**Pricing proposal statement of compliance**

Purpose

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

General principles

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

**Pricing proposal statement of compliance template**

Chapter 1: Introduction

This statement of compliance as well as the standardised SCS and ACS pricing models form [DNSP]’s pricing proposal for [regulatory year]. This is an [initial/annual] pricing proposal that has been submitted [within 15 business days after publication of the distribution determination/at least 3 months before the commencement of the regulatory year].

Below is a full list of documents that form part of this proposal [List all documents, example provided below]:

* [DNSP]’s pricing proposal [regulatory year] - note that this document is not reviewed by the AER
* Att. A - Statement of compliance (this document)
* Att. B - SCS pricing model - public
* Att. C - SCS pricing model - confidential
* Att. D - ACS pricing model
* Att. E - License fee receipt - confidential

Chapter 2: Demand forecasts

[DNSP] has provided quantity forecasts for standard control services in the ‘Qty forecasts’ sheet of the SCS pricing model.

In comparison to the previous pricing proposal’s forecast, the consumption volumes and customer numbers for the current regulatory year are [similar/materially different].

[Add text summarising the trend in consumption volumes and customer numbers for the entire network as well as for residential and small business customers. The DNSP should explain the main drivers of the forecast and the forecasting methodology. If consumption volumes and customer numbers are materially different from the previous year’s forecast, provide an explanation].

Chapter 3: Tariffs

*3.1 - Standard control services*

The ‘Tariff schedule’ sheet of the SCS pricing model sets out the proposed [regulatory year] prices for standard control services.

All tariffs remain in the same tariff class as the current tariff structure statement. [Provide footnote to the approved TSS]. This is demonstrated in tariff schedule 2 of the SCS pricing model. [If tariffs have changed tariff classes compared to the approved TSS, provide an explanation. These explanations should be replicated even if the change happened in a previous year. Include tariff schedule 1 (Victoria only) and 3 (if offering site-specific tariffs) to the previous sentence where applicable.]

All tariffs retain the same charging parameters as the current tariff structure statement. [Provide footnote to the approved TSS]. This is also demonstrated in tariff schedule 2 of the SCS pricing model. [If a charging parameter is charged differently, or tariffs have different charging parameters to the approved TSS, provide an explanation. These explanations should be replicated even if the change happened in a previous year. Include tariff schedule 1 (Victoria only) and 3 (if offering site-specific tariffs) to the previous sentence where applicable.] Below is a summary of each charging parameter:

[DNSPs should use a table to explain each of its charging parameters. They should be listed in the same order as input table 15 of the SCS pricing model. The explanation should provide detail.]

|  |  |  |
| --- | --- | --- |
| Residential charging parameters | Unit | Explanation |
| Peak period - energy | $/kWh | Applies between 3pm-10pm local time |
| Off peak period - energy | $/kWh | All other times that are not covered by the peak period |
| Controlled load | $/day | DNSP controls load, applies as a secondary tariff and only operates between 12am-12pm standard time. |
| Peak period - demand | $/kVA | Measured as the highest half hourly kVA achieved between 4pm-10pm local time. |
| Export tariff | $/kW | Includes a basic export level of 2kW and applies between 10am-3pm local time. |

The expected weighted average revenue for each tariff class for the current and forecast years is demonstrated in output table 5 of the SCS pricing model.

[For annual pricing proposals only: The expected weighted average revenue raised for each tariff class does not exceed the corresponding expected weighted average revenue for the preceding regulatory year by more than the permissible percentage. This permissible percentage is calculated in accordance with the determination. Footnote the control mechanisms determination. This is demonstrated in compliance table 3 of the SCS pricing model.]

*3.2 - Alternative control services*

The ACS pricing model sets out the proposed [regulatory year] prices for alternative control services.

[DNSP will offer the same list of services for [metering, public lighting, and ancillary network services] as approved in the AER’s final determination for alternative control services. [Footnote the final decision tables which list the services/labour rates and first year prices.] The list of services for [metering, public lighting, and fee-based services] is provided in the ACS pricing model. Quoted services are provided in line with the approved control mechanism formula [Footnote the final decision quoted services formula] using the applicable labour rates in the ACS pricing model.

[Add additional paragraphs that explain any approved cost pass-through amounts, if a service is planned to be discontinued, or if a new service is to be provided as a quoted service, with evidence of stakeholder engagement on any of these issues].

*3.3 - Tariff variations*

[We are not anticipating variations or adjustments to our tariff prices, tariff class or charging parameters within the [regulatory year] period.]

