



31 January 2023

Attachment 8.16: Trial tariffs for FY25

Ausgrid's 2024-29 Regulatory Proposal

Empowering communities for a resilient,
affordable and net-zero future.



Notification template for a distributor intending to provide sub-threshold tariffs. All fields required unless otherwise specified.

Distributor	Ausgrid
Total cumulative revenue of all sub-threshold tariffs (\$ and % AAR)	\$0.04 million, equivalent to 0.0% AAR Note: This is the forecast annual revenue from all sub-threshold tariffs for the upcoming regulatory year. Includes sub-threshold tariffs which commenced in previous years and are continuing. Measured against TAR during annual pricing per NER cl. 6.18.1C(a)(2).
Confirmation for publication	We confirm that this document contains no commercial or private information, and we provide permission for the AER to publish this notification on the AER website.

Name of trial	Flexible load tariff
Objectives of trial	To understand how low voltage business customers with demand below 60 MWh will respond critical peak pricing signals at times when electricity use is likely to drive network costs. The customers will include electric vehicle owners who charge from public power poles.
Retailer engagement	<p>This tariff is an evolution of our residential flexible load from 2022-23. We consulted widely with retailers in the development of this tariff, with 1 retailer partner participating in 2022-23.</p> <p>In our consultation with retailers the event-based supply interruptions in our residential flexible load tariff were seen as a significant problem for greater retailer involvement. In addition, the costs to installing a secondary metering installation were also a barrier to participation. Based on this feedback we will replace the interruptible service with critical peak pricing and offer the tariff to business customers as a primary tariff.</p>
Consumer engagement	This tariff is an evolution of our residential flexible load tariff from 2022-23. We consulted with our Pricing Working Group, conducted joint consultations with other NSW DNSPs (and their customer representatives), AER staff and NSW Government before the launch of the residential flexible load tariff. For the tariff development we also consulted with a potential commercial customer.
Expected consumer and/or retailer response	<p>Our hypothesis is that consumers will significantly reduce their network usage during the critical peak events. If we can secure retail partners we expect that participants may take different approaches:</p> <ul style="list-style-type: none"> - Use remote control of smart appliances to interrupt supply (as with our residential flexible load trial tariff this tariff is replacing) - Use remote control of smart appliances to require customers to override interruptions if they choose to use devices during the critical peak period - Pass through critical peak prices to customers that choose to operate during critical peak periods.
Proposed tariff (structure and pricing)	<p>The flexible load tariff will have two components:</p> <ul style="list-style-type: none"> - An anytime capacity charge: \$0.08/kW/day (approximate) - A critical peak price: \$1/kWh (approximate)
Links to TSS strategy and Export tariff transition strategy (if applicable)	We will test the flexible load concept during the 2024-29 regulatory period to determine whether to include a flexible load tariff in the subsequent 2029-34 period and what it should look like. The flexible load tariff concept moves us closer towards cost reflective tariffs.
Forecast revenue (\$ and % AAR)	<p>\$0.05 million, equivalent to 0.0% AAR for the upcoming regulatory year</p> <p>Note: Measured against TAR during annual pricing per NER cl. 6.18.1C(a)(1).</p>
Trial start date	1 July 2024
Duration of trial	Five regulatory years
Potential changes and triggers	We will monitor uptake and review the structure and charges in collaboration with affected retailer and our customer representatives.

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Name of trial	Standalone power systems tariff
Objectives of trial	To understand customer responsiveness to tariffs that reflect the specific cost drivers of standalone power systems. Standalone power systems are provided to customers in remote areas of the network and we seek to improve the efficiency of delivering this service.
Retailer engagement	We are engaging with the retailers who currently supply each customer we sign up onto a standalone power system.
Consumer engagement	We are engaging with customers that are having standalone power systems installed on their properties.
Expected consumer and/or retailer response	<p>Our hypothesis is that consumers will reduce the quantity of electricity they use with less focus on when they use electricity (where customers are currently on a time of use or demand tariff). We note that the cost drivers of standalone power systems are different to our standard distribution network. The main cost drivers are:</p> <ul style="list-style-type: none"> - Instantaneous capacity to handle peak demand on the standard network - Building enough generation and storage on the standalone power system <p>We estimate the costs of upgrading a standalone power system are in the order of \$3,000 per kWh of storage, making quantity of energy the main driver of standalone power system costs.</p>
Proposed tariff (structure and pricing)	The standalone power systems tariff will have only one charging component, an energy usage charge. The usage charge will be set to make the standalone power systems customers no worse off than customers on our standard tariffs. Customers on the standalone power system tariff will not have access to export tariffs.
Links to TSS strategy and Export tariff transition strategy (if applicable)	<p>The timing of this trial tariff aligns with our 2024-29 TSS. It will inform our 2029-34 TSS. We note that the AEMC's requirements to have different distribution loss factors for standalone power systems makes it likely that future Ausgrid (and other DNSP) TSSs will need separate tariffs for standalone power systems.</p> <p>Including this tariff as a sub-threshold tariff allows Ausgrid to change the price by more than the side constraint and change the structure if necessary. This helps ensure that we have tested the tariff before including it in our TSS.</p>
Forecast revenue (\$ and % AAR)	<p>e.g. \$0.01 million, equivalent to 0.0% AAR for the upcoming regulatory year</p> <p>Note: Measured against TAR during annual pricing per NER cl. 6.18.1C(a)(1).</p>
Trial start date	1 July 2024
Duration of trial	Five regulatory years
Potential changes and triggers	We will monitor uptake and review the structure and charges in collaboration with affected retailer and our customer representatives. We want to ensure that customers have cost reflective signals but are no worse off than they would have been on standard network tariffs. This may require annual changes to structure or price levels.
Notification date	January 2023