Final Decision

Ergon Energy and Energex Electricity Distribution Determination 2025 to 2030

(1 July 2025 to 30 June 2030)

Attachment 19
Tariff structure statement

April 2025

AUSTRALIAN ENERGY REGULATOR

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1	30 April 2025	43

List of attachments

This attachment forms part of the Australian Energy Regulator's (AER's) final decision on the distribution determination that will apply to Ergon Energy and Energex for the 2025–30 period. It should be read with all other parts of the final decision.

As a number of issues were settled at the draft decision stage or required only minor updates, we have not prepared all attachments. Where an attachment has not been prepared, our draft decision reasons form part of this final decision. The final decision attachments have been numbered consistently with the equivalent attachments to our draft decision.

The final decision includes the following attachments:

Contents

19 Tariff structure statement

19.1 Final decision

This attachment sets out our final decision on Ergon Energy and Energex's tariff structure statements which will apply from 1 July 2025 and remain in effect for the remainder of the 2025–30 regulatory control period. A tariff structure statement sets out a distributor's:

- proposed network tariffs (including tariff structures and charging parameters)
- export tariff transition strategy
- policies and procedures the distributor will use to assign customers to network tariffs or assign customers from one tariff to another.

It is accompanied by an indicative pricing schedule.[1] Our final decision is made on Ergon Energy and Energex's tariff structure statements in full, which includes the late amendments published on 20 December 2024 and 6 February 2025.

Network tariffs provide the charging framework through which distributors recover their costs for providing network services (transporting electricity to customers). After AER approval, a tariff structure statement becomes a compliance document against which the AER assesses the distributor's annual pricing proposals.

We accepted many elements of Ergon Energy and Energex's initial tariff structure statements in our draft decision. Attachment 19 of our draft decision sets out our reasons for accepting those elements. We do not repeat them in this final decision.

Our final decision focuses on:

- issues unresolved after our draft decision
- our assessment of changes between Ergon Energy and Energex's proposed and revised tariff structure statements
- submissions on our draft decision and Ergon Energy and Energex's revised tariff structure statements (including late amendments made by Ergon Energy and Energex) where they raised issues with our draft decision or Ergon Energy and Energex's revised proposal.

19.1.1 Context for tariff structure statements and tariff reform

This is the third set of tariff structure statements developed and consulted on by Ergon and Energex since network tariff reform was introduced in 2014 following the AEMC's power of choice review. Over that time, the roll out of smart meters has progressed with all new and replacement meters since December 2017 being advanced or 'smart'.[2] The accelerated roll

1 NER, cl. 6.18.1A.

2 AEMC, *Distribution network pricing arrangements rule change*, November 2014; AEMC, *Power of Choice Review,* November 2012; AEMC, *Expanding competition in metering and related services rule change*, November 2015.

out of smart meters, that commences in December 2025, will see universal smart meters in place by 2030.

The network tariff reform program, supported by the roll out of smart meters, is a long-term microeconomic reform program aimed at reducing future network costs through more efficient use of the network. Distributors are required to make tariffs better reflect the costs of providing their network services. This is to incentivise the shifting of consumption from peak to off-peak periods, which is predominantly during the day rather than overnight. With the introduction of two-way pricing from 2024 onwards, those customers with generation or storage assets will also be incentivised to self-consume or to export later in the day.

The requirement for cost reflective tariffs

The National Electricity Rules' (NER) distribution pricing principles (referred to in this attachment as the pricing principles, as set out in NER cl. 6.18.5) require that tariffs be designed by distributors and assessed by the AER for progress towards cost reflectivity. That is, each tariff is based on long-run marginal costs applied in a way that has regard to the additional costs likely to be associated with meeting demand at times of greatest utilisation (i.e. peak periods for demand and solar soak periods for supply), and recovers the total efficient costs of providing the service. Distributors' tariffs are required to comply with the pricing principles in a manner that will contribute to the achievement of the Network Pricing Objective (NPO) – that a distributor's charges reflect its *efficient costs* of providing those services.[3] Our assessment approach is outlined further in section 19.3.

Cost reflective tariffs for small customers are generally based on how much electricity a customer uses (consumption over a period) and/or how much capacity the customer requires (demand-based). Time-of-use charges vary depending on when the customer consumes electricity (measured in kWh) with defined windows when different rates apply (e.g. 'peak', 'shoulder', 'off-peak' and 'solar soak' windows).

A demand charge is based on the customer's highest measured demand during a specified period of time, typically limited to the highest demand measured during peak charging windows and measured in kilowatts (kW) or kilo-volt amps (kVA) for large customers). Charging windows align with the peak demand times for the whole network or for specific customer types (e.g. residential or small business customers).

Monthly maximum demand charges used by retailers are not necessarily coincident with cost driving peak demand in that they may not occur at the time and location of critical network peaks. Similarly, time-of-use tariffs have peak charging rates for all consumption during a network's generalised peak demand window which may not be coincident with short-run cost driving peak demand. Solar soak charging periods are more coincident with peak generation and 'locational' in the sense that all parts of the network that have lots of solar will have minimum demand around the same windows. However, they too will not necessarily coincide with critical minimum demand periods during days of lower solar output or higher demand.

Nonetheless, these tariffs all send broad and consistent signals that demand during generalised network wide peak periods is a contributor to network costs in the long-run (and demand during generalised network minimum demand periods alleviates long-run network

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3 NER, cl. 6.18.5(d).

costs). This was part of the rationale that underpinned the AEMC's 2014 determination that network tariffs be based on long-run marginal cost rather than short-run marginal cost.[4] The AEMC considered that long-run marginal cost provided more stable, longer term price signals about future network costs that consumers were more likely to better respond to. The AER has considered both tariff structures (demand and time-of-use) for small customers to be compliant with pricing principles requirements that tariffs be cost reflective.

Consideration of customer impacts

Customer impacts are also an important consideration for network tariff reform. Distributors are required to model the impact on customers of moving to new tariff structures, and to consider how those impacts can be mitigated/managed.[5] The NER allows for tariffs that vary from purely cost reflective tariffs to enable a period of transition, to provide for retail customers to have a choice of tariffs, or where retail customers are unable to mitigate the impact of changes in tariffs through their decisions about usage of services.

One mechanism that distributors use to manage customer impacts is to gradually increase the cost reflectively of tariffs over time until tariffs are fully cost reflective, that is, the ratio between peak and off-peak prices is initially muted but increased over time. Ultimately, all long-run marginal costs are recovered during peak periods and peak period signals are typically strengthened with the addition of some residual costs in order to encourage a behavioural response to the long-run marginal cost signals.

Assignment policy and choice of network tariff are also used to manage the pace of transition and customer impacts. For small customers, all distributors include a choice of network tariff (including at least one time-of-use tariff) that enable a retailer to choose a network tariff that aligns with their customers' preferences. Policies for assignment to cost reflective tariffs have gradually shifted from opt-in to variable charge network tariffs, to default variable charge network tariffs with the ability to opt-out to flat network tariffs, and more recently, to mandatory assignment (by most distributors) to variable charge network tariffs with no ability for customers with a smart meter or their retailers to opt-out to flat network tariffs. The 5 Victorian distributors and TasNetworks retain opt-in or opt-out assignment to flat network tariffs.

The AER has generally considered small customer impacts of any specific network tariff structure and rates within an analytical framework that assumes no behaviour change as the baseline, as not all customers are willing and able to adapt their use and generation behaviours.

Further, as customers have a choice of network tariffs, our expectation has been that for small customers, only those preferring demand tariffs to the alternative of a time-of-use tariff would be assigned to them. However, we have accepted the structure of default tariffs as more important in the 2025–30 resets. The AER is aware of customers being assigned to demand network tariffs and consequentially to demand retail offers that they did not choose or understand, and of retailers not actively reassigning those customers to their preferred tariff structure. In this context, the AER considered the relative impacts from different tariff structures and determined the default network tariff should be one more easily understood by

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4 AEMC, *Distribution network pricing arrangements rule change*, November 2014.

5 NER, cl. 6.18.5(h).

customers and which therefore affords them greater opportunity to mitigate impacts through decisions about usage. This is the current context in which the AER has considered the application of the pricing principles[6] and made the decision (discussed in section 19.4.2.1) that even though Ergon Energy and Energex's time-of-use demand tariffs are cost reflective and can be approved,[7] their time-of-use tariff options are the better default tariffs for these small customers in consideration of customer impacts.[8]

As discussed in this attachment, the AER assessed Ergon Energy and Energex's tariff structure statements in consideration of:

- the economic pricing principles (NER, clauses 6.18.5(e) – (g))
- the ability to vary tariffs from those that comply with the economic pricing principles per NER cl. 6.18.5(c) (in consideration of customer impacts, customer / retailer understandability and that tariffs comply with the NER and all applicable regulatory instruments per NER clauses 6.18.5(h) – (j)), and
- contribution to the achievement of the NEO.

Subsequently, our draft determination made requirements of Ergon Energy and Energex that would not have been made based on cost reflectivity alone.

Consideration of the National Electricity Objectives

In approving tariff structure statements, the National Electricity Law (NEL) requires us to make our decisions in a manner that will, or is likely to, contribute to the achievement of the national electricity objective (NEO).[9] The NEO has been updated to include efficiency in the long-term interest of consumers with respect to achieving targets set by jurisdictions for reducing Australia's greenhouse gas emissions. For tariff structure statements, we consider the NEO elements of price and achievement of jurisdictional emissions reduction targets to be most relevant. This is the consideration behind the AER's decision (discussed in section 19.4.5.1) that even though Ergon Energy and Energex's proposed large business tariffs are cost reflective, large low voltage (LV) customers with peaky load should have access to a time-of-use tariff at this point in time.

Implementation of reform continues but approaches evolve

The AER remains committed to continued adaptation of the network tariff reform program, as the transition to a greater reliance on distributed energy progresses.

Network tariff design has evolved through simple variable charge network tariffs with extended low (and sometimes shoulder) price periods and shorter higher-priced periods. The price difference between peak and off-peak periods was often deliberately modest to build familiarity with the tariffs and they were typically opt-in. These early cost reflective tariffs

6 NER, clauses 6.18.5(b) – (d).

7 NER, clauses 6.18.5(e) – (g).

8 NER, clauses 6.18.5(h).

9 NEL, s 16(1)(a).

placed greater weighting on customer impacts and understandability pricing principles.[10] These were followed by increasingly more cost reflective tariffs with very low to zero prices during midday periods, low prices overnight, and high prices during evening peak periods. These tariffs have increased price differences between the periods which provides clearer and stronger rewards to retailers on periods of network congestion, as well as recovering all long-run marginal costs in periods of greatest utilisation.

The AEMC's 2024 introduction of the accelerated smart meter roll out will support an increased pace of reform as access to cost reflective tariffs will become less limited by a customer's meter type.[11] At the same time, the transition to a renewable energy system and high demand/supply variability associated with increasing consumer/distributed energy resources (CER/DER) makes the incentives provided through network tariffs in balancing network supply and demand fluctuations increasingly critical.

Options for cost reflective network tariff design lie across a spectrum, with varying attributes in terms of the strength of the incentive, whether they are locationally based, and whether they are simple and static or more dynamic and complex.[12] The price responsive nature of CER or smart appliances opens new opportunities for networks to mitigate investment needs using charges for critical demand and supply events (i.e. sharper price signals that might be locational and/or include layering of short-run signals on tariffs still based on long-run marginal costs). However, the need for simpler network tariff options will remain for a significant proportion of customers who prefer more predictable costs.

In recent years we are seeing significant proposed capital expenditure increases for many distribution networks, on top of the investment in generation and transmission projects that are critical to unlocking new sources of renewable energy to replace our aging and increasingly unreliable coal plants. Further, substantial network investment is needed to meet increased demand from electrification and electric vehicles, as well as to manage periods of minimum demand in locations with high solar photo voltaic (PV) uptake. The AER's State of the Energy Market Report 2024 demonstrates that maximum demand rose by 2% in 2023–24 from the previous year, with Queensland setting a record maximum demand. It also demonstrates record minimum demand levels in most of the National Electricity Market (NEM), attributed to increased rooftop solar output.[13]

Incentives, in the form of cost-reflective network tariffs, coupled with increasing automation of responses to price signals or controls over electricity use and generation, are all necessary to achieving more efficient utilisation of network assets, and reducing future network costs.

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10 The AEMC's 2014 rule change required that tariffs be understandable to retail customers. In the AEMC's *2021 Access, pricing and incentive arrangements for distributed energy resources rule change* this was expanded to allow for tariffs that were understandable *by customers or able to be incorporated into retail offers.* Further, the cl. 6.18.5(c) of the NER permits a distributor to vary tariffs which would result from complying with the economic pricing principles in consideration of impact on customer of changes in tariffs from the previous regulatory year.

11 AEMC, *National Electricity Amendment (Accelerating Smart Meter Deployment) Rule,* November 2024.

12 For a review of the range of retail tariff designs see the Brattle Group, *Electricity Ratemaking and Equitable Rate Design, A survey of best practices*, June 2021.

