2025-26 Statement of Compliance

March 2025

Contents

Introduction

This statement of compliance combined with the standardised Standard Control Services (SCS) and Alternative Control Services (ACS) pricing models form Essential Energy's pricing proposal for 2025-26.

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

- Essential Energy's 2025-26 Annual Pricing Proposal Overview - Public
- Att. A – 2025-26 Statement of Compliance - Public (**this document**)
- Att. B – 2025-26 Standard Control Services Pricing Model - Public
- Att. C – 2025-26 Standard Control Services Pricing Model - Confidential
- Att. D – 2025-26 Alternative Control Services Pricing Model - Public
- Att. E – Network Use of System Price List for 2025-26 - Public
- Att. F – Public Lighting Price List for 2025-26 - Public
- Att. G – Ancillary Network Services Price List for 2025-26 - Public
- Att. H – 2025-26 Sub-Threshold Notification - Public

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Demand Forecasts

Standard Control Services

Essential Energy has provided quantity forecasts for standard control services in the 'QTY forecasts' sheet of the SCS pricing model.

The forecast consumption volumes and customer numbers for the 2025-26 regulatory year are not materially different compared to the previous pricing proposal forecasts.

The customer numbers and sales volumes methodology for 2025-26 are consistent with that of 2024-25. The forecasts for 2025-26 include the following:

- Customer numbers – straight line trend, demonstrating strong continued growth in both residential and small business customer numbers, consistent with historical trends.
- Average customer use – showing either growth or decline in consumption based on the various customer segments, with key drivers including solar uptake, industry growth, weather and smart meter uptake considered.

Energy consumption forecasts are prepared at a tariff class and individual site specific customer level, aggregated to total network level. The forecasts for our site specific customers are based on a review of each customers' actual consumption history and advised future operational changes. For the other tariff classes movements in historical energy consumption, customer numbers, seasonal impacts, economic factors and other variables are all considered.

The forecast volumes by tariff class are summarised in Table 1 below.

Table 1: Actual and Forecast consumption by tariff class (GWh)

Tariff class	2021-22 Actual	2022-23 Actual	2023-24 Actual	2024-25 Estimate	2025-26 Forecast	Explanation
Low voltage - Residential and Small Business	6,322	6,331	6,237	6,299	6,382	Increase is driven by small customer segment and inclusion of LV Small scale storage tariff
Low voltage - Large Business	2,230	2,316	2,384	2,332	2,276	
High voltage – Demand	914	945	964	991	1,013	Growth due to inclusion of new HV storage tariff
Subtransmission and Site Specific	2,922	2,997	3,060	3,137	3,205	Increase due to site specific forecast consumption
Unmetered Supply	64	55	52	53	53	
Total GWh	**12,452**	**12,645**	**12,696**	**12,812**	**12,929**	

The forecasts prepared take into consideration the shift of residential and small business customers between our legacy time of use tariffs and the default interval time of use tariffs for new connections and meter upgrades. The residential and small business customer number trends by tariff type can be seen in *Figure 1: Residential Customer Count* and *Figure 2: Small Business Customer Count*.

