, while the figures quoted above are averages, individual customers will face different impacts as they have different solar system sizes and levels of self-consumption.

The tables below (analysis provided by SA Power Networks) suggest that customers with smaller systems are more likely to incur zero or low charge for exports and customers with high export capacity and low self-consumption will incur larger charges than those who self-consume their solar power. This reflects that customers with larger systems who export more impose more costs on the network to host exports. Customers with sufficient flexibility will benefit from export rewards during November to March when there is a greater need for exports, if they choose to opt into SA Power Networks’ Electrify tariffs.

Table 19.2 Summary of annual price impacts for residential customers on the default time-of-use tariff

Inverter size	High self-consumption	Median self-consumption	Low self-consumption
Small (2.5 kW)	\$0	\$0	\$0
Typical (5 kW)	\$7	\$19	\$31
Large (10 kW)	\$3	\$26	\$64

Source: SA Power Networks’ response to information request, SA Power Networks – information request IR#022 – Two way pricing, June 2024.

Table 19.3 Summary of annual price impacts for small and medium business customers on the default tariff

Inverter size	High self-consumption	Median self-consumption	Low self-consumption
Small (5 kW)	<\$1	\$12	\$28
Typical (15 kW)	<\$1	\$73	\$128
Large (30 kW)	\$19	\$97	\$226

Source: SA Power Networks’ response to information request, SA Power Networks – information request IR#022 – Two way pricing, June 2024.

⁸⁹ SA Power Networks’ response to information request, SA Power Networks – information request IR#022 – Two way pricing, June 2024.

Based on a feed-in tariff of 6 c/kWh, SA Power Networks’ analysis found that a residential customer with a typical inverter size and median level of self-consumption can expect to receive \$365 for their feed-in tariff. Meanwhile, SA Power Networks’ export charge for this customer would be \$19. Therefore, we consider the proposed two-way pricing results in modest price impacts for customers and will encourage those customers who wish to avoid export charges to consume more of their own energy.

19.4.4 Medium and large business tariffs

We are largely satisfied that SA Power Networks’ proposal for medium and large business customers complies with the distribution pricing principles for direct control services and contributes to achievement of the NEO because:

- the tariff structures continue to reflect times of network constraint and the efficient costs of providing import services (and export services, for medium business customers)
- the tariff structures are reasonably capable of being understood by retail customers or being directly or indirectly incorporated by retailers
- the new and optional Flexible tariffs reward large customers if they can be flexible with their load.

However, we require SA Power Networks 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, SA Power Networks should offer an additional time-of-use only tariff 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 South Australia’s jurisdictional emissions reduction targets.⁹⁰ We discuss this further in section 19.4.4.4.

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

19.4.4.1 Cost reflectivity and understandability of SA Power Networks’ tariffs

Our draft decision is to approve SA Power Networks’ proposed tariff structures for large customers. We consider the tariffs to be cost reflective and reasonably capable of being understood and/or incorporated into retail offerings.⁹¹

SA Power Networks proposed continuing the structure of its default medium business demand tariff (for customers consuming between 40–160 MWh per annum or with demand greater than 120 kVA) with time-of-use energy pricing and an anytime annual demand charge (calculated by the highest 30-minute demand interval during the last 12 months). The time-of-use energy components are identical in structure to the equivalent small business time-of-use tariff. As with small businesses, the proposed time-of-use charging parameters

⁹⁰ AEMC, *Emissions Targets statement under the national energy laws*, June 2024.

⁹¹ NER, 6.18.5(f), (g) and (i).

reflect the load profile excluding large customers (see Figure 19.1). This tariff also includes new export elements which are discussed further in section 19.4.3.

For large low voltage (customers with usage greater than 160 MWh per annum on the low voltage network) and high voltage business customers, SA Power Networks proposed to maintain its tariff structures with demand charging and different peak periods for CBD (11am – 5pm every work day during summer) and the rest of South Australia (5pm – 9pm every day during Summer). For major business customers (customers connected to the sub transmission or zone substation network), SA Power Networks proposed to maintain the current demand tariff structures. All customers in these tariff classes are not subject to two-way pricing.