13 AER, *State of the Energy Market Report 2024*, November 2024, pp 33 – 34.

The role of retailers

Network tariffs are charged to retailers and cost reflective pricing is intended to facilitate retailer innovation to increase network capacity utilisation. Retailers can achieve this with retail offers that encourage consumers to shift their own behaviour or with business models that offer control and orchestration of load and supply. More specifically, retailers may manage and respond to network price signals by offering customers insurance style flat tariffs (either with a price premium to account for network tariff price risk or with elements of control to manage the price risk), pass network prices through to end users, or offer 'prices for devices' style offers. With increasing levels of CER, we anticipate more retailers and intermediaries will develop business models that seek value from cost reflective tariffs and flexible load/supply. We encourage retailers to continue to innovate to access this value through helping consumers that are willing and able to shift and reduce their load, including through drawing on energy efficiency initiatives and offering flat retail tariffs where this is preferred by customers.

Recent regulatory changes have increased the emphasis on retailers' role in innovating to manage network costs i.e. provisions in the National Electricity Retail Rules (NERR) that:

1. for a two-year period following the installation of a smart meter, require retailers to obtain explicit informed consent to move customers to a new tariff
2. enables jurisdictions to require designated retailers to offer flat tariff options to customers with smart meters.[14] The Queensland government passed legislation giving effect to this.

Two submissions considered that with this constraint on retailers, distributors should offer matching flat network tariffs to mitigate the network price risk faced by retailers.[15] The AER considers this would be inconsistent with the NER's Network Pricing Objective[16] (NPO) and pricing principles that require tariffs to progress towards cost reflectivity, and would not deliver the objectives of network tariff reform. As observed above, retailers have a range of options to manage and respond to network price signals, including options that do not reassign customers to new tariffs.

19.1.2 Final Decision

Our final decision is to refuse to approve Ergon Energy and Energex's revised 2025–30 tariff structure statements and require 7 amendments.[17] We are satisfied that with the amendments, Ergon Energy and Energex's revised 2025–30 tariff structure statements will comply with the pricing principles for direct control services in the NER and is consistent with other applicable requirements of the NER. The amendments are to:

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14 AEMC, *Accelerating smart meter deployment rule change*, November 2024.

15 Powershop, *Submission on Energex's Revised Regulatory Proposal for 2025–30,* January 2025, p 3; National Seniors Australia, *Submission on Ergon Energy and Energex's Revised Regulatory Proposal for 2025–30,* January 2025, p 1.

16 NER, cl. 6.18.5(a).

17 NER, cls. 6.12.3(k) and (l).

- include the proposed primary dynamic price storage tariffs within the tariff structure statements and edit the contingent tariff adjustments associated with introducing those tariffs during the 2025–30 period
- remove the proposed contingent tariff adjustments to introduce the *secondary* dynamic price storage tariffs (these would remain as tariff trials)
- include supply times for primary and secondary load control tariffs
- edit section 1.1 of revised tariff structure statements to restore text from the initially proposed tariff structure statements (regarding the tariff structure statements' approval)
- edit the proposed contingent tariff adjustments to shift the peak and off-peak windows during the 2025–30 period so that that changes are clear and the trigger well defined
- edit section 3.6 of revised tariff structure statements to reflect that some customers with basic meters will remain on withdrawn tariffs until they can be reassigned to the appropriate tariff at the first meter read
- remove the proposal to set $zero anytime charges and introduce small fixed charges in secondary controlled load tariffs and restore the initially proposed secondary load control tariffs (with no fixed charges and anytime volume charges).

Our final decision sets out the minimum changes we consider necessary for Ergon Energy and Energex's proposed tariff structure statements to comply with the pricing principles.

We publish the final versions of Ergon Energy and Energex's tariff structure statements alongside our decisions. For transparency, we publish both clean versions and marked-up versions. The final versions of Ergon Energy and Energex's tariff structure statements incorporate the late amendments they made to their revised tariff structure statements on 20 December 2024 and 6 February 2025.[18] The final versions of the tariff structure statements also include a minor editorial correction to table 2 relating to the Connection Asset Customer tariff class, inclusion of tariff codes in tables 8 and 9, and corrections to table and figure numbers throughout, at Ergon Energy and Energex's request.

Table 19.1 summarises our final decision on elements of Ergon Energy and Energex's revised tariff structure statements that were not approved in our draft decision or have been changed from the initial tariff structure statements submitted in January 2024.

Table 19.1 Overview of new or amended elements of revised tariff structure statements

Issue	AER's Draft Decision	Distributors' revised tariff structure statement	AER's Final Decision
Section 1.1 of tariff structure statements	N/A	Edited section 1.1 of tariff structure statements to indicate that only some elements	Amend section 1.1 of the revised tariff structure statements to include text

[18] Ergon Energy and Energex, *TSS Amendment*, December 2024; Ergon Energy and Energex, *TSS Amendment*, February 2025.

Issue	AER's Draft Decision	Distributors' revised tariff structure statement	AER's Final Decision
		of the approved tariff structure statement would apply for the 2025–30 period.	of initial tariff structure statements.
Contingent tariff adjustment to change peak windows	N/A	Proposed a contingent tariff adjustment to adapt time-of-use charging windows to maintain peak and off-peak alignment during the 2025–30 period.	Amend contingent tariff adjustments to better define the changes and triggers.
Section 3.6 of tariff structure statements (withdrawn tariffs)	N/A – tariff streamlining approved.	N/A	Amend section 3.6 of revised tariff structure statements to reflect that some customers will remain on withdrawn tariffs until they can be reassigned to the appropriate tariff.
Primary and secondary load control tariffs	Approved. Encouraged inclusion of controlled load supply times within tariff structure statements.	For secondary load control tariffs - proposed to set anytime volume changes to $zero in secondary controlled load tariffs and introduced low fixed charges	Amend revised tariff structure statements to include load control supply times for these tariffs. Amend revised tariff structure statements to revert to secondary load control tariffs from initial tariff structure statements ($zero fixed charges, low anytime volume charges).
Storage tariffs	Not approved. Required Ergon Energy and Energex to provide further detail on proposed grid-scale storage tariffs, including more detail on the proposed critical peak pricing mechanism.	Modified dynamic flex storage tariffs (distributor control of storage via dynamic connection), removing critical peak elements. Withdrew dynamic price storage tariffs, proposed to introduce them during the regulatory period via a contingent tariff adjustment.	Amend to include more information on primary price tariffs and the contingent tariff adjustments within tariff structure statements to enable them to be introduced during the 2025–30 period once Ergon Energy and Energex develop billing capability, and to remove the contingent tariff

Issue	AER's Draft Decision	Distributors' revised tariff structure statement	AER's Final Decision
			adjustments for the secondary dynamic price storage tariffs.
Small customer tariff default assignment	Not approved. Required Ergon Energy and Energex to change default assignment for residential and small business customers with smart meters from the proposed time-of-use demand tariffs to the proposed time-of-use tariffs.	Proposed to make time-of-use tariffs the default for new and existing small customers. Proposed to transition existing smart meter customers (on transitional demand tariff) to time-of-use tariffs over 6-months.	Approve time-of-use tariffs as the default assignment for new and existing small customers, and 6-month transition to time-of-use tariffs for existing customers.
Tariff streamlining – removal of wide inclining block tariff and changes to small business time-of-use tariff structure	Required further information on the proposed contingent tariff adjustments to remove obsolete tariffs within the 2025–30 period.	Withdrew the contingent tariff adjustment. Withdrew inclining block tariffs with zero customers on it.	Accept withdrawal of the contingent tariff adjustment. Approve withdrawal of inclining block tariffs. Approve simplifications to small business time-of-use tariffs.
12-month lag	Approved proposed 12-month lag.	In a late amendment, proposed to change the duration that customers remain on a basic meter tariff from 12 months following the end of the financial year on which the upgrade occurred, to 12 months from the time their meters are replaced (due to billing system considerations).	Approve changes to the 12-month lag commencement date.
Flexible load tariffs	Not approved. Required EQ to include further description of control arrangements that are contained in the Queensland Electricity Connections Manual, including the relationship between the Manual and tariff	Included more information on the Queensland Electricity Connections Manual. In a late amendment, also proposed a contingent tariff adjustment to offer Flexible Load Tariffs from 2028 or earlier if billing systems allow it.	Approve the proposed changes to flexible load tariffs.

Issue	AER's Draft Decision	Distributors' revised tariff structure statement	AER's Final Decision
	structure statements, and the extent to which control arrangements influence tariff options.		
Two-way pricing	Not accepted. Required volume-based export charges, export tariff transition strategy and customer impact analysis for small and large customer businesses. Encouraged further information on dynamic connections.	Withdrew two-way tariffs and included an export tariff transition strategy. Included further information on dynamic connections in tariff structure explanatory statements.	Accept withdrawal of two-way tariffs. Approve the export tariff transition strategy.
Tariff assignment for large low voltage customers	Not approved. Required a time-of-use tariff option for large customers consuming up to 160 mega-watt hour (MWh) per annum and with demand greater than 120 kVA.	Introduced a time-of-use tariff for customers consuming up to 160 MWh per annum and with demand over 120 kVA. Introduced a contingent tariff adjustment to change the consumption threshold defining large business customers (currently 100 MWh per annum) to match any Queensland Government changes in legislation to the defined threshold	Approve time-of-use tariffs for large customers and the contingent tariff adjustment.
Ergon Energy only – price streamlining	N/A	Aligned Ergon Energy's small customer volume and demand charges to those in Energex's network (i.e. tariffs for customers in both networks have the same volume and demand charges). Aligned volume and demand charges across Ergon Energy's pricing	Accepted Ergon Energy's price alignment.

Issue	AER's Draft Decision	Distributors' revised tariff structure statement	AER's Final Decision
		zones (East, West and Mt Isa).	
Ergon Energy only - tariff streamlining for large customers with accumulation meters	Encouraged more detail on proposal to remove the kW option of the Demand Small tariff for large customers.	Proposed that~500 large business customers with accumulation meters currently on the Demand Small tariff would be assigned to the large business anytime energy tariff.	Approve reassignment of accumulation meter customers from the Demand Small tariff to flat tariffs.

19.2 Ergon Energy and Energex's revised proposals

Ergon Energy and Energex submitted proposed revised tariff structure statements in November 2024. They subsequently submitted further amendments to their proposed revised tariff structure statements on 20 December 2024 and 6 February 2025. Together, the revised tariff structure statements and the subsequent amendments to them are broadly consistent with the tariff structure statements initially submitted in January 2024. In response to our draft decision, Ergon Energy and Energex:

- withdrew two-way pricing
- made time-of-use tariffs the default tariffs for new and existing small customers
- modified proposed storage tariffs
- proposed time-of-use tariffs for large customers consuming up to 160 MWh per annum with demand over 120 kVA, and included contingent tariff adjustments that if the Queensland Government changes the large customer threshold (e.g. from 100 MWh per annum to 160 MWh per annum), the new threshold would also apply in Ergon Energy and Energex's tariff structure statements
- provided more information on the Queensland Electricity Connections Manual and eligibility of flexible load control tariffs, and proposed contingent tariff adjustments to introduce flexible load control tariffs from 2028 or earlier (contingent on billing system capabilities)
- withdrew the proposed contingent tariff adjustments to withdraw obsolete tariffs during the 2025–30 period and instead, withdrew (from 1 July 2025) small business wide inclining block tariffs with no customers on it
- withdrew the proposed contingent tariff adjustments to bring forward the introduction of optional demand-only tariffs (this issue is not considered further in this attachment)
- provided more information on areas where the AER *encouraged* change in our draft decision i.e. more bill impact analysis and more information on withdrawn tariffs.

Ergon Energy and Energex proposed the following *additional* changes in their revised tariff structure statements (ones not in response to our draft decision):

- shifting the duration that customers remain on a basic meter tariff from 12 months following the end of the financial year on which the upgrade occurred, to 12 months from the time their meters are replaced
- introducing contingent tariff adjustments to adapt time-of-use charging windows for residential customer tariffs to maintain peak and off-peak alignment during the 2025–30 period
- editing section 1.1 of their tariff structure statements to indicate that *elements* of the approved tariff structure statement would apply for the 2025–30 period, rather than the entire tariff structure statement
- simplifying small business time-of-use tariffs by aligning structures and charging windows with the equivalent residential tariffs
- setting anytime volume changes to $zero in secondary controlled load tariffs and introducing low fixed charges (initial proposal was to include $zero fixed charges and positive volume charges)
- Ergon Energy only – aligning small customer (SAC (standard asset customers) small) volume and demand charges to those in Energex's network (i.e. tariffs for customers in both networks have the same volume and demand charges)
- Ergon Energy only – aligning volume and demand charges for large business low voltage (LV) large tariffs across Ergon Energy's pricing zones (East, West and Mt Isa).
- Ergon Energy only – assigning approximately 500 large business SAC large customers with accumulation meters, currently on the Demand Small tariff, to the large business flat tariff.

19.3 Assessment approach

We assess tariff structure statements against the requirements of the NER and the NEL. We make our decisions in a manner that is or likely to contribute to the achievement of the NEO.

First, the NER set out elements that an approved tariff structure statement must contain.[19] These include the structure of proposed tariffs, and the policies and procedures the distributor will use to assign customers to those tariffs.

Second, a tariff structure statement must comply with the pricing principles set out in NER cl. 6.18.5.[20] Broadly, that is:

- tariffs must comply with the pricing principles, in a manner that will contribute to the Network Pricing Objective (NPO) - that tariffs reflect the distributor's efficient costs of providing those services to the retail customer[21]

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19 NER, cl. 6.18.1A(a).

