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28 February 2025

Bethanie Adams
Director Network Pricing
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Dear Bethanie

2025-26 Notification of Sub-Threshold Tariffs

Essential Energy is writing to inform the AER of our intention to include four sub-threshold tariffs in our Pricing Proposal under section 6.18.1C of the National Electricity Rules. These initiatives are part of trial projects for the remainder of the 2024–29 Regulatory Period.

As outlined in our 2024–29 Tariff Structure Statement (TSS), Essential Energy is committed to undertaking tariff trials to gauge customer response. The sub-threshold tariffs we propose meet the requirements under the National Electricity Rules and include:

1. **Grid Connected Storage Tariffs (High Voltage and Low Voltage versions)** – two tariffs that encourage the efficient use of storage technologies on the low voltage (LV) and high voltage (HV) network to assist with managing network issues (see Attachment A).
2. **Flexible Load Tariffs** – supports customers with highly flexible loads, including both large LV and HV customers on dynamic connection agreements (see Attachment B).
3. **Flat Rate Transitional Tariff** – aids large commercial controlled load consumption customers in transitioning to a new switching platform with minimal changes to their current switching conditions (see Attachment C).

OVERVIEW OF THE TARIFF TRIALS

The electricity industry is undergoing rapid changes driven by shifts in customer energy usage, the push to decarbonise energy supply, and increased decentralisation of the energy supply chain. To prepare for more innovative tariff structures in the next regulatory process, we have identified opportunities to drive more efficient network use and support customers in the energy transition.

The network problems the proposed tariffs are trying to solve:

- Growth of renewables is increasing dynamic range, reducing network minimum demand, and lowering network utilisation;
- Current network tariffs limit the uptake of renewables and increase curtailment;
- Some existing tariffs do not encourage load during low-cost periods, such as peak solar PV production; and

- There is a need to recover costs fairly and equitably while balancing complexity and cost reflectiveness.

Tariff trials are crucial for Essential Energy to design and test network charges that reflect the characteristics of our network and customers. Designing potential tariffs and associated trials in collaboration with consumers and stakeholders facilitates new ideas, a shared understanding of the need for change and consideration of the value proposition through the lens of all stakeholders. This approach also maintains flexibility and agility in designing and implementing trial tariffs at a time of shifting government policy and rapid technological and regulatory change.

Throughout the 2025–26 financial year, there will be ongoing engagement to refine the proposed trial tariffs. This engagement includes:

- Consumers and large customer groups – through our Essential People's Panel, which meets three times a year; New technology providers forum (energy resource installers and developers);
- Retailers and aggregators;
- Industry advocates (and their members where appropriate); and
- Consumer advocates.

TARIFF DESIGN GUIDING PRINCIPLES

Tariff trials during the 2024–29 regulatory period must align with Essential Energy's underlying tariff design principles, developed in conjunction with customers and stakeholders. These principles include:

- ***Avoid Bill Shock -*** Minimise the risk of bill shock for customers
- ***Easy to Understand -*** Tariffs are simple to interpret
- ***Fair -*** Customers pay their fair share of network costs (cost-reflective)
- ***Facilitate Green Energy -*** Tariffs accommodate changing technology, energy flows and greener customer choices
- ***Effective -*** Tariffs do the job - they solve network issues and do not create new ones

ALIGNMENT WITH TARIFF STRUCTURE STATEMENT (TSS) STRATEGY

Essential Energy's role is to provide a safe, reliable, future-focused network that supports a decentralised, decarbonised energy supply chain. Designing and trialling new network tariffs is fundamental to our role. Our focus is to design tariffs that address network challenges, embrace new technologies, and balance tariff design principles cost-effectively. Learnings from these trials will inform our 2029–34 TSS engagement program.

We look forward to working with the AER on our future tariff projects. Should you have any questions, please contact Mary-Clare Crowley, Head of Network Regulation, on [redacted].

Yours sincerely,

[redacted]

Charlie Boyes
Chief Financial Officer

Distributor	Essential Energy
Total cumulative revenue of all sub-threshold tariffs ($ and % AAR)	$1.9 million, equivalent to 0.16% AAR for the upcoming regulatory year Note: This is the forecast annual revenue from all sub-threshold tariffs for the upcoming regulatory year. 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.

