



Network Pricing Proposal

2023-24

31 March 2023

PowerWater

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Abbreviations

The following table provides a list of abbreviations and acronyms used throughout this document. Defined terms are identified in this document by capitals.

Term	Definition
ACS	Alternative Control Services
AER	Australian Energy Regulator
DMIS	Demand Management Incentive Scheme
DTF	Department of Treasury and Finance
HV	High Voltage
kV	Kilovolts
LRMC	Long Run Marginal Cost
LV	Low Voltage
NBN	National Broadband Network
NMI	National Metering Identifier
NSPs	Network Service Providers
NT NER	NT National Electricity Rules
NT Pricing Order	NT Government Electricity Pricing Order
Power and Water	Power and Water Corporation
PTRM	Post Tax Revenue Model
SAC	System Availability Charges
SCS	Standard Control Services
TAR	Total Allowed Revenue
TSS	Tariff Structure Statement

Executive summary

Power and Water Corporation (**Power and Water**) is pleased to submit our 2023-24 Network Pricing Proposal to the Australian Energy Regulator (**AER**) and our stakeholders. This document sets out Power and Water's proposed network tariffs for our regulated customers. This includes tariffs for standard control services and the fees and charges for our alternative control services.

Power and Water's total allowable revenue has increased in 2023-24 by 11.8 per cent, \$16.4 million (\$nominal) more than 2022-23. This has the following implications for our network tariffs:

- In 2023-24 all customers will see an increase on their network bill when compared to 2022-23.
- We have more closely aligned our demand charges with the long run marginal cost (**LRMC**) estimate in our Tariff Structure Statement (**TSS**).
- Aligning both high voltage (**HV**) tariffs to cost reflective rates in preparation for proposed changes in thresholds and tariff structure in the next regulatory control period (2024-29).
- We have continued to increase the revenue collected through more stable System Availability Charges (**SAC**).

Bill impacts and Engagement

Table 1.1 below sets out the proposed change in the network bill between 2022-23 and 2023-24 for typical customers connected to Power and Water's regulated network. The table shows that there will be increases for almost all customers in their network bill in 2023-24. Large High Voltage (HV) industrial customers being the only exception, with minimal decrease in their network bill.

The increase for most customers will not directly impact the actual retail bill due to the Northern Territory Government's Electricity Pricing Order (**NT Pricing Order**¹). It should be noted that the impacts highlighted below do not take into account any potential changes in generation, retail, system control, and market operator charges.

¹ Electricity retail pricing | Utilities Commission (nt.gov.au)

Table 1.1: Change in a typical customer's network bill between 2022-23 and 2023-24

Customer type	Network Bill		Bill Movement	
	2022-23*	2023-24*	\$	%
Small Residential - average energy - Accumulation Meter (8500 kWh pa)**	\$914	\$1,131	\$217	24%
Small Residential - average energy - Smart Meter (8500 kWh pa)**	\$1,119	\$1,242	\$123	11%
Large Residential Accumulation Meter (15,000 kWh pa)**	\$1,304	\$1,571	\$267	20%
Large Residential Accumulation Meter (15,000 kWh pa)**	\$1,501	\$1,584	\$83	6%
Non-Residential Accumulation Meter (30,000 kWh pa)**	\$2,716	\$3,054	\$338	12%
LV Smart Meter (30,000 kWh pa) (non-residential)**	\$2,385	\$2,391	\$6	0%
Industrial (1,000,000 kWh pa - LV)	\$83,149	\$93,889	\$10,740	13%
Large Industrial (6,000,000 kWh pa - HV)	\$239,837	\$238,633	-\$1,205	-1%

*Includes ACS metering charge

** Currently the customer has retail price protection under the Northern Territory Government's Electricity Pricing Order

Currently, all customers who consume less than 750MWh per annum, regardless of meter and system type, are subject to retail price protection under the NT Pricing Order. This covers households and small to medium sized businesses. We anticipate that the Pricing Order will continue into 2023-24, meaning that changes in Power and Water's network tariffs in 2023-24 will not directly impact the retail electricity bills of those customers. Once approval is received for our 2023-24 prices, we will continue to engage with stakeholders including licenced retailers operating across the Northern Territory.

Our major energy customers are classified as LV connections consuming above 750MWh per annum and all HV connections, most of these customers are not covered by the NT Pricing Order. While relatively small in number (approximately 211 currently) these customers account for approximately 20 per cent of the total amount of revenue recovered across the current regulatory period. Their retailers directly pass through network charges as a separate line item in their retail bills and any changes in Power and Water's 2023-24 tariff rates will directly impact these customers. Our proposal reflects the need to balance the increases for these customers, while continuing to pursue our tariff reform strategy.

Power and Water through our recent engagement program engaged directly with major customers, retailers and NT Government regarding the proposed alignment of the two High Voltage (HV) tariffs, tariff 6 (HV consuming less than 750MWh's p.a.) and tariff 7 (HV consuming above 750MWh's p.a.). Major customers and the NT Government were generally understanding of the need to align both tariffs, ensuring

accurate and cost reflective revenue recovery for this class of customer, as tariff 6 customers are currently protected by the NT Pricing Order these increase will not impact their retail bill.

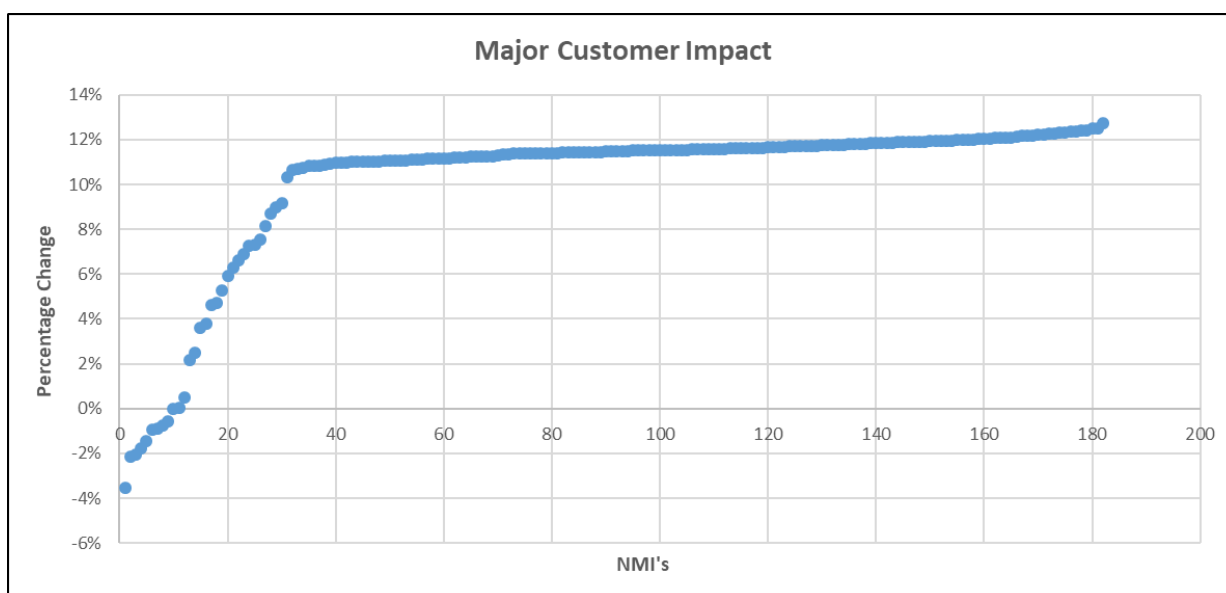
Retailer engagement provided two differing opinions. The first being all HV customers could be removed from the pricing protection set by the NT Pricing Order and that cost reflective tariffs will benefit all consumers over the long term. The second was that Power and Water should, where possible, prioritise the alignment of network pricing to the thresholds and tariff structures set by the NT Pricing Order.

As with all Network Service Providers (**NSPs**) in other states and territories, Power and Water continues to face difficulties in accurately forecasting consumption across a majority of industries and sectors, this also includes forecasting across three standalone networks. These difficulties directly stem from the recent volatility of consumption created by the COVID-19 pandemic and the war in Ukraine, and now the increasing cost of living pressures created by surging inflation rates. The mining industry, in particular, has seen many major mining operations reopen, albeit still at reduced capacities. Additionally, the hospitality sector which saw a significant boost in the back half of the 2021-22 financial year, is now again seeing significant reductions in consumption across accommodation facilities, including major hotels and backpacker resorts due to ongoing cost of living pressures.

