

A photograph of a man in a high-visibility orange and navy blue work uniform hugging three children (two boys and one girl) in front of a white electric vehicle. The man is wearing a high-visibility orange jacket with reflective silver stripes and navy blue trousers. The children are wearing casual clothing. The background is a dark, textured wall. The text "empowering communities" is overlaid on the image in a white, cursive font, with "communities" in a bold, orange, sans-serif font.

empowering
communities

**Empowering communities to share
and use energy for a better tomorrow**

2024-25 Annual Pricing Proposal Overview

May 2024

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Introduction

This overview document is provided as part of Essential Energy's 2024-25 Annual Pricing Proposal to the Australian Energy Regulator ("AER").

In previous years the explanation of our price changes, as well as demonstration of compliance, was incorporated within a single pricing proposal document, supported by additional models and documentation required by the AER. This year, the AER requested that demonstration of compliance be met through standardised pricing models and a compliance documentation template. This is consistent for all distribution network service providers ("DNSPs"). Our 2024-25 Pricing Proposal Statement of Compliance submission to the AER provides all information required by the AER for its assessment of compliance against the National Electricity Rules ("NER"). This Pricing Proposal Overview provides other additional information for stakeholders regarding Essential Energy's proposed 2024-25 network prices, including our tariffs and network bill impacts for our customers from 1 July 2024.

Our Pricing Proposal is based on Essential Energy's AER approved 2024-29 Tariff Structure Statement ("TSS").

Enquiries regarding this document should be directed to:

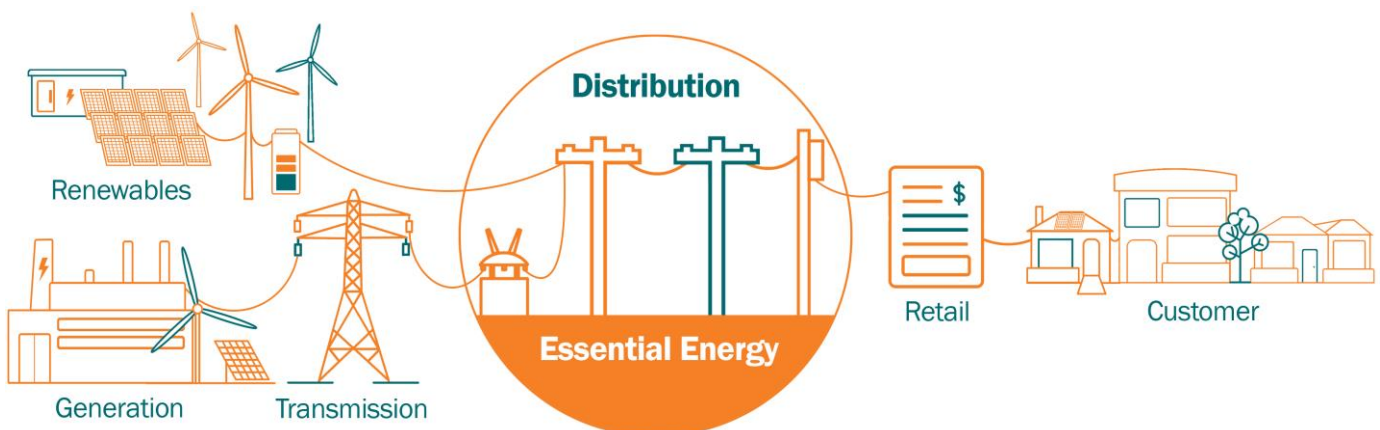
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Background

Essential Energy owns, operates and maintains one of Australia's largest electricity distribution networks, spanning 95 per cent of New South Wales ("NSW") and parts of southern Queensland. Our network covers diverse environments, ranging from sub-tropical conditions in northern NSW to the alpine environment in the Snowy Mountains and arid climates of western NSW.

Essential Energy is only one part of the electricity supply chain. We take electricity from generators and transmitters and distribute it across our operating area on behalf of the retailers that bill for the power used. Our costs comprise about 38 per cent of the total of a typical residential electricity bill. Most customers don't see our network charges as these are paid by retailers that build our charges into the retail price.

