



EnergyAustralia[®]

EnergyAustralia Network Annual Prices Report

MAY 2006



**EnergyAustralia Network
Annual Prices Report 2006/07
MARCH 2006**

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1 Overview

This Annual Prices Report summarises the key elements of EnergyAustralia's 2006-07 network pricing proposal and outlines the underlying pricing goals and strategy. Specifically, it seeks to:

- (a) outline the principles behind EnergyAustralia's Network Use of System (NUoS) pricing, comprising the Distribution Use of System (DUoS) and Transmission Use of System (TUoS) components; and
- (b) fulfil the Independent Pricing and Regulatory Tribunal's (IPART's) requirement for supplementary pricing information in order to assess compliance with new DNSP regulatory arrangements.

For regulatory purposes, this document provides further detail regarding EnergyAustralia's final Annual Tariff Compliance Spreadsheet which contains proposed FY07 network tariff components and ensures compliance with the Weighted Average Price Cap (WAPC) form of regulatory control, network price limits and residential fixed charge limits.

The proposed 2006-07 prices described in this document have been formulated in accordance with the directions set out in EnergyAustralia's Network Pricing Strategy Statement, originally produced in 2004 and available at www.energy.com.au.

2 Regulatory Arrangements

This Annual Prices Document pricing proposal is the third to be submitted in accordance with Annexure 17 of the IPART 2004 Determination, based on the WAPC form of regulation.

Under the regime, prices are subject to a set of compliance criteria and the DUoS component of tariffs must comply with the WAPC form of regulatory control. The following three price constraints apply:

- (a) The WAPC "basket" of proposed FY07 DUoS tariffs is limited to an overall increase of:
 - = $CPI + 1.6\% + D_{t+1}$ based on audited 2004-05 consumption data
 - = $2.7\% + 1.6\% + 0.5\%$
 - = 4.8% increase in DUoS prices

D_{t+1} is an adjustment on prices for an allowance for demand management initiatives approved by IPART, for FY07 the approved D-Factor = 0.5% increase in DUoS tariffs.

- (b) A price limit also applies to each NUoS tariff, except for those of large Cost Reflective Network Price (CRNP) customers. = $CPI + L$
 - = $2.7\% + 4.5\%$
 - = 7.2% (note the D_{Factor} allowance applies only to DUoS component of tariffs)

Although CRNP sites are not subject to the price limit, the relevant DUoS components of their tariffs come under the WAPC.

- (c) The fixed component of any domestic tariff can not increase by more than \$30 per annum.

In addition to the WAPC form of regulation, there is a range of reporting requirements specified in Annexure 16 of the Final Determination. Details of the reporting requirement for the Annual Pricing Report are given in Annexure 17, which states that a DNSP must:

1. list proposed prices for network tariffs and miscellaneous charges and monopoly fees;
2. discuss the forthcoming changes in network tariffs, the prices, structure or associated criteria, and any new or obsolete Network Tariffs, and the reasons for the change;

3. explain how the prices meet the regulatory arrangements, including price limits on network tariffs, weighted average price cap control formula, and provide for the recovery of Transmission Related Payments;
4. demonstrate the impact of the forthcoming change in the Network Tariffs on typical customer's bills, including disclosing forecast average prices (based on typical bill categories);
5. confirm and demonstrate that the prices are consistent with the Pricing Principles and the information in the Network Strategy Statement;
6. outline the expected levels of service and projected capital expenditure projects that will occur for the coming Year; and
7. outline the expected consumption for major customer classes and maximum demand for the coming Year.

3 Overall Pricing Goals

In this 2006-07 pricing proposal, EnergyAustralia is continuing to pursue the pricing goals detailed in the Network Pricing Strategy Statement. These primary goals have underpinned our annual pricing proposals over previous years and are consistent with the IPART Pricing Principals specified in Annexure 13 of the Final Determination.

Broadly, EnergyAustralia again for this coming year is looking to achieve the following medium term pricing goals:

- achieve economic efficiency by allocating full costs to the customers that incur them (allocative efficiency);
- strive for continuous productivity improvements, innovations and efficient use of resources (dynamic efficiency);
- recover adequate revenue, subject to regulatory constraints, to sustain the network business, provide for future investment and maximise shareholder value;
- encourage economic behaviour by consumers through cost-reflective pricing and the use of price signals;
- ensure stakeholders (customers, Government, IPART) are satisfied to the greatest extent possible and can understand how network prices are derived; and
- facilitate demand management, by using price signals to constrain demand where this is justified for environmental and cost-related reasons.

In regard to the revenue sufficiency objective, demand forecasts continue to be a crucial input to the WAPC form of regulation, placing regulated network businesses at risk of large variations in weather conditions and the economy to deliver a "normalised" outcome and thus ensure financial capital maintenance is realised.

The pricing goals outlined above, in combination with the type of metering at customers' premises, have given rise to the current structure of the individual network tariff components, which include:

- fixed charges, necessary to ensure revenue sufficiency and recover costs not related to usage;
- energy usage rates, set to recover long-run marginal costs where possible and send time-of-use pricing signals to relevant customers;
- inclining block rates, designed to reflect the increasing incremental costs associated with high levels of electricity consumption; and
- demand and capacity charges, based on maximum consumption in a half-hour period and designed to target a customer's contribution to capacity augmentation (peak demand drives enhancement of the network and incremental network costs).

4 Specific Pricing Strategies

In order to achieve these overall pricing goals, EnergyAustralia will be implementing specific pricing strategies for 2006-07. These strategies draw heavily from EnergyAustralia's medium-term pricing strategies articulated in the Network Strategy Statement 2004¹, and are summarised as follows:

- improving cost allocation by identifying the true costs of providing network services to each customer or group of customers;
- refining price structures within tariffs by improving economic signals to match the various cost components of the network, with particular emphasis on peak period consumption;
- providing transparency in price setting, ensuring customers understand how their network charges were derived;
- ensuring prices are equitable by ensuring cross subsidies do not exist, with prices falling between their marginal and stand-alone cost;
- keeping prices relatively stable, by avoiding large upward price shocks, phasing in large price hikes where necessary (thus ensuring prices are socially and politically feasible).
- ensuring compliance with the WAPC, individual network price limits and restrictions on fixed residential charges.

All of these objectives are consistent with the cost reflective options presented by EnergyAustralia to IPART in submissions to the Final Determination.

EnergyAustralia utilises its Cost of Supply Model to determine cost reflectivity for large individual customers and groups of tariff customers. This model, which is updated annually, serves as a guide to the direction of price movements of individual tariff components. However, balancing pricing objectives, such as the need to guard customers from substantial price shocks, often constrain prices from being set at the level recommended by the Cost of Supply Model in a given year.

1

[www.energy.com.au/energy/ea.nsf/AttachmentsByTitle/Network_Pricing_Strategy_Statement_20045_Draft/\\$FILE/EA+Network+Pricing+Strategy+Statement+2004-5%28DRAFT%29.pdf](http://www.energy.com.au/energy/ea.nsf/AttachmentsByTitle/Network_Pricing_Strategy_Statement_20045_Draft/$FILE/EA+Network+Pricing+Strategy+Statement+2004-5%28DRAFT%29.pdf)

5 Implementing Network Pricing Strategies in 2006-07

This section outlines the movement in various tariff components for broad tariff categories and customer groups, pursuant to the overarching pricing goals and objectives mentioned earlier. A summary of 2006/07 NUoS tariffs and price changes (as listed in the IPART Compliance Sheet) is provided in Appendix 1.

5.1 Transmission Network Prices (TUoS)

TransGrid acts as the co-ordinating Transmission Network Service Provider in NSW and calculates location specific transmission prices for both TransGrid and EnergyAustralia networks in accordance with the provisions of the National Electricity Rules (the Rules). EnergyAustralia provided its system and loading data and the revenue for both organisations was derived from the ACCC's final transmission network determinations. In TransGrid's case, the 2006-07 revenue will again be offset due to revenue from settlement residue auctions.

It is proposed to retain the same ToU energy price structure as in earlier years, for the prices at EnergyAustralia Transmission Connection Points. Most TransGrid connection points have a price structure of a ToU energy charge and a kW Demand component.

The TUoS cost allocation has been directly reflected in the prices of CRNP customers and these prices are also affected by individual consumption patterns and any network configuration changes.

The table below shows a comparison of total expected TUoS revenue received by EnergyAustralia and total Transmission Related Payments for FY07. Transmission Related Payments are derived from the ACCC's Final Determinations.

Anticipated FY07 TUoS Revenue and Payments \$'000		2006-07
REVENUE	Transmission Cost Recovery (TCR) Tariffs	239,374
MINUS	Total EA Transmission payments (net of settlement residue)	227,281
	<i>Transmission revenue collected by TNSPs</i>	256,878
	<i>Settlement Residue Payments</i>	(36,850)
	<i>Expected avoided TUoS payments</i>	802
	<i>Inter-distributor payments expected to be paid</i>	6,451
MINUS	Recovery of Unders/(Overs) from previous years	10,794
MINUS	Net Interest applied in FY07	523
EQUALS	Transmission related payments over-recovery	777

Based on 2006-07 estimated consumption, it is anticipated that EnergyAustralia will recover \$239.37 million in TUoS revenue.

5.2 Network Use of System Prices (NUoS)

EnergyAustralia's Network Use of System (NUoS) Price List for 2006/07 is available on our website by referencing www.energy.com.au/network_prices. A comprehensive explanation of EnergyAustralia's distribution pricing policies can be found in our *ES7 – Application of Network Use of System Charges* publication available from the same source.

Average Price Change in 2006-07

In its 2004 Final Determination, IPART has allowed for an average DUoS price change of $CPI + 1.6 + D_{t+1}$, which equates to a 4.8% increase in 06/07². However, based on the pricing objectives of improving cost reflectivity and shielding individual customers from substantial price rises, this price increase has not been uniformly applied.

² CPI for the average of four quarters to December 2005 was 2.7% and approved D Factor for FY07 was 0.5%.

