PowerWater

POWER AND WATER CORPORATION

POWER SERVICES

Network Pricing Proposal

2019-20

21 May 2019

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1. INTRODUCTION

1.1. Overview

On 30 April 2019, the Australian Energy Regulator (AER) set the total revenue that Power and Water Corporation (Power and Water) can recover from the provision of Standard Control Services (SCS) for the next five years, and set the maximum prices for our Alternative Control Service (ACS) charges (i.e. for metering, fee based and quoted services). The AER's 2019-24 Distribution Determination[1] included the AER's final decision on Power and Water's Tariff Structure Statement (TSS), which is now available on our website.

Power and Water charges retailers for network services. In general, retailers' customers are not directly impacted by these changes, as changes in retail prices for the majority of end use customers are set by the Northern Territory Government's Electricity Pricing Order. However, for our major customers (i.e. around the largest 200 customers) the network component of their bill is directly passed through by the retailers. In general terms, the network component of a retail customer's bill will be around 44 percent for a household bill. The remainder of the bill includes charges for generation, system control, market operations and retail services.

This initial pricing proposal provides information on Power and Water's proposed 2019-20 network tariffs and charges. It is the first annual pricing proposal for the regulatory control period 2019-24, and has been prepared according to the requirements of the Northern Territory National Energy Rules (NT NER)[2] and the AER's 2019-24 Distribution Determination.

The AER's final decision resulted in a significant reduction to the smoothed revenue allowed for 2019-20 (compared with 2018-19). However, this is partially offset by an under recovery of revenue in both 2017-18 and 2018-19. Additionally, Power and Water for the first time is separately setting charges for metering as an ACS, and has updated its ACS fee and quoted service charges to take into account the latest efficient cost of providing these services as approved by the AER.

Enquiries regarding this document should be directed to:

Senior Manager Network Regulation and Pricing | Power Services
Power and Water Corporation
Level 1, Ben Hammond Complex
15 Iliffe Street, Woolner NT
Phone: 0427 202 853
Email: lucy.moon@powerwater.com.au

1.2. Initial pricing proposal purpose and structure

This document constitutes Power and Water's initial pricing proposal for the purposes of NT NER 6.18.2(a)(1). It demonstrates compliance with relevant provisions of the NT NER and the AER's 2019-24 Distribution Determination, and should be read in conjunction with our approved TSS and the accompanying tariff model (Appendix 7).

[1] Australian Energy Regulator, *Final Decision: Power and Water Corporation Distribution Determination for 2019 to 2024*, April 2019.
[2] References to the NT NER throughout this document refer to the National Electricity Rules As in force in the Northern Territory Version 35.

This initial pricing proposal is part of the AER process of price notification and review of price. It addresses the compliance requirements in the following structure:

- Prices for network distribution services (Chapter 2)
- SCS revenue requirements (Chapter 3)
- Network tariff classes and tariff assignments (Chapter 4)
- Network tariffs (Chapter 5)
- Pricing compliance (Chapter 6)
- Customer impacts (Chapter 7)
- ACS (Chapter 8).

All values shown in the proposal are in nominal dollars and exclude goods and services tax (GST), unless otherwise stated.

2. PRICES FOR NETWORK DISTRIBUTION SERVICES

Power and Water delivers energy from power generators to homes and businesses in a safe and reliable way. Our SCS tariffs recover the cost of the financing, planning, design, construction, operation and maintenance of the electricity distribution network. This consists of equipment such as poles, wires and substations and support staff needed to supply a safe and reliable power supply to keep the energy network operating. This includes restoring power when faults and emergencies occur (as a result of severe weather) and other causes beyond our control.

We charge retailers for the network services required by each customer, and the retailers pay us on behalf of their customers for the services we provide. Retailers have a relationship with end use customers, charging these customers for their energy usage and on-charging our fees for delivering the energy and metering energy use.

While we charge retailers based on individual end use customer activity, most end use customers do not get directly charged for their network costs in the Northern Territory. Rather retailers are required to charge no more than the Northern Territory Government's Electricity Pricing Order for customers that consume less than 750 MWh per annum. That is, network charges are not directly reflected in end use customer bills. The only exception is our major customers (i.e. our largest 200 end use customers) who are not subject to the Electricity Pricing Order; our network charges are directly passed through by retailers to these major customers.

Therefore, the customer impacts shown in this document at Chapter 7 are unlikely to directly affect most customers.

2.1. Service classification

Network distribution services regulated by the AER are classified as Direct Control services and are either SCS or ACS. This initial pricing proposal covers both these types of service.

Table 1 outlines the approved service classification.

Table 1: AER service classification

Northern Territory distribution services			
Direct Control (revenue/price regulated)		Negotiated	Unclassified
Standard Control	Alternative Control		
(Shared network Charges)	(Service specific charges)		
Common distribution services (formerly network services) Connection services	Ancillary services Type 1-6 metering services		Unregulated distribution

The following chapters demonstrate that Power and Water is compliant with the requirements of the NT NER and AER for our:

- SCS revenue and tariffs

- ACS metering, ACS fee based and ACS quoted services charges.

2.2. Control mechanism

A control mechanism imposes limits over the prices and/or the revenues that a distribution network service provider (DNSP) can recover from customers. For SCS, the NT NER requires the control mechanism be of the prospective CPI–X form (or some incentive-based variant).[3]

The AER's final decision for Power and Water is as follows:

- The control mechanism for SCS is a revenue cap
- The control mechanism for ACS is a price cap.

Under a revenue cap, the AER sets maximum revenue. A revenue cap essentially guarantees the revenue to be earnt by the DNSP. Any variation in demand and thus actual revenue compared to forecast revenue in a given year can be recovered or paid back to customers in the following years. The DNSP then has to set prices annually to give effect to this maximum revenue, based on the latest available forecast for demand.

Power and Water's initial pricing proposal must demonstrate compliance with the SCS revenue cap (see Chapter 3), including accounting for adjustments for under or over recovery (see section 3.2.3) in accordance with the AER's 2019-24 Distribution Determination.

Under a price cap the AER sets maximum prices. A price cap makes no adjustments for variations in forecast revenue outcomes.

In future years, our pricing proposal must demonstrate compliance with the ACS price cap. However, for this initial pricing proposal, the 2019-20 ACS charges have been approved in the AER's final decision, and require no further modification or updating.

[3] NT NER, cl. 6.2.6(a).

3. SCS REVENUE CAP

The revenue cap for any given regulatory year is calculated as the Total Allowable Revenue (TAR). This chapter applies the AER's TAR formula and presents 2019-20 allowed revenues.

The AER's final decision confirmed the control mechanism as set out in the draft decision[4]. Rather than repeat the mechanism in the final decision, the final decision simply refers back to the draft decision.

3.1. Total allowable revenue

3.1.1. Formula

The TAR formula is:

$$TAR_t = AAR_t + I_t + B_t + C_t$$

The elements are:

- AAR_t which is the adjusted annual smooth revenue requirement for year t
- I_t which is the sum of incentive scheme adjustment in year t relating to approved demand management incentive scheme (DMIS) amounts from t-2
- B_t which is the sum of annual adjustment factors for year t
- C_t which is the sum of approved cost pass through amounts with respect to regulatory year t.

While not specifically included in the above formula the TAR does not include revenue deliberately under recovered due to the Ministerial Direction that applied in the 2014-19 regulatory period. This is accounted for in calculation of the Bt parameter.

Variations between the calculated TAR and actual SCS revenues received in a given regulatory year are reflected in the closing balance for the unders and overs account for that year. The revenue control mechanism seeks to achieve a zero closing balance for the unders and overs account when summed across the pricing year (year t) and two years prior (i.e. t-1 and t-2). The 2019-20 opening balance of the unders and overs account feeds into the B_t parameter.

The NT NER also requires us to take into account revenue from designated pricing proposal charges and jurisdictional schemes designated pricing proposal charges. Designated pricing proposals include:

- charges to be paid to a transmission network service provider
- avoided transmission use of system payments.

3.1.2. 2019-20 total allowable revenue

Table 2 applies the TAR formula and sets out where the inputs are sourced from and discussed in this section. The Pricing Model (Appendix 7) also sets out the following information.

[4] Australian Energy Regulator, *Final Decision: Power and Water Corporation Distribution Determination for 2019 to 2024*, April 2019, page 13-5.

Table 2: 2019-20 SCS revenue cap inputs and outcome ($M)

Input	Value*	Source
Adjusted annual smoothed revenue (AARt)	141.7	2019-20 smoothed revenue sourced from the AER's final decision Post Tax Revenue Model
DMIS adjustments (It)	0.0	The DMIS was not applied during the current regulatory control period and this is the first year of the new regulatory control period, so there is no DMIS related expenditure – see section 3.2.2
Annual adjustments (Bt)	17.9	Calculated from applying the unders and overs account using the AER's required approach – see section 3.2.3
Cost pass through amounts (Ct)	0.0	There are no pass through amounts for 2019-20 – see section 3.2.4
Total Allowable Revenue	159.7	Result of applying the revenue cap formula in section 13.4.6 of AER's draft decision (which was retained in the final decision).

* Numbers have been rounded for presentational purposes. Exact values are included in Appendix 7.

3.2. Revenue inputs

3.2.1. Adjusted annual smooth revenue (AARt)

In 2019-20 Power and Water's annual smooth revenue allowance is $141.7 million.

The smoothed revenue allowance determined by the AER is to be adjusted each year for updated information including WACC and inflation values. However, as this is the first year in the regulatory control period, there are no adjustments required to the value stated in the final decision.

3.2.2. DMIS adjustments (It)

In 2019-20, Power and Water's DMIS adjustment is zero.

The DMIS did not apply to Power and Water during the current regulatory control period, and as this is the first year of the new regulatory control period, we have no DMIS related expenditure recoverable in 2019-20.

3.2.3. Annual Adjustments (Bt)

The only annual adjustments applicable to Power and Water in 2019-20 are those relating to reconciling revenue for the revenue cap outcomes in the final two years of the 2014-19 regulatory control periods. These total $17.9 million of under recovered revenues across 2017-18 and 2018-19. The calculation of this is shown in Table 3 using the AER's prescribed format[5] and explained below.

[5] AER, Draft Determination, Attachment 13.