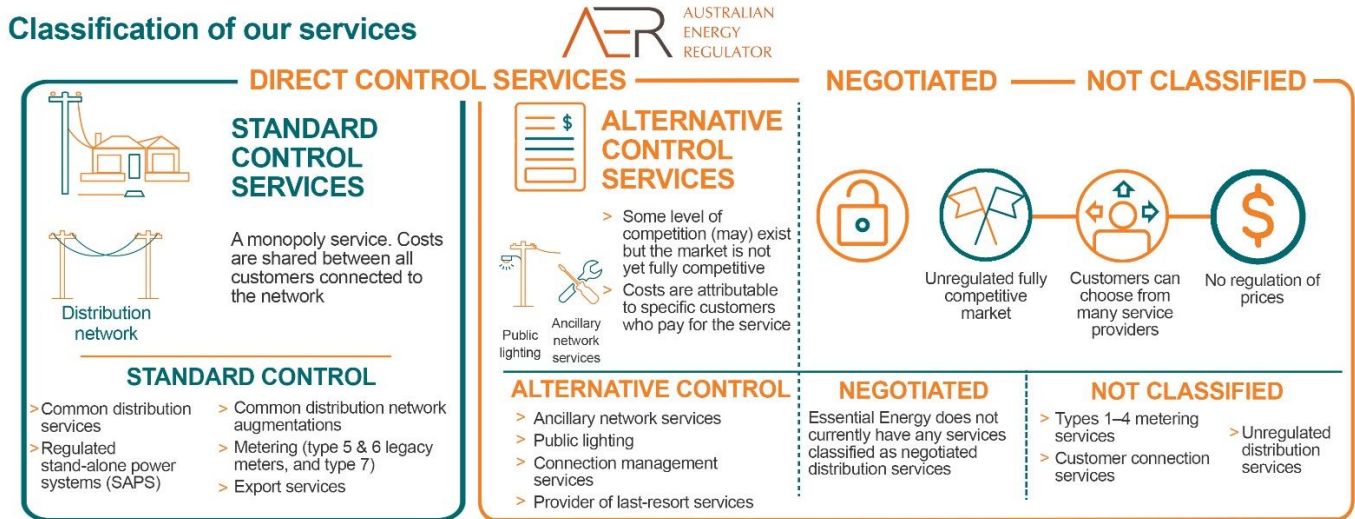
Figure 1: Electricity Industry Supply Chain



1 Introduction

Essential Energy is regulated by the AER. The AER's classification of services determines which services are regulated. The diagram below outlines the classification categories that apply to Essential Energy for 2024-29.

Figure 2: How the AER classifies distribution services in NSW



This determines how prices will be set and how revenue is recovered from customers. The AER approves prices for services it classifies as Direct Control Services.

During the 2024-29 Regulatory Determination process, Essential Energy worked with the AER to group our distribution services for 2024-29. Key changes include:

- > Stand Alone Power Systems (“SAPS”) – Standard Control Services (“SCS”) will now include work related to regulated SAPS, which typically include solar panels, batteries and back-up generators. This recognises that these systems can provide an efficient alternative to network assets, particularly in remote and bushfire-prone areas.
- > Export Services – supporting the export of excess distributed generation from customers' premises (such as from solar panels) to the grid will now be recognised as part of providing SCS.
- > Metering Services – supporting the accelerated roll out of smart meters, existing services related to owning and maintaining type 5 and 6 legacy meters have moved from alternative control to standard control services.

1 Introduction

Network Charges

Essential Energy's network charges for 2024-25 comprise of four components, which together are referred to as Network Use of System ("NUoS") charges. This is a change from 2023-24, with metering charges now being recovered through NUoS under the 2024-29 Regulatory Determination outcomes.

1. **Distribution Use of System ("DUoS") charges:** This is the revenue that Essential Energy receives to fund its investment in and the maintenance of its network.
2. **Designated Pricing Proposal charges ("DPPC") or Transmission Use of System ("TUoS") charges:** This is a pass through to customers of charges from transmission companies such as Transgrid and Powerlink in Queensland ("QLD"). Costs relate to transmission of electricity over the high voltage network.
3. **Jurisdictional Scheme Amounts** Essential Energy is required to pay these amounts pursuant to certain NSW and QLD scheme requirements. These include:
 - a. **Climate Change Levy ("CCL"):** A pass through to customers of the amount Essential Energy is required by legislation to pay into the NSW Government Climate Change Fund
 - b. **Queensland Solar Scheme ("QSS"):** Another small pass through to customers of the amounts paid out for the QSS
 - c. **NSW Roadmap Contribution:** A pass through to customers of the amount Essential Energy is required by legislation to pay for the NSW Roadmap implementation
4. **Metering charges:** This is the revenue that Essential Energy receives for maintenance, reading, data services, and the recovery of capital costs related to type 5 (interval) and type 6 (accumulation) meters.