Overall prices in FY07 are proposed to increase on average by 8.4%, which accounts for a general price increase to cover ongoing costs and also makes an allowance for additional capital expenditure to meet new planning standards introduced by the Department of Energy, Utilities and Sustainability (DEUS)

Inclining block structure for domestic and business tariffs in 2006-07

The inclining block tariff component continues to be the best low-cost option for making the standard regulated domestic and business tariffs more cost reflective. Despite not being specifically targeted at summer consumption, the inclining block tariff can be effective in signalling the significant costs associated with air-conditioning load on the network, due to the difference in consumption levels for customers with and without air-conditioning. The retention of this tariff structure should continue to create an incentive for larger customers to migrate to other more cost reflective prices such as time of use. The cost reflectivity of this tariff structure is proposed to be further improved in 2006/07 by moving from a 30% to a 40% pricing differential between the first and second block prices for both domestic and business non-ToU customers.

Whilst a 40% block price differential is proposed, revenue neutrality has been maintained on the whole tariff by reducing the price of the 1st block to create headroom to increase the 2nd block (rates are then rounded to four decimal places). Consumption estimates for blocks 1 and 2 are estimated using audited 2004-05 consumption data, adjusted for expected tariff movements in 2005-06 and 2006-07.

For the Domestic tariff, block 2 will apply when consumption exceeds 1,750kWh per quarterly billing period (7 MWh per annum). For the LV Business non-ToU tariff, block 2 will apply when consumption exceeds 2,500 kWh per quarterly billing period (10 MWh per annum). This remains unchanged from the 2005/06 structure, but may be reviewed for the 2007/08 price change.

Domestic customers currently consuming less than twice the base block of 1,750kWh per quarter are expected to be relatively better off, as they will pay a weighted price which is less than the average for the customer class. Likewise, business customers consuming less than twice the base block point (2,500 kWh) will be relatively better off for the same reason.

Network Access Charge for domestic and non-ToU business tariffs

The NAC charge for domestic and non-ToU business tariff customers is proposed to only increase by CPI on FY06 prices.

Summary of pricing proposal for domestic and non ToU business customers

The following table sets out the price changes for domestic and single rate business customers resulting from the proposed introduction of the inclining block and increased NAC.

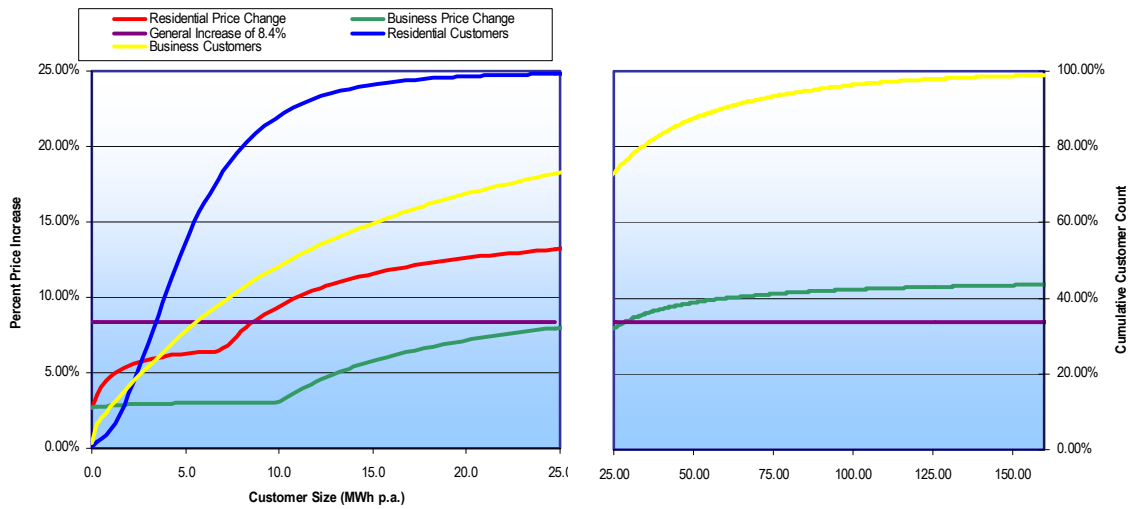
Table 1: Proposed FY07 vs Current FY06 Inclining Block Prices (ex GST)

	NAC (c/day)	Block 1 ¢/kWh	Block 2 ¢/kWh	Step kWh/quarter
Domestic FY06	13.4013	4.4845	5.8298	1,750
Domestic FY07	13.7600	4.7977	6.7310	1,750
Business non ToU FY06	39.9993	4.0445	5.2579	2,500
Business non ToU FY07	41.0800	4.1704	5.8554	2,500

Note: Includes Energy Savings Fund and pass through amount to accommodate new DEUS planning standards.

The percentage price changes for domestic and non-ToU business inclining block prices compared to FY06 prices are shown on the graph below.

Diagram 1: Impact on Domestic and Business from changes to Inclining Block Tariffs



(Tariff EA010 Residential non-ToU: 1,350,000 customers & Tariff EA050 Business non-ToU: 135,000 customers)

The blue and yellow lines represent the cumulative total number of customers up to a consumption size on the x-axis, graphed against the right hand side y-axis. The green and red lines represent the percent price impact on each customer size compared to their bill from last year, graphed against the left hand side y-axis.

So, 90% of domestic customers (blue line) are below 12 MWh p.a. consumption, and at this size, the price impact is an overall increase of close to 10%. For business customers, the maximum price increase that even 160MWh p.a. customers will see is 12%.

It may be seen that the differing size profiles and block step between domestic and business non-ToU customers causes different pricing outcomes.

The outcome of the proposed changes is summarised in the table below.

Table 2: Network Bill Impacts on Proposed FY07 vs Current FY06 Inclining Block Tariffs (ex GST)

Consumption kWh p.a.	Domestic annual network bill				Business non ToU annual network bill		
	FY06	FY07	Diff. p.a.	per week	FY06	FY07	Diff. p.a.
1,000	\$ 93.76	\$ 98.20	\$ 4.44	\$ 0.09	\$ 186.44	\$ 191.65	\$ 5.20
2,500	\$ 161.03	\$ 170.17	\$ 9.14	\$ 0.18	\$ 247.11	\$ 254.20	\$ 7.09
5,000	\$ 273.14	\$ 290.11	\$ 16.97	\$ 0.33	\$ 348.22	\$ 358.46	\$ 10.24
7,000	\$ 362.83	\$ 386.06	\$ 23.23	\$ 0.45	\$ 429.11	\$ 441.87	\$ 12.76
10,000	\$ 537.72	\$ 587.99	\$ 50.27	\$ 0.97	\$ 550.45	\$ 566.98	\$ 16.53
15,000	\$ 829.21	\$ 924.54	\$ 95.33	\$ 1.83	\$ 813.34	\$ 859.75	\$ 46.41
25,000	\$ 1,412.19	\$ 1,597.64	\$ 185.45	\$ 3.57	\$ 1,339.13	\$ 1,445.29	\$ 106.16
40,000					\$ 2,127.82	\$ 2,323.60	\$ 195.78
160,000					\$ 8,437.30	\$ 9,350.08	\$ 912.78

The impact on domestic customers up to the average size of 5,700 MWh is about 40¢ per week.

Obsolescence of non-ToU Tariffs EA010 Domestic & EA050 LV Business non-ToU

All new and upgraded multi phase connection to the network since March 2005 have been placed on a ToU tariff as the non-ToU Inclining Block tariffs have been made obsolete since that time.

Controlled Load Tariffs EA030 Controlled Load 1 & EA040 Controlled Load 2

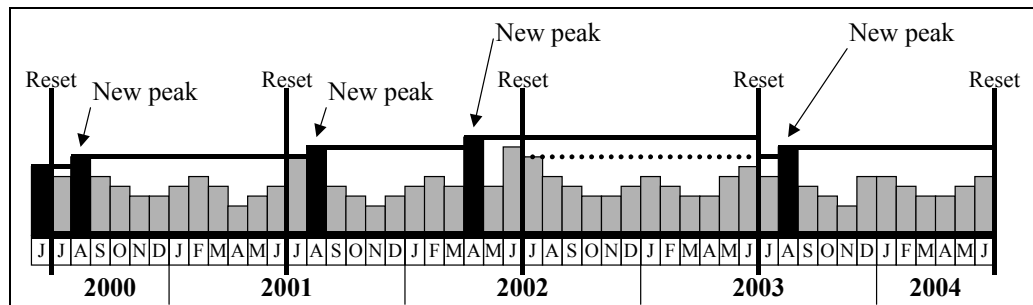
It is proposed to increase the network rate for Controlled Load 1 by 5.8% and for Controlled Load 2 by 7.9%, both increases being below the general tariff increase of 8.3% (inclusive of ESF and pass-through costs). The differential between these tariffs and the off peak rate of ToU tariffs is to reflect their value to the network in enabling the deferral of capital expenditure.

Restructuring the Methodology to Determine the Capacity Component

The monthly capacity charge (\$/kW/month or \$/kVA/month) is applied to the half hour maximum kW or kVA that occurs in the current month or preceding months. The maximum consumption is reset on 1 July each year to the highest recorded value in the previous 12 months, as shown in the diagram shown. The kW or kVA maximum demand within the peak time band is recorded on a monthly basis for charging purposes. **Note: The monthly capacity rates are converted to an equivalent daily rate prior to the determination of the monthly capacity charge.**

By following Diagram 2 below, it is seen that currently, the annual capacity value is automatically increased in a month if it exceeds the previous capacity (i.e. the capacity charge has a "ratchet"). The new maximum will be used from that month onwards for the next years potentially, unless a subsequent month exceeds that figure or the charge is reset. At 1 July each year, a reset takes place, such that the capacity window ignores anything beyond 12 months and recalculates the capacity charge.

