

Energex

Statement of expected price trends

1 July 2016 to 30 June 2017



positive energy

Version control

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Energex Limited (Energex) is a Queensland Government Owned Corporation that builds, owns, operates and maintains the electricity distribution network in the region of South East Queensland. Energex provides distribution services to almost 1.4 million domestic and business connections, delivering electricity to 3.4 million residents and businesses across the region.

Energex's key focus is distributing safe, reliable and affordable electricity in a commercially balanced way that provides value for its customers, manages risk and builds a sustainable future.

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1 Introduction

RULE REQUIREMENT

Clause 6.18.9 Publication of information about tariffs and tariff classes

- (a) A Distribution Network Service Provider must maintain on its website:
- (3) a statement of expected price trends (to be updated for each regulatory year) giving an indication of how the Distribution Network Service Provider expects prices to change over the regulatory control period and the reasons for the expected price changes.

This document is Energex's final Statement of Expected Price Trends (Statement) prepared in accordance with version 65 of the National Electricity Rules (the Rules). The transitional arrangements set out in clause 11.73.1(b) of the Rules stipulate that the requirements contained in Chapter 6 of version 65 of the Rules will apply to Energex in the first two years of the 2015-20 regulatory control period. When the new rules take effect from 1 July 2017, Energex will be required to accompany its Tariff Structure Statement (TSS) by an Indicative Pricing Schedule setting out for each tariff for each regulatory year of the regulatory control period the indicative price levels determined in accordance with the TSS.¹

The purpose of this Statement is to provide an indication of how Energex's network prices may change over the remainder of the current regulatory control period ending on 30 June 2020. This Statement should be read in conjunction with Energex's 2016-17 Pricing Proposal submitted to the Australian Energy Regulator (AER) and approved on 3 June 2016.²

It can be noted that the expected standard control services (SCS) prices included in this document may vary in the future as a result of a number of elements that have to be forecast or assumed³ and as such customers relying on this information should consider the potential volatility between these indicative prices and the final prices approved by the AER.

¹ Clause 6.18.1A(e) of the National Electricity Rules.

² <https://www.energex.com.au/home/our-services/pricing-And-tariffs/residential-customers/pricing-publications>

³ For example energy and demand forecasts, pass-through amounts, jurisdictional scheme payments and under/over-revenue recovery adjustments

2 Outlook for network prices

2.1 Regulatory framework

In October 2015, the AER released its Final Decision with regards to Energex's allowed revenue for the 2015-20 regulatory control period, which substituted the April 2015 Preliminary Decision. Based on current projections, Energex expects the total annual revenue (TAR) will be relatively stable over the regulatory control period and is lower than initially proposed, mainly as a result of a lower cost of debt. The reduction in allowable revenue compared to the previous regulatory control period is, however, partially offset by additional amounts including the Queensland Solar Bonus Scheme (SBS) pass through amounts, under recovery adjustments and incentive payments.

Table 2.1 below shows the expected TAR to be recovered from network users over the 2016-20 period. For the period 2017-20 the forecast TAR does not include amounts for incentive scheme payments and under-recoveries as these are unknown at this point in time.

Table 2.1 – Forecast TAR for 2016-20

	2016-17 (\$m)	2017-18 (\$m)	2018-19 (\$m)	2019-20 (\$m)
TAR	1,502.3	1,437.9	1,389.0	1,356.0

It should be noted that Designated Pricing Proposal Charges (DPPC)⁴ and jurisdictional scheme amounts, including solar feed-in tariff (FiT) payments made under the SBS and the AEMC levy, do not form part of the TAR and therefore are not included in the distribution use of system (DUoS) charges.

2.2 Indicative average prices for Standard Control Services

The average DUoS charges for the current regulatory control period for each SCS tariff are provided in Table 2.2. Average DUoS prices expressed in c/kWh are derived by dividing the annual TAR approved by the AER (as shown in Table 2.1 above) by the expected energy consumption for the relevant year.

⁴ Transmission network charges from Powerlink previously known as Transmission Use of System (TUoS).

