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Dear Robert

Transmission Prices for Ausgrid for 2014-15

The purpose of this letter is to notify Ausgrid of its 2014-15 Transmission Use of System (TUoS) prices, found in Attachment 1, and to provide an explanation as to how these prices were derived.

The 2014-15 TUoS prices reflect the recovery of prescribed revenues for all NSW Transmission Network Service Providers (TNSPs), namely: TransGrid; Ausgrid; Essential Energy; ActewAGL; and Directlink Joint Venture. They have been calculated by TransGrid as the co-ordinating TNSP for the NSW Market region in accordance with Chapter 6A of the National Electricity Rules (NER) and TransGrid's Pricing Methodology, as approved by the Australian Energy Regulator (AER).

Attachment 2 of this letter serves as a brief, high level, explanation of the overall transmission price setting processes and how the 2014-15 transmission prices, provided in Attachment 1, are applied to derive TUoS charges for prescribed customers.

The price schedule in Attachment 1 sets out transmission prices for prescribed (regulated) transmission services only. Prices for negotiated and contestable services provided by NSW TNSPs are not included in this schedule.

Prescribed TUoS charges to customers comprise Exit, Locational TUoS (usage), Non-locational TUoS and Common service charges.

Also, Attachment 3 contains a table of financial transfers between the TNSPs within the NSW Market region for 2014-15, determined by TransGrid as part of the 2014-15 transmission pricing determination.

The total Ausgrid 2014-15 TUoS charge is forecast to increase by **0.47%**, which is well below the total NSW combined TUoS charge increase of 3.97%.

TransGrid would be happy to meet with Ausgrid representatives should you wish to discuss any aspects of the 2014-15 transmission prices. This meeting, if requested, can be arranged by contacting Warren Barat on 02 9284 3175.

Yours sincerely



15/5/2014

Stephen Clark
Executive General Manager / Network Planning and Performance



TransGrid's Transmission Prices
1 July 2014 to 30 June 2015

(All rates quoted are inclusive of Australian Goods and Services Tax (GST))

Ausgrid

Customer Charges

Common service and general charges

These rates apply at all connection points

Energy Rate
(c/kWh)

Contract Rate
(\$/kW/month)

Common Service Prices	0.4141	1.4865
Non Locational Prices	0.8298	2.9790

Usage and exit charges

Customer	Connection Point	Exit (\$/day)	Demand (\$/kW/mth)
Ausgrid	Beaconsfield W 132	402.33	3.6072
Ausgrid	Belmore Park 11	9077.45	4.8286
Ausgrid	Belmore Park 132	762.18	3.8827
Ausgrid	Brandy Hill 11	2941.90	3.6895
Ausgrid	Bunnerong 33	12789.40	5.8255
Ausgrid	Campbell Street 11	4804.89	6.0267
Ausgrid	Canterbury 33	7088.37	4.0741
Ausgrid	Charm Haven 11	3229.86	1.8538
Ausgrid	Cronulla 132	0.00	3.8323
Ausgrid	Gosford 33kV	2162.99	3.0858
Ausgrid	Gosford 66kV	4616.66	2.9365
Ausgrid	Green Square 11kV	4284.05	4.0337
Ausgrid	Gwawley Bay 11	0.00	3.6576
Ausgrid	Haymarket 132	987.06	4.0604
Ausgrid	Homebush Bay 11	3045.68	3.5838
Ausgrid	Hurstville North 11	3358.80	4.9510
Ausgrid	Kingsford 11	3599.45	6.2847
Ausgrid	Kogarah 11	4560.10	6.3494
Ausgrid	Kurnell 132	519.96	3.6857
Ausgrid	Kurnell 33	4076.76	9.3858
Ausgrid	Kurnell South 11	2361.49	6.8002
Ausgrid	Kurri 33	5403.22	2.1012
Ausgrid	Kurri Zone 11	2760.57	2.9545
Ausgrid	Lane Cove 132	1905.45	4.7710
Ausgrid	Liddell 330	0.00	0.7045
Ausgrid	Macquarie Park 11	0.00	7.5142
Ausgrid	Maroubra 11	4851.10	9.7749
Ausgrid	Marrickville 11	3144.53	3.9920
Ausgrid	Mason Park 132	3862.74	3.7569
Ausgrid	Meadowbank 11	4069.00	4.9331