Figure 1: Residential Customer Count

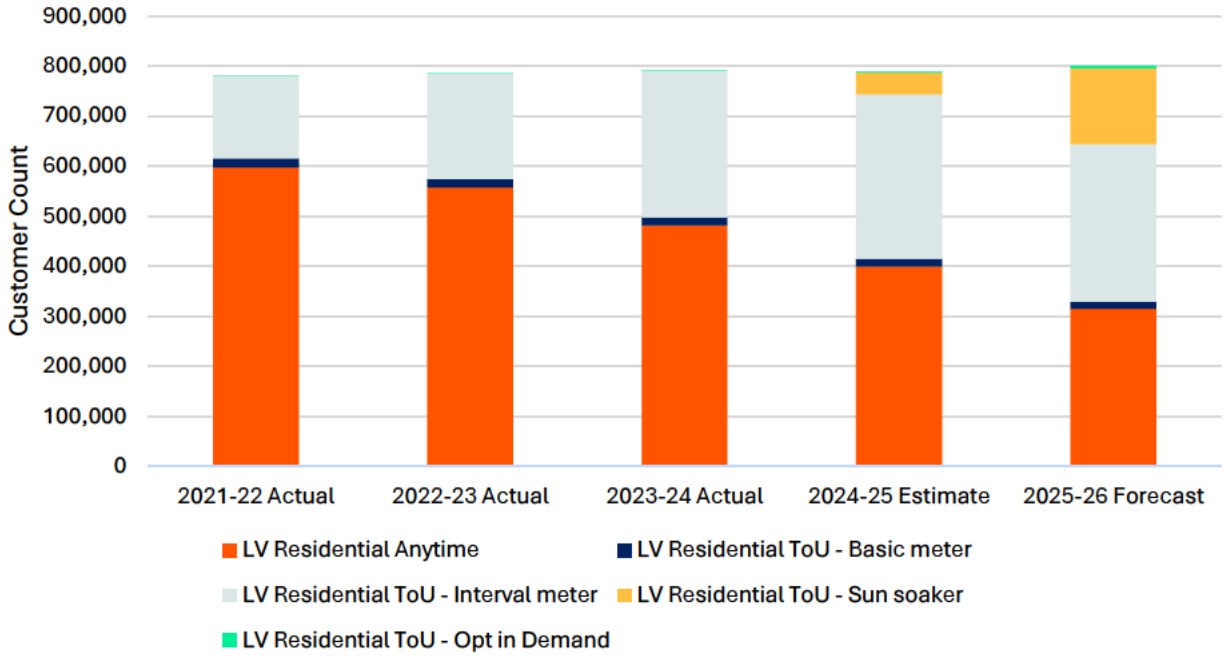
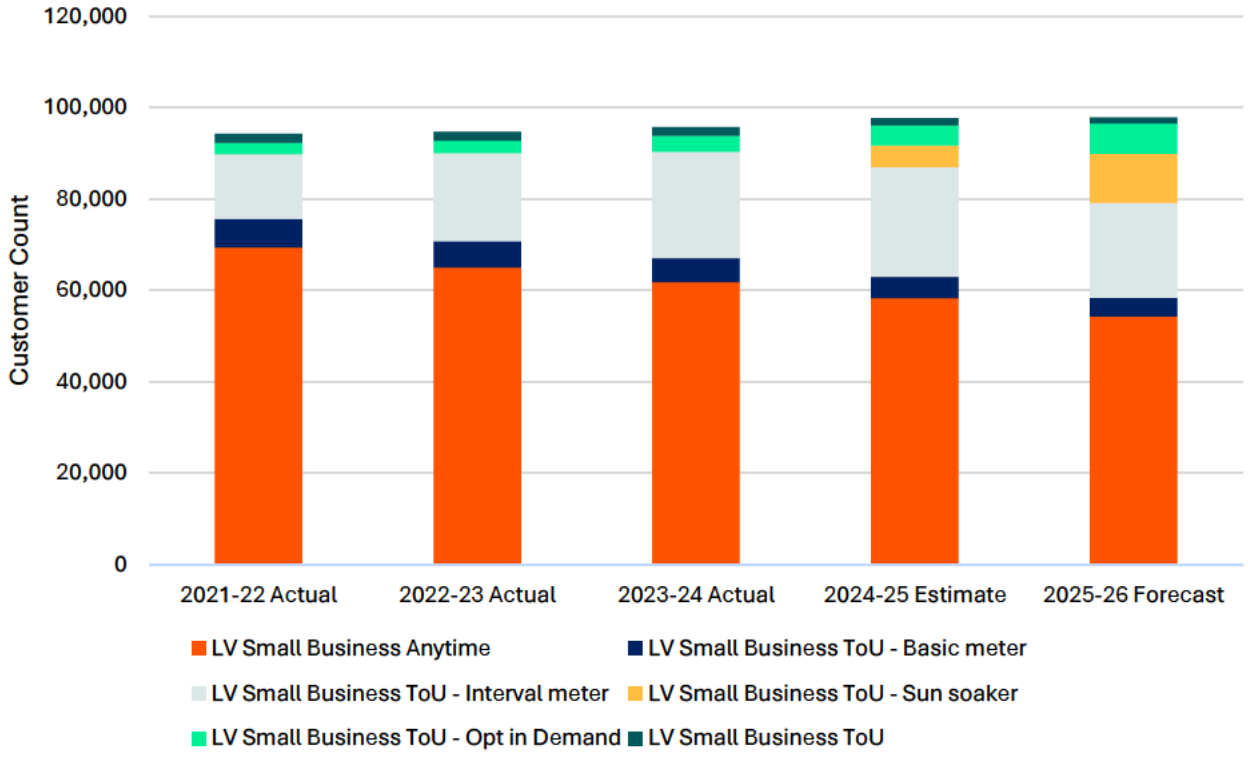


