

Attachment B – TasNetworks' Pricing Proposal Overview 2024-25

As submitted to the Australian
Energy Regulator

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Public



Powering a
Bright Future

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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.

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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
HV	High voltage
ITC	Individual Tariff Calculations
kV, kVA	Kilovolt, Kilovolt Ampere
kW, kWh	Kilowatt, Kilowatt hour
LRMC	Long run marginal cost

Term or Abbreviation	Description
MVA	Megavolt ampere
NEL	National Electricity Law
NEM	National Electricity Market
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
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
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

Annual pricing proposal

The National Electricity Rules (**NER**) require that prior to the beginning of each regulatory year, TasNetworks, as the operator of an electricity distribution network within the National Electricity Market (**NEM**), must submit an Annual Pricing Proposal for the Australian Energy Regulator's (**AER**) approval.

The purpose of this Supplementary document is to:

- provide interested customer and stakeholders with a guide to TasNetworks' network tariffs and service charges for 2024-25.
- set out the network tariffs which TasNetworks is proposing to apply in the coming regulatory year (2024-25) for standard control services (**SCS**), as well as the prices it proposes to charge for a range of alternative control services (**ACS**).

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 Annual Pricing Proposal reflect those detailed in the TSS as approved by the AER in April 2024.

Supporting documents

The Annual 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 overview document is supported by:

2024-25 Annual Pricing Documents

- Attachment A: 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>.

About TasNetworks

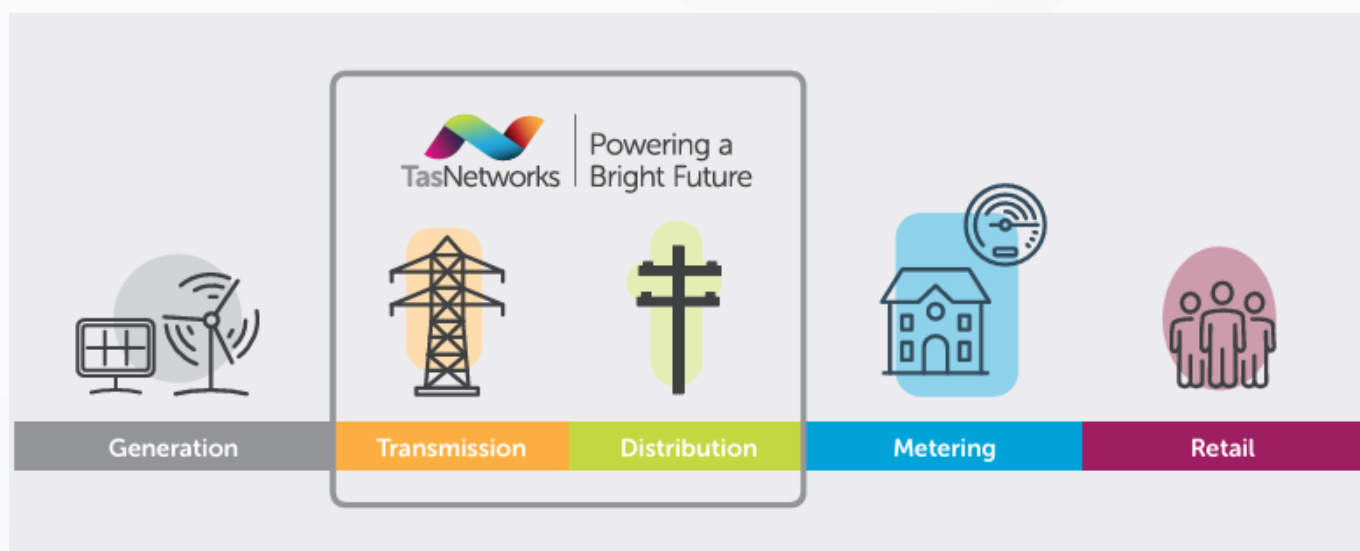
Delivering power to Tasmanians

TasNetworks is a combined Distribution Network Service Provider (**DNSP**) and Transmission Network Service Provider (**TNSP**) which owns and operates Tasmania’s transmission and distribution electricity networks.

In other parts of the country, ownership of the high voltage transmission network (that connects power stations to the network) and ownership of the lower voltage distribution network (that delivers power down every street) is generally separated. But in Tasmania, TasNetworks provides both transmission network services (via the large metal towers and lines) and distribution network services (via the poles and wires), as shown in Figure 1.