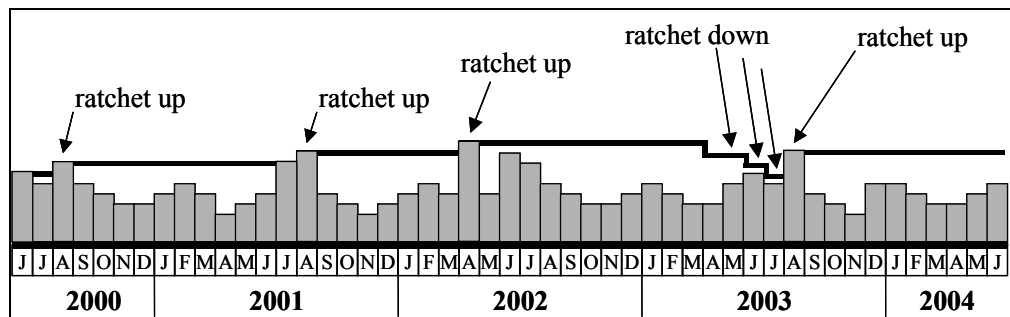
Diagram 2: Current Ratchetting Methodology to Determine Capacity



The current methodology, in particular the reset arrangements at 1 July each year, is confusing to both customers and industry participants. To redress this confusion it is proposed beginning July 2006 to determine the capacity value by using a simple rolling 12 month window as shown in Diagram 3 below.

From one month to the next, demand is proposed to be re-calculated on the previous 12-month peak period to that particular month. Therefore, a high demand month would be rolled out of the calculation after a 12-month period, with the highest subsequent month replacing it. No annual capacity reset arrangement will be required, and the window is shortened from 24 months to 12 months.

Diagram 3: Proposed Ratchetting Methodology to Determine Capacity from FY07



Customers will still be allowed to request a capacity reset to accelerate a reduction in capacity charged before the 12 month period is up. However, customers would be required to demonstrate a permanent demand reduction. The onus is on the customer or their representative to make this request to EnergyAustralia Network. Requests will be required to be in writing as per current arrangements.

This new approach will not require an automatic capacity reset mechanism, nor does it use a minimum demand threshold as in many parts of Victoria. A rolling 12 month window is conceptually simpler and far more intuitive. It will however require the transaction of 12 months of demand history when a retail transfer is required. The restructure of the capacity charge in 2005/06 to eliminate shoulder and off peak components has reduced the number of demand data points from 36 to 12, making the requirement to transfer information significantly less onerous.

Business Tariff EA302 LV kW Capacity

To improve the alignment of network revenue from business tariffs and the capital expenditure needed to fund network augmentation, the following reforms are proposed for this tariff for FY07:

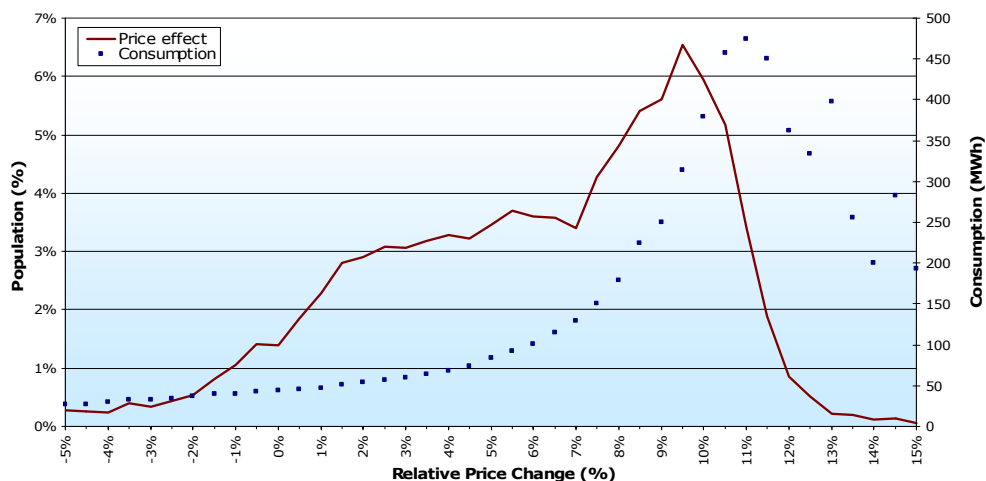
- energy charges on the LV kW Capacity have been increased by around 8.5%;
- the capacity component has risen by 22% to reflect the medium term cost of peak augmentation;
- an overall increase of 8.9%; and
- the NAC charge has been reduced by 48% to bring it in more into line with tariff EA050, such that customers are not faced with a fixed charge price shock when being moved across to ToU.

The LV kW Capacity tariff accounts for 80% of all business ToU customers, as well as being the default tariff for all new connections which have CT metering. It is anticipated that all business customers above 40MWh p.a. consumption will be moved across to this tariff over the next few years, with the completion of the meter roll out to this tranche.

With a reduction of the NAC charge by close to 50%, this proposed price should provide additional incentive for customers to transfer on to ToU. Within the LV kW Capacity tariff, the targeted increase on the peak, shoulder and capacity components continues the process of making the tariff more cost reflective as outlined in the Network Strategy Statement 2004.

This re-balancing was tested on the existing base of 12,927 customers on EA302 kW Capacity and the maximum price increase for any customer was found to be less than 15%, as shown in the following diagram.

Diagram 4: FY07 Price Impact on EA302 kW Capacity Customer (18,000 Customers)



To interpret the diagram, the peak of the red line demonstrates a median price change of 9.5% and this price impact relate to 6.5% of customers (left y- axis). The average customer size at this price impact is about 320MWh p.a. consumption (right y-axis). It can be seen therefore that customers below about 150MWh p.a. will generally see a price impact of 8% or less.

As can be seen from Diagram 4, a small number of customers will be impacted by the increasing emphasis on the capacity charge and are exposed to up to a 15% increase in their network charge. To provide for relief, these customers will be afforded a one-off capacity reset which will provide a price transition path. In this way, tariff reform can continue without being constrained by a small number of customers with poor load factors. The capacity reset policy will be provided to all customers on the 300 series of network tariffs. Application for a capacity reset should be sent through the usual channels.

It should be noted that network charges only make up 40% of these customers bills, and so will be reflected as an equivalent impact of 6% on their bill at the most. The spread of price impacts is caused by an increased emphasis on the capacity charge over other tariff components, particularly energy. This has meant that customers with poor power factor, that is, with a peaky profile, have been more impacted than those with a flatter profile. Note then that customers that have a price impact less than the average are generally smaller in size. This suggests that they are open longer hours and already have a generally flat profile. Therefore, a reduction in energy charges is more significant to their bill than an increase in the capacity charge, since it is energy charges that dominate for a flat profile customer.

Increasing the number of customers on ToU pricing

The existing roll out of smart (Type 5 capable) meters will continue in 2006-07, finishing off the roll out to 40-160MWh pa customers. The roll out will continue in FY07 to 15-40MWh pa customers. As Type 5 capable meters are installed throughout the year, these business customers will progressively be moved from their existing anytime energy charges to a ToU tariff.

The ToU rollout will involve:

- A transfer of business customers from EA050 LV Business non-ToU to the EA302 LV kW Capacity ToU (System) and EA025 LV Energy40 ToU (System) tariffs; and
- A transfer of Domestic customers to EA025 LV Energy40 ToU (System) tariff.

ToU tariffs were introduced for all new and upgraded multi phase connections to the network, as of March 2005. EnergyAustralia is seeing currently growth in ToU tariffs by about 4,500 sites per month. At this rate, it is expected that about 250,000 customers will be on ToU tariffs by July 2009.

Seasonal Pricing

In 2005, EnergyAustralia Network introduced a voluntary seasonal ToU price for domestic and SME customers. At this stage, EnergyAustralia Network has only had take up of this product as part of our Strategic Pricing Study. This study is looking to test the elasticity of customers electricity demand and is discussed in more detail below. Beyond this, EnergyAustralia has not as yet been approached by retailers or customers about using this tariff.

For FY07, the seasonal Time of Use (ToU) tariffs will continue to be slightly less than revenue neutral compared to their normal ToU counterparts. The energy usage components of these tariffs are defined as follows:

- *Peak Period* - between 2pm and 8pm on working weekdays during December, January and February (summer peak months) and June, July and August (winter peak months);
- *Shoulder Period* - between 2pm and 8pm on working weekdays during March, April, May, September, October and November (non-peak months), and from 7am to 2pm and 8pm to 10pm on all working weekdays (for Miser Seasonal 1, shoulder period also includes 7am to 10pm on weekends and public holidays); and
- *Off-Peak Period* - same as origin tariffs: all weekends, public holidays and 10pm to 7am on working weekdays (for Miser Seasonal 1, off-period is 10pm to 7am on working weekdays, weekends and public holidays).

Therefore, the peak period exists for a much shorter duration with a much higher price compared to simple ToU, necessary to send an appropriate usage signal to consumers and

be more cost reflective for the Network. The shoulder period extends over a larger period than for the origin tariffs EA025 and EA302.

Strategic Pricing Study

EnergyAustralia has recently embarked on a two year project to examine the value of implementing Dynamic Peak Pricing which will continue through FY07 and FY08 with results reported periodically. The study will be examining consumer behavioural characteristics. The results of this trial will feed in to a business case for the roll out of Advanced Metering Infrastructure. This study is seen as a necessary first step to implement and refine some of the price-based elements of EnergyAustralia's demand management program. Dynamic Peak Prices can be substantially higher than ToU peak prices, as they apply for an extremely short duration and reflect the substantial proportion of costs imposed on the network by high demand on a relatively small number of peak days.

The study has a total of 1,300 customers involved (including blind control groups) and will run from March 2006 to March 2008, in time to feed in to the regulatory review for the July 2009 Determination. Participating customers are taken from tariffs EA010 (Domestic), EA050 (LV Business Non-ToU), and EA302 (LV kW Capacity ToU). These customers have been selected using a stratified sampling approach. Participation in the study has been voluntary with a no-penalty "opt out" option.

Price increases for these tariffs for FY07 are proposed to be capped to CPI.

CRNP customers

The individually calculated prices of large customers are confidential to the customers concerned. What follows is a general discussion of the price movements and their treatment.

