

Keeping your electricity supply safe, reliable and affordable

Ausgrid's initial pricing proposal 2015/16



Our interim annual pricing proposal submitted to the Australian Energy Regulator (AER) outlines our network charges for the financial year commencing 1 July, 2015.

This includes prices for Ausgrid's transmission and distribution services; default tariffs for residential and small business customers; network charges for medium to large-scale businesses; and prices for metering, public lighting, and ancillary services such as the design and inspection of new electrical connections.

The proposed prices reflect the revenue cap set by the AER for the 2014-19 period in its regulatory determination issued on April 30, 2015. In order to meet this revenue cap and comply with new rules requiring more cost-reflective pricing, we are proposing changes to the way bills are calculated for residential and small business customers. This includes shifting our default tariff for these customers from an inclining to a declining block structure, and reducing the relative discounts offered to customers on a time of use tariff.

Once approved, our network prices will be provided to retailers which then determine the final retail tariffs that appear on a customer's electricity bill. Retailers can choose how they pass on these network charges, taking into account their own pricing strategies and priorities. The overall impact on customers' bills will also depend on how much energy is consumed, and at what time.

The document is an interim proposal because Ausgrid is seeking a legal review of the AER's determination which, if successful, could result in changes to these tariffs later this year.

Ausgrid is committed to delivering real reductions to network electricity prices by continuing to lower costs and improve efficiency in a safe and responsible way. Over the past three years, the NSW Government's reform program has delivered \$2.1 billion in savings from our capital and operating costs.

However, the AER's determination – if fully implemented – could pose a significant risk to the safe and sustainable operation of the electricity network. This could include the network's capacity to carry out bushfire mitigation work and restore power after major storms.

Network bill changes 2015/16*

Residential block
tariff customer –
5MWh p.a.

\$113 less

Residential block
tariff customer –
9MWh p.a.

\$263 less

Small business
block tariff –
10MWh p.a.

\$76 less

Small business
block tariff –
15MWh p.a.

\$465 less

Residential
Time of Use

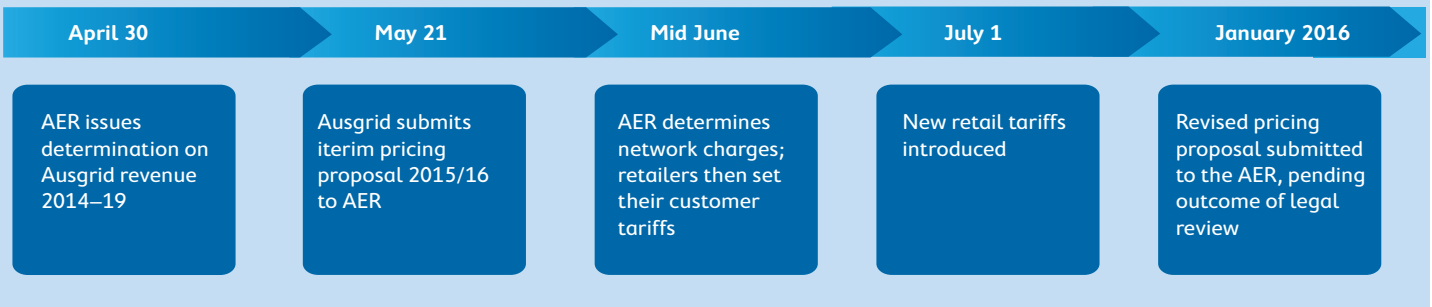
**CPI or
below**

Small business
Time of Use

**CPI or
below**

*Nominal terms, excluding GST and retailer increases

Timeline

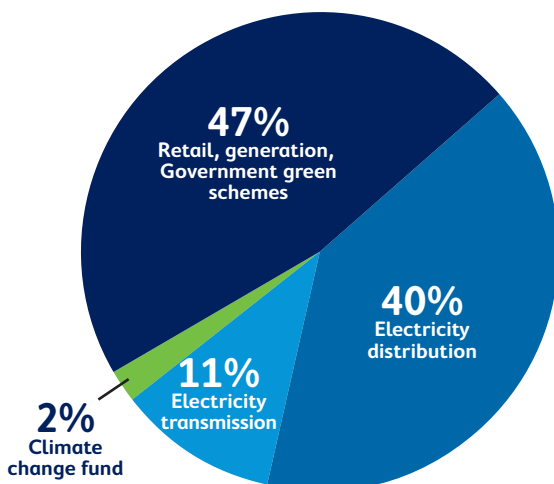


Tariff reform

Ausgrid is introducing a number of reforms to its tariff structure in 2015/16 to comply with the AER's final revenue determination and a new network pricing objective set by the Australian Energy Market Commission (AEMC). This requires our pricing to reflect the efficient costs of providing services. Ausgrid's proposed changes are a responsible approach to reform which balance equity and economic objectives by keeping network price increases below CPI.

- Ausgrid will retain the block tariff structure as its primary default network use of system tariff for new residential and small business customers. By transitioning to a declining block price structure in 2015/16 we will reduce the overall level of network tariffs, in line with the AER's revenue determination, and keep customers' network price increases below CPI.
- The AEMC's pricing rule changes require charges to reflect the efficient cost of providing services. In order to make the Time of Use tariff more cost-reflective, Ausgrid intends to reduce the relative discount for off-peak consumption in 2015/16, while keeping any change in the TOU tariffs below CPI.
- Ausgrid will introduce new eligibility criteria for Cost Reflective Network Price (CRNP) tariffs, to improve efficiency and make pricing more equitable for large load customers with unstable patterns of consumption. The changes are likely to result in most of the existing CRNP sites being reassigned to different tariff classes, following a transitional period.
- The AER also requires distribution businesses like Ausgrid to include a fixed metering charge for our network customers. Retailers will decide whether to show this fixed charge on a customer's final bill.

Electricity networks account for about half your electricity bill



Network charges – an overview

Network access charge – a flat charge based on the number of days connected to the network.

Electricity usage charge (c/kWh) – a charge per unit of electricity supplied to a connection point through a primary tariff or an additional secondary tariff such as controlled load hot water.

Capacity charge per kiloWatt or kilovoltAmp, per day (c/kW/day or c/kVA/day) – a charge based on a customer's maximum peak weekday demand over the past 12 months.

Block energy charge – this charge is triggered once a threshold amount of electricity use has been used in each billing quarter. All electricity used after this point is charged at a different rate.

Time of Use (TOU) consumption charges – these charges vary according to the time of day and whether it is a weekday or a weekend or public holiday.

Future reform – how to have your say

The AEMC has also introduced new processes for setting network tariffs that aim to improve certainty, timeliness and transparency for consumers and retailers. These require Ausgrid to:

- Submit a tariff structure statement for approval by the AER in November 2015, outlining our proposed strategy for the period 1 July 2017 to 30 June 2019.
- Demonstrate how we have consulted with consumers and retailers in developing new price structures.
- Notify consumers and retailers of final network prices at least six weeks before they commence.

We look forward to hearing from our customers and stakeholders about how we can involve them further in developing new tariffs.

For more information, please email us at yoursay@ausgrid.com.au or visit ausgrid.com.au/networkprices. You can also provide feedback via twitter.com/Ausgrid and facebook.com/Ausgrid