Figure 1.1 shows the percentage change in network prices for each of our major customers in 2023-24 compared to 2022-23, assuming no change in consumption, demand or metering installations. On average our major customers will have a 7 per cent increase in their network bill, with the price impacts ranging between -4 and 13 per cent (including inflation of 7.83 per cent per annum).

As part of the process to finalise prices, Power and Water’s account managers will continue to engage regularly with both major customers and their retailers to inform them of indicative bill impacts. This will also include continuing to develop and identify additional opportunities to reduce network bills e.g., working with customers to shift energy usage to off-peak periods and/or enact energy efficiency measures.

Figure 1.1: Percentage change in network bill of major customers between 2022-23 and 2023-24



1. Background

1.1 Purpose

Under the Northern Territory National Electricity Rules (**NT NER**)², we are required to submit a pricing proposal to the Australian Energy Regulator (**AER**) for approval each year.

This document is Power and Water's 2023-24 annual pricing proposal. It sets out our proposed standard control services (**SCS**) and alternative control services (**ACS**) tariffs for 2023-24, as this is the final year of the current regulatory period. There are no indicative tariffs provided for future years, these can be found in our 2024-29 initial regulatory proposal³. The key purpose of this document is to set out the basis of our proposed tariffs and to demonstrate that we have complied with the relevant provisions of the NT NER and the AER's 2019-24 Distribution Determination. This includes complying with our AER approved TSS.

1.2 Network services and pricing regulations

Power and Water delivers energy from power generators to homes and businesses in a safe and reliable way. Our network distribution services comprising our regulated network are classified by the AER as direct control services, meaning they are subject to price or revenue controls.

Our SCS tariffs recover the cost of planning, design, construction, operation and maintenance of the electricity distribution network. This includes restoring power when faults and emergencies occur, resulting from severe weather and other causes beyond our control. Our ACS services cover both our metering and ancillary one-off services provided to specific customers upon request.

We charge retailers for the network services provided to regulated customers including the tariffs for SCS and ACS. Retailers charge customers for their energy usage and metering points. For customers consuming less than 750MWh annually (99.8 per cent of the total regulated customer base) retailers cannot charge more than the NT Pricing Order. We expect that the Pricing Order will continue through 2023-24 meaning that the change in our network tariffs will not impact these customers.

Our major customers use more than 750MWh annually. These customers are not subject to the Pricing Order and our network charges are directly passed through by retailers to this cohort.

We note that during the COVID-19 pandemic the Northern Territory Government provided relief to customers consuming below 750 MWh through a price freeze of the NT Pricing Order. This was in addition to the AER's '*Statement of Expectations of energy businesses*' dated 27 March 2020, which focused on:

- proactively meeting the needs of customers, both residential and Small Medium Enterprises (SME) in vulnerable circumstances
- protecting consumers who may be unable to safeguard their own interests, including customers requiring life support equipment or who are experiencing financial difficulty
- undertaking actions needed to ensure the safety and reliability of energy supply
- responding to the rapidly evolving pandemic situation, and preparing for our recovery.

² Clause 6.18.2(a) of the NT NER.

³ <https://www.powerwater.com.au/about/regulation/our-future-electricity-plans>

1.3 Control mechanisms

A control mechanism imposes limits over the prices or revenues that we can recover from customers. The AER Determination applied a revenue cap on our SCS. Under a revenue cap, the AER sets the maximum revenue we can recover from customers during that period. Any variation in actual revenue in any one year, compared to what was forecasted is recovered or paid back to customers in the subsequent years.

Power and Water's pricing proposal must demonstrate compliance with the SCS revenue cap, including accounting for adjustments from any under or over revenue recovered in prior years, in accordance with the AER Determination.

Price caps apply to our different ACS services. Under a price cap the AER approves a maximum price for each service. The initial price for these ACS services are then adjusted on an annual basis in our annual network pricing proposal.

1.4 Structure of the document

We have structured the remainder of the document as follows:

- Chapter 2 sets out the network tariff classes, tariffs and charging parameters we propose to apply in 2023-24, and also describes our process to assign customers to tariff classes.
- Chapter 3 identifies the key inputs, forecasts and strategies that were used to develop SCS tariffs, and identifies our proposed tariff rates for 2023-24.
- Chapter 4 identifies the key inputs to derive ACS prices for 2023-24, and identifies our price list for metering, quoted and fee-based services.
- Chapter 5 seeks to demonstrate our compliance with the NT NER.

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

2. Tariff structures and assignment

In this section, we describe the tariff structures we propose to apply in 2023-24. A ‘tariff’ is the price customers are charged for their energy supply. A ‘tariff class’ is a grouping of one or more tariffs. The tariff can be made up of different component charges (and associated charging parameters) such as one or more fixed charges, usage charges or demand charges.

This chapter explains the eligibility criteria for each of our network tariff classes and tariffs (section 2.1) the components and charging parameters we apply (section 2.2), and the assessment process for tariff assignment (section 2.3).

2.1 Tariff classes and tariffs

Our tariff classes and tariffs remain the same as in previous years of the current regulatory control period and continue to align with our AER approved TSS set out in Table 2.1. In exceptional circumstances, Power and Water may offer an individually calculated tariff however, we currently do not have any customers with an individually calculated tariff. Customers on tariffs 1, 2, 3, 4 and 6 are subject to retail price protection under the NT Pricing Order.

Table 2.1: 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 National Meter Identifier with standard accumulation meters
	Tariff 2: Non-residential Tariff	Non-residential customers consuming less than 750MWh p.a. per National Metering Identifier (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 Low Voltage (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

2.1.1 Low Voltage less than 750MWh Tariff Class

This tariff class comprises four customer tariffs.

The Residential Tariff (**Tariff 1**) applies to residential customers supplied at a connection point with the following characteristics:

- 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 premise is intended to be used primarily for residential purposes (excluding serviced apartments) including:
 - Electricity used on vacant land zoned for residential (domestic) purposes
 - living premises in retirement villages, which must be separately metered.

The Non-residential Tariff (**Tariff 2**) is applied to non-residential customers with the following characteristics:

- 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.

The LV Smart Meter Tariff (**Tariff 3**) is applied to customers with the following characteristics:

- 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 customers are treated equally under this tariff.

The Unmetered Tariff (**Tariff 4**) 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 based on the type of device. These SCS tariffs cover the cost of the SCS for common distribution costs (energy delivery) and type 7 metering services (energy estimation and administration).

2.1.2 Low voltage greater than 750MWh

This tariff class (**Tariff 5**) solely consists of the LV Majors Tariff, which applies to customers supplied at a connection point where total electricity consumption is greater than 750MWh per annum per NMI, and electricity is supplied at a voltage level defined as LV – nominally 230/400V.

2.1.3 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.

The HV Minors Tariff (**Tariff 6**) 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.

The HV Majors Tariff (**Tariff 7**) 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.

2.2 Tariff components and charging parameters

Under our AER approved TSS, customers in each tariff class are subject to a range of different components to which charges are applied. This includes a daily system access charge, an energy charge (KWh), and a demand charge (KVA) for customers with smart meters.

The fixed daily charge component, are charged at dollars per NMI, per day cover connection to Power and Water's electricity network and is referred to as the SAC. This is separate to the ACS metering charge, which is also a daily charge but applied based on the number of meters installed at the NMI.

All our tariffs include an anytime energy charge and is charged on a \$/kWh basis, as measured by the customer's meter, with the exception of customers on the unmetered tariff. Customers on the unmetered tariff are charged an anytime energy charge on a \$/kWh basis, using the assumed device consumption profile. This tariff applies to streetlights, traffic lights, National Broadband Network nodes and security cameras which are connected directly to our network and do not have meters attached to record their usage.

Demand charges are designed to encourage reduction in peak consumption. Peak consumption is a major driver of network expenditure and we have based these charges on our estimated LRMC. Demand charges can only be applied to customers with smart meters. Accumulation meters do not collect the information needed to measure demand so that the charges can't be applied.

The demand charge is applied to the maximum demand value, within the defined peak period each month. The current peak period is 12pm to 9pm weekdays, which includes public holidays⁴ for all customers with a

⁴ All other times are off-peak.

smart meter. There are some differences across tariffs, regarding the months that incorporate the demand charge:

- For customers assigned to the LV Smart Meter (Tariff 3), the demand charge only applies between 1 October and 31 March (6 months) each year, with all other times classified as off-peak.
- For customers assigned to the LV Majors (Tariff 5), HV Majors (Tariff 7) or HV Minors (Tariff 6), the demand window applies across the full year (12 months).