Figure 2: Small Business Customer Count



The forecast customer numbers by tariff class are summarised in Table 1 below.

Table 2: Actual and Forecast Customer Numbers by Tariff Class

Tariff class	2021-22 Actual	2022-23 Actual	2023-24 Actual	2024-25 Estimate	2025-26 Forecast	Explanation
Low voltage - Residential and Small Business	873,552	879,970	888,347	893,185	898,900	Continued strong growth in Residential numbers
Controlled Load	470,276	466,188	462,674	455,588	446,839	Decline seen in Controlled load customers with the uptake of Smart meters
Large Business incl Site specific	4,980	4,893	4,844	4,747	4,683	Reduction in consumption to below 160MWh and economic drivers
Total Customer excluding Controlled Load	**878,532**	**884,863**	**893,191**	**897,932**	**903,583**	

Tariffs

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 and retain the same charging parameters as the current TSS. This is demonstrated in the tariff schedule of the SCS pricing model.

Below is a summary of each charging parameter:

Charging parameters	Unit	Explanation
Network access charge	$/day	Fixed dollar per day charge
Energy anytime	c/kWh	Flat energy consumption charge regardless of time of day
Energy peak	c/kWh	Energy consumption rate for the peak window relevant to the assigned tariff
Energy shoulder	c/kWh	Energy consumption rate for the shoulder window relevant to the assigned tariff
Energy off peak	c/kWh	Energy consumption rate for the off peak window relevant to the assigned tariff
Energy Sun Saver	c/kWh	Energy consumption rate for the Sun Soaker window for Storage tariffs
Demand peak	$/kVA/M	Applies to the single highest 30-minute kVA demand during the month for the peak window relevant to the assigned tariff
Demand shoulder	$/kVA/M	Applies to the single highest 30-minute kVA demand during the month for the shoulder window relevant to the assigned tariff
Demand off peak	$/kVA/M	Applies to the single highest 30-minute kVA demand during the month for the off peak window relevant to the assigned tariff

Demand Sun Saver	$/kVA/M	Applies to the single highest 30-minute kVA demand during the month for the Sun Soaker window for Storage tariffs
Export rebate	c/kWh	Rebate for any energy exported between 5pm and 8pm daily relevant to the assigned tariff
Export demand charge <=1.5KW	$/KW/M	Step charge <=1.5KW, that applies to the single highest 30-minute export KW demand between 10am and 3pm peak period in the month
Export demand charge >1.5kW	$/KW/M	Step charge >1.5KW, that applies to the single highest 30-minute export KW demand between 10am and 3pm peak period in the month
Export consumption charge <=7.5kWh	c/kWh	Step charge <=7.5KWh, that applies to the export consumption between 10am and 3pm peak period. The 7.5kWh daily free threshold is multiplied by the number of days in the billing period to calculate the level of free exports. For example, the free export threshold for a 30 day billing period is 30 days x 7.5kWh = 225kWh.
Export consumption charge >7.5kWh	c/kWh	Step charge >7.5KWh, that applies to the export consumption between 10am and 3pm peak period. The 7.5kWh daily free threshold is multiplied by the number of days in the billing period to calculate the level of free exports. For example, the free export threshold for a 30 day billing period is 30 days x 7.5kWh = 225kWh.
Demand anytime	$/kVA/M	Applies to the single highest 30-minute kVA demand during the month
Demand kW	$/KW/M	Applies to the single highest 30-minute kW demand during the month

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.

