

AusNet

AusNet Large I&C tariffs

Consultation paper

September 2024



01

Background and purpose

About AusNet

- AusNet is an energy **delivery** business
- One of 5 electricity distribution networks in Victoria
- Electricity distribution network feeds electricity to more than 800,000 businesses and homes in eastern and north-eastern Victoria and outer Melbourne.
- Poles and wires network is a vital link between high-voltage transmission network and Victorian workplaces, communities and homes.
- Network covers 80,000km² including alpine, coastal, forest, farm and urban areas.
- 93% of network is in regional or remote areas.



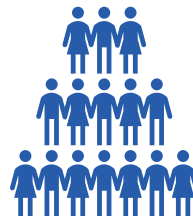
Review of pricing structures as part of the Electricity Distribution Price Review (EDPR) process

- Major review of our network pricing structures we go through every 5 years.
- New or changed pricing structures will come into effect from 1 July 26.
- Customers are central to the process, especially as we will be relying on them to respond to pricing signals (and pay for using the network) so that we can continue to provide a reliable and resilient electricity network that will enable and support a clean energy future.

In brief:

Customers

Provide feedback on the proposed design on network pricing structures.



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Design and prepare network pricing structures for the next regulatory period from 1 July 2026 to 30 June 2031.



Government & Regulators

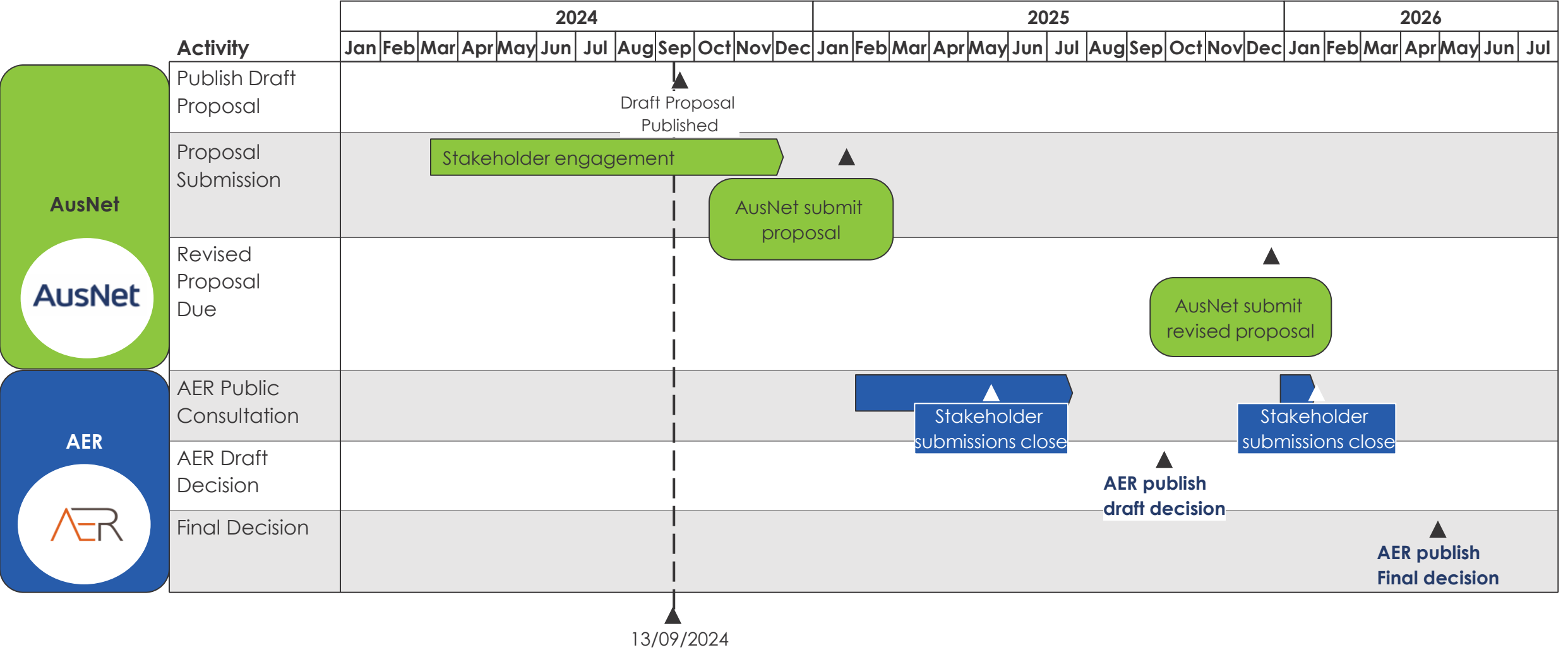


State
Government

Energy,
Environment
and Climate Action

- ✓ Make sure customers aren't paying more than they need to for energy networks
- ✓ Ensure we are aligned to other government objectives
- ✓ Regulate profits networks make and penalties they pay
- ✓ Approve prices and pricing structures

High-level EDPR Timeline



Most customers (>160 MWh pa) are on Critical Peak Demand (CPD) tariffs

What is a CPD tariff?

