

Tariff Structure Statement

2024-29 Regulatory Control Period

31/01/23



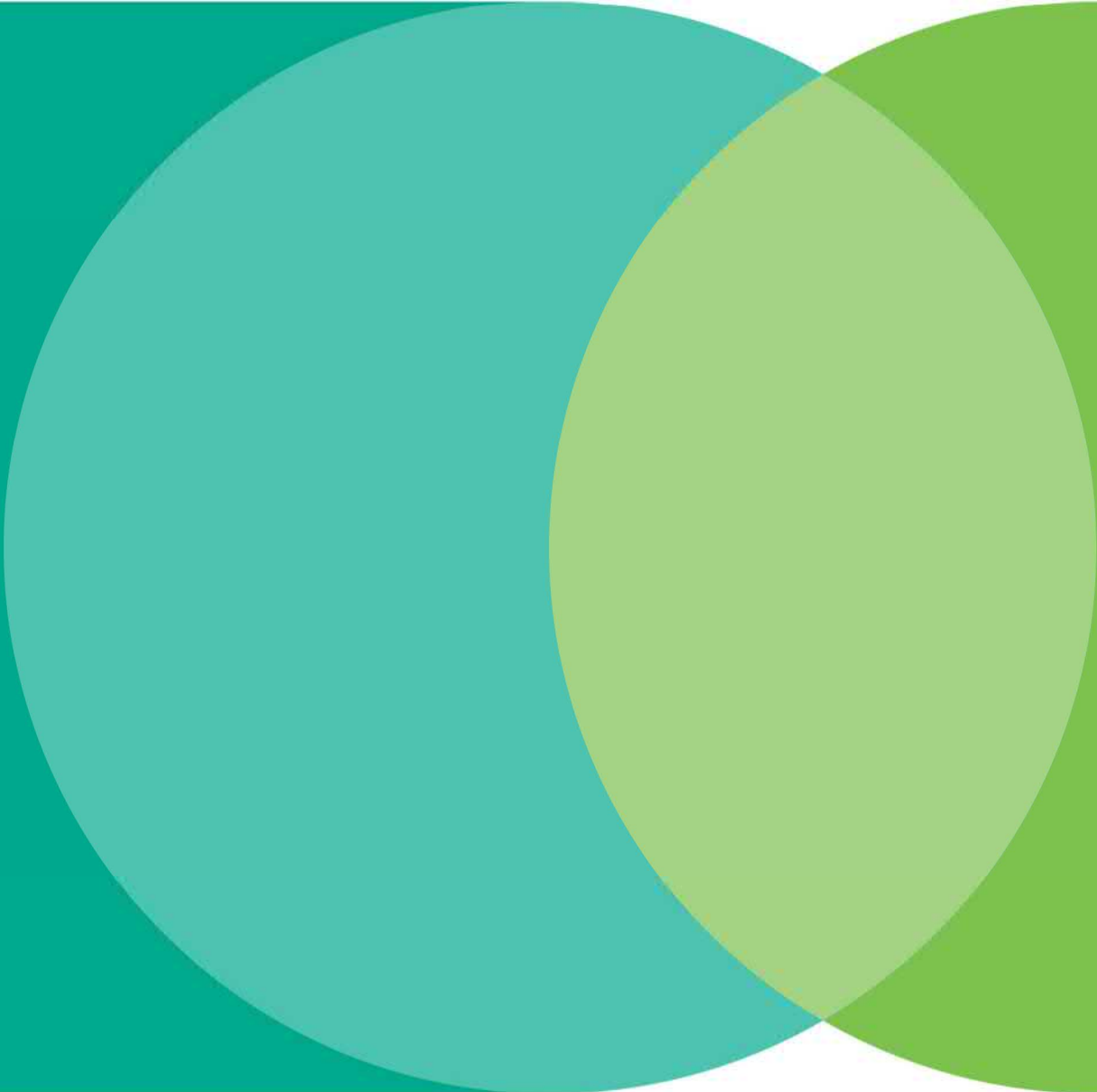
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Introduction

Chapter 1



1.1 Purpose of the Tariff Structure Statement

Endeavour Energy is submitting this Tariff Structure Statement (TSS) to the Australian Energy Regulator (AER) in accordance with the requirements of the National Electricity Rules (the Rules). The primary focus of the TSS is to explain our proposed tariff structures for the next regulatory control period, and demonstrate our compliance with the Rules.

We have also submitted a Tariff Structure Explanatory Statement (TSES) that provides our reasons for proposing the tariff structures in this document and explains how they are compliant with the Rules.

This TSS, and the complementary TSES, forms part of our Proposal for the 2024-29 regulatory control period and should be read in conjunction with the rest of the Proposal.

1.2 Structure of the Tariff Structure Statement

This TSS is structured as follows.

Table 1: Structure of this document

Chapter	Title	Purpose
Chapter 2	Tariff classes and allocation	This section provides a summary of our tariff classes and how customers are allocated to these tariff classes.
Chapter 3	Approach to setting tariffs	This section describes our approach to setting tariffs which includes calculating avoided and stand-alone cost, estimating LRMC, determining the basic export level and other associated issues relating to setting tariffs
Chapter 4	Structure and charging parameters	The structure and charging parameters for our tariffs are set out in this section
Chapter 5	Tariff assignment policies	This section details the policies and procedures for retail customers to be assigned to individual tariffs.
Chapter 6	Export tariff transition strategy	Our transition strategy for implementing export pricing is presented in this section.
Chapter 7	Pricing for alternative control services	This section describes our approach to setting tariffs for alternative control services
Appendix 1	Indicative pricing schedule – standard control services	This section sets out indicative prices for standard control services during the regulatory control period.
Appendix 2	Indicative pricing schedule – alternative control services	This section sets out indicative prices for alternative control services during the regulatory control period.

Tariff classes and allocation

Chapter 2

This section sets out the tariff classes into which retail customers for direct control services will be divided, and the policies and procedures we will apply for assigning retail customers to tariff classes.¹

2.1 Tariff classes

Our tariff classes for these customers are set based on:²

- the nature of the customers' connection to the network, i.e., whether they are high or low voltage customers or whether they are metered or unmetered; and
- the nature and extent of customers' network usage, i.e., above or below a specified level of consumption or export per annum.

Consistent with the AEMC's export pricing rule change, Endeavour Energy now recognises export services as part of our offered distribution services.³ We have added a low voltage and a high voltage export service to our service definition and have considered these services in the definition of our tariff classes.

We have retained the same network tariff classes used in our 2019-24 regulatory control period and revised the descriptions of these tariff classes to incorporate export service considerations. A summary of our network tariff classes is set out in the table below.

Table 2: Endeavour Energy network tariff classes

Customer type	Tariff class	Connection characteristics
Residential and small to medium enterprise businesses	Small Low Voltage	LV Connection (230/400 V) Total electricity consumption or exports, per financial year, is less than 160MWh
Larger commercial and light industrial	Large Low Voltage	LV Connection (230/400 V) Total electricity consumption or exports, per financial year, is greater than 160MWh
Industrial	High Voltage Demand	HV Connection (12.7 kV SWER, 11 or 22 kV)
Industrial	Sub-transmission Demand	ST Connection (33, 66 or 132 kV)
Distributors	Inter-Distributor Transfer Demand	Distributor Transfer
Unmetered	Unmetered Supply	Unmetered

2.2 Allocation of customers to tariff classes

In accordance with the Rules,⁴ the AER will make a determination regarding Endeavour Energy's procedure to apply to assigning or re-assigning customer to tariff classes.

¹ The Rules, clause 6.18.1A(a)(1)-(2).

² The Rules, clause 6.18.4(a)(1).

³ AEMC, *Access, pricing and incentive arrangements for distributed energy resources | Final determination*, August 2021, pp 20-22.

⁴ The Rules, clause 6.18.4.

The process under which new customers are assigned to network tariff classes and network tariffs occurs following the receipt of a connection application by the customer or their retailer. Under our process, a customer that lodges an application to modify or upgrade an existing network connection from single to three-phase or upgrades their connection to a two-way flow is treated identically to a new customer.

These procedures are set out below.

Assignment of existing customers to tariff classes at the commencement of the next regulatory control period

1. Each customer who was a customer of Endeavour Energy immediately prior to 1 July 2024, and who continues to be a customer of Endeavour Energy as at 1 July 2024, will be taken to be “assigned” to the tariff class which Endeavour Energy was charging that customer immediately prior to 1 July 2024.

Assignment of new customers to a tariff class during the next regulatory control period

2. If, after 1 July 2024, Endeavour Energy becomes aware that a person will become a customer of Endeavour Energy, then Endeavour Energy will determine the tariff class to which the new customer will be assigned.
3. In determining the tariff class to which a customer or potential customer will be assigned, or reassigned, in accordance with paragraph 2 or 5, Endeavour Energy will take into account one or more of the following factors:
 - a) the nature and extent of the customer’s usage;
 - b) the nature of the customer’s connection to the network; and
 - c) whether remotely-read interval metering or other similar metering technology has been installed at the customer’s premises as a result of a regulatory obligation or requirement.
4. In addition to the requirements under paragraph 3, Endeavour Energy, when assigning or reassigning a customer to a tariff class, will ensure the following:
 - a) that customers with similar connection and usage profiles are treated equally; and
 - b) that customers which have micro-generation facilities are not treated less favourably than customers with similar load profiles without such facilities.

Reassignment of existing customers to another existing or a new tariff during the next regulatory control period

5. If Endeavour Energy believes that an existing customer’s load characteristics or connection characteristics (or both) are no longer appropriate for that customer to be assigned to the tariff class to which the customer is currently assigned or a customer no longer has the same or materially similar load or connection characteristics as other customers on the customer’s existing tariff, then Endeavour Energy may reassign that customer to another tariff class.

Notification of proposed assignments and reassignments

6. Endeavour Energy will notify the customer’s retailer in writing of the tariff class to which the customer has been assigned or reassigned, prior to the assignment or reassignment occurring.
7. A notice under paragraph 6 above must include advice informing the customer’s retailer that they may request further information from Endeavour Energy and that the customer’s retailer may object to the proposed reassignment. This notice must specifically include reference to Endeavour Energy’s published procedures for customer complaints, appeals and resolution.
8. If the objection is not resolved to the satisfaction of the customer’s retailer under the Endeavour Energy’s internal review system or EWON, then the retail customer is entitled to seek a decision of the AER via the dispute resolution process available under Part 10 of the NEL.
9. If, in response to a notice issued in accordance with paragraph 7 above, Endeavour Energy receives a request for further information from a customer’s retailer, then it must provide such information within a

reasonable timeframe. If Endeavour Energy reasonably claims confidentiality over any of the information requested by the customer's retailer, then it is not required to provide that information to the retailer or retail customer. If the customer's retailer disagrees with such confidentiality claims, it may have resort to the dispute resolution procedures referred to in paragraph 7 above (as modified for a confidentiality dispute).

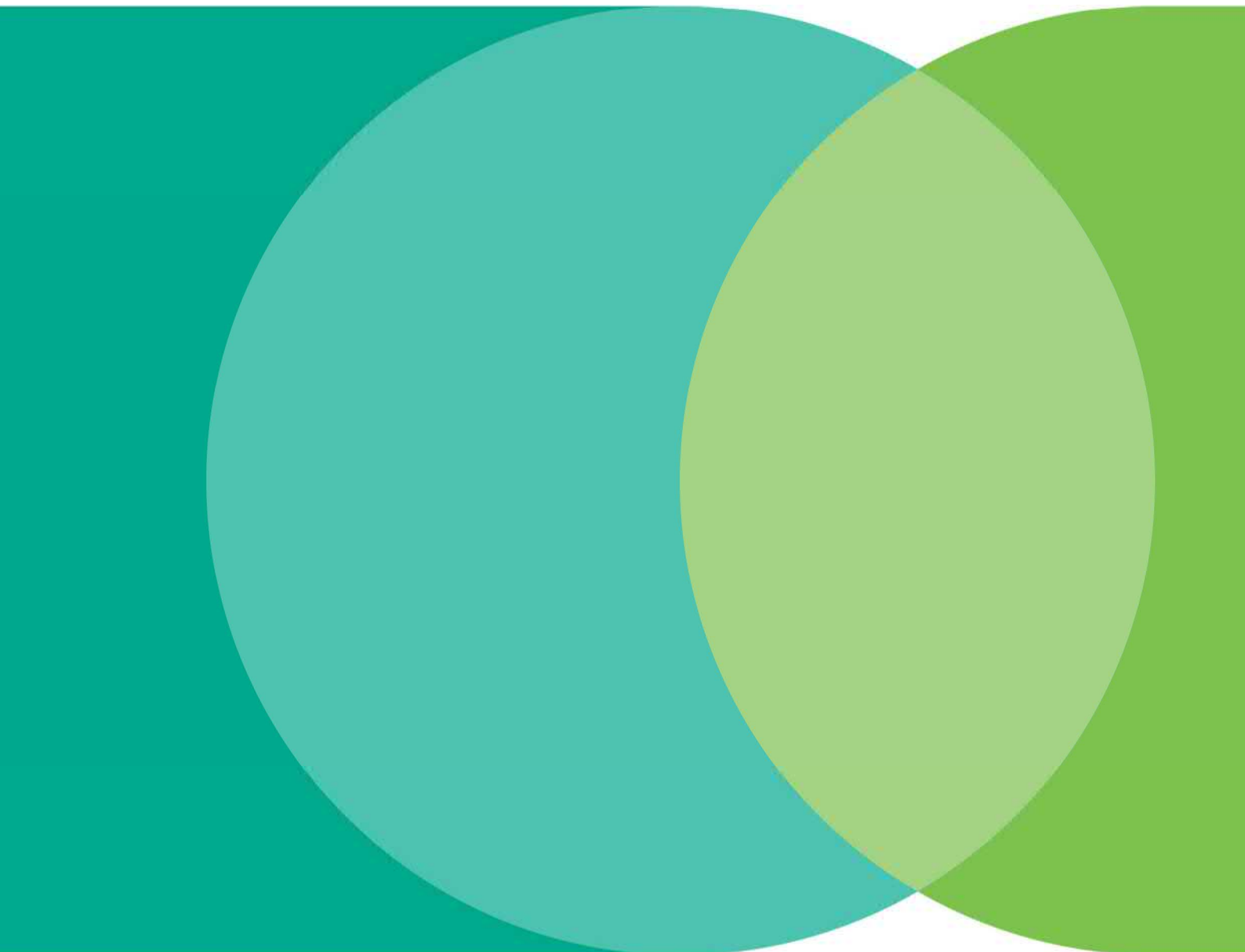
10. If, in response to a notice issued in accordance with paragraph 7 above, a customer's retailer makes an objection to Endeavour Energy about the proposed assignment or reassignment, Endeavour Energy must reconsider the proposed assignment or reassignment. In doing so Endeavour Energy must take into consideration the factors in paragraphs 3 and 4 above, and notify the customer's retailer in writing of its decision and the reasons for that decision.
11. If a customer's retailer objection to a tariff class assignment or reassignment is upheld, in accordance with Endeavour Energy's published procedures for customer complaints, appeals and resolution then any adjustment which needs to be made to tariffs will be done by Endeavour Energy as part of the next annual review of prices.