Table 3: 2019-20 unders and overs account outcome ($M)

	2017-18	2018-19	2019-20
Pricing year	t-2	t-1	t
Revenue from SCS	164.663*	169.337**	159.668
+ Adjusted annual smoothed revenue (AARt)	211.402	211.131	141.737
+ DMIS adjustments (It)	0	0	0
+ Annual adjustments (Bt)	0	0	0[6]
+ Cost pass through amounts (Ct)	0	0	0
Less Allowable revenue for regulatory year	211.402	211.131	141.737
- Revenue deliberately under-recovered in year	37.611	34.021	0
Under/over recovery	-9.128	-7.773	17.931
SCS unders and overs account			
Nominal WACC	7.28%	7.28%	4.22%
Opening balance	0.547	-8.868	-17.564
Interest on opening balance	0.040	-0.645	-0.741
Under/over recovery of revenue for regulatory year	-9.128	-7.773	17.931
Interest on under/over recovery for regulatory year	-0.326	-0.278	0.375
Closing Balance	-8.868	-17.564	0

* actual outcome.

** estimate.

Unders and overs

Under the AER's revenue cap, revenues in year t are adjusted to clear (or true-up) any under or over recovery of actual revenue collected through SCS charges in year t–2 and any estimated under or over recovery of revenues in year t–1.

The AER's 2019-24 Distribution Determination allows that the unders and overs arising under the Utilities Commission's (UC's) Network Price Determination 2014-19 revenue cap, as modified by the Ministerial Direction, will be trued-up in 2019-20 prices.[7]

Revenue deliberately under-recovered

The AER's 2019-24 Distribution Determination[8] also recognises that the Ministerial Direction, which constrained Power and Water's revenues in the current regulatory control period below the UC determination, has resulted in revenue deliberately under-recovered. For intentional under-recovery, the

6 In the AER's TAR formula, this value is the Annual adjustments (Bt) parameter. However, the AER requires that when using this pro-forma unders and overs account format it to be set to zero to balance out.

7 AER, Draft Determination, Appendix 13 pg 13-11, September 2018.

8 AER, Draft Determination, Appendix 13.4.2, pg 13-11, September 2018.

AER has stated that this loss in revenue will not be counted as an under recovery for the purpose of the under and overs account.[9]

The values reported as deliberate under-recoveries are the difference between the:

- adjusted annual smooth revenue for 2017-18 and 2018-19 taken from the UC determination; and
- the Ministerial Direction values.

Audit requirements

The AER's 2019-24 Distribution Determination requires that actual revenue for 2016-17 and 2017-18 must be audited for inclusion in the unders and overs account. Appendix 6 provides Power and Water's revenue audit report, which was agreed with the AER to be in the form of a limited assurance audit.

Interest calculation

The AER's 2019-24 Distribution Determination allows for interest to be earnt or paid back on the unders and overs account variance using the nominal Weighted Average Cost of Capital (WACC). The final decision nominal WACC has been adjusted to reflect actual inflation (which reduces the nominal WACC from 4.88% to 4.22%).

3.2.4. Cost pass through amount

Power and Water is not seeking any pass through amounts for 2019-20.

During the regulatory control period Power and Water can apply to pass through to its customers certain material changes in its costs caused by pre-defined exogenous events provided for in the NT NER and the AER's 2019-24 Distribution Determination. These events are called cost pass through events.

The NT NER prescribes the following pass through events for the 2019-24 regulatory control period:

- a 'local' event prescribed by the National Electricity (Northern Territory)(National Uniform Legislation)(Modification) Regulations
- an NT transitional regulatory change event prescribed by the National Electricity (Northern Territory)(National Uniform Legislation)(Modification) Regulations
- a regulatory change event
- a service standard event
- a tax change event
- a retailer insolvency event.

In addition to these prescribed events, the AER's 2019-24 Distribution Determination approved the following events nominated by Power and Water:

- insurance cap
- insurer credit risk
- terrorism
- natural disaster.

[9] AER, Draft Determination, Appendix 13, section 13.4.2, pg 13-12, September 2018.

3.3. Designated pricing proposal charges and jurisdictional scheme amounts

Power and Water is not seeking any revenues for designated pricing proposal charges and jurisdictional scheme amounts in 2019-20.

Clause 6.18.7 of the NT NER establishes a requirement for this initial pricing proposal to set out designated pricing proposal charges which would be recoverable in network tariffs.

Designated pricing proposal charges are charges related to: designated pricing proposal services (prescribed exit fees, prescribed common transmission services and prescribed transmission use of system services); avoided customer transmission use of system charges; charges provided by another distributor (but only to the extent they comprise of designated pricing proposal services or standard control services); and charges or payments specified in the National Electricity Rules (NER) clause 11.39.

Jurisdictional scheme amounts arise where a distributor is required to incur costs under a jurisdictional scheme imposed by a state or territory government. Clause 6.18.7A of the NT NER requires this initial pricing proposal to set out any jurisdictional scheme values.[10] We are currently not subjected to any eligible jurisdictional schemes. While we have a territory based Guaranteed Service Level scheme[11], this scheme is funded through our operational costs and was considered as part of the determination process.

Power and Water is unique in Australia because we have no network tariff component relating to the annual recovery of transmission costs and jurisdictional scheme amounts. While the AER's TAR formula provides for these in the NT, the values are zero for 2019-20. This means PWC's network charges only comprise a SCS component.

[10] The NT NER defines theses as where a distributor is required to: pay a person; pay into a fund established under an Act of a participating jurisdiction; credit against charges payable by a person; or reimburse a person, less any amounts recovered by the distributor from any person in respect of those amounts other than under the NT NER.

[11] Electricity Industry Performance Code, Clause 4 and schedule 4.

4. NETWORK TARIFF CLASSES AND TARIFF ASSIGNMENT

This chapter explains the tariff classes used for assigning customers to tariffs and the eligibility criteria and assessment process for tariff assignment. It repeats the information included in our approved TSS.

Table 4 illustrates the various approved network tariff classes. For charging purposes, Power and Water applies these to customers and sets out the tariffs that would apply to customers in each tariff class. Most of the charges are based on a customer's National Metering Identifier (NMI). We also segment our customers depending on whether they are connected to our low voltage (LV) network or our high voltage (HV) network.

Table 4: Network tariff classes and tariffs

Tariff class	Tariff	Description of tariffs
LV <750MWh	Tariff 1: Residential Tariff	Residential customers consuming less than 750MWh p.a. per NMI with standard accumulation meters
	Tariff 2: Non-residential Tariff	Non-residential customers consuming less than 750MWh p.a. per NMI with standard accumulation meters
	Tariff 3: LV Smart Meter Tariff	Customers consuming less than 750MWh p.a. per NMI with smart meters
	Tariff 4: Unmetered Tariff	Unmetered supply (for street lighting, traffic lights and other unmetered devices)
LV >750MWh*	Tariff 5: LV Majors Tariff	Customers connected to the LV network consuming greater than 750MWh p.a. per NMI
HV*	Tariff 6: HV Minors Tariff	Customers connected to the HV network consuming less than 750MWh p.a. per NMI
	Tariff 7: HV Majors Tariff	Customers connected to the HV network consuming greater than 750MWh p.a. per NMI

* In exceptional circumstances, Power and Water may offer an individually calculated tariff. This tariff may be made available to new customers with LV or HV greater than 750MWh consumption per annum at a NMI or material alternations to existing LV or HV greater than 750MWh. Please refer to our TSS, Section 2.1.2 for a more detailed rationale. PWC will not be applying individually calculated tariffs to existing HV or LV greater than 750MWh in 2019-20.

For less than 750MWh tariff class customers, the Northern Territory Government sets retail prices via an Electricity Pricing Order. Collectively, these Electricity Pricing Order customers are customers assigned to Tariffs 1-4 and Tariff 6.

That is, all customers except customers assigned to our HV Majors and LV Majors Tariffs are protected by the Electricity Pricing Order.

4.1. Low Voltage less than 750MWh

The Low Voltage less than 750MWh tariff class comprises four customer categories and corresponding tariffs.

4.1.1. Tariff 1: Residential Tariff

The Residential Tariff applies to residential customers supplied at a connection point where:

- total electricity consumption is less than 750MWh per annum per NMI
- electricity is supplied at a voltage level defined as LV – nominally 230/400V
- the customer is connected to the LV network via an accumulation meter
- the premises is intended to be used primarily for residential purposes, excluding serviced apartments, but including:
    - electricity used on vacant land zoned for residential (domestic) purposes
    - Living premises in retirement villages, which must be separately metered.

4.1.2. Tariff 2: Non-residential Tariff

The Non-residential Tariff is applied to non-residential customers where:

- total electricity consumption is less than 750MWh per annum per NMI
- electricity is supplied at a voltage level defined as LV – nominally 230/400V
- the customer is connected to the LV network via an accumulation meter
- the premises is intended to be used for non-residential purposes, including:
    - electricity used on vacant land zoned for commercial purposes
    - temporary supply (i.e. for construction purposes)
    - motels, hotels, serviced apartments and any form of temporary accommodation
    - shops, offices, warehouses and industrial/manufacturing plants
    - mining enterprises and farms.

4.1.3. Tariff 3: LV Smart Meter Tariff

The LV Smart Meter Tariff is applied to customers where:

- total electricity consumption is less than 750MWh per annum per NMI
- electricity is supplied at a voltage level defined as LV – nominally 230/400V
- the customer is connected to the LV network via a smart meter. Residential and non-residential are treated equally under this tariff.

4.1.4. Tariff 4: Unmetered Tariff

The Unmetered Tariff applies to connection points that with the agreement of Power and Water are unmetered (type 7 metering). In these circumstances, the demand at the connection point is estimated.

These SCS tariffs cover the cost of the SCS for common distribution costs (energy delivery) and type 7 metering services (energy estimation and administration).

4.2. Low Voltage greater than 750MWh

The LV greater than 750MWh tariff class currently has one tariff (Tariff 5), which applies to major customers.

4.2.1. Tariff 5: LV Majors Tariff

The LV Majors Tariff applies to customers supplied at a connection point where:

- total electricity consumption is greater than 750MWh per annum per NMI
- electricity is supplied at a voltage level defined as LV – nominally 230 to 400V.