20 NER, cl. 6.18.1A(b).

21 NER, cl. 6.18.5(a), cl. 6.18.5(b), cl. 6.18.5(d).

- tariffs can vary from tariffs that comply with the pricing principles in NER clauses 6.18.5(e) – (g) (economic pricing principles) to the extent permitted under NER cl. 6.18.5(c) (in consideration of customer impacts, customer / retailer understandability and that tariffs comply with the NER and all applicable regulatory instruments)

Third, we consider whether and how a distributor's tariff structure statement contributes to the achievement of the National Electricity Objective (NEO).

We also take into consideration stakeholder submissions.

Subject to chapter 6 and cl. 6.12.3 of the NER, the AER has (limited) discretion to accept or approve, or refuse to accept or approve, any element of a proposed tariff structure statement.[22]

Under NER cl. 6.12.3(k), the AER must approve a tariff structure statement unless the AER is reasonably satisfied that the proposed tariff structure statement does not comply with the pricing principles for direct control services or other applicable requirements of the NER.

The minimum changes we have made are in accordance with NER cl. 6.12.3(l). Under NER cl. 6.12.3(l), if the AER refuses to approve a proposed tariff structure statement, the AER must include in that distribution determination an amended tariff structure statement which is:

- determined on the basis of the distributor's proposed tariff structure statement; and
- amended from that basis only to the extent necessary to enable it to be approved in accordance with the NER.

19.3.1 What happens after a tariff structure is approved?

Once approved, a tariff structure statement will remain in effect for the relevant regulatory control period. The distributor must comply with the approved tariff structure statement and be consistent with the indicative pricing schedule when setting prices annually for direct control services.[23]

We will separately assess the distributors' pricing proposals for the coming 12 months. Our assessment of pricing proposals will be consistent with the requirements of the relevant approved tariff structure statement. A distributor is required to submit its initial pricing proposal within 15 business days after publication of our determination.

An approved tariff structure statement is intended to provide certainty and transparency to customers for 5 years. It can only be amended within a regulatory control period with our approval.[24] We will approve an amendment if the distributor demonstrates that an event has occurred that was beyond its control and which it could not have foreseen, and that the

22 NER, cl. 6.12.3(a)(1).

23 NER, cl. 6.18.2(b)(7), cl. 6.18.2(b)(7A).

24 NER, cl. 6.18.1B.

occurrence of the event means that the amended tariff structure statement materially better complies with the distribution pricing principles.[25]

19.4 Reasons for final decision

As noted under section 19.1, our final decision is to require 7 amendments to Ergon Energy and Energex's tariff structure statements to make them compliant with the NER.

In this section, we outline our reasons for accepting, approving and/or amending Ergon Energy and Energex's revised tariff structure statements.

We have not provided additional analysis of the following (stakeholders should refer to attachment 19 of our draft decision for detail on these):

- elements we approved in our draft decision and that Ergon Energy and Energex did not change between their initial and revised proposed tariff structure statements
- elements of our draft decision that Ergon Energy and Energex adopted or addressed (if no submission raised issues on these elements).

19.4.1 Changes to section 1.1 of Tariff structure statements

Our final decision is to amend section 1.1 'Introduction and Overview' of Ergon Energy and Energex's revised tariff structure statements, to include text from the initial tariff structure statements.[26]

Ergon Energy and Energex's proposed *initial* tariff structure statements submitted in January 2024 included the following paragraph in section 1.1:

> *"Once approved, this TSS will remain in place for the regulatory period 1 July 2025 to 30 June 2030 unless an event occurs that is beyond the reasonable control of the distribution business and could not reasonably have been foreseen, and the AER approves a change."*

Ergon Energy and Energex's proposed revised tariff structure statements amended the paragraph in section 1.1 to read that only certain elements of the tariff structure statements (including tariff classes, policies for assigning customers, tariff structures) would remain in place for the 2025–30 period.[27]

We consider that the text in section 1.1 of Ergon Energy and Energex's proposed revised tariff statements is not consistent with the requirement under NER cl. 6.12.1(14A) that the AER's distribution determination is predicated on a decision to approve or not approve the distributor's tariff structure statement, i.e. the decision relates to the entire tariff structure statement and there is no provision for the decision to apply to selected elements of it. We consider the revised text to be inconsistent because it refers to only selected elements of the tariff structure statements. We have amended the revised tariff structure statements to

25 NER, cl. 6.18.1B(d).

26 NER, cls. 6.12.3(k) and (l).

27 Ergon Energy, *Revised Tariff Structure Statement,* November 2024, p 5; Energex, *Revised Tariff Structure Statement,* November 2024, p 5.

include the text that was in section 1.1 of Ergon Energy and Energex's initial tariff structure statements to enable compliance with NER cl. 6.12.1(14A).

19.4.2 Residential and small business tariffs

19.4.2.1 Default time-of-use tariffs for small customers

Our final decision is to approve Ergon Energy and Energex's proposed revised tariff structure statement tariff assignment policy to assign all SAC small customers to default time-of-use tariffs. We also approve Ergon Energy and Energex's approach to transitioning existing customers on current default transitional demand tariffs to the new default time-of-use tariffs within 6-months after 1 July 2025. We consider that this change responds to our draft decision and is consistent with NER cl. 6.18.1A (a tariff structure statement must include the policies and procedures for assigning retail customers to tariffs), pricing principles in NER cl 6.18.5, and other elements of the NER.

Our draft decision

Our draft decision required Ergon Energy and Energex to shift *default* tariff assignment for SAC small customers from the proposed time-of-use demand tariffs to the proposed time-of-use tariffs. Our draft decision otherwise approved the structure of the time-of-use demand tariffs, and supported network tariff optionality for small customers.

Our rationale was that Ergon Energy and Energex's time-of-use demand tariffs are compliant with NER cl. 6.18.5(g) and 6.18.5(f) (economic pricing principles). However, we also took into consideration of NER cl 6.18.5(h) (impacts on customers of changes to tariffs) and NER cl 6.18.5(i) (customer and retailer understandability), stakeholder submissions and the current context for tariff reform. Page 19 of our draft decision attachment lists the factors we considered in making our decision.[28] Our view was that, en masse, many customers who are assigned from flat network tariffs to cost reflective demand tariffs would be assigned by their retailer (at least initially) to demand retail offers and may not be able to understand and respond in a way to mitigate the impact of them.

Ergon Energy and Energex's revised tariff structure statements

In response to our draft decision, Ergon Energy and Energex first proposed that *new* SAC small customers would face default time-of-use tariffs from 1 July 2025. Under this approach, existing customers on the current default transitional demand tariff (approximately 1.1 million customers) would stay on demand-based tariffs unless they or their retailer requested reassignment to the time-of-use option.

Ergon Energy and Energex then proposed an amendment to their revised tariff structure statements on 20 December 2024 to transition *existing* SAC customers on the current default transitional tariffs to the new default time-of-use tariffs.[29] Existing customers who are on the transitional default demand tariffs would be on new optional time-of-use demand tariffs from 1 July 2025, which replace the existing transitional default demand tariffs. The optional time-of-use demand tariffs have higher demand charges than the transitional demand tariffs.

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28 AER, *Draft Decision Attachment 19 – Tariff Structure Statement - Ergon Energy and Energex – 2025-30 Distribution Revenue Proposal,* September 2024, p 19.

29 Ergon Energy and Energex, *TSS Amendment*, December 2024.

Ergon Energy and Energex would work with retailers to transition customers to the default time-of-use tariff within 6 months. Under this approach, those customers who are better off or prefer to stay on the demand-based tariffs can choose (through their retailer) to do so. *New* customers would be automatically assigned to the time-of-use tariffs from 1 July 2025. The time-of-use demand tariffs would be optional.

Stakeholder submissions

We received 8 submissions which considered tariff assignment for SAC small customers. Retailers and the AER's Consumer Challenge Panel (the CCP30) largely supported default tariff assignment to time-of-use tariffs and optional demand tariffs for small customers.[30] However, we acknowledge and have considered the broad range of views on tariff reform.

Origin Energy and Queensland Farmers' Federation noted that a uniform approach to assignment might not be appropriate as some customers might be better off on demand tariffs.[31]

Two stakeholder submissions advocated for flat network tariffs. Powershop submitted in support of AER's draft determination not approving demand tariffs as the default, but also submitted that optional flat network tariffs were required because retailers are required to provide flat retail tariffs in Queensland. It also submitted that time-of-use-based tariffs alone may not solve network issues as electricity demand is largely inelastic.[32] National Seniors Australia submitted that customers may be unable to respond to cost reflective price signals and advocated for default flat tariffs.[33]

Conversely, Ergon Energy and Energex's reset reference group (the RRG),also summarising the views of Ergon Energy and Energex's network pricing working group, submitted that the AER was moving away from cost reflective pricing by requiring default time-of-use tariffs.[34] It asked the AER to further explain why its approach to mitigating the risk of bill shock through tariff assignment to time-of-use energy tariffs for small customers is required in addition to existing approaches (for example, the customer protections built into the AEMC's Accelerating smart meter deployment final rule change determination). The RRG also questioned why the AER wants Ergon Energy to transition its customers to the network time-

30 Australian Energy Council, *Submission on Ergon Energy and Energex's Revised Regulatory Proposal for 2025–30,* January 2025, pp 1-2; CCP30, *Submission on Ergon Energy's Revised Regulatory Proposal for 2025–30,* January 2025, pp 27-28 ; CCP30, *Submission on Energex's Revised Regulatory Proposal for 2025–30,* January 2025, p 35; Red and Lumo Energy, *Submission on SA Power Networks', Ergon Energy and Energex's Revised Regulatory Proposal for 2025–30,* January 2025, p 2; Origin Energy, *Submission on Ergon Energy and Energex's Revised Regulatory Proposal for 2025–30,* January 2025, pp 1-2.

31 Origin Energy, *Submission on Ergon Energy and Energex's Revised Regulatory Proposal for 2025–30,* January 2025, pp 1-2; Queensland Farmers' Federation, *Submission on Ergon Energy and Energex's Revised Regulatory Proposal for 2025–30,* January 2025, pp 5-6.

32 Powershop, *Submission on Energex's Revised Regulatory Proposal for 2025–30,* January 2025, p 3.

33 National Seniors Australia, *Submission on Ergon Energy and Energex's Revised Regulatory Proposal for 2025–30,* January 2025, p 1.

34 EQL Reset Reference Group, *Submission on Australian Energy Regulator's Draft Decision and Ergon Energy's Revised Regulatory Proposal for 2025–30,* January 2025, p 5; EQL Reset Reference Group, *Australian Energy Regulator's Draft Decision and Energex's Revised Regulatory Proposal for 2025–30,* January 2025, p 5.

of-use tariffs when most of these customers are with Ergon Retail, and 98% of Ergon Energy's retail customers with smart meters are on a flat retail tariff.[35]

One private citizen submitted against Ergon Energy and Energex's tariff structure statements, and that smart meters enable distributors to increase revenue.[36] However, distributors can only recover their allowed revenues, assessed and approved as part of the broader revenue determination. Tariffs structures govern the allocation of that revenue recovery, they do not enable distributors to recover more than their allowed revenues.

AER considerations

Our final decision maintains the position we held in our draft decision – that small customers on mass may be unable to mitigate the impact of demand tariffs, because they cannot understand them. We made our final decision in consideration that tariffs may vary in accordance with NER cl.6.18.5(b) to the extent permitted within NER cl. 6.18.5(c). In particular, we considered default demand-based tariffs against NER cl. 6.18.5(h), the customer impact principle. We continue to consider that some customers / retailers could prefer demand-based tariffs and can opt-in to them. This view is reflected by Origin Energy's submission mentioned above.

We understand the position that if demand-based tariffs were the default tariff, retailers or their customers could opt-out to an optional time-of-use tariff. However, retailers do not always, or promptly, opt customers out of a default tariff even when their customers do not want that structure, and utilising the opt-out option is dependent on retailers or customers being engaged. This is consistent with findings of the ACCC that customers are more likely to be on demand *retail* tariffs in Ausgrid, Endeavour Energy's and Energex's networks (i.e. where demand tariffs were or are the default network tariff).[37]

We acknowledge that at financial year 2023, only ~15% of residential customers in Energex's network faced cost-reflective retail tariffs, despite ~35% of them having smart meters and their retailers being on the existing default transitional demand tariff.[38,39] However, the current underlying default tariff for smart meter customers has muted (transitional) demand signals. We expect that, if the demand-based tariff was the default network tariff, from 1 July 2025 more customers would face more demand-based retail offers. This would reflect the sharper price signals of the new demand network tariff relative to the current transitional one. Further, given the target of 100% smart meters under the AEMC's accelerated smart meter roll out, we expect the number of customers assigned to default demand network tariffs, and consequentially to demand retail offers, to be a larger portion of Ergon Energy and Energex's customers by 2030.

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35 EQL Reset Reference Group, *Submission on Australian Energy Regulator's Draft Decision and Ergon Energy's Revised Regulatory Proposal for 2025–30,* January 2025, p 50.

36 L LaBlack, *Submission on Australian Energy Regulator's Draft Decision and Ergon Energy's Revised Regulatory Proposal for 2025–30,* March 2025, p 1.