Attachment A: High-voltage and low-voltage grid connected storage tariff

Name of trial	**Sub-transmission and high and low voltage grid connected storage tariffs**	
Objectives of trial	To test whether the tariffs encourage the efficient use of storage technologies on the high-voltage and low-voltage network to assist with managing network issues i.e. storage operation inversely responds to network cost drivers being imposed by other customers — that is, consuming at times of distribution system daily minimum demand and exporting at times of distribution system daily maximum demand.	
Retailer engagement	Formal retailer engagement on the proposed tariffs is yet to be undertaken. However, these tariffs are similar to the existing storage tariffs in place, for which significant consultation was undertaken as part of the 2024-29 Regulatory Determination and TSS process.	
Consumer engagement	No formal consumer engagement has been undertaken for these tariffs yet. As noted above the tariffs build on existing storage tariffs that were the subject of significant customer consultation. In addition, since the introduction of the storage tariffs a number of potential storage proponents have provided ad-hoc feedback on the current structure of the tariff. This feedback has been incorporated into the design of the trial tariffs.	
Expected consumer and/or retailer response	We expect retailers and aggregators will support this tariff trial for storage given its similarity to the existing high-voltage and low-voltage battery tariffs. We expect customers will support such a tariff trial as the 2024–29 Regulatory Proposal engagement program has indicated very strong support for accommodating renewables and shifting to a 'greener' energy future.	
Proposed tariff (structure and pricing)	Builds on existing high-voltage and low-voltage storage tariffs, with slight variations to the timing and pricing parameters.	
	Energy consumed from the network	**Network access charge:** applies **Consumption charge:** does not apply **Demand charge:** Dollars per kVA based on the highest measured half-hour kVA demand registered in each of the peak, shoulder and off-peak periods during the month - Peak: 5pm–9pm - Shoulder: 7am - 9am, 4pm - 5pm, 9pm - 10pm - Off peak: 10pm – 7am - Sun Soaker: Free between 9am and 4pm
	Energy exports into the network	**Demand charge (exports):** Stepped $/kW capacity payment is based on the relevant band that the highest level of energy exported (kW) into the network between 9am and 4pm in the month falls into • 0–1.5kW free basic export limit

Name of trial	**Sub-transmission and high and low voltage grid connected storage tariffs**	
		• Band 1 rate applies to exports over 1.5kW Exports at all other times are free. **Rebate (exports):** does not apply
Links to TSS strategy and Export tariff transition strategy (if applicable)	Batteries are a necessary addition to achieve net zero carbon emissions. An appropriate tariff must incentivise them to operate in a manner that recognises the potential costs and benefits to Essential Energy and its customer base, as well as achieve a fair and efficient level of network cost recovery, that recognises how these assets use and benefit from the distribution and transmission systems. Following increased enquiries regarding storage/hybrid tariffs, Essential Energy first included tariffs targeted at customers in this segment as part of the TSS for the 2024–29 Regulatory Period and beginning in the 2024–25 Pricing Proposal. These current tariffs are available for customers whose sole purpose is to operate commercial storage and/or generation units - with no co-located load behind their meter that is not ancillary to the operation of those storage/generation units. These tariffs comprise both demand and export charges, as well as a daily access charge. The proposed trial builds on the existing storage tariffs by altering the structure slightly to better suit both network conditions and optimal operation of the battery storage. It would be available to storage connections on an opt-in basis, subject to agreement by the customer to participate in the trial.	
Forecast revenue ($ and % AAR)	$0.5 million, equivalent to 0.4% 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	Up to four years (this regulatory period)	
Potential changes and triggers	We will review the tariff and make any adjustments in collaboration with proponents and stakeholders, as part of the annual pricing proposal and notification of tariff trials through the sub-threshold letter processes.	
Notification date	28 February 2025	
Optional information		
Forecast volumes	The forecast volumes are expected to be 18GWh, but this may differ by the time we lodge our 2025-26 Pricing Proposal with the AER in April 2025.	
Potential additions	None identified at this stage	

Name of trial	Sub-transmission and high and low voltage grid connected storage tariffs
Location of trial	All trials will be within Essential Energy's network footprint. More precise locations will be determined as proponents are engaged.
Other	The trial tariffs will be applied to new customers whose sole purpose is to operate a high-voltage or low-voltage grid connected battery with no co-located load behind their meter.

