Attachment A – TasNetworks' Pricing Proposal Statement of Compliance 2024-25

As submitted to the Australian Energy Regulator

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TasNetworks acknowledges the palawa (Tasmanian Aboriginal community) as the original owners and custodians of lutruwita (Tasmania). TasNetworks, acknowledges the palawa have maintained their spiritual and cultural connection to the land and water. We pay respect to Elders past and present and all Aboriginal and Torres Strait Islander peoples.

Contents

Glossary

Term or Abbreviation	Description
ACS	Alternative Control Services
AER	Australian Energy Regulator
Augmentation	Investment in new network assets to meet increased demand
Capacity	The amount of electrical power that a part of the network is able to carry
CER	Consumer Energy Resources (previously referred to a Distributed Energy Resources (DER)), e.g., solar PVs, batteries, electric vehicles
Controlled load	The DNSP controls the hours in which the supply of electricity is made available
Cost reflective pricing	Pricing which is indicative of the true cost of supplying or providing a service
Demand	Electricity consumption at a point in time
Demand management	The ability for DNSPs to constrain customers demand at critical times and attempt to modify customer behaviour
Distribution network	The assets and services that carry the electricity conveyed from generators by the high voltage transmission network and deliver it to individual customers at the lower voltages to operate lighting, heating, appliances and industrial equipment
DNSP	Distribution Network Service Provider e.g., TasNetworks
DPPC	Designated Pricing Proposal Costs also referred to in this document as Transmission Use of Systems (TUOS)
DUoS	Distribution Use of System. The utilisation of the distribution network in the provision of electricity to distribution customers.
ESISC	Electrical Safety Inspection Service Charges
HV	High voltage
ITC	Individual Tariff Calculations
kV, kVA	Kilovolt, Kilovolt Ampere
kW, kWh	Kilowatt, Kilowatt hour

Term or Abbreviation	Description
LRMC	Long run marginal cost
MVA	Megavolt ampere
NEL	National Electricity Law
NEM	National Electricity Market
NEMC	National Energy Market Charge
NER, the Rules	National Electricity Rules
Network tariff	Network price parameters and conditions of supply for a network tariff class
Network tariff class	A class of retail customers for one or more direct control services who are subject to a particular network tariff or class of network tariffs with similar electricity demand and usage
NUOS	Network Use of System. Reflects the combination of NUoS and TUoS as the utilisation of the total electricity network in the provision of electricity to consumers.
Price signal	Information conveyed to end users of electricity via the prices charged for a network service, which provides a signal about the true cost of providing a service and/or the value
PV	Photo Voltaic, solar PV panels
Retailer	A business that buys electricity from generators, packages it with the network services (for transportation of the electricity) and sells it to consumers/end users
SCS	Standard Control Services
SSSP	System Strength Service Provider
TAR	Total Allowable Revenue
TEC	Total Efficient Cost
TNSP	Transmission Network Service Provider
ToU	Time of Use
TSS	Tariff Structure Statement 2024-2029
TUOS	Transmission Use of System

Term or Abbreviation	Description
Unmetered Supply	A connection to the distribution system which is not equipped with a meter and for which the consumption of electricity is estimated, e.g., public lights, traffic lights, phone boxes are not normally metered

Introduction

Initial pricing proposal

The National Electricity Rules (**NER**) require that TasNetworks, as the operator of an electricity distribution network within the National Electricity Market (**NEM**), must within 15 days of the Australian Energy Regulator's (**AER**) final distribution determination, submit an Initial Pricing Proposal for the first regulatory year of the regulatory control period.

The purpose of the Initial Pricing Proposal is to set out the network tariffs which TasNetworks is proposing to apply in the first year of the upcoming regulatory control period (2024-25) for standard control services (**SCS**), as well as the prices it proposes to charge for a range of alternative control services (**ACS**).

The Initial Pricing Proposal is designed to explain the prices TasNetworks proposes to apply in 2024-25, the derivation of those prices, compliance with the NER, the National Electricity Law (**NEL**) and the AER's Distribution Determination for TasNetworks.

Our network tariffs have been developed in accordance with the NER, and the methodologies described in our 2024-2029 Tariff Structure Statement (**TSS**) and are designed to efficiently recover the regulated costs of providing distribution services from our customers. The classification of the services, network tariff classes and network tariff structures reflected in this Initial Pricing Proposal reflect those detailed in the TSS as approved by the AER in April 2024.

The purpose of this document

The purpose of this document is to specify in greater detail what information the AER needs to assess pricing proposals for compliance. The AER will consider this document as well as the models provided by TasNetworks to be the formal pricing proposal.