System of assessment and review of the basis on which a customer is charged

12. Where the charging parameters for a particular tariff result in a basis of charge that varies according to the customer's usage or load profile, Endeavour Energy will set out in its pricing proposal a method of how it will review and assess the basis on which a customer is charged.

Approach to setting tariffs

Chapter 3



This section details Endeavour Energy's approach to setting tariffs for direct control services, as specified in the Rules.⁵ In accordance with the pricing objective and pricing principles in the Rules,⁶ we have set the tariff charges for direct control services by:

- setting the tariff at a level such that the revenue we expect to recover from customers lies between:
 - the stand alone cost of serving those customers who belong to that tariff class; and
 - the avoidable cost of not serving those customers;
- setting each tariff so that it is based on the long run marginal cost (LRMC) of providing import, and export where applicable, services to those customers assigned to that tariff;
- setting our tariffs to reflect the efficient costs of providing the services; and
- taking account of, and limiting the customer impact of changes to tariffs.

For more information on our approach to setting tariffs, see chapter 7 of the TSS explanatory statement.

3.1 Tariff setting methodology

Endeavour Energy sets price levels in two steps. First, costs are allocated to individual tariffs and, second, the structure of charges within each individual tariff is determined.

3.1.1 Cost allocation

Endeavour Energy's costs can be characterised into one of two categories, namely:

- the cost of building and maintaining the network; and
- the forward-looking costs associated with providing new services, handling growth in demand and exports and replacing certain parts of the network at the end of their economic life.

The forward-looking costs represent only a small portion of our total costs with building and maintain costs forming the vast majority of our costs. We allocate costs to individual tariffs by ensuring that the forward-looking costs are recovered at a minimum and then we allocate the costs associated with building and maintaining the network, commonly referred to as the 'residual' costs on a basis that minimises changes relative to the previous year. Importantly, Endeavour Energy will not recover residual costs from export charges.

Specifically, we allocate costs to individual tariffs by:

- allocating every tariff the LRMC of the distribution network, consistent with clause 6.18.5(f) of the Rules, by:
 - multiplying import LRMC by the appropriate volume of imports for the collection of all customers on the individual tariff to determine the forward-looking import costs for this tariff; and
 - multiplying export LRMC by the appropriate volume of exports for the collection of all customers on the individual tariff to determine the forward-looking export costs for this tariff; then

⁵ The Rules, clause 6.18.1A(a)(5).

⁶ The Rules, clause 6.18.5.

- allocating the residual costs to each tariff by taking into account the previous years' allocation of residual costs and a targeted residual cost allocation where costs are allocated based on:
 - shared network asset costs for individually calculated, site specific tariffs; and
 - diversified contribution to peak period demand for 'postage stamp' tariffs.

In our opinion, this approach appropriately takes into consideration the impact on retail customers of changes in tariffs from the previous regulatory year consistent with clause 6.18.5(h) of the Rules.

3.1.2 Tariff structures

The costs allocated to each tariff are then converted to a charging structure, which may include a fixed charge and variable charges for imports and exports, such as consumption and demand charges.

For Seasonal TOU Energy and Seasonal TOU Demand tariffs, we propose to signal to customers the LRMC, both for imports and exports, of providing network services at times of greatest utilisation using the demand charging parameter in Seasonal TOU Demand tariffs and the peak energy charge in Seasonal TOU Energy tariffs. In the context of two-way tariffs, there are now two peak periods which have different time definitions, i.e.:

- the import peak period – which is the traditional evening peak period of high imports; and
- the export peak, or solar soak, period – which is the emerging low demand period in the middle of the day associated with higher output from solar PV systems.

Costs not recovered from import and export LRMC-based charges are recovered from fixed charges, energy charges and demand-based charges. In the absence of reliable information on the price elasticity of demand, this allocation is guided by a rebalancing of the recovery of costs towards fixed charges and away from distortionary consumption-based charges, subject to the extent this rebalancing can be achieved without unacceptable network bill impacts for our customers.

The extent to which we can move towards LRMC-based charging and higher fixed charges is constrained by prioritising the management of customer bill impacts.

3.2 Estimating Long run marginal cost

We set our tariffs based on the LRMC of providing services to those customers assigned to that tariff. With the inclusion of export charges in our tariffs, alongside import charges, we estimate separately the LRMC of providing import and export services.

The LRMC of supplying import or export services to each tariff class is estimated using an average incremental cost (AIC) approach, ie, by reference to the average change in projected operating and capital expenditure attributable to future growth in imports or exports, evaluated on a network-wide basis.

In practice, we apply the AIC approach to estimating LRMC, where LRMC is equal to the average change in forward-looking costs resulting from the forecast change in:

- demand - in the case of import LRMC; or
- exports - in the case of export LRMC

over a defined period. It is typically applied by:

- forecasting the level of expected growth in network use over a defined period;
- forecasting the future capital and operating expenditure required to meet that growth; and
- dividing the present value of forecast expenditure by the present value of forecast growth in network use.

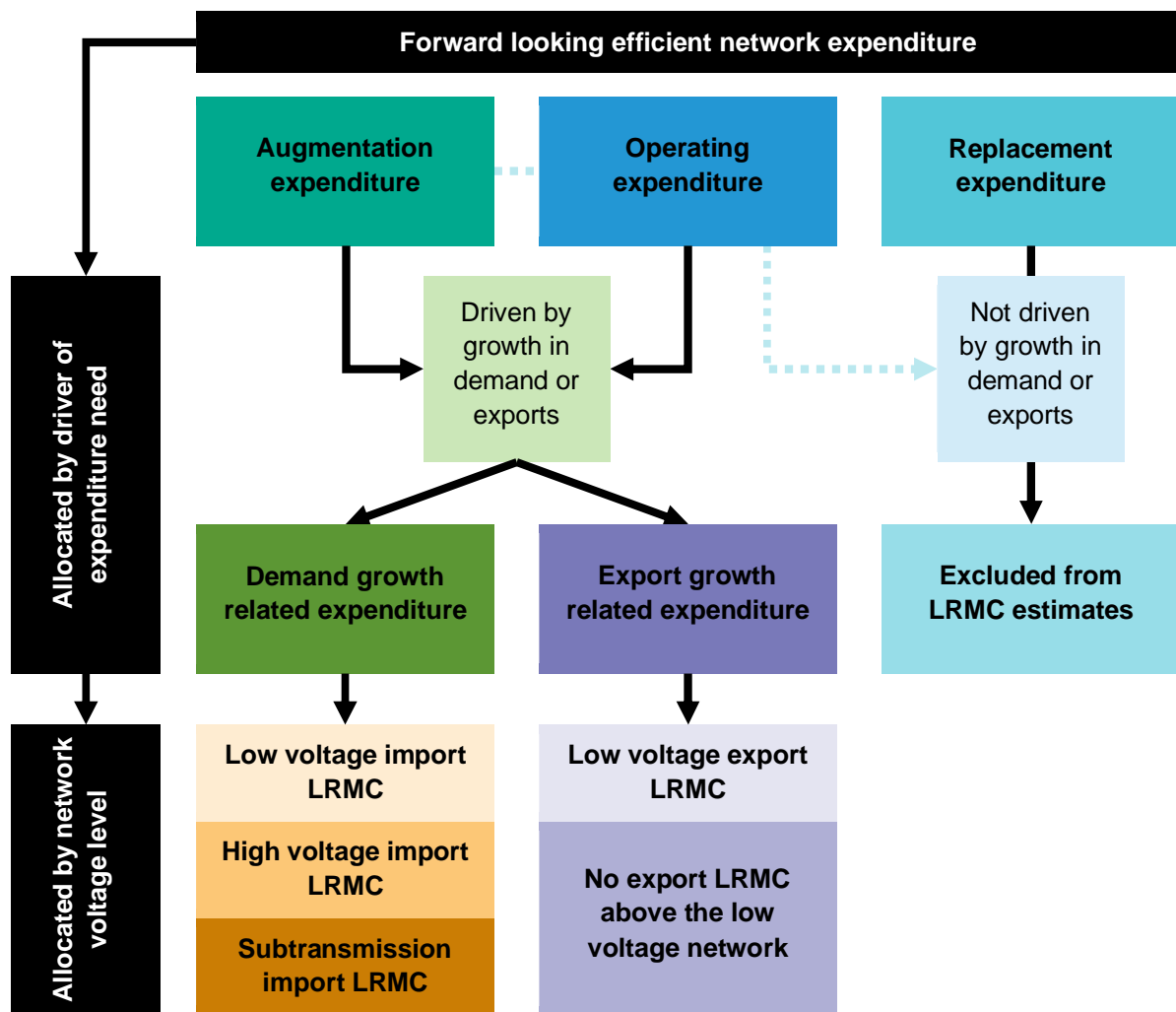
Put differently, the AIC approach involves estimating both an import LRMC and an export LRMC as follows, i.e.:

$$LRMC = \frac{NPV(\text{growth related capital and operating costs})}{NPV(\text{additional network use served})}$$

Given the interrelated nature of imports and exports, and the costs that occasion, we paid careful attention to identifying the primary driver of all future network expenditure, thereby avoiding the risk of duplication and upwards bias in our estimates of import and export LRMC.

We illustrate how we allocated future network expenditure to import LRMC or export LRMC (or neither) below.

Figure 1: Allocation of network expenditure to either import or export LRMC



Our estimates of LRMC include only those components of forward-looking network expenditure that could be avoided through a change in a customer's behaviour. Consistent with the approach that was approved in our previous TSS, our estimates do not include replacement expenditure, since previous analysis indicated that demand growth is not a primary driver of replacement expenditure.

To improve the nexus between the (growth-related) capex and demand inputs to our estimate of import LRMC, we evaluated incremental demand in those areas of the network where demand is growing only.

We are required to offer a basic export level without charge, whereby a retail customer can export to our network up to this level at no additional charge.⁷ Alongside export LRMC, the basic export level is an important component to our proposed two-way tariffs. It is also relevant to note that the LRMC-based export charge applies only to exports above the basic export level.

Our estimates of LRMC and our proposed basic export level are provided in the table below.

Table 3 - LRMC estimates and basic export level by voltage level

Service	Import LRMC estimate (\$/kW pa)	Export LRMC estimate (\$/kW pa)	Basic Export Level (kW/customer)
Low Voltage	\$81.2	\$16.3	2 kW
High Voltage	\$9.7	-	-
Subtransmission	\$9.5	-	-

Our TSS explanatory statement provides explanation of:

- the conversion of these LRMC estimates into import and export price signals (section 7.2.2)
- our basic export level estimation approach (section 5.3.6).

3.3 Revenue is between stand-alone and avoidable cost for each tariff class

Endeavour Energy sets its tariffs at a level such that, for each tariff class, the revenue we expect to recover from customers lies between:

- the stand alone cost of serving those customers who belong to that tariff class (the upper bound); and
- the avoidable cost of not serving those customers.

The stand-alone cost of serving a group of customers is the total cost required to serve those customers alone, i.e., were we to build the network anew, removing all other customers from the network.

The avoidable cost of serving a group of customers is the reduction in cost that could be achieved if those customers were no longer served, i.e., the reduction in cost associated with a reduction in output that was previously provided to that class of customer.

Endeavour Energy calculates stand-alone and avoidable costs by first classifying each of our network cost categories on the basis of the following two dimensions:

- whether costs are direct or indirect; and
- whether costs are scalable or non-scalable.