The intent of the National Electricity Rules is that TUoS prices should be directly reflected in customer prices in a cost reflective manner. Thus, it is proposed to pass these increases through in full. EnergyAustralia is required by Clause 6.18A of the Code to provide such customers upon request with unbundled TUoS and DUoS charges and details of the method of TUoS allocation.

Significant movement in the DUoS component of some individual cost reflective prices has also taken place, mainly due to the latest valuation of EnergyAustralia's network causing an increased Optimised Replacement Cost (ORC) of certain sub-transmission assets common to many CRNP customers. Any large changes in the cost reflective DUoS amounts will be subjected to transition, with a maximum NUoS price increase of 15% in FY07. EnergyAustralia will be looking to move CRNP customers to cost reflectivity as soon as possible over the next few years.

5.3 Miscellaneous and Monopoly Revenue

An explanation of Miscellaneous and Monopoly charges and their application is provided in EnergyAustralia's *ES5 – Miscellaneous and Monopoly Service Charges* publication available from our website by referencing www.energy.com.au/network_prices.

Miscellaneous services are non-routine services such as special meter reading, disconnection and re-connection services. Monopoly services are services related to extensions, augmentations or connections to the network. IPART has determined the revised price of these services in its 2004 Determination.

Appendix 2 provides a list of miscellaneous and monopoly charges for 2006-07.

6 Service Overview and Peak Demand and Consumption Forecasts

EnergyAustralia Network's aspirations for quality of supply and service reliability standards are set out in our *Electricity Network Operation Standards (ENOS)* publication available from our website by referencing

[www.energy.com.au/energy/ea.nsf/AttachmentsByTitle/ENOS/\\$FILE/ENOS.pdf](http://www.energy.com.au/energy/ea.nsf/AttachmentsByTitle/ENOS/$FILE/ENOS.pdf)

Please refer to this document for details relating to expected service levels for 2006-07.

In broad terms, EnergyAustralia intends to spend \$643M in overall system capital expenditure on the distribution network over 2006-07 to renew our assets, enhance reliability and expand our network for expected growth.

Detailed information on projected capital expenditure projects is available from our website by referencing www.energy.com.au/energy/ea.nsf/Content/Network+Improving+the+Network.

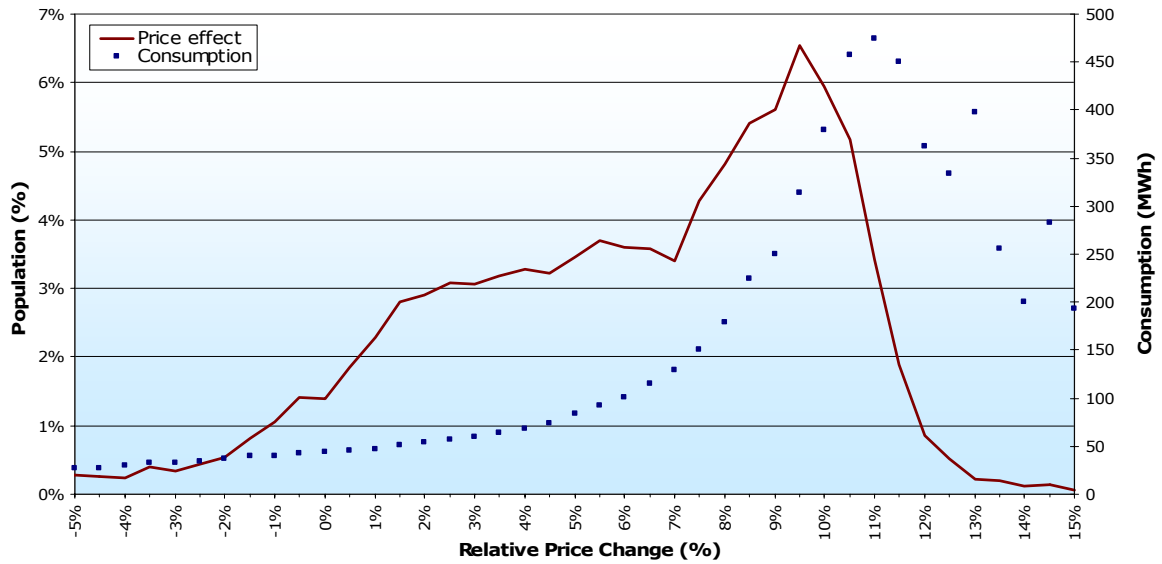
Major Customer Class	Unit	Consumption
Residential Sales	GWh	9,808
Non-Residential Sales	GWh	17,541
Major Industrial Customers & IDTs	GWh	2,883
Total Sales	GWh	30,232
Total Maximum Demand (excl major industrials & IDTs)	GWh	5,646

Appendix 1 EnergyAustralia 2006-07 Tariffs and Price Changes (exl GST)

Code	Tariff Name	DLF	NAC ¢/day	Energy ¢/kWh				Demand \$/kW or kVA Peak	Capacity \$/kW or kVA Peak	NUoS + Deus Plng & ESF \$/'000	Price Change %
				Anytime	Peak	Shoulder	Off Peak				
130, 390	ST kVA Dem ToU	1.0168	533.17		1.4705	0.9329	0.4772	1.0900	1.2440	8,286.7	7.5%
120, 380	HV kVA Dem ToU (Substation)	1.0191	463.18		2.1368	1.2982	0.5689	1.3003	1.5408	2,648.2	7.8%
110, 370	HV kVA Dem ToU (System)	1.0191	463.18		2.1715	1.3193	0.5782	2.3470	2.7490	38,296.0	8.1%
100, 350	HV Business ToU	1.0191	469.07		9.6863	5.4985	1.5469			302.2	9.0%
80, 320	LV kVA Dem ToU (Substation)	1.0343	140.35		2.9539	1.7565	0.7456	3.0182	2.9916	78,010.5	8.2%
303	LV kW cap ToU (Substation)	1.0343	42.96		5.5052	3.3973	1.3936		2.5687	3,698.3	9.1%
291	LV Business ToU (Substation)	1.0343	122.49		9.7603	4.9523	1.9761			0.0	8.9%
26	LV Energy40 ToU (Substation)	1.0343	15.30		11.5062	2.2439	0.5954			0.0	8.4%
70, 310	LV kVA Dem ToU (System)	1.0612	165.84		2.9238	1.7423	0.7453	3.0200	2.9934	143,164.0	8.1%
302	LV kW cap ToU (System)	1.0612	52.29		5.5973	3.4860	1.4790		2.8676	137,519.1	8.9%
304	Miser Seasonal 2	1.0612	50.00		7.6317	3.3958	1.4461		2.4076	111.5	-5.2%
60, 290	LV Business ToU (System)	1.0612	172.20		9.9693	5.0142	2.1175			11,868.8	8.5%
25	LV Energy40 ToU (System)	1.0633	18.28		11.6366	2.2696	0.6023			36,660.7	7.8%
28	Miser Seasonal 1	1.0633	18.28		18.0440	1.7707	0.4890			65.2	2.4%
30, 250	Controlled Load 1	1.0633	1.21	0.3988						6,154.4	5.8%
40, 260	Controlled Load 2	1.0633	1.21	2.1366						10,710.4	7.9%
27	Interruptible Load	1.0633	18.30		7.4903	1.7898	0.4226			0.0	9.8%
402	Constant unmetered	1.0612	0.00	4.2963						1,601.6	8.6%
403	EnergyLight	1.0949	0.00	3.5336						215.7	8.7%
401	Public lighting	1.0949	0.00	3.5336						5,234.0	8.7%
57	PowerAlert Medium	1.0633	13.15		41.0800	3.2145	2.9629			124.4	2.7%
58	PowerAlert High	1.0633	13.15		82.1600	2.8756	2.3621			197.8	2.7%
307	LoadAlert Medium	1.0612	61.62		41.0800	3.0810	2.8037			183.1	2.7%
308	LoadAlert High	1.0612	61.62		82.1600	3.0810	2.9783			335.5	2.7%
				Block 1	Block 2						
50, 270	LV Business non-ToU	1.0612	41.08		4.1704	5.8554				148,606.5	8.2%
010, 210	Domestic	1.0633	13.76		4.7977	6.7310				464,061.2	8.3%

Appendix 2 Price Impact Analysis for EA300 Series of Tariffs, 2006-07 (excl GST)

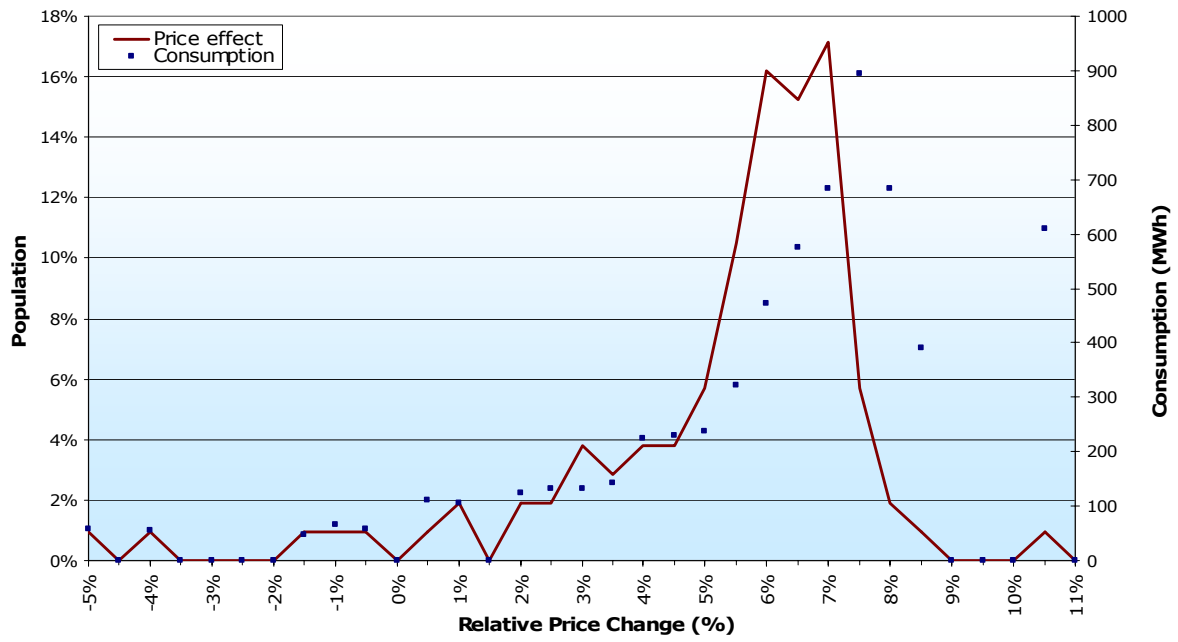
EA302 – LV kW cap ToU (System), 18,000 customers



