February 2025

Ausgrid's FY26 Sub-Threshold Application

Trial Tariff Notification

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

Ausgrid

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1. Overview

Ausgrid is committed to developing new, innovative tariffs with our retailers and customers. We plan to introduce two new sub-threshold tariffs for 2025-26. These are a small business local use of system (LUOS) tariff and an individually calculated tariff (ICT) for large storage facilities. The LUOS tariff aligns with our ongoing residential tariff for the “storage as a service” customer offering with community batteries. The large storage ICT will test an innovative two-way transmission cost recovery structure and will be available for large storage facilities connected at the sub-transmission and dual function parts of our network.

Table 1. New sub-threshold tariffs for 2025-26:

Tariff code	Tariff name
EA955	Small business local use of system
N/A	Large storage individually calculated tariff (sub-transmission/dual function connections)

Three of our current trial tariffs will continue in 2025/26. In FY25 we have had significant interest in the business flexible load tariff and the residential LUOS tariff and expect customer take up on the residential flexible load trial tariff to progress in the next financial year.

Table 2. Sub-threshold tariffs continuing in 2025-26:

Tariff code	Tariff name
EA956	Residential local use of system
EA964	Business flexible load (primary circuit)
EA965	Residential flexible load (secondary circuit)

On 1 July we will withdraw the residential standalone power system tariff (EA957) and super off-peak tariff (EA958) given limited interest from retailers and customers.

Table 3. Sub-threshold tariffs not continuing in 2025-26:

Tariff code	Tariff name
EA957	Standalone power system
EA958	Residential super off-peak

Table 4. Notification template for a distributor intending to provide sub-threshold tariffs.

Distributor	Ausgrid
Total cumulative revenue of all sub-threshold tariffs ($ and % AAR)	$0.535 million, equivalent to 0.02% of AAR Note: This is the forecast annual revenue from all sub-threshold tariffs for the upcoming regulatory year. Includes sub-threshold tariffs which commenced in previous years and are continuing. Measured against TAR during annual pricing per NER cl. 6.18.1C(a)(2).
Confirmation for publication	We confirm that this document contains no commercial or private information, and we provide permission for the AER to publish this notification on the AER website.

2. Local Use Of System

Ausgrid introduced its residential local use of system (LUOS) sub-threshold tariff in July 2024. In October two retailers (Origin Energy and EnergyAustralia) launched their “storage as a service” retail offer for residential customers, which includes Ausgrid’s LUOS trial tariff for network services. Over 100 residential customers have already signed up for storage as a service, and we expect numbers to grow strongly in the coming months. Currently 13 neighborhoods in our network area have a community battery installed, and we expect to install additional batteries in other localities throughout next year and beyond.

To ensure the future success of the storage as a service tariff trial, we want to allow as many customers as possible to be eligible to participate. This will enable Ausgrid to collect more data on the energy patterns of small customers located near a community battery. On 1 July 2025 we will therefore be introducing a LUOS tariff for small business customers. The network tariff structure will be the same as for the existing residential tariff, and small businesses can use up to 80 MWh per annum of energy and remain eligible. The small business customer must be located in a neighborhood with a community battery and cannot already have a behind the meter battery of their own.

The following two tables show our sub-threshold application for the ongoing residential LUOS tariff, followed by details of the new small business LUOS tariff.

Table 5. Residential local use of system tariff

Name of trial	Residential local use of system tariff (EA956)
Objectives of trial	(1) To assess customer participation in a community battery retail offer. (2) To test price responsiveness to cost reflective tariffs that reflect the network costs of residential customers located in a neighbourhood with a community battery.
Retailer engagement	We have engaged with retailers who supply (or will supply) customers located in a neighbourhood with a community battery.
Consumer engagement	Ausgrid currently has community batteries in 13 neighbourhoods. We have engaged with the customers supplied by these batteries and will continue to do so.
Expected consumer and/or retailer response	Our hypothesis is that consumers will elect to subscribe to a retailer product for a community battery, rather than invest in a behind the meter battery. Local use of system tariffs feature lower residual costs and reflect the benefits of avoided use of the upstream components of the network.
Proposed tariff (structure and pricing)	The local use of system tariff has a time of use energy structure, with peak and off-peak energy components and a fixed charge. The usage charge is set to reflect the avoided use of the upstream sections of the network, with a lower allocation of distribution residual costs and transmission charges. NSW jurisdictional scheme cost recovery will be included in the tariff.
Links to TSS strategy and Export tariff	The timing of this trial tariff and our storage as a service program aligns with our 2024-29 TSS. The results from the trial will inform our 2029-34 TSS. Including this