Avoidable cost for each tariff class is calculated as the sum of all direct costs multiplied by a weight based on asset value, which represents the proportion of direct costs that are attributable to that tariff class.

Stand-alone cost for each tariff class is calculated by taking the avoidable cost for that tariff class and adding to it:

⁷ AEMC, *Access, pricing and incentive arrangements for distributed energy resources | Final determination*, 12 August 2021, p 68.

- all non-scalable indirect costs we incur in operating the network; and
- a proportion of our scalable, indirect costs that can be attributed to that tariff class.

3.4 Pass through of specified costs

3.4.1 Designated Pricing Proposal Charges

Endeavour Energy's designated pricing proposal charges (DPPC) are designed to recover transmission related costs, including TransGrid's transmission use of system (TUOS) charges, avoided transmission payments made to embedded generators, and adjustments to balance Endeavour Energy's transmission overs and unders account. The DPPC tariffs comprise part of the overall Network Tariffs.

The DPPC amount to be passed on to customers for a particular regulatory year must not exceed the estimated transmission related costs including the overs and unders adjustment amount.

The over and under recovery amount is calculated in a way that:

- ensures that Endeavour Energy is able to recover from customers no more and no less than the transmission related costs it incurs; and
- adjusts for an appropriate cost of capital that is consistent with the allowed rate of return used in the Endeavour Energy determination for the relevant regulatory year.

The key principles of Endeavour Energy's TCR methodology are:

- total TUOS allocated to network tariffs are aligned with the total estimated transmission charge to be paid by Endeavour Energy, adjusted for any overs and unders account balance;
- transmission charges are allocated to network tariffs in a manner that reflects the cost drivers present in transmission pricing;
- customers on an individually calculated, site specific tariff have transmission charges allocated in a manner that preserves the location and time signals of transmission pricing; and
- network tariffs for smaller customer classes have transmission charges allocated on an energy basis, as location signals cannot be preserved in all cases due to metering limitations.

3.4.2 Jurisdictional Scheme Amounts

Endeavour Energy is required to recover jurisdictional scheme amounts (JSA) for jurisdictional schemes managed by the NSW Government. Each year Endeavour Energy is notified of the amount that it will be required to pay in the next financial year. This contribution amount, adjusted for over or unders, is recovered from customers through the JSA tariffs. The JSA tariffs comprise part of the overall Network Tariffs.

The JSA amounts to be passed on to customers for a particular regulatory year must not exceed the JSA contribution amounts adjusted for over or under recoveries in previous years.

The over and under recovery amount is calculated in a way that:

- ensures that Endeavour Energy is able to recover from customers no more and no less than the JSA costs it incurs; and
- adjusts for an appropriate cost of capital that is consistent with the allowed rate of return used in the Endeavour Energy determination for the relevant regulatory year.

Effective 1 July 2023, Endeavour Energy will be required to recover JSA amounts for the NSW Energy Infrastructure Roadmap. The size of these amounts is expected to grow over the 2024-29 Regulatory Control Period.

In the absence of contrary NSW Government direction, we propose to calculate a single price per kWh for this JSA that applies equally to all network tariffs. We believe this is consistent with our pricing principles of

transparency and fairness and ensures that each unit of energy imported from our network makes the same contribution to the NSW Government's Energy Infrastructure Roadmap, irrespective of the customers supply voltage or tariff.

3.4.3 NSW Hydrogen Strategy

The NSW Government's Hydrogen Strategy⁸ is expected to result in the connection of green hydrogen electrolyzers in the Illawarra region of our network. The Strategy requires:

- Distribution businesses to provide these green hydrogen producers a 90% reduction of their network charges;
- Electrolyzers to be placed in parts of the network where there is spare capacity; and
- The Network or market operator to be able to direct the electrolyser to turn off if required during a peak event.

Endeavour Energy's tariffs for any future green hydrogen electrolyzers will comply with the requirements of the NSW Government's Hydrogen Strategy.

3.5 Changes in revenue for each tariff class abides by the side constraint

Under the Rules,⁹ the annual movement in revenue recovered from each tariff class is restricted by the side constraint. The result of the side constraint is a relative limitation (two per cent) on the extent to which a DNSP can increase the revenue recovered from a tariff class, over and above any increase that is required to recover its target revenue or, if revenue is not increasing, above CPI.

The side constraint does not apply to all components of network tariffs nor to individual tariffs, it only applies to distribution use of system (DUOS) charges, which recovers distribution costs, and at the tariff class level. To abide by the side constraint, we will ensure that the total annual increase in DUOS recovered from a tariff class does not exceed the total annual increase in DUOS charges required to recover total distribution costs by more than 2 per cent.

Compliance with the side constraint limitation will be demonstrated as part of our Annual Pricing Proposal.

3.6 Mitigating the impact on customers

Endeavour Energy's approach is to ensure that any changes to tariffs are made gradually, to limit the impact on customers each year.

To mitigate the impact of the transition to cost-reflective pricing options for our residential and small business customers we propose a new assignment policy which will occur over a two-year period. Our proposed assignment policy is discussed in greater detail in chapter 5 and the expected network bill impacts of our proposed tariffs are outlined in chapter 6 of the TSS explanatory statement.

Our transitional strategy for the introduction of two-way pricing is outlined in chapter 6.

3.7 Consolidating the TSS forecasts with the Annual Pricing Proposal

The indicative prices and tariff reform strategy presented in this TSS, and indeed in our entire Proposal for the 2024-29 regulatory control period, is consistent with our best estimates as at start of the period. Over the

⁸ NSW Hydrogen Strategy, Department of Planning, Industry and Environment (October 2021)

⁹ The Rules, clause 6.18.6.

course of the regulatory control period, our expectations of customer numbers, forecast use of system patterns and uptake of CER may diverge from those that underpin this TSS.

There are a number of regulatory mechanisms that will minimise the impact of these discrepancies on customers. These mechanisms include:

- the side-constraint limitation – which restricts the degree to which price changes for a group of customers exceeds the necessary average price change;
- the customer impact principle – which ensures that Endeavour Energy minimise the year-on-year bill impacts for each group of customers; and
- the ‘overs and unders account’ – which minimises the degree to which Endeavour Energy’s actual revenue recovery differs from its allowable revenue recovery over the course of the regulatory control period.

All of these mechanisms are considered in the Annual Pricing Proposal, where Endeavour Energy will employ its best measures to minimise the impact on customers.

Further, we discuss our proposed approach for the side constraint in section 3.5 and consideration of the customer impact principle in chapter 6 of the TSS explanatory statement.

Structure and charging parameters

Chapter 4

This section sets out the structure of our tariffs and how customers are assigned to them, in addition to the charging parameters for each of our tariffs.

4.1 Tariff structures

A summary of the type of tariffs offered for customers in each of our tariff classes and a description of the customers that are eligible for each is set out below.¹⁰ An indicative pricing schedule for each of our standard control services tariff classes, setting out the parameters of each of our tariffs over the regulatory period is set out in Appendix 1.

Before setting out the types of tariffs that Endeavour Energy currently offers, it is useful to define some key terms and describe some common types of electricity tariffs offered by distributors.

Tariffs can have different tariff structures. A tariff structure is made up of several different tariff components. By way of example, a tariff may comprise a fixed charge and an energy based consumption charge, which are separate tariff components within this tariff. Charging parameters are the basis upon which a tariff component is determined, examples of which include the time periods applicable to a time of use tariff component and the export threshold above which export charges are applied, i.e., the basic export limit. The levels of the tariff components are referred to as the price levels.

4.1.1 Small low voltage tariff class

The tariff structures for residential customers in the small low voltage tariff class are:

- a flat 'anytime' energy tariff with a daily fixed charge.
- a seasonal time of use (TOU) energy tariff, which has seasonal time of use energy consumption charges, including a solar soak period and a daily fixed charge.
- a transitional seasonal time of use (TOU) energy tariff, which has seasonal time of use energy consumption charges, including a solar soak period and a daily fixed charge.
- a seasonal TOU demand tariff, which has seasonal demand charges, energy consumption charges, including a solar soak period and a daily fixed charge.
- a transitional seasonal TOU demand tariff, which has seasonal demand charges, energy consumption charges, including a solar soak period and a daily fixed charge.
- a two-way 'prosumer' tariff, which has a TOU demand export charge applied to maximum monthly export above 2kW and seasonal TOU energy reward. This tariff is offered in the form of a 'secondary tariff' applied alongside our seasonal TOU energy and seasonal TOU demand tariffs.

The tariff structures available for non-residential customers in the small low voltage tariff class are:

- an import inclining block tariff (IBT) with a daily fixed charge.
- a seasonal time of use (TOU) energy tariff, which has seasonal time of use energy consumption charges, including a solar soak period and a daily fixed charge.
- a transitional seasonal time of use (TOU) energy tariff, which has seasonal time of use energy consumption charges, including a solar soak period and a daily fixed charge.

¹⁰ During the TSS period, Endeavour Energy may need to introduce new tariff codes for billing purposes. Any new tariff codes introduced will comply with the tariff structures outlined in this document for each tariff class and the price level for NUOS services will equate to the tariff type under which the new tariff code has been created.

- a seasonal TOU demand tariff, which has seasonal demand charges, energy consumption charges, including a solar soak period and a daily fixed charge.
- a transitional seasonal TOU demand tariff, which has seasonal demand charges, energy consumption charges, including a solar soak period and a daily fixed charge.
- a two-way 'prosumer' tariff, which has a TOU demand export charge applied to maximum monthly export above 2kW and seasonal TOU energy reward. This tariff is offered in the form of a 'secondary tariff' applied alongside our seasonal TOU energy and seasonal TOU demand tariffs.
- A two-way grid connected battery tariff where the import side of the tariff is charged a seasonal TOU energy tariff, which has seasonal TOU energy consumption charges, including a solar soak period and a daily fixed charge. The export side of the tariff has a TOU demand export charge applied to maximum monthly export above 2kW and seasonal TOU energy reward.

We will continue to offer our optional controlled load tariffs – these tariffs apply to any customer that has a residential or general supply tariff – the electricity load is separately metered and controlled at a connection point.

4.1.2 Large low voltage tariff class

The tariff structures available within the large low voltage tariff class are:

- a seasonal TOU demand tariff, which has seasonal TOU demand charges, seasonal TOU energy consumption charges, and a daily fixed charge.
- a transitional seasonal time of use (TOU) energy tariff, which has seasonal time of use energy consumption charges and a daily fixed charge.
- an embedded network tariff with the same structure as the seasonal TOU demand tariff.
- a site-specific LV demand tariff with the same structure as the seasonal TOU demand tariff.

4.1.3 High voltage demand tariff class

The tariff structures available within the High Voltage (HV) Demand tariff class are:

- a seasonal TOU demand tariff, which has seasonal TOU demand charges, seasonal TOU energy consumption charges, and a daily fixed charge.
- a site-specific HV demand tariff with the same structure as the seasonal TOU demand tariff.
- A site-specific, two-way grid connected battery tariff where the import side of the tariff is charged a seasonal TOU energy tariff, which has seasonal TOU energy consumption charges and a daily fixed charge. The export side of the tariff has a seasonal TOU energy reward.

4.1.4 Subtransmission demand tariff class

The tariff structures available within the Subtransmission (ST) Demand tariff class are:

- a seasonal TOU demand tariff, which has seasonal TOU demand charges, seasonal TOU energy consumption charges, and a daily fixed charge.
- a site-specific subtransmission demand tariff with the same structure as the seasonal TOU demand tariff.
- a site-specific, two-way grid connected battery tariff where the import side of the tariff is charged a seasonal TOU energy tariff, which has seasonal TOU energy consumption charges and a daily fixed charge. The export side of the tariff has a seasonal TOU energy reward.

4.1.5 Inter-distributor transfer demand tariff class

We plan to offer one network tariff type within the inter-distributor tariff class, being the inter-distributor demand tariff. This tariff is a mandated, distributor specific demand tariff for electricity transferred through the Endeavour Energy network on behalf of Ausgrid and Essential Energy.

4.1.6 Unmetered supply

We plan to offer one network tariff type within the Unmetered Supply tariff class, being an unmetered energy tariff.

We plan to offer four unmetered energy tariffs for the specific purpose of:

- unmetered energy (the default tariff for customers in this tariff class);
- streetlighting connection points;
- traffic control signal lights connection points; and
- nightwatch connection points.

4.2 Proposed charging parameters

4.2.1 Small low voltage tariff class

The charging parameters for the proposed tariffs for our low voltage customers in this tariff class are set out in the table below.

Table 4: Charging parameters for the small low voltage tariff class

Tariff type	Components	Units	Charging parameter
Residential Anytime Energy	Fixed	c/day	Daily access charge
	Energy	c/kWh	Charge applied to all energy consumption
General Supply Anytime Block Energy	Fixed	c/day	Daily access charge
	1 st Block Energy	c/kWh	Charge applied to energy consumption up to and including 120MWh per annum ¹¹
	2 nd Block Energy	c/kWh	Charge applied to energy consumption above 120MWh per annum
Residential & General Supply Seasonal TOU Energy tariffs	Fixed	c/day	Daily access charge
	High-season peak energy	c/kWh	Charge applied to energy consumed between 16:00 to 20:00 on business days. High-season includes the months November to March inclusive.
	Low-season peak energy	c/kWh	Charge applied to energy consumed between 16:00 to 20:00 on business days. Low-season includes the months April to October inclusive.