37 ACCC*, Inquiry into the National Electricity Market: December 2024 Report,* p 29. We note that demand tariffs are no longer the default for small customers in Endeavour Energy's network.

38 ACCC, *Inquiry into the National Electricity Market: June 2024 Report,* p 56.

39 Annual Regulatory Information Notice (RIN) data, current at June 2023.

The ACCC's findings are also consistent with our draft decision that customers may not be able to mitigate the impact of demand tariffs because many do not understand them. The ACCC found that approximately 51% of customers with demand retail offers were paying prices at or above the Default Market Offer (DMO), compared to 38% of customers on the flat rate and 27% on time-of-use tariffs.[40] This further indicates that retail customers may not understand how to respond to demand-based price signals compared to time-of-use price signals. Our view is that the goal of network tariff reform is two-fold – better network capacity utilisation and (through retailers) behavioural response to price signals (whether by customer action or device management/orchestration). The benefits of cost reflective price signals, for example a reduction in future network costs, assumes some level of behaviour change, and customer response to price signals is greatest when they *know* what action to take.

We do not consider that changing the default tariff for small customers from demand tariffs to time-of-use tariffs is a backwards step to tariff reform, and we maintain support for the broader tariff reform program. Time-of-use tariffs signal to customers (through their retailers) periods of abundance and scarcity on the network. By signalling when electricity use may contribute to periods of network congestion, time-of-use tariffs encourage more efficient use of the network. These tariffs, that are still based on long-run marginal cost, better reflect a distributors' efficient costs of providing services to customers than a flat network tariff would, consistent with the NPO. We also maintain the position that customers with smart meters be assigned to cost reflective network tariffs, and not flat network tariffs. While we acknowledge the submissions from Powershop and National Seniors Australia, we consider that flat network tariffs would not encourage efficient utilisation of the network and would ultimately lead to higher long-term costs to all consumers.

We do consider that customers should have the choice to access flat tariffs at the *retail level*, regardless of meter type. In December 2024, the Queensland Government passed a derogation requiring retailers to offer flat standing offers (Queensland derogation).[41] We also acknowledge the protections offered to retail customers under the AEMC's Accelerating smart meter deployment final rule change determination, requiring a two-year informed consent period before a retailer can move a customer to a cost reflective retail tariff after receiving a smart meter.[42]

We agree in part with the submission by Ergon Energy and Energex's RRG that there are other protections external to the tariff structure statement process aimed at mitigating customer bill impacts. However, these protections only partially address our concerns around potential customer impacts from default demand tariffs. The explicit informed consent obligation under the AEMC's rule change determination only commences on 1 December 2025.[43] This means that the ~47% of residential customers in Ergon Energy and Energex's network who already have smart meters will be able to be moved to cost reflective retail tariffs without the retailer needing explicit informed consent.[44] Further, while retailers are

40 ACCC, *Inquiry into the National Electricity Market: December 2024 Report,* p 29.

41 *The National Energy Retail Law (Queensland) Amendment Regulation* (No. 2) 2024.

42 AEMC, *National Electricity Amendment (Accelerating Smart Meter Deployment) Rule,* November 2024.

43 AEMC, *National Electricity Amendment (Accelerating Smart Meter Deployment) Rule,* November 2024, p 30.

44 Annual RIN data, current at June 2024.

required to offer a flat standing offer under the Queensland derogation, it is still the onus is still on the customer to enquire as to their availably, and we assume that this option may only be accessible to those customers sufficiently informed of the option.

The limitations of these customer protections, combined with the historical trend that retailers do not tend to shift customers away from default network tariffs, support our final decision.

Finally, we recognise that most customers in Ergon Energy's network are with Ergon Retail and are on flat retail tariffs, and are therefore unlikely to see any change from the approved tariff assignment policy. However, we also acknowledge Ergon Energy and Energex's ongoing plans to align tariffs across the networks. We consider our final decision is consistent with this tariff alignment.

19.4.2.2 Changes to 12-month lag

Our final decision is to approve Ergon Energy and Energex's 6 February 2025 amendment to their proposed revised tariff structure statements on transitional arrangements for customers subject to a retailer-initiated basic meter (12-month lag). This is on the grounds that the 12-month lag continues to comply with the NER.

Our draft decision approved Ergon Energy and Energex's initial proposed tariff structure statements that customers whose basic meters are replaced by a retailer-initiated upgrade would remain on a flat network tariff for a period of 12 months *from the end of the financial year in which the meter upgrade occurred* before being reassigned to the default smart meter tariff.

Ergon Energy and Energex proposed minor amendments to those assignment arrangements, so that customers whose basic meters are replaced by a retailer-initiated upgrade would remain on a flat network tariff for a period of 12 months *from the date of the basic meter upgrade*. Ergon Energy and Energex proposed that this change would avoid the administrative complexity of the distributors having to reassign large volumes of customers to the default smart meter tariff on 1 July each year.[45] This change also aligns Ergon Energy and Energex's 12-month lag arrangements to those of other networks.

Ergon Energy and Energex's RRG and Red and Lumo Energy submitted support for this change.[46]

We consider Ergon Energy and Energex's rationale is reasonable and will not have any material impacts on customers. We consider the approach capable of acceptance. The marked up and clean versions of Ergon Energy and Energex's tariff structure statements that will be published with this attachment reflect this minor amendment.

45 Ergon Energy and Energex, *TSS Amendment*, February 2025, p 1.

46 EQL Reset Reference Group, *Submission on Energy Queensland's Proposed Amendments to the Revised Tariff Structure Statement for 2025–30*, March 2025, p 2; Red and Lumo Energy, *Submission on Energy Queensland's Proposed Amendments to the Revised Tariff Structure Statement for 2025–30*, March 2025, p 1.

19.4.2.3 Addition of contingent tariff adjustment to shift peak and solar-soak windows during the 2025–30 period

We accept Ergon Energy and Energex's *rationale* for introducing these contingent tariff adjustments. However, our final decision is to amend the contingent tariff adjustments to the extent necessary to enable them to be approved.[47] This is to achieve compliance with NER cl. 6.18.1A (a)(3) and (4) (the requirements that tariff structure statements include tariff structures and charging parameters for each tariff). It is also in consideration of NER cl. 6.18.5(i), that the structure of each tariff must be reasonably capable of being understood by customers or incorporated by retailers. We consider that these requirements extend to any possible changes to tariff structures made *during* a regulatory control period.

Ergon Energy and Energex proposed these contingent tariff adjustments in a late amendment to their proposed revised tariff structure statements on 6 February 2025. Ergon Energy and Energex proposed to adapt the charging windows if data shows this is required to maintain the alignment of relevant peak, shoulder, off-peak windows and/or that data shows that changing windows would improve price signals.[48]

Stakeholder submissions

We received 3 submissions on these contingent tariff adjustments. The Australian Energy Council and Red and Lumo Energy did not support the proposed contingent tariff adjustments on the basis that they introduce complexity. Red and Lumo Energy also submitted that there was no specific trigger.[49] Conversely, Ergon Energy and Energex's RRG considers a trigger to adapt to adapt charging windows is a sensible and pragmatic approach to dealing with the level of demand uncertainty over the next 5 years.[50]

AER considerations

While we support contingent tariff adjustments in principle, our view is that the adjustments proposed are ambiguous. In particular, we consider the lack of specificity in the proposed contingent tariff adjustments would make them difficult for retailers to incorporate and for customers to understand, i.e. not compliant with NER cl. 6.18.5(i). Ergon Energy and Energex also did not initially provide any evidence to demonstrate a need to alter charging windows during the 2030–35 period. The amendments that we have made are to the extent necessary to enable Ergon Energy and Energex's tariff structure statements to be approved in accordance with the NER, specifically pricing principle 6.18.5(i) and clauses 6.18.1A (a)(3) and (4).

We consider that a contingent tariff adjustment is, when well defined and its trigger is made clear, a reasonable way of balancing certainty and flexibility. The rapid pace of change makes it difficult for distributors to accurately forecast the rate of uptake of CER over the

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47 NER, cls. 6.12.3(k) and (l).

48 Ergon Energy and Energex, *TSS Amendment*, February 2025, pp 2-3.

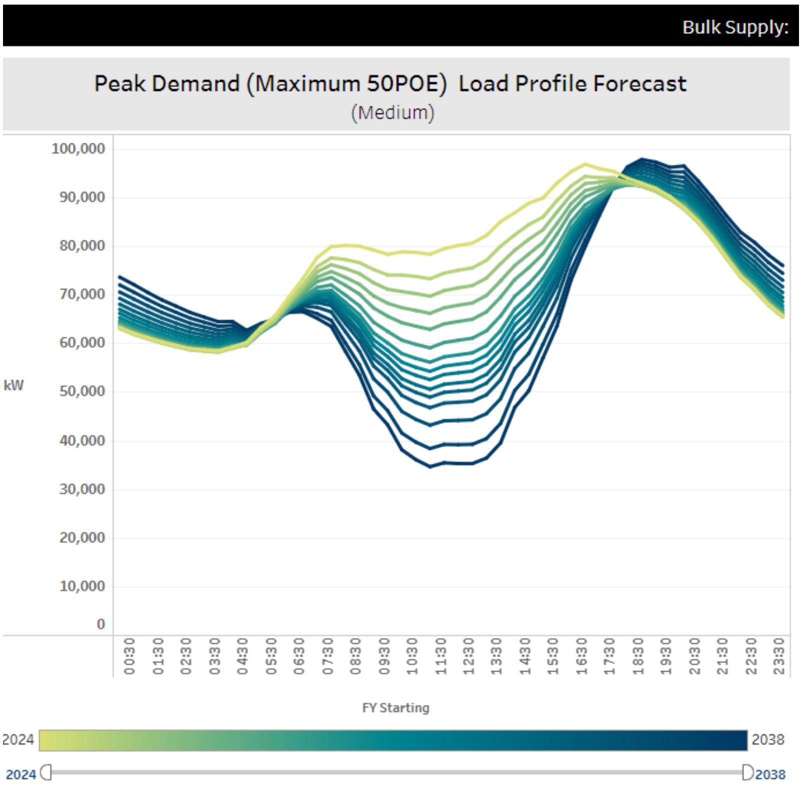
49 Australian Energy Council, *Submission on Amendment to Ergon Energy and Energex Tariff Structure Statements for 2025–30,* March 2025, p 1; Red and Lumo Energy, *Submission on Energy Queensland's Proposed Amendments to the Revised Tariff Structure Statement for 2025–30*, March 2025, pp 1-2.

50 EQL Reset Reference Group, *Submission on Energy Queensland's Proposed Amendments to the Revised Tariff Structure Statement for 2025–30*, March 2025, p 2.

regulatory period. To be flexible in response to the potential step changes in load that may result from rapid but unpredictable uptake, some distributors, propose tariff adjustments they would only introduce if load profiles shift in ways that could induce network investments.

Ergon Energy and Energex subsequently suggested more specific triggers for the contingent tariff adjustments.[51] They also subsequently provided us with evidence demonstrating that peak and off-peak usage could shift out of the peak windows approved in the tariff structure statement in 2025–30 (see Figure 19-1 for example).

Figure 19-1 - Coomera (Energex) load profile analysis 2024-38[52]



We acknowledge the concerns of stakeholders. We have balanced these concerns against the rate of change in the energy sector and consider a degree of flexibility in approved tariff structure statements is warranted. The alternative of rigid tariff structures through 5-year regulatory periods risks customers incurring greater network costs over the long term. We consider retailer concerns can largely be addressed through transparency around the triggers for changing tariff charging parameters that have been edited in.

Our amendments to the tariff structure statements clarify that:

- the peak window would not be adjusted by more than one hour

51 Ergon Energy, *Information Request ERG #083 - TOU tariff for peaky load customers, contingent tariff adjustment*, February 2025; Energex, *Information Request ESS #072 - TOU tariff for peaky load customers, contingent tariff adjustment*, February 2025.

52 Energex, *Information Request ESS #072 - TOU tariff for peaky load customers, contingent tariff adjustment*, February 2025.

- the beginning of the off-peak window would not be adjusted by more than 2 hours
- Ergon Energy and Energex must:
    - demonstrate the observed system peak maximum demand in a 12-month period (preceding the date of lodgement the annual pricing model) occurs outside the approved time-of-use peak charging window and/or
    - demonstrate that Ergon Energy / Energex can demonstrate a material (5% or more) reduction in total residential energy consumption in the window adjacent to the off-peak window in a 12-month period preceding the date of lodgement of the annual pricing model.

19.4.2.4 Simplifying small business customer tariffs

Our final decision is to:

- approve the simplification of small business time-of-use tariffs by removing the 5 legacy inclining fixed charge blocks and aligning structures with residential time-of-use tariffs as this change complies with the NER
- approve the withdrawal of the small business inclining block tariffs
- accept withdrawal of a contingent tariff adjustment to withdraw obsolete tariffs during the 2025–30 period.

We accept the proposed changes for tariff streamlining in the revised tariff structure statements as this is part of Ergon Energy and Energex's long-term plan to align and streamline prices across both networks.