transition strategy (if applicable)	tariff as a sub-threshold tariff allows Ausgrid to change the price by more than the side constraint and amend the structure (if necessary) in response to ongoing learnings. This helps ensure that we have tested the tariff before including it in our next TSS.
Forecast revenue ($ and % AAR)	e.g. $0.264 million, equivalent to 0.01% AAR for the upcoming regulatory year Note: Measured against TAR during annual pricing per NER cl. 6.18.1C(a)(1).
Trial start date	1 July 2024
Duration of trial	Five regulatory years
Potential changes and triggers	We will monitor uptake and review the structure and charges in collaboration with applicable retailer and our customer representatives. We want to ensure that customers receive cost reflective signals but also need to ensure that the price signal is reasonably capable of being understood. This may require annual changes to structure or price levels as billing and metering capabilities develop.
Notification date	November 2023 and February 2025

Table 6. Small business local use of system tariff

Name of trial	Small business local use of system tariff (EA955)
Objectives of trial	(1) To assess customer participation in a community battery retail offer. (2) To test price responsiveness to cost reflective tariffs that reflect the network costs of small business customers located in a neighbourhood with a community battery.
Retailer engagement	We have engaged with retailers who supply (or will supply) small customers located in a neighbourhood with a community battery.
Consumer engagement	Ausgrid currently has community batteries in 13 neighbourhoods. We have engaged with the customers supplied by these batteries and will continue to do so.
Expected consumer and/or retailer response	Our hypothesis is that consumers will elect to subscribe to a retailer product for a community battery, rather than invest in a behind the meter battery. Local use of system tariffs feature lower residual costs and reflect the benefits of avoided use of the upstream components of the network.
Proposed tariff (structure and pricing)	The local use of system tariff has a time of use energy structure, with peak and off-peak energy components and a fixed charge. The usage charge is set to reflect the avoided use of the upstream sections of the network, with a lower allocation of distribution residual costs and transmission charges. NSW jurisdictional scheme cost recovery will be included in the tariff.
Links to TSS strategy and Export tariff	The timing of this trial tariff and our storage as a service program aligns with our 2024-29 TSS. The results from the trial will inform our 2029-34 TSS. Including this tariff as a sub-threshold tariff allows Ausgrid to change the price by more than the

transition strategy (if applicable)	side constraint and amend the structure (if necessary) in response to ongoing learnings. This helps ensure that we have tested the tariff before including it in our next TSS.
Forecast revenue ($ and % AAR)	e.g. $0.08 million, equivalent to 0.003% AAR for the upcoming regulatory year Note: Measured against TAR during annual pricing per NER cl. 6.18.1C(a)(1).
Trial start date	1 July 2025
Duration of trial	Four regulatory years
Potential changes and triggers	We will monitor uptake and review the structure and charges in collaboration with applicable retailer and our customer representatives. We want to ensure that customers receive cost reflective signals but also need to ensure that the price signal is reasonably capable of being understood. This may require annual changes to structure or price levels as billing and metering capabilities develop.
Notification date	February 2025