Table 2.2 – Indicative average DUoS (exclusive of DPPC and jurisdictional schemes) prices for the 2015-20 regulatory control period

Tariff Class ¹	Tariff Code	2015-16 (c/kWh) ³	2016-17 (c/kWh)	2017-18 (c/kWh)	2018-19 (c/kWh)	2019-20 (c/kWh)
Individually calculated customers (ICC)	NTC1000	1.96	1.95	1.92	1.89	1.85
Connection asset customers (CAC)	NTC3000 ²	10.47	12.06	13.03	12.88	12.75
	NTC4000	2.77	2.59	2.68	2.70	2.73
	NTC4500	3.64	3.41	3.33	3.29	3.29
	NTC8000 ²	5.19	5.95	7.38	6.79	6.29
Standard asset customers (SAC)	NTC8100	5.74	5.48	5.68	5.63	5.63
	NTC8300	8.02	6.88	6.28	5.78	5.37
	NTC8500	10.47	10.65	9.36	9.09	8.88
	NTC8800	9.55	9.94	9.03	8.75	8.54
	NTC8400	12.21	11.48	10.74	10.47	10.32
	NTC8900	11.62	10.31	6.55	5.33	4.34
	NTC7000	NA	12.54	12.90	13.01	13.10
	NTC9000	3.90	4.07	4.06	4.20	4.38
	NTC9100	7.54	6.98	7.97	7.86	7.83
	NTC7300	NA	3.50	2.94	2.02	1.86
NTC9600	7.55	7.39	6.86	6.43	6.07	

Notes:

1. All prices exclude GST
2. No longer offered to new customers from 1 July 2015.
3. The average DUoS prices for 2015-16 vary from those included in the 2015-16 Statement of Expected Price Trends following the AER's Final Decision to separate out jurisdictional schemes from the DUoS charges.

In line with the reduction in DUoS revenue approved by the AER for the 2015-20 regulatory control period, most prices are expected to decrease. The increase in prices for a small number of tariffs between 2015-16 and 2016-17 is not necessarily reflective of higher costs allocated to these customer groups but, rather, the result of a downward revision to the energy forecast in 2016-17 impacting the average distribution network prices in that year.

It is important to note that these indicative prices are not the actual prices that a customer will pay each year but, rather, are intended to provide a guide to the likely DUoS prices over the current regulatory control period. Actual charges experienced by our customers will depend on a number of factors outside of Energex's control, including the consumption profile of each customer and the manner in which retailers pass through network charges to the customers in retail tariffs.

For these reasons, Energex emphasises that the network prices presented are indicative only, are not binding and are for the purposes of providing a high level indication of the expected price impact for customers for the 2017-20 period.

2.3 Other sources of information on DUoS prices for SCS

Actual 2015-16 and 2016-17 prices are provided in the respective pricing proposals available on Energex's website.

Furthermore, Energex provided indicative prices for SCS for the 2017-20 period in its Tariff Structure Statement (TSS) proposal for the 2017-20 regulatory control period, submitted for review to the AER on 27 November 2015.⁵ Energex intends to update these indicative prices when it submits its revised TSS in September 2016.

2.4 Indicative prices for Alternative Control Services

Services under the ACS framework are provided on an individual fee-for-service basis to retailers and end-use customers. Over the 2015-20 regulatory control period, the prices of the ACS services provided by Energex will be based on a limited building block (e.g. public lighting and Type 6 metering services), price cap or quoted price approach.

2.4.1 Public lighting services

In the 2015-20 regulatory control period, street light prices (contributed and non-contributed) are based on limited building block components consistent with the approach set out by the AER's Final Decision and will be escalated according to the price path approved by the AER in the Final Decision.⁶ A summary of the prices for street lighting services for the current regulatory control period is provided in Table 2.3.

Table 2.3 – Summary of street light service prices for the 2015-20 regulatory control period

Street light service	Daily prices (\$/day/luminaire) for the 2015-20 regulatory control period ¹				
	2015-16	2016-17 ²	2017-18	2018-19	2019-20
Major non-contributed (EOO)	0.78	0.80	0.82	0.84	0.87
Major contributed (GOO)	0.27	0.28	0.29	0.29	0.30
Minor non-contributed (EOO)	0.36	0.37	0.38	0.39	0.40
Minor contributed (GOO)	0.13	0.13	0.14	0.14	0.15

Notes:
1. All prices exclude GST
2. 2016-17 charges included in the Energex 2016-17 Annual Pricing Proposal

⁵ <http://www.aer.gov.au/networks-pipelines/determinations-access-arrangements/pricing-proposals-tariffs/energex-tariff-structure-statement-2015>

⁶ Australian Energy Regulator, Final Decision Energex determination 2015-16 to 2019-20, Attachment 16 – Alternative control services, October 2015.