Our draft decision did not approve Ergon Energy and Energex's proposed contingent tariff adjustment to withdraw obsolete tariffs during the 2025–2030 period. Ergon Energy and Energex did not identify the tariffs they would seek to withdraw or the criteria for their withdrawal. In their revised tariff structure statements, Ergon Energy and Energex withdrew this contingent tariff adjustment and proposed to withdraw the inclining block tariff because there are no customers on it.[53] They also simplified their small business time-of-use tariffs by aligning their tariff structures to the residential time-of-use tariffs.[54] We continue to support Ergon Energy and Energex simplifying their suites of tariffs and consider these changes make their tariffs easier for retailers to incorporate and customers to understand.

19.4.2.5 Minor amendment to section 3.6 relating to withdrawn tariffs

Our final decision is to amend section 3.6 of the tariff structure statements to the extent necessary to enable Ergon Energy and Energex's tariff structure statements to be approved.[55] The changes reflect that some basic meter customers will remain on withdrawn tariffs until they can be reassigned to the appropriate tariff.

Our draft decision approved Ergon Energy and Energex's proposal to withdraw a number of legacy or obsolete tariffs. Customers on withdrawn tariffs would be reassigned to the most appropriate tariff from 1 July 2025. However, we have become aware that Ergon Energy and

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53 Ergon Energy, *Revised Tariff Structure, Compliance Statement, November 2024, p 26;* Energex, *Revised Tariff Structure, Compliance Statement*, November 2024, p 23.

54 Ergon Energy, *Revised Tariff Structure, Compliance Statement, November 2024, p 32;* Energex, *Revised Tariff Structure, Compliance Statement*, November 2024, p 29.

55 NER, cls. 6.12.3(k) and (l).

Energex may not be able to transition ~15 000 customers with legacy / accumulation meters from withdrawn tariffs to the appropriate tariff on 1 July 2025. Rather, some customers would be on the withdrawn tariffs until the earliest time Ergon Energy and Energex could transition them.

Our amendments therefore are to ensure that the structures of withdrawn tariffs are included within the revised tariff structure statements (per NER cl. 6.18.1A(a)(3)). To the extent some customers currently on tariffs that will be withdrawn from 1 July 2025 remain on withdrawn tariffs *after* 1 July 2025, these customers will face the same tariff structures that were approved in our 2020–2025 decision until they are transitioned to the most appropriate tariff.

19.4.2.6 Ergon Energy only – aligning small customer charges to Energex charges

Our final decision is to accept Ergon Energy's proposed simplification of its small customer tariff prices, by aligning volume and demand charges to those in Energex's network. We consider this change raises no compliance issues with the NER as the tariff structures (that were approved in our draft decision) remain the same.

Our draft decision approved Ergon Energy's initially proposed small customer tariffs that for the same tariff structures, had different distribution use of system prices to Energex.

Ergon Energy's revised tariff structure statement proposed to streamline prices for small customers by aligning volume and demand charges in its small customer tariffs to those in Energex's network. Under its revised tariff structure statement, customers in Ergon Energy and Energex's networks would face the same volume and demand charges. Ergon Energy proposed to modify fixed charges to ensure proportional revenue recovery remains unchanged.[56]

We understand that the majority of small customers (customers consuming less than 100 MWh per annum) in Ergon Energy's network are on regulated retail tariffs and will not be impacted by this change. We consider this change is consistent with Ergon Energy and Energex's long-term plan to align and streamline tariffs across their networks.

19.4.3 Primary, secondary and flexible load control tariffs

19.4.3.1 Primary and secondary load control tariffs – supply times and charges

Our final decision is to amend the revised tariff structure statements to the extent necessary to enable Ergon Energy and Energex's tariff structure statements to be approved,[57] to include load control supply times for all primary and secondary load control tariffs. This is because a tariff structure statement must include tariff structures (NER cl. 6.18.1A (a)(3)) for all tariffs. We consider that this extends to minimum availability of supply for controlled load tariffs. We also refuse to approve the proposal to set $zero anytime charges and introduce small fixed charges in secondary controlled load tariffs. We require Ergon Energy and Energex to restore initially proposed secondary load control tariffs (with $zero fixed charges

56 Ergon Energy, *Revised Tariff Structure Explanatory Statement*, November 2024, p 52.

57 NER, cls. 6.12.3(k) and (l).

and small anytime volume charges) that were approved in our draft decision. In applying the pricing principles, we have considered the bill impact on customers (NER cl. 6.18.5(h)).

Our draft decision approved the primary and secondary load control tariff structures for SAC small and SAC large customers (not the flexible load tariffs, see section 19.4.3.2). However, we *encouraged* Ergon Energy and Energex to consider including the supply times of its controlled load tariffs in its tariff structure statements.

Ergon Energy and Energex's revised tariff structure statements

Ergon Energy and Energex's proposed revised tariff structure statements did not include load control supply times for primary and secondary load control tariffs. They also proposed to change the secondary load control tariffs so that customers would face $zero anytime charges and small fixed charges. This was instead of the small anytime charges and $zero fixed charges that currently exist and which they proposed to continue in their initial tariff structure statement. Ergon Energy and Energex's proposed changes were to the revised explanatory statements (rather than the revised tariff structure statements) and were reflected in revised indicative price schedules.[58]

Under their proposed approach, small customers would face a $0.15 per day ($54.7 per annum) fixed charge, irrespective of the amount of energy used.[59] Modelling by Ergon Energy and Energex showed that 80% (Ergon Energy) and 90% (Energex) of customers would see a decrease in network bills from the change. For those who would be worse off:

- Ergon Energy – customers with the lowest 20% of electricity usage could face annual network bill impacts between $7.75 - $45.75 (higher impact is for lowest 1% of electricity usage)
- Energex – customers with the lowest 10% of electricity usage could face annual network bill impacts between $9.75 - $43.75 (higher impact is for lowest 1% of electricity usage).[60]

Stakeholder submissions

Queensland Farmers' Federation submitted that there are barriers to accessing load control options in some rural areas. It supported expanded access to flexible load tariff options for irrigators / agricultural businesses (i.e. with seasonality), and requested the AER to approve alternative technologies that could enable access to these tariffs. It also submitted that Ergon Retail's service fees for large customer load control and demand tariffs are large relative to the small customer retail tariffs.[61]

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58 Ergon Energy, *Revised Tariff Structure Explanatory Statement*, November 2024, p 46; Energex, *Revised Tariff Structure Explanatory Statement*, November 2024, p 45.

59 Ergon Energy, *ATT. 9.01 - 2025-30 Indicative network prices*, November 2024; Energex, *ATT. 9.01 - 2025-30 Indicative network prices*, November 2024.

60 Ergon Energy, *Information Request ERG #077 - TSS - two way pricing, customer impacts, storage tariffs, controlled load*, January 2025; Energex, *Information Request EGX #066 - TSS - two way pricing, customer impacts, storage tariffs, controlled load*, January 2025; subsequent email follow ups relating to these information requests.

61 Queensland Farmers' Federation, *Submission on Ergon Energy and Energex's Revised Regulatory Proposal for 2025–30,* January 2025, pp 6–7.

AER considerations

Our final decision to amend controlled load supply times into the tariff structure statements is a step further than our draft decision (which *encouraged* the change). We acknowledge Ergon Energy and Energex's position that controlled load tariff supply information is a connections issues rather than a tariff structure issue relevant to tariff structure statements. We also acknowledge that we previously have not required Ergon Energy and Energex to include supply times with tariff structure statements. However, our considered view is that controlled load tariff supply windows relate to the tariff structure and charging parameters (NER cl. 6.18.1A (a)(3)). Therefore, it should be included within the tariff structure statement rather than explanatory statements or external network tariff guides, irrespective of the approach in the past. The tariff structure statements of other distributors typically include controlled load tariff supply times. The final revised tariff structure statements will reflect these edits.

Our final decision is also to refuse to approve Ergon Energy and Energex's proposal to include $zero anytime charges and small fixed charges in its secondary load control tariffs. Our view is that the proposed secondary load control tariffs in the revised tariff structure statements comply with the economic pricing principles in the NER cl. 6.18.5(f) and cl. 6.18.5(g). However, we have also considered NER cl. 6.18.5(h) – a distributor must consider the impact on retail customers of changes from tariffs, and may vary from pricing principles (e) - (g) to the extent reasonably necessary having regard to:

- the desirability for tariffs to comply with the pricing principles referred to in paragraphs (f) and (g) (the economic pricing principles), albeit after a reasonable period of transition (which may extend over more than one regulatory control period);
- the extent to which retail customers can choose the tariff to which they are assigned; and
- <u>the extent to which retail customers are able to mitigate the impact of changes in tariffs through their decisions about usage of services.</u>

The $zero anytime charges and small fixed charges may be consistent with the first two limbs of NER cl. 6.18.5(h). However, under a fixed charge, those customers with the lowest usage are worse off while the customers with higher usage benefit. Customers would also not be able to mitigate the impact of a fixed charge by changing their behaviour unless they opted out of a controlled load tariff (following which they would face the higher standard charges for uncontrolled loads). Our decision considered all the pricing principles, consistent with NER cl. 6.18.5(b). However, consistent with NER cl. 6.18.5(c), we put weight on fixed charges negatively impacting those customers who do not use a lot of electricity and who may not yet have smart meters to enable them to access time-of-use tariffs as a mechanism to mitigate impacts. Based on these customer impact considerations, our view is that the existing secondary load control tariffs, and that were approved in our draft decision, better comply with the pricing principles. Ergon Energy and Energex's updated revised indicative pricing schedules reflect $zero fixed charges and small volume charges.

Finally, we understand that Ergon Energy and Energex seek to encourage more customers to access load control tariff options. In response to Queensland Farmers' Federation, it is out of the AER's remit to approve or not approve load control or connection technologies in the tariff structure process, or shape /influence Ergon Retail's tariffs. However, we note that the indicative fixed *network* charge for Ergon Energy's primary load control and default time-of-use demand tariff (East region) is comparatively lower for 2025–26 than the 2024–25 annual pricing schedule ($8.75 fixed charge per day in indicative price schedule, $39.858 fixed charge per day in the 2024–25 annual pricing model).[62] Ergon Retail's tariffs may pass on these changes, and in the process partly address the issues raised in the Queensland Farmers' Federation's submission. Further discussion on tariff options for large customers is discussed in section 19.4.5.

19.4.3.2 Flexible load tariffs

Our final decision is to approve Ergon Energy and Energex's contingent tariff adjustments to introduce flexible load control tariffs from 2028 or earlier if billing systems allow it.

Our draft decision

Our draft decision was to accept in principle that Ergon Energy and Energex's suite of tariffs adequately considered electric vehicle charging load at the residential and small business level. However, we required Ergon Energy and Energex to include further description of load control arrangements in the Queensland Electricity Connections Manual, insofar as they relate to the tariff structure statements. Our view was that the initially proposed tariff structure statements did not make it clear that the proposed optional flexible load control rebate tariffs were only available to those EV customers who opt into a dynamic connection under the Queensland Electricity Connections Manual. Ergon Energy and Energex's initial tariff structure statements proposed that customers would be offered a 25 c/day (residential) or 28 c/day (small business) rebate for flexible load on a dynamic connection, in addition to the charging parameters of the primary tariff. Under a dynamic connection agreement, Ergon Energy and Energex would control charging speed in response to network conditions.

Ergon Energy and Energex's revised tariff structure statement

Ergon Energy and Energex's proposed revised tariff structure statements and their accompanying explanatory statements provided further information on control arrangements that are contained in the Queensland Electricity Connections Manual. This includes the relationship between the Queensland Electricity Connections Manual and tariff structure statements and the extent to which control arrangements influence tariff options, including the proposed new flexible load control tariff.[63]

In an amendment to their revised tariff structure statements on 6 February 2025, Ergon Energy and Energex proposed to delay the introduction of flexible load control tariffs to 2028. This is due to issues identified with the integration of the flexible load control arrangements with the distributors' billing system. Ergon Energy and Energex also proposed a contingent tariff adjustment to introduce these tariffs in 2026 or 2027 if the billing system capability associated with the application of the tariffs is addressed.[64]

[62] Ergon Energy, *ATT. 9.01 - 2025-30 Indicative network prices*, November 2024; Ergon Energy, *2024-25 annual SCS pricing model*, March 2024.

[63] Ergon Energy, *Revised Tariff Structure Explanatory Statement*, November 2024, pp 79 - 91; Energex, *Revised Tariff Structure Explanatory Statement*, November 2024, pp 80 - 92.

[64] Ergon Energy and Energex, *Amendment to Ergon Energy and Energex's revised 2025 – 30 Tariff Structure Statement*, February 2025, p 3.

AER consideration

We consider that Ergon Energy and Energex have addressed our draft decision by including more information on the Queensland Electricity Connections Manual. We also consider that the proposed contingent tariff adjustment is sufficiently clear, and the structure of the flexible load control tariffs (a rebate for customers who have dynamic connections) is capable of acceptance under the NER. We agree with Ergon Energy and Energex's RRG's submission, that a delay in implementation of flexible load tariffs will afford Ergon Energy and Energex more time to develop a comprehensive information package for customers.[65]

19.4.4 Two-way tariffs

Our final decision is to accept Ergon Energy and Energex's withdrawal of two-way pricing for small customers from the 2025–30 period. We also approve Ergon Energy and Energex's export tariff transition strategy. However, we maintain in principle support for two-way pricing and encourage Ergon Energy and Energex to use the 2025–30 period to trial two-way pricing and better prepare for its introduction in the 2030–35 period.