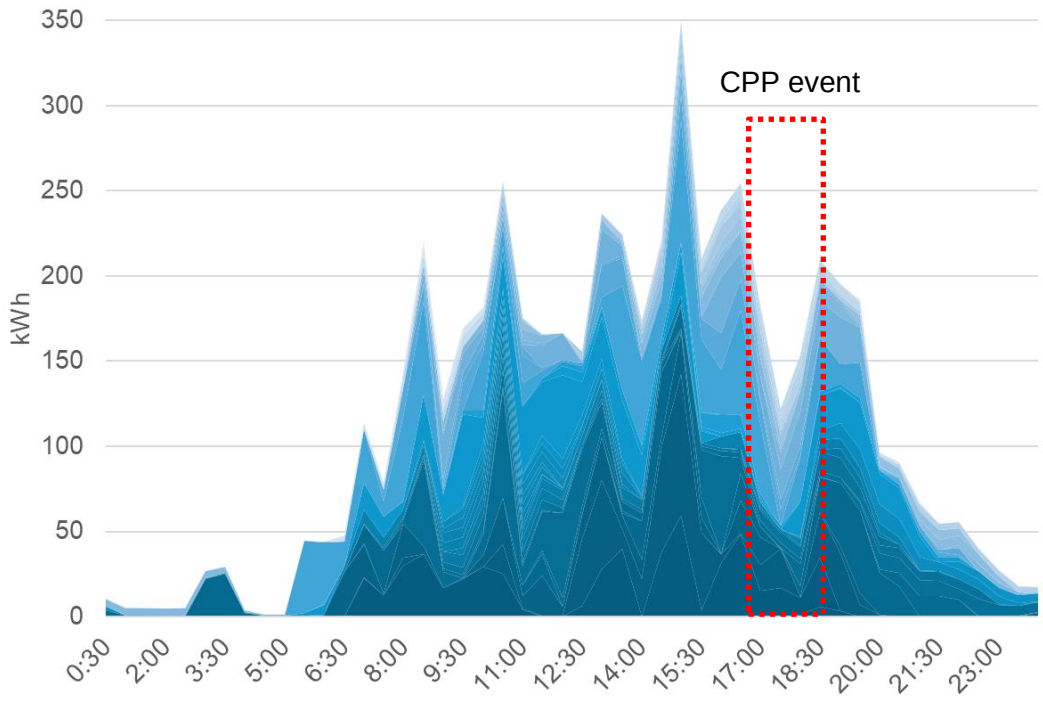
3. Flexible load with CPP

In July 2023 Ausgrid introduced its flexible load trial tariffs with a critical peak price (CPP). The main purpose of the trial is to better understand electric vehicle (EV) charging patterns with an event-based usage price. Separate residential and small business tariffs were introduced and each tariff allows up to 40 hours a year of CPP event time. Retailers are notified a day ahead of an upcoming event by email and/or SMS message.

The small business version of the trial is an ongoing success. As of February 28th, we have four retailers and 124 customer sites participating in the trial. The participating customers are EV charging facilities and include service station premises and pole mounted charging kiosks. Most of the charging locations are in inner Sydney suburbs including Leichhardt, Randwick, Woollahra and Waverley. In FY26 we will be encouraging our participating retailers to broaden the geographic coverage of the trial and include more customers on the NSW Central Coast and Hunter regions.

Since 1 July 2024 we have called 12 critical peak events with a total of 24 hours and these have occurred at times of high demand on the network. A review of the meter data from each event day shows that some customers are responding to the price signal, while others choose to continue charging (and have the CPP applied in the network charge billing to their retailer). The chart below shows the response from 75 EV charging customers on 27th December 2024, a day when the temperature in Sydney reached 37 degrees.

Chart 1. Energy usage by EA964 customers on 27 December 2024



We will continue to gather data from these event days to understand more about this customer behaviour. For example, we would like to know whether the vehicle owner sees the CPP, or whether it is managed by the retailer. We would like to understand whether two hours is long

enough to trigger a response to an event, and in FY26 we may call events of more than 2 hours duration to test these differences. While EV charging is the only customer type using this tariff to date, we are also willing to consider other customer loads for the trial which may be flexible and able to respond to a CPP with an event-based usage price.

The residential version of the trial tariff applies to secondary circuits, in a similar way to controlled load hot water circuits. This is to ensure that only the eligible EV load has the CPP applied. To date we have not had any retailers join the residential version of the trial. However, the feedback has been that a secondary tariff should not have a high fixed charge, as the premises will already have a network fixed charge applied to the primary load at the premises. We therefore will amend the residential version of the tariff to have substantially lower fixed charge in FY26.