Relativities in Tariff Components from FY06 to FY07 for EA302



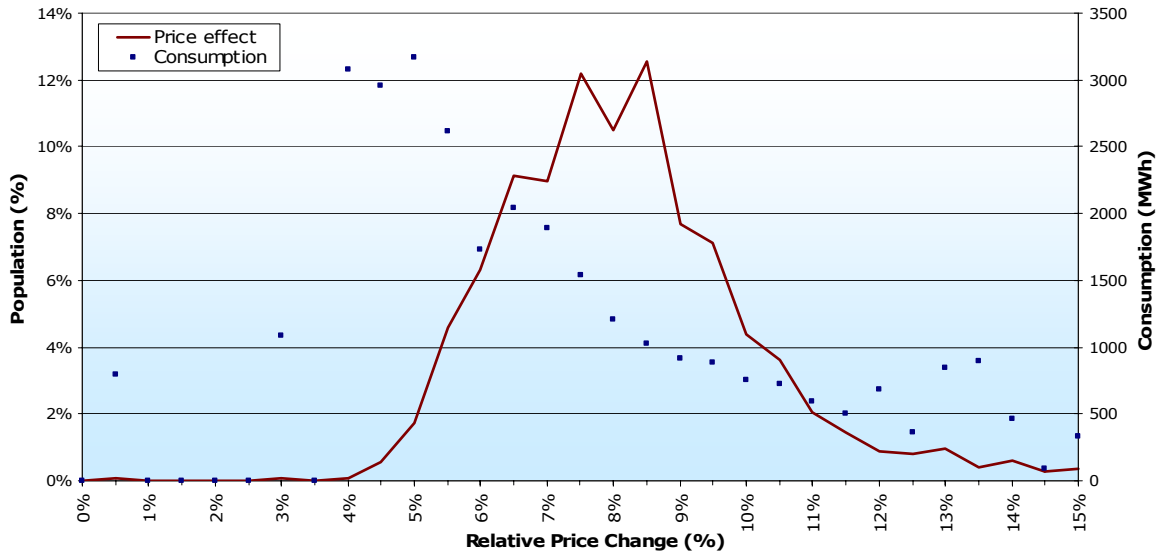
EA303 – LV kW cap ToU (Substation), 218 customers



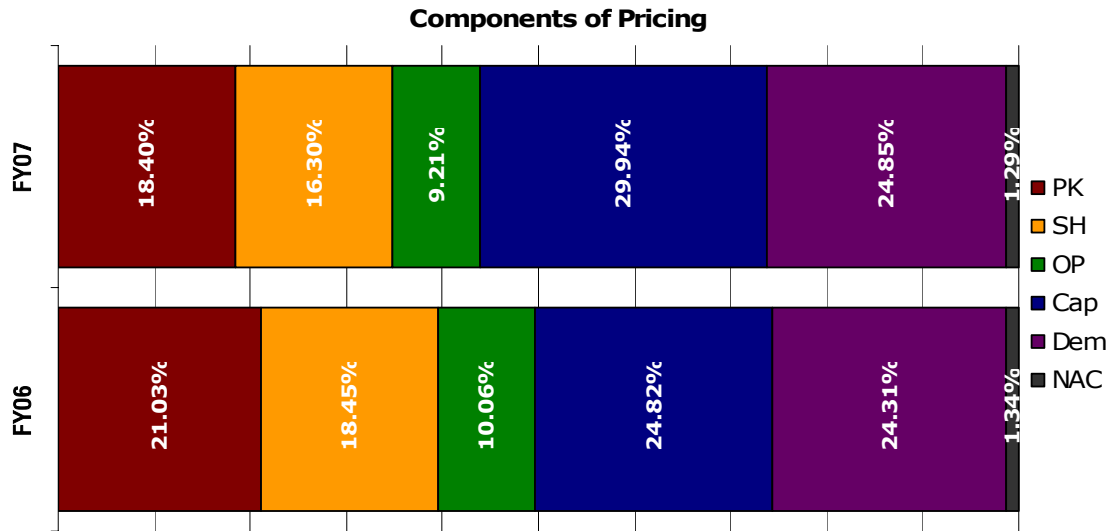
Relativities in Tariff Components from FY06 to FY07 for EA303



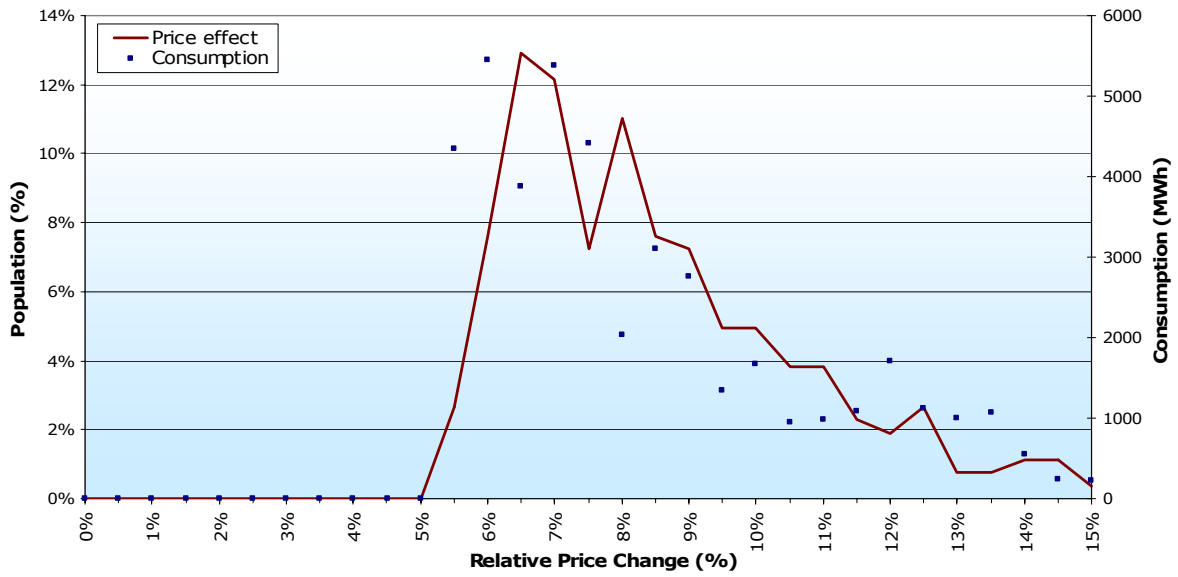
EA310 – LV kVA Dem ToU (System), 3200 customers



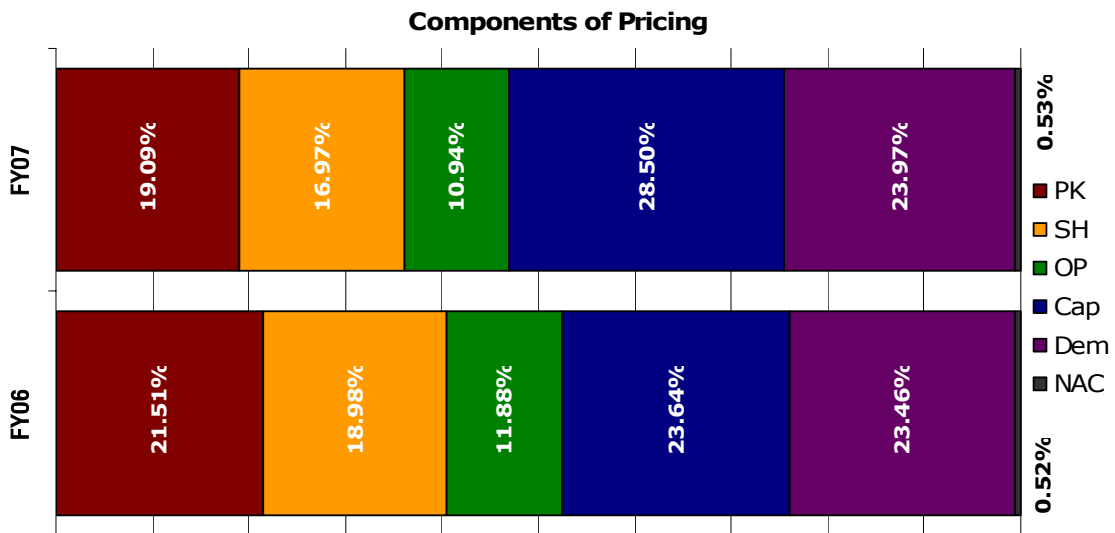
Relativities in Tariff Components from FY06 to FY07 for EA310