General principles

- This document will replace the previous statement of compliance.

Chapter 1: Introduction

Statement of compliance

This statement of compliance as well as the standardised Standard Control Services (**SCS**) and Alternative Control Services (**ACS**) pricing models form TasNetworks pricing proposal for 2024-25. This is an initial pricing proposal that has been submitted within 15 business days after publication of the distribution determination.

Supporting documents

This Initial Pricing Proposal has a range of documents which are intended to assist external parties understand the development and application of network tariffs and prices for Direct Control Services (SCS and ACS). This compliance document is supported by:

2024-25 Initial Pricing Documents

- Statement of Compliance 2024-25
- Standard Control Services pricing model 2024-25
- Alternative Control Services pricing model 2024-25

2024-2029 Revenue Reset Documents

- 2024-2029 Tariff Structure Statement
- 2024-2029 Tariff Structure Explanatory Statement
- 2024-2029 Alternative Control Services
- 2024-2029 Control Mechanisms

2024-2029 Application Guides

- 2024-2029 Network Tariff Application Guide
- 2024-2029 Metering Application Guide
- 2024-2029 Public Lighting Application Guide
- 2024-2029 Ancillary Services – Fee-based Services Application Guide
- 2024-2029 Ancillary Services – Quoted Services Application Guide

2024-2029 Factsheets

- Network Tariff Reform
- 2024-2029 Pricing Strategy
- Residential Network Tariffs
- Small Business Network Tariffs
- Small Business (TAS94) time of use network tariff changes
- Embedded Networks
- Consumer Energy Resources
- Electric Vehicles

All documents are located our website:

https://www.tasnetworks.com.au/poles and-wires/pricing/our-prices.

Chapter 2: Demand forecast

TasNetworks has provided quantity forecasts for SCS in the 'Qty forecasts' sheet of the SCS pricing model. The forecasts have been compiled using the same methodology that was applied in previous annual pricing proposals and in the 2024-2029 regulatory proposal.

In comparison to the previous pricing proposal's forecast, total customer numbers for the current year are largely aligned and total consumption has slightly decreased (by around 0.6 per cent).

The 2023-24 estimate was prepared using November 2023 actuals, which captures the winter months in which Tasmanian demand is at its peak due to heating loads. It includes an anticipated reduction in residential consumption, largely driven by a warm winter and spring and ongoing cost-of-living pressures. A similar pattern of relatively low consumption during the earlier months of 2023-24 has also been observed in small business (LV). However, the reduced consumption of these customer groups is projected to be largely offset by increased consumption in the irrigation sector, driven by the same warm and dry weather conditions during spring and summer. Consumption amongst larger business customers is also projected to be higher than previously forecast.

The 2024-25 forecast assumes that customer consumption largely returns to previous patterns.

TasNetworks regularly back-tests its consumption forecasts. Recently, the forecasts that underpinned the pricing proposal for a particular year have on average deviated by around 2.9 per cent from that year's actual consumption. Due to the timing of the annual pricing proposals, these forecasts are usually compiled around 1.5 years before actual consumption for that year is fully known.

Chapter 3: Network tariffs

Standard control services

The 'Tariff schedule' sheet of the SCS pricing model sets out the proposed 2024-25 prices for SCS.

All tariffs remain in the same tariff class as the current Tariff Structure Statement (**TSS**)[1]. This is demonstrated in tariff schedule 3 of the SCS pricing model.

All tariffs retain the same charging parameters as the current TSS[1]. This is also demonstrated in tariff schedule 3 of the SCS pricing model. Below is a summary of each charging parameter:

Table 1: Charging parameters for TasNetworks' residential network tariffs[2]

Charging parameters	Unit	Explanation
Service charge	c/day	A set daily charge which applies to all customers connected to a network tariff.
All energy (anytime energy)	c/kWh	Applies to all energy consumption, irrespective of when this consumption occurs.
Peak energy[3]	c/kWh	Applies to energy consumption during times of high network utilisation. The peak windows for most residential and low voltage business cost-reflective consumption tariffs are 7am – 10am and 4pm – 9pm on weekdays, with the exception of the consumer energy resources (**CER**) network tariff (TAS97) where the evening peak extends to 10pm.
Shoulder energy[3]	c/kWh	Applies to energy consumption during times of lower network utilisation. Not all our time of use tariffs include shoulder charges and the periods in which shoulder energy is applied varies between network tariffs.
Off peak energy[3]	c/kWh	Applies to energy consumption during times of the lowest network utilisation, typically overnight and on weekends.
Super off-peak energy	c/kWh	A very low overnight rate (applying from midnight to 4am), introduced for our residential CER tariff in 2024-25.