2.4.2 Metering services

In the AER's Framework and Approach for the 2015-20 regulatory control period, the AER classified Type 6 metering services as an ACS.⁷ In the Final Decision, the AER approved two Type 6 metering charges:

- Upfront capital charge for all new and upgraded meters installed from 1 July 2015 (subject to a price cap form of control);
- Annual charges comprising of two components:
 - Capital – recovery based on Energex's metering asset base (MAB) and the tax component of the building block.
 - Non-capital - operating expenditure.

The annual capital and non-capital charges for metering services over the regulatory control period are based on Energex's revenue requirement for Type 6 metering services using limited building block components consistent with the approach set out by the AER in its Final Decision.⁸

A summary of the metering capital and non-capital charges for the current regulatory control period is provided in Table 2.4.

Table 2.4 – Summary of annual metering services charges for the 2015-20 regulatory control period

Annual metering services	Costs	Prices (c/day) for the 2015-20 regulatory control period ¹				
		2015-16	2016-17 ²	2017-18	2018-19	2019-20
Primary	Non-capital	2.96	2.15	2.23	2.31	2.40
	Capital	6.71	6.79	6.98	7.17	7.36
Load	Non-capital	0.89	0.65	0.67	0.69	0.72
	Capital	2.01	2.04	2.09	2.15	2.21
Solar PV	Non-capital	2.07	1.51	1.56	1.62	1.68
	Capital	4.70	4.76	4.88	5.02	5.15

Notes:

1. All prices exclude GST
2. 2016-17 charges included in the Energex 2016-17 Annual Pricing Proposal

⁷ Australian Energy Regulator, Final Framework and Approach for Energex and Ergon Energy - Regulatory control period commencing 1 July 2015, April 2014.

⁸ Australian Energy Regulator, Final Decision Energex determination 2015-16 to 2019-20, Attachment 16 – Alternative control services, October 2015.

2.4.3 Price cap services

The prices for price cap (or fee based) services are determined using the AER's approved price cap control mechanism. The indicative prices for price cap services are based on the actual 2015-16 prices subject to an annual escalation process: X factors specified in the AER Final Decision and CPI adjustment updated each year as per the ACS control mechanism formula. The CPI applicable for the calculation of the 2016-17 price cap services is 1.69%.

It should be noted that the prices beyond 2015-16 do not represent a binding capped price.

The prices for price cap services in 2015-16 were approved by the AER in the Final Decision.⁹ A summary of the X factors for price capped services for the current regulatory control period is provided in Table 2.5.

Table 2.5 – Summary of the price cap percentage increase for the 2015-20 regulatory control period

All price cap services	Price	Annual adjustments for 2016-20 regulatory control period			
	2015-16	2016-17	2017-18	2018-19	2019-20
X factor		-0.41%	-0.61%	-0.76%	-0.91%
CPI		1.69%			
Overall Price Movement		2.11%			

2.4.4 Quoted services

Quoted services are those services for which the nature and scope cannot be known in advance. The indicative prices for quoted services are determined using the AER's approved formula. These prices are provided in the AER Final Decision for an illustrative configuration and do not represent a binding capped price for individual quoted services.

⁹ Australian Energy Regulator, Final Decision Energex determination 2015-16 to 2019-20, Attachment 16 – Alternative control services, October 2015.

APPENDIX 1

Glossary

Appendix 1 – Glossary

1.1 Acronyms and abbreviations

Table A.1.1 - Acronyms and abbreviations used throughout this document

Abbreviation	Description
ACS	Alternative Control Services
AER	Australian Energy Regulator
CAC	Connection Asset Customers
DNSP	Distribution Network Service Provider
DPPC	Designated Pricing Proposal Charges (previously known as TUoS)
DUoS	Distribution Use of System
EOO	Luminaires owned and operated by Energex
FIT	Feed-in-Tariff
GOO	Luminaires gifted to Energex by a council and operated by Energex
ICC	Individually Calculated Customers
MAB	Metering Asset Base
PV	Photovoltaic (Solar PV)
Rules	National Electricity Rules
SAC	Standard Asset Customers
SBS	Solar Bonus Scheme
SCS	Standard Control Services

1.2 Measurements

Table A.1.2 - Units of measurement used throughout this document

Base Unit	Unit name	Multiples used in this document
VA	volt-ampere	kVA, MVA
h	hour	n/a
W	watt	W, kW, MW

