Types of Network Charges

What you need to know about charge elements

What are charge elements?

When designing network tariffs, Energex selects from a number of different types of charges that can be used to build a fee for electricity use. These types of charges are chosen to best reflect the costs of delivering a safe and reliable supply of electricity to customers who are on that network tariff. These different types of charges are called charge elements.

Types of charge elements

The different charge elements used by Energex when calculating network tariffs are:

- Fixed Charges
- Flat Volume Charges
- Time of Use (ToU) Volume Charges
- Demand Charges
- Capacity Charges

Depending on whether a network tariff is designed for large or small customers, some of these charge elements can serve different purposes.

A large customer network tariff is demand-based and designed for customers with annual electricity consumption that is greater than 100,000 kilowatt hours (kWh) or 100 megawatt hours (MWh). A small customer network tariff is energy-based and designed for customers with annual electricity consumption less than 100 MWh.

A typical residential customer is a small customer and will consume about 4,100 kWh per year, and a typical small business customer will consume about 20,000 kWh per year.

Descriptions of charge elements

Fixed Charge

A fixed $/day charge applied to each energised connection point where energy or demand is recorded.

For small customers, fixed charges are designed to reflect the average capacity of the electricity network allocated to a typical customer on that network tariff. For large customers, fixed charges reflect the costs associated from the connection and management of the customer.

Flat Volume Charge

A flat rate, calculated in c/kWh, applied at all times of the day to the energy used at a connection point.

These charges are designed to recover the costs related to the volume (or amount) of electricity consumed by customers.

For small customers who do not have a demand charge, this charge also recovers costs that would have otherwise been recovered from a demand charge and are not recovered from the tariff fixed charge.

ToU Volume Charge

A variable charge, calculated in c/kWh, with different rates applying to the energy used at a connection point at different times of the day.

ToU charges offer lower rates during off-peak periods and higher rates during peak periods. These charges are designed to reduce demand on the network during peak times by encouraging customers to switch non-essential electricity consumption to off-peak and/or shoulder times.

For small customers, ToU volume charges can recover costs that would have otherwise been recovered from a demand charge and are not recovered from the tariff fixed charge.

ToU time periods for Energex's ToU network tariffs are:

- Residential ToU (NTC8900)
  - Off-Peak 10pm – 7am, 7 days a week
  - Shoulder 7am – 4pm and 8pm – 10pm weekdays; 7am – 10pm weekends
  - Peak 4pm – 8pm weekdays; No peak on weekends
- Business ToU (NTC8800)
  - Off-Peak 9pm – 7am weekdays; Anytime on weekends
  - Peak 7am – 9pm weekdays; No peak on weekends
- All ICC & CAC tariffs
  - Off-Peak 11pm – 7am weekdays; Anytime on weekends
  - Peak 7am – 11pm weekdays; No peak on weekends

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Demand Charge

A monthly charge calculated as a $/kilovolt ampere (kVA) or $/kilowatt (kW) rate for demand recorded at a connection point.

These charges are applied to the maximum half hourly kVA (or kW) power reading that occurred at a connection point during the billing period. These charges are designed to reflect the costs associated with providing sufficient network capacity to a specific customer to cater for their maximum network demand.

Demand charges deliver stronger user-pays pricing than a volume charge alone. This means that customers who put more pressure on the network are charged more. As a result, these charges encourage customers to reduce their electricity costs by reducing their maximum demand.*

For the first time, Energex will offer a voluntary demand tariff to residential customers (NTC7000 – Residential Demand) from 1 July 2016. The demand charge (kW) for this new tariff will be based on the maximum demand during the network peak period between 4pm and 8pm on work days (excluding state government specified public holidays) within a monthly billing period.

Capacity Charge

A monthly charge calculated as a $/kilovolt ampere (kVA) rate for the network capacity provided for a connection point.

These charges are applied to the maximum half hourly kVA power reading that occurred at a connection point in the 12 months prior to the bill being calculated. Similar to demand charges, capacity charges are currently only used for large customer connected at the 33 kV and 110 kV network.

These charges assign an amount of shared network costs associated with providing network capacity that reflects the amount of capacity set aside for a specific customer and that can be used by that specific customer at any time.

***** The only exception to kVA-based demand charging is Powerlink's DPPC Locational demand charge that applies to Energex's largest customers (annual consumption greater than 40 gigawatt hours) and will remain kW-based.

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Energex's strategic direction

For large customers on demand-based network tariffs with consumption between 100 MWh and 4 gigawatt hours (GWh), Energex has replaced kW-based demand charging with kVA-based demand charging. From 1 July 2015, all large customer tariffs will have kVA-based demand charges.

Additionally, the capacity charge element of CAC network tariffs has been removed with revenue instead recovered through the demand charge. This change has simplified the CAC tariff structure and has aligned CACs to the structure of other large customer demand-based network tariffs.

For small customers, Energex is currently assessing the feasibility of implementing demand charges to move towards a fairer and more equitable pricing system that encourages customers to reduce their electricity costs by reducing their peak demand.

Ultimately, reducing peak demand on the network driven by a move towards demand charging will benefit all customers by minimising the costs associated with network expansion to accommodate peak demand.

Find out more

More information about network pricing is available on our webpage:

energex.com.au/networkprices

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