SA Power Networks proposed to introduce opt-in Flexible tariffs for its large and major business customers. These tariffs are identical in structure to their default equivalents except that customers can access lower demand charges for a specified level of demand. In exchange, the peak period only applies on days when the temperature is above 38 degrees in Adelaide or as otherwise agreed for regional customers instead of a prespecified time. These tariffs were designed to reward efficient usage of the network that avoids or defers augmentation.⁹²

We accept SA Power Networks' approach to not change its tariff structures for its default business tariffs because we consider that the load profiles for these customers have not materially changed in the current period.⁹³ SA Power Networks provided further evidence to support its charges by providing the average load profiles of its large business customers (Figure 19.2).

We consider that the newly proposed Flexible tariffs are more cost reflective than their default equivalents because the peak periods occur when SA Power Networks' network has the highest level of utilisation, when temperatures are high, compared to a specified time in the default tariff. Customers who opt-in to this tariff and have the capacity to be flexible with their demand can receive a lower price for responding to price signals.

The City of Adelaide submitted that SA Power Networks' large business CBD demand tariff disadvantaged CBD customers from accessing solar and featured higher peak demand prices compared to rest of SA customers.⁹⁴ However, we accept that SA Power Networks' different peak windows across its suite of tariffs reflect when different areas of the network are, or are likely to become, constrained. SA Power Networks provided analysis load profiles demonstrating that its CBD demand tariff peak window matches the CBD load profile. This is shown in the figure below. Additionally, SA Power Networks proposed to apply the same peak demand price regardless of location.⁹⁵

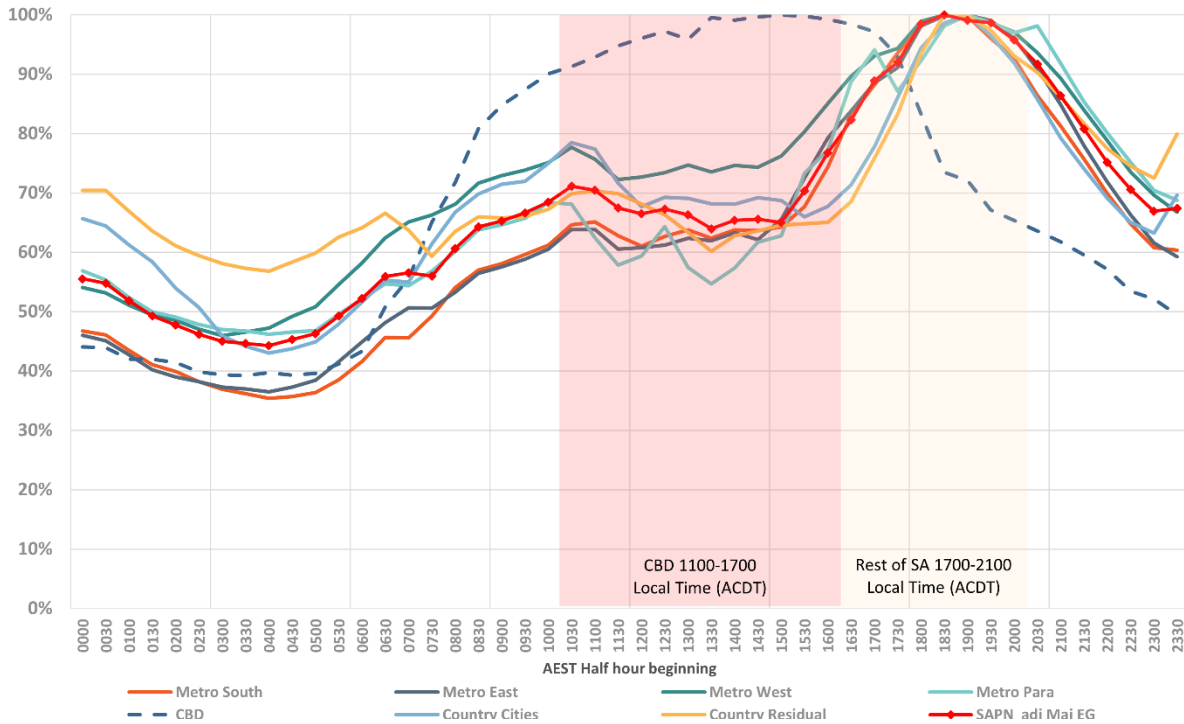
⁹² SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part B*, January 2024, p. 47.