Time of use tariff structure (i.e. peak and off-peak periods) plus a demand response and a capacity charge

Standing charge	\$/year	Fixed charge regardless of how much energy is used
Energy charge	c/kWh	Charged based on actual energy used, differs based on time of day (e.g. peak periods, where network demand is high and off peak periods, where network demand is low, shoulder) ¹
Capacity charge	\$/kVA/year	Charged based on the capacity (i.e. the maximum account of electricity needed) at your connection
CPD charge	\$/kVA/year	Charge based on average maximum demand during 5 specific days ("critical peak demand days") see <i>following slide for detail</i>

Why CPD tariffs?

- Efficient pricing requires tariffs to be **cost-reflective** (users pay for the costs they impose on the system during their usage).
- Building the network to meet peak demand on just a few days a year is a big driver of our costs. CPD tariffs help manage peak demand and reduce costs for all users.
- CPD tariffs also provide an opportunity for large customers to save on their bills by responding to our requests to reduce usage.

We call 5 CPD days, on days of high demand AusNet

What is Critical Peak Demand

December to March	When CPD days occur (we expect very high demand)
5 Days	Called per year
2-6pm (AEST)	Demand window (we record your max demand in this time)
1 business day	Minimum notice we provide

What influences whether we need to call a CPD day?

Overall season	Mild summer	Hot, dry summer (e.g. El Niño)
Specific temperature on a day	Hot	Extreme heat
Extreme weather events	No event	External events (e.g. outage)

→

More likely to require a CPD day

Reduce network costs by responding to CPD days (reduce demand on given days, plan ahead once signal received)

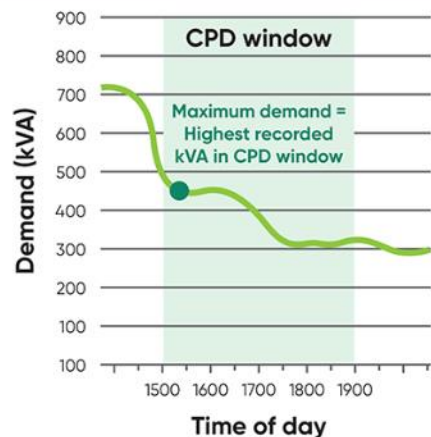
Once CPD values are set¹, this is billed from April to March

¹ CPD values calculated using the average of the 5 maximum demand values recorded during the CPD period.