The Annual Pricing Proposal relates to services being provided on TasNetworks’ distribution network, which takes the high voltage power from the transmission network and delivers low voltage electricity to Tasmanian households, businesses, and organisations throughout the State, ensuring our customers receive a safe, reliable, and affordable supply of electricity.

Figure 1. TasNetworks’ role in the energy supply chain

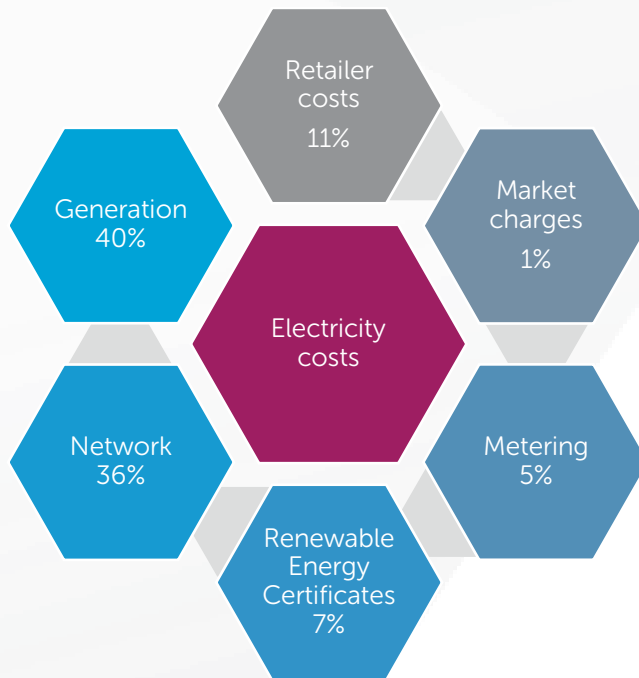


How our network charges are regulated

The amount of revenue we are allowed to recover from our customers is approved by the AER. Every five years¹ the AER sets our revenue allowances in advance, and then each year it approves the network prices we charge to recover our revenue allowance in the following year. Our annual revenue allowances reflect updated external parameters (such as inflation) and include a number of annual revenue adjustments.

The charges that customers see on their electricity bill include the cost of delivering power to homes and businesses (network charges), the cost of generation and the cost of providing retail services. The network charges make up approximately thirty-six per cent of the cost of electricity for most households and small businesses in Tasmania (Figure 2). Network tariffs are the fees and charges we use to recover the cost of building, running, and maintaining the electricity network in Tasmania. Every household, business and organisation connected to the network contributes towards this cost. However, rather than bill customers directly for their use of the network, we charge their retailer, who then passes the cost of the network on to customers through the retail tariffs that appear on their power bills.

Figure 2. Indicative cost components of electricity costs for a typical residential or small business customer²



¹ On 30 April 2024, the Australian Energy Regulator approved TasNetworks' 2024-2029 Revenue Proposal for the period commencing on 1 July 2024.

² Office of the Tasmanian Economic Regulator - Standing Offer Determination 2023-24

The services we provide

As part of the five yearly regulatory process the first step is the determination of which services will be regulated and how. Services the AER determine need price regulation are termed direct control services. These are then further classified as standard or alternative control services (Figure 3).