2.3 Tariff assignment process

Power and Water has a two-step process to assign or reassign customers to an appropriate tariff class and tariff. Initially, a customer is assigned a tariff class according to whether they are connected to the LV or HV network. Consideration is given to the customer's historical or expected consumption level and meter type. 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 is triggered when one of the following occurs:

- Power and Water undertakes an annual customer review and identifies that the customer may need to be reassigned
- a smart meter is installed
- a new customer connects to the network and is allocated a NMI, or
- following a request by a retailer, the customer or their representative.

The tariff assignment will continue to apply until a reassignment is triggered, either due to changes in the customers load, connection or metering characteristics.

In February 2023, we undertook our latest annual tariff review to determine whether customers were assigned to the appropriate tariff. In accordance with our reassignment procedure we wrote to each retailer notifying them of any proposed changes to apply from 1 July 2023.

3. Standard control services

The purpose of this chapter is to identify our process for deriving SCS tariffs in 2023-24. To calculate tariffs, we calculated the total allowed revenue for the period, developed forecasts of energy consumption, including demand and customer numbers, and then set tariffs based on our AER approved TSS.

This chapter is structured as follows:

- Section 3.1 sets out the inputs to calculate the total allowable revenue for 2023-24
- Section 3.2 outlines the 2023-24 forecast for customer numbers, energy consumption and demand
- Section 3.3 sets out our tariff re-balancing strategy for 2023-24
- Section 3.4 identifies our proposed tariffs for 2023-24.

3.1 Total allowable revenue

The first step in our process is to calculate the total allowed revenue (**TAR**) 2023-24. The TAR we calculated for 2023-24 is \$154.6 million (nominal), which is 11.8 per cent more than the 2022-22 TAR of \$138.2 million (nominal) as included in the 2022-23 pricing proposal. The large increase in TAR for 2023-24 is due to a revenue over-recovery in previous years which was paid back to customers in 2022-23. This means 2022-2023 was a lower starting point than would have otherwise been the case.

The implication of the increase in TAR is that most network charges will increase in 2023-24 compared to 2022-23. A second implication is that we are able to progress the tariff strategy contained in our AER approved TSS, while minimising bill impacts due to the NT Pricing Order.

3.1.1 Calculation of total allowable revenue

The AER prescribes the method and formula that we must use to derive the TAR.⁵ The TAR formula is:

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

The elements are as follows:

- AAR_t is the adjusted annual smooth revenue requirement for year t (2023-24)
- I_t is the sum of incentive scheme adjustment in year t relating to approved demand management incentive scheme (**DMIS**) amounts from t-2 (2021-22)
- B_t is the sum of annual adjustment factors for year t (2023-24)
- C_t is the sum of approved cost pass through amounts with respect to regulatory year t (2023-24).

Table 3.1 applies the TAR formula and sets out where the inputs are sourced from. The SCS Pricing Model (Appendix F) provides the underlying calculations.

⁵ This is identified in section 13.4.6 of AER's draft decision (which was retained in the final decision).

Table 3.1: 2023-24 SCS Total Allowed Revenue (\$m, nominal)

Input	Value*	Source
Adjusted annual smoothed revenue (AAR_t)	\$165.3	The AER's smoothed nominal revenue requirement in 2022-23 was \$156.9 million. Consistent with AER prescribed method we have updated inflation to reflect the December 2022 and December 2023 ABS updates. The inflation rate values are 3.50 per cent and 7.83 per cent respectively. The updated X-factors are -0.13 per cent and -2.28 per cent sourced from the updated Post Tax Revenue Model (PTRM) provided by the AER to Power and Water on 17 March 2023. ⁶
Demand Management Incentive Scheme (DMIS) adjustments (I_t)	\$0.0	The DMIS reward relates to payments for 2021-22 (i.e. t-2).
Annual adjustments (B_t)	-\$10.7	We have applied the unders and overs account using the AER's required approach – see section 3.1.2 below. No adjustments have been applied for designated pricing proposal charges or jurisdictional scheme payments. ⁷
Cost pass through amounts (C_t)	\$0.0	There are no pass through amounts for 2023-24. We have not applied for a cost pass through amount at the time of submitting this pricing proposal.
Total Allowable Revenue (TAR_t)	\$154.6	Sum of the above values.

* Numbers have been rounded for presentational purposes. Exact values are included in the SCS Pricing Model (Appendix F).

3.1.2 Unders and overs

The annual adjustments applicable to Power and Water in 2023-24 are those relating to reconciling revenue for the revenue cap outcomes in the 2021-22 (t-2) and the reforecast of current 2022-23 (t-1) regulatory periods. We recorded a revenue over-recovery of \$1 million in 2021-22, and we have also forecasted our consumption estimates expecting an under-recovery of approximately \$13.4 million in 2022-23. These fluctuations are predominantly due to the volatility in revenue recovery and forecasting during the peak of the COVID-19 pandemic while remaining compliant with our side-constraints requirements.

Our current revenue forecast for the 2022-23 pricing proposal is predicting a 1 per cent variance from the forecasted revenue contained in that pricing proposal. We have slightly amend these volume and revenue

6 The PTRM provided by the AER is the same as that included with its final determination for the 2019–24 period, updated for the 2020-21 and 2021-22 cost of debt observation.

7 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. Power and Water is unique in Australia because we have no network tariff component relating to the annual recovery of transmission costs. While the AER's TAR formula provides for these in the NT, the values are zero for 2020-21. This means PWC's network charges only comprise a SCS component.

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. We are currently not subject to any eligible jurisdictional schemes. While we have a territory based Guaranteed Service Level scheme, this scheme is funded through our operational costs and was considered as part of the determination process.

forecast to represent the actual volumes as of 31 December 2022 in this pricing proposal. As of 31 December 2022, which is the relevant assessment period, Power and Water is tracking approximately:

- 0.6 per cent above our forecasted SAC revenue
- 1.1 per cent below our forecast energy revenue
- 3.2 per cent below our demand forecasts.

Table 3.2 demonstrates our revenue calculations, including the unders and overs calculations.

Table 3.2: 2023-24 unders and overs account outcome (\$m, nominal)

	2021-22*	2022-23**	2023-24
Pricing year	t-2	t-1	t
Revenue from SCS	148.7	139.7	154.6
+ Adjusted annual smoothed revenue (AARt)	147.7	153.1	165.3
+ DMIS adjustments (It)	0.0	0.0	0.0
+ Annual adjustments (Bt)	0.0	0.0	0.0
+ Cost pass through amounts (Ct)	0.0	0.0	0.0
less allowable revenue for regulatory year	147.7	153.1	165.3
- Revenue deliberately under-recovered in year	0.0	0.0	0.0
Under/over recovery	1.0	-13.4	-10.7
SCS unders and overs account			
Nominal WACC	3.11%	5.74%	10.29%
Opening balance	21.0	22.7	10.2
Interest on opening balance	0.7	1.3	1.1
Under/over recovery of revenue for regulatory year	1.0	-13.4	-10.7
Interest on under/over recovery for regulatory year	0.0	-0.4	-0.5
Closing Balance	22.7	10.2	0.0

* Actual outcome

** Estimate

Under the AER's revenue cap, revenues in year t are adjusted to 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 for interest to be earned 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 and updated cost of debt, which increases the nominal WACC for 2023-24 from 4.88 per cent in the determination to 10.29 per cent with the updates.

3.2 Forecast customer numbers, consumption and demand for 2023-24

The next step in our process is to forecast customer numbers (NMIs), energy consumption (kWh), and demand (kVA) for 2023-24. We began by reforecasting the current year (2022-23) based on the latest trends observed in the first half 2022-23 financial year. We slightly increased our forecasted NMI count by 0.36 percent, reduced our forecasted energy consumption by 1.7 per cent and our demand forecast by 6.4 per cent. Based on this revised forecast, we then re-forecasted 2023-24 regulatory period.

We began with applying minimal growth rate of 1 per cent to our NMI count. This total increase was based on two major factors, the first taking into account the NT population growth rate of 0.74 per cent over the last ten years, and the secondly taking into account the scheduled completion of new connections in 2023-24.

In forecasting our energy (kWh) we began by adjusting the revised consumption in 2022-23 to account for the predicted growth in NMI's in 2023-24. This was achieved by calculating the average consumption of each tariff and multiplying the averages by the revised NMI count. We then applied a minimal growth rate of 1.5 per cent, incorporating the 5-year average increase of 0.95 per cent in consumption across all three Power and Water regulated grids, and an additional increase of 0.55 per cent accounting for new connections, tariff reassignments and operational consumption variations by major customers. Finally we included the forecast of two new major customers scheduled to increase consumption in 2023-24 financial year.

