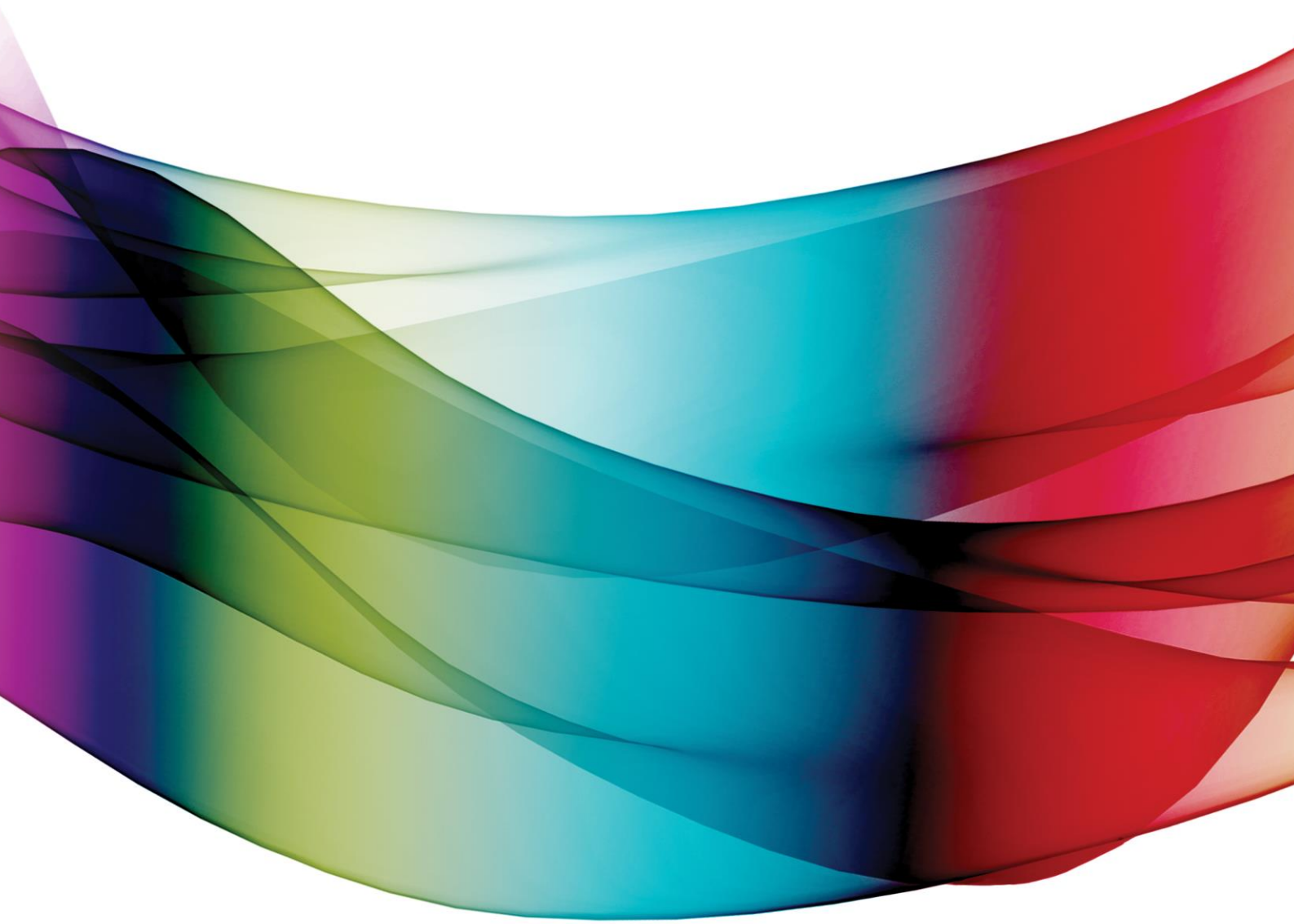
Annual Distribution Pricing Proposal

For 1 July 2018 to 30 June 2019

Overview



TasNetworks

Delivering your power

Who is TasNetworks?