⁹³ See for example SA Power Networks, *Attachment 17 - Tariff Structure Statement*, January 2019, p. 83.

⁹⁴ City of Adelaide, *Submission - 2025-30 Electricity Determination - SA Power Networks*, May 2024, p. 2.

⁹⁵ SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part A*, January 2024, p. 55.

Figure 19.2 Demand profile for CBD and rest of SA customers



Source: SAPN, *Attachment 18 - Tariff Structure Statement - Part B*, January 2024, p. 31.

Given that the proposed tariffs have the same structure as the current tariffs, SA Power Networks’ tariffs for its business customers are reasonably capable of being understood by customers and incorporated into retail offerings. We consider that these larger customers are more sophisticated and therefore have greater capacity to respond to more complex price signals which reflect efficient costs.

19.4.4.2 Withdrawal of obsolete large business tariffs

We accept SA Power Networks’ proposal to withdraw obsolete large business tariffs which simplifies its tariff structure statement.

SA Power Networks proposed to withdraw two tariffs that were available to large business customers on legacy metering arrangements. Because all large business customers have been migrated onto smart meters (and therefore the cost reflective default tariffs), and there are no more customers on these tariffs.

SA Power Networks also proposed to withdraw three ‘Monthly Demand’ tariffs which are closed to new customers. These were transitional tariffs introduced for the current period. SA Power Networks are closing these tariffs as all customers on these tariffs will have lower bills when the tariffs are withdrawn. SA Power Networks considered that the most effective way to pass on these savings to customers is to close the tariffs completely and shift them to the default large business tariffs.⁹⁶

⁹⁶ SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part B*, January 2024, p. 54.

We consider that these changes demonstrate compliance with the pricing principles because SA Power Networks has adequately considered impacts on customers.⁹⁷ The two legacy meter tariffs no longer have any customers and all customers on the three transitional tariffs will benefit (in terms of bill impact) when the transitional tariffs are closed.

19.4.4.3 SA Power Networks adequately considered customer bill impacts for its medium and large business customers

Our draft decision is to accept that SA Power Networks' tariff structure statement proposal adequately considered customer impacts for medium and large business customers which justifies the new default medium business as well as the new opt-in Flexible tariffs for large business customers.⁹⁸

As noted earlier, SA Power Networks proposed a new default medium business demand tariff. For large business customers, SA Power Networks proposed to maintain its tariff structures and introduce opt-in flexible tariffs that rewards efficient usage of the network.⁹⁹

SA Power Networks provided customer impact analysis for medium business customers which showed that 76% of medium business customers are better off on the default medium business demand tariff compared to the small business time-of-use tariff.¹⁰⁰ Those customers who would pay more can opt-out back to the small business tariff if their demand is less than 120 kVA. Further, SA Power Networks stated those customers on the small and medium business customer threshold (i.e. consumption around 40 MWh per annum) would have similar outcomes on either tariff.¹⁰¹

SA Power Networks also provided customer impact analysis for large business customers that showed how the new opt-in flexible tariffs can materially reward large customers if they are flexible with their load and avoid behaviour that causes augmentation during extreme temperatures.¹⁰²

Overall, we consider that SA Power Networks has provided comprehensive customer bill impact modelling to supports its variation to the medium and large business customer tariff structures.

19.4.4.4 Threshold for large customer access to time-of-use tariffs

Our draft decision for SA Power Networks is to require it to offer a cost reflective time-of-use tariff for business customers with demand greater than 120 kVA and consuming up to 160 MWh.

The AER is seeking stakeholder feedback on this requirement. We will take this feedback and any other supporting information SA Power Networks provides to us in its revised tariff structure statement into consideration when we make our final decision.