The demand forecast follows the principles discussed above. We have adjusted the base demand values to account for the half of the 2022-23 financial year, accounted for forecasted population growth, minimal increase based the 5-year consumption trend. In addition we also forecasted increase in Tariff 3 demand levels due our ongoing smart meter roll-out program.

It should also be noted that in developing our forecasts we utilised both quantitative and qualitative information, however uncertainty still remains regarding the ongoing effects of the current economic conditions, including rising inflation, cost of living pressures and numerous increase to interest rates over the past 12 months.

Table 3.3 summarises our forecast methods.

Table 3.3: Method to forecast customer, energy and demand volumes in 2023-24

Steps	Approach
Step 1 – Reforecasting 2022-23 based on actual consumption and increasing by population trend.	Used the actual data between 1 July and 31 December 2022 obtained through our consumption tracking tool we re-balanced our 2022-23 forecasts. For NMIs we updated the forecast to reflect actual NMI's as at 31 December 2022. We then applied the growth rate based on the NT's population statistics over the last 10 years, and applied an additional margin to account for new connections. For consumption and demand we calculated the average customer consumption per tariff and multiplied against the revised NMI count, we then applied a forecasted number of customers being reassigned from accumulation to smart metered tariffs.

Steps	Approach
Step 2 - Applied the average 5-year historical consumption trend and incorporated forecasted increases.	Using the revised forecasts we then applied an increase based on the average 5 year consumption trend, and finally included forecasted increases to consumption values.

Table 3.4 compares the forecasts contained in the 2023-24 proposal with the forecast contained in our 2022-23 proposal.

This shows that we have increased aggregate energy consumption by 1 per cent and increased demand by 2.5 per cent when reforecasting the current 2022-23 period. In addition, we increased our 2023-24 forecast by 3.4 per cent for aggregated consumption and 2.5 percent for aggregated demand when comparing to the forecasts submitted in 2022-23. We consider this reflects moderate growth which accounts for scheduled increase in movement between tariffs, customers moving from accumulation to smart metered tariff, and forecasted increases for larger consumers.

Operating under a revenue cap and accurately updating our forecasts will support smoother year-on-year price movements for our customers, but will not change the total revenue we earn over the regulatory period.

Table 3.4: Key NMI, energy & demand forecasts

Year	2022-23		2023-24	
	Forecast in 2022-23 pricing proposal	Estimate in 2023-24 pricing proposal	Forecast in 2022-23 pricing proposal	Forecast in 2023-24 pricing proposal
Energy (GWh)	1,675	1,647	1,692	1,702
Peak demand (MVA)*	2,854	2,672	2,925	2,739
NMIs	88,370	88,684	89,121	89,574

*This is the aggregation of the monthly maximum demand recorded during the peak window.

3.3 Tariff re-balancing strategy

The third step in our process was to develop tariff rates that allowed us to earn the total allowed revenue for 2023-24, using an approach that aligns with the tariff re-balancing strategy in our AER approved TSS.

In our approved TSS, we proposed to improve the efficiency of our tariff structures. Our strategy is to continue aligning demand tariffs with LRMC estimates, resulting in recovering more residual costs through the daily SAC charge, and reduce reliance on energy consumption charges.⁸ We also sought to better align revenue recovery with our costs to serve, in particular by increasing, where possible, the proportion of revenue collected from customers consuming over 750MWh.⁹

In setting our prices for 2023-24 we have increased all components found within our tariffs, fixed daily charges (SAC), energy (KWh) and demand (KVA) across our all tariff groups.

⁸ Power and Water, AER approved Tariff Structure Statement, April 2019, p16-17. Page 19 of the document sets out our strategy should a revenue reduction were to occur in the 2019-24 period including: Direct any required revenue reductions to lower energy consumption tariffs for customers under 750MWh, progress our demand tariffs closer to long run marginal cost estimates while managing bill impacts, and examine the role of demand charges in recovering residual costs.

⁹ Power and Water, AER Approved Tariff Structure Statement – Explanatory Statement, April 2020, p25.

Table 3.5 sets out how this strategy has been applied to the individual tariff charges.

Table 3.5: *Tariff strategy applied to charging parameters in 2023-24*

Steps	Approach
Daily SAC charge	We increased our SAC charges across all tariffs, particularly Tariff 6 HV smart metered that are protected by the Pricing Order.
Energy charges	We are reducing energy charges to two of our tariffs, Tariff 3 LV smart meter and Tariff 6 HV smart meter, while increasing the energy charge for all remaining energy tariffs to account for the increases allowable revenue.
Demand charges	We have increased all demand charges for our smart metered customers in 2023-24 when compared to 2022-23. With three of the four demand charges now above the LRMC estimates.

3.4 SCS tariffs

Table 3.6 sets out the proposed price list for SCS tariffs in 2023-24 by charging parameter. The charges are based on the key inputs, including forecasted volumes and tariff strategies identified above. The inputs and outputs are contained in the 2023-24 SCS Pricing Model at Appendix F, provided by the AER as part of the revised annual pricing proposal process introduced for 2022-23¹⁰.

Table 3.6: *2023-24 price list for SCS - tariffs by charging parameter (\$, nominal)*

Tariff	SAC \$/NMI/day	Anytime Energy Charge \$/kWh	Demand \$/kVA/month
Tariff 1: Residential Tariff	1.250	0.070000	-
Tariff 2: Non-residential Tariff	1.550	0.080000	-
Tariff 3: LV Smart Meter Tariff	2.000	0.012000	21.000
Tariff 4: Unmetered Tariff	-	0.080000	-
Tariff 5: LV Majors Tariff	80.000	0.011458	14.000
Tariff 6: HV Minors Tariff	100.000	0.013000	11.000
Tariff 7: HV Majors Tariff	100.000	0.013000	11.000

Appendix B compares our current charges to our proposed charges in 2023-24, with all charges of the current regulatory control period. This revised schedule attempts to align with our tariff strategy in our AER approved TSS.

¹⁰ <https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/annual-pricing-process-review>

4. Alternative Control Services

This chapter explains our 2023-24 ACS charges and the inputs we used to calculate them in accordance with the AER’s determination. Alternative control services (ACS) are regulated distribution services we provide specifically to a customer. They include metering and ancillary (one-off) services. The services are provided on a user pays basis and the costs are recovered from individual customers through charges.

4.1 Key inputs to calculating ACS prices

ACS are subject to a price cap, which is updated on an annual basis. There is no under-over recovery in the price cap formula.

In 2019-20 we applied the charge published in the AER’s determination. From 2020-21 we were required to apply a formula to update the previous year’s price taking into account inflation and the relevant X-factor for each service in the AER’s determination. Table 4.1 identifies the key inputs to calculate the 2023-24 charges for ACS. Appendix G is our ACS pricing model which demonstrates our compliance with the AER’s control mechanism in deriving the 2023-24 prices.

Table 4.1: ACS metering pricing parameters

Terms	Input	Source
Inflation update	7.83%	Consistent with AER prescribed method we have updated inflation forecasts for 2023-24 to reflect the December 2022 ABS updates. Note this inflation update is consistent with that used to determine SCS prices.
X-factor for metering services (Type 1 to 6)	-3.27%	Consistent with AER final decision on page 21 of Attachment 15 (Table 15.7)
X-factor re-connection, disconnection and final read	4.55%	Consistent with AER final decision on page 20 of Attachment 15 (Table 15.6)
X-factor for all other services to apply to 2023-24	-0.96%	Consistent with AER final decision on page on page 20 of Attachment 15 (Table 15.6)

4.2 ACS metering tariffs

Our metering service provision includes Power and Water performing the following activities:

- 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 4.2 sets out the proposed price list for single phase meters, three phase meters and 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 converts the daily charge to

an annual charge by multiplying by the number of days in 2023-24. The daily charge is set out in the ACS Pricing Model at Appendix G.

Table 4.2: ACS metering service provision for Type 1 to 6 meters - 2023-24 Price List (Nominal \$, excluding GST)

Meter type	Basis of charging	Annual Charge
1 Phase Meters (including Prepayment)	\$/year/meter	\$80.17
3 Phase Meters	\$/year/meter	\$88.25
Dedicated CT and VT meters	\$/year/meter	\$149.48

4.3 Ancillary – Quoted services

Quoted services are provided for one-off specific tasks at a customer or retailer 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 also include material and travel costs. Table 4.3 sets out the proposed price list for 2023-24 for quoted services.

