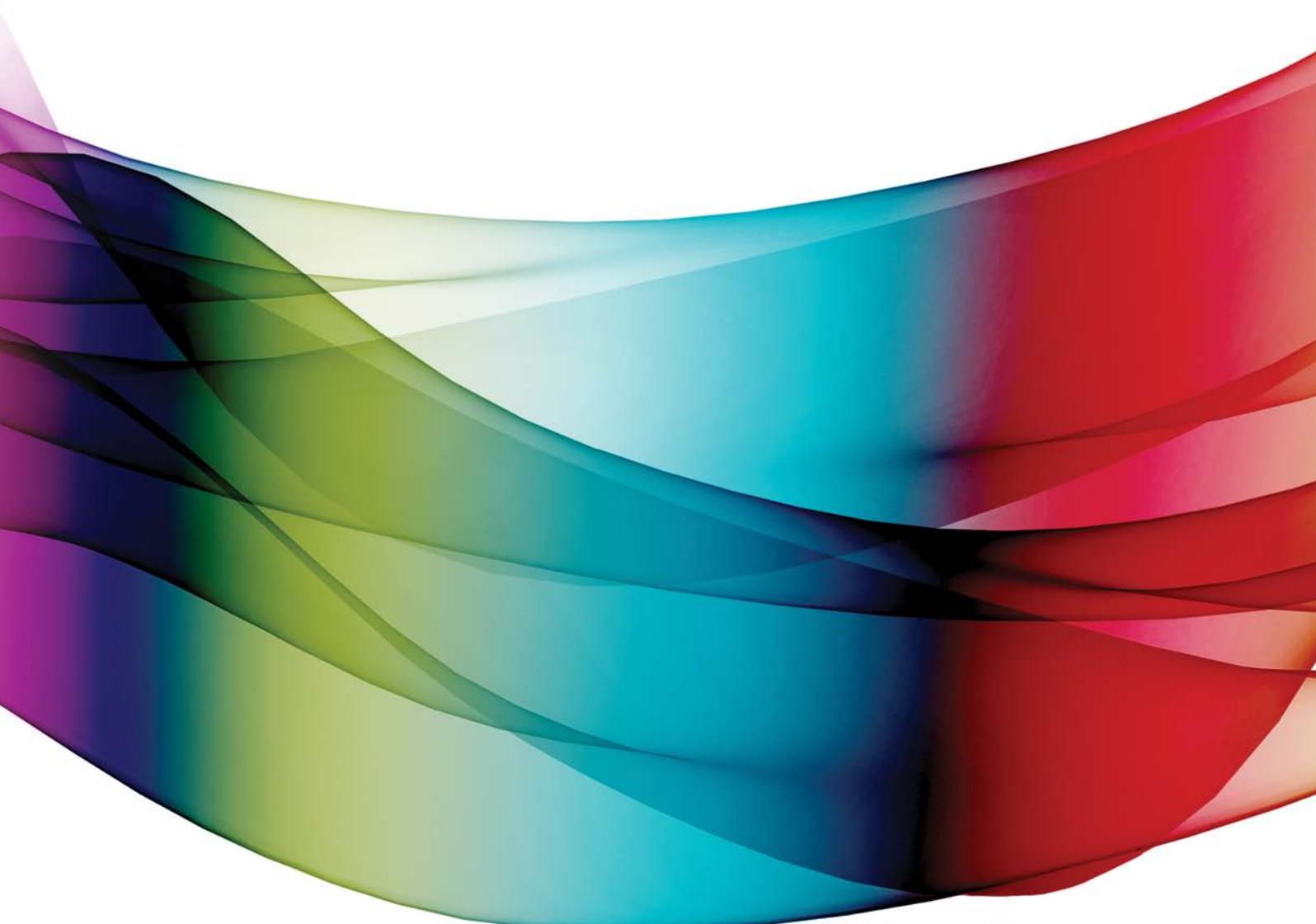


# Annual Distribution Pricing Proposal

For 1 July 2017 to 30 June 2018

Overview



# Who is TasNetworks?

## Delivering your power

TasNetworks is the Transmission Network Service Provider (**TNSP**) and Distribution Network Service Provider (**DNSP**) for the Tasmanian region of the National Electricity Market, which includes mainland Tasmania, but not the Bass Strait Islands.