¹¹ Endeavour Energy has displayed block tariff consumption thresholds on a MWh per annum basis. In practice, this annualized consumption threshold will be calculated on a pro-rata basis corresponding to the billing period.

	Solar soak energy	c/kWh	Charge applied to energy consumed between 10:00 to 14:00 on all days.
	Off-peak energy	c/kWh	Charge applied to energy consumed at all other times
Residential & General Supply Seasonal TOU Demand tariffs	Fixed	c/day	Daily access charge
	Solar soak energy	c/kWh	Charge applied to energy consumed between 10:00 to 14:00 on all days.
	Energy	c/kWh	Charge applied to energy consumed at all other times
	High-season peak demand	c/kW/day	Charge applied to maximum energy demand between 16:00 to 20:00 on business days. High-season includes the months November to March inclusive.
	Low-season peak demand	c/kW/day	Charge applied to maximum energy demand between 16:00 to 20:00 on business days. Low-season includes the months April to October inclusive.
Prosumer (import / export)	Export charge	c/kW/day	Charge applied to maximum energy export between 10:00 to 14:00 on all days. Applies to maximum energy export above 2kW.
	High-season energy export	c/kWh	Reward applied to energy exported between 16:00 to 20:00 on business days. High-season includes the months November to March inclusive.
	Low-season energy export	c/kWh	Reward applied to energy exported between 16:00 to 20:00 on business days. Low-season includes the months April to October inclusive.
Low voltage grid connected battery (Import)	Fixed	c/day	Daily access charge
	High-season peak energy	c/kWh	Charge applied to energy consumed between 16:00 to 20:00 on business days. High-season includes the months November to March inclusive.
	Low-season peak energy	c/kWh	Charge applied to energy consumed between 16:00 to 20:00 on business days. Low-season includes the months April to October inclusive.
	Solar soak energy	c/kWh	Charge applied to energy consumed between 10:00 to 14:00 on all days.

	Off-peak energy	c/kWh	Charge applied to energy consumed at all other times
Low voltage grid connected battery (Export)	High-season peak energy export	c/kWh	Reward applied to energy exported between 16:00 to 20:00 on business days. High-season includes the months November to March inclusive.
	Low-season peak energy export	c/kWh	Reward applied to energy exported between 16:00 to 20:00 on business days. Low-season includes the months April to October inclusive.
	Export charge	c/kW/day	Charge applied to maximum energy export between 10:00 to 14:00 on all days. Applies to maximum energy export above 2kW.
	Off-peak energy	c/kWh	Reward applied to energy exported at all other times
Controlled Load 1	Fixed	c/day	Daily access charge
	Energy	c/kWh	Charge applied to controlled energy consumption where energy consumption is controlled by our equipment so that supply may not be available between 07:00 and 22:00.
Controlled Load 2	Fixed	c/day	Daily access charge
	Energy	c/kWh	Charge applied to controlled energy consumption where supply is available for restricted periods not exceeding a total of 17 hours in any period of 24 hours.

4.3 Large low voltage tariff class

The charging parameters for the proposed tariff structures for our large low voltage customers are set in the table below:

Table 5: Charging parameters for the large low voltage tariff class

Tariff type	Components	Units	Charging parameter
Seasonal TOU Demand	Fixed	c/day	Daily access charge.
	High-season Peak Energy	c/kWh	Charge applied to energy consumed between 16:00 to 20:00 on business days. High-season includes the months November to March inclusive.
	Low-season Peak Energy	c/kWh	Charge applied to energy consumed between 16:00 to 20:00 on business days. Low-season includes the months April to October inclusive.
	Off Peak Energy	c/kWh	Charge applied to all energy consumed at all other times.
	High-season Demand	c/kVA/day	Charge applied to maximum energy demand between 16:00 to 20:00 on business days. High-season includes the months November to March inclusive.
	Low-season Demand	c/kVA/day	Charge applied to maximum energy demand between 16:00 to 20:00 on business days. Low-season includes the months April to October inclusive.
Transitional Seasonal TOU Energy	Fixed	c/day	Daily access charge.
	High-season Peak Energy	c/kWh	Charge applied to energy consumed between 16:00 to 20:00 on business days. High-season includes the months November to March inclusive.
	Low-season Peak Energy	c/kWh	Charge applied to energy consumed between 16:00 to 20:00 on business days. Low-season includes the months April to October inclusive.
	Off Peak Energy	c/kWh	Charge applied to energy consumed at all other times.
Embedded network tariff	As per the Seasonal TOU Demand tariff.		

Site-specific LV Demand	As per the Seasonal TOU Demand tariff.
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4.4 High voltage demand tariff class

The charging parameters for the proposed tariff structures for our high voltage customers are set in the table below:

Table 6: Charging parameters for the high voltage demand tariff class

Tariff type	Components	Units	Charging parameter
Seasonal TOU Demand	Fixed	c/day	Daily access charge.
	High-season Peak Energy	c/kWh	Charge applied to energy consumed between 16:00 to 20:00 on business days. High-season includes the months November to March inclusive.
	Low-season Peak Energy	c/kWh	Charge applied to energy consumed between 16:00 to 20:00 on business days. Low-season includes the months April to October inclusive.
	Off Peak Energy	c/kWh	Charge applied to all energy consumed at all other times.
	High-season Demand	c/kVA/day	Charge applied to maximum energy demand between 16:00 to 20:00 on business days. High-season includes the months November to March inclusive.
	Low-season Demand	c/kVA/day	Charge applied to maximum energy demand between 16:00 to 20:00 on business days. Low-season includes the months April to October inclusive.
Site-specific HV Demand	As per the Seasonal TOU Demand tariff.		
Site-specific HV Grid Battery	Fixed	c/day	Daily access charge.
	High-season peak energy	c/kWh	Charge applied to energy consumed between 16:00 to 20:00 on business days. High-season includes the months November to March inclusive.

	Low-season peak energy	c/kWh	Charge applied to energy consumed between 16:00 to 20:00 on business days. Low-season includes the months April to October inclusive.
	Off-peak energy	c/kWh	Charge applied to energy consumed at all other times
	High-season peak energy export	c/kWh	Reward applied to energy exported between 16:00 to 20:00 on business days. High-season includes the months November to March inclusive.
	Low-season peak energy export	c/kWh	Reward applied to energy exported between 16:00 to 20:00 on business days. Low-season includes the months April to October inclusive.
	Off-peak energy	c/kWh	Reward applied to energy exported at all other times.

4.5 Subtransmission demand tariff class

The charging parameters for the proposed tariff structures for our subtransmission voltage customers are set in the table below:

Table 7: Charging parameters for the subtransmission demand tariff class

Tariff type	Components	Units	Charging parameter
Seasonal TOU Demand	Fixed	c/day	Daily access charge.
	High-season Peak Energy	c/kWh	Charge applied to energy consumed between 16:00 to 20:00 on business days. High-season includes the months November to March inclusive.
	Low-season Peak Energy	c/kWh	Charge applied to energy consumed between 16:00 to 20:00 on business days. Low-season includes the months April to October inclusive.
	Off Peak Energy	c/kWh	Charge applied to all energy consumed at all other times.
	High-season Demand	c/kVA/day	Charge applied to maximum energy demand between 16:00 to 20:00 on business days. High-season includes the months November to March inclusive.

	Low-season Demand	c/kVA/day	Charge applied to maximum energy demand between 16:00 to 20:00 on business days. Low-season includes the months April to October inclusive.
Site-specific ST Demand	As per the Seasonal TOU Demand tariff.		
Site-specific ST Grid Battery	Fixed	c/day	Daily access charge.
	High-season peak energy	c/kWh	Charge applied to energy consumed between 16:00 to 20:00 on business days. High-season includes the months November to March inclusive.
	Low-season peak energy	c/kWh	Charge applied to energy consumed between 16:00 to 20:00 on business days. Low-season includes the months April to October inclusive.
	Off-peak energy	c/kWh	Charge applied to energy consumed at all other times
	High-season peak energy export	c/kWh	Reward applied to energy exported between 16:00 to 20:00 on business days. High-season includes the months November to March inclusive.
	Low-season peak energy export	c/kWh	Reward applied to energy exported between 16:00 to 20:00 on business days. Low-season includes the months April to October inclusive.
	Off-peak energy	c/kWh	Reward applied to energy exported at all other times

4.6 Inter-distributor transfer demand tariff class

The charging parameters for the proposed tariff structures for our inter-distributor tariff (IDT) customers are set in the table below:

Table 8: Charging parameters for the inter-distributor transfer demand tariff class

Tariff type	Components	Units	Charging parameter
IDT	Fixed	c/day	Daily access charge.
	High-season Peak Energy	c/kWh	Charge applied to energy consumed between 16:00 to 20:00 on business days.

			High-season includes the months November to March inclusive.
	Low-season Peak Energy	c/kWh	Charge applied to energy consumed between 16:00 to 20:00 on business days. Low-season includes the months April to October inclusive.
	Off Peak Energy	c/kWh	Charge applied to all energy consumed at all other times.
	High-season Demand	c/kW/day	Charge applied to maximum energy demand between 16:00 to 20:00 on business days. High-season includes the months November to March inclusive.
	Low-season Demand	c/kW/day	Charge applied to maximum energy demand between 16:00 to 20:00 on business days. Low-season includes the months April to October inclusive.

4.7 Unmetered supply tariff class

The charging parameters for the proposed tariff structures for our inter-distributor tariff customers are set in the table below:

Table 9: Charging parameters for the unmetered supply tariff class

Tariff type	Components	Units	Charging parameter
Unmetered energy tariff	Energy	c/kWh	Charge applied to all energy consumption.

Tariff assignment policies

Chapter 5

In this section, we describe the process that will apply to assigning new customers or re-assigning existing customers to our tariff offerings during the 2024-29 regulatory control period.

5.1 Our tariff assignment policies

Each of our tariff classes contains a number of differing tariffs. Customers will be assigned a default tariff within their associated tariff class, in some cases other alternatives within that tariff class will be available to customers.

5.1.1 Small low voltage tariff class

The small low voltage tariff class relates to low voltage connections (230/400 V) where total electricity consumption or exports, per financial year, is less than 160 MWh. The typical customer type in this tariff class is residential and small to medium enterprise businesses.

We carefully weighed divergent views of customers, retailers and stakeholders in developing our proposed tariff assignment policy.

Our Customer Panel were supportive of cost-reflective tariffs and keen to make use of opportunities to better manage and reduce their electricity bills. The majority (55%) also initially favoured strengthening our assignment policy. However, in our more recent engagement with our Customer Panel the majority (60%) favoured an “opt-in” approach to tariff assignment. This may reflect growing concerns with cost-of-living pressures and their ability to respond to these price signals.

Our expert stakeholders on the other hand were more strongly (71%) in favour of strengthening our policies consistent with the aims of policymakers.

We therefore propose that all residential and general supply customers with enabling smart metering will be assigned to our Seasonal TOU Energy tariff.

These customers will be allowed to “opt-out” of the Seasonal TOU Energy tariff to our Seasonal TOU Demand tariff, however the option to opt-out of cost-reflective pricing will be removed.

This will accelerate the transition to cost-reflective tariffs for both new and existing customers, and limit retailers’ ability to opt-out of cost reflective tariffs. Retailers remain welcome to develop retail offerings that manage the network costs that arise from these efficient network tariff structures, while meeting the needs of customers.

