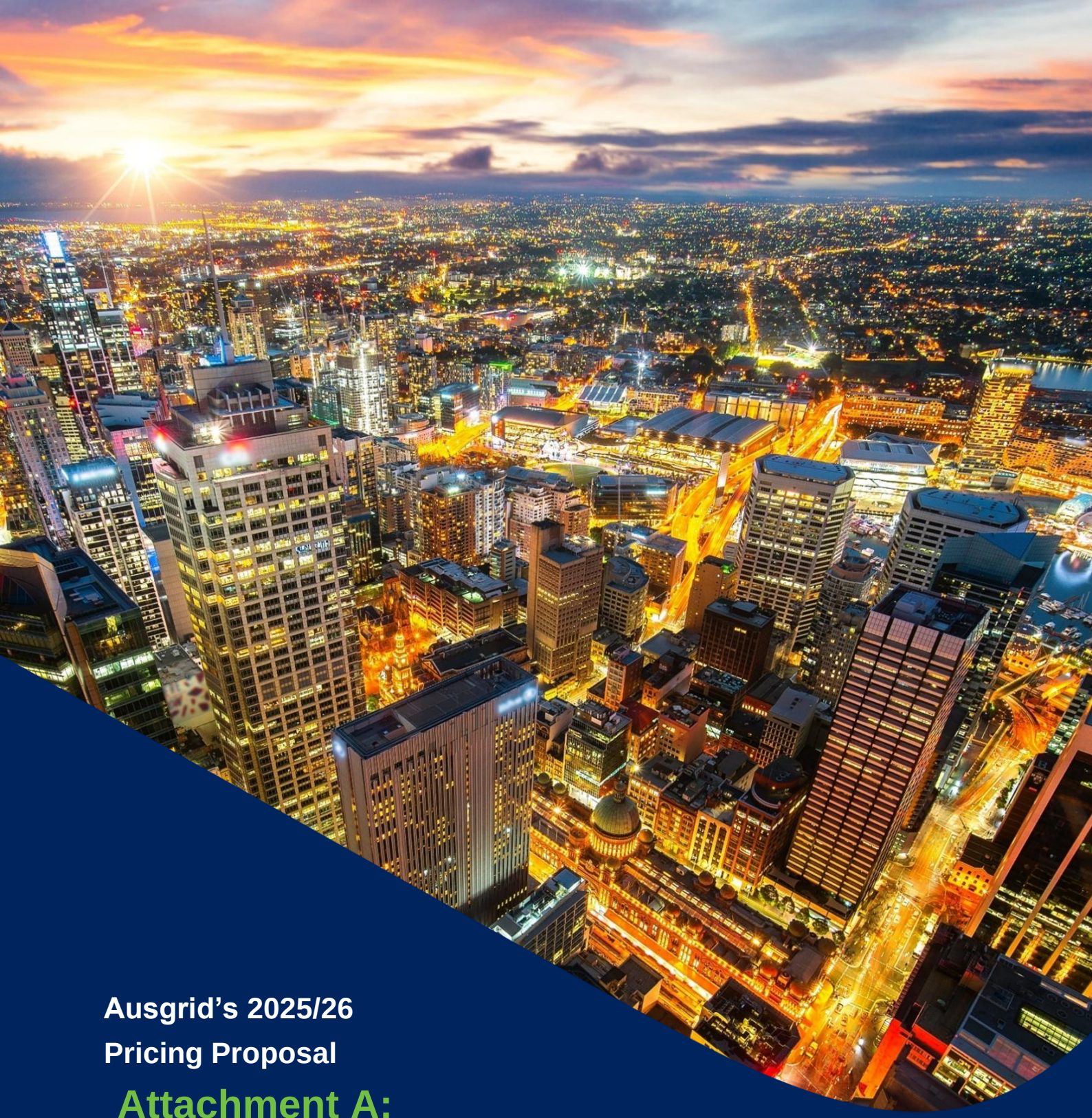


Ausgrid's 2025/26

Pricing Proposal

Attachment A: Statement of Compliance

Wired for good.™

Ausgrid

Contents

1 Introduction

This statement of compliance as well as the standardised standard control services (SCS) and alternative control services (ACS) pricing models form Ausgrid's pricing proposal for 2025/26. This annual pricing proposal was submitted at least three months before the commencement of the regulatory year.