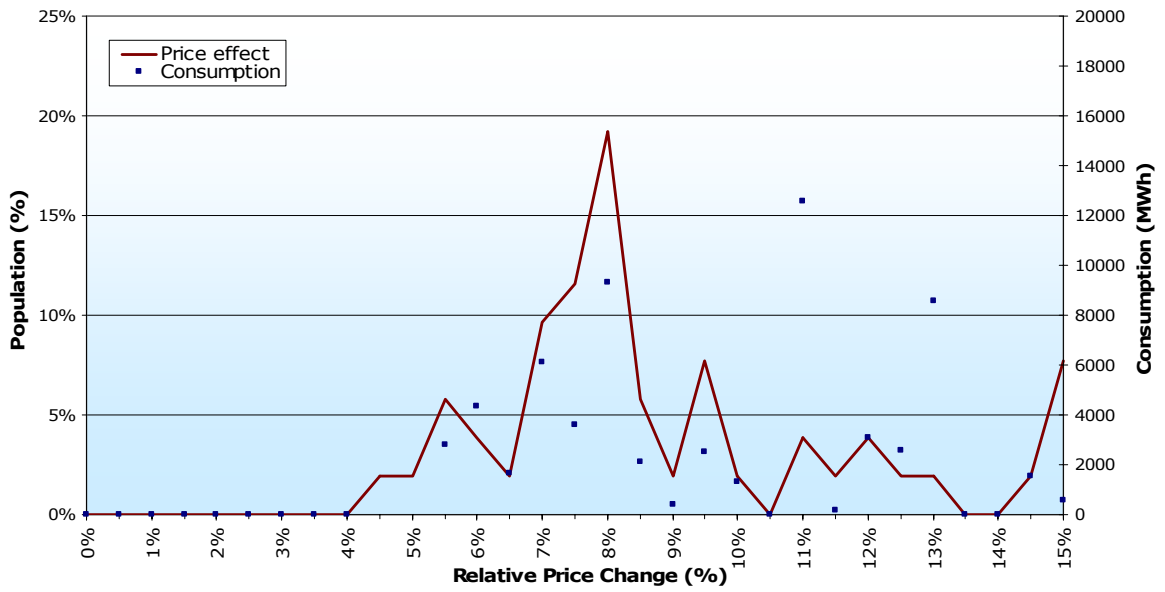
EA320 – LV kVA Dem ToU (Substation), 730 customers



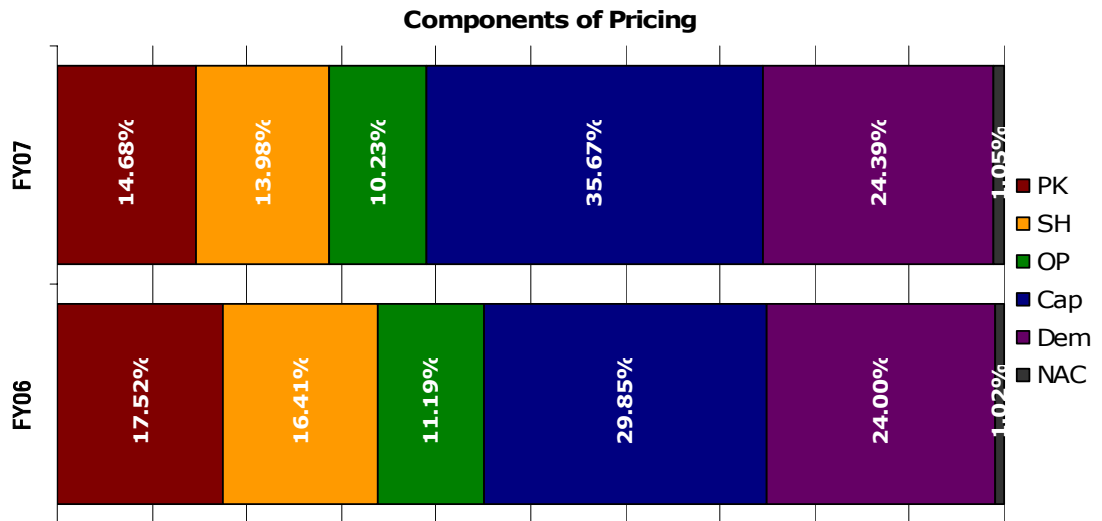
Relativities in Tariff Components from FY06 to FY07 for EA320



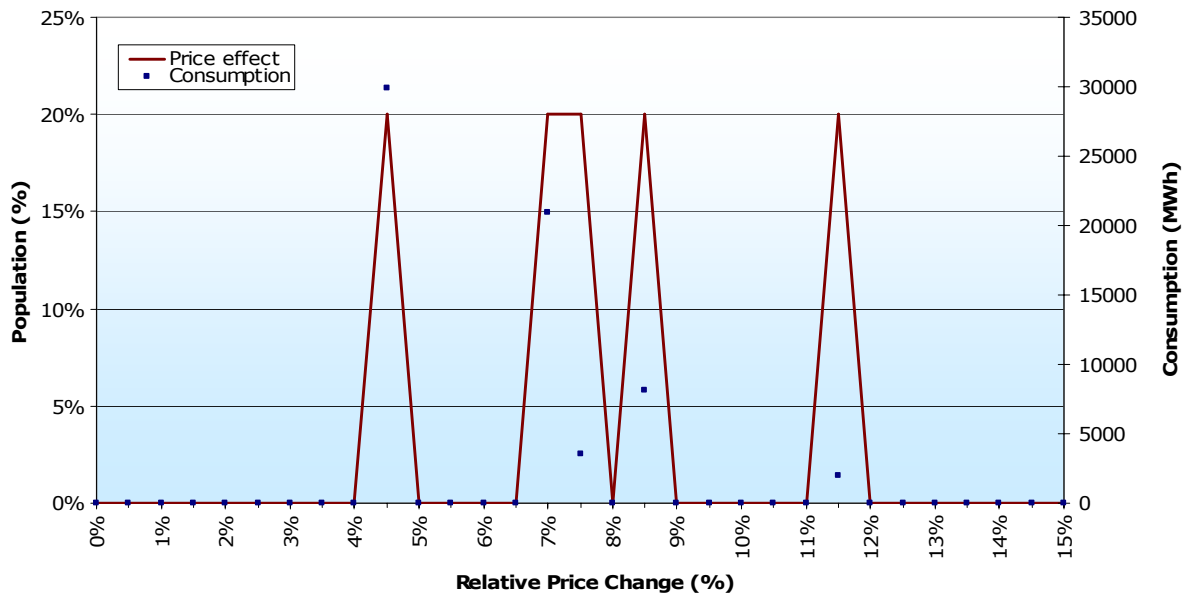
EA370 – HV Dem ToU (System), 244 customers



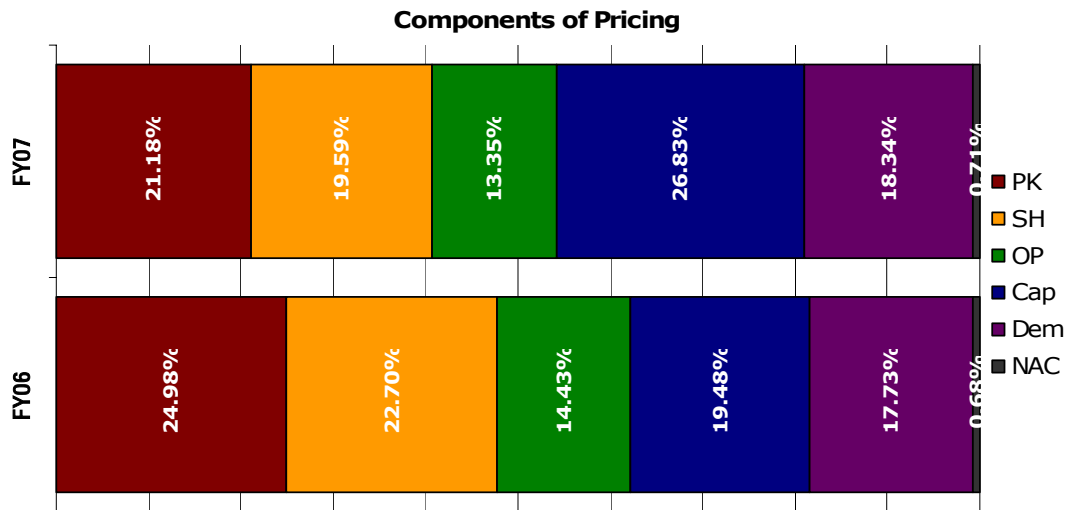
Relativities in Tariff Components from FY06 to FY07 for EA370