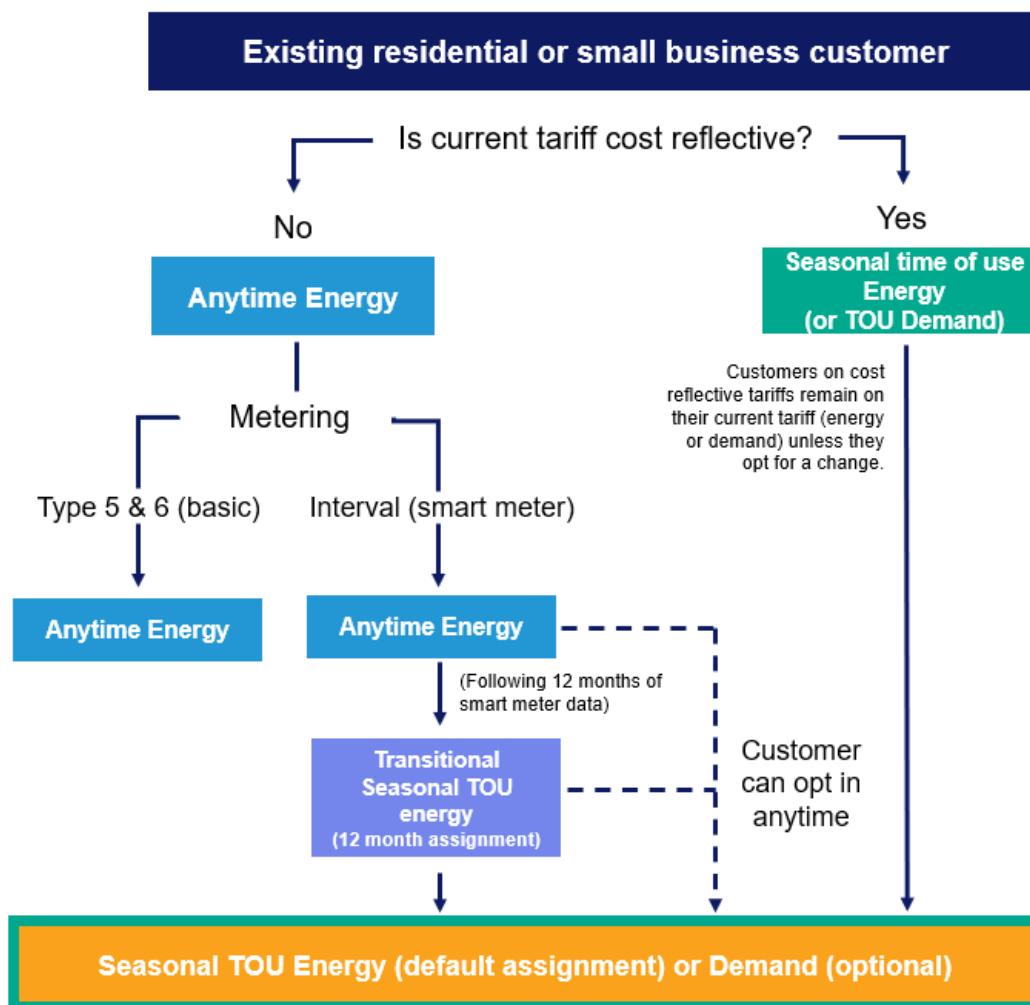
To manage adverse customer impacts, this new assignment policy will occur over a two-year period, i.e.:

- after obtaining a smart meter a customer will remain on their existing tariff for the next 12 months;¹² and
- they will then be assigned to a transitional Seasonal TOU Energy tariff for an additional 12 months, which is a diluted version of the fully cost-reflective tariff;
- then, 24 months after the obtain a smart meter, they will be assigned to the Seasonal TOU Energy tariff, with the choice to opt-out to the Seasonal TOU Demand tariff.
- This period will provide customers an opportunity to understand, monitor and adjust their energy usage with the benefit of smart metering.

¹² Note that re-assignments will occur on a bulk, rather than ‘real time’, basis meaning customers could remain on their existing tariff for a period longer (but not shorter) than 12 months.

While all new customers will be assigned to the Seasonal TOU Energy tariff by default, the figure below, illustrates our proposed assignment policy for existing residential and general supply customers currently supplied on the Anytime Energy tariff.

Figure 2: Assignment policy for existing customers on an Anytime Energy tariff



For small low voltage tariff class customers with a two-way (import and export) connection, we propose that the assignment of customers to our two-way tariff is on:

- an opt-in basis for existing export customers; and
- an opt-out basis for new or upgrading export customers, from 1 July 2025 (and opt-in prior to 1 July 2025).

This is consistent with the feedback we have received from customers. The majority of our Customer Panel (who are existing customers) preferred an opt-in approach to export tariffs (53%)¹³. Our stakeholders were similarly supportive of an opt-in approach (57%).

¹³ 28% of the remaining customers preferred mandating, whilst 19% preferred deferring export tariffs until at least 2030.

Our assignment policy for small low voltage tariff class customers to our 'prosumer' two-way tariff is explained in greater detail in chapter 6 of this TSS and section 5.3 of the TSS explanatory document.

For low voltage grid connected batteries, the low voltage grid battery tariff is the default tariff. The battery must consume no more than 160 MWh per annum, consistent with our small low voltage tariff class.

5.1.2 Large low voltage tariff class

The large low voltage tariff class relates to low voltage connections (230/400 V) where total electricity consumption or exports, per financial year, is greater than 160 MWh. The typical customer type in this tariff class are larger commercial and light industrial businesses.

For customers in the large low voltage tariff class:

- the seasonal TOU demand tariff is the default tariff for network connections that are not embedded networks.
- the embedded network seasonal TOU demand tariff is the default tariff for low voltage embedded network connections, where the embedded network is identified as such in market systems.
- any customer whose annual consumption or exports requires a demand based tariff, but cannot be directly transferred to the appropriate demand tariff due to insufficient metering capabilities or excessive expected bill impacts from the transition, will be assigned to the transitional tariff.¹⁴
- a site-specific LV tariff may be calculated where any of the following is applicable:
 - electricity consumption or exports has been equal to or greater than 100 GWh in total for the 36 months preceding the application; or
 - electricity consumption or exports has been equal to or greater than 40 GWh per annum in each of the two financial years preceding the application; or
 - monthly peak demand or generation has been equal to or greater than 10 MVA for 24 of the 36 months preceding the application.

5.1.3 High voltage demand and subtransmission demand tariff classes

The high voltage demand and subtransmission demand tariff classes relates to high voltage¹⁵ and subtransmission voltage¹⁶ connections; respectively. The typical customer type in these tariff classes is industrial.

For customers in the high voltage demand or subtransmission demand tariff classes:

- the corresponding high voltage or subtransmission voltage seasonal TOU demand tariff is the default tariff for network connections.
- a high voltage or subtransmission voltage site-specific grid battery tariff will be calculated for grid connected batteries at these voltages.
- A site-specific HV or ST tariff may be calculated where any of the following is applicable:
 - electricity consumption or exports has been equal to or greater than 100 GWh in total for the 36 months preceding the application; or

¹⁴ The transitional tariff for large LV customers is not available on customer or retailer request.

¹⁵ 12.7 kV SWER, 11 or 22 kV

¹⁶ 33, 66 or 132 kV

- electricity consumption or exports has been equal to or greater than 40 GWh per annum in each of the two financial years preceding the application; or
- monthly peak demand or generation has been equal to or greater than 10 MVA for 24 of the 36 months preceding the application.

5.1.4 Inter-distributor transfer demand tariff class

This tariff is a mandated, distributor specific demand tariff for electricity transferred through the Endeavour Energy network on behalf of Ausgrid and Essential Energy.

5.1.5 Unmetered supply

For customers in the unmetered supply tariff class the applicable unmetered tariff will be assigned subject to the specific purpose of the unmetered load being:

- unmetered energy (the default tariff for customers in this tariff class);
- streetlighting connection points;
- traffic control signal lights connection points; and
- nightwatch connection points.

The table below summarises the tariff options for customer assignment.

Table 10: Assignment of customers to tariffs

Tariff Class & Customer Type	Tariff Code	Meter Type	Assignment	Tariff Structure	Includes export charges/rewards
Small low voltage tariff class					
Residential	N70	Basic	Closed to new applicants	Anytime Energy	No
	N71	Interval	Default	Seasonal TOU Energy	No
	N72	Interval	Optional	Seasonal TOU Demand	No
	N73	Interval	Optional	Seasonal TOU Demand (<i>Transitional</i>)	No
	N74*	Interval	Transitional Default	Seasonal TOU Energy (<i>Transitional</i>)	No
General Supply	N90	Basic	Closed to new applicants	Anytime IBT Energy	No
	N91	Interval	Default	Seasonal TOU Energy	No
	N92	Interval	Optional	Seasonal TOU Demand	No
	N93	Interval	Optional	Seasonal TOU Demand (<i>Transitional</i>)	No

Tariff Class & Customer Type	Tariff Code	Meter Type	Assignment	Tariff Structure	Includes export charges/rewards
	N94*	Interval	Transitional Default	Seasonal TOU Energy (<i>Transitional</i>)	No
Controlled Load	N50	Basic & Interval	Optional	Controlled Load 1	No
	N54	Basic & Interval	Optional	Controlled Load 2	No
Prosumer (Residential & General Supply)	N61*	Interval	Optional	Two-way	Yes
LV Grid Battery	N62*	Interval	Default	Two-way	Yes
Large low voltage tariff class					
Commercial & Industrial	N19	Interval	Default	Seasonal TOU Demand	No
	N89	Interval	Transitional	Seasonal TOU Energy	No
LV Embedded Network	N20*	Interval	Default	Seasonal TOU Demand	No
Site-specific	n/a	Interval	Optional	Seasonal TOU Demand	No
High voltage demand tariff class					
Commercial & Industrial	N29	Interval	Default	Seasonal TOU Demand	No
Site-specific	n/a	Interval	Optional	Seasonal TOU Demand	No
Site-specific Grid Battery	n/a	Interval	Default	Two-way	Yes
Subtransmission voltage tariff class					
Commercial & Industrial	N39	Interval	Default	Seasonal TOU Demand	No
Site-specific	n/a	Interval	Optional	Seasonal TOU Demand	No
Site-specific Grid Battery	n/a	Interval	Default	Two-way	Yes
Inter-distributor transfer tariff class					
Inter-distributor transfers	n/a	Interval	Default	Seasonal TOU Demand	No

Tariff Class & Customer Type	Tariff Code	Meter Type	Assignment	Tariff Structure	Includes export charges/rewards
Unmetered supply tariff class					
Unmetered Supply	N99	Unmetered	Default	Energy	No
Streetlighting	SL	Unmetered	Default	Energy	No
Traffic Lights	TL	Unmetered	Default	Energy	No
Nightwatch	NW	Unmetered	Default	Energy	No

*New tariff codes may be subject to change on implementation.

5.2 Rational for our tariff assignment policy

Endeavour Energy's proposed tariff assignment policy represents a more aggressive push towards assigning customers to cost reflective tariffs than the assignment policy that was in place for the 2019-24 regulatory control period. This reflects our preference to handle a transition to cost reflective tariffs through the tariff assignment policy rather than end users interpreting relative price signals and for Endeavour Energy to manage any resulting bill impacts through these pricing relativities.

Our previous assignment policy relied on small low voltage customers opting into cost reflective tariffs based on pricing incentives agreed upon with the AER. Specifically, in the 2019-24 regulatory control period the AER determined that Endeavour Energy comply with the following constraints relating to their small low voltage cost reflective tariffs:

- no less than 90 per cent of small low voltage tariff class customers would have lower bills on at least one of the transitional demand, demand or seasonal TOU tariffs relative to the non-cost reflective alternative; and
- no less than 50 per cent of small low voltage tariff class customers would have lower bills the demand tariff relative to the transitional demand tariff alternative.

These price incentives resulted in a very low uptake of cost reflective tariffs during the previous regulatory control period. In light of this sluggish uptake, Endeavour Energy has revised its assignment policy with the explicit aim of increasing the uptake of cost reflective tariffs.

While Endeavour Energy may be requiring customers to transition onto cost reflective tariffs, this transition will be governed by the customer impact principle. As such, Endeavour Energy will be constantly reviewing the outturn bill impacts of the tariff reassignment of these existing customers to ensure that unacceptable customer outcomes are avoided.

In this sense, the component of our tariff assignment policy that relates to the reassignment of customers to cost reflective tariffs will incorporate explicit consideration of:

- customer bill impacts;
- the transition to cost reflective tariffs; and
- relativities between our tariff offerings.

Further, Endeavour Energy will continue to converge the transitional demand tariffs to the equivalent demand tariff consistent with the transition strategy detailed in the 2019-24 TSS.¹⁷ Included in this existing transition strategy is also the two-way tariffs included in this regulatory control period, which is further explained in chapter 6.

¹⁷ Endeavour Energy, *Tariff Structure Explanatory Statement 1 July 2019 – 30 June 2024*, January 2019, p 58.

Transition strategy for two-way pricing

Chapter 6

In August 2021 the AEMC published a final determination on a rule change that paved the way for two-way pricing, i.e., it:¹⁸

- removed the prohibition on distribution businesses charging for export services, and clarified that negative prices could be used to reward customers;
- updated the regulatory framework to clarify that distribution services are two-way and include export services, and as such the current rules relating to distribution services apply to export services; and
- provided incentives for efficient investment in, and operation and use of, export services – including a requirement for the AER to regularly calculate the values of CER curtailment to guide investment and regulatory decisions and providing protections to customers from inefficient zero export limits;

In this section we describe our transition strategy for introducing two-way pricing during the 2024-29 regulatory control period,¹⁹ as shaped through our customer engagement process and with minimising customer impacts front-of-mind.

6.1 Justification for two-way pricing

The AER made clear that it will only approve two-way pricing if there is a demonstrable need for its introduction.²⁰ It recommends that the two-way pricing proposal includes consideration of:

- individual network circumstances to warrant the introduction of two-way pricing, including the network's intrinsic hosting capacity;
- how customers may be impacted if two-way pricing is not introduced;
- evidence of current or estimates of future CER penetration on the network (including rooftop solar and electric vehicles) and how this impacts network costs; and
- feedback from stakeholders, including customers.

We address each of these factors in turn below, with further information provided in section 5.3 of our TSS explanatory statement.

6.1.1 The imperative to signal avoidable costs to customers

Two-way pricing will enable us to signal to customers the costs that might be avoided or caused by additional exports, at different times of the day. This will promote efficient investment in DER, the efficient use of CER and help us to ensure that we incur only efficient network costs, i.e., to make network investments only when it is the least-cost solution.

First, when customer demand peaks in the evening and our network becomes constrained, we are required to make additional investments in network capacity to ensure that we can continue to provide safe and reliable import services to customers.

However, additional exports by customers during these periods of peak demand can help to avoid those network investments, thereby reducing the costs we need to recover from customers. By signalling to customers the future costs that can be avoided by exporting in the evenings – using export rewards – we can signal to customers the network benefit associated with exports in the evening.