Essential Energy Time Periods

Time period	Description	Day type	Time of day						
			12am	7am	10am	3pm			10pm
SS	Sun Soaker – Interval meter	Everyday	Off-peak	Peak	Off-peak	Peak			Off-peak
			12am	7am	10am	3pm	5pm	8pm	10pm
PSO-Int	Peak, shoulder & off-peak – Interval meter	Weekday	Off-peak	Shoulder			Peak	Shoulder	Off-peak
		Weekend	Off-peak						
			12am	7am	9am	3pm	5pm	8pm	10pm
PSO-B	Peak, shoulder & off-peak – Basic meter	Weekday	Off-peak	Peak	Shoulder		Peak	Shoulder	Off-peak
		Weekend	Off-peak						
			12am	7am	10am	3pm	5pm	8pm	10pm
EXP	Export - Interval meter	Everyday			Export Charge		Export Rebate		
			12am	7am	10am	3pm	5pm	8pm	10pm
ANY	Anytime	Everyday	Anytime						
			12am	7am	10am	3pm	5pm	8pm	10pm
STO	Storage – Interval meter Consumption (E Channel)	Everyday	Off-peak	Shoulder	Sun Saver	Shoulder	Peak	Shoulder	Off-peak
	Storage – Interval meter Generation (B Channel)	Everyday			Export Charge		Export Rebate (LV tariffs only)		

These times are unchanged when a public holiday falls on a weekday.

DAYLIGHT SAVINGS TIME will be applied to all customers with interval read meters and unmetered supplies in determining Network charges. Other customers will have Summer Time applied, see definition below.

SUMMER TIME is the period from the last Sunday in October at 2am to the last Sunday in March at 3am of the following year. Summer time adjustments will be made to ToU Type 5 (Basic) meters.

Alternative Control Services

The ACS pricing model sets out the proposed 2025-26 prices for alternative control services.

Essential Energy will offer the list of services for public lighting and ancillary network services as approved in the AER's final determination for alternative control services[1]

The list of services for public lighting and fee-based services are provided in the ACS pricing model. Quoted services are provided in line with the approved control mechanism formula[2] using the applicable labour rates in the ACS pricing model.

Tariff Variations

We are not anticipating variations or adjustments to our tariff classes or charging parameters within the 2025-26 period. The only variation is to our tariff prices where the Sun Soaker tariffs BLNRSS2 and BLNBSS1 have an export charge and export reward effective 1 July 2025, which previously did not apply.

Sub-threshold Tariffs

The trial tariffs proposed to be introduced for 2025-26 are:

1. **Grid Connected Storage Tariffs (High Voltage and Low Voltage versions)** – two tariffs that encourage the efficient use of storage technologies on the low voltage (LV) and high voltage (HV) network to assist with managing network issues.

High and Low Voltage Grid Connected Storage Tariffs	
Energy consumed from the network	**Network access charge:** applies **Consumption charge:** does not apply **Demand charge:** Dollars per kVA based on the highest measured half-hour kVA demand registered in each of the peak, shoulder and off-peak periods during the month • Peak: 5pm–9pm • Shoulder: 7am - 9am, 4pm - 5pm, 9pm - 10pm • Off peak: 10pm – 7am • Sun Soaker: Free between 9am and 4pm
Energy exports into the network	**Demand charge (exports):** Stepped $/kW capacity payment is based on the relevant band that the highest level of energy exported (kW) into the network between 9am and 4pm in the month falls into • 0–1.5kW free basic export limit • Band 1 rate applies to exports over 1.5kW Exports at all other times are free. **Rebate (exports):** does not apply

2. **Flexible Load Tariff** – supports customers with highly flexible loads, including both large LV and HV customers on dynamic connection agreements.