Below is a full list of documents that form part of this proposal:

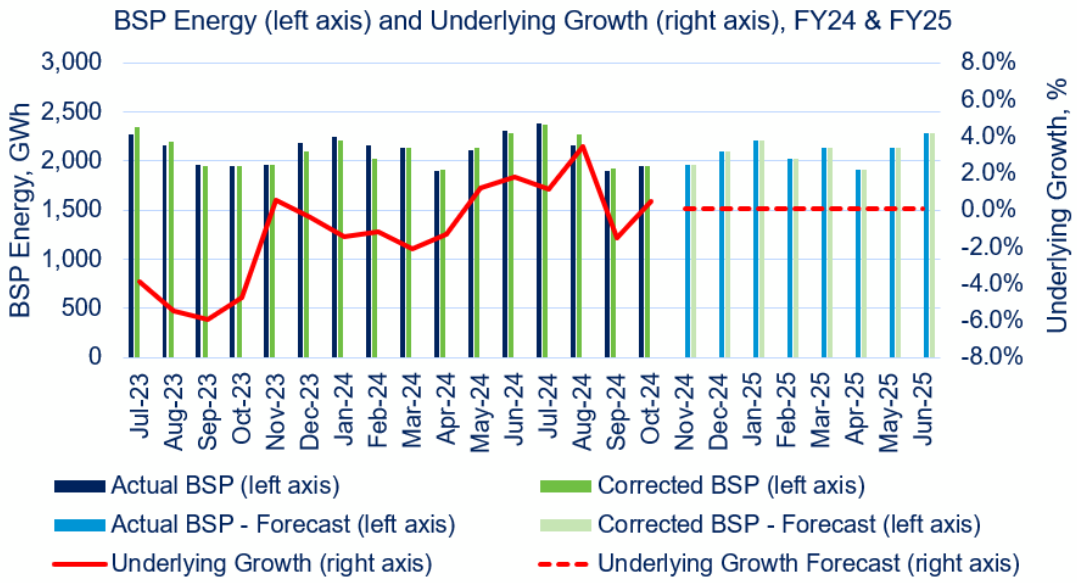
- Ausgrid's 2025/26 pricing proposal cover letter
- Ausgrid's 2025/26 price proposal overview document
- Att. A - Statement of compliance (**this document**)
- Att. B - SCS pricing model - public
- Att. C - SCS pricing model - confidential
- Att. D - ACS pricing model – public

2 Demand Forecasts

Ausgrid has provided quantity forecasts for SCS in the 'Qty forecasts' sheet of the SCS pricing model. There has not been a change in methodology in the demand forecasts compared to the previous price proposal.

The basis of the forecast for the remaining period of FY25 (the current financial year) is to use 4 months (July to October) of actuals and 8 months of forecasts. This forecast is determined by extrapolating the monthly total volume results as seen at the bulk supply points (BSP) on the boundary of the network. Based on the monthly volume trends, the underlying growth in November 2024 to June 2025 is assumed to be 0.1%, which is the average of 12 months of actual data. The following figure shows these assumptions as the red dotted line. Since November, the more recent monthly results have aligned with this projection.

Figure 1 BSP Energy and Growth Forecast (FY24 and FY25)