Our draft decision

Our draft decision supported Ergon Energy and Energex's two-way tariffs in principle, and considered the reasoning for their introduction had been justified. This included support for their initially proposed two-way tariff assignment policy - that two-way tariffs would be the default for new exporting customers and opt-in for existing customers from July 2026. By 2028, two-way tariffs would be the default for all exporting customers, although customers with dynamic connections could opt out of two-way tariffs. However, our draft decision was to not approve Ergon Energy and Energex's proposed two-way tariffs for small customers as they did not comply with all the requirements in the NER, and, for a compliant proposal, to require Ergon Energy and Energex to:

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

[65] EQL Reset Reference Group, *Submission on Energy Queensland's Proposed Amendments to the Revised Tariff Structure Statement for 2025–30*, March 2025, p 2.

We also encouraged Ergon Energy and Energex to provide an export tariff factsheet and include further detail on how dynamic connections[66] work in practice within their export tariff transition strategy.

Ergon Energy and Energex's revised tariff structure statements

Ergon Energy and Energex submitted that the main reasons for withdrawing two-way tariffs in the 2025–30 period included:[67]

- stakeholder and customer support for two-way pricing was mixed
- other tariff reforms (such as solar soak[68] time-of-use windows) being implemented in the next regulatory control period have similar objectives as export tariffs, with potentially even greater effect
- the policy environment was uncertain (particularly around the smart meter roll out and customer protections frameworks). They considered this diminished customers' capability to reasonably understand two-way tariffs, and retailers and third parties' ability to incorporate two-way pricing options
- benefits from export tariffs did not justify an early transition (when assessed against current risks, uncertainties and future costs).

In the proposed revised tariff structure statements, Ergon Energy and Energex both provided an Export Tariff Transition Strategy. Throughout the 2025–30 period, Ergon Energy and Energex will:

- assess the intrinsic hosting capacity of their networks as well as the impact of growth in CER on network costs
- consider introducing a tariff trial to test customer responsiveness to export charges
- continue to engage with customers, stakeholders and the Network Pricing Working Group in relation to two-way pricing.

Ergon Energy and Energex submitted that their medium to longer term two-way tariff transition strategy would depend on regulatory changes, customer feedback and investment levels required to support network export hosting capacity.

Ergon Energy and Energex also provided some explanatory information on dynamic connections in Appendix A of their tariff structure explanatory statements.

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66 Dynamic Connections are included in Ergon Energy and Energex's Queensland Electricity Connections Manual and relate to how the network may communicate with customers in different periods, for example, times of congestion. Varying import and export limits are communicated to a site/customer to manage power flows at the connection point in accordance with local network capacity and network performance requirements. For example, Dynamic Connection signals can inform a customer's battery system how much imported load or exported generation the network can accept at that point in time. This can allow additional excess energy to be exported at most times, while ensuring a safe and reliable electricity network is maintained at times of congestion. (Ergon Energy, *Revised Tariff Structure Explanatory Statement*, November 2024, pp 79 - 84; Energex, *Revised Tariff Structure Explanatory Statement*, November 2024, pp 74 - 79.)

67 Ergon Energy, *Revised Tariff Structure Explanatory Statement*, November 2024, pp 35 - 36; Energex, *Revised Tariff Structure Explanatory Statement*, November 2024, pp 34 - 35.

68 'Solar soak' refers to periods with low charges during the middle of the day when solar output is high.

Stakeholder submissions

Stakeholder submissions expressed acceptance of Ergon Energy and Energex's withdrawal of two-way tariffs but sought further detail on dynamic connections and tariff trials.

The AER's CCP30 and Origin Energy both acknowledged the reasoning for the withdrawal of two-way tariffs. CCP30 submitted that support for two-way tariffs varied in Ergon Energy and Energex's customer workshops (for example, customers supported increased two-way tariff education), despite Ergon Energy and Energex having provided clear justification for two-way tariffs.[69] Origin Energy submitted in support of the delay in two-way pricing but asked the AER to confirm that non-export customers are not subsidising the cost of increasing hosting capacity.[70]

The RRG also submitted that it understood Ergon Energy and Energex's reasons for withdrawing two-way pricing, however, expressed disappointment in this decision and urged Ergon Energy and Energex to lay the foundations for two-way tariffs within the 2025–30 regulatory period.[71] The RRG noted that laying early foundations for two-way tariffs may highlight to retailers and other market participants that both import and export pricing should be considered when developing billing machines and retail product offerings. It considered that would support Ergon Energy and Energex to move quickly to implement two-way tariffs in the future if desired.

Queensland Farmers' Federation and Powershop sought further detail on dynamic connections for small exporting customers. Powershop also submitted in support of a staged approach to introducing two-way tariffs, encouraging Ergon Energy and Energex to firstly explore two-way pricing through tariff trials. It considered this would give retailers time to build (currently absent) system capability to reliably support a variable export tariff environment.[72]

AER considerations

Our draft decision considered that Ergon Energy and Energex's proposed introduction of two-way pricing had been justified. In considering the proposed withdrawal of two-way pricing, we placed importance on other elements of their tariff reforms. In the proposed revised tariff structure statements, Ergon Energy and Energex emphasised that their solar soak charging windows for consumption tariffs and their dynamic connections for exports would help to mitigate expenditure in the 2025–2030 period to *manage customer and network impact* [minimum demand] *from exports.*[73] Ergon Energy and Energex also included

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69 CCP30, *Submission on Ergon Energy's Revised Regulatory Proposal for 2025–30,* January 2025, p 35; CCP30, *Submission on Energex's Revised Regulatory Proposal for 2025–30,* January 2025, p 33.

70 Origin Energy, *Submission on Ergon Energy and Energex's Revised Regulatory Proposal for 2025–30,* January 2025, p 2.

71 EQL reset reference group, *Submission on Australian Energy Regulator's Draft Decision and Ergon Energy's Revised Regulatory Proposal for 2025–30,* January 2025, p 50.

72 Queensland Farmers' Federation, *Submission on Ergon Energy and Energex's Revised Regulatory Proposal for 2025–30,* January 2025, p 6; Powershop*, Submission on Energex's Revised Regulatory Proposal for 2025–30,* January 2025, pp 2-3.

73 Ergon Energy*, Revised Tariff Structure Explanatory Statement*, November 2024, pp 35 - 36; Energex, *Revised Tariff Structure Explanatory Statement*, November 2024, pp 34 – 35.

explicit Export Tariff Transition Strategies which provide greater certainty on the steps being taken to consider two-way tariffs in the future.

We consider that Ergon Energy and Energex have made a reasonable case that they require a period of consolidation before they would be ready to introduce two-way pricing. We accept they intend to use the 2025–30 period to analyse and improve their understanding of their intrinsic hosting capacity and the impact of CER growth,[74] in the context of the solar soak periods of their time-of-use tariffs and their active device management connection requirements. We consider this period for consolidation would also support meaningful and measured engagement on two-way tariffs, including through tariff trials, and ultimately support informed deliberation on two-way tariff structures by Ergon Energy and Energex, and their retailers and retail customers.

In accepting Ergon Energy and Energex's withdrawal of two-way tariffs in the 2025–30 period, we emphasise the AER's on-going in principle support for two-way tariffs and broader network tariff reform. Two-way tariffs can promote a more efficient and equitable recovery of costs associated with hosting excess exports, benefiting customers by:

- protecting those customers who cannot invest in export-capable appliances (such as rooftop solar, electric vehicles with vehicle-to-grid functionality and on-site batteries) from paying for export services they do not use (currently, all customers in Ergon Energy and Energex's networks pay for expenditure that manages minimum demand and increases export capacity)
- rewarding or reducing the bills of those customers who can respond to these price signals by changing how they use their own solar power and/or when they export it
- incentivising higher utilisation of existing network assets, which will help mitigate network augmentation investment needs for both import and export capacity and keep future costs (future bills) lower for all electricity users (to the extent augmentation expenditure is avoided)
- providing early price signals to reduce bill volatility over the long term by reducing the likelihood of customers locking in investments under invalid assumptions about future costs.

We share the RRG's sentiments regarding the importance of signalling two-way tariffs to retailers and reiterate our final decision from the Ergon Energy and Energex 2020–25 determination (p 18-19):

> *In the absence of network tariff reform, retailers are unlikely to offer consumers a choice of innovative tariffs. This is likely to mean that most consumers will continue to make investment and consumption decisions under the existing legacy consumption tariffs, even where they are willing and able to respond to more cost reflective price signals. We are concerned that this would undermine economic welfare given that retailers in this environment are less likely to actively pursue demand management*

74 Ergon Energy, *Revised Tariff Structure Compliance Statement*, November 2024, p 46; Energex, *Revised Tariff Structure Compliance Statement*, November 2024, p 42.

strategies in the absence of being exposed to the volume risk from network tariff reform.

We consider that two-way pricing, in addition to complying with the NER, could also contribute to the achievement of the NEO. By incentivising more self-consumption through two-way tariffs, more capacity on the network becomes available for other local exporters which avoids export curtailment of both new and existing customers and maximises the total amount of energy utilised from solar PV (additionally so where it can be stored and exported into evening peak periods). More capacity for solar on the network therefore reduces reliance on fossil fuel baseload generation that still dominates evening peak periods, thereby reducing emissions and contributing to the achievement of Queensland's emissions targets.[75]

We do acknowledge that Ergon Energy and Energex can partially manage excess solar on the network through other reforms such as solar soak tariffs and dynamic connections. However, we consider the role of dynamic connections to be limited given Ergon Energy and Energex forecast limited take up of dynamic connections by 2030 (16% and 17% of exporting customers in Ergon Energy and Energex's networks respectively).[76]

We also acknowledge the proposed withdrawal of two-way pricing is not without costs to non-exporting customers. Ergon Energy and Energex proposed no changes to forecast expenditure in the 2025–30 period to cater for the delay in introducing two-way tariffs. However, the withdrawal of two-way pricing does mean that ~$44m (Ergon Energy) and ~$34m (Energex) of revenue that otherwise would have been recovered from low voltage exporting customers will now be recovered from all low voltage customers.[77] This equates to an approximate increase of $58 (Ergon Energy) and $21 (Energex) per low voltage customer (over the five-year 2025–30 period) to support exports.

On balance, we have considered Ergon Energy and Energex's assertion that transaction costs associated with implementing two-way pricing for both networks and retailers would be significant in this period. This is including because their billing systems are not currently able to manage two-way tariffs either as initially proposed, or as required to be adjusted by the AER's draft determination.[78] However, given the cost recovery that will shift to non-exporting customers from the withdrawal of two-way tariffs, we strongly encourage two-way tariff trials in the 2025–30 period with a view to introduce them from 2030. We consider two-way tariffs

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

76 Ergon Energy, *Information Request ERG #077 - TSS - two way pricing, customer impacts, storage tariffs, controlled load*, January 2025; Energex, *Information Request EGX #066 - TSS - two way pricing, customer impacts, storage tariffs, controlled load*, January 2025.

77 Ergon Energy and Energex explained that the revenue allocation proposed for two-way charges made up 0.004% and 0.00349% of SAC distribution use of system charges respectively across the 2025-30 period in the Initial Tariff Structure Statements. Ergon Energy and Energex considered this to be "immaterial variance and impossible to calculate any meaningful bill impact" (Ergon Energy, *Information Request ERG #077 - TSS - two way pricing, customer impacts, storage tariffs, controlled load*, January 2025; Energex, *Information Request EGX #066 - TSS - two way pricing, customer impacts, storage tariffs, controlled load,* January 2025).

78 Ergon Energy, *Revised Tariff Structure Statement, November 2024, p 45;* Energex*, Revised Tariff Structure Statement,* November 2024, p 41.

better meet the pricing principles' requirement for cost reflective tariffs and are a relatively low-cost avenue to insuring equitable cost recovery from exporting customers.

19.4.5 Medium and large business tariffs[79]

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

Our final decision is to approve Ergon Energy and Energex's time-of-use tariffs for SAC large customers. We consider these tariffs comply with the NER and are consistent with our draft decision. We also consider this decision will or is likely to contribute to the achievement of the NEO, in particular the achievement of targets set by jurisdictions for reducing Australia's greenhouse gas emissions.

We also approve Ergon Energy and Energex's contingent tariff adjustment that if the Queensland Government changes the large customer threshold, Ergon Energy and Energex's large customer thresholds would change accordingly.

Our draft decision

Our draft decision required Ergon Energy and Energex to offer a cost reflective time-of-use tariff for large customers consuming up to 160 MWh with demand over 120 kVA. This requirement reflected the AER's approach to assessing tariffs in accordance with the pricing principles and the NER and approving tariff structure statements in a manner that will or is likely to contribute to the achievement of the NEO.

Ergon Energy and Energex's revised tariff structure statements

Ergon Energy and Energex proposed optional time-of-use tariffs that have the same structure and charging windows as the small business time-of-use tariffs, offering daytime solar soak off-peak charging windows between 11am – 1pm and narrowing the peak charging windows between 5pm – 8pm.[80] We approved these proposed charging windows for small business tariffs in our draft decision. For customers or their retailers seeking to be reassigned to this tariff, their annualised energy consumption in the prior 12-month period must be below 160 MWh and their monthly demand greater than 120 kVA.