⁹⁷ NER, cl. 6.18.5(h).

⁹⁸ NER, cl. 6.18.5(h).

⁹⁹ SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part B*, January 2024, p. 47.

¹⁰⁰ SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part B*, January 2024, p. 66.

¹⁰¹ SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part B*, January 2024, p. 44.

¹⁰² SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part B*, January 2024, pp. 68–69.

SA Power Networks' proposal

SA Power Networks' proposed business tariffs enable all small and medium businesses consuming up to 160 MWh per annum to access a time-of-use tariff while their demand is less than 120 kVA. A time-of-use tariff is the default for small businesses (less than 40 MWh per annum). While a tariff with demand charges is the default for medium businesses (40 – 160 MWh per annum), medium businesses may opt-out of the default to the small business time-of-use tariff if their demand is less than 120 kVA. A business consuming less than 160 MWh per annum but with greater than 120 kVA may not opt-out of a demand tariff to a volume only tariff.

During development of its tariff structure statement, SA Power Networks heard from some stakeholders that all customers consuming less than 160 MWh per annum should be able to opt out of demand charges. Stakeholders reported that demand charges are particularly challenging for public EV charging stations with high demand and low consumption.¹⁰³ In contrast, some SA Power Networks' stakeholders also expressed a preference that customers (with high demand) contributing to the distribution network costs should be subject to demand charges and that no individual commercial business cohort should pay less network charges at the expense of all other small and medium business customers.¹⁰⁴

SA Power Networks considered the change requested by stakeholders would be contrary to progress on tariff reform and cost reflective pricing. It is proposing to continue its current policy to assign customers who consume less than 160 MWh per annum and with maximum demand greater than 120kVA to a time-of-use-demand tariff. It considered this tariff assignment policy important when the proposed increase in distribution network augmentation in the 2025–30 period was being partially driven by EVs.¹⁰⁵

SA Power Networks reported that allowing customers with greater than 120kVA to opt out of demand charges (currently 3% of the small-medium business customer class) would result in a price increase for all customers in the tariff class. Its modelling showed that an additional \$0.93 million would need to be recovered from all small and medium business customers if demand charges were optional. This would increase distribution network costs by 0.9% for remaining small and medium business customers (introducing a cross subsidy contrary to the aims of tariff reform and progress on cost reflective pricing). SA Power Networks expected this impact to grow over 2025–30 as more small and medium businesses join the distribution network with demand higher than 120 kVA, and existing business customers' demand profiles change with the uptake of electrification.¹⁰⁶

SA Power Networks also considered it important that public EV charging stations face a demand signal. SA Power Networks reasoned that these customers would impose localised demand peaks on SA Power Networks' distribution network. It considered that a pricing

¹⁰³ SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part B*, January 2024, p. 23.

¹⁰⁴ SA Power Networks' response to information request, *SA Power Networks – information request IR#031 – Two way pricing*, July 2024.

¹⁰⁵ SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part B*, January 2024, p. 23 and p. 28.

¹⁰⁶ SA Power Networks' response to information request, *SA Power Networks – information request IR#031 – Two way pricing*, July 2024.

signal without demand charges would not promote efficient use of the distribution network and that this would result in increased future augmentation expenditure.¹⁰⁷

Stakeholder submissions

The Electric Vehicle Council submitted for allowing access to a time-of-use tariff for EV charge point customers with demand over 120 kVA and consumption up to 160 MWh. It submitted this would support development of the EV charging industry and provide consistency with arrangements in the other NEM regions. Further, that it would support EV uptake and thereby contribute to the achievement of jurisdictional targets for emissions reduction in line with the NEO.¹⁰⁸

AER considerations

As discussed in section 19.4.4.1, the AER considers the suite of tariffs available for large customers complies with the pricing principles and is able to be approved. Our initial assessment of SA Power Networks' 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.¹⁰⁹ 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 SA Power Networks' time-of-use demand tariff meets the economic pricing principles set out in clauses 6.18.5(e) – (g), and contribute to the price element of the NEO, we consider SA Power Networks should offer an additional time-of-use only tariff for its tariff structure statement to further contribute to the achievement of the NEO. A consistent NEM-wide structure for network tariff charges for EV charge point operators would further contribute to achievement of South Australia's emissions reduction targets (i.e. its net zero 2050 target).¹¹⁰

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 could increase the confidence of consumers in the charges they would face to charge their EVs and could further support uptake and utilisation of EVs. Together, these outcomes would contribute to outcomes sought under the Australian Government's National

¹⁰⁷ SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part B*, January 2024, p 27.

