

### General tariff information

Essential Energy offers a range of tariffs that have been designed for different types of customers, considering their energy consumption and/or demand profile, voltage level, type of connection to the network and whether they are classified as large or small. Tariffs are also dependent on what meter the customer has – noting that Australian Energy Market Operator (AEMO) rules require customers consuming >100MWh per annum to have an interval meter.

In NSW, large customers have annual energy consumption of greater than 100MWh and small customers have annual energy consumption of less than 100MWh. However Essential Energy requires customers to be on a demand tariff once they consume >160MWh per annum.

#### **Q: Why do some customers need to change to a demand-based tariff?**

**A:** On 27 November 2014, the Australian Energy Market Commission (AEMC) made a rule that establishes a new pricing objective and principles for electricity distribution businesses such as Essential Energy, which will require our network prices to reflect the efficient costs of providing network services to our customers. Implementation of these changes is due to be finalised by 1 July 2017.

To comply with this rule and align with our network pricing requirements, Essential Energy will need to change some businesses to a different, and more appropriately cost-reflective, demand-based tariff. The demand-based component enables Essential Energy to recover the costs involved in building and maintaining a network with a capacity reserve that can support customers' differing, and often intermittent, peak demands.

#### **Q: When do the changes come into effect?**

**A:** Implementation of these changes is due to be finalised by 1 July 2017. However, customers can move to their correct tariff any time before then.

#### **Q: Can I have a say in how the new tariff will be applied?**

**A:** Yes, we will offer opportunities for consultation with you and other affected customers to discuss the tariff change in detail and to seek your feedback and suggestions about our tariff structures. You can register your interest in joining this consultation process by sending an email to [networkpricing@essentialenergy.com.au](mailto:networkpricing@essentialenergy.com.au).

### Specific demand tariff information

#### **Q: Who should be on a demand based tariff?**

**A:** Large customers with annual consumption greater than 160MWh.

#### **Q: How do I know if my energy consumption is greater than 100MWh per annum??**

**A:** Your bill provides the amount the energy (in kilowatt hours, or kWh) that you have consumed. Alternatively, your retailer can tell you.

#### **Q: What is a 'demand' based tariff?**

**A:** This type of tariff includes a 'demand' charge that aims to recover the higher cost to the distribution network associated with the additional demands and pressures that large customers can place on infrastructure when they are operating at peak demand, such as seasonal pumping cycles for irrigators and processing times for feed mills, or holiday periods for motels, hotels, caravan parks and other recreational venues.

While the electricity a customer uses is measured in kilowatt hours, or kWh, the demand a customer places on the electricity network is generally measured in kilovolt-amperes, or kVA.

A network tariff based on kVA is a more accurate measure of a customer's demand on the electricity network compared to a tariff based on kWh alone, and is a more cost reflective way of charging for use of the network.

The more energy a customer demands from the network, the more electricity infrastructure Essential Energy needs to invest in to ensure sufficient network capacity is available to supply that customer. The more efficiently a customer uses electricity at their site, the less impact they have on the electricity network.

**Q: How are demand charges applied?**

**A:** Essential Energy applies network demand tariffs on a monthly basis. Each customer's usage is recorded in 30 minute intervals throughout the month and customers are charged at the rate of their highest maximum demand in any 30 minute period across each of the peak, shoulder and off peak periods during that month. So, you will be charged for the highest demand in any peak period during the month; for the highest demand in any shoulder period; and for the highest demand in any off peak period during the month. This is standard practice for NSW electricity distributors, and reflects the costs involved in building and maintaining a network that has a capacity to support each customer's high demands.

**Q: Why do I have to move to a demand tariff?**

**A:** Your consumption has been measured at greater than 160MWh over the past twelve months and you are currently on a non-demand based tariff. To align with our network pricing requirements and comply with our obligations under new Australian Energy Market Commission (AEMC) rules, Essential Energy will need to change your business to a different, and more appropriately cost-reflective, demand-based tariff.

The demand-based component enables Essential Energy to recover the costs involved in building and maintaining a network with a capacity reserve that can support customers' differing, and often intermittent, peak demands.