¹⁸ AEMC, *Access, pricing and incentive arrangements for distributed energy resources | Final determination*, August 2021, p 5.

¹⁹ NER, cl. 6.18.1A(a)(2A).

²⁰ AER, *Export tariff guidelines*, May 2022, p 2.

This will, for example, enable customers to evaluate whether an investment in a behind the meter battery or participation in a community battery can help us to lower costs for our customers, and elicit a positive return on investment for the customer.

In our opinion, signalling these benefits to customers is an important way to harness the value of CER.

Second, periods of low residential load during the middle of the day and the increased uptake of solar PV systems are contributing to localised imbalances between customer imports and exports, i.e., from:

- high output from solar PV generators on the low voltage network; and
- lower levels of load, which has traditionally occurred in the middle of the day.

These imbalances cause voltage fluctuations that can put at risk the safe and reliable provision of network services to customers, which in turn requires us to incur costs.

By signalling the costs that could be caused by additional exports during the middle of the day – using export charges and rewards – we can signal to exporting customers the network benefits that arise from:

- managing their exports in the middle of the day, e.g., by shifting load to the middle of the day to increase self-consumption, storing generation in a battery or installing west-facing panels; and
- exporting during the evening peak period, when customers should be rewarded for their exports because it frees up network capacity.

Our existing tariffs only signal the costs of additional load during peak demand through peak charges. Providing cost reflective prices and rewards for two-way flows is an opportunity to empower choice and control over customers' energy use and harness the full network value of customer investments in CER.

To this end, we expect our \$76 million CER integration expenditure program to unlock 6,000 GWh of renewable energy that would otherwise be lost through curtailment.

Signalling these future costs to customers will ensure that they are only incurred if there is no other, cheaper solution to managing imbalances between load and exports in the middle of the day. It will also mitigate the risk of inefficient underinvestment in increasing our hosting capacity.

These costs, and our introduction of two-way pricing, also reflects our expectations that customer exports are likely to exceed the inherent ability of our existing network to facilitate exports, otherwise referred to as our network's intrinsic hosting capacity. In section 5.3.6 of our TSS explanatory statement, we explain our calculation of the basic export level and that it will likely often be exceeded by our exporting customers.

In our opinion, failing to signal to customers the costs that can be avoided through efficient investment in CER and the efficient use of CER is likely to lead to higher future network costs, which is not in the best interests of our customers.

6.1.2 Introducing two-way pricing is fair

Introducing two-way pricing will have no effect on the total level of revenue we recover from our customers, which is based on the AER's assessment of the efficient cost of providing network services.

Further, our proposed export charges are very low and apply only to exports above our intrinsic hosting capacity, i.e., exports are free of charge up to our hosting capacity. Export charges will also be accompanied by export rewards that can lower customers network bills.

For instance, we expect that our two-way 'prosumer' tariff will cost the average exporting residential and general supply customer \$7 and \$51 per annum; respectively. We also expect that 50% of residential and 40% of general supply exporting customers will be either unimpacted or rewarded under our two-way tariff. This is before accounting for any change in their exporting profile in response to the two-way pricing signal.

We are also introducing two-way pricing alongside a period of very low import prices in the middle of the day – a solar soak period – which will allow customers without DER to play a role in the energy transition and, by lowering the cost of managing exports in the future, assist in keeping export prices as low as possible.

In light of these characteristics of our proposed approach to introducing two-way pricing, and in the context of the efficiency benefits that we describe in the previous section, in our view it is fair to introduce two-way pricing in the upcoming regulatory control period.

We explain the feedback we received from customers in section 6.2.4.

6.1.3 Our two-way tariff transition strategy supports customers through the energy transition

Although our customers supported the introduction of two-way pricing, they also raised the importance of not unduly penalising small scale solar generation, in light of the environmental and network benefits to which they can give effect.

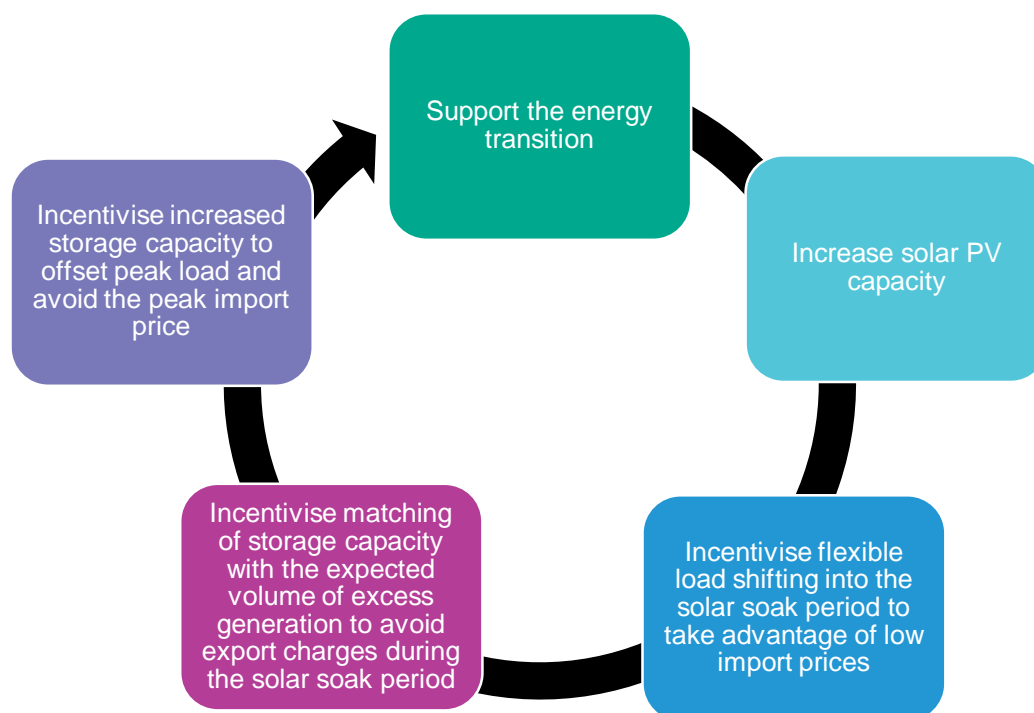
We have therefore designed our proposed two-way tariffs to support our customers through the energy transition, by enabling them to harness the value of their investments in CER and contribute to lowering our network costs, to the benefit of them and all other customers.

Our proposed approach to two-way pricing will encourage a number of key customer-led aspects of the energy transition, including:

- shifting flexible load to periods where renewable generation is most abundant, ie, in the middle of the day;
- increasing storage capacity to ensure that load that does not align with the timing of renewable supply can still be satisfied by these sources; and
- increasing renewable energy generation capacity so that all demand can be met through renewable sources.

Figure 3 illustrates the role our two-way tariffs play in supporting residential and small business customers in the energy transition.

Figure 3: Our two-way tariffs and the energy transition



6.2 Our transition strategy for two-way pricing

Consistent with the NER and the AER guidelines,²¹ the discussion below provides transparency regarding:

- the transitional measures for two-way pricing, including our proposed assignment policy for new customers, the timeframe for moving existing customers onto two-way tariffs and the potential transition towards cost-reflectivity for two-way tariffs;
- how consideration of customer bill impacts has informed our transition strategy;
- the role of tariff trials in developing our transition strategy; and
- how stakeholders and customers were involved in the design and implementation of the two-way tariff transition strategy.

We explain our two-way pricing transition strategy, through these four key areas below.

6.2.1 Tariff assignment and transition strategy

Prior to 1 July 2025, existing export customers cannot be assigned to a two-way tariff.²²

We propose that the assignment of customers to our two-way tariff is on:

- an opt-in basis for existing export customers; and
- an opt-out basis for new or upgrading export customers, from 1 July 2025 (and opt-in prior to 1 July 2025).

This is consistent with the feedback we have received from customers. The majority of our Customer Panel (who are existing customers) preferred an opt-in approach to export tariffs (53%)²³. Our stakeholders were similarly supportive of an opt-in approach (57%).

In balancing this feedback, we consider a stronger policy is appropriate for new and upgrading customers. These customers should be presented with cost-reflective information upon which to inform the decision they are actively making with regards to their investment in DER. Whilst existing customers should have greater flexibility until such time as they are considering whether to replace or upgrade their existing systems.

We define an existing export customer to be any customer with installed export capacity before 1 July 2024, i.e., the start of the upcoming regulatory period.

No existing residential or small business export customers will be assigned to a two-way tariff during the 2024-29 regulatory control period.²⁴ However, they can opt-in to a two-way tariff any time after 1 July 2024 and can also subsequently opt-out of this two-way tariff.

This approach will provide flexibility for existing export customers to select the pace of their transition.

We anticipate that the presence of the export reward during the demand peak period in this transitional two-way tariff may provide sufficient incentive for these customers to opt-into this tariff and manage their exports to provide network support during the peak import period, e.g., by installing a behind the meter battery.

All new residential and small business export customers will be assigned to a cost-reflective two-way tariff from 1 July 2025. However, they can opt-out of a two-way tariff for the remainder of the 2024-29 regulatory

²¹ NER, cl. 6.18.1A(a)(2A); and AER, *Export tariff guidelines*, May 2022, p 6.

²² AEMC, *Access, pricing and incentive arrangements for distributed energy resources | Final determination*, August 2021, p vi.

²³ 28% of the remaining customers preferred mandating, whilst 19% preferred deferring export tariffs until at least 2030.

²⁴ AEMC, *Access, pricing and incentive arrangements for distributed energy resources | Final determination*, August 2021, p vi.

control period. We intend to remove this opt-out clause at the start of the 2029-34 regulatory control period, which was supported by stakeholders.

Dedicated two-way flow connections, i.e., community and grid scale batteries, will not be able to opt-out of their two-way flow tariffs.

Our assignment policy as part of the two-way tariff transition strategy is summarised in Table 14.

Table 11: Summary of two-way tariff transition strategy assignment policy – residential and small business

Customers	Prior to 1 July 2025	After 1 July 2025	2029-34 regulatory control period
New residential and small business export customers (post 1 July 2025)	<i>Opt-in option to cost-reflective two-way tariff.</i>	<i>Assigned to cost-reflective two-way tariff with opt-out clause.</i>	<i>Assigned to cost-reflective two-way tariff with no opt-out clause.</i>
Existing residential and small business export customers (pre 1 July 2025)	<i>Opt-in option to cost-reflective two-way tariff.</i>		<i>Re-assigned to cost-reflective two-way tariff with no opt-out clause.</i>
Any commercial dedicated two-way flow connection, e.g., community or grid-scale battery	<i>Assigned to cost-reflective two-way tariff with no opt-out clause.</i>		

In addition to the transitional assignment policy for two-way tariffs, we have also developed a transition strategy for the basic export level. As per the NER, we intend to offer all export customers a basic export level for the 2024-29 and 2029-34 regulatory control periods,²⁵ however beyond this period we intend to remove the basic export level for all exporting customers.

6.2.2 Customer bill impact modelling

Mitigating the impact on our customers is an important consideration when implementing our two-way tariff transition strategy.

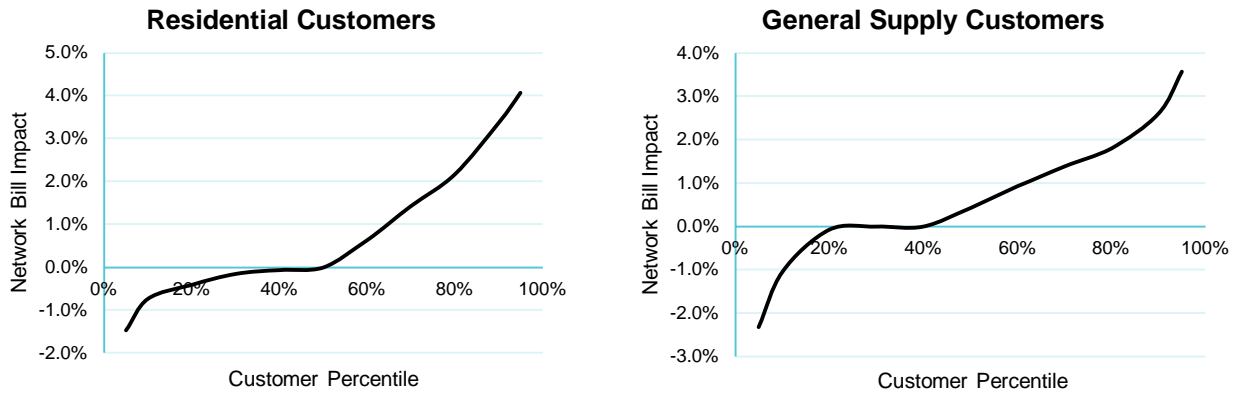
The expected bill impact for export customers is contained in our detailed bill impact analysis in chapter 6 of the TSS explanatory statement.

At a high level, we expect that our two-way ‘prosumer’ tariff will cost the average residential and general supply exporting customer \$7 and \$51 per annum; respectively. We also expect that 50% of residential and 40% of general supply exporting customers will be either unimpacted or rewarded under our two-way tariff. This is before accounting for any change in their exporting profile in response to the two-way pricing signal.

The network bill impact of assignment to the two-way tariff is illustrated in the figure below.

²⁵ NER, cl. 11.141.12.

