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Dear Mr Anderson

**Submission to the Annual Pricing Process Review – Standardised model template v0.2**

Thank you for the opportunity to provide comments on the AER Annual Pricing Process Review and the standardised model templates. Our comments should be reviewed alongside the model templates populated with Ausgrid data from our recent 2021-22 pricing compliance model and ACS Indicative fee schedule model.

Ausgrid has been able to successfully replicate the calculated values in the standardised template models with Ausgrid models for the current financial year. Please refer to the Attachment for our detailed comments on the standardised model templates.

We are interested in receiving feedback from the AER on whether these data inputs have been included correctly. If you have any further questions regarding this submission, please contact Bill Nixey, Network Pricing Manager on [REDACTED]

Yours sincerely,

[REDACTED]  
Alex McPherson  
Head of Regulation

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## Attachment

### Feedback comments on the standardised model template v0.2

The following feedback refers to the "Pricing template model 1" and "Pricing model – price capped ACS".

#### Pricing template model 1

Comments are provided on the worksheets as they appear in the AER's "Pricing Template model 1". The spreadsheet is based on the 2019-24 regulatory period and has been populated with data from the FY 2022 Ausgrid pricing compliance model. The comments below should be reviewed in conjunction with the Pricing template model 1\_Ausgrid (Confidential).xlsx spreadsheet.

Worksheet name	Comment
Pricing model	No comment.
Outputs>>	No comment.
Compliance	<ul style="list-style-type: none"><li>• The compliance test in the forecast year comparing the "Total revenue from... charges" and "Total Allowable Revenue" may not be an appropriate test. There are instances where there could be an under-recovery of actual total revenue from charges. In Ausgrid's case in FY22 the "Total Allowable Revenue" is less than the "Total revenue from distribution charges". The applicable compliance check cells are S13, S18 and S24.</li><li>• Revenue data is sourced from the <i>Hist. rev. detail</i> worksheet and is based on a price x quantity calculation. Actual projected revenue values (hardcoded) provide better approximations regarding the revenues in the under/overs account. Without the adjustments there would be a mismatch of revenues impacting the under/over account. The impacted cells are N8, N14, and N20.</li></ul>

	<ul style="list-style-type: none"> <li>• Non-compliance in cells S40 and S41 are due to movements in cells J40 and J41 exceeding the 2.68% permissible percentage (<i>Alternate approach</i>). This non-compliance can be corrected by excluding sites that commence in FY22 (Forecast year). The Ausgrid pricing compliance model identifies the sites that should be excluded from the side constraint formula. These sites are new customers with future loads above 40 GWh per annum or 10 MW which do not have corresponding prices in the FY21 Current year. Ausgrid would like to see a similar approach adopted in the pricing template model as it is not appropriate to be applying FY21 Current year prices to sites where they did not exist.</li> <li>• The standalone costs and the avoidable cost compliance formula are incorrect. The upper bound should be the standalone cost and the lower bound should be the avoidable cost.</li> </ul>
Price comparisons	No comment.
Tariff Schedule	Requires a kVA capacity column. Currently kVA has been included in the kW column.
Tables	The side constraint revenues for the High Voltage and Sub-transmission tariff class are non-compliant and above 2.68%, see explanation above under "Compliance" for the reason.
Cost movements	As metering charges are part of the Alternative Control Service, they do not integrate properly within this Pricing template model. Ausgrid suggests keeping the Alternative Control Service charges separate from the Standard Control Service charges and to not include the metering charge with the Network Use of System (NUOS) charges when measuring bill impacts.
Calculations>>	No comment.
TAR	Modified the formula in cell O16 as the formula did not function as intended.

Prop. rev. detail	The revenues match Ausgrid pricing compliance model FY22 NUOS.
Hist. rev. detail	FY20 and FY21 revenues are "price x quantity" calculations. They will not match actual FY20 and FY21 revenue amounts which will impact the under/overs account. The data flows into the <i>Compliance, Tariff revenue</i> and <i>Accounts worksheet</i> which will impact the under/overs account. Ausgrid suggests using actual revenue amounts instead of the "price x quantity" approach to avoid the mismatch in revenues to the under/overs accounts.
Tariff Revenue	The formula in cells J18 to L18 have been modified to allow for the adjustment in cells J1 to L1 (the difference between actual revenues and the "price x quantity" revenues). This allows for the mismatch in revenues from actual projected revenues in FY21 Current year compared with the "price x quantity" approach to not impact under/over account.
Total qty	There is an incorrect formula in Row 35 which requires a sum formula. Low Voltage, High Voltage, Sub-transmission, Transmission and Unmetered tariff class volumes are correct for FY20, FY21 and FY22 and are the same as the Ausgrid pricing compliance model.
Accounts	The adjusted nominal WACC for DPPC and JSA is different in FY20 to Distribution. Cell M10 has been included to accommodate for this difference. The cell formulas in M48, M46 and M35 have been modified as they are dependent on cell M10. Ausgrid would suggest a provision in the model to allow for this difference. The formula in cell M45 has been modified to allow for the opening balance. The formula requires a dynamic cell reference to allow for the opening balance at the start of a new regulatory control period.
SC revenue	The formula in cell J19 was changed from TAR!017 to TAR!011 to correctly reference the I factor. The formula in cell J21 was changed from TAR!N19 to Accounts!O16 to reference the under/over-recovery.