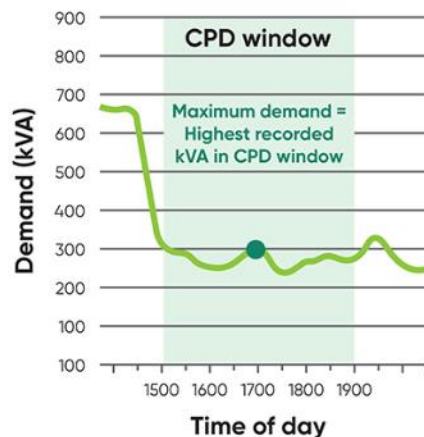
Example of CPD program in action

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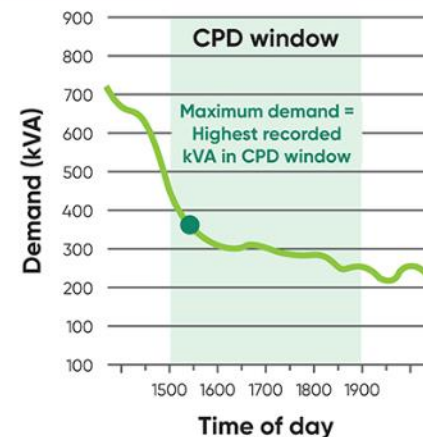
CPD DAY 1



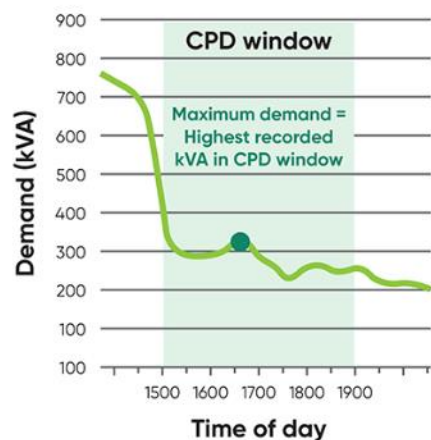
CPD DAY 2



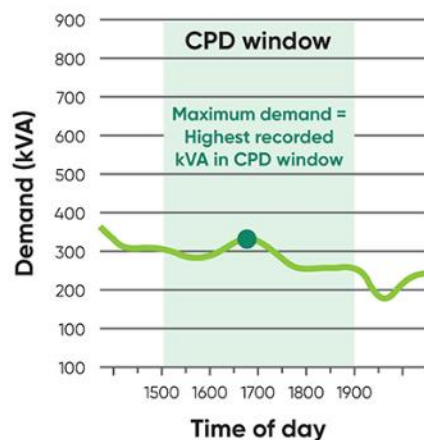
CPD DAY 3



CPD DAY 4



CPD DAY 5



CPD CALCULATION

Day 1 maximum demand	455 kVA
Day 2 maximum demand	301 kVA
Day 3 maximum demand	350 kVA
Day 4 maximum demand	316 kVA
Day 5 maximum demand	294 kVA
Average	343 kVA

$$\text{CPD price} \times \text{average} = \text{CPD charge}$$

Confirmed 2023/24 CPD days

Monday, 18 March 2024
Wednesday, 28 February 2024
Monday, 12 February 2024
Monday, 29 January 2024
Friday, 12 January 2024

Previous CPD Days

2022/23

Tuesday, 17 January 2023
Thursday, 16 February 2023
Friday, 17 February 2023
Friday, 24 February 2023
Friday, 17 March 2023

2021/22

Tuesday, 25 January 2022
Monday, 31 January 2022
Monday, 14 February 2022
Friday, 4 March 2022
Tuesday, 15 March 2022

02

Critical Peak Demand (CPD) tariff design

We are planning to update the CPD event calling parameters

Our GoodGrid (CPD) program has been successful in sending appropriate pricing signals to address peak demand issues whilst rewarding customers for their participation.

To further improve the program, preliminary engagement and feedback from stakeholders have informed us to consider

- incorporating flexibility into the number of days that can be called during each CPD season. i.e. changing the fixed five days

This is in response to:

- Variable weather conditions i.e. certain CPD seasons may have more extreme hot weather which may require more CPD events, or mild weather where a minimal number of CPD events is required, and;
- To minimise large customers' operational downtime without network benefits.