Delivering your power

TasNetworks provides both distribution network services (via the poles and wires) and transmission network services (via the large towers and lines) to customers in Tasmania. The business was created through the merging of Transend Networks and Aurora Energy Distribution in mid 2014; a process that has delivered a more optimised and efficient business and allowed us to focus on managing 'one' Tasmanian network.

TasNetworks owns, operates and maintains the network of powerlines that takes high voltage power from the point of generation and delivers low voltage electricity to more than 285,000 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.

Our Annual Distribution Pricing Proposal for 2018-19 sets out the prices which we will charge to recover our allowable revenue for that year.

Even though network charges currently make up just over 40 per cent of an average customers' electricity bill[1], 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.

This document summarises our Annual Distribution Pricing Proposal for the year from 1 July 2018 to 30 June 2019. It outlines the prices that will be charged to recover our allowable revenue for that year, explains some of the price changes from 1 July 2018 and outlines our new network tariff offerings.

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, we are regulated by the AER utilises a revenue cap approach to determine how much revenue we can collect from our customers for 'standard control' services.

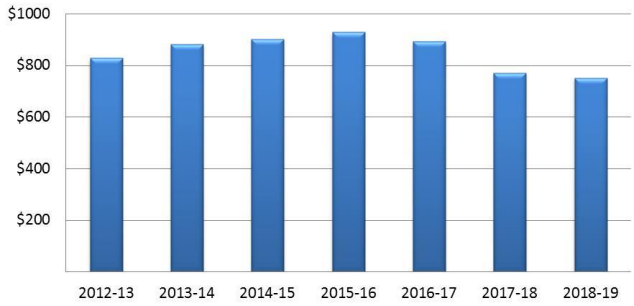
The annual revenue allowance which applies to our standard control services is recovered through general network charges (via network tariffs). Most of our revenue is earned through network tariffs and the amount of that revenue each year is capped by the AER. Retailers use our network tariffs as an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

For 2018-19, network charges on average are decreasing by 2.9 per cent.

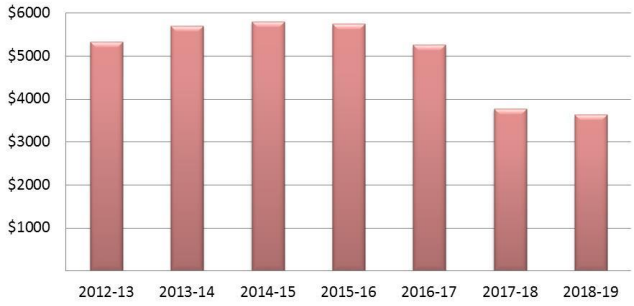
For most customers, the movements in network prices for 2018-19 will decrease, this is consistent with our strategy of providing predictable and sustainable prices for our customers.

[1] Source: OTTER – Investigation to determine maximum standing offer prices for small customers on mainland Tasmania

Annual network charges for a typical residential customer



Annual network charges for an energy intensive small business



Note: All costs are in $nominal

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).
- TAS31 service charge – 47.864 cents per day in 2017-18 increasing to **49.663 cents per day** in 2018-19, the charge for each kilowatt hour (kWh) – 10.152 cents/kWh in 2017-18 decreasing to **9.726 cents/kWh** in 2018-19.
- TAS41 service charge – 5.538 cents per day in 2018-19 increasing to **6.137 cents per day** in 2018-19, the charge for each kWh – 5.806 cents/kWh in 2017-18 decreasing to **5.454 cents/kWh** in 2018-19.
- For low voltage businesses customers on the standard consumption-based network tariff with no time of use conditions (TAS22), the service charge will increase from 48.180 cents per day in 2017-18 to **49.381 cents per day** in 2018-19. At the same time, the charge for delivering each kWh of electricity used by the customer will decrease from 10.031 cents/kWh to **9.635 cents/kWh**.

New tariffs for new energy, new technologies and new customer types

Since the AER approved of our 2017-19 pricing plan[2], we are already seeing new types of customers and technologies connecting to our network. We expect this to continue with a growing class of customer that can be classified as 'early adopters' who invest in electricity storage, generation, or management technology – collectively referred to as distributed energy resources (**DER**). The first form of DER to gain mass market acceptance is the use of photovoltaic (**PV**) solar panels. The figure below illustrates some of the technology which is changing the way customers use electricity and the way they use our network.