Figure 4: Impact of assignment to the two-way 'prosumer' tariff



6.2.3 Tariff trials

We introduced a prosumer tariff trial for our residential customers in the 2022-23 financial year. Our proposed residential and small business two-way tariff has a similar structure as this tariff trial. We designed this tariff trial to better understand whether:

- customers understood that the export demand charge applied only to exports in excess of the basic export limit;
- customers responded to the export charge and import reward during the solar soak period by shifting load into that period to reduce excess solar generation exported onto the network; and
- the uptake of storage systems for customers on the tariff trial increased in order to utilise their excess generation at the time of highest value, ie, during the evening demand peak period.

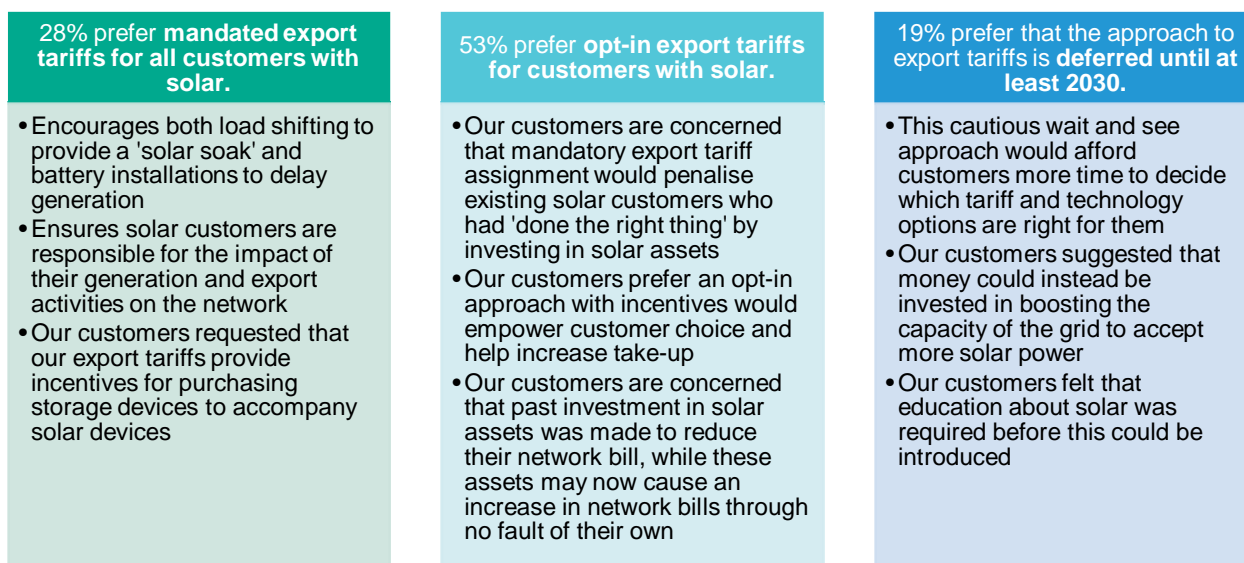
The relative infancy of this tariff trial has limited the insights that we can draw from this tariff trial. However, feedback has led to a change in our proposed two-way tariff structure to include energy based, rather than demand-based export rewards.

6.2.4 Stakeholder engagement

We have involved our customers at every stage of the design process for our two-way tariffs and have considered and incorporated their preferences and concerns into our wider strategy.

The feedback from our customers regarding the two-way tariff transition strategy is summarised in Figure 5.

Figure 5: Customer feedback on two-way tariff assignment policies



Our customers expressed a clear preference for a voluntary approach to the two-way tariff assignment policy for existing export customers, which has been included in our opt-in/opt-out assignment policy for these customers.

Further, our customers expressed a desire for incentives to help the financial viability of behind the meter batteries. We intend to support this customer preference by ensuring that a significant reward for export that are effectively delayed until the peak period.

Details of our customer engagement is contained in chapter 3 of the TSS explanatory statement.

Pricing for alternative control services

Chapter 7

In addition to our standard control services, Endeavour Energy provides distribution services that are attributable to a single customer or location or have the potential to be provided on a competitive basis. The costs of providing these services are recovered directly from individual customers and does not form part of our revenue requirements as proposed through the building block approach. These are referred to as alternative control services. One of the defining characteristics of these services is that the AER determines the price for the service, or the unit rates used in quoting for a service.

7.1 Tariff classes – alternative control services

The AER has classified the following categories of direct control services as alternative control services:

- ancillary network services;
- metering;
- public lighting; and
- security lights (Nightwatch).

Endeavour Energy proposes that customers that use these categories of service form our alternative control service tariff classes. A summary is set out in the table below.

Table 12: Endeavour Energy alternative control tariff classes

Customer type	Tariff class	Service characteristics
Retailers and ASPs on behalf of customers	Ancillary Network Services	Would include authorisations, inspections, permits, site establishment, connections/disconnections and conveyancing information. Service is initiated only at customer request.
Low voltage customers consuming less than 160MW p.a.	Metering	Provision of Type 5 and Type 6 metering assets. Meter reading services for Type 5 and 6 metering assets. Retirement of Type 5 and 6 metering assets.
Public space illuminators (generally local councils)	Public Lighting	Provision of public lighting infrastructure. Maintenance of public lighting infrastructure. Retirement of public lighting infrastructure.
Customer requested flood lighting services	Security Lights (Nightwatch)	Provision of lighting infrastructure. Maintenance of lighting infrastructure. Supply of energy for lighting service.

7.2 Tariff structures – alternative control services

7.2.1 Ancillary network services

Ancillary service prices are provided to customers as either of the following:

- **Fee based services:** The work involved in some ancillary network service activities are relatively homogenous. The costs involved performing these activities are generally the same and are charged at a fixed price on a per activity basis. Fees are derived from the relevant labour rates and average time required to perform the task and are charged irrespective of the actual time taken to complete the activity; and
- **Quoted services:** Costs for some ancillary network service activities may vary considerably between jobs. This is often the case for one-off activities that are specific to a particular customer's request. For quoted services, charges are levied on a time and materials basis. Prior to commencing work, customers

are informed of the per hour cost with the final total charge payable dependent on the time taken to complete the respective activity.

For the 2024-29 period, we propose to provide the ancillary network service activities that were provided to customers in the current regulatory period. We have also proposed to provide some new activities to our customers.

We propose the following forms of control for ancillary network services over the 2024-29 regulatory period consistent with the AER's F&A decision:

- a schedule of fixed prices for ancillary network services for the first year of the regulatory period; and
- a price path for the remaining years of the regulatory control period, based on the CPI-X methodology contained in the submitted ancillary network services model.

Further detail on our ancillary network services proposal can be found in section 14.4 of our Regulatory Proposal.

Our proposed charges for ancillary network services for the 2024-29 period are set out in Appendix 2.

7.2.2 Metering

Our proposed pricing approach is the same as that which applied for the 2019-24 period. We have split metering services between primary and secondary categories. The latter are metering services that are in addition to the basic network service most customers receive, such as off-peak hot water or solar PV meter services. These additional services result in only marginally higher overall costs and therefore attract a lower incremental charge.

This means that a customer will pay a greater amount for their first metering service as this creates the majority of costs we incur as their meter provider. This approach also ensures that customers who have more metering services than a basic accumulation service will pay more to reflect the additional services being provided. We consider this balances the need for cost reflectivity and fairness. Our approach involves the following:

- **Existing metering assets:** We will seek to recover the existing capital costs for Type 5 and 6 meters during the course of the 2024-29 period. The collection of existing meter costs will be on a per-customer basis to avoid penalising customers for past decisions; and
- **Opex:** Ongoing costs such as maintenance, meter reading, meter testing and data services will be recovered via a cents per day charge. The prices for ongoing opex have been developed on a per-service basis. This means that each unique data stream will attract a price. For example, a basic metering charge and an off-peak metering charge equates to two data streams and two services.

We propose the following forms of control for metering services over the 2024-29 regulatory period consistent with the AER's F&A decision:

- a schedule of fixed prices for metering services for the first year of the regulatory period; and
- a price path for the remaining years of the regulatory control period, based on the CPI-X methodology contained in the submitted metering services model.

Further detail on our metering proposal can be found in section 14.3 of our Regulatory Proposal.

Our proposed charges for metering services for the 2024-29 period are set out in Appendix 2.

7.2.3 Public lighting

We propose to continue applying the current tariff structures and component-based pricing over the next regulatory period with two key amendments. The tariff classes are broken down into two key subgroups, tariffs for assets installed before 8 August 2009 and those after this date:²⁶

- **Tariff class 1 (TC1):** is an aggregate capital recovery and maintenance tariff. This applies where the asset was initially funded by us and was included as part of the RAB determined by IPART prior to 8 August 2009. Capital cost recovery built into this tariff class will trend in line with the residual RAB value reducing over time and historical price escalation constraints. Assets priced under TC1 may sometimes also be referred to as legacy assets. No new public lighting installations are covered by this tariff class;

We propose that the TC1 (non-luminaire) asset base is converted to a capital annuity tariff using a 10-year remaining useful life. This will significantly reduce the number of tariffs and complexity of our previous pricing model.

- **Tariff class 2 (TC2):** is a maintenance cost recovery only tariff. This applies to assets where we did not fund the initial construction which occurred prior to 8 August 2009. As we did not fund the construction, we are not entitled to any capital recovery charges for these assets. Similarly with TC1, assets priced under TC2 may sometimes also be referred to as legacy assets. No new public lighting installations are covered by this tariff class;

We propose that this tariff is merged with the TC4 maintenance tariff, again to improve the simplicity of our pricing model.

- **Tariff class 3 (TC3):** is an aggregate capital recovery and maintenance tariff similar to TC1, however this tariff class is priced using an annuity approach and only applies to assets installed after 8 August 2009. Unlike TC1 there is no RAB value driving variable prices over time and is specific to the asset installed;
- **Tariff class 4 (TC4):** is a two-part tariff; the first element is a maintenance cost recovery only charge similar to TC2. This applies to assets where we did not fund their initial construction which occurred after 8 August 2009. As we did not fund the construction, we are not entitled to any capital recovery charges for these assets. However, we are required to pay income tax on assets gifted to us in this manner. The second element of TC4 is a tax cost recovery charge that is paid through an annual amount over the life of an asset that is gifted to us by our customers after 8 August 2009; and
- **Tariff class 5 (TC5):** is a pure capital recovery tariff that is paid in a lump sum at the time of agreeing to replace an asset before the end of its useful life. This tariff class does not have specified prices but rather a specified formula for calculating the residual unrecovered capital and tax costs when a customer requests an early replacement of assets paid for by us.

We propose the following forms of control for public lighting services over the 2024-29 regulatory period consistent with the AER's F&A decision:

- a schedule of fixed prices for public lighting services for the first year of the regulatory period; and
- a price path for the remaining years of the regulatory control period, based on the CPI-X methodology contained in the submitted public lighting model.

Further detail on our public lighting proposal can be found in section 14.2 of our Regulatory Proposal.

²⁶ Even though the AER cut-off date for switchover of charges from legacy rates to annuity rates was 1 July 2009, on demand from its Public Lighting Customers and ASPs, Endeavour Energy agreed to a date of 8 August 2009 to cater for completion of projects that were already under way and to give time for Public Lighting Customers and ASPs to understand the new rates.

Our proposed charges for public lighting services for the 2024-29 period are set out in Appendix 2.

7.2.4 Security lights (Nightwatch)

Security lighting for private customers is similar to public lighting with installations typically attached to existing distribution network poles and structures. From the 2019-24 regulatory period, prices for security lighting services were regulated by the AER as ancillary network services.

During the 2019-24 period, substitute services (such as privately owned LED lights and columns) have become increasingly available. In addition, our energy costs, which are set in accordance with unmetered supply requirements, have increased substantively. As a result of our increasing costs and the possible emergence of a contestable market for private lighting, we intend to review our ongoing provision of this service for the 2024-29 period prior to the lodgement of our Revised Proposal.

At this stage, we propose to continue the 2019-24 pricing approach, a forward-looking pricing methodology similar to that of public lighting tariff 3, for the 2024-29 period. Under this approach, customers are required to pay a one-off installation cost and a monthly rental charge. These charges will vary depending on the type of lighting service requested and length of the contractual period. The ongoing charge will cover the costs of operating, maintaining and replacing the assets as required. As an unmetered supply of electricity, the charge is also inclusive of an estimated amount of electricity consumption calculated in accordance with published load tables and our contracted energy rates.

For simplicity, we have set prices based on the service provided to a customer i.e., the amount of illumination required. This allows us to maintain a common set of service outcomes for customers over time while providing flexibility to adopt different technologies to suit the location and/or different technologies as they become cost competitive.