Flexible Load Tariffs for Low and High Voltage Customers	
Energy consumed from the network	**Network access charge:** applies **Consumption charge:** Cents per kWh are based on time of day • Off peak 1 (Sun Soaker): 9am – 4pm • Peak: 5pm – 9pm • Shoulder: 7am - 9am, 4pm - 5pm, 9pm - 10pm • Off peak 2 (Night): 10pm- 7am **Demand charge:** does not apply
Energy exports into the network	**Demand charge (exports):** does not apply **Rebate (exports):** does not apply

[1] Final Decision: Essential Energy distribution determination 2024-29, Attachment 16 – Alternative control services Link
[2] Final Decision: Essential Energy distribution determination 2024-29, Attachment 14 – Control Mechanisms Link

3. **Flat Rate Transitional Tariff** – aids large commercial controlled load consumption customers in transitioning to a new switching platform with minimal changes to their current switching conditions.

Flat Rate Transitional Tariff	
Energy consumed from the network	**Network access charge:** applies **Consumption charge:** Cents per kWh rate based on time of day • Not available during Peak: 5pm – 8pm **Demand charge:** does not apply
Energy exports into the network	**Demand charge (exports):** does not apply **Rebate (exports):** does not apply

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. The estimation method we have used to identify these efficient pricing bounds, is the same as for our previous TSS - with updates to the cost inputs to account for new export service costs incurred after 1 July 2024, under our new two-way service obligations.

We have used current expenditure as the basis for estimating stand-alone and avoidable costs. For example, to assess our stand-alone cost for the high voltage charging class, we have identified the existing assets and operating expenditure needed for these customers.

Our framework uses two dimensions to classify each network cost category.

1. Whether costs are direct or indirect
   - Direct: the cost can be attributed to a specific group of users and would not be incurred but for those users.
   - Indirect: the cost is common to multiple groups of customers.

   For example, a service line is directly attributable to an individual customer, but operational expenditure costs are generally indirect. For instance, the cost of raising equity cannot be attributed to specific customers or customer groups.
2. Whether costs are scalable or non-scalable
   - Scalable: the cost tends to increase in proportion to the scale at which the service is provided.
   - Non-scalable: the cost is independent of the scale at which the service is provided.

   For example, maintenance and repair costs are scalable as they usually depend on the physical size of the network. Equity-raising costs will be independent of network characteristics such as the number of customers or maximum demand.

The following explains how we calculate avoidable and stand-alone costs.

- Avoidable cost for each tariff class is the sum of all direct costs for providing traditional distribution services multiplied by a weighting. This represents the proportion of direct costs that are attributable to that tariff class. Added to this is the export long-run marginal cost (LRMC) attributable to export-billed customers in this tariff class.
- Stand-alone cost for each tariff class is the sum of avoidable costs, non-scalable indirect costs and scalable indirect costs. This is then multiplied by a set of scaling factors that vary according to the costs in question.

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

Each tariff is based on the LRMC of providing the service to which it relates to the retail customers assigned to that tariff.

Indicative Prices

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

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

Tariff Components

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 DUoS charges, adjusted for over- or under-recovery and incentive scheme revenues. 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[3].

Estimated Retailer of Last Resort (ROLR) amounts reflect the debt from Retailers who have gone into administration and triggered ROLR events. These amounts have been included in the SCS pricing model in the 'Financials' sheet[4].

Forecast DUoS amounts are calculated in a manner consistent with the AER's final decision as demonstrated in the SCS pricing model.

Metering Charges

From 2024-25, standard control tariffs designed to pass on legacy metering 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 metering charges. This is demonstrated in output table 6 of the SCS pricing model.

Designated Pricing Proposal Charges

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

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

The designated pricing proposal charge amounts that Essential Energy are required to recover include the following:

Transmission charges paid to transmission network service providers (TNSPs), TransGrid[6] and Powerlink[7].