Table 7. Small business flexible load tariff

Name of trial	Small business flexible load tariff (EA964)
Objectives of trial	To learn whether there is a market for flexible load tariffs on primary circuits that provide small low voltage business customers with pricing signals only at times when use is likely to drive network costs. The tariff applies to EV charging applications however and other business applications will also be considered.
Retailer engagement	This tariff is an evolution of our residential flexible load from 2022-23. We consulted with 11 retailers in developing our residential flexible load tariff. In our consultation with retailers, the proposed supply interruptions in our residential flexible load tariff were seen as a problem for participation. Based on this feedback we replaced the event-based interruptions with critical peak pricing.
Consumer engagement	This tariff is an evolution of our residential flexible load tariff from 2022-23. We consulted with our Ausgrid Pricing Working Group, conducted joint consultations with other NSW DNSPs (and their customer representatives), AER staff and NSW Government before the launch of the residential flexible load tariff. We presented the results to date of this trial with the Pricing Working Group in December 2024.
Expected consumer and/or retailer response	Our hypothesis is that consumers will significantly reduce their network usage during the critical peak events. We expect that retailers and charging providers may take different approaches: • Use remote control of EV chargers to interrupt supply; or • Pass through critical peak prices to customers that choose to operate during critical peak periods.
Proposed tariff (structure and pricing)	The flexible load tariff will have three components; a critical peak price, an anytime usage charge, and a fixed charge.
Links to TSS strategy and Export tariff transition strategy (if applicable)	The results from the trial will inform our 2029-34 TSS. Including this tariff as a sub-threshold tariff allows Ausgrid to change the price by more than the side constraint and amend the structure (if necessary) in response to ongoing learnings. This helps ensure that we have tested the tariff before including it in our next TSS.

Forecast revenue ($ and % AAR)	$0.16 million, equivalent to 0.01% AAR for the upcoming regulatory year Note: Measured against TAR during annual pricing per NER cl. 6.18.1C(a)(1).
Trial start date	1 July 2023
Duration of trial	Expected to continue until the end of the current regulatory period.
Potential changes and triggers	We will monitor uptake and review the structure and charges in collaboration with affected retailer and our customer representatives.
Notification date	February 2023, November 2023, February 2025

Table 8. Residential flexible load tariff

Name of trial	Residential flexible load tariff (EA965)
Objectives of trial	To learn whether there is a market for flexible load tariffs on secondary circuits that provide small low voltage customers with pricing signals only at times when use is likely to drive network costs.
Retailer engagement	This tariff is an evolution of our residential flexible load from 2022-23. We consulted with 11 retailers in developing our residential flexible load tariff. In our consultation with retailers, the proposed supply interruptions in our residential flexible load tariff were seen as a problem for participation. Based on this feedback we replaced the event-based interruptions with critical peak pricing. In FY26 we will also reduce the fixed charge, in response to further feedback on the tariff design.
Consumer engagement	This tariff is an evolution of our residential flexible load tariff from 2022-23. We consulted with the Ausgrid Pricing Working Group, conducted joint consultations with other NSW DNSPs (and their customer representatives), AER staff and NSW Government before the launch of the residential flexible load tariff. For the FY26 update of the tariff we consulted with our Pricing Working Group at our December 2024 meeting.
Expected consumer and/or retailer response	Our hypothesis is that consumers will significantly reduce their network usage during the critical peak events. We expect that participating retailers and charging providers may take different approaches: • Use remote control of the secondary circuit to interrupt supply • Pass through critical peak prices to customers that choose to operate during critical peak periods.
Proposed tariff (structure and pricing)	The flexible load tariff will have three components, a critical peak price, an anytime usage charge, and a low fixed charge.
Links to TSS strategy and Export tariff	The results from the trial will inform our 2029-34 TSS. Including this tariff as a sub-threshold tariff allows Ausgrid to change the price by more than the side constraint and amend the structure (if necessary) in response to ongoing

transition strategy (if applicable)	learnings. This helps ensure that we have tested the tariff before including it in our next TSS.
Forecast revenue ($ and % AAR)	$0.00 million, equivalent to 0.0% AAR for the upcoming regulatory year. Note: Measured against TAR during annual pricing per NER cl. 6.18.1C(a)(1).
Trial start date	1 July 2023
Duration of trial	3 regulatory years (to be reviewed in February 2026)
Potential changes and triggers	We will monitor uptake and review the structure and charges in collaboration with affected retailer and our customer representatives.
Notification date	February 2023, November 2023, February 2025