¹⁰⁸ Electric Vehicle Council, *Submission - 2025-30 Electricity Determination - SA Power Networks*, May 2024, pp. 2–3.

¹⁰⁹ NEL, s. 16(1)(a).

¹¹⁰ AEMC, *Emissions Targets statement under the national energy laws*, June 2024.

Electric Vehicle Strategy, specifically, to ‘make it easy to charge EVs across Australia’ and ‘reduce road transport emissions’.¹¹¹

The AER’s requirement for SA Power Networks 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 accept the tariff could result in a modest (less than 1%) increase in electricity bills of other customers within the small-medium business tariff class. We also acknowledge the new tariff would be open to all customers that meet the requirements of the new customer category, which may include customers that do not have a role in supporting the emissions reduction objectives. Importantly, we emphasise our expectation that the time-of-use tariff offered be cost reflective, i.e. that it signal to the retailer and their customer the costs to the network from the customer’s energy consumption, consistent with the requirements of the pricing principles.¹¹²

We consider that the threshold of 160 MWh 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 160 MWh, they can reasonably be considered capable of understanding and responding to more complex price signals like demand tariffs.

19.4.5 Individually calculated customer tariffs

Our draft decision is to approve SA Power Networks’ approach to individually calculated customer (ICC) tariffs as we are satisfied it contains all elements required by the NER.¹¹³ However, we encourage SA Power Networks to provide further clarity on the eligibility of customers to access the individual tariffs.

The structure of the ICCs remain the same as their default tariff counterparts in each of the large business tariff classes, however customers on these tariffs face different prices based on their location and demand characteristics.¹¹⁴ Customers receive individual prices if they have transmission capacity greater than 10 MVA¹¹⁵ (megavolt-amperes) or 40 GWh¹¹⁶ (gigawatt hours) per annum.

SA Power Networks sets individually calculated transmission prices for these customers to pass through ElectraNet’s transmission pricing signals. Also, where large customers have

¹¹¹ DCCEEW 2023, *The National Electric Vehicle Strategy*, Department of Climate Change, Energy, the Environment and Water, Canberra,. CC BY 4.0, p vi.

¹¹² NER cl. 6.18.5 (e) to cl. 6.18.5 (g).

¹¹³ NER, cl. 6.18.1A(a).

¹¹⁴ SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part B*, January 2024, p. 110.

¹¹⁵ MVA = megavolt-amperes

¹¹⁶ GWh = gigawatt hours

unique distribution supply arrangements or can bypass parts of the network at a lower price, SA Power Networks will provide individually calculated distribution prices. Where possible, this calculation will use the published network prices.¹¹⁷

Tables 15 and 17 in SA Power Networks' proposed tariff structure statement explain that for major business and major business grid-scale storage customers, the default tariffs are amended to reflect the ICC arrangements (of different individual prices).¹¹⁸ However, in SA Power Networks' current approved pricing proposal, ICC arrangements are also available to some customers on the large low voltage and high voltage tariff classes (i.e. not just major businesses). We consider that SA Power Networks should clarify this in its revised proposal.

Because SA Power Networks maintain the same tariff structures for ICC tariffs as their default equivalents, and the different tariffs have locational pricing which reflects the unique arrangements for each individual customer, we consider these tariffs to be based on LRMC and therefore compliant with the pricing principles.

19.4.6 Grid-scale storage tariffs

We are satisfied that SA Power Networks' proposal for grid-scale storage customers complies with the pricing principles and contributes to the achievement of the NEO, including the achievement of jurisdictional targets for emissions reduction because:

- the tariff structures 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 grid-scale storage proponents
- the tariffs send appropriate price signals which improve network utilisation
- the tariffs support CER and are likely to contribute to the achievement of jurisdictional targets for reduction of emissions.