[2] TasNetworks Tariff Structure Statement – Formal Statement – April 2017

TasNetworks Tariff Structure Statement – Background and Explanation – April 2017

Distributed energy resources

We are introducing new network tariff options for customers who invest in DER, designed to ensure that customer investments in new energy technologies allow these customers, and other customers, to reduce energy network costs rather than increasing them.

We will introduce these DER tariffs from 1 December 2018, to coincide with the end of the 'grandfathered' feed-in-tariff. The Grandfathered (or Transitional) Feed-in-Tariff (**FiT**) Rate[3] applies to customers with a qualifying micro distributed generation system (such as photovoltaic solar panels) who applied to connect their generation system before 31 August 2013 and had it installed before 31 August 2014. If retailers take up this network tariff offering, it will provide for customers who currently have access to the grandfathered FiT with another choice to consider as they transition to the lower Fair and Reasonable FiT[4] arrangements.

Initially, both tariffs (one for residential and one for small business customers) will be offered on a discounted basis, to provide to encourage take-up on an opt-in basis, while still complying with our obligations under the National Electricity Rules.

The tariffs will be set at levels equivalent to the new demand based time of use tariffs we introduced in 2017, which feature reduced prices at off-peak times and higher prices at peak times. These tariffs are designed to encourage customers to avoid running lots of appliances at once, to draw on battery storage at times of peak demand for the network and switch their demand to off-peak periods to reduce their network charges.

To encourage uptake of these new demand based tariffs we will further discount the off-peak demand charge for a fixed period. With the goal of cost reflectivity in mind, the discounts will be offered on a transitional basis only, and will decline progressively to the point that no discounts will be offered from 1 July 2024. We discussed our plans to introduce these new tariffs and our approach to discounting (both the level and period that it will apply to) with our customers including members of our Pricing Reform Working Group (**PRWG**).

[3] The Transitional FiT Rate expires on 31 December 2018 – http://www.economicregulator.tas.gov.au/electricity/pricing/feed-in-tariffs

[4] http://www.economicregulator.tas.gov.au/electricity/pricing/feed-in-tariffs

TasNetworks will fund the discount cost directly, meaning that the cost of offering the discounts will not be passed on to other customers.

Regulated metering services

Metering services are provided by TasNetworks to all customers with Type 6 metering installations and form a component of the charges we levy. The charges for metering service are split between a capital charge which recovers the cost of our regulated metering fleet and a non-capital charge, which covers the cost of reading the meter and collecting the metering data.

From 1 December 2017, the nature of our involvement in the provision of meters for residential and small business customers changed. The change is a result of alterations made by the Australian Energy Market Commission (**AEMC**) to the regulatory framework applying to metering services.

As a result of those changes, each customer's retailer is responsible (through their chosen Metering Co-ordinator) for providing and maintaining advanced meters on a new and replacement basis. TasNetworks will continue to support the existing fleet of Type 6 meters, but we are not involved with the provision or reading of newly installed advanced meters.

From 1 July 2018, our standard metering charges will increase by 1.91 per cent for both the capital and non-capital charge, in line with inflation.

Indicative price changes

- For customers living in a private residential dwelling with a regulated basic meter, the annual cost of their meter will increase from $22.21 in 2017-18 to **$22.64 in** 2018-19, an increase of **$0.42 per annum**.
- For a business with a low voltage power supply and a regulated basic meter, the annual cost of their meter will increase from $22.98 in 2017-18 to **$23.42 in** 2018-19, an increase of **$0.44 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 2018, our public lighting charges will increase by 2.54 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 2017-18, the daily charge for a 150W Sodium Vapour light was 46.694 cents per day. For 2018-19, the daily charge will increase to 47.881 **cents per** day, an increase of **$4.34 per** annum.
- In 2017-18, the daily charge for a 250W Sodium Vapour light was 47.809 cents per day. For 2018-19, the daily charge will increase to 49.024 **cents per day**, an annual increase of **$4.44 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; and
- testing the accuracy of a meter.

From 1 July 2018, our prices for fee-based services will increase by 1.91 per cent.