Ergon Energy and Energex developed tariffs in a way that ensures some level of revenue neutrality between the default tariff and the new optional time-of-us tariff. Modelling provided to us demonstrates that if all customers who are eligible for the time-of-use tariff and who are better off on these tariffs, seek to be reassigned to them (approximately 25 customers in each of Ergon Energy and Energex's networks), the approximate annual bill impact for *other* large customers is $80 (Ergon Energy) and $20 (Energex) in 2026.[81] Ergon Energy and Energex also considered that retailers may not seek immediate reassignment of customers to the new tariff, and have made an assumption that there is no reassignment to the new

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79 Excluding load control tariffs. These are discussed in section 19.4.3.

80 Ergon Energy, *Revised Tariff Structure Statement,* November 2024, p 14; Energex, *Revised Tariff Structure Statement,* November 2024, p 14.

81 Revenues that would otherwise be recovered from the time-of-use demand tariff that may need to be redistributed through other charging parameters. This modelling is based on initial indicative prices Ergon Energy*, Information request ERG #083 - TOU tariff for peaky load customers, contingent tariff adjustment*, February 2025; Energex, *Information request #072 - TOU tariff for peaky load customers, contingent tariff adjustment*, February 2025.

time-of-use tariff in 2025 given the relatively small number of customers impacted.[82] Any difference in revenue would be distributed across all SAC large customers.

Ergon Energy and Energex also proposed a contingent tariff adjustment that if the Queensland Government changes the large business threshold, this change would apply in the tariff structure statement, tariff eligibility and assignment criteria for SAC small business customers and SAC large customers, and be reflected in the annual Pricing Proposal for the financial year following such a change.[83] The current threshold for large business customers is 100 MWh.[84]

Stakeholder submissions

We received 3 submissions on time-of-use tariffs for SAC large customers. The CCP30 understood the AER's decision but submitted this could 'open the door' for further decisions that may not be made on complete information, such as a carbon price.[85] Queensland Farmers' Federation supported that the time-of-use tariff be extended to *all* large customers consuming up to 160 MWh per annum, with the demand threshold reduced to 60 kVA, or alternatively introducing another time-of-use tariff for customers with demand between 45 kW and 90 kW.[86] Ergon Energy and Energex's RRG submitted against the tariff, stating that the AER should provide more analysis on the bill impact to customers, more guidance on its application of the NEO and that it is a shift from previous AER decisions.[87]

AER considerations

As mentioned in section 19.1.1, we make our decisions by assessing tariff structures against the pricing principles and other applicable requirements of the NER. Firstly, we consider that the new time-of-use tariffs proposed comply with the pricing principles and other applicable requirements of the NER. Against NER cl. 6.18.5(f), they are based on long-run marginal cost, and they reflect Ergon Energy and Energex's efficient costs of providing services to customers consistent with the NPO. They are also opt-in which mitigates the customer impacts to customers eligible for assignment to the tariff.[88]

We must approve a tariff structure statement unless we are reasonably satisfied that it does not comply with the pricing principles or other applicable requirements of the rules.[89]

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82 Ergon Energy, *Information request ERG #083 - TOU tariff for peaky load customers, contingent tariff adjustment*, February 2025; Energex, *Information request #072 - TOU tariff for peaky load customers, contingent tariff adjustment*, February 2025.

83 Ergon Energy, *Revised Tariff Structure Statement, November 2024, p 6;* Energex*, Revised Tariff Structure Statement,* November 2024, p 6.

84 *National Energy Retail Law* (Qld), s 5; *Electricity Act 1994* (Qld), s 23.

85 CCP30, *Submission on Ergon Energy's Revised Regulatory Proposal for 2025–30,* January 2025, p 36; CCP30, *Submission on Energex's Revised Regulatory Proposal for 2025–30,* January 2025, pp 35 – 36.

86 Queensland Farmers' Federation, *Submission on Ergon Energy and Energex's Revised Regulatory Proposal for 2025–30,* January 2025, p 7.

87 EQL Reset Reference Group, *Submission on Australian Energy Regulator's Draft Decision and Ergon Energy's Revised Regulatory Proposal for 2025–30,* January 2025, pp 52-35; EQL Reset Reference Group, *Australian Energy Regulator's Draft Decision and Energex's Revised Regulatory Proposal for 2025–30,* January 2025, pp 50–51.

88 NER, cl. 6.18.5(h).

89 NER, cl. 6.12.3(k).

However, we are also required to make decisions in a manner that will or is likely to contribute to the achievement of the NEO.[90] The basis for requiring a time-of-use tariff in our draft decision was that a consistent approach to tariff assignment for peaky load customers, like charge point operators, better contributes to the achievement of Queensland Government's net zero 2050 target and its Zero Emission Vehicle Strategy (ZEV Strategy) 2022–2032, which are listed in the AEMC's Emissions Targets Statement.[91] In having regard to the emissions reductions target element of the NEO, a person or body must consider, as a minimum, the targets stated in the targets statement.[92] Our reasoning in considering why a consistent approach to tariff assignment for peaky load customers better contributes to the achievement of the NEO is in our draft decision attachment and is unchanged.[93] For example, we considered that If EV charge point operators were to face a similar network tariff structure NEM-wide, it could increase the confidence of charge point operators (and potential investors) to extend their charging networks. Similar network tariff structures would also assist charge point operators to roll out more consistent charging structures for their customers. We anticipate this would increase the confidence of consumers in the charges they would face to charge their EVs and would further support uptake and utilisation of EVs.

We note the RRG's submission that the AER did not provide adequate analysis in making our draft decision. In making our final decision, we considered:

- the AER's guidance on applying the amended NEO, which sets out a non-exhaustive list[94]
- Queensland's ZEV strategy, which explicitly considers that electricity network tariffs that support BEV integration will be essential to informing investment decisions and supporting charging behaviour that is of benefit to motorists and the grid[95]
- that it is also not unique to this decision that customers consuming up to 160 MWh have an option of time-of-use and demand tariffs
- the network bill impact on other customers from requiring an optional TOU tariff for peaky load customers.

We acknowledge the RRG's submission that the AER has previously not required distributors to offer time-of-use tariffs for larger customers. We note that we considered the application of the NEO in our final decision on Ausgrid's tariff structure statement, where we stated that *"In this round of tariff structure statements, we have encouraged increased alignment across distributors on access to time-of-use tariffs for peaky load businesses like charge point operators."*[96] We also note that the requirement for us to make decisions in a manner that will or is likely to contribute to the achievement of the NEO is not new. The change is that we also consider the emissions reduction element of the NEO, the element which promotes

90 NEL, s 16(1)(a).

91 AEMC, Emissions targets statement under the national energy laws (June, 2024), p 3.

92 NEL, s 32A(5)– In having regard to the national electricity objective under this Law, the Regulations or the Rules with respect to the matters mentioned in section 7(c), a person or body must consider, as a minimum, the targets stated in the targets statement.

94 AER, *Applying the amended National Energy Objectives*, September 2023.

95 Queensland Department of Transport and Main Roads, Zero Emission Vehicle Strategy 2022–2032, March 2022, p 38.

efficiency for the long-term interest of consumers with respect to achieving targets set by jurisdictions for reducing (or that are likely to contribute to) reducing greenhouse emissions, along with the other elements of the NEO that we considered when making previous decisions.

In approving time-of-use tariffs for peaky load customers, we have considered the impact on other customers. We acknowledge that while Ergon Energy and Energex have designed their time-of-use tariffs to be largely revenue neutral, there are short term impacts of this decision to other large customers (approximately $80 (Ergon Energy) and $20 (Energex) in 2026.)[97] However, these tariffs will only be available in-so-far as a customer's consumption is under 160 MWh per annum. As the throughput of charging stations increases, they will cease to be eligible for the tariff when their annual consumption exceeds 160 MWh. We consider that the short-term impact of these tariffs on the broader group of business customers will be offset by the likely contribution to the achievement of the Queensland Government's net zero 2050 target and ZEV Strategy.

We considered Queensland Farmers' Federation submission that the time-of-use tariff be extended to *all* large customers consuming up to 160 MWh per annum, with reduced constraints on the demand threshold. We note that the basis for us requiring time-of-use tariffs was on consideration of the emissions reduction element of the NEO. We do not consider this rationale applies to customers with demand less than 120 kVA. However, we note that the Queensland Government may change the large customer threshold. If the large business consumption threshold were increased from 100 MWh per annum to 160 MWh, all customers consuming between 100-160 MWh per annum would be reassigned from the SAC Large to the SAC Small business tariffs.[98] Should the Queensland Government change the large business threshold, it would deliver the outcome that is being sought by the Queensland Farmers' Federation.

Finally, we acknowledge the CCP's concern that we may be opening the door to decisions based on incomplete information. We reiterate that a tariff structure statement's compliance with the NER is paramount to our ability to approve it, and the AER's discretion to accept or approve, or to refuse to accept or approve, any element of a proposed tariff structure statement, is limited.[99] That is, in making decisions that will, or are likely to contribute to the achievement of the NEO, we must approve a tariff structure statement unless we are reasonably satisfied that it does not comply with the pricing principles / other requirements of the NER.[100] The decision to include time-of-use tariffs for peaky load customers is both consistent with the requirements in the NER *and* made in a way that will or is likely to contribute to the achievement of the NEO.

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97 Revenues that would otherwise be recovered from the time-of-use demand tariff that may need to be redistributed through other charging parameters. This modelling is based on initial indicative prices Ergon Energy*, Information request ERG #083 - TOU tariff for peaky load customers, contingent tariff adjustment*, February 2025; Energex, *Information request #072 - TOU tariff for peaky load customers, contingent tariff adjustment*, February 2025.

98 Ergon Energy, *Information Request ERG #073 - Storage tariffs, contingent tariff adjustment, ICC tariffs*, January 2025; Energex, *Information Request ESS #062 - Storage tariffs, contingent tariff adjustment, ICC tariffs*, January 2025

99 NER, cl. 6.12.3.

100 NER, cl. 6.12.3(k).

We will continue to develop our application of the NEO in future rounds of tariff structure statements.

19.4.5.2 Storage tariffs

Our final decision is to amend Ergon Energy and Energex's revised tariff structure statements to:

- remove the contingent tariff adjustment for the secondary dynamic price storage tariffs
- amend the trigger for the contingent tariff adjustment for the primary dynamic price storage tariffs to Ergon Energy and Energex having develop the necessary billing capability
- include information on tariff structures, charging parameters and tariff eligibility that is currently in the tariff structure explanatory statements
- include information on how Ergon Energy and Energex sets critical peak charges that are based on long run marginal cost.[101]

We consider that these changes are required to enable Ergon Energy and Energex's tariff structure statements to be approved.

Our draft decision

Our draft decision supported storage tariffs in principle but did not approve Ergon Energy and Energex's proposed grid-scale storage tariffs because there was insufficient specificity on how the critical peak pricing would be implemented.[102] As a result, we considered the tariffs did not provide key information about the charging parameters and were not capable of being understood by customers or able to be incorporated into retail offers.[103]

The tariffs featured locational critical peak pricing for both imports and exports. Ergon Energy and Energex did not provide information on which customers could access the tariffs or key details on how the tariffs would operate, such as notice period, duration, frequency, and trigger of critical peak events. We also encouraged Ergon Energy and Energex to further engage with stakeholders on how the distributors could provide greater specificity in their tariffs, and to further consider providing storage tariffs to ICC customers.

Ergon Energy and Energex's revised tariff structure statements

Ergon Energy and Energex initially proposed two grid-scale storage tariffs (dynamic flex and dynamic price). These two tariffs had separate price variants for the SAC (low voltage) and connection asset customers (CAC) (high voltage) tariff classes and featured locational, demand-based critical pricing.

The dynamic flex tariffs included a fixed charge, off-peak and shoulder volume charges, and a critical peak export reward. In addition, the dynamic flex tariff required the asset to be dynamically controlled by the distributor. The dynamic price tariffs had the same charging

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101 NER, cls 6.12.3(k) and (l).

102 AER, *Draft Decision Attachment 19 - Tariff structure statement - Ergon Energy and Energex - 2025-30 Distribution revenue proposal*, September 2024, pp 42-44.

103 NER, cl. 6.18.1A(a)(4); NER, cl. 6.18.5(i).

parameters as the dynamic flex tariff but included critical peak import and critical minimum demand export charges (instead of dynamic control). The dynamic price tariffs would have been available mid-period once Ergon Energy and Energex developed capability to bill the tariffs.

Ergon Energy and Energex's revised proposals made several changes to their initial proposals. These were to:

- simplify the dynamic flex storage tariff to just a fixed charge and a peak volume charge
- withdraw dynamic price tariffs and instead proposing them as contingent tariff adjustments with their introduction contingent on AER approval of charging parameters. The dynamic price tariffs would be offered as tariff trials in the interim
- split the dynamic price tariffs into:
  - primary dynamic price tariffs which feature time-of-use volume pricing and locational critical peak import and critical minimum demand export charges, and
  - secondary dynamic price tariffs which feature volume locational critical peak export and critical minimum demand import rewards
- reduce the fixed charge of their grid-scale storage tariffs (e.g. the indicative fixed charge for Energex's low voltage storage tariffs fell from $17.84/day to $7.66/day).

