



Ref: 20230331:KW

31 March 2023

Warwick Anderson
General Manager – Network Pricing
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Dear Mr Anderson

Essential Energy’s 2023-24 Pricing Proposal

I am pleased to provide Essential Energy’s 2023-24 Pricing Proposal (Pricing Proposal) to the Australian Energy Regulator (AER) and advise that it complies with the terms of the AER’s 2019-24 Final Determination for Essential Energy (“the Determination”).

The Pricing Proposal has been prepared in accordance with the requirements of Chapter 6 of the National Electricity Rules (the Rules) which establishes a process of price notification and review by the AER for annual price changes. The Pricing Proposal also follows the structures detailed in the Determination – Tariff Structure Statement (TSS). The Pricing Proposal adheres to the Indicative Pricing Schedule contained in the TSS for 2023-24 and has only been updated for:

- > CPI;
- > Cost of Debt and resulting change to Weighted Average Cost of Capital and X factor;
- > Pass through of Transmission Use of System charges advised by TransGrid, Powerlink and various distributors;
- > Pass through of jurisdictional scheme amounts including the new NSW Electricity Infrastructure Roadmap charges; and
- > Adjustments to revenue as required under the Rules.

In preparing this Pricing Proposal, Essential Energy has utilised a customer, consumption and demand forecast developed for our upcoming regulatory proposal. This forecast methodology has been outlined in the attached Pricing Report for 2023-24 and in more detail as an attachment to this pricing proposal. Please note that as previously advised during the Preliminary Pricing engagement process, the consumption forecasts have been updated for Site Specific customers to reflect the latest information available.

In addition, the Pricing Proposal provides more detail on our proposed tariff trials. As indicated in a letter to AER dated 28 February 2023, Essential Energy intend to conduct further tariff trials during the 2023-24 year and the proposed tariff structures for trial have been included.

2023-24 Pricing Proposal Key Points:

- Essential Energy is proposing an overall nominal increase in average prices for network services of 7.52 per cent;
- The change in revenue to be recovered is proposed to be an increase of 6.57 per cent;
- The increase in prices for network services is driven by:
 - Inflation (CPI) increase of 7.83 per cent;

- Adjustments for the forecast under recovery of DUoS revenue in prior years;
 - Adjustments for the forecast under recovery of TUoS revenue in prior years;
 - Adjustments for the Service Target Performance Incentive Scheme;
 - Inclusion of recovery of Retailer of Last Resort events; and
 - Inclusion of the recovery of costs associated with the implementation of the NSW Electricity Infrastructure Roadmap.
- These increases are partially offset by:
 - Decreases in real DUoS charges of 3.08 per cent;
 - Decreases in TUoS charges from TransGrid and Powerlink; and
 - Adjustments for the forecast over recovery of Climate Change Fund revenue in prior years.

The table below contains a list of the required documents as part of this Pricing Proposal. We have also indicated which of these items are confidential.

Attachment	Description	Public/Confidential
1	Essential Energy pricing model for 2023-24	Confidential – this includes cost reflective network prices for individual large customers Public – redacted version
1a	Proposed 2023-24 Pricelist and explanatory notes for distribution charges, transmission use of system, Climate Change Fund, Queensland Solar Scheme, and the NSW Electricity Infrastructure Roadmap – a similar pricelist for total network charges will be notified to retailers and customers once approved	Public
2	Essential Energy ACS pricing model for 2023-24 – Not provided as no change from Preliminary model and able to be considered final	Public
2a	Proposed Public Lighting prices for 2023-24	Public
2b	Proposed schedule of Ancillary Network Services for 2023-24	Public
2c	Proposed schedule of Metering Services for 2020-24	Public
3	2023-24 Annual Network Pricing Report	Public
4	2023-24 Statement of Compliance	Public
5	Stand alone and avoidable cost model	Confidential – this includes cost reflective network prices for individual large customers
6	Letter to AER outlining intention to introduce sub-threshold tariffs	Public
7	Forecasting details	for AER staff information only
8	Confidentiality template	Public

We would be pleased to meet with the AER to discuss any aspect of this Pricing Proposal if more detail is required. If you require any further information, please contact [REDACTED]. Alternatively, please do not hesitate to contact me on [REDACTED].

Yours sincerely



John Cleland
Chief Executive Officer