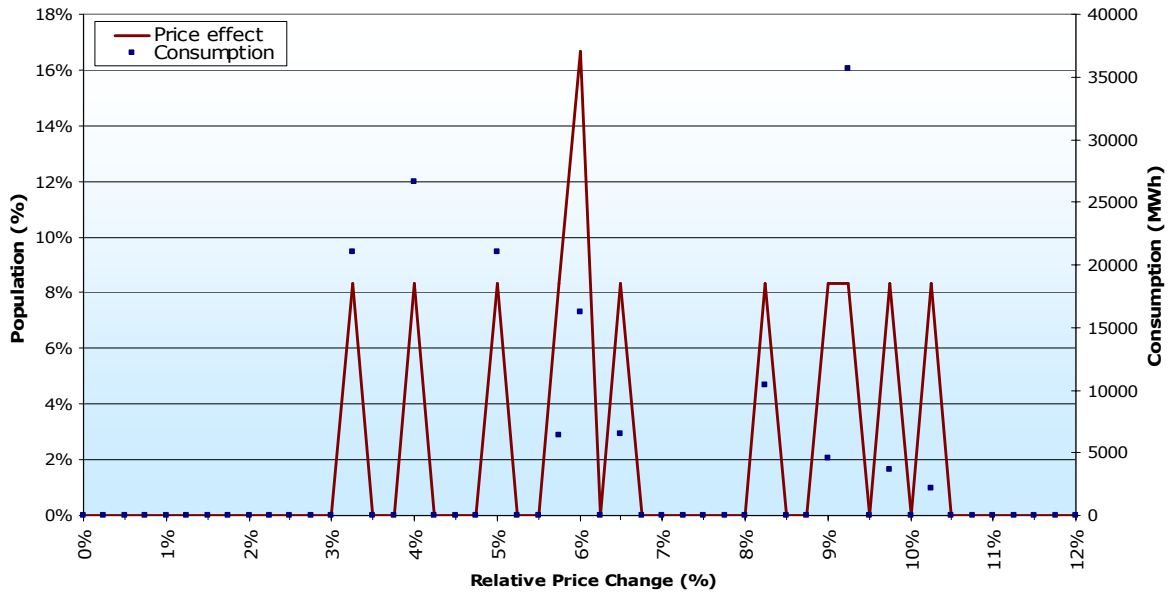
EA380 – HV Dem ToU (Sub), 9 customers



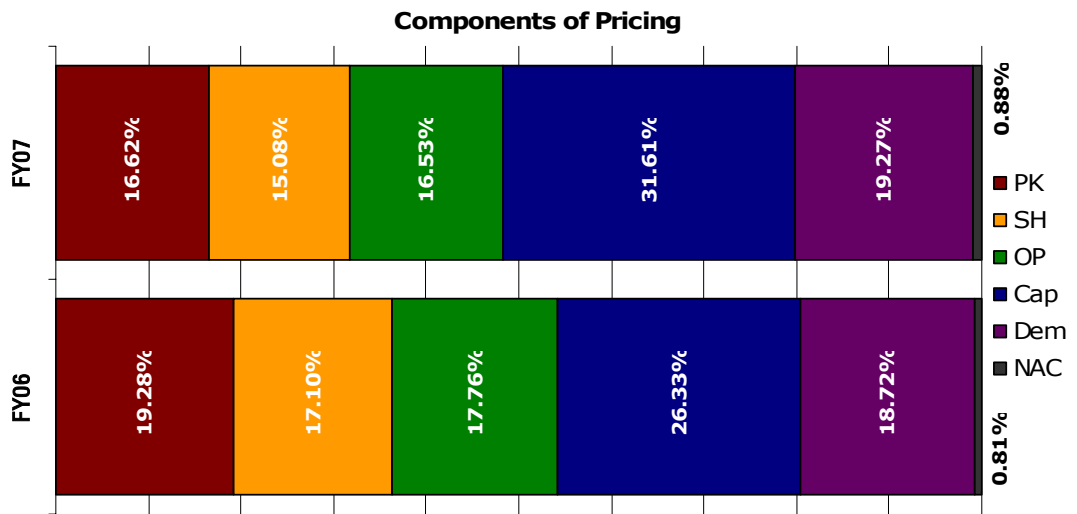
Relativities in Tariff Components from FY06 to FY07 for EA380



EA390 – ST Dem ToU, 44 customers



Relativities in Tariff Components from FY06 to FY07 for EA390



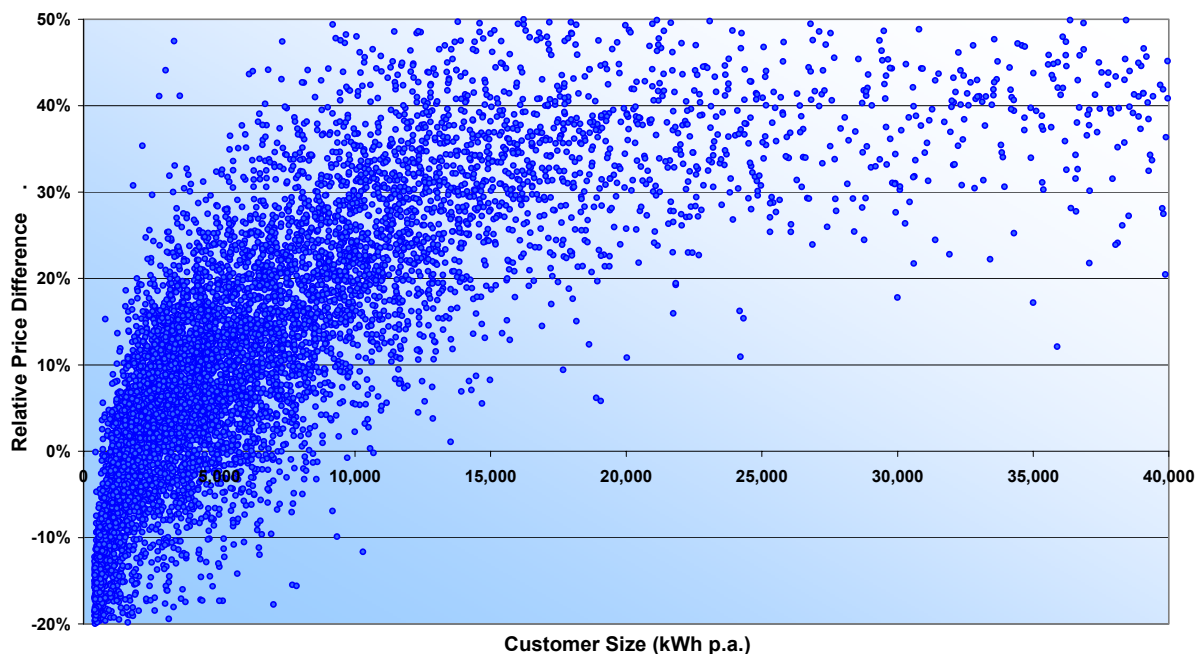
Appendix 3 Impacts on Customers moving on to ToU Tariffs

Impacts on Domestic ToU Customers below 40MWh p.a. from proposed FY07 prices

The default tariff for customers below 40MWh p.a. usage is currently EA025 LV Energy40. There are currently about 25,000 domestic customers on this tariff. No major reform is proposed for this tariff for FY07, price components have all risen by 7.8%. As such there is no impact on customers year on year from any component reform on this tariff. However, it is worth examining the likely impact of customers moving from an inclining block tariff to ToU during FY07. The table below demonstrates the impact of mandating customers below 40MWh on to Time of Use from a flat tariff based on proposed FY07 prices:

Diagram 2: Bill Impact on 0-40MWh pa Domestic Customers Moving from Flat Tariff to ToU on Proposed FY07 Prices

*A positive relative price difference means the customer saves money moving to ToU



Customer Bill Impact

Less than	
0%	23.10%
-5%	14.50%
-10%	8.37%
More Than	
0%	76.90%
5%	66.63%
10%	53.75%
15%	40.68%
20%	31.59%

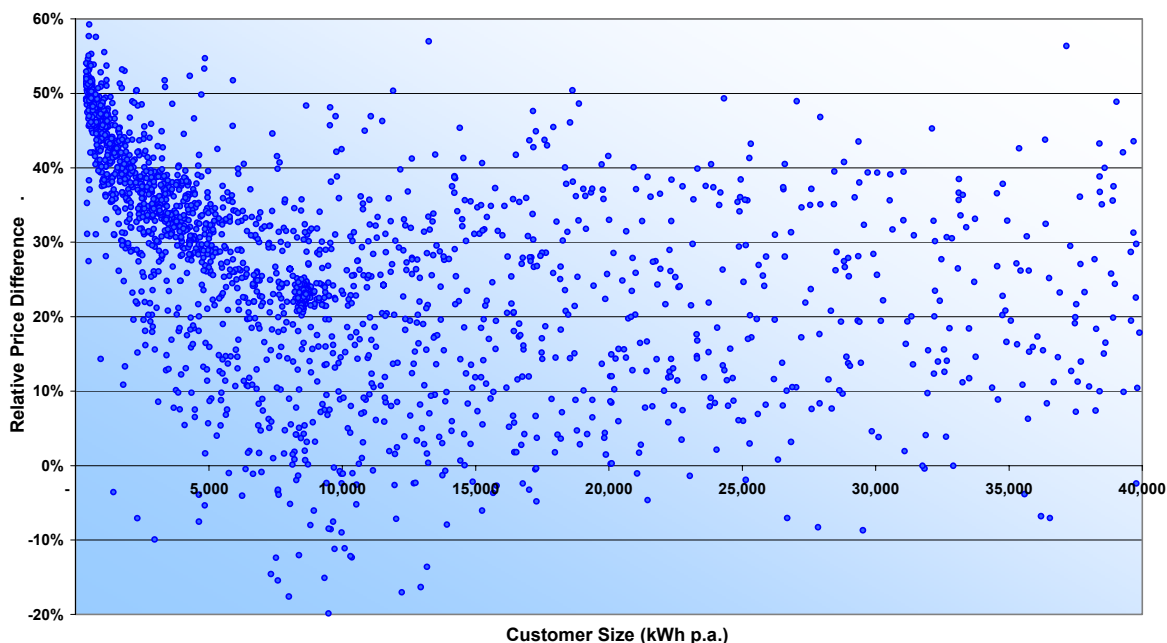
The table here shows that customer facing an increase in the bill constitutes 23.1% of all customers. Those facing more than a 10% increase make up 8.37%, whereas those saving more than 10% make up 53.75%. As can be seen, most customer are better off under proposed ToU network prices for FY07, particularly those with larger loads. Only 14.5% of customers see network tariffs that cost them more than 5% under ToU compared to the flat tariff. Under the regulated retail tariff (not shown here), 92% of customers are better off on ToU and only 1.5% of customers see more than a 5% increase in their bill on ToU. Smaller customers are negatively impacted because the flat tariff fixed charge is smaller than the ToU tariff fixed charge and this is what dominates the customer bill.

Impacts on 0-40MWh pa Business ToU Customers from proposed FY07 prices

The underlying network ToU tariff is the same for business customers below 40MWh as it is for domestic customers. There are currently about 10,000 business customers on this tariff. Again, no year on year effects will be seen as there has been no change in the ratios of the peak, shoulder and off peak components for FY07 compared to FY06. The bill impacts of moving from a flat tariff to a ToU tariff is demonstrated in the diagram below:

Diagram 3: Bill Impact on 0-40MWh pa Business Customers Moving from Flat Tariff to ToU on Proposed FY07 Prices

*A positive relative price difference means the customer saves money moving to ToU



Bus Customer Impact

Less than

0%	3.62%
-5%	1.60%
-10%	0.69%

More Than

0%	96.38%
5%	93.18%
10%	88.23%
15%	82.33%
20%	75.92%

The diagram demonstrates that the vast majority of below 40MWh p.a. business customers (96.4%) will save money by going on to ToU in FY07. The cluster in the top left hand side reflects the impact of the fixed charge of the ToU tariff being half the fixed charge of the LV Business non-ToU tariff that these customers are moving off on proposed FY07 network prices. At low energy volumes, the fixed charge dominates the bill impacts in moving to ToU.