TasNetworks own, operate and maintain the network of powerlines that takes high voltage power from the point of generation and delivers low voltage electricity to more than 280,000 Tasmanian households, businesses and organisations throughout the State. We also operate and maintain nearly 50,000 public lights on behalf of councils and other Government road authorities.

With total assets of over \$3 billion, TasNetworks provides the electricity network that ensures our customers receive a safe, reliable and affordable electricity supply.



## Our network charges are regulated

Retail electricity prices cover much more than the cost of generating the electricity that customers use. Retail prices also include the cost of transporting electricity via the high voltage transmission network and the low voltage poles and wires which make up the distribution network. Retail prices also include the costs associated with selling electricity to end-users.

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 makes a contribution towards this cost.

The amount of revenue we are able to recover from our customers each year and the prices we charge to recover that revenue are approved by the Australian Energy Regulator (**AER**). The AER sets our revenue allowances in advance as part of the revenue proposal process, and then approves the network prices we charge to recover that revenue.

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[Our Annual Distribution Pricing Proposal for 2017-18 sets out the prices which we will charge to recover our allowable revenue for that year.](#)

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Even though network charges make up approximately half of an average customers' electricity bill<sup>1</sup>, this cost is not visible to the majority of customers. This is because, rather than bill customers directly for their use of the network, we charge electricity retailers, who then pass on these costs to their customers through the retail tariffs that appear on electricity bills. Currently, the electricity bills received by most residential and small business customers don't break down the delivered cost of electricity into its various components.

This document summarises our Annual Distribution Pricing Proposal for the year from 1 July 2017 to 30 June 2018. It outlines the prices that will be charged to recover our allowable revenue for that year and explains some of the price changes from 1 July 2017.

## Our services and charges

### Network charges (for standard control services)

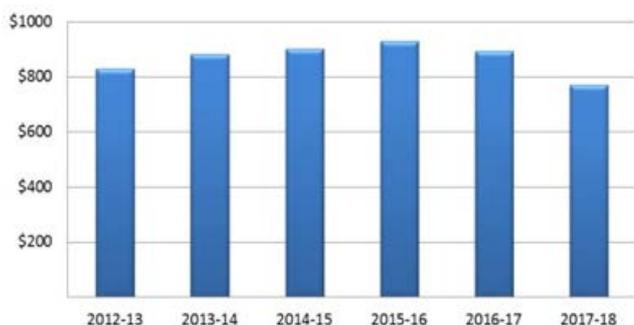
'Standard control' refers to generic distribution network services which are relied on by all customers. Rather than setting a price, the AER utilises a revenue cap approach to determine how much revenue we can collect from our customers for 'standard control' services.

The annual revenue allowance which applies to our standard control services is recovered through general network charges (via network tariffs). Most of our revenue is earned through network tariffs and the amount of that revenue each year is capped by the AER. Retailers use our network tariffs as an input to customers' electricity bill.

For this pricing period, we've successfully managed to reduce average network charges by almost 20 per cent.

For most customers, the movements in network prices for 2017-18 will place significant downward pressure on retail prices. The decrease in overall network charges is consistent with our strategy of delivering the lowest sustainable prices for our customers.