We ask if 5 CPD days is optimal. Feedback below.



"Responding to a CPD event on a mild summer day (with no peak demand issues) is an inconvenience to customers."

"Limited capacity to reduce demand usage."

- AusNet stakeholders

What are we doing?

We will propose to:

- **Remove the fixed five CPD days requirement and make the calling of the CPD events by AusNet optional.**
- **Introduce a minimum of two days to be called in each CPD season.**
- **Increase the number to a maximum of ten CPD days to be called in each CPD season.** (Note: not all ten days need to be called if it is not required.)

Box 2.1 - seeking views

How would this change impact you?

Box 2.2 - seeking views

How important is certainty over the number of days to be called in each season?

Addressing CER integration and energy transition

Our large customers can help to address CER integration risks and support the energy transition.

How can I&C tariffs help?

- We are considering introducing CPD tariffs for our medium and large customers that include a **solar soak period** with a low consumption charge.
- The solar soak period will typically target 8am to 2pm Mon to Fri to address the growing exports concerns.
- A strong peak and CPD signal will also apply to address our ongoing needs to manage our growing peak demand.
- We will make these tariffs available for customers on our low voltage network, with annual consumption greater than 160 MWh and demand greater than 50 kVA.
- Customers required to opt in.

Box 2.3 - seeking views

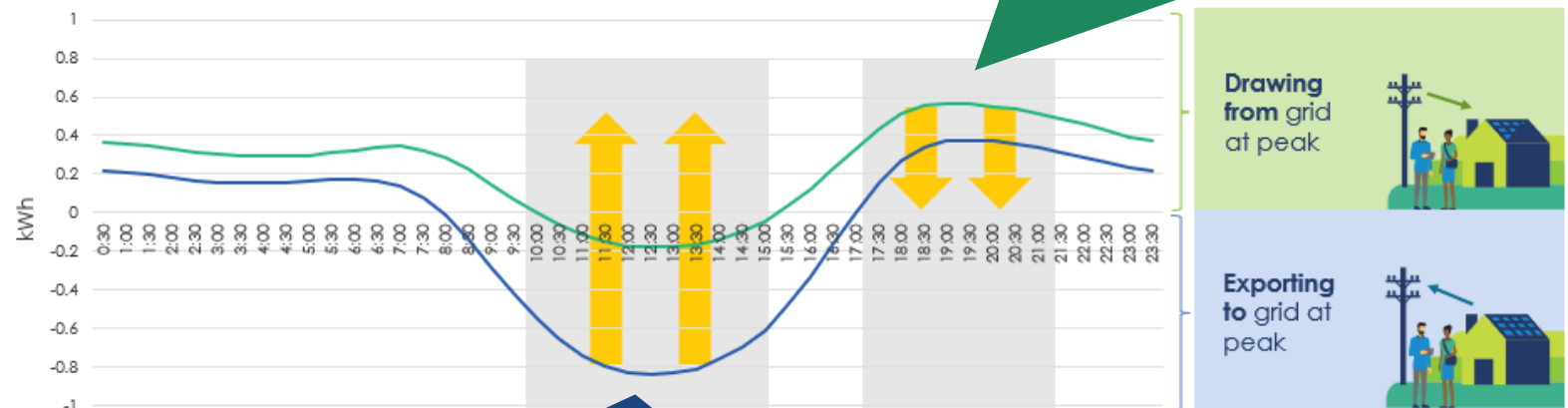
Do you support the introduction of the solar soak CPD tariffs.

Box 2.4 - seeking views

Would you consider re-assigning to the solar soak tariffs and how would it impact your business?

Electrification

- Continued growth in peak demand and need to manage new peaks / network upgrades
- More pressure on peak days for AEMO and risk of load shedding
- More pressure on network and potential for more outages



Growing exports

- Increased risk of minimum system load events
- Increased risk of voltage disturbances and noncompliance
- Increased thermal constraints on reverse flow feeders

We are exploring CPD locational tariffs

Why?