Table 4.3: ACS quoted services - Price list in 2023-24 - labour only (Nominal \$, excluding GST)

Quoted Service	Basis of charging	Price
Design related services	\$/Hour	\$184.41
Connection applications	\$/Hour	\$184.41
Access permits, oversights and facilitation	\$/Hour	\$184.41
Notices of arrangement and completion notices	\$/Hour	\$103.32
Network related property services	\$/Hour	\$103.32
Site establishment services	\$/Hour	\$103.32
Network safety services	\$/Hour	\$157.25
Network tariff change request	\$/Hour	\$103.32
Planned interruption - customer request	\$/Hour	\$157.25
Performance of a statutory right (access prevented)	\$/Hour	\$157.25
Provision of network related training to third parties	\$/Hour	\$103.32
Non-standard reporting services	\$/Hour	\$103.32
Services provided for retailer of last resort event	\$/Hour	\$103.32
Rectification of illegal connections service	\$/Hour	\$157.25
Network changes at customer or retailer's request	\$/Hour	\$157.25
Annual prepayment meter licensing fee	\$/Hour	\$103.32

4.4 Ancillary – Fee-based services

Fee-based charges form part of ancillary services. These services 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. Table 4.4 sets out the proposed price list for 2023-24 for fee-based services.

Table 4.4: ACS fee-based services - 2023-24 Price List (nominal \$, excluding GST)

Fee-based Service	Basis of charging	Price
Disconnection (and final read)	\$/Request	\$64.15
Reconnection	\$/Request	\$64.15
Reconnection - after hours	\$/Request	\$119.16
Temporary disconnection and reconnection - physical dismantling	\$/Request	\$873.67
Provision of 3 phase service	\$/Request	\$1,660.00
Standard temporary builder's connection	\$/Request	\$779.34
Temporary disconnection and reconnection - no dismantling	\$/Request	\$338.98
Complex disconnection	\$/Request	\$370.45
Wasted visit fee	\$/Request	\$181.72
Special meter test	\$/Request	\$354.71
Exchange or replace meter – three phase	\$/Request	\$782.54
Exchange or replace meter - single phase	\$/Request	\$655.13
Relocation of meter	\$/Request	\$370.45
Remove meter	\$/Request	\$370.45
General meter inspection	\$/Request	\$166.00
Special meter read - no appointment	\$/Request	\$42.18
Special meter read – appointment	\$/Request	\$91.23
Class 3 PV Assessment	\$/Request	\$1,407.53
Meter program change	\$/Request	\$191.49
Historical data requests	\$/Request	\$233.59
Standing data requests	\$/Request	\$51.66
Customer transfers	\$/Request	\$206.62
Network tariff change request	\$/Request	\$51.66
Prepayment Vending Charge	\$/Request	\$0.57
Prepayment Meter Support Charge	\$/Request	\$78.64
Installation of Minor Apparatus	\$/Request	\$740.01
Class 1 & 2 PV service	\$/Request	\$103.32

5. Pricing compliance

This chapter explains how we have demonstrated compliance with the pricing principles, and other requirements in the NT NER. Appendix A is our checklist of how we have complied with each relevant provision in the NT NER.

5.1 Pricing principles

The NT NER requires that tariffs comply with the pricing principles. The sections below identify how we have met each of the pricing principles.

5.1.1 Network Pricing Objective

Our tariff structures must support the network pricing objective in the pricing principles. Under the objective, the tariffs we charge for direct control services to a retail customer should reflect our efficient costs of providing those services to that retail customer.¹¹

Consistent with this objective, we have sought to support the long term interests of our customers when designing our tariffs. In our TSS Explanatory Statement¹² we noted that our tariff strategy seeks to develop tariff structures that reflect the efficient cost of providing these services to each retail customer. At the same time we sought to minimise adverse bill impacts. In 2019-20, we made significant inroads into tariff reform by simplifying our tariff structures, and moving to more efficient charging parameters.

Our tariff strategy for the 2023-24 pricing proposal increases the daily SAC and demand charges for all customers, while ensuring compliance with the maximum allowable revenue.

Our tariff strategy is explained in section 3.4.

5.1.2 Pricing within stand-alone and avoidable costs

To comply with the NT NER, Power and Water must demonstrate that expected revenues from customers for a given tariff class are less than the stand alone cost of serving those customers and more than the avoidable cost of not serving those customers – commonly referred to as the ‘efficient pricing bounds’.¹³

Our 2019-24 TSS provided the efficient pricing bounds for each tariff class. We have updated the TSS values to reflect CPI inflation as part of this pricing proposal. Table 5.1 demonstrates that the revenues we expect to recover from each tariff class (in bold) are within the CPI inflation adjusted efficient pricing bounds previously approved.

¹¹ NT NER 6.18.5(a).

¹² Power and Water, Revised Tariff Structure Statement – Explanatory Statement, November 2018.

¹³ NT NER 6.18.5(e).

Table 5.1: Stand-alone and avoidable cost (\$M per year, real \$2023-24)

Revenue and cost measures	Tariff class		
	LV <750MWh	LV >750MWh	HV
Stand-alone cost	144	131	49
Forecast 2022-23 tariff revenues	126	16	12
Avoidable cost	19	10	5
Compliant	Yes	Yes	Yes

5.1.3 Long run marginal costs (LRMC)

Under the NT NER, 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.¹⁴

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 first estimated LRMC for the whole of our three regulated networks by voltage level using current available inputs. We then 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 14 sets out our LRMC values, which were approved in our TSS. These values will be revaluated as part of our 2024-29 determination process.

Table 14: 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

Ideally, demand charges should be aligned to the LRMC estimates. However, this is not always possible given the customer impacts of moving from legacy tariffs to new tariffs based on LRMC. To assist with moving towards the ideal outcome we calculated a diversified LRMC by tariff in our TSS, which provides a minimum target for each tariff.¹⁵ This involved assessing customer’s coincident demand for demand tariffs and power factor for consumption tariffs. For the 2023-24 pricing proposal we have adjusted the TSS values for inflation, converted them to nominal values. The inputs, methodology and outcomes are consistent with Power and Water’s TSS.

¹⁴ NT NER 6.18.5(f).

¹⁵ Power and Water, Tariff Structure Statement, 01 April 2019, pg 16.

Power and Water will continue to realign our AER approved tariff strategy to direct the vast majority of our revenue recovery from our fixed daily charge (SAC) and demand (KVA) usage charges, and reducing where possible our reliance on revenue from energy (kWh).

Table 5.1 shows the diversified LRMC by tariff, compared to the relevant tariffs for 2022-23 and 2023-24. It shows:

- The anytime energy charge for customers not on smart meters has increased and is above the diversified LRMC estimates.
- The LV Smart Meter Tariff demand charge has increased and has now moved above the LRMC, and remains well above the diversified LRMC by tariff.
- In order to meet the increased revenue requirement we have increased all demand tariffs in 2023-24, this adjustment only leaves tariff 5 below the LRMC and the diversified LRMC.

Figure 5.1: Diversified LRMC by Tariff (\$Nominal 2023-24)

Tariff	Anytime Energy Charge			Demand Charge		
	Diversified LRMC by Tariff*	2022-23	2023-24	Diversified LRMC by Tariff*	2022-23	2023-24
	¢/kWh	¢/kWh	¢/kWh	S/kVA	S/kVA	S/kVA
Tariff 1: Residential Tariff	3.44	6.00	7.00			
Tariff 2: Non-residential Tariff	3.51	7.00	8.00			
Tariff 3: LV Smart Meter Tariff				10.50	17.60	21.00
Tariff 4: Unmetered Tariff	3.55	6.00	8.00			
Tariff 5: LV Majors Tariff				19.84	12.34	14.00
Tariff 6: HV Minors Tariff				9.42	8.50	11.00
Tariff 7: HV Majors Tariff				9.42	8.40	11.00

5.1.4 Reflect total efficient costs and seek to minimise distortion

The NT NER requires that the expected revenue from each tariff must reflect our efficient costs, permit us to recover revenue consistent with the applicable distribution determination, and minimise distortions to efficient price signals.¹⁶

Our tariffs as a whole are set to recover the total allowed revenue consistent with the AER’s determination. This is set out in section 3.1 of this document. The revenue reflects the AER’s assessment of our efficient costs, updated for inflation and cost of debt.