Attachment B: Flexible load tariff for LV and HV customers

Name of trial	Flexible load tariffs for LV and HV customers
Objectives of trial	To test whether the tariff encourages large low voltage (LV) and high voltage (HV) customers with highly flexible loads guided by a dynamic operating envelope to efficiently use the network, resulting in higher network utilisation, and lower per unit cost to access the network. Customers will benefit from dynamic connections as this will allow for increased exports and imports as network conditions change, and Essential Energy can better manage network utilisation.
Retailer engagement	Formal retailer engagement on the proposed tariff is yet to be undertaken. However, this tariff is similar to the time of use tariffs in place, for which significant consultation was undertaken as part of the 2025-29 Regulatory Determination and TSS process. As this affects commercial and industrial (C&I) customers, we anticipate retailers will support this.
Consumer engagement	No formal consumer engagement has been undertaken for this tariff yet. However Essential Energy is collaborating with customers across various sectors to find cost-effective decarbonisation pathways through electrification. This involves identifying barriers to electrification via customer surveys and conducting targeted feasibility studies to inform the development of new products and services. These feasibility studies, which include modelling network tariffs, have revealed that the current large LV and HV tariffs significantly hinder the business case for customers to decarbonise through electrification. This makes it much more expensive compared to using fossil fuels, off-grid solutions, or behind-the-meter solutions. Consequently, customers, governments, and technology providers are turning to off-grid or behind-the-meter solutions as more cost-effective and efficient ways to achieve decarbonisation. A similar structure to these tariffs has previously been discussed with Essential Energy's Larger User stakeholder groups and broadly supported, although further engagement throughout the trial process will be undertaken.
Expected consumer and/or retailer response	Large customers in the C&I space are expected to be supportive of this tariff. Due to the energy transition, the 2024–29 Regulatory Proposal engagement program indicated very strong support for accommodating renewables and shifting to a 'greener' energy future.
Proposed tariff (structure and pricing)	Builds on existing tariffs with variations to the timing and pricing parameters. By enabling flexible loads that are guided by Dynamic Operating Envelopes (DoEs) to access dynamic load network tariffs, the aim of this trial is to support: • greater uptake and utilisation of renewables connected through real time alignment of generation and load.

Name of trial	Flexible load tariffs for LV and HV customers	
	• accelerated reduction in the carbon intensity of grid served energy. • allow for customer access to lower cost energy enabled through higher network utilisation (resulting in lower per unit cost to access the network) and tariffs that support access to lower cost and lower carbon wholesale energy periods.	
	Energy consumed from the network	**Network access charge:** applies **Consumption charge:** Cents per kWh are based on time of day - Off peak 1 (Sun Soaker): 9am – 4pm - Peak: 5pm – 9pm - Shoulder: 7am - 9am, 4pm - 5pm, 9pm - 10pm - Off peak 2 (Night): 10pm- 7am **Demand charge:** does not apply
	Energy exports into the network	**Demand charge (exports):** does not apply **Rebate (exports):** does not apply
Links to TSS strategy and Export tariff transition strategy (if applicable)	Current network tariffs for large loads (large LV and HV demand) signal high costs during dynamic low-cost periods, such as peak solar PV production. These low-cost periods depend on intermittent sources like solar PV, which vary hourly, daily, and seasonally. Flexible loads guided by DoEs can align with real-time solar PV production, but current tariffs disincentivise network use during dynamic low-cost periods. This reduces network utilisation by encouraging behind-the-meter resources and discouraging grid-connected loads from using renewable energy.	
Forecast revenue ($ and % AAR)	$0.3 million, which is equivalent to 0.02% AAR for the upcoming regulatory year Note: Measured against TAR during annual pricing per NER cl. 6.18.1C(a)(1) We anticipate there will only be approximately three customers go on the tariff this year as we seek customers to participate in dynamic load tariffs	
Trial start date	1 July 2025	
Duration of trial	Up to four years (this regulatory period)	
Potential changes and triggers	We will review the tariff and make any tweaks and adjustments in collaboration with proponents and stakeholders as part of the annual pricing proposal and notification of tariff trials through the sub-threshold letter processes.	

