



# Annual Pricing Proposal 2016/17

## Appendix K - Regulatory compliance checklist



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### Appendix K - Regulatory compliance checklist

Table 1 contains a checklist to indicate the sections of SA Power Networks' Pricing Proposal where each of the relevant provisions of the Rules and the AER's 2015-20 Decision have been addressed.

Table 1 - Regulatory compliance checklist

Rule clause or Decision section	Pricing Proposal reference
<b>Rule clause</b>	
<b>6.18.2 Pricing proposals</b>	
(b) <i>A pricing proposal must:</i>	
(1) set out the <i>tariff classes</i> that are to apply for the relevant <i>regulatory year</i> ; and	5.2 to 5.6, 12.2
(2) set out the proposed tariffs for each <i>tariff class</i> ; and	5.3 to 5.6
(3) set out, for each proposed tariff, the <i>charging parameters</i> and the elements of service to which each <i>charging parameter</i> relates; and	5.3 to 5.6
(4) set out, for each <i>tariff class</i> related to <i>standard control services</i> , the expected weighted average revenue for the relevant <i>regulatory year</i> and also for the current <i>regulatory year</i> ; and	8.2
(5) set out the nature of any variation or adjustment to the tariff that could occur during the course of the <i>regulatory year</i> and the basis on which it could occur; and	12
(6) set out how charges incurred by the <i>Distribution Network Service Provider</i> for <i>transmission use of system services</i> are to be passed on to customers and any adjustments to tariffs resulting from over or under recovery of those charges in the previous <i>regulatory year</i> ; and	9
(6A) set out how <i>jurisdictional scheme amounts</i> for each <i>approved jurisdictional scheme</i> are to be passed on to customers and any adjustments to tariffs resulting from over or under recovery of those amounts; and	11
(6B) describe how each approved jurisdictional scheme that has been amended since the last <i>jurisdictional scheme approval date</i> meets the <i>jurisdictional scheme eligibility criteria</i> ; and	Not applicable in 2016/17.
(7) demonstrate compliance with the <i>Rules</i> and any applicable distribution determination; and	5 to 12
(8) describe the nature and extent of change from the previous <i>regulatory year</i> and demonstrate that the changes comply with the <i>Rules</i> and any applicable distribution determination.	8.3 & 8.4

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### 6.18.3 Tariff classes

- (a) A *pricing proposal* must define the *tariff classes* into which customers for *direct control services* are divided. 5.3 to 4.6, 12.2
- (b) Each customer for *direct control services* must be a member of 1 or more *tariff classes*.
- (c) Separate *tariff classes* must be constituted for customers to whom *standard control services* are supplied and customers to whom *alternative control services* are supplied (but a customer for both *standard control services* and *alternative control services* may be a member of 2 or more *tariff classes*). 5.3 to 4.6, 12.2
- (d) A *tariff class* must be constituted with regard to: 5.2, 12.2
  - (1) the need to group customers together on an economically efficient basis; and
  - (2) the need to avoid unnecessary transaction costs.

### 6.18.5 Pricing principles

- (a) For each *tariff class*, the revenue expected to be recovered should lie on or between:
  - (1) an upper bound representing the stand alone cost of serving the customers who belong to that class; and 8.6, 12.4, Appendix F
  - (2) a lower bound representing the avoidable cost of not serving those customers. 8.7, 12.4, Appendix F
- (b) A tariff, and if it consists of 2 or more *charging parameters*, each *charging parameter* for a *tariff class*:
  - (1) must take into account the long run marginal cost for the service or, in the case of a *charging parameter*, for the element of the service to which the *charging parameter* relates; and 8.9, 12.4, Appendix E
  - (2) must be determined having regard to:
    - (i) transaction costs associated with the tariff or each *charging parameter*; and 8.10, 12.4
    - (ii) whether customers of the relevant *tariff class* are able or likely to respond to price signals. 8.11, 12.4
- (c) If, however, as a result of the operation of paragraph (b), the *Distribution Network Service Provider* may not recover the expected revenue, the provider must adjust its tariffs so as to ensure recovery of expected revenue with minimum distortion to efficient patterns of consumption.

### 6.18.6 Side constraints on tariffs for standard control services

- (b) The expected weighted average revenue to be raised from a *tariff class* for a particular *regulatory year* of a *regulatory control period* must not exceed the corresponding expected weighted average revenue for the preceding *regulatory year* by more than the permissible percentage. 8.4

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- (c) The permissible percentage is the greater of the following:
- (1) the CPI-X limitation on any increase in the *Distribution Network Service Provider's* expected weighted average revenue between the two *regulatory years* plus 2%; 8.4
  - (2) CPI plus 2%.
- (d) In deciding whether the permissible percentage has been exceeded in a particular *regulatory year*, the following are to be disregarded:
- (1) the recovery of revenue to accommodate a variation to the distribution determination under rule 6.6 or 6.13; Not applicable in 2016/17.
  - (2) the recovery of revenue to accommodate pass through of charges for *transmission use of system services* to customers. 9.5
- (e) This clause does not, however, limit the extent a tariff for customers with remotely-read interval metering or other similar metering technology may vary according to the time or other circumstances of the customer's usage. Not applicable in 2016/17.
- 6.18.7 Recovery of charges for transmission use of system services**
- (a) A *pricing proposal* must provide for tariffs designed to pass on to customers the charges to be incurred by the *Distribution Network Service Provider* for *transmission use of system services*. 5.3 to 4.6, 9
  - (b) The amount to be passed on to *retail customers* for a particular *regulatory year* must not exceed the estimated amount of the *designated pricing proposal charges* adjusted for over or under recovery in accordance with paragraph (c). 9

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- (c) The extent of the over or under recovery is the difference between: 9
    - (1) the amount actually paid by the *Distribution Network Service Provider* by way of *transmission use of system* charges in the previous *regulatory year*; and
    - (2) the amount passed on to customers by way of *transmission use of system* charges by the *Distribution Network Service Provider* in the previous *regulatory year*.
  - (d) Notwithstanding anything else in this clause 6.18.7, a *Distribution Network Service Provider* may not recover charges under this clause to the extent these are: 9
    - (1) recovered through the *Distribution Network Service Provider's annual revenue requirement*;
    - (2) recovered under clause 6.18.7A; or
    - (3) recovered from another *Distribution Network Service Provider*.
- 6.18.7A Recovery of jurisdictional scheme amounts** 11
- (a) A pricing proposal must provide for tariffs designed to pass on to customers a *Distribution Network Service Provider's* jurisdictional scheme amounts for approved jurisdictional schemes.
  - (b) The amount to be passed on to customers for a particular regulatory year must not exceed the estimated amount of jurisdictional scheme amounts for a *Distribution Network Service Provider's* approved jurisdictional schemes adjusted for over or under recovery in accordance with paragraph (c).
  - (c) The over and under recovery amount must be calculated in a way that:
    - (1) subject to subparagraphs (2) and (3) below, is consistent with the method determined by the AER for jurisdictional scheme amounts in the relevant distribution determination for the *Distribution Network Service Provider*, or where no such method has been determined, with the method determined by the AER in the relevant distribution determination in respect of designated pricing proposal charges;
    - (2) ensures a *Distribution Network Service Provider* is able to recover from customers no more and no less than the jurisdictional scheme amounts it incurs; and
    - (3) adjusts for an appropriate cost of capital that is consistent with the allowed rate of return used in the relevant distribution determination for the relevant regulatory year.

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