ATTACHMENT 1

Usage and exit charges

Customer	Connection Point	Exit (\$/day)	Demand (\$/kW/mth)
Ausgrid	Mitchell Line 66	4508.63	3.7690
Ausgrid	Morriset 11	0.00	2.3291
Ausgrid	Munmorah 330	215.19	1.2256
Ausgrid	Muswellbrook STS 33	3480.74	2.5566
Ausgrid	Newcastle 132	672.79	1.2941
Ausgrid	Ourimbah 132	1088.36	3.1685
Ausgrid	Ourimbah 33	1841.68	2.4370
Ausgrid	Ourimbah 66	3265.09	2.8560
Ausgrid	Peakhurst 33	5497.92	2.8507
Ausgrid	Potts Hill 11	5295.91	3.8212
Ausgrid	Rookwood 132	88.75	3.3469
Ausgrid	Rose Bay 11	3318.88	16.2468
Ausgrid	Rothbury 11	2217.74	5.1592
Ausgrid	Singleton 66	6227.99	7.1288
Ausgrid	Somersby 11	1486.18	2.6551
Ausgrid	St Peters 11	4326.12	3.8104
Ausgrid	Sydney East 132	1591.55	2.5589
Ausgrid	Sydney North 132	1108.50	3.0565
Ausgrid	Sydney South 132	444.34	2.3595
Ausgrid	Tomago 132	355.02	1.6816
Ausgrid	Top Ryde 11	3932.13	5.6234
Ausgrid	Tuggerah 132	155.67	2.7950
Ausgrid	Vales Point 132	1616.88	1.4894
Ausgrid	VAW 132	0.00	2.5284
Ausgrid	Waratah West 132	6132.56	1.7386
Ausgrid	Waverley 11	3238.20	13.3542
Ausgrid	West Gosford 11	2443.73	2.5187
Ausgrid	Wyong 11	2984.56	2.1894

Attachment 2: 2014-15 Transmission Prices Explanatory Notes

The NSW 2014-15 Transmission Use of System (TUoS) prices reflect the recovery of the prescribed revenues for all NSW Transmission Network Service Providers (TNSPs), namely: TransGrid; Ausgrid; Essential Energy; ActewAGL; and Directlink Joint Venture. They have been calculated by TransGrid as the co-ordinating TNSP for the NSW market region.

TransGrid has developed these prices in accordance with the requirements of the National Electricity Rules (NER) and TransGrid's Pricing Methodology, as approved by the Australian Energy Regulator (AER).

Maximum Allowable Revenue (MAR)

The AER is responsible for the economic regulation of the MAR received by TransGrid and other TNSP's prescribed transmission services under Chapter 6A of the National Electricity Rules (Rules).

TransGrid's Pricing Methodology provides details of how:

- (a) the final adjusted MAR is allocated across all categories of prescribed transmission services;
- (b) these revenues are further allocated to individual customers' connection points and then converted into unit prices; and
- (c) these unit prices are applied to determine TUoS charges for invoicing prescribed customers.

Prescribed service categories comprise:

- **Entry Services** ➤ provided by assets that are directly attributable to serving a Generator, or group of Generators, at a single connection point.
- **Exit Services** ➤ provided by assets that are directly attributable to serving a transmission customer, or group of transmission customers, at a single connection point.
- **TUoS**
 - provided by assets that are shared to a greater or lesser extent by all users across the transmission system and are not prescribed common transmission services, prescribed entry or exit services.
 - TUoS service revenue is recovered through a locational TUoS and a non-locational TUoS component.
- **Common Service** ➤ services that benefit all transmission customers and can not be reasonably allocated on a locational basis.

NSW 2014-15 TUoS Charges

The 2014-15 NSW transmission prices reflect the recovery of the adjusted¹ NSW combined prescribed MAR of \$1,139.9 million for all NSW TNSPs, namely²:

- TransGrid \$846.2 million;
- Ausgrid \$252.3 million;
- Directlink \$13.2 million; and
- ActewAGL³ \$28.2 million.

The above combined MAR, after being adjusted for performance incentive and network support pass-through, as allowed for by the Rules, is recovered from the following two (2) main sources:

- 1) Intra-regional settlements residues and inter-regional settlements residues auction proceeds expected to be received from the Australian Energy Market Operator (AEMO). The combination of these two components is normally referred to as the Residues.
- 2) Prescribed customers through invoices for prescribed transmission services.

In addition, the Rules also allow for a TNSP to:

- a) recover the revenue shortfall from previous years due to under-collection, which is equivalent to increasing the TNSP's MAR by this under-collection amount; and
- b) return the surplus revenue, due to over-collection from previous years, to customers that is equivalent to reducing the TNSP's MAR by this over-collection amount.

The over/under collection, combined with the Residues in (1) above, is referred to as the revenue offset. The larger the revenue offset, the less the TUoS collection from customers and vice versa.

The NSW 2014-15 TUoS charges for load customers increased by **3.97%**, compared to 2013-14. This is primarily attributable to:

- a) a 1.2% increase in final adjusted MAR (adjusted for all adjustments allowed by the Rules, such as performance incentive, network support pass-through plus the revenue offset mentioned above); and
- b) ActewAGL's MAR (\$28.2 million), which contributes to a 2.46% increase in the overall NSW combined MAR.

¹ MAR as approved by the AER, adjusted for performance incentive and network support pass-through as applicable.

² Essential Energy currently does not have any Transmission revenue.

³ ActewAGL is a new TNSP for the NSW market region, beginning 1 July 2014.