Table A.1.3 - Multiples of prefixes (units) used throughout this document

Prefix symbol	Prefix name	Prefix multiples by unit	Prefixes used in this document
G	giga	10^9	GWh
M	mega	1 million or 10^6	MW, MWh, MVA
k	kilo	1 thousand or 10^3	kV, kVA, kW, kWh

1.3 Definitions

Table A.1.4 - Definitions of terminology used throughout this document

Term	Abbreviation / Acronym	Definition
Australian Energy Regulator	AER	The economic regulator of the National Electricity Market established under Section 44AE of the <i>Competition and Consumer Act 2010</i> (Commonwealth).
Alternative Control Services	ACS	Customer specific or customer requested services. These services may also have potential for provision on a competitive basis rather than by the local DNSP. This service class includes the provision of Type 6 metering services, street lighting services, large customer connections, and price cap (fee based) and quoted services.
Connection Asset Customers	CAC	Typically, those customers connected at 11kV who are not allocated to the ICC tariff class.
Customer		Refer to Chapter 10 of the Rules.
Demand		The amount of electricity energy being consumed at a given time measured in either kilowatts (kW) or kilovolt amperes (kVA). The ratio between the two is the power factor.
Distribution Network Service Provider	DNSP	Refer to Chapter 10 of the Rules.
Distribution Use of System	DUoS	This refers to the network charges for the use of the distribution network.
Designated Pricing Proposal Charge	DPPC	Refers to the charges incurred for use of the transmission network; previously referred to as Transmission Use of System (TUoS).
Energy		The amount of electricity consumed by a customer (or all customers) over a period of time. Energy is measured in terms of watt hours (Wh), kilowatt hours (kWh), megawatt hours (MWh) or gigawatt hours (GWh).
Feed-in Tariff	FiT	The rate that is to be paid for the excess energy generated by customers and fed back into the electricity grid under the Queensland Solar Bonus Scheme. The FiT rate is determined by the Queensland Government and is paid by the purchaser of the excess energy.

Term	Abbreviation / Acronym	Definition
Final Determination		A distribution determination document published by the AER in its role as Energex's economic regulator that provides for distribution revenue to be recovered by Energex during the 2015-20 regulatory control period.
Individually Calculated Customers	ICC	Typically, those customers connected at 110kV or 33kV or connected 11kV and with electricity consumption greater than 40 GWh per year at a single connection point, or where the customer's demand is greater than or equal to 10 MVA, or where a customer's circumstances mean that the average shared network charge becomes meaningless or distorted.
National Electricity Market	NEM	The interconnected electricity grid covering Queensland, New South Wales, Victoria, Tasmania, South Australia and the Australian Capital Territory.
National Electricity Rules	NER (the Rules)	The legal provisions (enforced by the AER) that regulate the operation of the NEM and the national electricity systems, the activities of market participants and the provision of connection services to retail customers.
Network Use of System	NUoS	The tariff for use of the distribution and transmission networks. It is the sum of both Distribution Use of System (DUoS) and Designated Pricing Proposal Charges (DPPC).
Pricing Proposal		Prepared by Energex in accordance with Clause 6.18.2(a)(2) of the Rules, it is provided to the AER for approval and outlines how Energex will collect its revenue during the relevant regulatory year.
Queensland Government Solar Bonus Scheme	SBS	A program that pays residential and other small energy customers for the surplus electricity generated from roof-top solar photovoltaic (PV) systems that is exported to the Queensland electricity grid.
Regulatory control period		A standard regulatory control period for DNSPs is a period of not less than 5 regulatory years; Energex's current regulatory control period is 2015-20, commencing 1 July 2015.
Solar Photovoltaic	Solar PV	A system that uses sunlight to generate electricity for residential use. The system provides power for the premises with any excess production feeding into the electricity grid.
Standard Asset Customers	SAC	Generally those customers connected to the LV network.
Standard Control Service	SCS	Services that are central to electricity supply and therefore relied upon by most (if not all) customers. This service class includes network and connection services.

Term	Abbreviation / Acronym	Definition
Street lights (major)		Lamps in common use for major road lighting including: a) high pressure sodium 100 watt (S100) and above; b) metal halide 150 watt (H150) and above; and c) mercury vapour 250 watt (M250) and above.
Street lights (minor)		All lamps in common use for minor road lighting, including mercury vapour, high pressure sodium and fluorescent.