Indicative price changes

- In 2017-18, the price for a de-energisation, re-energisation or special meter read conducted on a scheduled service day was $59.53. In 2018-19, the same service will cost **$60.67**, an increase of **1.91 per cent**.
- In 2017-18, TasNetworks charged $215.91 for a visit to a customer's premises to undertake the testing of a basic metering installation, regardless of the customer's location. In 2018-19, the same test will cost **$220.03**, an increase of **1.91 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; and
- more frequent meter reading.

The AER approved the labour rates that we must apply when preparing a quote (in addition to materials and other costs). The 2018-19 labour rates are 1.91 per cent higher than the 2017-18 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 – $58.32 per hour in 2017-18, increasing to **$59.43 per** hour **in 2018**-19, a rise of **1.91 per cent**.
- Cable Jointer – $60.56 per hour in 2017-18, increasing to **$61.72 per** hour in 2018-19, a rise of **1.91 per cent**.
- Designer – $70.05 per hour in 2017-18, increasing to **$71.39 per hour** in 2018-19, a rise of **1.91 per cent**.
- Distribution Linesman (live line) – $63.38 per hour in 2017-18, increasing to **$64.59 per** hour, a rise of **1.91 per cent**.
- Labourer – overhead – $48.42 per hour in 2017-18, increasing to **$49.34 per hour** in 2018-19, a rise of **1.91 per cent**.

Changes to network tariffs in 2018-19

Continuing the journey to cost reflective network tariffs

In line with TasNetworks' commitment to lowest sustainable prices for our customers, we are continuing the process of network tariff reform and transitioning towards more cost reflective pricing.

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 these new tariffs, as opposed to the current consumption-based network tariffs. We are now offering time of use demand-based network tariffs and from 1 December 2018 we will offer our new time of use demand-based DER 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 2017-18 (cents)	Network charge 2018-19 (cents)	Change (%)
High Voltage	TAS15 Business high voltage kVA specified demand (>2.0 MVA)	Service charge ($/day)	25.438	26.330	3.51%
		Peak energy (c/kWh)	0.998	0.943	(5.51%)
		Shoulder energy (c/kWh)	0.599	0.566	(5.51%)
		Off-peak energy (c/kWh)	0.149	0.141	(5.37%)
		Specified demand (c/kVA/day)	8.351	8.638	3.44%
		Excess demand (c/kVA/day)	41.755	43.191	3.44%
		Connection specified demand (c/kVA/day)	0.303	0.314	3.63%
		Excess connection specified demand (c/kVA/day)	1.516	1.568	3.43%
	TASSDM Business high voltage kVA specified demand	Service charge (c/day)	280.685	320.754	14.28%
		Peak energy (c/kWh)	1.463	1.311	(10.39%)
		Shoulder energy (c/kWh)	0.878	0.789	(10.14%)
		Off-peak energy (c/kWh)	0.219	0.197	(10.05%)
		Specified demand (c/kVA/day)	18.755	18.478	(1.48%)
		Excess demand (c/kVA/day)	187.552	184.780	(1.48%)
Irrigation	TAS75 Irrigation low voltage time of use	Service charge (c/day)	230.294	237.692	3.21%
		Peak energy (c/kWh)	10.365	9.910	(4.39%)

Tariff class	Tariff	Tariff component	Network charge 2017-18 (cents)	Network charge 2018-19 (cents)	Change (%)
		Shoulder energy (c/kWh)	6.219	5.946	(4.39%)
		Off-peak energy (c/kWh)	1.555	1.487	(4.37%)
Large Low Voltage	TAS89 Large low voltage commercial time of use demand	Service charge (c/day)	427.103	447.529	4.78%
		Peak demand charge (c/kVA/day)	51.484	44.459	(13.65%)
		Off-peak demand charge (c/kVA/day)	17.143	14.805	(13.64%)
	TAS82 Business low voltage kVA demand	Service charge (c/day)	285.917	317.685	11.11%
		Energy charge (c/kWh)	2.486	2.392	(3.78%)
		Demand charge (c/kVA/day)	34.712	32.824	(5.46%)
Small Low Voltage	TAS98 Business Low voltage Distributed Energy Resources (available from 1 December 2018)	Service charge (c/day)	-	71.839	-
		Peak demand charge (c/kW/day)	-	57.729	-
		Off-peak demand charge (c/kW/day)	-	19.224[5]	-
	TAS88 Low voltage commercial time of use demand	Service charge (c/day)	64.926	71.839	10.65%
		Peak demand charge (c/kW/day)	58.432	53.802	(7.92%)
		Off-peak demand charge (c/kW/day)	19.459	17.916[5]	(7.93%)
	TAS22 Business low voltage general	Service charge (c/day)	48.180	49.381	2.49%
		Energy charge (c/kWh)	10.031	9.635	(3.95%)

[5] Rate does not include 50 per cent discount to be applied from 1 December 2018.