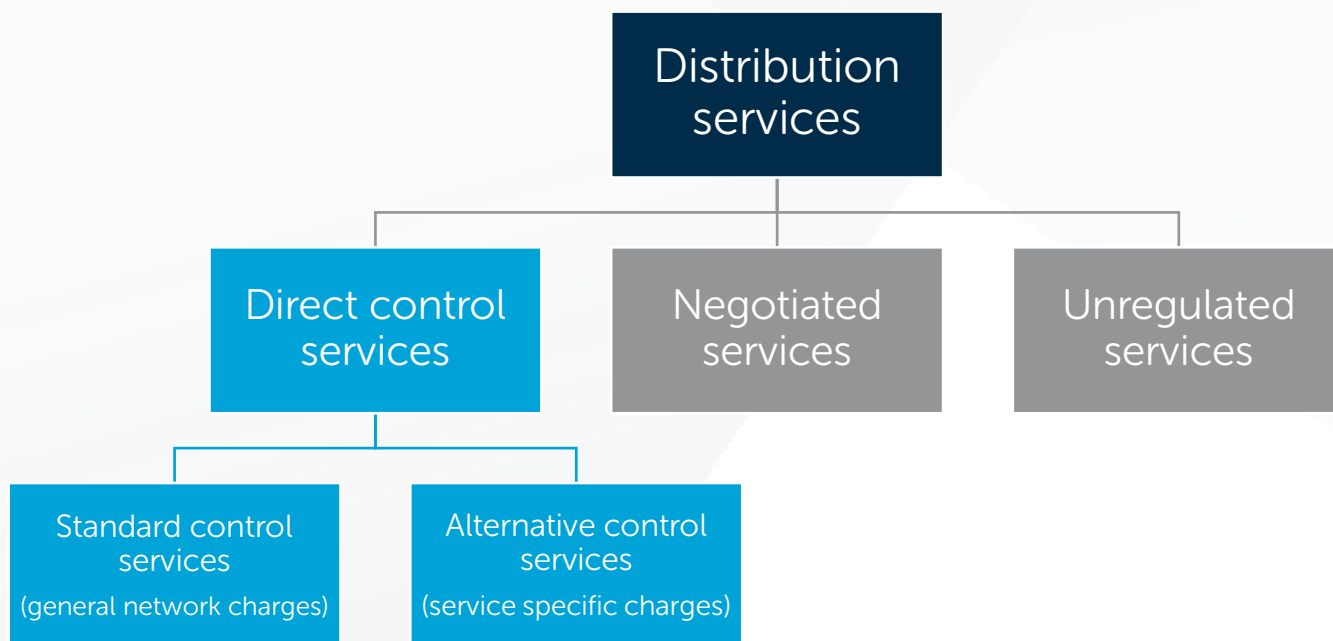
Standard control services (SCS) refer to the regulation of the amount of revenue that TasNetworks is permitted to recover. This means that TasNetworks' revenue, which is generated through general distribution network charges (**network tariffs**), is capped by the AER. This revenue pays for the building, running and maintenance of the electricity distribution network.

General distribution network services are relied on by most (if not all) customers.

Alternative control services (ACS) refer to services where the costs – and the associated benefits from the service – can be directly attributed to a particular customer (for example, where a customer requests a service). For these services, instead of setting a revenue cap, the AER caps the prices that can be charged or sets the input costs that can be used by TasNetworks to quote jobs.

TasNetworks' ACS include regulated metering services for small customers, ancillary services (quoted services and fee-based services) and public lighting.

Figure 3. The services provided by TasNetworks'



Standard control services

Network tariffs

Network tariffs are designed to recover TasNetworks' approved revenue allowance, to pay for building, running and maintaining the electricity distribution network.

Our network tariff structures typically consist of some of the following charging parameters³:

- **Service/capacity charge:** this is a daily charge providing access to the distribution network, it provides the ability for the customer to connect to the network.
- **Consumption/energy charge:** this is a volume charge in which retail customers are charged for the amount of energy they consume.
- **Demand charge:** this relates to the rate that energy is used, it is directly linked to the maximum demand at a given point in time.

To reflect the level of demand collectively being placed on the electricity network by all customers, some network tariffs include parameters that are further split into time periods, such as the time of day, the day of the week or seasons. These are known as **time of use** network tariffs, and typically apply higher charges in times of high network utilisation (peak periods), and lower charges when there is less demand on the network (shoulder and off-peak periods).

Pricing strategy

TasNetworks' pricing strategy is to provide network tariff options that best meet the needs of our customers and reduce long term network expenditure. This involves adjusting the prices of our existing network tariffs by unwinding some long-standing cross subsidies and developing new network tariffs that incentivise customers to shift their energy usage outside of peak times.

These measures aim to encourage customers to use the network more efficiently and is referred to as 'cost reflective pricing'. The purpose of cost reflective pricing is to deliver a pricing signal to customers during periods of peak demand. Reducing peak demand may reduce the need for future augmentation investment, thereby reducing costs for customers over the long term. Cost reflective pricing also provides better signalling of future costs for those customers wanting to use more electricity, particularly in peak times.

Each regulatory control period provides the opportunity to review our strategy progression and ensure we are keeping pace with changing customer needs and technology uptake.