4.3. High Voltage

The High Voltage tariff class comprises two categories of customers where electricity is supplied at a voltage level of 11 kilovolts (kV) or higher:

- customers that consume less than 750MWh per annum per NMI
- customers that consume greater than 750MWh per annum per NMI.

There is no differentiation in relation to the customer's end use.

4.3.1. Tariff 6: HV Minors Tariff

The HV Minors Tariff applies to customers supplied at a connection point where:

- total electricity consumption is less than 750MWh per annum per NMI
- electricity is supplied at a voltage level of 11 kilovolts (kV) or higher.

4.3.2. Tariff 7: HV Majors Tariff

The HV Majors Tariff applies to customers supplied at a connection point where:

- total electricity consumption is greater than 750MWh per annum per NMI
- electricity is supplied at a voltage level of 11 kilovolts (kV) or higher.

4.4. Tariff assignment process

Power and Water has a two-step process to assign or reassign customers to an appropriate tariff class. Initially, a customer is assigned a tariff class according to whether they are connected to the LV or HV network. We then consider the customer's consumption level and meter type.[12] The customer is then assigned a tariff according to their characteristics and end use as specified against the matching tariff class and tariff eligibility criteria.

A tariff assignment will occur when:

- Power and Water undertakes an annual customer review
- a smart meter is installed
- a new customer connects to the network and is allocated a NMI
- when requested by a retailer, the customer or their representative.

[12] Refer to Table 4 Network tariff classes and tariffs

The tariff assignment will continue to apply until a reassignment is triggered because of a change in the customers load profile, connection or metering characteristics.

5. NETWORK TARIFFS

Table 5 provides the various charges applied to the three tariff classes and explains how and when these apply.

Power and Water's SCS tariffs involve 3 charging parameters:

- System access charges (SAC) ($ per NMI per day) (fixed charges)
- Anytime energy charges ($/kWh) (energy consumption charges)
- Demand charges ($ per month per kVA) in peak periods.

5.1.1. 2019-20 tariffs

Table 5: 2019-20 tariffs by charging parameter

Tariff	SAC $/NMI/day	Anytime Energy Charge $/kWh	Demand $/kVA/month
Tariff 1: Residential Tariff	0.640	0.10238	-
Tariff 2: Non-residential Tariff	1.350	0.10430	-
Tariff 3: LV Smart Meter Tariff	1.350	0.03000	20.510
Tariff 4: Unmetered Tariff	-	0.05506	-
Tariff 5: LV Majors Tariff	70.000	0.02630	11.000
Tariff 6: HV Minors Tariff	1.350	0.03000	9.500
Tariff 7: HV Majors Tariff	70.000	0.02630	8.270

Note that customers will also incur an ACS metering charge (Appendix 3). Metering charges were embedded in 2018-19 charges. However, under the new service classifications, metering services are separately charged as an ACS. ACS are discussed in Chapter 8.

5.1.2. System access charges (SAC)

SACs are fixed daily charges per NMI for connection to Power and Water's electricity network.

This is separate to the ACS metering charge, which is also a daily charge, but applied to the number of meters at the NMI.

5.1.3. Anytime Energy charges

All our tariffs include an anytime energy charge based on a dollar per kWh, as measured by the customer's meter except for customers on the Unmetered Tariff. Customers on the Unmetered Tariff are charged an anytime energy charge in $/kWh, based on the device's assumed consumption profile.

5.1.4. Demand charges

Demand charges encourages a reduction in peak consumption. Peak consumption is a major driver of network expenditure. We have based these charges on our Long Run Marginal Cost (LRMC).

Demand charges can only be applied to customers with smart meters. Accumulation meters do not collect the required information.

The demand charge is applied to the peak demand within a month, within the peak period.

While the peak period is 12pm to 9pm weekdays, which includes public holidays[13] for all customers with a smart meter, there are some differences across tariffs, regarding which season we apply demand charges. Specifically:

- for customers assigned to the LV Smart Meter the demand charge applies between 1 October and 31 March with the rest of the year being off-peak (i.e. 6 months)
- for customers assigned to the LV Majors, HV Majors Tariffs or HV Minors Tariffs, the demand charge applies across the year (i.e. 12 months).

[13] All other times are off-peak.

6. PRICING COMPLIANCE

The NT NER establishes two stages to setting and regulating our tariffs.

Firstly, distributors develop a proposed TSS to apply over the five year regulatory control period. In accordance with the distribution pricing principles, the TSS outlines the DNSP's tariff classes, tariff structures, tariff assignment policy and approach to setting tariff levels. The AER has approved Power and Water's TSS as meeting the distribution pricing principles and other NT NER requirements.[14]

Secondly, DNSPs' develop and submit their annual pricing proposals (i.e. this document) to the AER. The AER will assess our proposal to ensure compliance against the approved TSS and the control mechanism specified in the AER's 2019-24 Distribution Determination.

Chapter 3 discusses our compliance with the revenue cap control mechanism, and the accompanying pricing model (Appendix 7) demonstrates compliance.

The remainder of this chapter explains our compliance with the pricing principles, objectives and other requirements.

6.1. Requirements and compliance demonstration

6.1.1. Objective

Our tariff structures must support the following network pricing objective:

> ***The tariffs that we charge for providing regulated network services to a retail customer should reflect our efficient costs of providing those services.*** [15]

Consistent with this objective, we have sought to support end use customers' long term interests when designing our tariffs. As outlined in the TSS Explanatory Statement, our charges are based on the principles of cost reflectivity and user pays and seek to reflect the efficient cost of providing these services to each retail customer.

Our 2019-20 network tariffs seek to support our customers to make informed choices about how they source and use electricity.

6.1.2. Pricing principles

In summary, the NT NER pricing principles with which this chapter demonstrates compliance are:

- Pricing within standalone and avoidable costs – section 6.2
- Long-run marginal cost – section 6.3
- Reflect efficient costs and seek to minimise distortions – section 6.4
- Customer transition and ability to respond – section 6.5
- Simple to understand – section 6.6
- Compliance checklist – Appendix 1.[16]

[14] NER. cl. 6.18.5(d).
[15] NT NER 6.18.5(a).

6.1.3. Other requirements

Other considerations, the relevant rules and where these are addressed include:

- Side constraints (6.18.6) – section 6.7
- Variations during the year (6.18.2(b)(5)) – section 6.8
- Material variation in tariffs compared to indicative prices (6.18.2(b)(7A)) – section 6.9
- Variations in tariffs across the years (6.18.2(b)(8)) – section 6.10
- Rounding (AER Draft Determination Attachment 13, Section D[17]) – section 6.11.

6.2. Pricing within stand-alone and avoidable cost

> ***For each tariff class, expected revenue to be recovered from customers must be between the stand alone cost of serving those customers and the avoidable cost of not serving those customers (NER, cl. 6.18.5(e)).***

To comply with the NT NER, Power and Water must provide a comparison of forecast revenues from each tariff class to the efficient pricing bounds of standalone and avoidable cost.

The initial pricing proposal must show the tariff classes applying for 2019-20 and demonstrate for each tariff class, that the revenue expected to be recovered lies between the stand-alone cost of serving those customers (who belong to that class) and the avoidable cost of not serving those customers.

As Table 6 shows, we have ensured the revenues we expect to recover from each tariff class are within the efficient pricing bounds approved in our 2019-24 TSS.

Table 6: Stand-alone and avoidable cost ($M per year)

Revenue and cost measures	Tariff class		
	LV <750MWh	LV >750MWh	HV
Stand-alone cost	149	136	51
Forecast 2019-20 tariff revenues	126	18	16
Avoidable cost	20	11	5
Compliant	Yes	Yes	Yes

16 NT NER 6.18.5(e) to (j).

17 The final decision confirmed this aspect of the Draft Decision. Australian Energy Regulator, *Final Decision: Power and Water Corporation Distribution Determination for 2019 to 2024, April 2019*, page 13-5.

6.3. Long run marginal costs (LRMC)

Each tariff must be based on the long run marginal cost of serving those customers, with the method of calculation and its application determined with regard to the costs and benefits of that method, the costs of meeting demand from those customers at peak network utilisation times, and customer location (NER, cl. 6.18.5(f)).

The approved TSS proposed significant restructure to our tariff structures, which reflects our desire to transition away from our legacy tariff structure and to provide improved pricing signals to customers. We believe that we have made significant advancement in this regard, whilst also taking into account customer impacts.

6.3.1. Adoption of LRMC estimates

A number of factors have affected our decisions regarding the level of adoption of LRMC estimations. Specifically:

- we will have rolled out smart meters to all customers consuming more than 40 MWh per annum by the end of the current 2014-19 regulatory control period and we will be rolling out smart meters to all new and replacement meters during the 2019-24 regulatory control period. Thus, the number of customers with smart meters, and hence information on their peak demand will continue to significantly grow
- the Northern Territory Government sets retail prices via an Electricity Pricing Order for less than 750 MWh per annum tariff customers. Collectively these Electricity Pricing Order customers are customers assigned to Tariffs 1-4 and Tariff 6. (i.e. all customers except customers assigned to our HV Majors and LV Majors Tariffs)
- we have had a significant fall in our total revenue requirement (relative to the Ministerial Direction allowance for 2018-19).

These circumstances have enabled us to:

- consider LRMC estimates in setting our demand charges
- consider LRMC estimates in setting our energy consumption charges for tariffs that do not have a demand charge
- introduce demand charges for all Electricity Pricing Order customers with smart meters, noting that our major customers already have demand charges
- remove the inefficient declining block demand tariff structure that previously applied to our major customers.

6.3.2. LRMC estimates

The AER's 2019-24 Distribution Determination approved our LRMC estimates. These estimates were based on the average incremental cost approach, as estimated for the HV system and the LV system. Our LRMC estimation was a two-step process where we:

- estimated LRMC for the whole of our three regulated networks by voltage level using current available inputs

- compared these LRMC estimates against other National Electricity Market (NEM) distribution network's estimates and against previous estimates used for our 2014-19 network pricing determination.

Table 7 sets out our LRMC values, which were approved in our TSS.

Table 7: Long-run marginal cost estimates (real $2018-19)

Tariff class	TSS LRMC estimate $/kVA per month
LV <750MWh	20.0
LV >750MWh	20.0
HV	9.5

6.3.3. Diversified LRMC by tariff

Ideally, demand charges should be set to match the LRMC estimates, as outlined in Table 7. However, this is not always possible given legacy tariffs and customer impacts. To assist with moving towards the ideal outcome we have calculated a diversified LRMC by tariff, which provides a minimum target for each tariff.