We pass the network charges onto electricity retailers who recover these costs from customers through their electricity bills. Retailers choose how they bundle the costs of each of these components into one electricity tariff for customers.

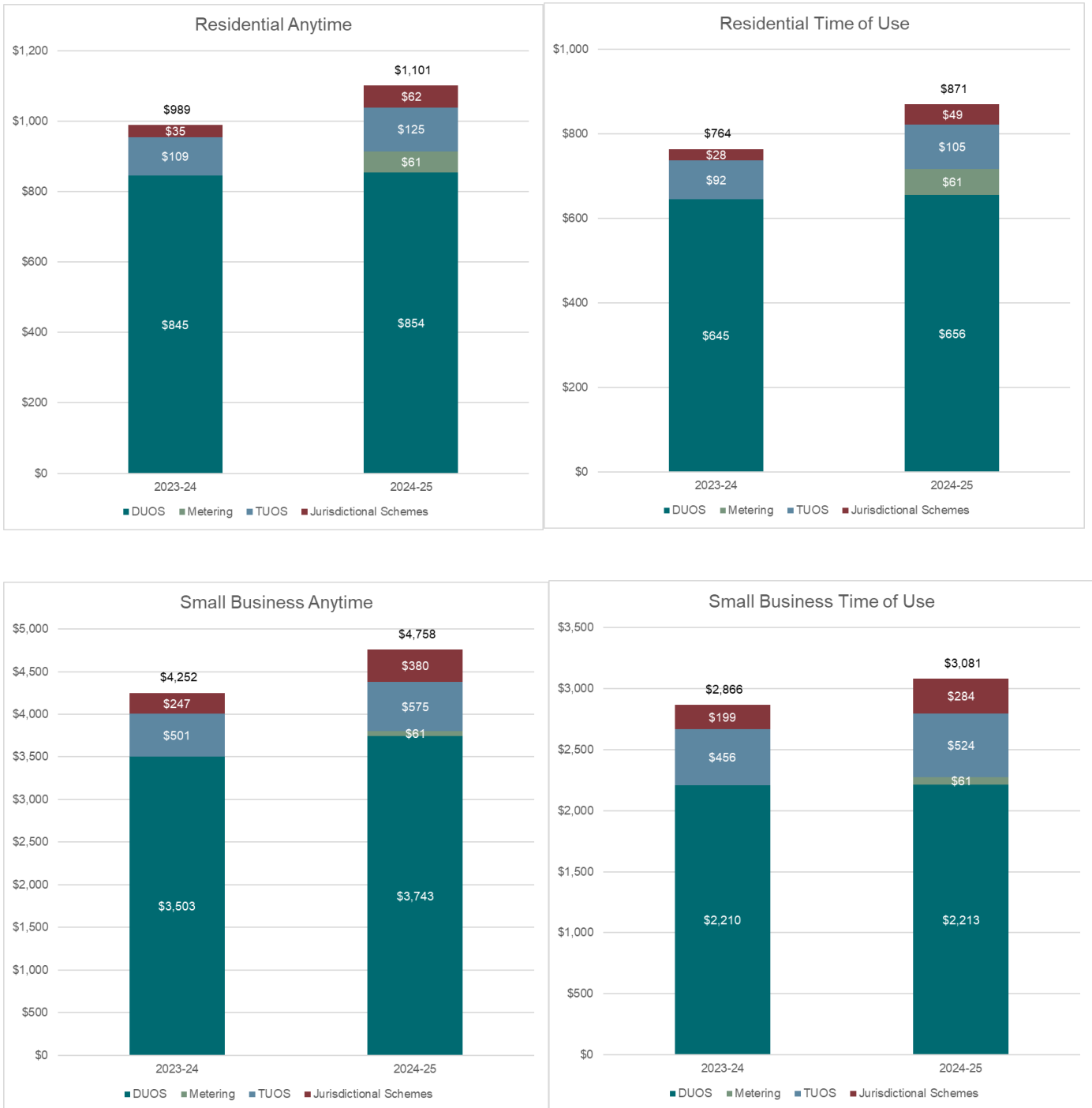
2024-25 Network Prices

Essential Energy is proposing network charges will increase compared with 2023-24 by an average of:

- > \$113 or 12.7 per cent for residential customers
- > \$213 or 7.7 per cent for small business customers, and
- > \$2,696 or 4.7 per cent for a large business connected on the low voltage network. .