[1] Tariff Structure Statement 2024-2029
[2] Refer Table 15 of the SCS pricing model.
[3] Seasonality and days of the week may apply to certain network tariffs.

Charging parameters	Unit	Explanation
All demand (anytime demand)	c/kVA/day	Applies to the highest reading for a demand integration period (typically 15 min), irrespective of when this reading occurs.
Peak demand	c/kVA/day or c/kW/day	Applies to the highest reading for a demand integration period (typically 15 or 30 min) during times of high network utilisation. The peak windows for our low voltage business cost-reflective demand tariffs are 7am – 10pm and 4am – 9pm on weekdays[4]. Peak demand windows vary between network tariffs for the high voltage network.
Off peak demand	c/kVA/day or c/kW/day	Applies to the highest reading for a demand integration period (typically 15 or 30 min) during times of low network utilisation.
Specified daily demand	c/kVA/day	Applies for pre-determined demand levels, irrespective of actual demand[5].
Excess daily demand	c/kVA or c/kW	Applies to the proportion of any daily maximum demand that exceeds a specified demand level[6].
Daily demand connection charge	c/kVA/day	Applies for pre-determined demand levels, irrespective of actual demand[5].
Excess daily demand connection charge	c/kVA	Applies to the proportion of any daily maximum demand that exceeds a specified demand level.
All demand (lamps)	c/lamp watt/day	Applies to our unmetered streetlighting tariff only and considers the demand levels of different lamp types.

The expected weighted average revenue for each tariff class for the current and forecast years is demonstrated in output table 5 of the SCS pricing model.

[4] Either charged based on the single highest reading or based on the average of the four highest daily readings during a billing period.
[5] Some network tariffs include connection related and locational specified demand charges.
[6] Some network tariffs include connection related and locational excess demand charges. Our Residential CER network tariff (TAS97) applies excess demand charges above a daily threshold of 8.5kW for all customers.

Alternative control services

The ACS pricing model sets out the proposed 2024-25 prices for ACS.

TasNetworks will offer the same list of services for [metering[7], public lighting, and ancillary network services] as approved in the AER's final determination for ACS[8]. The list of services for [metering, public lighting, and fee-based services] is provided in the ACS pricing model. Quoted services are provided in line with the approved control mechanism formula[9].

Network tariff variations

We are not anticipating variations or adjustments to our tariff prices, tariff class or charging parameters within the 2024-25 period.

Sub-threshold network tariffs

TasNetworks is not proposing sub-threshold networks tariffs for the regulatory year.

[7] Final Decision – Metering Services and Final Decision-Metering PTRM
[8] Final Decision – Alternative Control Services
[9] Final Decision – Control mechanisms

Chapter 4: Pricing principles

The revenue expected to be recovered from each tariff class lies on or between an upper bound representing the standalone cost of serving the retail customers who belong to that class and a lower bound representing the avoidable cost of not serving those retail customers. This is demonstrated in compliance table 5 of the SCS pricing model.

In the 2024-2029 regulatory control period, these bounds were calculated by considering network connectivity to network assets that are utilised by individual tariff classes and network assets utilised exclusively by individual tariff classes. Cost allocation drivers are applied for each network level to determine stand-alone and avoidable costs for each asset class based on the identified assets.

The sum of the revenue expected to be recovered from each tariff allows TasNetworks to recover the expected revenue for the relevant services in accordance with the distribution. This is demonstrated in compliance table 1 of the SCS pricing model.

Each tariff is based on the long-run marginal cost (**LRMC**) of providing the service to which it relates to the retail customers assigned to that tariff.

The long-run marginal cost estimates are unchanged from the current TSS[10].

[10] Tariff Structure Statement 2024-2029

Chapter 5: Indicative prices

Revised indicative prices for SCS tariffs are provided in input table 29 and 30 of the SCS pricing model. Revised indicative price caps for ACS are provided in the ACS pricing model. These indicative price levels have been determined in accordance with the current tariff structure statement and updated to account for this pricing proposal.

Some proposed tariff prices are materially different to the corresponding indicative prices as highlighted in compliance table 6 and 7 of the SCS pricing model. Brief notes have been provided in the 'Price comp. ind.' sheet explaining the reasons for any material differences.

Chapter 6: Network tariff components

Distribution use of system charges

Tariffs designed to pass on distribution use of system charges (**DUoS**) are available in the 'Tariff schedule' sheet of the SCS pricing model. The revenue expected to be recovered from these tariffs does not exceed the estimated amount of DUoS charges adjusted for over or under recovery. This is demonstrated in output table 6 of the SCS pricing model.