The pricing principles require us to minimise distortions, which includes considering aligning revenue shares with the cost to serve, and revenue recovery through non-distortionary charging parameters. Our focus is

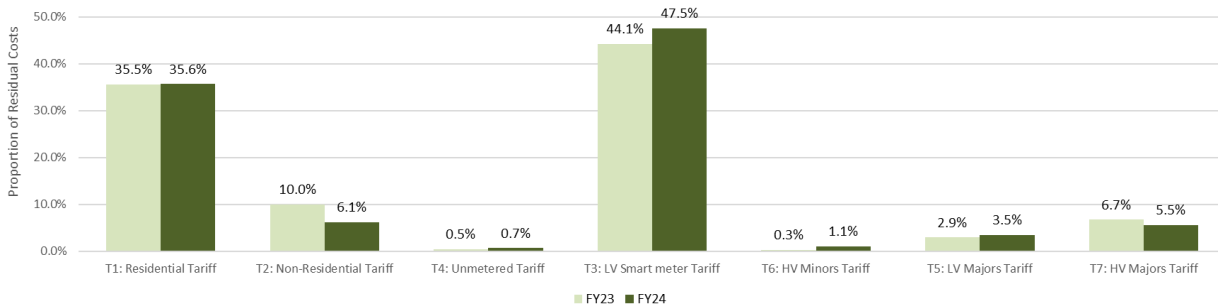
¹⁶ NT NER 6.18.5(g).

on those customers who see our tariff structures and charges, although we try to adopt these principles across all our tariff classes.

In our TSS we noted that our strategy was to better align revenue recovery with our costs to serve, in particular by increasing the proportion of revenue collected from customers consuming over 750MWh. Our proposed prices for 2019-20 increased that share from 21.0 per cent to 21.6 per cent. However, in 2021-22 we moved away from this approach to adjusting this revenue split, in an effort to support the economic recovery of the Northern Territory. We are now proposing to increase the share to 22.9 per cent in 2023-24.

Figure 5.2 shows that residual cost shares between major and minor customers has been adjusted from 2022-23 to 2023-24.

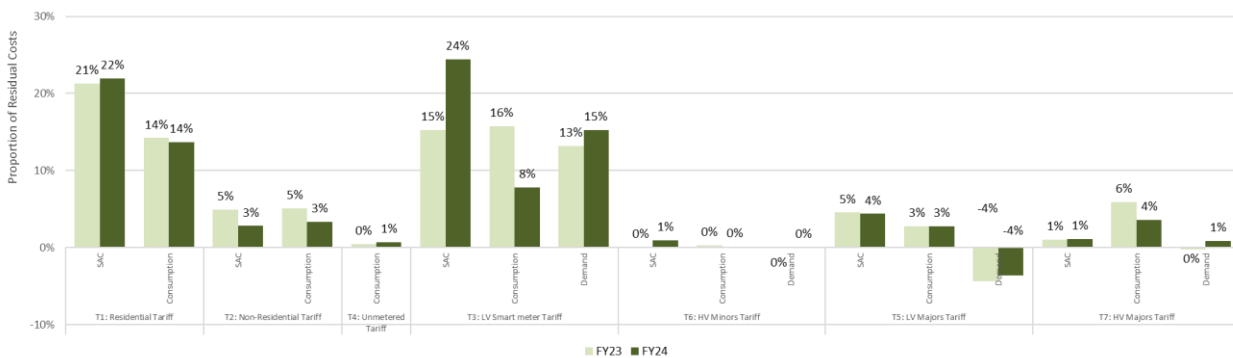
Figure 5.2: Residual cost recovery share by tariff (2022-23 and 2023-24)



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 and demand charges rather than anytime energy charges, while managing bill impacts and side constraints.

Figure 5.3 shows the outcome of this analysis for 2022-23 and 2023-24. The analysis shows that in most cases, we are maintaining the amount of residual costs we collect through both SAC and demand charges.

Figure 5.3: Residual cost recovery share by tariff parameter (2022-23 and 2023-24)



5.1.5 Customer transition and ability to respond

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. Under the pricing principles 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.¹⁷

In 2019-20 we made significant headway into developing efficient tariffs, which has continued through the current regulatory period while having regard to potential bill impacts. This pricing proposal builds on the structural changes by moving more of our revenue recovery to more efficient tariffs.

As noted in section 5.1.4, we have made significant progress in increasing revenue for major customers to reflect the underlying cost to serve, our decision increases SAC and demand charges for all customers.

5.1.6 Simple to understand

The pricing principles also require that tariff structures be reasonably capable of being understood by retail customers assigned to that tariff.¹⁸

Power and Water's tariffs are simple and easy to understand, particularly when compared to other utilities. Notably we have simple tariff structures with a flat rate anytime energy and single peak demand charge for each tariff (with no off-peak demand charging). Most other networks have significantly more tariff-types. We have also retained simplicity in our tariffs by not having a menu of opt-in tariffs, which helps reduce transaction costs and is unnecessary with Pricing Order retail pricing protections.

5.2 Other requirements in the NER

This section addresses other relevant NT NER provisions applying to this proposal.

5.2.1 Side constraints

The NT NER requires that we apply side constraints, which restricts movement of revenues within each tariff class from one year to the next.¹⁹ 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 cent²⁰ after accounting for other adjustments allowed in the annual TAR formula.

Appendix F demonstrates our compliance with the side constraint for each tariff class. We have calculated the relevant side constraint to apply in 2023-24 as set out in Figure 5.4.

¹⁷ NT NER, 6.18.5(h).

¹⁸ NT NER 6.18.5(i).

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, 6.18.6(c).

Figure 5.4: Calculation of side constraint for 2023-24

Component	Values
Inflation	7.83%
X-Factor	-0.13%
Constraint Factor	2.00%
Incentive Scheme Adjustments	0%
Annual Adjustment Factors	3.01%
Approved Pass Through Amounts	0%
Constraint	13.14%

Table 5.2 sets out the increased weighted average revenue from each tariff class which is consistent with the constraint outlined above.

Table 5.2: Weighted expected revenue in 2022-23 and 2023-24 and percentage change

Tariff class	Expected Revenue 2022-23	Expected Revenue 2023-24	% change in revenue
LV <750MWh	\$111,667	\$125,803	12.66%
LV >750MWh	\$14,160	\$16,412	15.90%
HV	\$11,091	\$12,377	11.60%

5.2.2 Variation during the year

The NT NER requires that a pricing proposal sets 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.²¹

In the previous years, Power and Water responded to the COVID-19 pandemic by significantly reducing pricing for major customer tariffs. As the NT continues its economic recovery we are now faced with an increase in cost of living pressures due to hyperinflation and increasing interest rates. We are not currently aware of any NT Government plans that would require Power and Water to deviate from our proposal. If this were to occur, we would actively engage with our stakeholders.

Variation compared to indicative price schedule in TSS

Appendix 2 set out our indicative prices based on current revenue and demand forecasts contained in our pricing proposal, including proposed charges for each tariff for 2023-24 and all tariffs applied during the current regulatory period.

We have compared these proposed rates against the indicative prices included in the AER approved TSS²². We note differences between all proposed charges and indicative tariff rates largely attributable to the following factors:

²¹ NT NER 6.18.2(b)(5)

²² Power and Water, Tariff Structure Statement, April 2019, page 28.

- Reduced revenue recovery due to over-recoveries in 2019-20 and 2020-21 and the operation of the overs and unders mechanisms (all tariffs) – see 3.2.1.
- Rebalancing of revenues for major customers (tariffs 5 and 7), including reductions in allowable revenue in the current year (2022-2023) – see section 3.3.
- Variations in forecasted volumes due to COVID pandemic, which have now begun to stabilize – see section 3.2.
- Our TSS values were based on assumed values from a complicated tariff structure that applied in 2018-19. When we reviewed these assumptions in our pricing proposal, we considered amendments were required to meet the pricing principles and minimise adverse price outcomes for customers.
- The revenue parameters are changed from forecast in the AER’s determination including lower inflation and a lower X-factor.

Our demand and energy charges have changed significantly compared to the indicative tariffs set out in the TSS. This is largely attributed to the impact of the COVID pandemic creating volatility on energy and demand forecasts. However 2023-24 will allow us re-align towards our approved tariff strategy for this final year of the current regulatory period.

Updated indicative price levels for the remaining years of the regulatory period are set out in Appendix 2 of this determination for SCS, with the underlying calculations contained in the SCS Pricing model at Appendix 6. These indicative rates for the outer years are better aligned to the AER approved TSS.

5.2.3 Tariff variation from 2022-23 to 2023-24

The NT NER requires us to describe the nature and extent of change from the previous regulatory year and demonstrate that the changes comply with the NT NER and any applicable distribution determination.

In this respect we note that our tariff classes and structures remain the same as the previous year. The updated tariff charges are a result of the increase in the total allowed revenue for 2023-24 compared to 2022-23.