For the upcoming 2024-2029 regulatory control period, we propose to:

- continue the gradual process of unwinding the discounts that exist in some of our network tariffs
- introduce new embedded network tariffs
- refine the existing residential CER network tariff and the small business time of use consumption tariff

³ Refer to section 4.1 of the [Tariff Structure Statement 2024-2029](#)







- refine our tariff assignment rules to reflect our tariff strategy
- propose to undertake tariff trials to inform tariff settings for the next regulatory control period (2029-2034).

Figure 4. TasNetworks' tariff reform strategy



Pricing principles

TasNetworks' pricing principles guide the development of our network tariffs and products, which help us refine our service offerings to meet the expectations of our customers.

	Affordable We offer an essential service and recognise that customers want affordability in the delivered cost of electricity. To support this, we will ensure sustainable network investment and that customers experiencing vulnerability will not be exposed to hardship as a result of our pricing or network tariff reforms.
	Fair We will provide transparent and cost reflective pricing signals so that all customers contribute to their portion of total network costs.
	Consistent We will avoid creating price shocks for customers and minimise upward pressure on the delivered cost of electricity.
	Innovative We will investigate innovative solutions that meet the changing needs of our customers and changes in technology.
	Simple Our network pricing will be both cost reflective and easy for our customers, retailers and stakeholders to understand.
	Choice We will not stand as a barrier for customers who invest in consumer energy resources, such as solar generation and battery storage. Our pricing will provide choice to our customers to best meet their energy needs, while not imposing on the needs of others or the network.

2024-25 Annual prices

Network charges are used to recover the cost of building, running, and maintaining what is referred to as the 'shared' distribution electricity network – the network that is relied upon by all customers. The shared network includes things like the overhead power lines and underground cables that deliver electricity to every property, our depots and even the vehicles our field crews need to work on the network.

The cost of the shared network that we seek to recover from customers also includes the cost of responding to emergency outages, replacing old or failing assets, extending the network into new areas and trimming trees to keep them away from power lines.

Rather than setting prices, the AER caps the amount of revenue we can collect from our customers to pay for shared network services. Most of our revenue is earned through network tariffs and it is these charges that retailers use as an input to customers' electricity bills.

TasNetworks recently submitted its revenue proposal to the AER for approval for the 2024-2029 (5 years) regulatory control period. The proposal was developed in a time of significant energy transition, economic uncertainty and rising cost of living pressures. The outcomes from our proposal have been included in the development of our network tariffs for 2024-25, with consideration to:

- application of our network tariff assignment rules⁴
- providing residential customers with alternative pricing options for consumer energy resources, such as, electric vehicles, batteries and solar PV
- changes to the time of use windows for small businesses using the time of use consumption-based network tariff (TAS94)
- introduction of the specifically designed network tariffs for embedded networks.

Typical residential customer network charges

The estimated 2024-25 annual network charges incurred by a typical residential customer supplied under the default time of use consumption network tariff (TAS93), consuming approximately 7,834 kWh of energy per annum are approximately \$868 in nominal terms (15.1 per cent higher than 2023-24), (Figure 5).

⁴ Refer to [2024-2029 Network Pricing Strategy Factsheet](#)