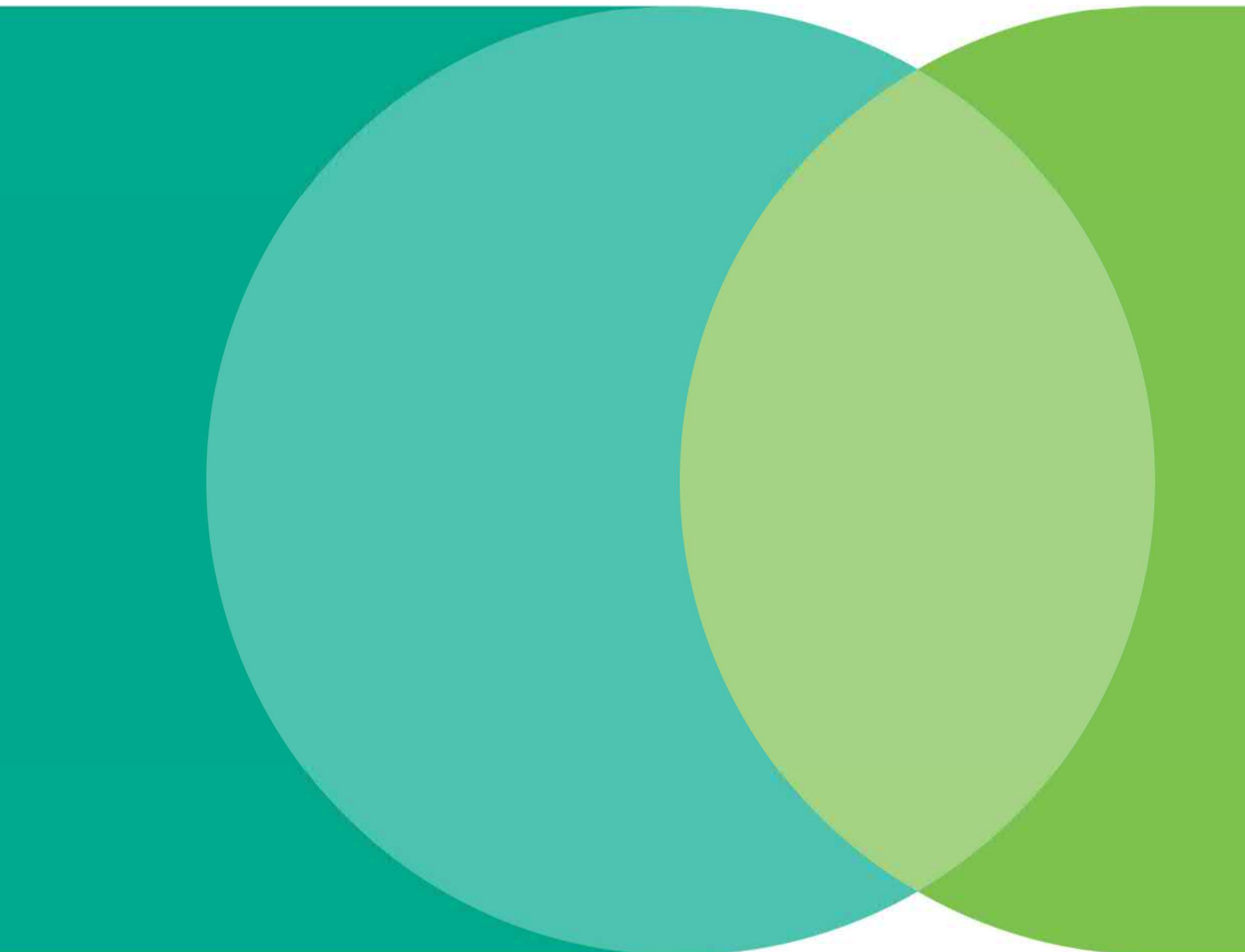
We propose the following forms of control for ancillary network services over the 2024-29 regulatory period consistent with the AER's F&A decision:

- a schedule of fixed prices for ancillary network services for the first year of the regulatory period; and
- a price path for the remaining years of the regulatory control period, based on the CPI-X methodology contained in the submitted ancillary network services model.

Further detail on our security lights (Nightwatch) proposal can be found in section 14.4 of our Regulatory Proposal.

Our proposed charges for security lights (Nightwatch) services for the 2024-29 period are set out in Appendix 2.

Appendix 1 – Indicative price schedule - SCS

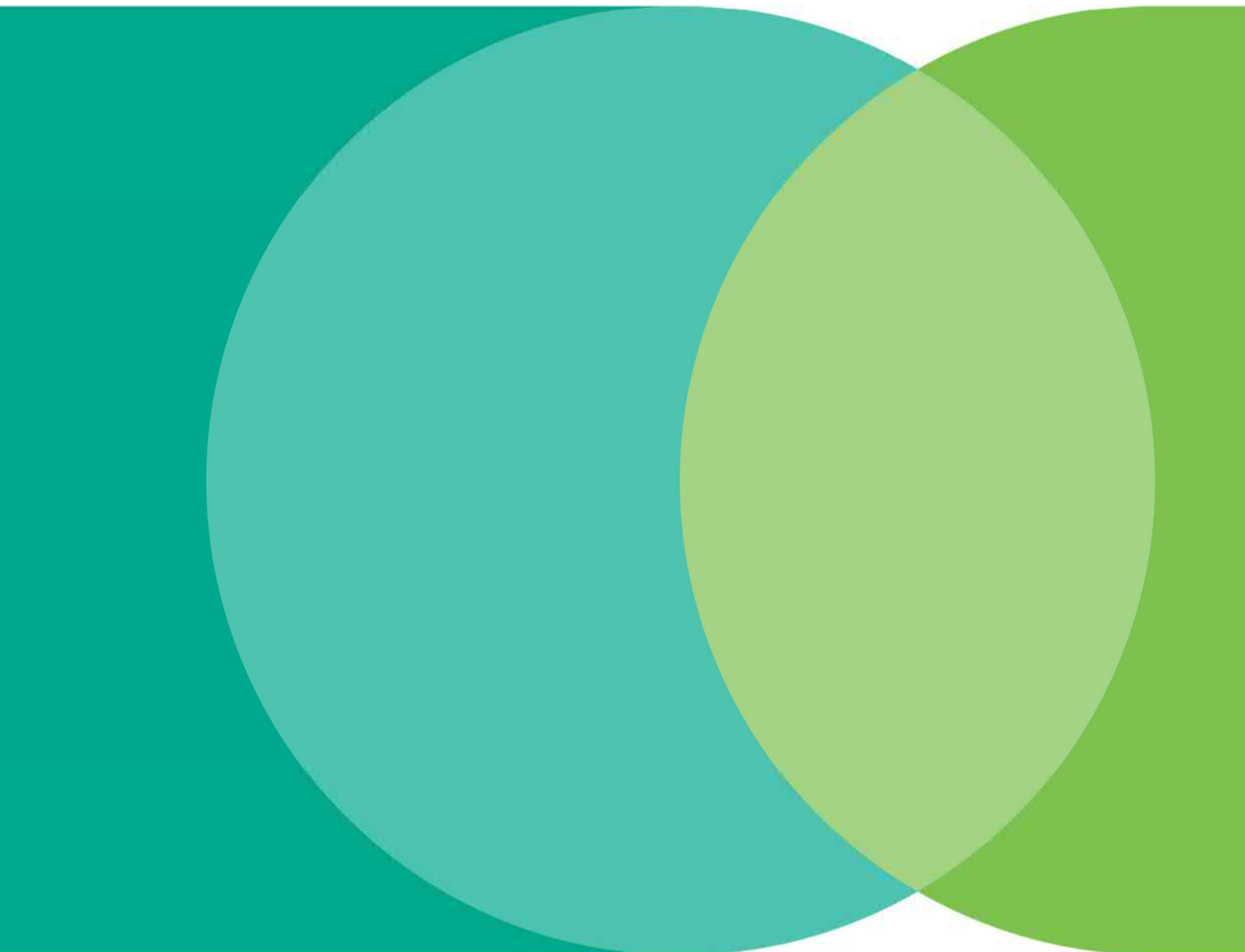


Appendix 1 has been submitted to the AER as a separate Excel worksheet:

Endeavour Energy – 0.18 SCS Indicative Price Schedule – January 2023 – Confidential

Endeavour Energy – 0.18 SCS Indicative Price Schedule – January 2023 - Public

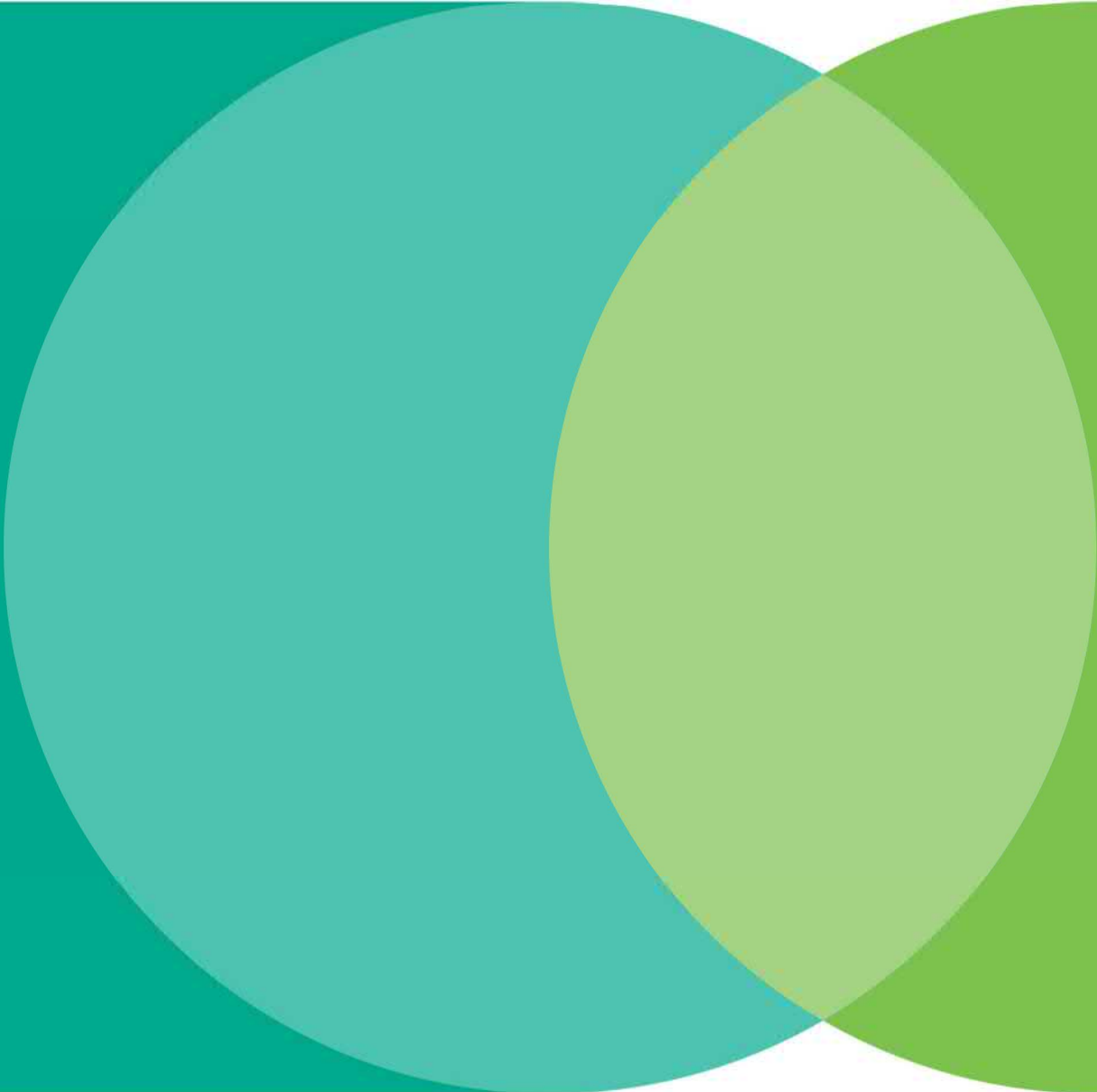
Appendix 2 – Indicative price schedule - ACS



Appendix 2 has been submitted to the AER as a separate Excel worksheet.

Endeavour Energy – 0.19 ACS Indicative Price Schedule – January 2023 - Public

Appendix 3 – Glossary



Term	Definition
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
AIC	Average incremental cost
ASP	Accredited service provider
CCIA NSW	Caravan and Camping Industry Association of NSW
CER	Customer energy resource
CPI	Consumer price index
CVR	Conservation voltage reduction
DNSP	Distribution network service provider
DPPC	Designated pricing proposal charges
DSO	Distribution system operator
EV's	Electric vehicles
EWON	Energy and Water Ombudsman NSW
GWh	Gigawatt hour
HV	High voltage
IBT	Inclining block tariff
IDT	Inter-distributor transfer
JSA	Jurisdictional scheme amounts
kV	Kilovolt
kVA	Kilovolt-ampere
kW	Kilowatt
kWh	Kilowatt hour
LRMC	Long run marginal cost
LV	Low voltage

LVVA	Low voltage visibility and analytics
NEM	National Electricity Market
NER or the Rules	National Electricity Rules
NPV	Net present value
NUOS	Network Use of System
MVA	Megavolt-ampere
MW	Megawatt
MWh	Megawatt hour
RCP	Regulatory control period
RIN	Regulatory information notice
RRG	Regulatory reference group
SAPS	Stand-alone power systems
SGA	Market small generation aggregators
SME	Small and medium sized enterprises
ST	Subtransmission voltage
TCR	Transmission cost recovery
TOU	Time of use
TUOS	Transmission use of system
TSES	Tariff structure explanatory statement
TSS	Tariff structure statement
VPP	Virtual power plant

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