#### Annual network charges for a typical residential customer



#### Annual network charges for an energy intensive small business



Note: All costs are in \$nominal

<sup>1</sup> Source: OTTER – Investigation to determine maximum standing offer prices for small customers on mainland Tasmania

## Indicative price changes

- The majority of residential customers use a combination of two network tariffs: Residential low voltage general (TAS31) and Uncontrolled low voltage heating (TAS41). In line with our strategy, the charges for TAS41 are slightly increasing, however, these increases will be offset by decreases in TAS31. The majority of residential customers will pay lower total network charges in 2017-18 than they did in 2016-17.
- TAS31 service charge – 47.864 cents per day in 2016-17 unchanged in 2017-18, the charge for each kilowatt hour (kWh) – 14.168 cents/kWh in 2016-17 decreasing to 10.152 cents/kWh in 2017-18.
- TAS41 service charge – 5.183 cents per day in 2016-17 increasing to 5.538 cents per day in 2017-18, the charge for each kWh – 5.302 cents/kWh in 2016-17 increasing to 5.806 cents/kWh in 2017-18.
- For low voltage businesses customers on the standard consumption-based network tariff with no time of use conditions, the service charge will increase from 47.864 cents in 2016-17 to 48.180 cents in 2017-18. At the same time, the charge for delivering each kWh of electricity used by the customer will decrease from 14.168 cents/kWh to 10.031 cents/kWh; a decrease of 29.2 per cent. The majority of small business customers will pay lower total network charges in 2017-18 than they did in 2016-17.

## Regulated metering services

The way customers will be charged for metering is changing. From December 2017, TasNetworks will no longer be responsible for the provision of new and replacement standard meters. Instead, new and replacement metering services will be coordinated via a customer's retailer. Metering charges will depend on whether a customer has an advanced meter or a standard regulated metering service. We will continue to be responsible for the provision and maintenance of standard regulated metering services.

Regulated metering services are those services relating to the provision, installation (up to 1 December 2017) and maintenance of standard meters, and the associated services provided to customers. The type of meter provided depends on the connection characteristics and the network tariff applying to each customer. Because the cost of providing metering services varies depending on the type of metering equipment required, these charges are set separately to other network charges.

From 1 July 2017, our standard metering charges will decrease by an average of 19.3 per cent.



## Indicative price changes

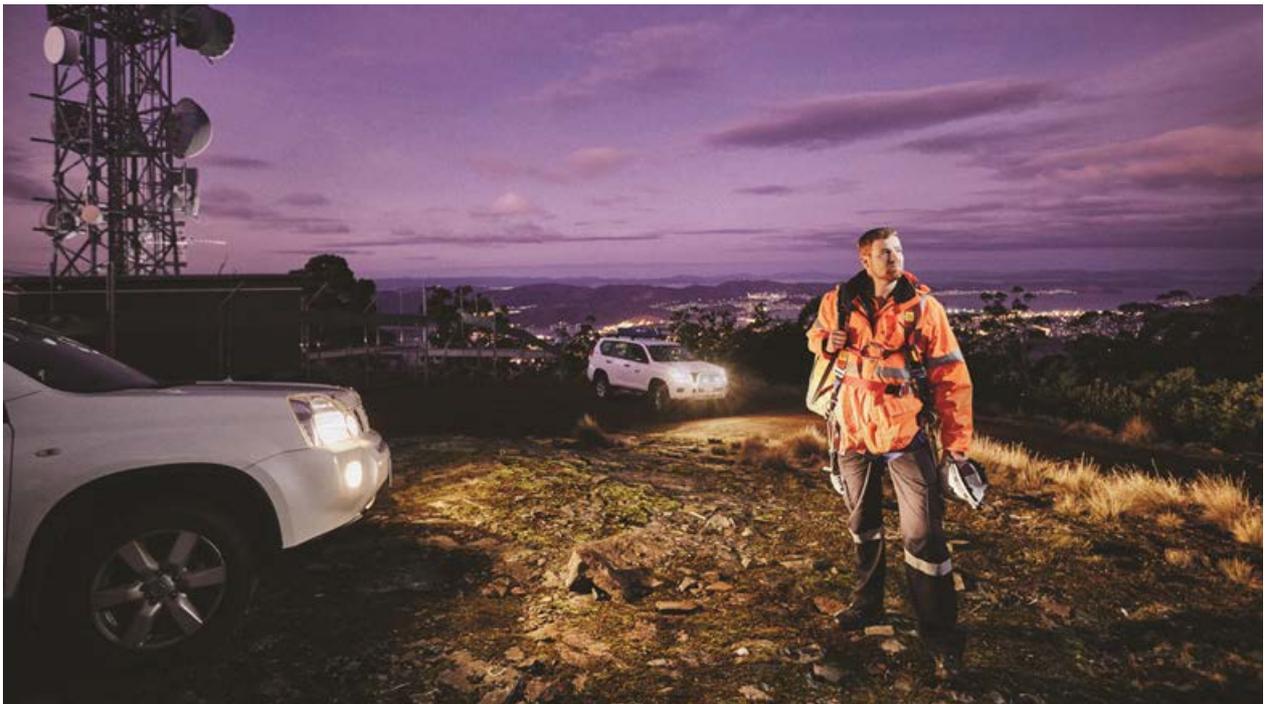
- For customers living in a private residential dwelling with a regulated basic meter, the annual cost of their meter will decrease from \$27.52 in 2016-17 to \$22.21 in 2017-18, a decrease of \$5.31 per annum.
- For a business with a low voltage power supply and a regulated basic meter, the annual cost of their meter will decrease from \$28.46 in 2016-17 to \$22.98 in 2017-18, a decrease of \$5.48 per annum.