Avoided TUoS payments Essential Energy forecasts to make to eligible Embedded Generators calculated in accordance with the National Electricity Rules ('the Rules')

Inter-distributor payments to Ausgrid, Endeavour Energy, Powercor and Ergon for cross border supply[8]

System Strength Charges

Essential Energy is planning to pass through system strength charges for system strength connection points

[3] Final Decision: Essential Energy distribution determination 2024-29, Attachment 14 – Control Mechanisms Link
[4] Refer to attached Supporting information file 'ROLR Debt by NMI as at 07 May 2024'
[5] Final Decision: Essential Energy distribution determination 2024-29, Attachment 14 – Control Mechanisms Link
[6] Refer to attached Supporting information file, 'Essential Energy 2025-26 TUoS Transgrid Supporting Material_CONFIDENTIAL'
[7] Refer to attached Supporting information file, 'Essential Energy 2025-26 TUoS Powerlink Supporting Material_CONFIDENTIAL'
[8] Refer to attached Supporting information file, 'Essential Energy 2025-26 TUoS forecast Supporting Material_CONFIDENTIAL'

for the 2025-26 period.

Legislation requires Essential Energy to bill customers on a pass through basis for system strength charges.

We will aim to replicate the amount, structure and timing of the System Strength Service Provider's system strength charge as far as is reasonably practicable. Our charges will identify the system strength connection point and other information to enable the customer to verify the charge.

This pass through charge will not be recovered through network prices but billed separately to applicable customers.

Jurisdictional Scheme Amounts

Essential Energy's jurisdictional schemes have not been amended since the last jurisdictional scheme approval date.

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

The over- or under-recovery amount is calculated in a manner consistent with the AER's final decision for control mechanisms[9] and is compliant with the Rules.

The designated pricing proposal charge amounts that Essential Energy are required to recover include the following:

- Climate Change Fund (CCF) - Legislation requires Essential Energy to contribute $61.9 million[10] to the New South Wales CCF in 2025-26. Essential Energy is permitted to collect this contribution from its customers through network prices and is required to take into account any under- or over-recovery from previous years. It is also a requirement that only 25 per cent of this contribution is collected from residential customers.
- Queensland Solar Scheme - Legislation requires Essential Energy to pay eligible customers located in Queensland and connected to Essential Energy's network an amount for their solar export. As this scheme is a designated jurisdictional scheme under the Rules, Essential Energy is recovering the amount paid to these customers back through tariffs in a similar manner to the CCF.
- New South Wales Electricity Infrastructure Roadmap - Legislation requires Essential Energy to contribute $95.70 million[11] to the New South Wales Electricity Infrastructure roadmap in 2025-26. Essential Energy is permitted to collect this contribution from its customers through network prices. In addition, Essential Energy is required to credit exempt customers for charges owing due to the Roadmap against charges owing under contribution orders. As this scheme is a designated jurisdictional scheme under the Rules, Essential Energy is recovering the amount paid to these customers back through tariffs.

[9] Final Decision: Essential Energy distribution determination 2024-29, Attachment 14 – Control Mechanisms Link
[10] Refer to attached Supporting information file, 'Essential Energy 2025-26 CCF Contributions Supporting Material_CONFIDENTIAL'
[11] Refer to attached Supporting information file, 'Essential Energy 2025-26 NSW Electricity Infrastructure Roadmap – contribution determination Supporting Material_CONFIDENTIAL'Link

Compliance

Compliance with the determination

We confirm that our tariff assignment policy[12] and the methodology in which we review and assess the basis on which a customer is charged, aligns with the 2024-29 TSS[13] and is compliant with the National Electricity Rules.

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

Compliance table

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

I, Charlie Boyes, Chief Financial Officer, confirm that the above statements are true and correct.

[signature]

31 March 2025

[date]

[12] Network tariff assignment and reassignment policy, Link

[13] Essential Energy 2024-29 Tariff Structure Statement, Link

Modification History

Version	Date	Description
1	31/03/2025	Original version


Essential Energy