Tariff class	Tariff	Tariff component	Network charge 2017-18 (cents)	Network charge 2018-19 (cents)	Change (%)
	TAS34 Business low voltage nursing homes	Service charge (c/day)	48.180	49.381	2.49%
		1st 500kWh energy (c/kWh)	10.031	9.635	(3.95%)
		Remaining energy (c/kWh)	9.642	9.635	(0.07%)
	TASCURT General network – business, curtilage	Service charge (c/day)	40.472	43.359	7.13%
		Energy charge (c/kWh)	10.031	9.635	(3.95%)
	TAS94 Business low voltage time of use	Service charge (c/day)	57.368	64.953	13.22%
		Peak energy (c/kWh)	10.700	10.234	(4.36%)
		Shoulder energy (c/kWh)	6.422	6.141	(4.38%)
		Off-peak energy (c/kWh)	1.605	1.536	(4.30%)
Residential	TAS87 Residential time of use demand	Service charge (c/day)	54.538	55.245	1.30%
		Peak demand charge	36.228	25.452	(29.74%)
		Off-peak demand charge	12.064	8.475[5]	(29.75%)
	TAS97 Residential Low Voltage Distributed Energy Resources (available from 1 December 2018)	Service charge (c/day)	-	55.245	-
		Peak demand charge (c/kW/day)	-	28.135	-
		Off-peak demand charge (c/kW/day)	-	9.369[5]	-
	TAS31 Residential low voltage general	Service charge (c/day)	47.864	49.663	3.76%
		Energy charge (c/kWh)	10.152	9.726	(4.20%)

Tariff class	Tariff	Tariff component	Network charge 2017-18 (cents)	Network charge 2018-19 (cents)	Change (%)
	TAS101 Residential low voltage time of use	Service charge (c/day)	47.864	50.069	4.61%
		Energy charge (c/kWh)	7.917	7.773	(1.82%)
	TAS92 Residential low voltage pay as you go time of use	Service charge (c/day)	53.581	54.294	1.33%
		Peak energy (c/kWh)	17.679	16.485	(6.75%)
		Off-peak energy (c/kWh)	3.090	2.968	(3.95%)
	TAS93 Residential low voltage time of use	Service charge (c/day)	53.581	54.294	1.33%
		Peak energy (c/kWh)	17.679	16.485	(6.75%)
		Off-peak energy (c/kWh)	3.090	2.968	(3.95%)
Uncontrolled Energy	TAS41 Uncontrolled low voltage heating	Service charge (c/day)	5.538	6.137	10.82%
		Energy charge (c/kWh)	5.806	5.454	(6.06%)
Controlled Energy	TAS61 Controlled low voltage energy – off-peak with afternoon boost	Service charge (c/day)	11.252	11.693	3.92%
		Energy charge (c/kWh)	1.692	1.687	(0.30%)
	TAS63 Controlled low voltage energy – night period only	Service charge (c/day)	11.252	11.693	3.92%
		Energy charge (c/kWh)	1.467	1.461	(0.41%)
Unmetered	TASUMS Unmetered supply low voltage general	Service charge (c/day)	48.180	49.381	2.49%
		Energy charge (c/kWh)	11.951	11.426	(4.39%)
Streetlights	TASUMSSL Unmetered supply low voltage public lighting	Demand charge (c/lamp watt/day)	0.112	0.109	(2.68%)

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
- Ancillary Services – Fee-based Services Application and Price Guide
- Ancillary 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:

Commercial Solutions Team Leader
Tasmanian Networks Pty Ltd
PO Box 606
Moonah TAS 7009
Phone 1300 127 777
E-mail: network.tariff@tasnetworks.com.au

TasNetworks
Delivering your power