It should be noted that the TUoS charge increase for NSW load customers in 2014-15, excluding the ActewAGL TUoS charge, is 2.9%. This increase aligns with the indication provided by TransGrid in 2012 that for at least the next five years customers could expect TransGrid to keep revenue increases to no more than CPI.

Table 1 below provides a break-down of NSW revenue components and adjustments that leads to the overall changes in TUOS collection above.

Table 1: NSW revenue components

	2013-14	2014-15	Diff
Combined NSW adjusted MAR	1145.36	1111.7	-2.9%
Forecast TUOS collection from Generators	6.57	5.59	
	1138.79	1106.12	-2.9%
Residues	64	75	17.2%
Over/Under collection	33	-23 ⁴	-169.7%
Total Revenue Offset	97	52	-46.4%
Net TUOS charges from loads customers (net of collection from Generators)	1,041.79	1,054.19	1.2%
ActewAGL MAR	-	28.21	
	1,041.79	1,082.39	3.9%

Derivation of TUoS charges from 2014-15 prices

- **Entry charges:** applicable to generators only. They are billed at a daily rate that is fixed for each generator at each CP. The monthly entry charge is calculated by applying the entry price provided in Attachment 1 to the number of days in the billing month.
- **Exit charges:** are applicable to loads customers only. They are billed at a daily rate that is fixed for each load CP. The monthly exit charge is calculated by applying the exit prices provided in Attachment 1 to the number of days in the billing month.
- **Common service charges:** The standard method, to calculate this charge, which is applicable to most customers, is applying the energy based price as shown in Attachment 1 to the historical energy consumption (corresponding month in 2012/13). Alternatively, where there is a new CP at which historical energy consumption is not available, the energy consumption for the current billing month is used.

⁴ Includes partial recovery of 2013-14 TransGrid deferred revenue.

Customers have the option of having the common service charge at a particular CP based on a nominated maximum demand, rather than on historical energy. Under this method the common service charge is calculated by applying the contracted demand price by the nominated maximum demand. If the nominated maximum demand is exceeded, penalty charges may be applicable. Customers can only choose the demand basis if they have a contract with TransGrid that provides for nomination of maximum demand and a penalty arrangement if nominated maximum demand is exceeded.

- **Non-locational TUoS charges:** are as per common service charges above.
- **Locational TUoS charges:** the locational TUoS charge at a CP is calculated by applying the locational TUoS price, shown in the Attachment 1, to the actual monthly maximum demand for that CP.



FINANCIAL TRANSFERS BETWEEN TRANSMISSION NETWORK SERVICE PROVIDERS IN NSW

1 July 2014 to 30 June 2015

GST = 10%

Transfer from	Transfer to	Annual Payment (Excluding GST)	Monthly Payment	
			(Excluding GST)	(Including GST)
Essential Energy	Directlink JV	\$4,098,229.89	\$341,519.16	\$375,671.07
Essential Energy	Ausgrid	\$0.00	\$0.00	\$0.00
Essential Energy	ActewAGL	\$0.00	\$0.00	\$0.00
Essential Energy	TransGrid	\$19,142,479.23	\$1,595,206.60	\$1,754,727.26
	Subtotal:	<u>\$23,240,709.13</u>	<u>\$1,936,725.76</u>	<u>\$2,130,398.34</u>
Ausgrid	Essential Energy	\$387,560.92	\$32,296.74	\$35,526.42
Ausgrid	Directlink JV	\$560,099.88	\$46,674.99	\$51,342.49
Ausgrid	ActewAGL	\$0.00	\$0.00	\$0.00
Ausgrid	TransGrid	\$121,458,580.35	\$10,121,548.36	\$11,133,703.20
	Subtotal:	<u>\$122,406,241.14</u>	<u>\$10,200,520.10</u>	<u>\$11,220,572.10</u>
TransGrid	Essential Energy	\$0.00	\$0.00	\$0.00
TransGrid	Directlink JV	\$8,472,127.55	\$706,010.63	\$776,611.69
TransGrid	ActewAGL	\$2,020,468.27	\$168,372.36	\$185,209.59
TransGrid	Ausgrid	\$84,666,008.05	\$7,055,500.67	\$7,761,050.74
	Subtotal:	<u>\$95,158,603.88</u>	<u>\$7,929,883.66</u>	<u>\$8,722,872.02</u>
ActewAGL	Essential Energy	\$70,649.70	\$5,887.47	\$6,476.22
ActewAGL	Directlink JV	\$129,597.38	\$10,799.78	\$11,879.76
ActewAGL	TransGrid	\$28,615,061.22	\$2,384,588.44	\$2,623,047.28
ActewAGL	Ausgrid	\$2,349,506.40	\$195,792.20	\$215,371.42
	Subtotal:	<u>\$31,164,814.70</u>	<u>\$2,597,067.89</u>	<u>\$2,856,774.68</u>
Net Transfer - Ausgrid to TransGrid		\$36,792,572.30	\$3,066,047.69	\$3,372,652.46