Figure 5. Indicative annual network charges for a typical residential customer

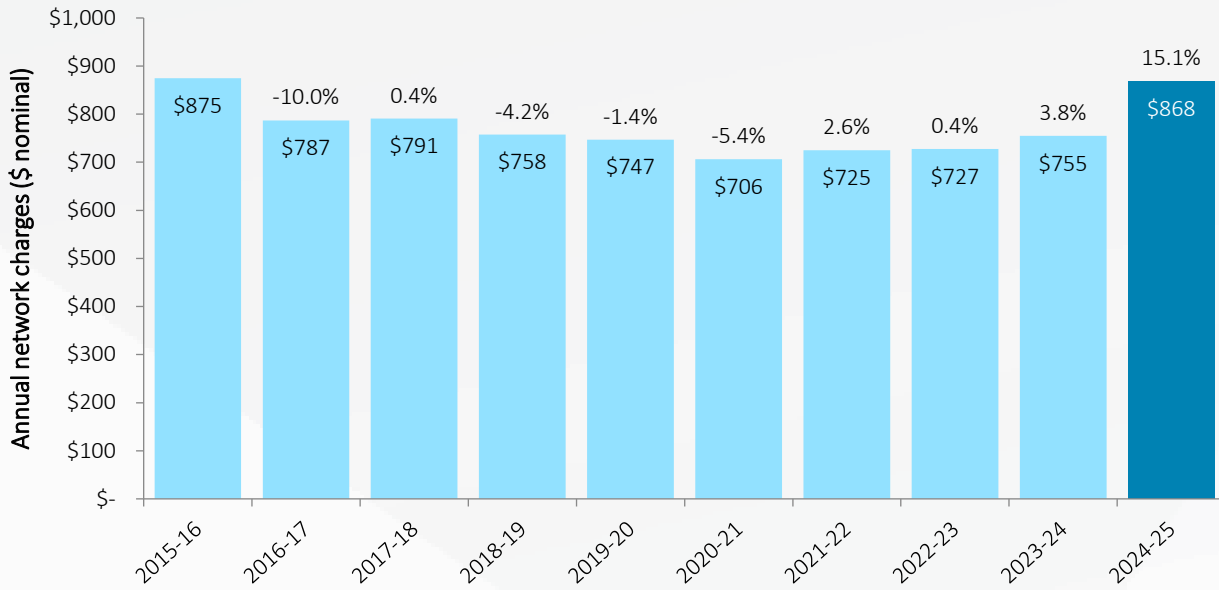


Figure 6 provides a summary of our consumption-based residential network tariffs. The full network tariff schedule for 2024-25 is found in the Standard Control Services pricing model 2024-25.

Figure 6. Residential network charges comparison

2024-25		
Residential time of use consumption (TAS93)		
Service charge	cents/day	70.032
Peak energy charge (weekdays 7am-10am, 4pm-9pm)	cents/kWh	17.229
Off-peak energy charge (all other times, including all weekend)	cents/kWh	3.618
Residential time of use consumer energy resources (TAS97)		
Service charge	cents/day	70.032
Peak energy charge (weekdays 7am-10am, 4pm-10pm)	cents/kWh	18.090
Super off-peak energy charge (midnight to 4am)	cents/kWh	0.090
Off-peak energy charge (all other times)	cents/kWh	2.714
Excess demand	cents/kW	25.613
Residential general light and power (TAS31) – obsolete		
Service charge	cents/day	64.059
Consumption charge	cents/kWh	9.016

Uncontrolled heating and hot water (TAS41) – obsolete

Service charge	cents/day	7.915
Consumption charge	cents/kWh	7.408

Typical small business customers network charges

The 2024-25 network charges incurred by a small business customer assigned to the default time of use consumption network tariff (TAS94) consuming approximately 33,578 kWh of energy per annum are estimated to be \$3,108, an increase of 10.7 per cent in 2024-25. Network charges remain approximately 15.1 per cent lower than during the highs of 2015-16 (Figure 7).