The relative changes reflect our TSS approved by the AER. In our TSS we noted that we would recover residual costs by aiming to keep demand tariffs in line with our LRMC estimates, preferring residual cost recovery through the fixed daily system access charge, and reducing reliance on energy consumption charges. However, in setting our prices for 2023-24 and in light of our adjusted allowable revenue, we have directed the vast majority of revenue increases to the SAC and demand (KVA) components across all tariff groups while increasing our energy charges for customers not on a demand tariff. Please refer to section 3.3 of this document for our 2023-24 tariffs.

The tariff changes are compliant with the NT NER and the control mechanism formula in the AER’s 2019-24 regulatory determination.

5.2.4 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 D²³.

We have complied with these requirements.

²³ 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.

Appendix A

Compliance checklist

A.1 Compliance checklist

The purpose of this appendix is to identify how we have met each relevant provisions of the NT NER as it relates to this pricing proposal. Table A.1 sets out the clause, requirement and relevant section of this document or the appendices that satisfies the requirement.

Table A.1: 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 (Note: See clause 6.7.3) and (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)(2)	Submit to the AER, at least 3 months before the commencement of the second and each subsequent regulatory year of the regulatory control period, a further pricing proposal (an annual pricing proposal) for the relevant regulatory year.	This report and accompanying attachments constitutes our pricing proposal for 2023-24. It has been provided to the AER 3 months before the commencement of the forth regulatory year of the relevant regulatory control period.
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.	For SCS services see section 3.4 For ACS Metering services see section 4.2 For ACS Quoted services see section 4.3 For ACS Fee based services see section 4.4
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.	Refer to section 2.2 for description of charging parameters and elements of service that the charge relates to. See section 3.4 for the tariff rate that applies to each charging parameter.
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.	Refer to section 5.2.1 and Appendix 6 (SCS Pricing Model)

Rule	Requirement relevant	Relevant section
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.	Refer to section 5.2.2
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 as Power and Water has no designated pricing proposal charges. This is confirmed in calculation of TAR in section 3.1.
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 as Power and Water has no jurisdiction scheme amounts. This is confirmed in calculation of TAR in section 3.1.
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 as Power and Water has no jurisdiction scheme amounts. This is confirmed in calculation of TAR in section 3.1.
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.	This is set out in this compliance register, with key elements such as Pricing Principles discussed in chapter 5 of this document. Quantitative compliance is demonstrated in Appendix 6 (SCS Pricing Model). We have also demonstrated how our tariff strategy is consistent with the AER approved TSS published in April 2019. This is discussed in section 3.3 of this document.
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	Refer to section 5.2.2 for a full description of why the revised indicative pricing schedule in the 2023-24 pricing proposal differs from the indicative pricing schedule submitted in the TSS.
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.	Refer to section 3 of this document which discusses the key inputs that drive the calculation of tariffs (sections 3.1 and 3.2) and the tariff strategy that establishes changes at a charging parameter level to achieve the TAR.
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	This is set out at Appendix 2 for SCS, Appendix 3 for ACS Metering, Appendix 4 for ACS Quoted Service, and Appendix 5 for ACS Fee Based Services. The underlying inputs, forecasts and calculations for SCS are contained in

Rule	Requirement relevant	Relevant section
	Network Service Provider's tariff structure statement for that regulatory control period and updated so as to take into account that pricing proposal.	Appendix 6 for SCS and Appendix 7 for ACS.
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.	We have not exercised our option under 6.18.1C. That is we have not sought the AER's approval for a new proposed tariff (a relevant tariff) that is outside of our approved TSS.
6.18.5	Pricing principles	
6.18.5(e)	For each tariff class, the revenue expected to be recovered must lie on or between:	
6.18.5(e)(1)	an upper bound representing the stand alone cost of serving the retail customers who belong to that class; and	Refer to section 5.1.2
6.18.5(e)(2)	a lower bound representing the avoidable cost of not serving those retail customers.	Refer to section 5.1.2
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:	Refer to section 5.1.3
6.18.5(f)(1)	the costs and benefits associated with calculating, implementing and applying that method as proposed;	Refer to section 5.1.3 and refer to our AER approved TSS for a fuller description underlying our method.
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	Refer to our AER approved TSS for a fuller description underlying our method.
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.	Refer to our AER approved TSS for a fuller description underlying our method.
6.18.5(g)	The revenue expected to be recovered from each tariff must:	
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;	Refer to section 3.1 which shows that we have used the AER's calculation of TAR. Implicit in the calculation is the AER's smoothed revenue requirement, ACS prices and X-factors from its 2019-24 Distribution Determination for Power and Water. These reflect the AER's assessment of efficient costs for SCS and ACS.
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	This is demonstrated in Appendix 6 (SCS pricing model)

Rule	Requirement relevant	Relevant section
	relevant services in accordance with the applicable distribution determination for the Distribution Network Service Provider; and	
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).	Refer to section 5.1.4
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:	Section 5.1 describes how we have considered the pricing principles in our tariffs for 2023-24. This draws out areas where we have considered bill impacts on major customers as a key consideration.
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);	Refer to section 5.1.5 and a more detailed description of our approach in our AER approved TSS.
6.18.5(h)(2)	the extent to which retail customers can choose the tariff to which they are assigned; and	Refer to section 2.3 on our procedures to assign customers to tariff classes. Our tariff assignment is based on consumption levels, metering and voltage connection. Customers do not have the ability to opt-in to different tariffs.
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.	Refer to the Summary where we note that we expect major customers who may have an increase in price to be able to offset this by shifting some of their energy usage from peak to off-peak periods.
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 <i>regulatory year</i> of the <i>1st regulatory control period</i> (which may be the last year of the <i>2014-19 NT regulatory control period</i>)".	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.	Refer to Section 5.1.6 on why we consider the tariffs are relatively simple to understand compared to other jurisdictions. We note the significant consultation on tariff structures that we undertook in developing our approved TSS.
6.18.5(j)	A tariff must comply with the Rules and all applicable regulatory instruments.	Refer to this compliance checklist, and a detailed description of compliance in Chapter 5 of this document. Other regulatory instruments include our

Rule	Requirement relevant	Relevant section
		AER approved TSS (see chapter 2 and section 3.3) and the AER's determination such as control mechanism formula (see section 3.1).
6.18.6	Side constraints on tariffs for standard control services	Refer to Section 5.2.1 where we show that our proposed tariffs comply with the side constraints in the NT NER.
6.18.7	Recovery of designated pricing proposal charges	We have no designated pricing proposal charges as discussed in section 3.1.
6.18.7A	Recovery of jurisdictional scheme amounts	We have no jurisdictional scheme amounts as discussed in section 3.1.
6.18.8	Approval of pricing proposal	AER
6.18.9	Publication of information about tariffs and tariff classes	We publish tariffs and tariff classes once approved by the AER.

Appendix B

SCS revised indicative pricing schedule

B.1 Indicative pricing schedule

Table B.1 sets out our proposed TSS tariff charges for 2023-24 (**bold**) by charging parameter, together with the approved tariff charges in previous submissions, and the indicative tariff charge in the remaining years of the regulatory period. This constitutes our revised indicative pricing schedule for SCS.

Table B.1: Indicative price schedule for SCS (nominal \$, excluding GST)

Charge	Basis of charging	Charge 2019-20	Charge 2020-21	Charge 2021-22	Charge 2022-23	Proposed 2023-24
Tariff 1: Residential						
SAC	\$ per day per NMI	0.640	0.917	0.910	0.910	1.250
Anytime Energy Charge	\$/kWh	0.10238	0.08500	0.07293	0.06000	0.07000
Tariff 2: Non-residential						
SAC	\$ per day per NMI	1.350	1.500	1.470	1.470	1.550
Anytime Energy Charge	\$/kWh	0.10430	0.09000	0.08000	0.07000	0.08000
Tariff 3: LV Smart Meter						
SAC	\$ per day per NMI	1.350	1.500	1.500	1.500	2.000
Anytime Energy Charge	\$/kWh	0.03000	0.02300	0.02200	0.02473	0.01200
Demand	\$/kVA	20.510	17.500	16.000	17.600	21.000
Tariff 4: Unmetered						
Anytime Energy Charge	\$/kWh	0.05506	0.05300	0.05000	0.06002	0.08000
Tariff 5: LV Majors						
SAC	\$ per day per NMI	70.000	71.200	71.200	71.200	80.000
Anytime Energy Charge	\$/kWh	0.02630	0.02000	0.01900	0.01025	0.01146
Demand	\$/kVA	11.000	12.298	10.000	12.337	14.000

Charge	Basis of charging	Charge 2019-20	Charge 2020-21	Charge 2021-22	Charge 2022-23	Proposed 2023-24
Tariff 6: HV Minors						
SAC	\$ per day per NMI	1.350	1.500	1.600	1.600	100.000
Anytime Energy Charge	\$/kWh	0.03000	0.02300	0.01900	0.03000	0.01300
Demand	\$/kVA	9.500	8.370	8.500	8.500	11.000
Tariff 7: HV Majors						
SAC	\$ per day per NMI	70.000	85.000	85.000	85.000	100.000
Anytime Energy Charge	\$/kWh	0.02630	0.02350	0.01900	0.01900	0.01300
Demand	\$/kVA	8.270	8.370	7.745	8.400	11.000

Appendix C

ACS metering revised indicative pricing schedule

C.1 Indicative pricing schedule

Table C.1 sets out our proposed price by meter type in 2023-24 (**bold**) together with the approved tariff charges in previous submissions, and the indicative price in the remaining years of the regulatory period. This constitutes our revised indicative pricing schedule for ACS metering services.