	<p>Further clarification and consultation are required with the AER regarding the <i>permissible percentage</i> calculation under both the incremental approach and alternate approach.</p> <p>The side constraint formula needs to take into consideration the X factor. If <math>X &gt; 0</math>, X should be set to zero according to the side constraint formula. See modified cells J16 and J22.</p> <p>Ausgrid currently excludes new customers in FY22 (forecast year) from the side constraint formula as it is inappropriate to assign a price in FY21 (current year) in the case of new customers who did not exist in that year. Ausgrid suggests identifying and excluding these sites from the side constraint formula.</p>
<b>Movements</b>	<p>There is incorrect labelling of cells B614 and B716. "Demand" should be removed from the titles. Tariffs under these titles refer to network tariffs without demand components.</p> <p>The FY21 and FY22 NUOS bill impacts based on corresponding consumptions in the pricing template model match Ausgrid's bill impacts in the Ausgrid pricing compliance model <i>Impacts</i> worksheet. Excluding metering charges.</p>
<b>Inputs&gt;&gt;</b>	No comment.
<b>General</b>	The formula in cell F14 has been corrected by copying from cell F13 to cell F14 and changing -2 to -3.
<b>Financial</b>	<p>Changed the formula in cell J8 to make the cell zero to avoid the error #VALUE! appearing in other sheets.</p> <p>Cell M12 has been added to allow for the differing WACC values for Ausgrid of DPPC and JSA.</p> <p>Cell M78 has been added to allow for the opening balance for JSA in cell M45 in the <i>Accounts</i> worksheet.</p> <p>Modified cells N31 and O31 by removing the under/over-recovery adjustment (distribution) amounts.</p>

Actuals	The actual revenues are from the RIN and include prior year adjustments which can be dependent on prices and quantities that occurred in previous years.
Metering	Annual metering charges have been included in cells from N7 to O14. These metering totals are used in the total network charges for the selected tariffs. As metering is an Alternative Control Service charge and is separate from the Standard Control Service charges, Ausgrid suggests keeping metering charges separate from NUOS charges.
Tariffs	Note that the metering charge has been included with the network tariff in cells from R59 to R69. Ausgrid suggests keeping metering charges separate from this tariff structure and excluding them from the pricing template model.
Qty	Requires kVA capacity column. (Currently kVA has been included in the kW column).
Prop. prices	Requires kVA capacity column. (Currently kVA has been included in kW column).
Hist. prices	Requires kVA capacity column. (Currently kVA has been included in kW column).
Indicative prices	Requires kVA capacity column. (Currently kVA has been included in kW column).
Trial tariffs	Ausgrid did not have any trial tariffs during FY20 to FY22, and the model has not been populated with any trial tariffs. The model only requires trial tariff revenue amounts in the forecast year and a description of the tariff. However, if the trial tariff existed in the current year, separate prices and quantities are required.
Tariff costs	No comment.

Lookup Tables	No comment.
Check List	Currently not operational.

We also note that the "binary" spreadsheet format has been used previously with the Ausgrid pricing compliance model without issue. Using the pricing model template file in this format contributes to an approximate 40% reduction in the file size.

## **Pricing model – price capped ACS**

The suggested additions to the “Pricing model – price capped ACS\_Ausgrid model” are highlighted in green within the spreadsheet. The following feedback provides general comments on our review.

- To improve the presentation or description in the model Ausgrid suggests the column headers above each column of rates include the GST status. i.e. Excl. GST.
- To improve the presentation or description in the model Ausgrid suggests adding another column after the “Unit” field in the *Ancillary Network Services* worksheet with a description of the unit as being either “Fixed” or “Quoted”.
- Ausgrid currently utilises separate X-factors for Capital and Non-capital metering, The proposed model only allows for one common X-factor for metering. It is requested that two X-factors for metering (Capital and Non-capital) be a data input into the *General Inputs* worksheet. The modified line has been included in the Pricing model – price capped ACS\_Ausgrid file as an example. An additional column is also requested in the *Metering* worksheet to allow the identifier code (“Non capital” or “capital”) to be attributed to each fee as required, which the calculation formula would reference. Refer to changed formula in the *Metering* worksheet highlighted in green.
- We also need a template to enter the Confidential Pre-09 Public Lighting annuity charges. It should be separate from the rest of the Public Lighting input given the confidentiality of the charges. A separate spreadsheet *Public Lighting – Confidential*, which will be a copy of the *Public Lighting* worksheet.
- To improve the presentation, section breaks within the data entered in the Pricing model – price capped ACS\_Ausgrid file will make it easier to read. This can be achieved with a section title in one of the rows and leaving the associated data fields blank as per the layout in the *Metering* worksheet.