OR

[We are anticipating variations or adjustments to our tariff prices, tariff class or charging parameters within the [regulatory year] period. These arise from…]

[The current tariff structure statement also includes the following contingent tariff variations [Footnote the approved TSS]]:

* Provide information on the details of the possible variation and the specific triggers for each approved contingent tariff variation, as well as whether these triggers have been met or are close to being met.]

*3.4 - Sub-threshold tariffs*

[DNSP is not proposing sub-threshold tariffs for the regulatory year.]

OR

[DNSP is proposing X sub-threshold tariffs for the regulatory year. These are:

* Provide a list of sub-threshold tariffs, including continuing sub-threshold tariffs that were first proposed in a previous pricing proposal. Example given below.
* Export tariff trial: introduced this year
* Battery tariff trial: introduced in 2022–23.

DNSP has notified the AER on these sub-threshold tariffs no later than four months before the start of a regulatory year. These are available on the [AER website](https://www.aer.gov.au/tariff-trials).

Each sub-threshold tariff has a forecast revenue that is less than 1 per cent of total allowable revenue, and all sub-threshold tariffs have a combined forecast revenue less than 5 per cent of total allowable revenue. This is demonstrated in compliance table 4 of the SCS pricing model.]

Chapter 4: Pricing principles

The revenue expected to be recovered from each tariff class lies on or between an upper bound representing the standalone cost of serving the retail customers who belong to that class and a lower bound representing the avoidable cost of not serving those retail customers. This is demonstrated in compliance table 5 of the SCS pricing model. These bounds were calculated by… [provide a brief summary on how the upper and lower bounds were calculated].

The sum of the revenue expected to be recovered from each tariff allows [DNSP] to recover the expected revenue for the relevant services in accordance with the distribution. This is demonstrated in compliance table 1 of the SCS pricing model.

Each tariff is based on the long-run marginal cost of providing the service to which it relates to the retail customers assigned to that tariff.

[The long-run marginal cost estimates are unchanged from the current tariff structure statement (for initial pricing proposals)/previous pricing proposal (for annual pricing proposals)].

OR

[The long-run marginal cost estimates are different from the current tariff structure statement (for initial pricing proposals)/previous pricing proposal (for annual pricing proposals)]. Explain the direction and magnitude of the changes as well as the source of the changes, providing more explanation if the estimates have changed materially.]

Chapter 5: Indicative prices

Revised indicative prices for standard control services tariffs are provided in input table 29 and 30 of the SCS pricing model. Revised indicative price caps for alternative control services are provided in the ACS pricing model. These indicative price levels have been determined in accordance with the current tariff structure statement and updated to account for this pricing proposal.

[For annual pricing proposals with sub-threshold tariffs: Furthermore, revised indicative prices for sub-threshold tariffs are provided in input table 32 of the SCS pricing model.]

[The proposed tariff prices are not materially different to the corresponding indicative prices and this is demonstrated in compliance table 6 and 7 of the SCS pricing model.]

OR

[The proposed tariff prices are materially different to the corresponding indicative prices and this is demonstrated in compliance table 6 and 7 of the SCS pricing model. Brief notes have been written in column AC of the ‘Price comp. ind.’ sheet explaining the reasons for the difference. Furthermore, we explain below in greater detail the source(s) for the material differences between the proposed tariff prices and their corresponding indicative prices. Provide a few paragraphs on the sources for differences between prices. Also describe any stakeholder engagement (if any) undertaken.]

Chapter 6: Tariff components

*6.1 - Distribution use of system charges*

Tariffs designed to pass on distribution use of system charges are available in the ‘Tariff schedule’ sheet of the SCS pricing model. The revenue expected to be recovered from these tariffs does not exceed the estimated amount of distributed use of system charges adjusted for over or under recovery. This is demonstrated in output table 6 of the SCS pricing model.

The over or under recovery amount is calculated in a manner consistent with the AER’s final decision for control mechanisms [provide footnote to the final decision].

[Provide an explanation of:

* The DNSP’s approach for forecasts and estimates of DUoS amounts, e.g. RoLR amounts, wind up of a jurisdictional scheme, explaining any variation between the amount in the model and the receipt. If there is a relevant attachment (e.g. a receipt), footnote it.
* Any bespoke control mechanism and/or revenue adjustments that were agreed to by the AER that applies to DUoS, including those that formed part of our control mechanism final decision (footnote).
* If the DNSP is changing the way it charges DUoS charges (e.g. a DUoS component that was zero now being charged non-zero amounts or vice versa)]

*6.2 - Designated pricing proposal charges*

[If there are no DPPC charges: [DNSP] is not proposing tariffs designed to pass on designated pricing proposal charges.]