Using the estimates in Table 7 we transformed the TSS LRMC estimates into a diversified LRMC by tariff, for the nominated charging parameter; having regard for customers':

- coincident demand for demand tariffs
- power factor for consumption tariffs,

adjusted for inflation to bring it to 2019-20 nominal values. The inputs, methodology and outcomes are consistent with Power and Water's November 2018 revised proposal.

Table 8 shows the diversified LRMC by tariff, compared to the relevant tariffs for 2018-19 and 2019-20.

Table 8: Diversified LRMC by Tariff ($Nominal 2019-20)

Tariff	Anytime Energy Charge			Demand		
	Diversified* LRMC by Tariff	2018-19	2019-20	Diversified* LRMC by Tariff	2018-19	2019-20
	¢/kWh			$/kVA		
Tariff 1: Residential Tariff	3.02	10.99	10.24			
Tariff 2: Non-residential Tariff	3.08	10.45	10.43			
Tariff 3: LV Smart Meter Tariff				9.22	n/a	20.51
Tariff 4: Unmetered Tariff	3.12	5.602 / 7.535	5.51			
Tariff 5: LV Majors Tariff				17.41	8.464 to 1.756**	11.00
Tariff 6: HV Minors Tariff				8.27	n/a	9.50
Tariff 7: HV Majors Tariff				8.27	8.464 to 1.731**	8.27

* PowerWater, Tariff Structure Statement, 01 April 2019, pg 16.

** In 2018-18 the equivalent LV and HV Majors tariffs included 5 peak blocks and 5 off-peak blocks.

Table 8 shows:

- LV Smart Meter Tariff and HV Minors Tariff have been moved to their respective LRMCs (see Table 7)
- HV Majors Tariff's demand charges sit at its diversified LRMC and has moved towards its LRMC
- LV Majors Tariff increased significantly and has moved towards its LRMC, but remains below the diversified LRMC
- Residential, Non-residential and Unmetered Tariffs' Anytime Energy charges remain between their LRMC and diversified LRMC.

While the LV Majors Tariff demand charge has increased significantly since 2018-19 (noting the removal of 10 charging blocks (with some as low as $1.756 per kVA), this increase has not been sufficient to meet the diversified LRMC for this tariff. As this group of customers are not protected by the Electricity Pricing Order, we considered any further increases at this time to be unacceptable because of the resulting significant customer impacts.

6.4. Reflect total efficient costs and seek to minimise distortion

> ***Expected revenue from each tariff must reflect the distributor's efficient costs, permit the distributor to recover revenue consistent with the applicable distribution determination, and minimise distortions to efficient price signals (NER, cl. 6.18.5(g)).***

Chapter 3 sets out our 2019-20 SCS revenue cap and our forecast SCS revenue, and Appendix 7 sets out the pricing model. This illustrates that our tariffs have been set to only recover our total efficient costs (as required by rule 6.18.5(g)).

However, this rule also requires us to minimise distortions, which includes considering:

- aligning revenue shares with the cost to serve[18]
- revenue recovery through non-distortionary charging parameters.

6.4.1. Aligning revenue shares with our cost to serve

In addition to recovering our total efficient costs, we have sought to better align the revenue share we receive from each tariff with the cost to supply the customers assigned to that tariff.

Using our approved LRMC estimates by tariff discussed above, we have assessed the resulting residual revenue cap across the various tariffs by removing the LRMC revenue contribution earned from the total revenues forecast for each tariff. Figure 1 shows that the resulting residual allocation in 2019-20 better aligns with the target allocation using the methodology outlined in our approved TSS.

Figure 1 shows the outcome of this analysis for 2018-19 and 2019-20.

Figure 1: Residual cost recovery share by tariff (2018-19 and 2019-20)

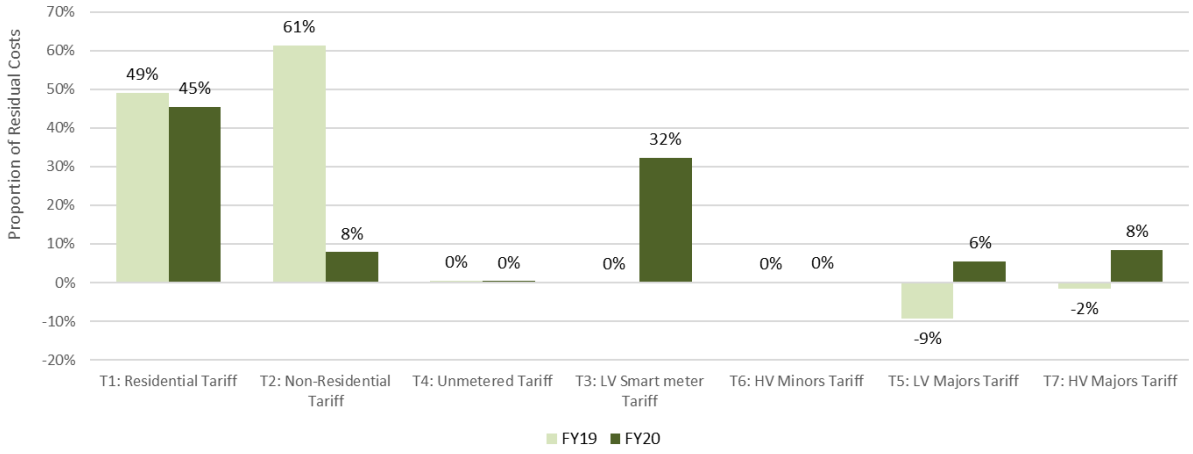

Figure 1 illustrates significant advancement in the residual allocations across the different tariffs. In particular, the customers assigned to the HV Majors and LV Majors Tariffs are now positively contributing to residual values and because this is a new tariff, customers who are assigned to the LV Smart Meter Tariff will be contributing for the first time.

Finally, the level of energy consumed and number of customers assigned to the Unmetered and HV Minors Tariffs is small, and while they are unable to contribute significantly to the recovery of residuals, they all make a positive contribution.

6.4.2. Revenue recovery through non-distortionary charging parameters

In addition to assessing residual costs at the tariff level, we have also assessed residual values for each parameter. Where this can be achieved, we preference the recovery of residual costs from SAC charges and demand charges rather than anytime energy charges, whilst managing bill impacts. Figure 2 shows the outcome of this analysis for 2018-19 and 2019-20.

[18] NT NER. 6.18.5(g)(1).

Figure 2: Residual cost recovery share by tariff parameter (2018-19 and 2019-20)

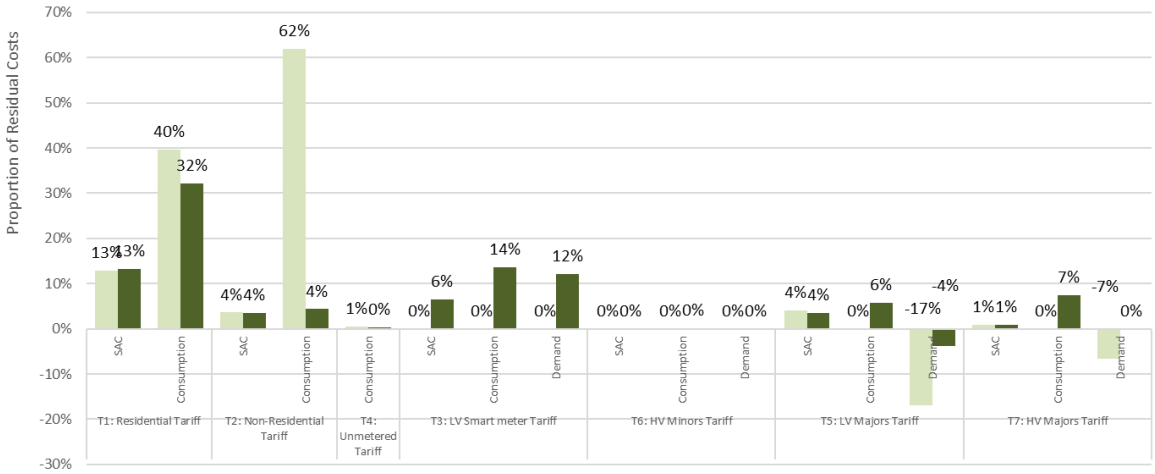

Figure 2 illustrates significant increases in share of residual costs in demand charges and in significant reductions in the share of anytime energy charges for residential and non-residential customers.

Customers who are assigned to the LV Smart Meter Tariff will be contributing for the first time as this is a new tariff.

6.5. Customer transition and ability to respond

Distributors must consider the impact on customers of tariff changes and may depart from efficient tariffs, if reasonably necessary having regards to:

- ***The desirability for efficient tariffs and the need for a reasonable transition period (that may extend over one or more regulatory periods)***
- ***The extent of customer choice of tariffs***
- ***The extent to which customers can mitigate tariff impacts by their consumption (NER, cl.6.18.5 (h)).***

6.5.1. Transition and choice

While the NT NER requires us to adopt efficient cost reflective tariffs, it recognises that this may need to occur over a period of transition. The design of any transition can have regard to the level of bill impact faced by our customers, the desirability for efficient tariffs, customers' ability to choose tariffs and their ability to respond to pricing changes by modifying their behaviour.

We considered these factors in our TSS development, customer consultation and final charges. However, as most customers are protected by the Electricity Pricing Order and the revenue cap is decreasing (in comparison to 2018-29) we have been able to make significant advancement in relation to other NT NER pricing principles.

In relation to customers assigned LV Majors or HV Majors, we have sought to minimise customer impacts, noting that as we are seeking to maintain revenue from these customers from 2018-19 to 2019-20, any reforms will result in winners and losers. We are transitioning the LV Majors demand charges to our

LRMC estimates over time and increasing the off-peak period to enable our major customers to modify their usage and save money. Detailed customer impacts are outlined in Chapter 7.

6.6. Simple to understand

Tariff structures must be reasonably capable of being understood by retail customers assigned to that tariff (NER, cl. 6.18.5(i)).

PWC's tariffs are, compared to other utilities, simple and easy to understand.