SA Power Networks' proposal

SA Power Networks proposed eight grid-scale storage tariffs labelled 'large business generation' tariffs across the low voltage, high voltage, and major business tariff classes. Two of these tariffs are pre-existing and were approved over the 2020–25 period: low voltage and high voltage generation. Six of these tariffs are new, with two generation tariffs offered at the zone substation and sub transmission levels of the network in response to demand from battery proponents. Flexible variants for all four types of generation tariffs (low voltage, high voltage, zone substation and sub transmission) are also new in this proposal (discussed in section 19.4.4). These tariffs are open to all customers with export capacity.

The low voltage and high voltage tariffs, as well as their flexible variants, feature a peak demand charge (between 11am – 5pm in the CBD and 5pm-9pm outside of the CBD) as well as an anytime demand charge. Additionally, the low voltage tariffs contain a fixed daily charge. The zone substation and sub transmission tariffs, as well as their flexible variants, contain a peak demand charge (based on transmission pricing requirements that vary across

¹¹⁷ SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part A*, January 2024, p. 48.

¹¹⁸ SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part A*, January 2024, p. 56–57.

the network) and an anytime demand charge. As noted, customers can access the flexible variants of each of the storage tariffs which offer a cheaper price for the proportion of demand that can be considered flexible. These tariffs do not feature export pricing of any kind.

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 investment, 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.

We consider grid-scale battery tariffs will benefit all energy users because they encourage storage to charge during periods of low demand and HV, thereby providing voltage support to the network, helping reduce costs of voltage management. They also encourage export during periods of peak demand, thereby helping to avoid network augmentations. To the extent these costs are avoided we consider the proposed tariffs will benefit all users through lower future bills.

Furthermore, the proposed tariffs contribute to the achievement of the NEO, in particular the achievement of jurisdictional targets for emissions reduction, by incentivising these storage assets to store electricity from CER during periods when supply is dominated by renewables and export electricity during periods when supply is dominated by fossil fuels.

We received one submission on SA Power Networks' grid-scale storage tariffs. SwitchDin submitted that SA Power Networks' flexible tariffs demonstrated SA Power Networks' commitment to incentivise customer load flexibility.¹¹⁹ We also note that SA Power Networks discussed its suite of storage tariffs at one of its workshops with its tariff working group.¹²⁰ These stakeholders supported SA Power Networks' approach.

The grid-scale storage tariffs proposed by SA Power Networks align network price signals with network peak constraints. We consider the proposed tariff structures to be efficient and cost reflective because most charges are levied during the peak period, when network capacity constraints emerge. We also consider that the storage tariffs are reasonably capable of being understood by customers or being directly incorporated into retail offers as these tariffs have been offered before and the storage assets have the capability to respond to price signals.

¹¹⁹ SwitchDin Pty Ltd, *Submission - 2025-30 Electricity Determination - SA Power Networks*, May 2024, p. 2.

¹²⁰ SA Power Networks' response to information request, *SA Power Networks – information request IR#031 – Two way pricing*, July 2024.

19.4.7 Long run marginal cost methodology

The NER requires network tariffs to be based on LRMC.¹²¹ 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.¹²²

19.4.7.1 Assessment approach

Our assessment approach is focused on considering SA Power Networks' overall approach and estimation of LRMC, including the justification of their estimation methods and how its method changed compared to the previous tariff structure statement. 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:

- augmentation expenditure (augex) on new network assets to increase the capacity and alleviate constraints for import and/or export distribution services
- operating expenditure (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 SA Power Networks' 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*. Its 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.

¹²¹ NER, cl. 6.18.5(f).

¹²² NER, cl. 6.18.5(g)(3).

SA Power Networks continued to implement the average incremental cost approach over a twenty-year period to estimate forward looking costs for distribution services.¹²³ New to its estimation methodology was the inclusion of repex, which we identified as an area of improvement in our 2020–25 draft decision.¹²⁴ We consider this change to be reasonable and addresses the concern we raised in our previous draft decision that it did not include repex in its LRMC estimates.