The break-up of the total annual network bill for a typical residential and small business customers is shown below:

Figure 3: Typical Customer Bills



Network Tariffs

Network Tariff Classes

Customers for Essential Energy’s services are divided into service groups and classes for the purposes of assigning distribution network charges. These are called tariff classes.

Tariff classes for 2024-25 remain unchanged from 2023-24. These were established by considering:

- > historical pricing structures;
- > existing metering capability and the cost-effectiveness of metering options;
- > the connected voltage level of customers; and
- > the cost-benefit of providing further disaggregation into additional customer classes.

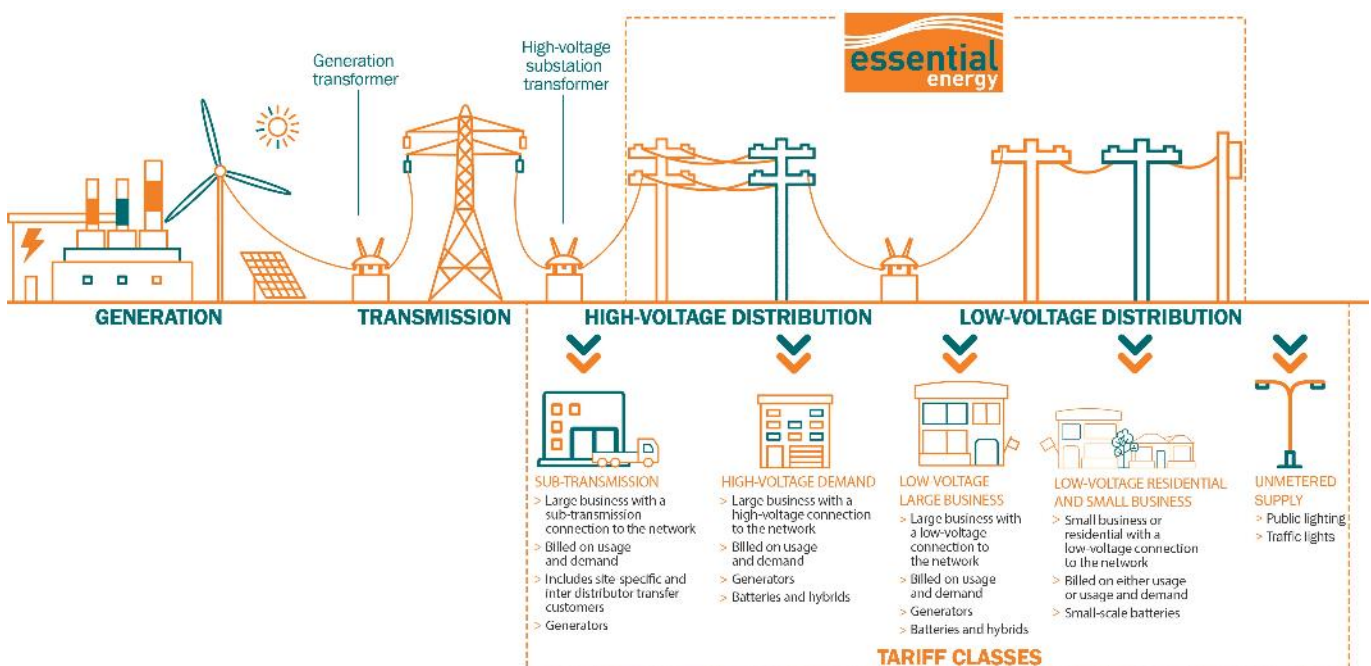
There are five tariff classes.

- 1 Subtransmission (including inter-distributor transfers)
- 2 High Voltage Demand
- 3 Low Voltage Large Business
- 4 Low Voltage Residential and Small Business
- 5 Unmetered supply.

The threshold for the Large Business customer class is 160MWh a year.

Apart from our largest customers, who have site-specific charges, all customer prices are averaged for their class.

Figure 4: Standard Control Services tariff classes



2 Network Tariffs

Network Tariffs by Class

Each tariff class consists of several different network tariffs. Residential and Small Business customers are assigned to different network tariffs based on their meter type. The table below sets out the individual tariffs in each tariff class.