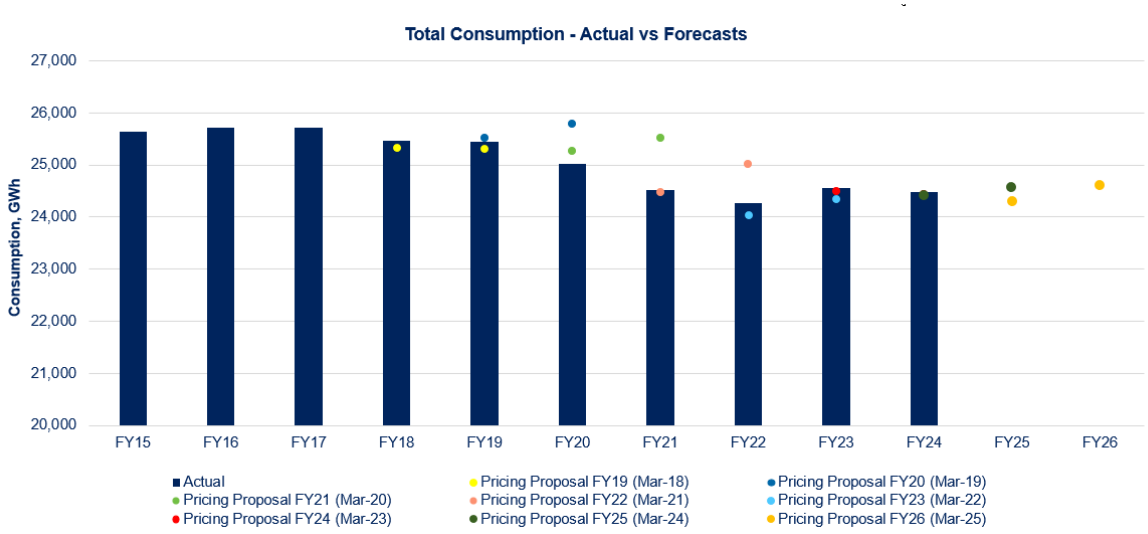


FY25 forecast volumes are allocated to tariffs using a combination of actual meter reads and estimates of retailer billing accruals. An estimated distribution loss factor is applied.

The following figure shows the annual energy volumes used in each Ausgrid price proposal from FY15 to FY26. These can be compared to actual volumes which are also shown on the same figure (as a bar chart). Forecasting consistent volume forecasts was challenging during the COVID period, however a closer alignment has been achieved in the last three price proposals. Specifically, the two most recent years of actual volumes (FY23 and FY24) are not materially different to what was submitted in the corresponding price proposals.

Comparing the previous pricing proposal to the latest forecast for the current year (ie. FY25 to FY25), the total consumption volumes are slightly lower. A decrease in residential volumes has been offset by an increase in business volumes.

Figure 2 Total consumption (actuals and forecast)



Comparing the price proposal forecast with the current year (FY25 to FY26):

- The overall consumption trend is to increase by 1.3% or 319 GWh. The residential consumption trend is to decrease by 0.6% or 49 GWh. The business consumption trend is to increase by 2.6 % or 413 GWh.

- The overall customer numbers are forecast to increase by 8,544, residential customer numbers by 7,353 and business numbers by 574 sites.

The main drivers in the forecast are (1) the macroeconomic variables that support the linear least squares regression model, (2) offsets for rooftop PV and energy efficiency, and (3) add ons for large industrial loads and electric vehicle charging.

The macroeconomic variables driving residential volumes are electricity price and household disposable income. The variables driving business volumes are gross state product and electricity price.

Residential customer numbers are forecast using the Housing Industry Association's estimate of dwelling starts with a 1 year delay. Business customer numbers are held flat while volume changes for this sector are driven by the macroeconomic model and increasing industrial loads.

3 Tariffs

3.1 Standard Control Services

The 'Tariff schedule' sheet of the SCS pricing model sets out the proposed 2025/26 prices for standard control services.

All tariffs remain in the same tariff class as the approved 2024-29 Tariff Structure Statement. This is demonstrated in tariff schedule 2 of the SCS pricing model.

All tariffs retain the same charging parameters as the approved 2024-29 tariff structure statement. This is also demonstrated in tariff schedule 2 of the SCS pricing model. Below is a summary of each charging parameter:

Residential and business charging parameters	Unit	Explanation
Fixed charge	c/day	Access charge reflecting a fixed amount per day.
Energy charge	c/kWh	Charged applied to all energy consumed.
Peak energy charge	c/kWh	Charge applied to energy consumed between 3-9pm each day during Summer (November to March) and Winter (June to August) months. For business customers this applies on working weekdays[1].
Off-peak energy	c/kWh	Charged applied to energy consumed at times other than peak energy.
Peak demand	c/kW/day	Charge applied to the customer's highest kW demand in any half-hour period between 3-9pm during Summer (November to March) and Winter (June to August) months, resetting monthly. For business customers this applies on working weekdays.
Peak capacity - real capacity	c/kW/day	Charge applied to the customer's highest kW of demand during any half-hour period between 3-9pm on working weekdays in the previous 12 months.
Peak capacity - apparent capacity	c/kVA/day	Charge applied to the customer's highest kVA of demand during any half-hour period between 3-9pm on working weekdays in the previous 12 months.
Export (charge)	c/kWh	Charge applies to energy exported above the Basic Export Limit between 10am-3pm each day.
Export (reward)	c/kWh	Reward (credit or payment) applies to energy exported between 4-9pm each day.

[1] For ST storage customers this charge applies to energy consumed that is between the network reliability measure and 5MW below the network reliability measure.

Critical minimum energy	c/kWh	Charge or reward applied during minimum demand events.
Critical peak energy	c/kWh	Charge or reward applied during maximum demand events[2].
TUOS demand	c/kW/day	Transmission charge applied to the customer's highest kW demand in any half-hour period, resetting monthly.