The proposed 2019-20 tariffs simplify our tariffs. Notably we have:

- simplified our tariff structures to remove blocks and have flat rate anytime energy and demand charges
- extended the off-peak period
- retained simplicity in our tariffs by not having a menu of opt in tariffs.

6.7. Side constraints

Clause 6.18.6 of the NER relates to side constraints[19] restricting movements of revenues by tariff class from one year to the next. Specifically, for each regulatory year after the first year of a regulatory control period, side constraints apply to the weighted average revenue raised from each tariff class. In accordance with the NT NER, the permissible percentage increase is the greater of CPI–X plus 2 per cent or CPI plus 2 per cent[20] after accounting for other adjustments allowed in the annual TAR formula set out in section 3.1.1.

The side constraint restrictions do not apply to the first year in a regulatory control period. Therefore, by 2019-20 being the first year of our new regulatory control period, Power and Water is compliant with clause 6.18.6.

6.8. Variation during the year

Clause 6.18.2(b)(5) of the NER requires that an initial pricing proposal set out the nature of any variation or adjustment to the tariff that could occur during the course of the regulatory year and the basis on which it could occur.

PWC is unaware of any amendments that will be required during 2019-20.

6.9. Variation compared to indicative prices in our approved TSS

In our TSS we note that the indicative prices list in that TSS would require updating for the AER's final decision. Our TSS set out indicative prices based on the revenues and demand forecasts contained in our revised regulatory proposal (RRP).

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19 While the side constraint forms part of the control mechanism it is discussed here as it impacts on the level of pricing parameters rather than the total revenue requirement.

20 NT NER, cl. 6.18.6(c).

The tariffs in this initial pricing proposal reflect the same tariff structures as set out in our approved TSS. However, some of the individual charging parameters have had to vary due to:

1. The AER's final decision smoothed revenue allowance for 2019-20 of $141.7 million being less than the $151.8 million we proposed.
2. We have updated our customer number (NMI) and peak demand data for the latest available information, including that we have completed our annual tariff assignment review and reflected reassigned customers' demand on their assigned 2019-20 tariffs.
3. We have updated our consumption forecasts for latest actual data (updated 2018-19 forecast), while maintaining AEMO's growth rates for future years.
4. The 2019-20 revenue cap includes $17.9 million of under recoveries from the current regulatory control period, which was not included in our RRP.

The main variation relates to the true up arising from the 2017-18 and 2018-19 under recoveries (see section 3.2). This impact will wash through and be reversed in 2020-21. Further, as part of the customer engagement we have consistently detailed that major customers will be kept revenue neutral between 2018-19 and 2019-20. Therefore, to achieve the additional revenue, from the revised proposal to the final decision, we have concentrated on the anytime energy tariffs for Electricity Pricing Order customers. As per our indicative tariffs, as set out in Appendix 7, we are planning on reducing these anytime energy charges again in 2020-21.

This approach:

- ensures there is no customer impact from this once-off recovery
- is consistent with the method foreshadowed in our approved TSS
- minimises distortions to efficient price signals, by keeping demand tariffs in line with our LRMC estimates.

Our approach means that:

- fixed SAC charges are as per our TSS indicative tariffs
- demand charges are as per our TSS indicative tariffs
- HV customers and LV customers with annual consumption greater than 750 MWh have flat-rate anytime energy charges in line with our TSS indicative tariffs (1.6% increase in line with inflation of 1.78%)
- The flat rate anytime energy charges for all Electricity Pricing Order customers (excluding unmetered supplies) have been increased to achieve the once-off true-up recovery, while ensuring the resulting anytime energy charges are not more than their 2018-19 anytime energy charges.

Updated indicative price levels for the remaining years of the regulatory period are set out in the pricing model (Appendix 7).

6.10. Tariff variation from 2018-19 to 2019-20

6.10.1. SCS

The SCS tariff movements between 2018-19 to 2019-20 as approved in our TSS are discussed below.

Consistent with our approved TSS, we have decreased the anytime energy charges, offset to a certain extent by increases (or introduction) of peak charges (as we move towards LRMC pricing) and increased fixed charges.

SAC and ACS metering

The current SAC charges are a mix of monthly and daily charges, based on meter numbers. We have changed the SAC charges to a per day charge, based on the number of NMIs at the site. We have retained a per meter charge, but metering services have been reclassified as ACS. Therefore, metering charges are separately accounted for via ACS charges.

Specifically, PWC's Framework & Approach, as determined by the AER (June 2017), classified type 1 to 6 metering services as direct control services and further as ACS. In 2018-19, these charges were embedded in SCS network tariffs. From 2019-20 this ACS charge will provide customers with cost transparency in providing these services to each customer.

New tariffs

We have introduced two new tariffs, namely LV Smart meter Tariff and HV Minors Tariff. These allow us to introduce peak charges to customers protected by the Electricity Pricing Order.

Declining blocks

We have simplified our charging parameters, removing all remaining declining blocks and replacing with a single anytime energy charge.

Unmetered

We have merged two unmetered tariffs into a single Unmetered Tariff.

6.11. Rounding

When reporting on compliance as part of the annual pricing proposal process each year of the 2019–24 regulatory control period, the AER requires that certain calculation inputs be used on an unrounded basis while others may be used on a rounded basis. The process for rounding and the specific inputs to be rounded are detailed in Draft Determination Attachment 13: Appendix D[21].

We have complied with these requirements.

[21] The final decision confirmed this aspect of the Draft Decision. Australian Energy Regulator, *Final Decision: Power and Water Corporation Distribution Determination for 2019 to 2024, April 2019*, page 13-5.

7. CUSTOMER IMPACTS

As required by rule 6.18.5(h), managing customer impacts was a key focus of our tariff design, and informed how we designed our customer engagement on pricing issues. Uniquely within the NEM, the Electricity Pricing Order means we have two distinct types of retail customers with differing price effects.

7.1. Electricity Pricing Order protected customers

Most of our 85,000 customers, comprising households and small to medium businesses, are subject to retail pricing protection, so our pricing decisions will not directly affect their retail electricity bills. This meant without creating bill shock, we could immediately structure our tariffs to cost reflective structures with cost reflective tariff levels for customers with smart meters. Notwithstanding this, we have sought to ensure our LV Smart Meter Tariff does not create a disincentive to be on that tariff relative to the equivalent Residential and Non-residential Tariffs.

For completeness, Table 9 provides examples of the theoretical impact for these customers network component of their bills.

These impacts do not take into account non-network changes, including changes in generation, retail, system control or market operator charges.

7.2. Major customers

Our major energy customers are not protected by the Electricity Pricing Order. Their retailers directly pass through network charges as a separate line item on their retail bill. Our network prices directly affect these customers. We sought to manage our tariff changes to minimise customer impacts.

Figure 3 sets out the variation for individual customers assigned to either the HV Majors or LV Majors Tariffs. Specifically, it compares their network bills in 2018-19 to 2019-20 forecast bills, assuming no change[22], except for the recent updating of NMI numbers. Note that we have sought to maintain this customer revenue contribution from 2018-19 to 2019-20.

[22] It assumes no change in consumption, no change in demand or the timing of this demand, or metering numbers. We have accounted for the change in peak periods and the change in NMI numbers per customer (including the fact that some NMI's will be reassigned to the LV Smart Meter Tariff or the HV Minors Tariff).

Figure 3: Impact on major customers' network component of the bill (2018-19 and 2019-20)

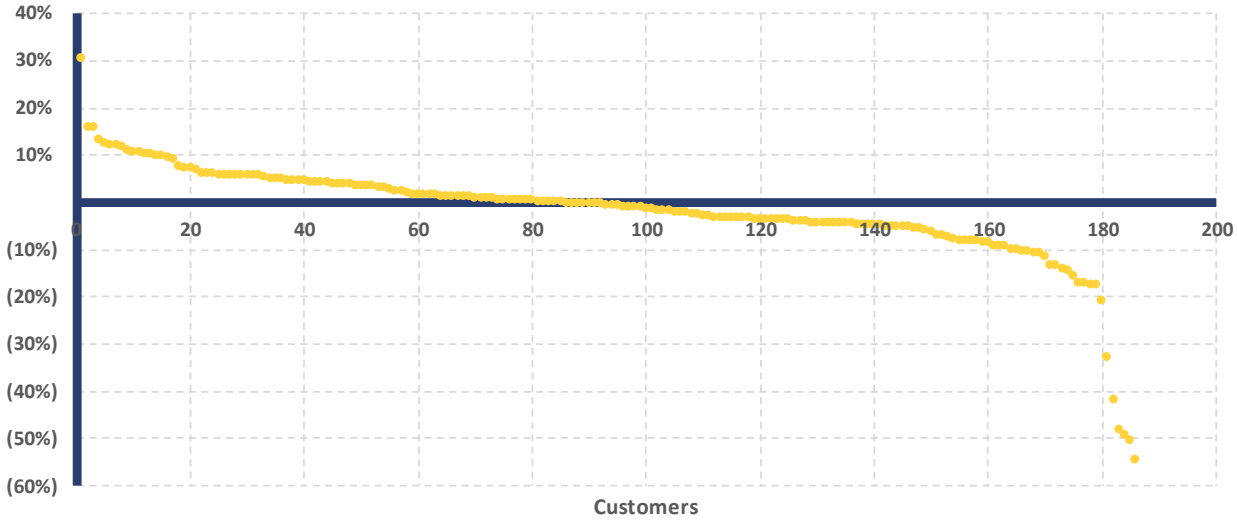

Figure 3 illustrates that with the restructure of charging parameters, two thirds of our major customers have decreases or have increases of no more than inflation, and one third have network bill increases. We have tried to minimise any negative impacts imposed on customers, noting that due to the change in peak periods, customers do have the opportunity to adjust their peak demand into off-peak periods.

7.3. Customer network bill impacts

The following table shows theoretical network bill impacts for our different illustrative customer types, noting that all customers consuming up to 750 MWh per annum (in blue text) are subject to retail price protection and will not see an automatic pass through of these network charges.