Table 1: Network Tariffs by Class

Tariff Class	Meter Type	Primary Tariffs	Secondary Tariffs
Low Voltage Residential and Small Business	Any Type 4 or 5 Type 4 Type 4	Anytime* Time of Use* Time of Use with Demand Sun Soaker^ Small Scale Storage	Controlled Load 1 Controlled Load 2
Low Voltage Large Business	Type 3	Time of Use with Demand Time of Use with Alternative Demand Large Storage/Hybrid	
High Voltage Demand		Time of Use with Demand Storage/Hybrid	
Subtransmission		Subtransmission Demand	
Unmetered Supply	N/A	Unmetered Supply Public Street Lighting Time of Use	

*Obsolete tariff – closed to new customers

^Default tariff for assignment

Procedures for the assignment of new customers and re-assignment of existing customers to network tariffs are contained in our 2024-29 TSS and Tariff Structure Explanatory Statement (TSES).

Sun Soaker Tariff Structure

From 1 July 2024 the Sun Soaker tariff will become the default tariff assigned for new Residential and Small Business customers, as well as for any meter changes or new Customer Energy Resources (i.e. solar panels and batteries) connections/upgrades.

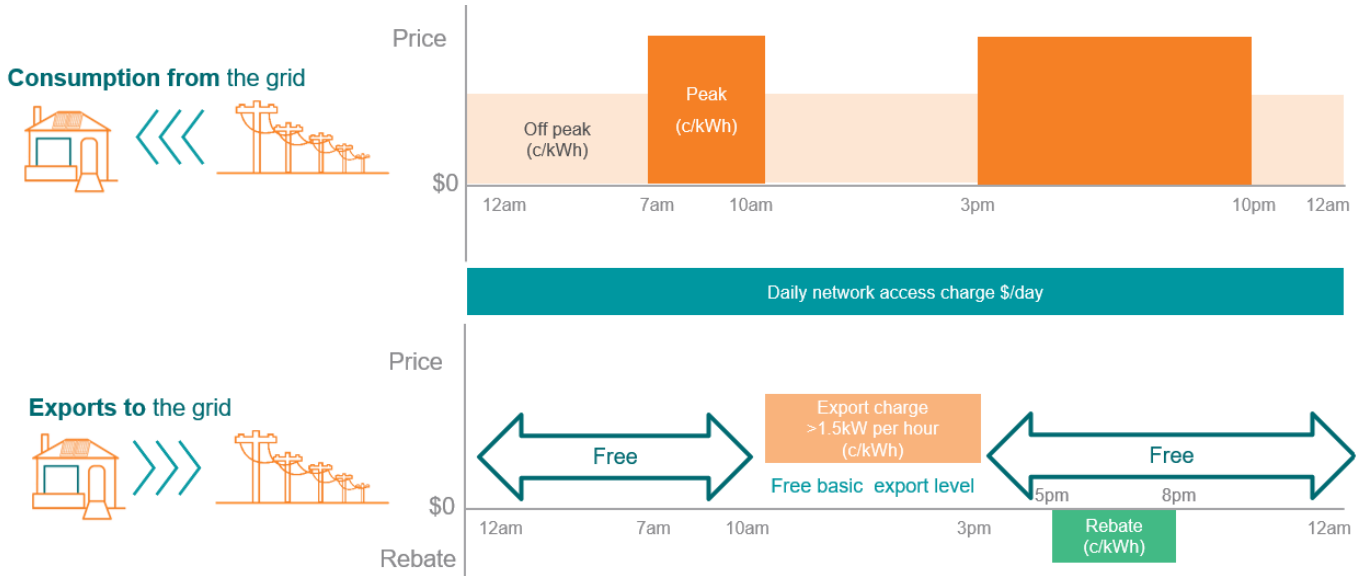
The Sun Soaker tariffs have both a consumption and export component. Essential Energy is proposing a staged approach to the transition to export pricing, with no charge on the export tariffs for 2024-25 and customers having the ability to opt-out of the Sun Soaker tariff and use the demand-based tariff until 1 July 2028. From 1 July 2028 the export charge will be added to demand-based tariffs.

The Sun Soaker tariff has been designed following customer trials and extensive consultation, with the end structure being a time of use tariff simplified into two periods (peak and off-peak) with an energy-based kWh export tariff. All low voltage customers will also be eligible for a rebate on their energy exported during the 5pm – 8pm evening network peak.