However, we encourage SA Power Networks to improve its approach in future iterations of its LRMC methodology by exploring the addition of location-based elements to its calculations.

SA Power Networks calculated its export LRMC by attributing specific export-related project costs to export charges commencing only from the first day of the 2025–30 period.

Also, it did not propose to recover any historical costs from the export charge, consistent with the guidance set out in our *Export Tariff Guidelines*.

SA Power Networks noted that its export charge was lower than the estimated export LRMC because:¹²⁵

- the export LRMC calculation considers costs based on parts of the network that are likely to have export constraints. But as SAPN is recovering costs across the customer base (i.e. postage stamp pricing) and not just recovering export charges from customers on constrained areas of the network, the charges are lower because the same costs are being recovered by a larger pool of customers.
- the export LRMC calculation uses incremental volume above the basic threshold enabled by the expenditure, whereas the export charge is based on the total volume above the basic threshold (not just incremental volume enabled by expenditure). Again, because the same costs are recovered over a larger volume of energy, the charges are lower.
- the export charge only recovers the efficient costs for the export customers (no residual cost recovery), resulting in a charge that is lower than the LRMC estimate (as opposed to consumption charges which do recover residual costs).

We accept SA Power Networks' use of export charges that are lower than its LRMC estimates. We consider its reasons for lower export charges are reasonable and the NER requires that tariffs be based on (not equal to) long run marginal cost.¹²⁶

19.5 Assignment to tariff classes

Our draft decision is to approve SA Power Networks' policies and procedures governing assignment or reassignment of retail customers to tariff classes for direct control services.¹²⁷

¹²³ SA Power Networks, 18.1 – Long Run Marginal Cost Model – Consumption, January 2024; SA Power Networks, 18.2 – Long Run Marginal Cost Model – Export, January 2024.

¹²⁴ AER, SA Power Networks 2020–25 – Draft decision – Attachment 18 – Tariff structure statement, October 2019, p. 27–28.

¹²⁵ SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part B*, January 2024, pp. 91–92.

¹²⁶ NER, 6.18.5(f).

¹²⁷ Linked to NER, cl. 6.12.1(17),

The table below summarises how SA Power Networks assigns customers to their respective tariff classes.

Table 19.4 Tariff class and tariff class assignment policy

Tariff class	Customer type and assignment
Residential	Residential customers connected to the LV distribution network
Small business	Small and medium business customers (less than 160MWh per annum connected to the LV distribution network)
Large business low voltage (LV)	Large business customers (greater than 160 MWh per annum) connected to the LV distribution network
Large business high voltage (HV)	Customers connected to the 11kV HV distribution network
Major business	Customers requiring a minimum of 5,000 kVA, connected to 11kV bus at zone substation or sub transmission system

Source: SA Power Networks, *Attachment 18 - Tariff Structure Statement - Part A*, January 2024, p. 8.

19.6 Statement structure and completeness

SA Power Networks 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.¹²⁸

A distributor's tariff structure statement must be accompanied by an indicative pricing schedule.¹²⁹

SA Power Networks' proposed tariff structure statement incorporates each of the elements required under the NER. The key focus of our assessment for this draft decision is on whether these elements satisfy the pricing principles for direct control services in the NER. That assessment is covered in the sections above.

SA Power Networks has adopted our preferred two document approach, intended to improve the clarity for the retailers, customers, and the AER:

¹²⁸ NER, cl. 6.18.1A(a)

¹²⁹ NER, cl. 6.8.2(d1).

- The first document should include only include the aspects of the tariff structure statement that will bind SA Power Networks over the 2024–29 period.
- The second document should explain SA Power Networks' reasons for what it has proposed.¹³⁰

¹³⁰ NER, cl. 6.18.5(i).

Shortened forms

Term	Definition
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
augex	augmentation expenditure
capex	capital expenditure
CER	consumer energy resources
CPI	consumer price index
HV	high voltage
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