Table 9: Movement in customers' network bills 2018-19 to 2019-20 (excluding GST)

Customer Type	Tariff	Network Bill		Change	
		2018-19	2019-20 *	$	%
Small Residential - average energy Accumulation Meter (8500 kWh pa)	Tariff 1: Residential Tariff	1,093	1,165	72	7%
Small Residential - average energy - Smart Meter (8500 kWh pa)	Tariff 3: LV Smart Meter Tariff	1,093	1,147	53	5%
Large Residential Accumulation Meter (15,000 kWh pa)	Tariff 1: Residential Tariff	1,808	1,831	23	1%
Large Residential Smart Meter (15,000 kWh pa)	Tariff 3: LV Smart Meter Tariff	1,808	1,600	(208)	(12%)
Non-Residential Accumulation Meter (30,000 kWh pa)	Tariff 2: Non-residential Tariff	3,407	3,683	276	8%
Smart Meter (30,000 kWh pa) (non-residential)	Tariff 3: LV Smart Meter Tariff	3,407	2,645	(762)	(22%)
Industrial (1,000,000 kWh pa - LV)	Tariff 5: LV Majors Tariff	90,547	93,671	3,125	3%
Large Industrial (6,000,000 kWh pa - HV)	Tariff 7: HV Majors Tariff	290,369	276,677	(13,692)	(5%)

* Includes ACS Metering

8. ALTERNATIVE CONTROL SERVICES

Alternative control services are those that are provided by distributors to specific customers. They don't form part of the SCS charges and associated SCS revenue allowance provided for in the determination (as discussed in Chapter 3). These services are provided on a user pays basis and the costs are recovered across a number of fees.

2019-20 ACS charges are outlined in Appendix 3, Appendix 4 and Appendix 5.

8.1. ACS metering

Type 1-6 metering services were classified as ACS charges as part of the AER's approved framework and approach of 1 July 2017.[23] Because of this, Type 1-6 meter costs have been removed from SCS and recovered as a separate ACS metering charge from 1 July 2019.[24]

Our metering service provision includes us performing the activities of:

- metering coordinator
- metering provider including providing, installing, maintaining, inspecting, replacing and testing meters
- meter reading, including scheduled and special meter reads (e.g. move in and move out meter reading, final read on removed meter)
- data services including collection, processing, management, delivery and storage of metering data.

Table 10 sets out the three metering service provision charges, which are per meter. There are separate charges for single phase meters, three phase meters or dedicated current transformer or voltage transformer with remote reading meters (i.e. CT and VT meters).

Similar to the SAC charge, the metering charges will be applied on a daily basis.

Table 10: ACS metering pricing parameters

Metering service provision charges (for Types 1 – 6 meters)	Basis of charging	2019-20 Price	Annual Charge*
1 Phase Meters (including Prepayment)	$/day/meter	$0.1680	$61.48
3 Phase Meters	$/day/meter	$0.1850	$67.69
Dedicated CT and VT meters	$/day/meter	$0.3132	$114.65

* The AER's final decision sets the charge out as an annual charge which is converted into a daily charge, noting 2019-20 is a leap year.

8.2. Ancillary – fee based and quoted services

Fee based charges form part of ancillary services. These fees are routinely performed and are based on a set rate that includes a labour rate, materials, other and overheads with a set time to perform the task.

[23] AER, Framework and Approach Power and Water Corporation (NT), section 1.3.2 Metering Services, 1 July 2017.

[24] Note that PWC, under the NT NER, has been mandated as the monopoly provider of type 1 to 6 metering services until 30 June 2024.

Quoted services are also provided for one off specific tasks or at a customer's request. The cost of quoted services will vary on the time taken and any other costs incurred to complete the task. The charges included for quoted services relate to the cost of labour and overheads that will be used to provide a quote for the service. Additional to the labour costs, we will also include material and travel costs.

9. GLOSSARY

AARt	Adjusted annual smoothed revenue
ACS (charges)	Alternative Control Services
AER	Australian Energy Regulator
DMIS	Demand Management Incentive Scheme
DNSP	Distribution Network Service Provider
GST	Goods and Services Tax
GW	Gigawatt
GWh	Gigawatt hour
HV	High Voltage
kV	Kilovolt
kVA	Kilovolt amperes
kVAr	Kilovolt amperes reactive
kW	Kilowatt
kWh	Kilowatt hour
LRMC	Long Run Marginal Cost
LV	Low Voltage
MVA	Megavolt ampere
MW	Megawatt
MWh	Megawatt hour
NEM	National Electricity Market
NER	National Electricity Rules
NMI	National Metering Identifier
NT NER	Northern Territory National Electricity Rules
PV	Photovoltaic
Power and Water	Power and Water Corporation
SAC	System Access Charge

SCS	Standard Control Services
TAR	Total allowable revenue
TSS	Tariff Structure Statement
UC	Utilities Commission of the Northern Territory
WACC	Weighted Average Cost of Capital

APPENDIX 1 COMPLIANCE CHECKLIST

Table 11: Compliance checklist

Rule	Requirement Relevant	Relevant Section
6.7.5	Negotiating Framework	AER Final Decision: Negotiating Framework
6.7.5(a)	A Distribution Network Service Provider must prepare a negotiating framework document setting out the procedure to be followed during negotiations	AER Final Decision: Negotiating Framework
6.7.5 (b) and (c)	The negotiating framework must comply with and be consistent with: (1) the applicable requirements of the relevant distribution determination; and Note: See clause 6.7.3. (2) paragraph (c), which sets out the minimum requirements for a negotiating framework.	AER Final Decision: Negotiating Framework
6.18.2 (a)	Distribution Network Service Provider must:	
6.18.2 (a)(1)	submit to the AER, as soon as practicable, and in any case within 15 business days, after publication of the distribution determination, a pricing proposal (the initial pricing proposal) for the first regulatory year of the regulatory control period;	This report and accompanying attachments constitutes our initial pricing proposal for 2019-20 for the purposes of NT NER rule 6.18.2 (a)(1).
6.18.2(b)	A Pricing Proposal must:	
6.18.2(b)(2)	set out the proposed tariffs for each tariff class that is specified in the Distribution Network Service Provider's tariff structure statement for the relevant regulatory control period;	Appendix 2, Appendix 3, Appendix 4, Appendix 5
6.18.2(b)(3)	set out, for each proposed tariff, the charging parameters and the elements of service to which each charging parameter relates;	Chapter 5
6.18.2(b)(4)	set out, for each tariff class related to standard control services, the expected weighted average revenue for the relevant regulatory year and also for the current regulatory year;	Appendix 7
6.18.2(b)(5)	set out the nature of any variation or adjustment to the tariff that could occur during the course of the regulatory year and the basis on which it could occur;	Section 6.8
6.18.2(b)(6)	set out how designated pricing proposal charges are to be passed on to customers and any adjustments to tariffs resulting from over or under recovery of those charges in the previous regulatory year;	Not applicable, see section 3.3
6.18.2(b)(6A)	set out how jurisdictional scheme amounts for each approved jurisdictional scheme are to be passed on to customers and any adjustments to tariffs resulting from over or under recovery of those amounts;	Not applicable, see section 3.3
6.18.2(b)(6B)	describe how each approved jurisdictional scheme that has been amended since the last jurisdictional scheme approval date meets the jurisdictional scheme eligibility criteria;	Not applicable, see section 3.3
6.18.2(b)(7)	demonstrate compliance with the Rules and any applicable distribution determination, including the Distribution Network Service Provider's tariff structure statement for the relevant regulatory control period;	Pricing Proposal and Appendices

Rule	Requirement Relevant	Relevant Section
6.18.2(b)(7A)	demonstrate how each proposed tariff is consistent with the corresponding indicative pricing levels for the relevant regulatory year as set out in the relevant indicative pricing schedule, or explain any material differences between them; and	Section 6.9
6.18.2(b)(8)	describe the nature and extent of change from the previous regulatory year and demonstrate that the changes comply with the Rules and any applicable distribution determination.	Section 6.10 Chapter 3
6.18.2(c)	The AER must on receipt of a pricing proposal from a Distribution Network Service Provider publish the proposal.	Noted
6.18.2(d)	At the same time as a Distribution Network Service Provider submits a pricing proposal under paragraph (a), the Distribution Network Service Provider must submit to the AER a revised indicative pricing schedule which sets out, for each tariff and for each of the remaining regulatory years of the regulatory control period, the indicative price levels determined in accordance with the Distribution Network Service Provider's tariff structure statement for that regulatory control period and updated so as to take into account that pricing proposal.	Appendix 7
6.18.2(e)	Where the Distribution Network Service Provider submits an annual pricing proposal, the revised indicative pricing schedule referred to in paragraph (d) must also set out, for each relevant tariff under clause 6.18.1C, the indicative price levels for that relevant tariff for each of the remaining regulatory years of the regulatory control period, updated so as to take into account that pricing proposal.	Appendix 7
6.18.5	Pricing principles	
6.18.5(e)	For each tariff class, the revenue expected to be recovered must lie on or between:	Section 6.2
6.18.5(e)(1)	an upper bound representing the stand alone cost of serving the retail customers who belong to that class; and	Table 6
6.18.5(e)(2)	a lower bound representing the avoidable cost of not serving those retail customers.	Table 6
6.18.5(f)	Each tariff must be based on the long run marginal cost of providing the service to which it relates to the retail customers assigned to that tariff with the method of calculating such cost and the manner in which that method is applied to be determined having regard to:	Section 6.3
6.18.5(f)(1)	the costs and benefits associated with calculating, implementing and applying that method as proposed;	TSS
6.18.5(f)(2)	the additional costs likely to be associated with meeting demand from retail customers that are assigned to that tariff at times of greatest utilisation of the relevant part of the distribution network; and	TSS
6.18.5(f)(3)	the location of retail customers that are assigned to that tariff and the extent to which costs vary between different locations in the distribution network.	TSS
6.18.5(g)	The revenue expected to be recovered from each tariff must:	