## Public lighting

Public lighting services consist of the provision of new public lighting, as well as repair, replacement and maintenance of existing public lighting assets. Public lighting charges are based on the costs associated with installing and maintaining the fitting and the bracket. Public lighting tariffs do not include charges for the utilisation of TasNetworks' distribution or transmission networks; these costs are recovered through network tariffs.

Public lighting charges vary depending on the type of equipment used and are calculated in accordance with the AER's Distribution Determination applying to TasNetworks.

From 1 July 2017, our public lighting charges will increase by an average of 9.1 per cent.



## Indicative price changes

- The majority of new fittings installed for major public lighting are high pressure sodium vapour fittings and the majority of new fittings for minor public lighting are LED.
- In 2016-17, the daily charge for a 150W Sodium Vapour light was 38.223 cents per day. For 2017-18, the daily charge will increase to 46.694 cents per day, an increase of \$30.92 per annum.
- In 2016-17, the daily charge for a 250W Sodium Vapour light was 38.341 cents per day. For 2017-18, the daily charge will increase to 47.809 cents per day, an annual increase of \$34.56 per annum.

## Ancillary services – Fee-based services

These are services that a customer may request from TasNetworks. Fee-based charges are charged to individual customers. As such, the AER regulates the way we charge customers for fee-based services with a price cap rather than a revenue cap. These services include (but are not limited to):

- de-energisation or re-energising a connection when a customer changes premises;
- supply abolishment – removal of meters and service connection;
- testing the accuracy of a meter.

From 1 July 2017, our prices for fee-based services will increase by an average of 8.9 per cent.

### Indicative price changes

- In 2016-17, the price for a de-energisation, re-energisation or special meter read conducted on a scheduled service day was \$53.34. In 2017-18, the same service will cost \$59.53, an increase of 11.6 per cent.
- In 2016-17, TasNetworks charged \$292.52 for a visit to a customer's premises to undertake the testing of a basic metering installation, regardless of the customer's location. In 2017-18, the same test will cost \$215.91, a decrease of 26.2 per cent.

## Ancillary services – Quoted services

Quoted services are those services provided by TasNetworks where the nature and scope of the service is specific to an individual customer's needs, and varies from customer to customer. These services are not commonly requested by customers and will vary significantly depending on the customer's specific requirements. We prepare a customer-specific quotation for these services, which include (but are not limited to) services like:

- removal or relocation of our assets;
- providing network services at a higher standard of reliability;
- providing overhead and underground subdivisions for developers;
- more frequent meter reading.