Further information on how the Sun Soaker and export tariffs have been developed, including customer bill impacts and engagement undertaken, is available in our 2024-29 TSS.

2 Network Tariffs

Sun Soaker Tariff Structure



Storage/Hybrid Tariffs

Following increased enquiries regarding storage/hybrid tariffs, Essential Energy has included tariffs targeted at customers in this segment. This is available for customers whose sole purpose is to operate commercial storage and/or generation units with no co-located load behind their meter that is not ancillary to the operation of those storage/generation units.

These tariffs comprise of both demand and export charges, as well as a daily access charge. Three tariffs have been introduced for 2024-25 depending on the connection point and size of the connection.

Metering Services – Types 5 and 6

In its final decision on the 2024-29 regulatory period, the AER reclassified most legacy metering services involving types 5 and 6 meters from alternative control to standard control services. This means that Essential Energy will recover costs for reclassified legacy metering services in the 2024-29 regulatory period through the revenue cap form of control. This is a change from how the cost recovery operated for the 2019-24 regulatory period, which was through a cap on the price of individual metering services classified under Alternative Control Services.

As part of the decision, the AER have separated metering revenue from other standard control services to facilitate time series analysis.

The AER has retained a classification of Alternative Control for a few customer-requested services related to legacy meters. Cost recovery for these services will continue to occur through a cap on the prices of individual services.

The final decision also allows for the metering asset base to be fully depreciated within the 2024-29 regulatory period.

The AER's final determination allows for legacy metering costs to be recovered through the following metering service charges:

2 Network Tariffs

-
- > A flat per customer charge applied to all Low Voltage customers, regardless of customer, tariff or meter type - this includes recovery of the metering asset base through accelerated depreciation
 - > Variable cost of customer-requested legacy meter services to be recovered under the price cap control mechanism.

Trial Tariffs

Essential Energy has no trial tariffs commencing in 2024-25.

The current 2023-24 trial tariffs will close from 1 July 2024.

3 Network Bill Impacts

Network Bill Impacts

On average, customers are expected to experience an increase of between 5.2 per cent and 13.9 per cent in network charges in 2024-25 compared to their 2023-24 charges.

The changes to tariffs or tariff assignment for 2024-25 from 2023-24 are summarised below.

Table 2: Summary of changes from previous regulatory year

Component	Network charge type	Annual update
DUoS	Small Business Anytime customers	The fixed charge component is aligned with other Small Business tariffs.
	Obsolete network charges	Five tariffs which were made obsolete during the 2019-24 regulatory period have been deleted with customers remaining on these tariffs moved to the default tariff for their tariff class. Analysis showed that all customers were better off under the default tariff.
	All	Average increase or decrease to recover required revenue, including adjustment for any over-recovery or under-recovery.
TUoS	Site-specific	Rates provided by transmission companies applied as closely as possible
	All other	Average increase or decrease to recover required revenue, including adjustment for any over-recovery or under-recovery
NSW Climate Change Fund Levy	All	Average increase or decrease to recover required revenue, including adjustment for any over-recovery or under-recovery, with only 25 per cent from Residential customers
Queensland Solar Scheme	All	Average increase or decrease to recover required revenue, including adjustment for any over-recovery or under-recovery
NSW Electricity Infrastructure Roadmap	All	Average increase applied to all components – fixed charge, consumption, and demand – and all customers to recover NSW Electricity Infrastructure Roadmap

A summary of average annual network bill impacts for customers on the low voltage tariffs is presented in the table below.

Table 3: Low Voltage annual network bill impacts

		Average annual MWh	Average annual charges 2023-24	Average annual charges 2024-25	Average change per customer	Average increase (%)
Residential	Anytime	5.00	\$989	\$1,101	\$112	11.3%
	Time of Use	7.25	\$1,075	\$1,198	\$123	11.4%
	Time of Use - Interval	4.09	\$764	\$871	\$107	13.9%
	Controlled Load 1	1.94	\$86	\$94	\$9	10.4%
Small Business	Anytime	23.00	\$4,252	\$4,758	\$507	11.9%
	Time of Use	34.82	\$5,384	\$4,948	-\$436	-8.1%
	Time of Use - Interval	20.02	\$2,866	\$3,081	\$215	7.5%

3 Network Bill Impacts

		Average annual MWh	Average annual charges 2023-24	Average annual charges 2024-25	Average change per customer	Average increase (%)
	Controlled Load 2	1.93	\$142	\$153	\$11	7.7%
	Optional Demand	35.34	\$3,362	\$3,352	\$167	5.2%
Large Business	Demand	551.07	\$33,476	\$36,434	\$2,958	8.8%

Each tariff has a different change in their average rate due to the mix of DUoS, TUoS, CCL, QSS and NSW Electricity Infrastructure Roadmap as part of the overall NUoS tariff rates.