- We want to explore the benefit of providing large customers alternative cost-reflective tariff options
- Designing prices to specific location allows more accuracy in cost-reflective tariffs, reduce cross subsidies, and greater incentives to manage (reduce) their costs by managing demand or connecting into locations with lower prices.

What does this mean?



- Currently, each customer pays the same unit rate under the network tariff they are assigned to.
- The CPD locational tariff would include postage stamp DUOS and JUOS prices, different TUOS price due to location

What would impact your tariff?

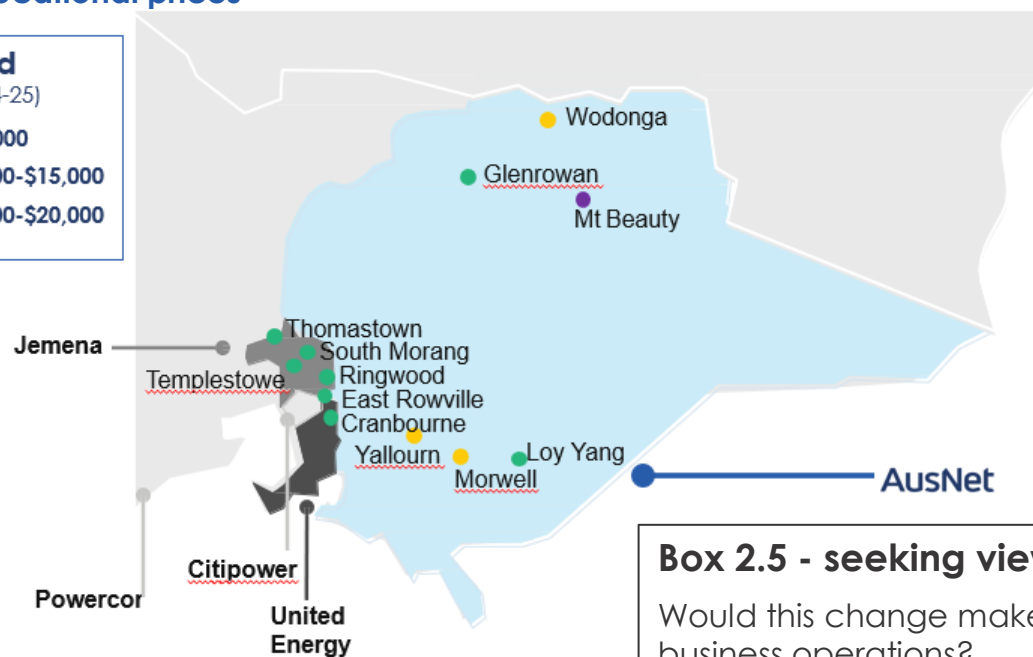
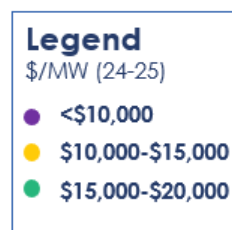


- **Locational** - Where you are **located** in our network (12 connection points)¹.

AEMO sets the locational charge at each connection point, by:

- (A) Identifying the 30 min period **each month** in a **T-2 financial year** when **terminal station demand** was highest
- (B) Calculating the average of connection point demand during (A)
- (C) Multiplying the **locational price** (\$/MW) that applies to each terminal station by **connection demand** (B)

AEMO Locational prices



Customer TUOS costs

- Calculated TUOS cost (using T-2 customer demand data) will be billed as a fixed charge and recovered over 12 month period.
- 100% of signal to be pass through

Tariffs will be available to

- Existing large CPD customers (e.g. HV > 10MVA, sub transmission > 25 MVA, and with 2+ years consumption history)
- Customers require to opt in

Box 2.5 - seeking views

Would this change make a difference to your business operations?

¹ Non-locational and common service transmission charges will remain the same irrespective of where the customer is located, as these charges are set on a postage stamp basis. Source; AEMO 2024

Thank you