4. Two-way TUOS for storage

Ausgrid has three utility scale storage tariffs included in its Tariff Structure Statement for the 2024-29 regulatory period. These tariffs are designed to provide cost reflective network pricing to eligible storage facilities using critical peak pricing and provide flexibility for participation in the National Electricity Market. Energy storage will play an important part in the transition to alternative energy sources and Ausgrid will continue to develop its network tariff innovation in this area. This will prepare us for the next regulatory period, and the Tariff Structure Statement commencing in July 2029.

In July 2025 we will introduce a new trial tariff for large scale storage facilities. This tariff seeks to improve the cost reflectivity of transmission charges for these facilities. It will apply a two-sided approach to the recovery of the transmission locational charge, a price which represents the marginal cost of providing prescribed transmission services to a customer's connection point.

We plan to offer this tariff structure to a large storage facility seeking to connect to our network at the sub-transmission or dual function levels. It will only be available to storage facilities of more than 10 MW discharging capacity and will therefore be an individually calculated tariff (ICT).

Charging structure for existing storage tariff

For the existing sub-transmission storage tariff (with tariff codes EA394/EA395), a locational charge (in $/kW/month) is applied to the customer's peak demand that occurs at the same time[1] as the overall peak at the local transmission network connection point. Each month we also assess if the storage facility is eligible for any avoided transmission use of system (TUOS) as required by National Electricity Rule 5.3AA.

Under this approach, in any given billing month, a storage facility could receive both a charge and rebate (as avoided TUOS) for the same Transgrid locational charge. We consider this as an inefficient outcome and has led us to trial an alternative approach to recover the Transgrid locational charge.

Charging structure for the trial tariff

The new trial tariff seeks to apply locational transmission charges with a two-sided approach. The charging structure and pricing will be the same as the existing sub-transmission storage tariff[2] except that the "TUOS demand" charge will be amended to incorporate the new two-way TUOS mechanism. The charges for distribution services and jurisdictional schemes will be the same as network tariff EA394/EA395.

The key difference to the current approach is that the Transgrid locational charge is determined by the difference the storage facility makes to the transmission charges at that location in the

[1] As measured on a 30 minute basis
[2] Tariff codes E394/EA395

network. In other words, the charges are determined by comparing a scenario both with and without the storage facility in place. This concept is best demonstrated using examples. In Chart 2 below, a large battery is creating a new local demand peak (of 367 MW) and would pay a charge based on the 33 MW increase. In the second chart, a smaller battery is reducing the local peak and would receive a rebate for the 17 MW reduction. In both scenarios, the locational transmission charge (in $/kW/month) is applied to the 33 MW and 17 MW demand differential.