In April 2017, the AER approved the labour rates that we must apply when preparing a quote (in addition to materials and other costs). The average 2017-18 labour rate is less than 2 per cent higher than the 2016-17 rates.

### Indicative price changes

TasNetworks is unable to provide indicative prices for specific quoted services because prices may vary significantly between customers, depending on the customers' requirements and circumstances. However, as a guide, some examples of the changes in the hourly charges for the provision of labour associated with quoted services in the period 1 July 2017 to 30 June 2018 are presented below.

- Electrical Inspector – \$63.11 per hour in 2016-17, decreasing to \$58.32 in 2017-18, a decrease of 7.6 per cent.
- Cable Joints – \$58.67 per hour in 2016-17, increasing to \$60.56 per hour in 2017-18, an increase of 3.2 per cent.
- Designer – \$74.06 per hour in 2016-17, decreasing to \$70.05 per hour in 2017-18, a decrease of 5.4 per cent.
- Distribution Linesman (live line) – \$58.78 per hour in 2016-17, increasing to \$63.38 per hour, an increase of 7.8 per cent.
- Labourer – overhead – \$49.87 per hour in 2016-17, decreasing to \$48.42 per hour in 2017-18, a decrease of 2.9 per cent.

# Changes to network tariffs in 2017-18

## Continuing the journey to cost reflective network tariffs

In line with TasNetworks' commitment to lowest sustainable prices for our customers, from 1 July 2017, the process of network tariff reform and transitioning towards more cost reflective pricing will continue.

Like other network businesses across Australia, TasNetworks is looking to change the way it charges for the delivery of electricity and access to its distribution network. Technological and customer driven changes in the electricity market, such as the widespread uptake of solar panels, mean that the current consumption-based network tariffs used to recover the cost of network services are no longer fit for purpose.

Our aim is to encourage a customer led shift to demand-based network tariffs, with our customers understanding and recognising the value proposition associated with demand-based network tariffs, as opposed to the current consumption-based network tariffs. From 1 July 2017 we will be offering new time of use demand-based network tariffs to electricity retailers as a choice for their residential and low voltage business customers.

In addition to introducing new cost reflective network tariffs, we will continue the process of realigning the prices for a number of network tariffs, in order to reduce some long-standing cross-subsidies.

We will continue to consult with customers on the longer term reform of our network tariffs. For further information on the consultation we have undertaken to date – please refer to our [Revised Tariff Structure Statement](#), which is available on our website.



The table below provides a summary of the movement in network charges.

Tariff class	Tariff	Tariff component	Network charge 2016-17 (cents)	Network charge 2017-18 (cents)	Change (%)
High Voltage	TAS15  Business high voltage kVA specified demand (>2.0 MVA)	Service charge	2,475.500	2,543.800	2.76%
		Peak energy	1.897	0.998	(47.39%)
		Shoulder energy	0.514	0.599	16.54%
		Off-peak energy	0.065	0.149	129.23%
		Specified demand	12.054	8.351	(30.72%)
		Excess demand	60.270	41.755	(30.72%)
		Connection specified demand	0.438	0.303	(30.82%)
		Excess connection specified demand	2.190	1.516	(30.78%)
	TASSDM  Business high voltage kVA specified demand	Service charge	186.788	280.685	50.27%
		Peak energy	1.243	1.463	17.70%
		Shoulder energy	0.938	0.878	(6.40%)
		Off-peak energy	0.525	0.219	(58.29%)
		Specified demand	24.280	18.755	(22.76%)
		Excess demand	242.796	187.552	(22.75%)
Irrigation	TAS75  Irrigation low voltage time of use	Service charge	230.006	230.294	0.13%
		Peak energy	15.553	10.365	(33.36%)
		Shoulder energy	9.535	6.219	(34.78%)
		Off-peak energy	1.505	1.555	3.32%
Large Low Voltage	TAS89  Large low voltage commercial time of use demand	Service charge	-	427.103	-
		Peak demand charge	-	51.484	-
		Off-peak demand charge	-	17.143	-
	TAS82  Business low voltage kVA demand	Service charge	244.704	285.917	16.84%
		Energy charge	2.925	2.486	(15.01%)
		Demand charge	47.792	34.721	(27.35%)