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

3.2 Alternative control services

Ausgrid's alternative control services (ACS) are regulated under a price cap control mechanism. From the second year of the regulatory control periods, prices are adjusted for inflation and the approved X factor.

Our list of services for Type 5 and 6 metering, public lighting, and ancillary network services and associated FY26 prices aligns with the AER's final determination for alternative control services[3]. They are provided in the ACS pricing model (Attachment D). Quoted services are provided in line with the approved control mechanism formula[4] using the applicable labour rates in the ACS pricing model.

3.3 Tariff variations

We are not anticipating variations or adjustments to our tariff prices, tariff class or charging parameters within the 2025/26 period.

3.4 Sub-threshold tariffs

Ausgrid is continuing three and introducing two new sub-threshold tariffs for the next regulatory year. These are:

- Flexible load secondary (EA964): introduced in 2023–24.
- Flexible load primary (EA965): introduced in 2023–24.
- Residential local use of system tariff (EA956): introduced in 2024/25.
- Small business local use of system tariff (EA955): introduced this year.
- Two-way transmission charging for large storage facilities (ICT): introduced this year.

[2] For ST storage customers this component applies to load or generation that exceeds the network reliability measure.

[3] AER, Attachment 16 Alternative Control Services | Final Decision – Ausgrid Distribution Determination 2024-29, April 2024, pp 17-37 and AER, Attachment 20 Metering Services | Final Decision – Ausgrid Distribution Determination 2024-29, April 2024, Appendix A.

[4] AER, Attachment 14 Control Mechanisms | Final Decision – Ausgrid, Endeavour Energy, Essential Energy, Evoenergy, Power and Water Corporation and TasNetworks Distribution Determination 2024-29, April 2024, p12.

Ausgrid notified the AER of these sub-threshold tariffs no later than four months before the start of a regulatory year. Our FY26 sub-threshold notification is available on the AER website.

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

4 Pricing principles

The revenue expected to be recovered from each tariff class lies on or between an upper bound representing the standalone cost of serving the retail customers who belong to that class and a lower bound representing the avoidable cost of not serving those retail customers. This is demonstrated in compliance table 5 of the SCS pricing model. These bounds are from the model (Attachment 8.7) submitted as part of Ausgrid's revised regulatory proposal. This model calculates percentages of distribution revenue that represent the upper and lower bounds. These percentages are determined by allocating operating costs and asset value data to tariff classes based on whether the cost is considered scalable or not scalable.

The sum of the revenue expected to be recovered from each tariff allows Ausgrid to recover the expected revenue for the relevant services in accordance with the AER's final decision for 2024-29. This is demonstrated in compliance table 1 of the SCS pricing model.

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

The long-run marginal cost estimates are unchanged from the approved 2024-29 tariff structure statement.

5 Indicative prices

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

Furthermore, revenues for sub-threshold tariffs are provided in input table 32 of the SCS pricing model.

The proposed tariff prices are materially different to the corresponding indicative prices and this is demonstrated in compliance table 6 and 7 of the SCS pricing model. This is largely due to the inclusion of updated NSW Electricity Roadmap Infrastructure Fund pass through costs. The Roadmap costs have increased by $62 million (41%) compared to the current year. These costs cover financial support for new renewable generation and storage investment, network investment and the administration costs of Roadmap entities.

6 Tariff components

6.1 Distribution use of system charges

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

The over or under recovery amount is calculated in a manner consistent with the AER's final decision for control mechanisms.

A $28.5 million (rounded, excluding interest) over recovery is forecast in 2024/25 for DUOS revenue. This has been included in the calculation of 2025/26 prices.

There are no zeroed-out DUOS charging components for 2025/26 (as compared to the previous year).

6.2 Designated pricing proposal changes

Ausgrid's designated pricing proposal charges (DPPC) are designed to recover the allowed revenue for our electricity transmission (dual function) network, to pass through the prescribed transmission costs of Transgrid, inter-distributor transfers and avoided TUOS payments.

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

The over or under recovery amount is calculated in a manner consistent with the AER's final decision for control mechanisms[5] and is compliant with the NER.

A $5.5 million (rounded, excluding interest) under recovery is forecast in 2024/25 for DPPC revenue. This has been included in the calculation of 2025/26 prices.

Our price proposal overview document includes the notification of Transgrid's 2025/26 revenue as received on March 17.

There are no zeroed out DPPC charging components for 2025/26, as compared to the previous year.

6.3 System strength charges

Ausgrid is not planning to pass through system strength charges for system strength connection points for the 2025/26 period.