**Q: How do you determine my impact on the network?**

**A:** Your impact on the network is measured by your overall demand and the efficiency with which you use your electricity – a measurement called power factor. Customers with a good power factor will pay less on average than those with a poor power factor.

**Q: What effect will the tariff change have on my electricity bills – will I be better or worse off?**

**A:** The effect will vary depending on individual customer usage, tariff structure and consumption patterns.

The change to a demand-based tariff may benefit customers who have a good load factor at their site, but is likely to negatively impact customers who currently have a poor load factor, or short periods of peaky demand.

Often, businesses with motor driven equipment (for example, conveyors, compressors, punch presses, injection moulding, and mixers), welders or large lighting ballast may have a poor power factor. Power factor is the relationship between real and apparent power. It indicates how effectively power is being consumed.

**Q: What is power factor?**

**A:** Power factor is the measure of how effectively in-coming power is being used at a site, and is expressed as a numerical value between zero and one. The closer a power factor is to one, the more

efficiently a business is consuming electricity. A power factor between 0.95 and one is more cost effective.

**Q: Can I move to the new demand tariff prior to 1 July 2017?**

**A:** Yes you can elect to move to the new tariff at any time prior to 1 July 2017 by contacting your retailer and asking them to send a tariff change request form to [networktariffchange@essentialenergy.com.au](mailto:networktariffchange@essentialenergy.com.au). You, the customer, and your electricity retailer, have responsibility for monitoring which tariff you are better off on, provided you meet the minimum requirements of our tariff conditions.

**Q: Can I continue on the same tariff that I currently have?**

**A:** Not unless your annual energy consumption falls below 160MWh. If your energy consumption remains greater than 160MWh per annum, from 1 July 2017 Essential Energy will need to apply a demand-based tariff to align with our network pricing requirements and comply with our obligations under new Australian Energy Market Commission (AEMC) rules. This will mean that customers with similar consumption patterns and connections will be paying the same cost-reflective rates and cross subsidisation is minimised.

**Q: How can I minimise my electricity charges?**

**A:** The customers most adversely affected by a demand-based tariff are those with a comparatively high (kVA) demand, coupled with a relatively low energy volume (kWh) consumption per year: that is, a small number of customers who have a low load factor. A demand tariff can save you money when your electricity demand profile (load factor) is good – that is, the electricity network capacity is being used optimally.

You may be able to reduce your charges by applying energy efficiency measures and changing consumption patterns, and may be able to obtain assistance through the NSW Government's Energy Saver program. You can find out if you are eligible by phoning 1300 361 967, or visiting the website at [www.environment.nsw.gov.au/business/energy-saver.htm](http://www.environment.nsw.gov.au/business/energy-saver.htm). Alternatively, you may find it beneficial to engage a commercial energy efficiency consultant to assess the potential for reducing your energy bill.

If you have poor power factor, you may be able to improve it and reduce your charges by installing Power Factor Correction (PFC) equipment. PFC equipment works to correct energy supply inefficiencies on site. Compared with other options, this is a relatively low cost solution to reducing network charges.

**Q: How do I know if I have poor power factor?**

**A:** You can engage a commercial energy consultant to assess your power factor prior to moving to the demand-based tariff.

**Q: Why do I have to change my meter?**

**A:** The Australian Energy Market Operator Rules require you and other customers with electricity consumption levels greater than 100MWh per annum to install an interval meter to record your usage data. You will need to contact your electricity retailer to find out whether you already have one and, if not, ask your retailer to arrange for one to be installed. You will be responsible for the costs involved in installing the new meter.

**Q: Why do I have to pay for the new meter? Don't meters belong to Essential Energy?**

**A:** Under our metering arrangements customers are required to pay up front for all new meters. However it has been in the Rules for some time now that large customers must have interval meters and these have always been paid for by the customer.

**Q: How do I change to the new demand tariff?**

**A:** If you want to move to the correct demand-based tariff prior to 1 July 2015, you need to ask your retailer to submit a tariff change request form. Your retailer should also be able to tell you which tariff is best for you.