Rule	Requirement Relevant	Relevant Section
6.18.5(g)(1)	reflect the Distribution Network Service Provider's total efficient costs of serving the retail customers that are assigned to that tariff;	Chapter 3
6.18.5(g)(2)	when summed with the revenue expected to be received from all other tariffs, permit the Distribution Network Service Provider to recover the expected revenue for the relevant services in accordance with the applicable distribution determination for the Distribution Network Service Provider; and	Appendix 7
6.18.5(g)(3)	comply with sub-paragraphs (1) and (2) in a way that minimises distortions to the price signals for efficient usage that would result from tariffs that comply with the pricing principle set out in paragraph (f).	Section 6.4 & TSS
6.18.5(h)	A Distribution Network Service Provider must consider the impact on retail customers of changes in tariffs from the previous regulatory year and may vary tariffs from those that comply with paragraphs (e) to (g) to the extent the Distribution Network Service Provider considers reasonably necessary having regard to:	Chapter 6 and TSS
6.18.5(h)(1)	the desirability for tariffs to comply with the pricing principles referred to in paragraphs (f) and (g), albeit after a reasonable period of transition (which may extend over more than one regulatory control period);	Section 6.5
6.18.5(h)(2)	the extent to which retail customers can choose the tariff to which they are assigned; and	Sections 6.5 and 6.6
6.18.5(h)(3)	the extent to which retail customers are able to mitigate the impact of changes in tariffs through their usage decisions.	Sections 6.5 and 6.6 and TSS
6.18.5(h)(3)(ha)	However, for a distribution determination for a Distribution Network Service Provider in this jurisdiction that will apply or applies during the 1st regulatory control period, the reference in paragraph (h) to "the previous regulatory year" must be regarded as a reference to "the year that precedes the relevant *regulatory year* of the *1st regulatory control period* (which may be the last year of the *2014-19 NT regulatory control period*)".	Noted
6.18.5(i)	The structure of each tariff must be reasonably capable of being understood by retail customers that are assigned to that tariff, having regard to: 1) the type and nature of those retail customers; and (2) the information provided to, and the consultation undertaken with, those retail customers.	Sections 6.5 and 6.6
6.18.5(j)	A tariff must comply with the Rules and all applicable regulatory instruments.	Chapter 6
6.18.6	Side constraints on tariffs for standard control services	Section 6.7
6.18.7	Recovery of designated pricing proposal charges	Section 3.3
6.18.7A	Recovery of jurisdictional scheme amounts	Section 3.3
6.18.8	Approval of pricing proposal	AER
6.18.9	Publication of information about tariffs and tariff classes	Power and Water

APPENDIX 2 SCS NETWORK PRICE LIST 2019-20

Table 12: 2019-20 tariffs by charging parameter (excluding GST)

Tariff	SAC $/NMI/day	Anytime Energy Charge $/kWh	Demand* $/kVA/month
Tariff 1: Residential Tariff	0.640	0.10238	-
Tariff 2: Non-residential Tariff	1.350	0.10430	-
Tariff 3: LV Smart Meter Tariff	1.350	0.03000	20.510
Tariff 4: Unmetered Tariff	-	0.05506	-
Tariff 5: LV Majors Tariff	70.000	0.02630	11.000
Tariff 6: HV Minors Tariff	1.350	0.03000	9.500
Tariff 7: HV Majors Tariff	70.000	0.02630	8.270

* The peak period rates apply to usage between 12pm and 9pm on any weekday, including public holidays. For smart meter customer peak charges apply from 1 October through 31 March. For other customers peak charges are applied yearly.

Table 13: 2019-20 tariffs by charging parameter (including GST)

Tariff	SAC $/NMI/day	Anytime Energy Charge $/kWh	Demand* $/kVA/month
Tariff 1: Residential Tariff	0.704	0.11262	-
Tariff 2: Non-residential Tariff	1.485	0.11473	-
Tariff 3: LV Smart Meter Tariff	1.485	0.03300	22.561
Tariff 4: Unmetered Tariff	-	0.06057	-
Tariff 5: LV Majors Tariff	77.000	0.02893	12.100
Tariff 6: HV Minors Tariff	1.485	0.03300	10.450
Tariff 7: HV Majors Tariff	77.000	0.02893	9.097

* The peak period rates apply to usage between 12pm and 9pm on any weekday, including public holidays. For smart meter customer peak charges apply from 1 October through 31 March. For other customers peak charges are applied yearly.

APPENDIX 3 ACS METERING NETWORK PRICE LIST 2019-20

Table 14: 2019-20 Annual metering charges

2019-20 Annual Metering Charges $/meter	Ex GST	Inc GST
1 Phase Meters (including prepayment)	$61.48	$67.63
3 Phase Meters	$67.69	$74.46
Dedicated CT and VT Meters	$114.65	$126.11

Table 15: 2019-20 Daily metering charges

2019-20 $/day/meter	Ex GST	Inc GST
1 Phase Meters (including prepayment)	$0.1680	$0.1848
3 Phase Meters	$0.1850	$0.2035
Dedicated CT and VT Meters	$0.3132	$0.3446

APPENDIX 4 ACS FEE BASED NETWORK PRICE LIST 2019-20

Table 16: 2019-20 ACS fee based network price list

Service group	Description*	Charge	2019-20 charge (Ex GST)	2019-20 charge (Inc GST)
Connections Services				
Provision of 3 phase service	A 3-phase service to be installed in place of a single phase At customer's or retailer's request	$/request	$1,400.88	$1,540.97
Standard temporary builder's connection	Connection and supply of electricity for the purpose of development of a site. Meter is temporary (not a permanent meter). At customer's or retailer's request.	$/request	$657.68	$723.45
Class 1 and 2 PV service	For processing connections of small PV generation systems to the PWC distribution network At customer's or retailer's request	$/request	$87.19	$95.91
Class 3 PV Assessment	For approval to connect a large embedded generation system to the PWC distribution network, including: Processing the application; Undertaking the engineering assessment; Developing access agreement; and Issuing of final approval. At customer's or retailer's request	$/request	$1,187.82	$1,306.60
De-energisation/Re-energisation				
Temporary disconnection and reconnection – no dismantling	Temporary removal of and reinstatement of service line - no dismantling required. At customer's or retailer's request.	$/request	$286.07	$314.68
Temporary disconnection and reconnection – physical dismantling	Temporary removal of and reinstatement of service line – physical dismantling required. At customer's or retailer's request	$/request	$737.30	$811.03
Complex disconnection	The service is physically dismantled or disconnected at the connection to the network. Network connection includes pillar box, pit or pole top. Due to action or inaction of the network user or their agent. At customer's or retailer's request.	$/request	$312.62	$343.88

Disconnection (and Final Read)	Disconnection (and/or final read) during business hours. Applied: After customer fails to pay; or After customer moves out. At retailer's request.	$/request	$66.99	$73.69
Reconnection	Reconnection during business hours. Applied: After customer pays outstanding amount owing after being disconnected for non-payment; or After customer moves in. At retailer's request.	$/request	$66.99	$73.69
Reconnection - After Hours **	Reconnection after hours. Applied: After customer pays outstanding amount owing after being disconnected for non-payment; or After customer moves in. At retailer's request.	$/request	$124.43	$136.87
Other				
Wasted visit fee	Additional costs incurred where service provision could not be undertaken and/or completed as planned due to action or inaction of a network user or their agent. If the crew are unable to undertake their work then the lower of either the requested service fee or the wasted fee charge will apply.	$/request	$153.36	$168.70
After Hours - non reconnections - uplift 1.23 x business hours charge	After hours work provided by Power Services' crews. This fee does not apply to reconnections. At customer's or retailer's request	% uplift applied against primary charge	1.23x	1.23x
Non Standard Data Services				
Historical data requests	Collection, processing and transfer of higher standard energy data per format. Includes consumption checks and detailed historical data. Can be provided per NMI or per meter. At customer's or retailer's request	$/request	$197.14	$216.85
Standing data requests	Provide NMI standing data as outlined in the Electricity Retail Supply Code, similar to the NMI Discovery Service provided interstate. At incoming retailer's request	$/request	$43.59	$47.95
Customer transfers	The processing of a customer transfer request as outlined in the Electricity Retail Supply Code. At incoming retailer's request.	$/request	$174.37	$191.81

Service group	Description*	Charge	2019-20 charge (Ex GST)	2019-20 charge (Inc GST)
Network tariff change request	Applied when the customer or the customer's representative makes a request for a tariff reassignment, and that reassignment is not the result of an assignment error by Power and Water. At customer's or retailer's request	$/request	$43.59	$47.95
Miscellaneous Services				
Installation of Minor Apparatus	Temporary installation of minor apparatus such as polyloggers. Data analysis and report supplied if required.	$/request	$624.50	$686.95
Meter service				
Special meter test	Specialised equipment to test meter (in laboratory) At customer's or retailer's request	$/request	$299.35	$329.29
Exchange or replace meter – three phase	Exchange or replace a three phase meter. At customer's or retailers request	$/request	$660.39	$726.43
Exchange or replace meter - single phase	Exchange or replace a single phase meter. At customer's or retailer's request	$/request	$552.87	$608.16
Relocation of meter	Relocation of a meter at customer's or retailer's request	$/request	$312.62	$343.88
Remove meter	Removal of meter from meter panel At customer's or retailer's request	$/request	$312.62	$343.88
General meter inspection	Non-invasive visual only inspection (in field) At customer's or retailer's request	$/request	$140.09	$154.10
Special meter read - no appointment	Meter read at a customer's request Outside of the scheduled read cycle Meter is read within 2 days - no specific time At customer's or retailer's request	$/request	$35.60	$39.16
Special meter read - appointment	Meter read at a customer's request Outside of the scheduled read cycle Meter is read at an agreed day and time At customer's or retailer's request	$/request	$77.00	$84.70
Meter program change	Changes to tariff that requires meter reprogramming Includes prepaid tariff and time of use At customer's or retailer's request	$/request	$161.61	$177.77
Prepayment Vending Charge	Fee payable per prepayment meter credit update (per transaction). Payable by the retailer.	$/request	$0.48	$0.53

Service group	Description*	Charge	2019-20 charge (Ex GST)	2019-20 charge (Inc GST)
Prepayment Meter Support Charge	Retailer initiated prepayment query that does not relate to a system or meter fault that could otherwise have been processed through the prepayment meter portal.	$/request	$66.36	$73.00

* Work is to be undertaken during business hours, Monday to Friday 8am to 4pm, excluding public holidays, unless otherwise stated.

** After hours is Monday to Friday after 4pm, excluding public holidays, and is subject to availability and safety. Work undertaken on public holidays and weekends is treated as a Quoted Service and priced accordingly.