Name of trial	Flexible load tariffs for LV and HV customers
Notification date	28 February 2025
Optional information	
Forecast volumes	The forecast volumes are expected to be 9GWh, but this may differ by the time we lodge our 2025-26 pricing proposal with the AER in April 2025.
Potential additions	None identified at this stage
Location of trial	All trials will be within Essential Energy's network footprint. More precise locations will be determined as proponents are engaged.
Other	The trial tariffs will be applied to customers: • For business premises with flexible load >250kW on an LV connection consuming more than 160MWhs p.a.; or HV connection, where the premise has another primary metering point present at the same metering point as the secondary load and the flexible load is managed through a Dynamic Operating Envelope (DoE)/ Dynamic Connection Agreement (DCA) • Applicable to approved flexible loads such as electric thermal energy storage (eTES), Electrode/Resistive Boilers, battery storage, heat pumps producing hot water, air and/or steam, etc. • Loads must be permanently connected • Supply will be made available based on a site-specific Dynamic Operating Envelope (DoE)/ Dynamic Connection Agreement (DCA), such site-specific dynamic connection agreements may result in consecutive days of minimum or no supply during network peak demand periods. • Must have an agreement with Essential Energy outlining a Dynamic Operating Envelope (DoE)/ Dynamic Connection Agreement (DCA)

Attachment C: Flat rate transitional tariff

Name of trial	Flat rate transitional tariff	
Objectives of trial	To support large commercial controlled load consumption customers to transition to a new switching platform where changes to their current switching conditions are significantly less than the hours they currently receive.	
Retailer engagement	No formal retailer engagement on the proposed tariff is yet to be undertaken. However, face to face meetings to describe Essential Energy's approach with top tier retailers has been successful and they are supportive of Essential Energy's proposal	
Consumer engagement	No formal consumer engagement has been undertaken for this tariff yet. Essential Energy is currently working on a stakeholder engagement plan for impacted customers.	
Expected consumer and/or retailer response	We expect and have requested in our discussions with top tier retailers that they work with customers to transition them to a plan that will work for them. We expect customers will support such a tariff as it gives them time to decide on what is best for their energy usage for their business.	
Proposed tariff (structure and pricing)	Supports customers who will incur significant changes to their controlled load and may see some increase in their bill.	
	Energy consumed from the network	**Network access charge:** applies **Consumption charge:** Cents per kWh rate based on time of day - NOT available during Peak: 5pm – 8pm **Demand charge:** does not apply
	Energy exports into the network	**Demand charge (exports):** does not apply **Rebate (exports):** does not apply
Links to TSS strategy and Export tariff transition strategy (if applicable)	The trial tariff links to the Tariff Structure Statement by transitioning all customers to the advertised times in the document. Currently Essential Energy has many legacy-controlled load customers who are receiving above the advertised times. Rather than financially impacting customers with changes to their current controlled load, this transitional tariff will allow customers time to work with their retailer and choose something that suits their energy needs over the transition period.	
Forecast revenue ($ and % AAR)	$1.1 million, equivalent to 0.09% 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	Up to four years (this regulatory period)	

Name of trial	Flat rate transitional tariff
Potential changes and triggers	We will review the tariff each year of the Legacy Meter Replacement Plan (LMRP) and continue to work with customers and retailers to enable a smooth transition to other options. The tariff will be reviewed to see if continuation is needed.
Notification date	28 February 2025
Optional information	
Forecast volumes	The forecast volumes are expected to be 1,100 customers, but this may differ as the LMRP rolls out and more commercial customers are identified.
Potential additions	Customers who are commercial and have controlled load usage of greater than 5000kwhrs or more in a 12-month period.
Location of trial	All trials will be within Essential Energy's network footprint. More precise locations will be determined as proponents are engaged.
Other	The trial tariff will be applied to existing controlled load customers only. No new customers will be able to access the tariff.