Tariffs designed to pass on designated pricing proposal charges are available in the ‘Tariff schedule’ sheet of the SCS pricing model. The revenue expected to be recovered from these tariffs does not exceed the estimated amount of designated pricing proposal charges adjusted for over or under recovery. This is demonstrated in output table 6 of the SCS pricing model.

The over or under recovery amount is calculated in a manner consistent with the AER’s final decision for control mechanisms [provide footnote to the final decision] and is compliant with the NER.

[Provide an explanation of:

* the DNSP’s approach for forecasts and estimates of DPPC amounts, e.g. an attached DPPC receipt sent by a TNSP (footnote it), explaining any variation between the amount in the model and the receipt
* Any bespoke control mechanism and/or revenue adjustments that were agreed to by the AER that applies to DPPC
* Additional paragraphs if the DNSP is changing the way it charges DPPC charges (e.g. adding or removing DPPC elements to tariffs compared to the previous pricing proposal)]

*6.3 - System strength charges*

[DNSP is not planning to pass through system strength charges for system strength connection points for the [regulatory year] period.]

OR

[DNSP is planning to pass through system strength charges for system strength connection points for the [regulatory year] period.]

[Provide a paragraph explaining how the DNSP would pass system strength charges, even if it is not forecasting the pass through of these charges.]

*6.4 - Jurisdictional scheme amounts*

[If there are no JSA charges: [DNSP] is not proposing tariffs designed to pass on jurisdictional scheme amounts because it is not subject to a jurisdictional scheme]

[DNSP’s jurisdictional schemes have not been amended since the last jurisdictional scheme approval date.]

OR

The [XYZ] jurisdictional scheme has been amended since the last jurisdictional scheme approval date. [Add a few paragraphs explaining how the relevant jurisdictional scheme meets the jurisdictional scheme eligibility criteria.]

Tariffs designed to pass on jurisdictional scheme amounts are available in the ‘Tariff schedule’ sheet of the SCS pricing model. The revenue expected to be recovered from these tariffs does not exceed the estimated amount of jurisdictional scheme amounts adjusted for over or under recovery. This is demonstrated in output table 6 of the SCS pricing model.

The over or under recovery amount is calculated in a manner consistent with the AER’s final decision for control mechanisms [provide footnote to the final decision] and is compliant with the NER.

[Provide an explanation of:

* the DNSP’s approach for forecasts and estimates of JSA, e.g. an attached receipt for license fees (footnote it), explaining any variation between the amount in the model and the receipt
* Any bespoke control mechanism and/or revenue adjustments that were agreed to by the AER that applies to JSA
* Additional paragraphs if the DNSP is changing the way it charges JSA (e.g. adding or removing JSA elements to tariffs compared to the previous pricing proposal).]

Chapter 7: Compliance

*7.1 - Compliance with the determination*

We confirm that our tariff assignment policy and the methodology in which we review and assess the basis on which a customer is charged is unchanged from the current TSS and is compliant with the NER. [Footnote the locations of these two policies. Otherwise, if there have been changes to these policies, outline them.]

[If the current TSS commits a DNSP to changes in relative price levels for a tariff or tariff classes over the regulatory period: We also confirm that we are complying with the current TSS where we have made a commitment to… e.g. unwind a cross subsidy, increase cost reflectivity, sharpen price signals. Further explain how the DNSP is compliant with the commitments outlined in the TSS by providing more information.]

There are no other material changes that should be brought to the attention of the AER.

*7.2 - Compliance table*

|  |  |
| --- | --- |
| Rule reference | Section reference |
| 6.18.2(a) | Chapter 1 - Introduction |
| 6.18.8(a)(3) | Chapter 2 - Demand forecasts |
| 6.18.2(b)(2)  6.18.2(b)(3)  6.18.2(b)(4)  6.18.6  6.18.2(b)(5)  6.18.1C  11.141.8 | Chapter 3 - Tariffs |
| 6.18.5(e)  6.18.5(f)  6.18.5(g)(2) | Chapter 4 - Pricing principles |
| 6.18.2(d)  6.18.2(e)  6.18.2(b)(7A) | Chapter 5 - Indicative prices |
| 6.18.2(b)(6)  6.18.2(b)(6A)  6.18.2(b)(6B)  6.18.2(b)(6C)  6.18.7  6.18.7A | Chapter 6 - Tariff components |
| 6.18.3  6.18.4  6.18.2(b)(7)  6.18.2(b)(8) | Chapter 7 - Compliance |

I, *[insert name and position here]*, confirm that the above statements are true and correct.

*[signature] [date]*