Stakeholder submissions

Responses to the revised grid-scale storage tariff proposal were mixed. Landfill Gas Industries (LGI) submitted in support of the storage tariffs.[104] In relation to the AER's draft decision on requiring greater specificity of charging parameters, Lighthouse Infrastructure submitted against the tariff structure statement locking in technical and operational arrangements. Conversely, Zero Emissions Noosa submitted there was not enough detail to introduce dynamic price tariffs during the regulatory period.[105]

Ergon Energy and Energex's response to our draft decision was to amend their dynamic flex tariff structures and withdraw their dynamic price tariffs. Zero Emissions Noosa submitted against the removal of the dynamic critical peak reward component from the tariff and expressed a preference for the withdrawn dynamic price tariffs over the dynamic flex tariffs.[106]

Lighthouse Infrastructure advocated for the introduction of grid-scale storage tariffs for individually calculated customers (ICC) customers on Ergon Energy's network.[107]

In addition, Zero Emissions Noosa and Local Government Association of Queensland (LGAQ) submitted that while the proposed fixed charges were lower than previously

104 LGI, *Submission on Energex's Revised Regulatory Proposal for 2025–30,* January 2025, p 2.

105 Zero Emissions Noosa, *Submission on Energex's Revised Regulatory Proposal for 2025–30,* January 2025, p 3.

106 LGI, *Submission on Energex's Revised Regulatory Proposal for 2025–30,* January 2025, p 2.

107 Lighthouse infrastructure, *Submission on Ergon Energy's Revised Regulatory Proposal for 2025–30,* January 2025, p 2.

proposed, they remained too high.[108] On the other hand, the RRG reiterated that Ergon Energy and Energex's initial proposals were equitable and efficient, and that it is the role of governments to support new technology that is not yet commercial – not other customers who do not have access to, or cannot afford rooftop solar paying for cross subsidies. RRG also submitted that the AER failed to reference its first submission in its draft decision.[109]

AER considerations

Our final decision accepts the proposed dynamic flex tariffs but makes amendments to the tariff structure statements regarding the dynamic price tariffs to achieve compliance with the NER.[110]

Our final decision edits the proposed tariff structure statements to include information provided by Ergon Energy and Energex through responses to information requests and subsequent emails on eligibility for storage tariffs and explaining how the proposed charges are based on long run marginal cost.[111] In addition, our final decision incorporates information from the revised tariff structure explanatory statements on critical peak events and the primary dynamic price tariff structures. We consider that these changes achieve compliance with the NER as they explain the charging parameters, make the tariffs capable of being understood by customers or incorporated into retail offers, and explain how the charges are based on long run marginal cost.[112]

While we acknowledge Lighthouse Infrastructure's submission against locking in specificity of charging parameters, our decisions are based on achieving compliance with the NER. Distributors are required to provide tariff structures that customers can understand (or that can be incorporated by retailers in retail offers). A tariff cannot be understood by customers (or incorporated into retail offers) if the specific charging parameters are not defined.[113] Further, tariff structure statements must contain the proposed structures and charging parameters of each proposed tariff.[114] Distributors cannot leave charging parameters open and be compliant with these requirements.

We also consider that a process to introduce new tariffs outside of the reset process (i.e. through AER assessment and approval during annual pricing) is not capable of being accepted as there is no provision in the NER to approve tariffs outside the tariff structure statement framework. We can only approve a contingent tariff adjustment to introduce a tariff during a regulatory period if there is enough information in a tariff structure statement to

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108 Zero Emissions Noosa, *Submission on Energex's Revised Regulatory Proposal for 2025–30,* January 2025, p 2; LGAQ, *Submission on Energex's Revised Regulatory Proposal for 2025–30,* January 2025, p 1.

109 EQL reset reference group, *Submission on Australian Energy Regulator's Draft Decision and Ergon Energy's Revised Regulatory Proposal for 2025–30,* January 2025, p 53; EQL Reset Reference Group, *Australian Energy Regulator's Draft Decision and Energex's Revised Regulatory Proposal for 2025–30,* January 2025, p 49.

110 NER, cls 6.12.3(k) and (l).

111 Ergon Energy*, Information Request ERG #073 – Storage tariffs, contingent tariff adjustments, ICC tariffs*, February 2025; Energex, *Information Request EGX #061 – Storage tariffs, contingent tariff adjustments, ICC tariffs*, February 2025; subsequent email follow ups relating to these information requests.

112 NER, cl. 6.18.1A(a)(4); NER, cl. 6.18.5(f); NER, cl. 6.18.5(i).

113 NER, cl. 6.18.5(i).

114 NER, cl. 6.18.1A(a)(3) and (4).

enable us to assess and approve the tariff under the same approach that applies to all tariffs. Accordingly, we have amended the tariff structure statements:

- to provide enough certainty on the dynamic price tariff structures, including charging parameters (the tariff structures of the dynamic price tariffs is *within* the tariff structure statements and not just in a tariff trial notification) and
- adjust the contingent tariff adjustment for the primary dynamic price tariffs to enable Ergon Energy and Energex to introduce them dependent on billing capability, instead of AER approval.

Ergon Energy and Energex separately requested the AER to remove the contingent tariff adjustment for the secondary dynamic price tariffs to allow it to trial reward structures for storage tariffs over the 2025–30 period.[115] The amended tariff structure statements reflect this change. The proposed tariff trials address stakeholders' concerns by providing a pathway for storage customers to access rewards while Ergon Energy and Energex develop their billing capabilities and refine how they will structure storage tariff rewards for the 2030–35 period. This tariff trial will be available to customers on both the dynamic flex and the primary dynamic price tariffs.

Our final decision does not include individually calculated customer storage tariffs for Ergon Energy customers. While Lighthouse Infrastructure advocated for these tariffs, Ergon Energy has not proposed one. We consider Ergon Energy should work with its stakeholders to develop tariff trials targeted at those customers with a view to introduce such tariffs for the 2030–35 period.

Our final decision accepts the revised indicative fixed charges. While two stakeholders submitted the fixed charges remained too high, our draft decision already noted that the fixed charges (as initially proposed) were not uniquely high and we note Ergon and Energex have reduced those levels in response to stakeholder feedback.[116] We are satisfied that the information provided in the respective tariff structure statements on how prices are set is consistent with the pricing principles. RRG's submission supports our final decision as it considered the tariffs to be efficient and equitable to non-solar customers.

The RRG also submitted that the AER's draft decision failed to reference its submission in support of storage tariffs and that the AER referenced submissions associated with the Noosa battery project that supported the AER's position.[117] To clarify, the AER's draft decision to refuse to approve the tariffs was based on the uncertainty of the charging parameters and not the level of fixed charges or the tariff structures.[118] As explained earlier, we did not find the fixed charges to be uniquely high, nor did we disapprove of the cost

115 Ergon Energy and Energex, *Email to the AER - Ergon Energy and Energex TSS Updates*, 28 February 2025.

116 AER, *Draft Decision Attachment 19 - Tariff structure statement - Ergon Energy and Energex - 2025-30 Distribution revenue proposal*, September 2024, pp 43-44.

117 EQL reset reference group, *Submission on Australian Energy Regulator's Draft Decision and Ergon Energy's Revised Regulatory Proposal for 2025–30,* January 2025, p 53; EQL Reset Reference Group, *Australian Energy Regulator's Draft Decision and Energex's Revised Regulatory Proposal for 2025–30,* January 2025, p 49.

118 AER, *Draft Decision Attachment 19 - Tariff structure statement - Ergon Energy and Energex - 2025-30 Distribution revenue proposal*, September 2024, pp 43-44.

reflectivity or efficiency of the tariff structures. We did note that Ergon Energy and Energex were considering the level of their fixed charges (which they subsequently reduced).[119] Our reference to submissions from the Noosa battery project was an acknowledgement that battery operators seek to offset fixed charges with rewards but that the proposed rewards had not provided customers with certainty over their ability to do this.

19.4.5.3 Ergon Energy only – tariff streamlining for SAC large customers on basic meters

We accept Ergon Energy's revised tariff structure statement to further streamline its SAC large customer tariffs by reassigning customers with basic meters currently on the Demand Small tariff to a basic meter tariff.

Our draft decision approved Ergon Energy's proposal to streamline its suite of large customer tariffs. We also approved its proposal to reassign large customers to the default large business tariff with the option to opt back into the Demand Small tariff to manage customer impacts and on application. However, we encouraged Ergon Energy to provide further detail on its proposal to remove the kW-based variant of its optional Demand Small tariff.

Ergon Energy's revised tariff structure statement

Ergon Energy's revised tariff structure statement did not seek to re-introduce the kW-based variant of the Demand Small tariff. It also clarified that where the monthly metered maximum demand is less than 35 kVA, the chargeable demand for the month is set to zero and no demand charge is payable for that month (a continuation from the existing Demand Small tariff which was accidentally omitted from the initial tariff structure statement).[120]

Ergon Energy also identified that under legacy arrangements, some customers were assigned to demand - based tariffs while on a basic meter as the registers for these basic meters were capable of anytime demand measurement.[121] Ergon Energy proposed to reassign these basic meter customers (~500 customers) from the Demand Small tariff to the default tariff for basic meter customers, the Large Business Energy tariff.[122] The majority of customers will be better off from this reassignment.[123] Customers would be able to access the default large business customer tariff or the Demand Small tariff after getting a smart meter. Additionally, Ergon Energy retained the kW-based variant of the default large business tariff (where the smart meter is unable to publish underpinning interval data for the purposes of determining kVA quantity for billing).[124]

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119 AER, *Draft Decision Attachment 19 - Tariff structure statement - Ergon Energy and Energex - 2025-30 Distribution revenue proposal*, September 2024, pp 43-44.

120 Ergon Energy, *Revised Tariff Structure Statement*, November 2024, p 14.

121 Ergon Energy, *Revised Tariff Structure Explanatory Statement*, November 2024, p 41.

122 Ergon Energy, *Revised Tariff Structure Statement Explanatory Statement*, November 2024, p 56.

123 Ergon Energy, *Revised Tariff Structure Statement Explanatory Statement*, November 2024, p 56.

124 Ergon Energy, *Revised Tariff Structure Statement*, November 2024, p 15.

Stakeholder submissions

Queensland Farmers' Federation's submission reiterated its support for a kW-based option of the Demand Small tariff.[125] It sought:

- Ergon Energy implement an opt-in volume threshold, applying mandatory kVA-based charges only to customers who exceed 160 MWh in annual consumption
- collaboration between Ergon Energy and the Queensland Government to assist agricultural customers to upgrade their equipment so that they're more efficient.

AER considerations

We consider that Ergon Energy's revised proposal strikes a balance between reassigning customers to cost reflective tariffs and managing customer impacts which is consistent with the NER.[126] We also acknowledge that reassignment of customers to flat tariffs is transitionary, and that customers will have smart meters by 2030 and be assigned to cost reflective tariffs by then. While we acknowledge Queensland Farmers' Federation's submission, we note the following elements of Ergon Energy's revised tariff structure statement that somewhat address its concerns:

- those customers with demand over 120 kVA and consumption less than 160 MWh will have access to the new optional time-of-use tariff (discussed at section 19.4.5.1)
- if the Queensland Government changes the large customer threshold, customers consuming up to 160 MWh per annum would have access to the optional time-of-use tariff regardless of their level of kVA demand
- the reassignment of those customers currently on the Demand Small tariff who have basic meters to flat tariffs would result in most of those customers being better off
- modelling shows that customers on the kVA version of the Demand Small tariff will still largely be better off than on the default SAC large tariff
- customers with smart meters would continue to able to access a kW-based version of the default SAC large tariff or primary load control tariffs to assist with managing demand (in instances where the smart meter is unable to publish underpinning interval data for the purposes of determining kVA quantity for billing).

On balance, we consider Ergon Energy's proposed suite of large business customer tariffs complies with the NER and further progresses tariff reform. We encourage Ergon Energy to continue to engage and collaborate with its large business customers and develop trials for inclusion in 2030–35.

19.4.5.4 Ergon Energy only - price streamlining for SAC large customers

Our final decision is to accept Ergon Energy's simplification of its large SAC customer prices by aligning volume and demand prices levels across its three pricing zones. We consider this

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125 Queensland Farmers' Federation, *Submission on Ergon Energy and Energex's Revised Regulatory Proposal for 2025–30,* January 2025, p 8.

126 NER, cl. 6.18.5(c).

change raises no compliance issues with the NER as the tariff structures (that were approved in our draft decision) remain the same.

Our draft decision approved these tariffs in Ergon Energy's initially proposed tariff structure statement, with different distribution use of system prices across its network.

Ergon Energy's revised tariff structure statement proposed to align volume and demand charges across its pricing zones (East, West and Mt Isa). Ergon Energy proposed to modify fixed charges to ensure proportional revenue recovery remains unchanged.

Most customers affected are in the East pricing zone and will be immaterially impacted. Some customers in Ergon Energy's west zone who are not on regulated prices will be impacted by this change.[127] However, we consider Ergon Energy has consulted affected stakeholders on this change. We consider that this shift aligns with Ergon Energy and Energex's long-term plans for more streamlined tariffs.

127 The number of customers affected has not been included as it is commercially sensitive.

Shortened forms

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