APPENDIX 5 ACS QUOTED SERVICES NETWORK PRICE LIST 2019-20

Table 17: 2019-20 ACS quoted services network price list

Service group	Description*	Charge	2019-20 charge (Ex GST)	2019-20 charge (Inc GST)
Quoted Services				
Design related services	Includes design services, the provision of specific information, certification, and review related to power services - Business Hours at customer or retailer's request.	$/hour	$155.62	$171.18
Connection applications	Includes assessing any connection applications (including, but not limited to PV, generation and load), undertaking planning studies and associated technical analysis - Business Hours at customer or retailer's request.	$/hour	$155.62	$171.18
Access permits, oversights and facilitation	Includes issuing access permits or clearances to work for an authorised person on or near distribution systems (LV and HV), confined spaces and switch rooms, substations and the like - Business Hours at customer or retailer's request.	$/hour	$155.62	$171.18
Notices of arrangement and completion notices	Includes the requirement to perform administrative work required by a local council to provide written evidence that arrangements required to supply electricity to a development are in place. A completion notice may also be required when a customer/developer requires documentation confirming progress of work. - Business Hours at customer or retailer's request.	$/hour	$87.19	$95.91
Network related property services	Includes the property tenure services related to deeds of agreement, indemnity deeds, leases, easements and other property tenure rights linked to connection or relocation - Business Hours at customer or retailer's request.	$/hour	$87.19	$95.91

Service group	Description*	Charge	2019-20 charge (Ex GST)	2019-20 charge (Inc GST)
Site establishment services	Includes liaising with AEMO (or NT equivalent) and market participants to establish a NMI in markets systems for new or existing premises where AEMO (or NT equivalent) requires a new NMI and the validation and uploading of network load data. Activities include but not limited to: Site establishment including liaising with the AEMO (or NT Equivalent) for market participants to establish NMI's for market systems; Site alteration update and maintenance of NMI and associated data in market systems; or NMI extinction, processing a customer's request for permanent disconnection and NMI extinction in market systems; & confirming or correcting metering or network billing information due to insufficient or incorrect information - Business Hours at customer or retailer's request.	$/hour	$87.19	$95.91
Network safety services	Includes the DNSP providing traffic control services, fitting of tiger tails, tree pruning, and high load escorts. - Business Hours at customer or retailer's request.	$/hour	$132.71	$145.98
Network tariff change request	Activities include altering an existing network tariff by conducting load and tariff analysis to ensure the relevant tariff criteria is met. This change request relates to processing IT system changes to reflect a bulk tariff change request such as a large customer with multiple sites - Business Hours. At customer's or retailer's request. Where Power and Water has made an error in tariff assignment, we will correct the assignment free of charge, and this charge will not be applied.	$/hour	$87.19	$95.91
Planned interruption - customer request	A planned interruption is moved outside business hours. - Business Hours. At customer's or retailer request	$/hour	$132.71	$145.98
Performance of a statutory right (access prevented)	Includes a follow up attendance at a customer's premises to perform a statutory right where access was declined or prevented on the initial visit. This includes any costs of arranging security or police services - Business Hours at customer or retailer's request.	$/hour	$132.71	$145.98
Provision of network related training to third parties	Includes the training of third parties to a level of attainment required to obtain specific distribution network access authorisation to the DNSP's network. This may include demonstrating the necessary competency in the DNSP's electricity safety rules - Business hours at customer or retailer's request	$/hour	$87.19	$95.91

Service group	Description*	Charge	2019-20 charge (Ex GST)	2019-20 charge (Inc GST)
Non-standard reporting services	Includes developing meter data provision reporting such as standard data, billing data or load profiles for single requests with more than 5 NMI's. Single data requests with 5 NMI's or less, will be charged the ACS Fee Based charge (Historical Data Request or Standing Data Request) per request- Business Hours at customer or retailer's request	$/hour	$87.19	$95.91
Services provided for retailer of last resort event	DNSP may be required to provide a number of services when an ROLR event occurs. This includes preparing a list of affected sites, estimating reads for the ROLR event date, preparing final invoices and extracting customer data - Business Hours at customer or retailer's request.	$/hour	$87.19	$95.91
Rectification of illegal connections service	Includes work undertaken by the DNSP to investigate and rectify the fraudulent acquisition of energy at a premises; or intentional consumption of energy at those premises otherwise than in accordance with the energy laws - Business Hours at customer or retailer's request.	$/hour	$132.71	$145.98
Network changes at customer or retailer's request	Includes, modifications, relocation, replacement or installation of network assets, at customer or retailer request - Business Hours at customer or retailer's request.	$/hour	$132.71	$145.98
Annual prepayment meter licensing fee **	Technical support fees per annum for training, trouble shooting, staff support for retailers. Software licence charges on-charged according to customer requirements - Business Hours at customer or retailer's request.	$/hour	$87.19	$95.91

* Work is to be undertaken during business hours, Monday to Friday 8am to 4pm, excluding public holidays, unless otherwise stated.

** Cost of Prepayment meter software will be on charged according to customer requirements. Administrative labour rate to be used to process cost recovery.

APPENDIX 6 SCS REVENUE AUDIT

KPMG

Independent Auditor's Review Report

To the Management of Power and Water Corporation

Report on the review of the Standard Control Services Revenue Calculation

Conclusion

We have reviewed the accompanying ***Standard Control Service (SCS) Revenue Calculation*** of Power and Water Corporation (PWC).

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the SCS Revenue of PWC:

- is not in accordance with the requirements of the Utilities Commission's 2014-19 Service Classification, and
- does not reflect the revenue earned by PWC in the 2016-17 and 2017-18 regulatory years.

Emphasis of matter – basis of preparation and restriction on use and distribution

The SCS Revenue for the regulatory years 2016-17 and 2017-18 has been prepared in accordance with the Utilities Commission's 2014-19 Service Classification and reflects the revenue earned by PWC in the 2016-17 and 2017-18 regulatory years.

This report and the accompanying SCS Revenue calculations have been prepared for the Management of PWC for the purpose of supporting its annual pricing proposal to the Australian Energy Regulator (AER). As a result, our report and the accompanying SCS Revenue calculations may not be suitable for another purpose.

We disclaim any assumption of responsibility for any reliance on this report, or on the SCS Revenue calculations to which it relates, to any person other than PWC and the AER or for any other purpose than that for which it was prepared.

Responsibilities of Management Standard Control Services Revenue Calculation

Management is responsible for:

- the preparation of the SCS Revenue in accordance with the Utilities Commission's 2014-19 Service Classification for the regulatory years 2016-7 and 2017-8; and
- such control as they consider necessary to prepare and present fairly the SCS Revenue calculations that are free of material misstatement whether due to fraud or error.

Auditor's responsibility for review of the Standard Control Services Revenue Calculation

Our responsibility is to express a conclusion on the SCS Revenue calculations based on our review. We have conducted our review in accordance with the Standard on Review Engagements ASRE 2405 *Review of Historical Financial Information Other than a Financial Report*, issued by the Auditing and Assurance Standards Board, in order to state whether anything has come to our attention that causes us to believe that the SCS Revenue calculation:

- is not prepared, in all material respects, in accordance with the requirements of the Utilities Commission's 2014-19 Service Classification, and
- does not reflect the revenue earned by PWC in the 2016-17 and 2017-18 regulatory years.

A review of the SCS Revenue consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As required by ASRE 2405, we have complied with our independence and other relevant ethical requirements of the Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, and complied with the applicable requirements of Australian Standard on Quality Control 1 to maintain a comprehensive system of quality control.

Inherent limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud or error may occur and not be detected.

A limited assurance engagement as at specified date does not provide assurance on whether compliance will continue in the future.

KPMG

KPMG

David Howie
Partner
Darwin
9/05/2019

PowerWater

Power and Water Corporation
Special Purpose Report: 2019-20 Network Pricing Proposal (SCS Revenue)

Purpose of Report

Power Services' electricity networks operate under a revenue-cap form of economic regulation that ensures it cannot earn additional revenue if demand is higher than forecast when setting tariffs. Likewise, there are countervailing measures that allow Power Services to be 'made-whole' if it earns less revenue than allowed under the revenue cap. These provisions under the NT version of the National Electricity Rules (NT NER) are consistent with similar provisions under the Utilities Commission's regime reflected in the 2014-19 Network Price Determination.

The Power Services division of Power & Water Corporation (PWC) expects to under recover its Ministerial Direction allowance during the current 2014-19 regulatory control period (RCP) as a result of lower than forecast demand. Power Services will be recovering this revenue via the unders and overs account mechanism in our 2019-20 Network Pricing Proposal to the Australian Energy Regulator (AER).

As per the AER's final decision for the 2019 Distribution Determination, actual revenue data must be audited for inclusion in a pricing proposal's unders and overs account. To fulfil this requirement, the AER normally relies on the Standard Control Services (SCS) revenue reported in a distributor's Regulatory Information Notice (RIN) submission. However, due to a change in service classifications between regulatory control periods, our RIN does not provide a true reflection of the revenue earnt under the current Ministerial Direction allowance. This is because the AER required PWC to report RIN data using the future AER 2019-24 Service Classification rather than the current Utilities Commission's 2014-19 Service Classification.

This Special Purpose Report therefore calculates the revenue for the purposes of use in PWC's 2019-20 Network Pricing Proposal, and has been developed in accordance with the service classification set by the Utilities Commission for the 2014-19 RCP.

Basis of preparation

The revenue disclosed in this Special Purpose Report is in accordance with the Utilities Commission's 2014-19 Service Classification, in that Standard Control Service charges include Types 1 to 6 metering services, which for the 2019-24 RCP are treated as Alternative Control Services (ACS) Metering.

Standard Control Service Revenue

Financial Year	Standard Control Services Revenue (Actual, $nominal)
1 July 2016 to 30 June 2017	$172,931,277
1 July 2017 to 30 June 2018	$164,662,712

Certification

We certify that the Standard Control Service Revenue disclosed in this Special Purpose Report has been calculated in accordance with the Service Classification set by the Utilities Commission for the 2014-19 RCP, and reflects the audited financial accounts for the respective years.

Djuna Pollard

Djuna Pollard
General Manager Power Services
4 May 2019

Fleur Crowe
Business Manager Power Services
8/5/ 2019

APPENDIX 7 PRICING MODEL

Please refer to separate excel workbook titled *PWC – 2019-20 SCS Pricing Model – 21 May 2019 – Public*.