The over or under recovery amount is calculated in a manner consistent with the AER's final decision for control mechanisms[11].

- TasNetworks applies the standard control revenue cap formulas approved by the AER to forecast and estimate DUoS amounts. The calculations are underpinned by the latest available quantity actuals and projections.
- Consistent with the revenue cap formulas approved by the AER, TasNetworks' DUoS revenue allowance continues to include bespoke adjustments relating to the true-up of Electrical Safety Inspection Service Charges (**ESISC**) and National Energy Market Charges (**NEMC**). These are long-running adjustments which represent charges TasNetworks is required to pay to operate in Tasmania.

Designated pricing proposal charges

Tariffs designed to pass on designated pricing proposal charges (**DPPC**) are available in the 'Tariff schedule' sheet of the SCS pricing model. The revenue expected to be recovered from these tariffs does not exceed the estimated amount of DPPC adjusted for over or under recovery. This is demonstrated in output table 6 of the SCS pricing model.

The over or under recovery amount is calculated in a manner consistent with the AER's final decision for control mechanisms[11] and is compliant with the NER.

TasNetworks applies the standard control revenue cap formulas approved by the AER to forecast and estimate DPPC amounts. The calculations consider the DPPC costs charged by the transmission network and are underpinned by the latest available quantity actuals and projections.

System strength charges

TasNetworks, as the Distribution Network Service Provider, will pass-through system strength charges as determined by the System Strength Service Provider (**SSSP**)[12] to relevant parties.

The amount, structure and timing of the amount billed will replicate, as far as reasonably practicable, the system strength charge received by the distribution network, and our charges will identify the system strength connection point and other information to enable the customer to verify the charge.

[11] TasNetworks - AER Final Decision - Attachment 14 Control Mechanisms
[12] Tasmania's SSSP is the transmission business operated by TasNetworks.

This pass-through charge will not be recovered through network prices but billed separately to applicable customers.

TasNetworks is not planning to pass through system strength charges for system strength connection points for the 2024-25 period.

Jurisdictional scheme amounts

TasNetworks is not proposing tariffs designed to pass on jurisdictional scheme amounts because it is not subject to a jurisdictional scheme.

Chapter 7: Compliance

Compliance with the determination

We confirm that our tariff assignment policy and the methodology in which we review and assess the basis on which a customer is charged is unchanged from the current TSS[13] and is compliant with the NER.

We also confirm that we are complying with the current TSS where we have made a commitment to unwind a cross subsidy – a key objective of our strategy for the 2024-2029 regulatory control period is to remove the inherent discount of the heating and hot water tariff and to align it with the low voltage residential light and power tariff. In addition, we continue to remove cross-subsidies between individual tariff classes in 2024-2029 to provide more efficient price signals to our customers.

TasNetworks has updated its consumption and demand forecasts to reflect the commitments made in our current TSS, our updated assumptions include:

- new connecting customers being assigned to our default cost-reflective network tariffs resulting from the flat rate network tariffs being made obsolete.
- adjustments to peak and off-peak consumption due to reducing the evening peak by one hour on our small business default network tariff.
- assuming that our residential CER network tariff will be offered and that some prosumers on existing cost-reflective network tariff will take up the opportunity to take up the redesigned network tariff.
- assumption that there will be a small amount of low voltage uptake of our newly introduced embedded network tariff.

Compliance table

Rule reference	Section reference
6.18.2(a)	Chapter 1 - Introduction
6.18.8(a)(3)	Chapter 2 - Demand forecasts
6.18.2(b)(2) 6.18.2(b)(3) 6.18.2(b)(4) 6.18.6 6.18.2(b)(5) 6.18.1C	Chapter 3 - Tariffs

[13] Tariff Structure Statement 2024-2029

Rule reference	Section reference
11.141.8	
6.18.5(e) 6.18.5(f) 6.18.5(g)(2)	Chapter 4 - Pricing principles
6.18.2(d) 6.18.2(e) 6.18.2(b)(7A)	Chapter 5 - Indicative prices
6.18.2(b)(6) 6.18.2(b)(6A) 6.18.2(b)(6B) 6.18.2(b)(6C) 6.18.7 6.18.7A	Chapter 6 - Tariff components
6.18.3 6.18.4 6.18.2(b)(7) 6.18.2(b)(8)	Chapter 7 - Compliance

I, *Michael Westenberg, Executive Finance and Regulation* confirm that the above statements are true and correct.

[signature]

06.05.2024

[date]

Further information

Customers and retailers who have questions about our services or prices are encouraged to contact TasNetworks at:

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