Table C.1: *Indicative price schedule for ACS Metering services (nominal \$, excluding GST)*

Service	Basis of charging	Charge	Charge	Charge	Charge	Proposed
		2019-20	2020-21	2021-22	2022-23	2023-24
1 Phase Meters (Inc. Prepayment)	\$/Year/Meter	\$61.48	\$64.66	\$67.35	\$71.99	\$80.17
3 Phase Meters	\$/Year/Meter	\$67.69	\$71.19	\$74.15	\$79.25	\$88.25
Dedicated CT and VT meters	\$/Year/Meter	\$114.65	\$120.58	\$125.59	\$134.23	\$149.48

Appendix D

ACS Quoted Services revised indicative pricing schedule

D.1 Indicative pricing schedule

Table D.1 sets out our proposed price by ACS quoted service (labour only) in 2023-24 (**bold**) together with the approved price in previous submissions, and the indicative price in the remaining years of the regulatory period. This constitutes our revised indicative pricing schedule for ACS quoted services.

Table D.1: Indicative price schedule for ACS quoted services (nominal \$, excluding GST)

Service	Basis of charging	Approved	Approved	Approved	Approved	Proposed
		2019-20	2020-21	2021-22	2022-23	2023-24
Design related services	\$/Hour	\$155.62	\$159.39	\$162.08	\$169.38	\$184.41
Connection applications	\$/Hour	\$155.62	\$159.39	\$162.08	\$169.38	\$184.41
Access permits, oversights and facilitation	\$/Hour	\$155.62	\$159.39	\$162.08	\$169.38	\$184.41
Notices of arrangement and completion notices	\$/Hour	\$87.19	\$89.30	\$90.81	\$94.90	\$103.32
Network related property services	\$/Hour	\$87.19	\$89.30	\$90.81	\$94.90	\$103.32
Site establishment services	\$/Hour	\$87.19	\$89.30	\$90.81	\$94.90	\$103.32
Network safety services	\$/Hour	\$132.71	\$135.92	\$138.21	\$144.44	\$157.25
Network tariff change request	\$/Hour	\$87.19	\$89.30	\$90.81	\$94.90	\$103.32
Planned interruption - customer request	\$/Hour	\$132.71	\$135.92	\$138.21	\$144.44	\$157.25
Performance of a statutory right (access prevented)	\$/Hour	\$132.71	\$135.92	\$138.21	\$144.44	\$157.25
Provision of network related training to third parties	\$/Hour	\$87.19	\$89.30	\$90.81	\$94.90	\$103.32
Non-standard reporting services	\$/Hour	\$87.19	\$89.30	\$90.81	\$94.90	\$103.32
Services provided for retailer of last resort event	\$/Hour	\$87.19	\$89.30	\$90.81	\$94.90	\$103.32
Rectification of illegal connections service	\$/Hour	\$132.71	\$135.92	\$138.21	\$144.44	\$157.25
Network changes at customer or retailer's request	\$/Hour	\$132.71	\$135.92	\$138.21	\$144.44	\$157.25
Annual prepayment meter licensing fee	\$/Hour	\$87.19	\$89.30	\$90.81	\$94.90	\$103.32

Appendix E

ACS Fee-based Services revised indicative pricing schedule

E.1 Indicative pricing schedule

Table E.1 sets out our proposed price by ACS fee-based service in 2023-24 (**bold**) together with the approved price in in previous submissions, and the indicative price in the remaining years of the regulatory period. This constitutes our revised indicative pricing schedule for ACS fee-based services.

Table E.1: Indicative price schedule for ACS Fee-based services (nominal \$, excluding GST)

Service	Basis of charging	Approved	Approved	Approved	Approved	Proposed
		2019-20	2020-21	2021-22	2022-23	2023-24
Disconnection (and final read)	\$/Request	\$66.99	\$65.35	\$63.02	\$62.33	\$64.15
Reconnection	\$/Request	\$66.99	\$65.35	\$63.02	\$62.33	\$64.15
Reconnection - after hours	\$/Request	\$124.43	\$121.39	\$117.07	\$115.78	\$119.16
Temporary disconnection and reconnection - physical dismantling	\$/Request	\$737.30	\$755.16	\$767.89	\$802.48	\$873.67
Provision of 3 phase service	\$/Request	\$1,400.88	\$1,434.81	\$1,459.01	\$1,524.73	\$1,660.00
Standard temporary builder's connection	\$/Request	\$657.68	\$673.61	\$684.97	\$715.83	\$779.34
Temporary disconnection and reconnection - no dismantling	\$/Request	\$286.07	\$293.00	\$297.94	\$311.36	\$338.98
Complex disconnection	\$/Request	\$312.62	\$320.19	\$325.59	\$340.26	\$370.45
Wasted visit fee	\$/Request	\$153.36	\$157.07	\$159.72	\$166.91	\$181.72
Special meter test	\$/Request	\$299.35	\$306.60	\$311.77	\$325.81	\$354.71
Exchange or replace meter – three phase	\$/Request	\$660.39	\$676.38	\$687.79	\$718.77	\$782.54
Exchange or replace meter - single phase	\$/Request	\$552.87	\$566.26	\$575.81	\$601.75	\$655.13
Relocation of meter	\$/Request	\$312.62	\$320.19	\$325.59	\$340.26	\$370.45
Remove meter	\$/Request	\$312.62	\$320.19	\$325.59	\$340.26	\$370.45
General meter inspection	\$/Request	\$140.09	\$143.48	\$145.90	\$152.47	\$166.00
Special meter read - no appointment	\$/Request	\$35.60	\$36.46	\$37.07	\$38.74	\$42.18
Special meter read - appointment	\$/Request	\$77.00	\$78.86	\$80.19	\$83.80	\$91.23
Class 3 PV Assessment	\$/Request	\$1,187.82	\$1,216.59	\$1,237.11	\$1,292.84	\$1,407.53
Meter program change	\$/Request	\$161.61	\$165.52	\$168.31	\$175.89	\$191.49
Historical data requests	\$/Request	\$197.14	\$201.91	\$205.31	\$214.56	\$233.59
Standing data requests	\$/Request	\$43.59	\$44.65	\$45.40	\$47.45	\$51.66

Service	Basis of charging	Approved	Approved	Approved	Approved	Proposed
		2019-20	2020-21	2021-22	2022-23	2023-24
Customer transfers	\$/Request	\$174.37	\$178.59	\$181.60	\$189.78	\$206.62
Network tariff change request	\$/Request	\$43.59	\$44.65	\$45.40	\$47.45	\$51.66
Prepayment Vending Charge	\$/Request	\$0.48	\$0.49	\$0.50	\$0.52	\$0.57
Prepayment Meter Support Charge	\$/Request	\$66.36	\$67.97	\$69.12	\$72.23	\$78.64
Installation of Minor Apparatus	\$/Request	\$624.50	\$639.62	\$650.41	\$679.71	\$740.01
Class 1 & 2 PV service	\$/Request	\$87.19	\$89.30	\$90.81	\$94.90	\$103.32

Appendix F

SCS Pricing Model

F.1 Pricing model

Please refer to separate excel workbook titled **PWC – 2023-24 annual SCS pricing model – 31 March 2023 – PUBLIC**.

Appendix G

ACS Pricing Model

G.1 Pricing model

Please refer to separate excel workbook titled **PWC – 2023-24 annual ACS pricing model – 31 March 2023 – PUBLIC.**

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