



Annual Pricing Proposal 2016/17

Appendix K - Regulatory compliance checklist



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Appendix K - Regulatory compliance checklist

Table 1 contains a checklist to indicate the sections of SA Power Networks' Pricing Proposal where each of the relevant provisions of the Rules and the AER's 2015-20 Decision have been addressed.

Table 1 - Regulatory compliance checklist

Rule clause or Decision section	Pricing Proposal reference
Rule clause	
6.18.2 Pricing proposals	
(b) <i>A pricing proposal must:</i>	
(1) set out the <i>tariff classes</i> that are to apply for the relevant <i>regulatory year</i> ; and	5.2 to 5.6, 12.2
(2) set out the proposed tariffs for each <i>tariff class</i> ; and	5.3 to 5.6
(3) set out, for each proposed tariff, the <i>charging parameters</i> and the elements of service to which each <i>charging parameter</i> relates; and	5.3 to 5.6
(4) set out, for each <i>tariff class</i> related to <i>standard control services</i> , the expected weighted average revenue for the relevant <i>regulatory year</i> and also for the current <i>regulatory year</i> ; and	8.2
(5) set out the nature of any variation or adjustment to the tariff that could occur during the course of the <i>regulatory year</i> and the basis on which it could occur; and	12
(6) set out how charges incurred by the <i>Distribution Network Service Provider</i> for <i>transmission use of system services</i> are to be passed on to customers and any adjustments to tariffs resulting from over or under recovery of those charges in the previous <i>regulatory year</i> ; and	9
(6A) set out how <i>jurisdictional scheme amounts</i> for each <i>approved jurisdictional scheme</i> are to be passed on to customers and any adjustments to tariffs resulting from over or under recovery of those amounts; and	11
(6B) describe how each approved jurisdictional scheme that has been amended since the last <i>jurisdictional scheme approval date</i> meets the <i>jurisdictional scheme eligibility criteria</i> ; and	Not applicable in 2016/17.
(7) demonstrate compliance with the <i>Rules</i> and any applicable distribution determination; and	5 to 12
(8) describe the nature and extent of change from the previous <i>regulatory year</i> and demonstrate that the changes comply with the <i>Rules</i> and any applicable distribution determination.	8.3 & 8.4

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6.18.3 Tariff classes

- (a) A *pricing proposal* must define the *tariff classes* into which customers for *direct control services* are divided. 5.3 to 4.6, 12.2
- (b) Each customer for *direct control services* must be a member of 1 or more *tariff classes*.
- (c) Separate *tariff classes* must be constituted for customers to whom *standard control services* are supplied and customers to whom *alternative control services* are supplied (but a customer for both *standard control services* and *alternative control services* may be a member of 2 or more *tariff classes*). 5.3 to 4.6, 12.2
- (d) A *tariff class* must be constituted with regard to: 5.2, 12.2
 - (1) the need to group customers together on an economically efficient basis; and
 - (2) the need to avoid unnecessary transaction costs.

6.18.5 Pricing principles

- (a) For each *tariff class*, the revenue expected to be recovered should lie on or between:
 - (1) an upper bound representing the stand alone cost of serving the customers who belong to that class; and 8.6, 12.4, Appendix F
 - (2) a lower bound representing the avoidable cost of not serving those customers. 8.7, 12.4, Appendix F
- (b) A tariff, and if it consists of 2 or more *charging parameters*, each *charging parameter* for a *tariff class*:
 - (1) must take into account the long run marginal cost for the service or, in the case of a *charging parameter*, for the element of the service to which the *charging parameter* relates; and 8.9, 12.4, Appendix E
 - (2) must be determined having regard to:
 - (i) transaction costs associated with the tariff or each *charging parameter*; and 8.10, 12.4
 - (ii) whether customers of the relevant *tariff class* are able or likely to respond to price signals. 8.11, 12.4
- (c) If, however, as a result of the operation of paragraph (b), the *Distribution Network Service Provider* may not recover the expected revenue, the provider must adjust its tariffs so as to ensure recovery of expected revenue with minimum distortion to efficient patterns of consumption.

6.18.6 Side constraints on tariffs for standard control services

- (b) The expected weighted average revenue to be raised from a *tariff class* for a particular *regulatory year* of a *regulatory control period* must not exceed the corresponding expected weighted average revenue for the preceding *regulatory year* by more than the permissible percentage. 8.4

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- (c) The permissible percentage is the greater of the following:
- (1) the CPI-X limitation on any increase in the *Distribution Network Service Provider's* expected weighted average revenue between the two *regulatory years* plus 2%; 8.4
 - (2) CPI plus 2%.
- (d) In deciding whether the permissible percentage has been exceeded in a particular *regulatory year*, the following are to be disregarded:
- (1) the recovery of revenue to accommodate a variation to the distribution determination under rule 6.6 or 6.13; Not applicable in 2016/17.
 - (2) the recovery of revenue to accommodate pass through of charges for *transmission use of system services* to customers. 9.5
- (e) This clause does not, however, limit the extent a tariff for customers with remotely-read interval metering or other similar metering technology may vary according to the time or other circumstances of the customer's usage. Not applicable in 2016/17.
- 6.18.7 Recovery of charges for transmission use of system services**
- (a) A *pricing proposal* must provide for tariffs designed to pass on to customers the charges to be incurred by the *Distribution Network Service Provider* for *transmission use of system services*. 5.3 to 4.6, 9
 - (b) The amount to be passed on to *retail customers* for a particular *regulatory year* must not exceed the estimated amount of the *designated pricing proposal charges* adjusted for over or under recovery in accordance with paragraph (c). 9

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- (c) The extent of the over or under recovery is the difference between: 9
- (1) the amount actually paid by the *Distribution Network Service Provider* by way of *transmission use of system* charges in the previous *regulatory year*; and
 - (2) the amount passed on to customers by way of *transmission use of system* charges by the *Distribution Network Service Provider* in the previous *regulatory year*.
- (d) Notwithstanding anything else in this clause 6.18.7, a *Distribution Network Service Provider* may not recover charges under this clause to the extent these are: 9
- (1) recovered through the *Distribution Network Service Provider's annual revenue requirement*;
 - (2) recovered under clause 6.18.7A; or
 - (3) recovered from another *Distribution Network Service Provider*.
- 6.18.7A Recovery of jurisdictional scheme amounts** 11
- (a) A pricing proposal must provide for tariffs designed to pass on to customers a *Distribution Network Service Provider's* jurisdictional scheme amounts for approved jurisdictional schemes.
- (b) The amount to be passed on to customers for a particular regulatory year must not exceed the estimated amount of jurisdictional scheme amounts for a *Distribution Network Service Provider's* approved jurisdictional schemes adjusted for over or under recovery in accordance with paragraph (c).
- (c) The over and under recovery amount must be calculated in a way that:
- (1) subject to subparagraphs (2) and (3) below, is consistent with the method determined by the AER for jurisdictional scheme amounts in the relevant distribution determination for the *Distribution Network Service Provider*, or where no such method has been determined, with the method determined by the AER in the relevant distribution determination in respect of designated pricing proposal charges;
 - (2) ensures a *Distribution Network Service Provider* is able to recover from customers no more and no less than the jurisdictional scheme amounts it incurs; and
 - (3) adjusts for an appropriate cost of capital that is consistent with the allowed rate of return used in the relevant distribution determination for the relevant regulatory year.

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Provisions of the AER's Decision

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