Figure 7. Indicative annual network charge for a typical small business customer

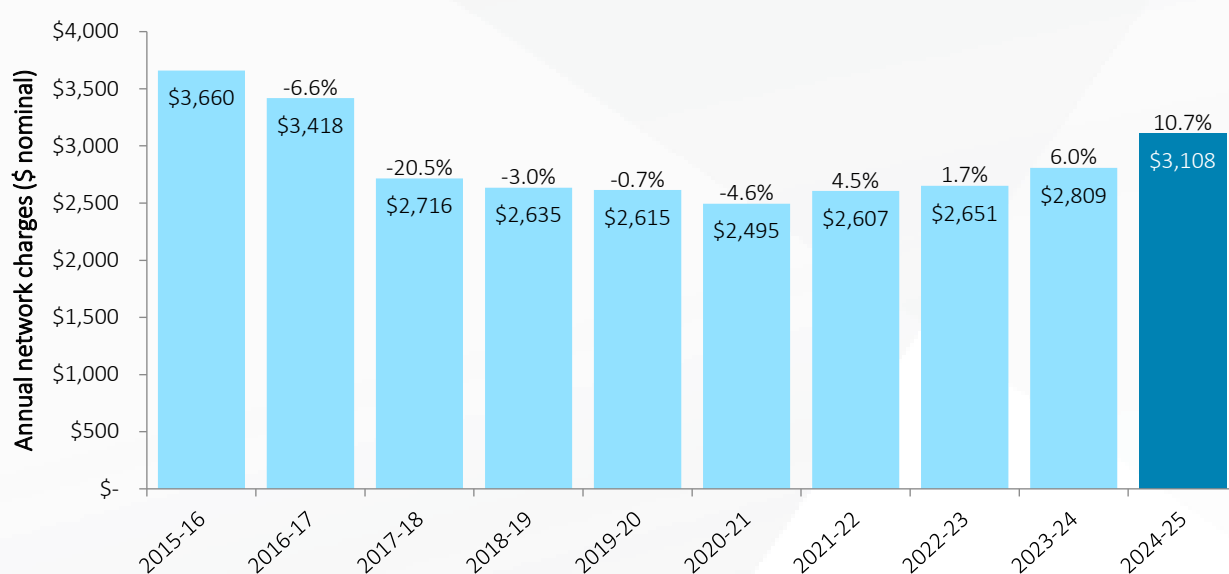


Figure 8 provides a summary of the commonly used small business network tariffs. The full network tariff schedule for 2024-25 can be found in the Standard Control Services pricing model 2024-25.

Figure 8. Small business network charges comparison

Small business time of use consumption (TAS94)

Service charge	cents/day	83.780
Peak energy charge (weekdays 7am-10am, 4pm-9pm)	cents/kWh	16.784
Shoulder energy charge (weekdays 10am-4pm)	cents/kWh	9.886
Off-peak energy charge (all other times, including all weekend)	cents/kWh	2.426

Small business general light and power (TAS22) – obsolete

Service charge	cents/day	63.694
Consumption charge	cents/kWh	10.316

Alternative control services

Alternative control services⁵ (**ACS**) refer to services where the costs – and the associated benefits from the service – can be directly attributed to a particular customer (for example, where a customer requests a service). Instead of setting a revenue cap, the AER caps the prices that can be charged for these services each year, or it sets the input costs that can be used to quote jobs. The price caps that apply to our ACS are calculated in accordance with the formulas provided by the AER in its Distribution Determination⁶.

The prices for ACS have been developed in consideration of the following outcomes of our 2024-2029 regulatory proposal:

- rationalisation of our labour rates when providing a quoted service; and
- removing the accumulated depreciation rebate on asset relocation services.

Metering services

TasNetworks continues to support legacy Type 6 (accumulation) meters installed prior to December 2017. These meters are typically used by residential and small business customers. As mentioned above, retailers have assumed the responsibility for reading and maintaining advanced meters, and due to the accelerated rollout of these meters in Tasmania, there is a likelihood that TasNetworks' existing Type 6 meter fleet will be fully retired by the end of the 2024-2029 regulatory control period.

Public lighting

Public lighting services provided by TasNetworks include:

- the provision, maintenance and replacement of public lighting assets owned by TasNetworks (public lighting); and
- the maintenance of public lighting assets owned by customers (contract lighting).

These services include the provision, construction, and maintenance of new/emerging lighting technology services.

It is important to note that the total charge for the provision of public lighting services comprise a charge for the provision of a SCS and an ACS. The conveyance of electricity to public lights requires the use of the distribution network, those costs are recovered through network tariffs, while the provision, construction and maintenance of public lighting asset are classified as ACS.

⁵ TasNetworks will update and publish its Alternative Control Services Application and Price Guides for the 2024-2029 regulatory control period after the Final Decision is received by the AER on 30 April 2024

⁶ Refer to [TasNetworks - AER Final Decision - Attachment 14 Control Mechanisms](#)

Ancillary services – Fee-based services

Fee-based services are services that customers request from TasNetworks where the costs, and the associated benefits from the service, can be directly attributed to that particular customer. Unlike our network charges relating to the shared network, which we bill customers' retailers for on the customers' behalf, we bill customers directly for any fee-based services on a user pays basis. The way we charge customers for fee-based services is still regulated by the AER, but with a price cap rather than a revenue cap. These services include (but are not limited to):

- de-energising or re-energising a connection when a customer changes premises;
- abolishing a power supply – removal of meters and service connection;
- basic connection establishment charges and basic connection alterations;
- temporary disconnection/reconnection charges; and
- testing the accuracy of a meter.

Ancillary services – Quoted services

TasNetworks is unable to provide a full range of indicative prices for quoted services, as by their nature these services are dependent on a customer's specific requirements and cost inputs may vary significantly. It is not possible, therefore, to set a generic total fixed fee in advance for these services.

Requests for quoted services may be received from a customer or retailer on behalf of a customer.

Further information

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

Head of Regulation
Tasmanian Networks Pty Ltd
PO Box 606
Moonah
TAS 7009

Phone: 1300 127 777

Email: regulation@tasnetworks.com.au



www.tasnetworks.com.au

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