Chart 2. A 100 MW battery with 4-hour cycle

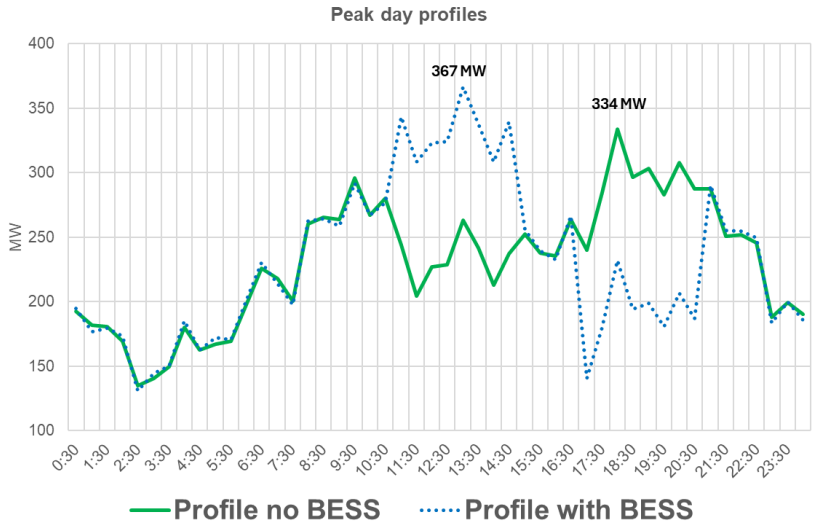


Chart 3. A 50 MW battery of 4-hour cycle

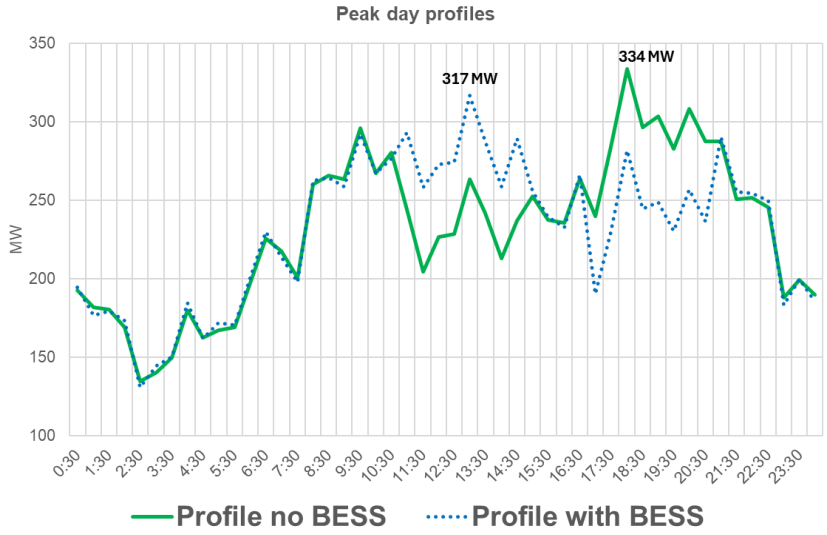


Table 9. Two-way TUOS for storage

Name of trial	Two-way TUOS for storage (individually calculated tariff)
Objectives of trial	To trial a two-way TUOS pricing structure for utility scale storage facilities. The learnings from the trial will help inform the future development of Ausgrid's storage tariffs ahead of the next regulatory period.
Retailer engagement	We consulted with retailers on storage tariff structures as part of consultation for the 2024-29 regulatory reset process.
Consumer engagement	We have discussed the proposed trial tariff with two storage project developers and have received a positive response. We also presented the new tariff to our Pricing Working Group in December 2024.
Expected consumer and/or retailer response	We anticipate the trial tariff will be more likely to be subscribed to than the default storage tariffs available under the current TSS. The trial tariff structure can provide a rebate to the storage facility if it is determined to reduce locational peak demand in any given month.
Proposed tariff (structure and pricing)	As described above, the two-way TUOS pricing structure will apply either a charge or rebate for the locational transmission charge in any given month. This is a more cost reflective structure and avoids the customer receiving a charge and rebate in the same month.
Links to TSS strategy and Export tariff transition strategy (if applicable)	The learnings from this tariff trial will help inform the design of the utility scale storage tariffs we intend to offer in the next regulatory period as part of the TSS.
Forecast revenue ($ and % AAR)	e.g. $0 million, equivalent to 0.0% AAR for the upcoming regulatory year Note: Measured against TAR during annual pricing per NER cl. 6.18.1C(a)(1).
Trial start date	1 July 2025
Duration of trial	For the remainder of the regulatory period
Potential changes and triggers	We will review the trial in collaboration with applicable retailers before each subsequent year and advise the AER of any changes agreed. One example of where changes may be required is in a scenario where two storage facilities connect at the same location in the network.
Notification date	28 February 2025