In future years, and in accordance with clause 6A.23.6(b) of the Rules, for each system strength connection point on Ausgrid's network, Ausgrid will recover from the relevant Transmission Network User, on a pass through basis, the annual system strength charge for the system strength connection point determined by Transgrid, being the System Strength Service Provider for NSW.

Clause 6A.23.6(c) of the Rules requires the amount, structure and timing of the amount billed will replicate, as far as is reasonably practical, the amount, structure and timing of the corresponding system strength charge billed to Ausgrid. To comply with this requirement, Ausgrid will replicate, as far as reasonably

[5] AER, Attachment 14 Control Mechanisms | Final Decision – Ausgrid, Endeavour Energy, Essential Energy, Evoenergy, Power and Water Corporation and TasNetworks Distribution Determination 2024-29, April 2024, Appendix B.

practical, the amount, structure and timing of the annual system strength charge, in accordance with the charging information provided and billed by Transgrid.

6.4 Jurisdictional scheme amounts

There are three jurisdictional schemes recoveries for 2025/26. These are the Climate Change Fund (CCF), the NSW Electricity Infrastructure Roadmap contribution determination, and Roadmap exemptions.

On 9 December 2021, the AER published its determination that the NSW Government's scheme established under section 58(1) of the Electricity Infrastructure Investment Act (NSW) 2020 (Roadmap) is a jurisdictional scheme. The Roadmap contribution determination of 19 February 2025 requires Ausgrid to recover $212.77 million in 2025/26. Ausgrid forecasts a $0.4 million (rounded, excluding interest) over recovery for this scheme in 2024/25 and this has been included in the 2025/26 prices.

Clause 34J of the NSW Energy and Utilities Administration Act 1987 enables the Minister to require licensed distributors to make contributions to the Climate Change Fund. The Climate Change Fund recovery amount for 2025/26 is $143.45 million (rounded). The email notification as received from the NSW Department of Climate Change is included in the price proposal overview document. Ausgrid forecasts a $2.3 million (rounded, excluding interest) over recovery for this scheme in 2024/25 and this has been included in the 2025/26 prices.

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

The over or under recovery amounts for both schemes are calculated in a manner consistent with the AER's final decision for control mechanisms[6] and is compliant with the NER.

Jurisdictional scheme recoveries will be passed on to customers via energy and fixed charges (for the Roadmap scheme) and include any adjustments for the over or under recovery of these schemes in any previous regulatory year.

[6] AER, Attachment 14 Control Mechanisms | Final Decision – Ausgrid, Endeavour Energy, Essential Energy, Evoenergy, Power and Water Corporation and TasNetworks Distribution Determination 2024-29, April 2024.

7 Compliance

7.1 Compliance with the determination

We confirm that our tariff assignment policy and the methodology in which we review and assess the basis on which a customer is charged is unchanged from the approved tariff structure statement and is compliant with Chapter 6 of National Electricity Rules (NER).

The second year of the current TSS commits Ausgrid to:

1. introduce its embedded network tariffs with a 7-year transition to appropriate price levels. This 2025/26 price proposal has introduced these tariffs with prices for the second year of this transition period.

2. increase the assignment threshold for capacity tariffs from 60 MWh per annum to 80 MWh per annum. This is the second year of a three-year transition period.

3. introduce default assignment of export tariffs in 2025/26 for all small customers that are export capable.

We discuss changes to the export tariff reward component and Roadmap scheme components in the pricing proposal overview document.

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

7.2 Compliance table

Rule reference	Section reference
6.18.2(a)	Chapter 1 - Introduction
6.18.8(a)(3)	Chapter 2 - Demand forecasts
6.18.2(b)(2) **6.18.2(b)(3)** **6.18.2(b)(4)** **6.18.6** **6.18.2(b)(5)** **6.18.1C** **11.141.8**	Chapter 3 - Tariffs
6.18.5(e) **6.18.5(f)**	Chapter 4 - Pricing principles

6.18.5(g)(2)	
6.18.2(d) **6.18.2(e)** **6.18.2(b)(7A)**	Chapter 5 - Indicative prices
6.18.2(b)(6) **6.18.2(b)(6A)** **6.18.2(b)(6B)** **6.18.2(b)(6C)** **6.18.7** **6.18.7A**	Chapter 6 - Tariff components
6.18.3 **6.18.4** **6.18.2(b)(7)** **6.18.2(b)(8)**	Chapter 7 - Compliance

I, Bill Nixey, Network Pricing Manager, confirm that the above statements are true and correct.

28 March 2025