Tariff class	Tariff	Tariff component	Network charge 2016-17 (cents)	Network charge 2017-18 (cents)	Change (%)
Small Low Voltage	TAS88 Low voltage commercial time of use demand	Service charge	-	64.926	-
		Peak demand charge	-	58.432	-
		Off-peak demand charge	-	19.459	-
	TAS22 Business low voltage general	Service charge	47.864	48.180	0.66%
		Energy charge	14.168	10.031	(29.20%)
	TAS34 Business low voltage nursing homes	Service charge	47.864	48.180	0.66%
		1st 500kWh energy	14.168	10.031	(29.20%)
		Remaining energy	8.904	9.642	8.29%
	TASCURT General network – business, curtilage	Service charge	36.695	40.472	10.29%
		Energy charge	14.168	10.031	(29.20%)
	TAS94 Business low voltage time of use	Service charge	48.844	57.368	17.45%
		Peak energy	13.901	10.700	(23.03%)
		Shoulder energy	8.876	6.422	(27.65%)
		Off-peak energy	1.554	1.605	3.28%
Residential	TAS87 Residential time of use demand	Service charge	-	54.538	-
		Peak demand charge	-	36.228	-
		Off-peak demand charge	-	12.064	-
	TAS31 Residential low voltage general	Service charge	47.684	47.864	0.00%
		Energy charge	14.168	10.152	(28.35%)
	TAS101 Residential low voltage time of use	Service charge	47.864	47.864	0.00%
		Energy charge	8.301	7.917	(4.63%)
	TAS92 Residential low voltage pay as you go time of use	Service charge	47.864	53.581	11.94%
		Peak energy	19.020	17.679	(7.05%)
Off-peak energy		2.811	3.090	9.93%	

Tariff class	Tariff	Tariff component	Network charge 2016-17 (cents)	Network charge 2017-18 (cents)	Change (%)
	TAS93	Service charge	47.864	53.581	11.94%
	Residential low voltage time of use	Peak energy	19.020	17.679	(7.05%)
		Off-peak energy	2.811	3.090	9.93%
Uncontrolled Energy	TAS41	Service charge	5.183	5.538	6.85%
	Uncontrolled low voltage heating	Energy charge	5.302	5.806	9.51%
Controlled Energy	TAS61	Service charge	9.716	11.252	15.81%
	Controlled low voltage energy – off-peak with afternoon boost	Energy charge	1.715	1.692	(1.34%)
		TAS63	Service charge	9.716	11.252
	Controlled low voltage energy – night period only	Energy charge	1.362	1.467	7.71%
Unmetered	TASUMS	Service charge	47.864	48.180	0.66%
	Unmetered supply low voltage general	Energy charge	18.245	11.951	(34.50%)
Streetlights	TASUMSSL	Demand charge	0.142	0.112	(21.13%)
	Unmetered supply low voltage public lighting				

# Further information

Each year we publish the following documents, which explain our services and pricing in more detail:

- Distribution Annual Pricing Proposal
- Network Tariff Application and Price Guide
- Metering Services Application and Price Guide
- Public Lighting Application and Price Guide
- Ancilliary Services – Fee-based Services Application and Price Guide
- Ancilliary Services – Quoted Services Application and Price Guide

These documents, along with our Annual Pricing Proposal, are available on the TasNetworks web site at:

<http://www.tasnetworks.com.au/our-network/network-revenue-pricing>

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

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