Table below provides an analysis of the impacts of price increases for a low usage customer and a typical usage customer.

Table 4: Impact of price increases for typical residential customers of Essential Energy

Customer type	Controlled Load %	2023-24 Quarterly network bill	2024-25 Quarterly network bill	Change in quarterly network bill
Low usage (3,500 kWh)	35%	\$181	\$208	\$26
Typical usage (6,500 kWh)	35%	\$247	\$277	\$29

A typical small business customer operating in Essential Energy's distribution area would generally be connected to the following network price:

- > BLNN1AU: Small Business Anytime Tariff

Error! Reference source not found. below provides an analysis of the impacts of price movements for a small business customer that consumes 20 MWh per annum and a customer that consumes 40 MWh per annum.

Table 5: Impact of prices for typical small business customers of Essential Energy

Customer type	2023-24 Monthly network bill	2024-25 Monthly network bill	Change in Monthly network bill
20 MWh	\$312	\$353	\$41
40 MWh	\$593	\$643	\$51

The examples provided above for typical residential and small business customers all fall within the Low voltage Residential and Small Business tariff class.

Table 6 below shows the expected movement in the average rate for each of Essential Energy's tariff classes for DUoS charges only.

3 Network Bill Impacts

Table 6: Impact of DUoS prices for each tariff class

Tariff class	2023-24		2024-25	
	Forecast Revenue \$'000	Forecast average rate c/kWh	Forecast Revenue \$'000	Forecast average rate c/kWh
Low voltage Residential and Small Business	831,821	13.55	854,037	13.92
Low voltage Large Business	193,373	8.28	189,953	8.13
High voltage Demand	61,554	6.34	60,818	6.26
Sub-transmission	18,484	0.59	18,491	0.59
Unmetered Supply	4,166	7.51	4,103	7.40
Total average DUoS rate		\$8.96		\$8.94

4 Alternative Control Services

Alternative Control Services

Alternative control services are those that are provided by distributors to specific customers. They do not form part of the distribution use of system revenue allowance provided in the Determination. As these services are provided to specific customers, we recover the costs of providing alternative control services through a selection of fees, most of which are charged on a 'user pays' basis, so they are organised into groups based on the type of service provided rather than customer characteristics. They are recovered under a price cap.

Public Lighting

Public lighting continues to be classified as an alternative control service in the 2024-29 regulatory control period.

Public lighting services include the provision, construction and maintenance of public lighting assets. The main customers of these services are local government councils as well as jurisdictional main roads departments. Prices charged depend on who is responsible for the capital, and the maintenance or replacement of the installations.

Ancillary Network Services

Ancillary network services ("ANS") continues to be classified as an alternative control service in this regulatory control period.

ANS are non-routine services distributors provide to individual customers on an 'as needs' basis. ANS may be a 'fee-based service' for tasks that are performed routinely and are based on a labour rate and a set time to perform the task, or a 'quoted service' which are once-off and specific to a customer's request. The cost of these services will depend on the actual time taken to perform the service, however with the hourly rate set, the longer it takes the distributor to perform the service, the more the customer will pay.

In its final decision, the following significant changes apply to these fee structures:

- > Restructuring and renaming of the access permit fees to connection fees. Rather than a single access permit service, there will be different connection fees based on the complexity of the connection which will improve cost reflectivity.
- > Introduction of new nightvision LED floodlights (by categories rather than wattages) and separating the capital and operating fees for night watch services.
- > Minor Capital Works will change from a fee-based service to a quoted service.
- > Introduction of a quoted service for Provision of metering or consumption data for bulk data, and for Data requests outside of legislative obligations.

Specific legacy metering services that are requested (such as for move-in/out reads) will continue to be charged via a cap on prices for these individual services.

5 Modification History

Modification History

Version	Date	Description
1	17/05/2024	Original version