Impacts on 40-735MWh pa Business ToU Customers from proposed FY07 prices

There are currently 18,000 customers on this tariff. Business customers in the 40MWh to 160MWh tranche are progressively moved across from EA050 LV Business non-ToU to EA302 LV kW Capacity ToU. Customer in the 160MWh to 735MWh are already on this tariff. The analysis below firstly considers the year on year impact of customers already on ToU, examining the impact of increasing the focus on the capacity charge and away from energy charges. Secondly, a comparison is then made of the impact of customers moving from their flat tariff to ToU.

Diagram 5: Bill Impact on 40-160MWh pa Business Customers Moving from Flat Tariff to ToU on Proposed FY07 Prices

*A positive relative price difference means the customer saves money moving to ToU

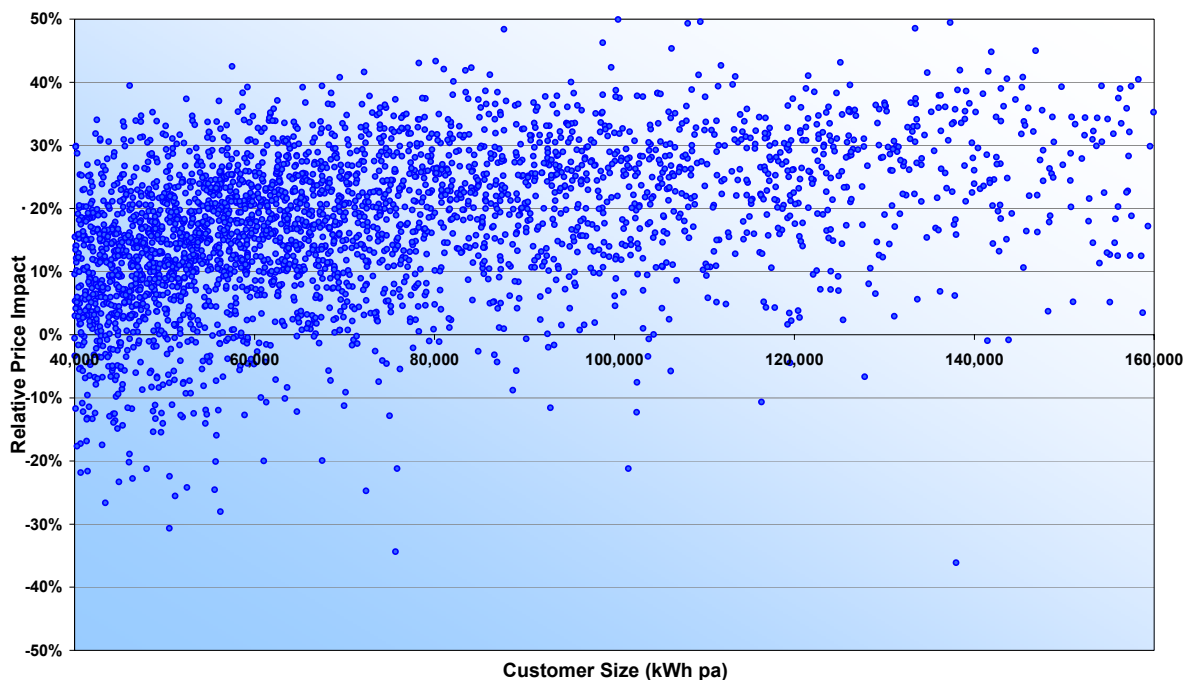


Diagram 5 demonstrates that the vast majority of business customers in the 40MWh to 160MWh tranche are better off under the network ToU tariff

Customer Impacts

Less than

0%	8.67%
-5%	5.03%
-10%	2.97%
-15%	1.51%
-20%	1.08%

More Than

0%	91.33%
5%	83.83%
10%	73.68%
15%	58.42%
20%	42.43%

Only 5.03% of customers are impacted by more than 5%. The major impact for this tranche of customers is the dominant effect of the 2nd block price on their current flat tariff. The inclining block tariff is weighted to be neutral for the average customer, but effectively act as a cross subsidy for smaller customers who are good users of electricity being paid for by larger customers, who are poor users of electricity. As such, customers in this tranche are impacted by the 2nd block price, to the extent that moving to a ToU tariff provides immediate bill relief without any behavioural change.

Appendix 4 EnergyAustralia Miscellaneous and Monopoly Fees, 2006-07

Schedule of Miscellaneous Charges from 1 July 2005 to 30 June 2009
(Prices are inclusive of GST)

Miscellaneous Service	\$
Special meter reading	\$38.50
Meter test	\$63.80
Supply of conveyancing information - desk inquiry	\$31.90
Supply of conveyancing information - field visit	\$63.80
Off-peak conversion	\$51.70
Disconnection visit (acceptable payment received)	\$38.50
Disconnection at meter box	\$77.00
Disconnection at pole top/pillar box	\$128.70
Rectification of illegal connection	\$192.50
Reconnection outside business hours	\$82.50

Appendix 4 EnergyAustralia Miscellaneous and Monopoly Fees, 2006-07 cont

Schedule of Monopoly Fees from 1 July 2005 to 30 June 2009 (Prices are inclusive of GST)

Monopoly Service	Underground urban residential subdivision (vacant lots)				Rural Overhead Subdivisions and Rural Extensions				Underground Commercial and Industrial or Rural Subdivisions (vacant lots - no development)				Commercial and Industrial Developments	Asset Relocation Or Street Lighting
Design Information (Minimum 1 Hr)	Up to 5 lots	\$138.60			\$69.30 per hour				\$69.30 per hour				\$69.30 per hour	\$69.30 or \$83.60 per hour (See Note 5)
	6 to 10 lots	\$207.90												
	11 - 40 lots	\$346.50												
	Over 40 lots	\$415.80												
Design Certification (Minimum 1 Hr)	Up to 5 lots	\$69.30			1 - 5 poles	\$69.30			Up to 10 lots	\$138.60			\$83.60 per hour	\$69.30 or \$83.60 per hour (See Note 5)
	6 to 10 lots	\$138.60			6 -10 poles	\$138.60			11 - 40 lots	\$207.90				
	11 - 40 lots	\$207.90			11 or more poles	\$207.90			Over 40 lots	\$415.80				
	Over 40 lots	\$277.20												
Design Rechecking (Minimum 1 Hr)	\$69.30 per hour				\$69.30 per hour				\$69.30 per hour				\$83.60 per hour	\$69.30 or \$83.60 per hour (See Note 5)
Inspection Fee (Minimum 2 Hrs @ \$69.30)	Grade:	A	B	C	Grade:	A	B	C	Grade:	A	B	C	\$69.30 or \$83.60 per hour (see Note 1)	\$69.30 or \$83.60 per hour (see Note 1)
	per lot	per lot	per lot	per lot	per pole	per pole	per pole	per pole	per lot	per lot	per lot	per lot		
	First 10 lots:	\$35.20	\$83.60	\$173.80	1-5 poles	\$41.80	\$83.60	\$152.90	First 10 lots	\$35.20	\$83.60	\$173.80		
	Next 40 lots:	\$20.90	\$48.40	\$104.50	6-10 poles	\$35.20	\$69.30	\$138.60	Next 40 lots	\$35.20	\$83.60	\$173.80		
	Remainder:	\$6.60	\$27.50	\$48.40	11+ poles (see Note 4)	\$27.50	\$48.40	\$104.50	Remainder	\$35.20	\$83.60	\$173.80		
Access Permit	Residential Subdivisions: \$23.10 per lot combined fee				\$1028.50 max. per access permit				\$1028.50 max. per access permit				\$1028.50 max. per access permit	\$1028.50 max. per access permit
Substation Commissioning					\$771.10 per substation (See Note 2)				\$771.10 per substation (see Note 2)				\$771.10 per substation (see Note 2)	\$771.10 per substation (see Note 2)
Administration	Up to 5 lots	\$168.30			Up to 5 poles:	\$168.30			\$56.10 per hour (max 6 hours)				\$56.10 per hour (max 6 hours)	\$56.10 per hour
	6 - 10 lots	\$224.40			6-10 poles:	\$224.40								
	11 - 40 lots	\$280.50			11 or more poles	\$336.60								
	Over 40 lots	\$336.60												
Notice of Arrangement	\$168.30 (to provide a letter to local councils advising that satisfactory arrangements have been made for electricity supply to a development)													
Re-Inspection	\$69.30 per hour normal time, \$138.60 per hour overtime, for installation or service work (see clause 5)													
Access (Standby Person)	\$56.10 per hour													
Authorisation	\$138.60 (initial authorisation), \$69.30 (annual re-authorisation)													
Inspection of Service and Metering Work (Level 2 work)	All Service connections: A Grade : \$17.60 per NOSW B Grade: \$28.60 per NOSW C Grade: \$83.60 per NOSW (NOSW = Notification of Service Work)													
Site Establishment	\$121.00													

Appendix 5 EnergyAustralia Network Public Consultation New Network Prices 2006/07, Responses & Summary

EnergyAustralia Network opened up consultation on its proposed new network prices for 2006/07 on 16th February 2006. The consultation document was posted on the EnergyAustralia website and sent to interested persons. The only new tariff component proposed is a simplification of the capacity charge moving to a rolling 12 month window without an annual reset, moving away from the confusing 24 month window with an annual reset at 1 July each year.

The consultation remained open until 3rd March 2006. In summary the responses to the consultation were positive about the new capacity structure.

The responses asked for some clarification with regards to the capacity reset at 1 July 2006 and the provision for adjustment of demand and capacity charges.

From 1st July 2006, the capacity for the bill period will be set to the maximum demand over the previous 12 months, analogous to a 12 month rolling window. The capacity value from July 2006 will be determined as a brownfield site, with the last 12 months of demand values (or part thereof for new and tariff transitioned sites) being used to determine the capacity value under the new methodology.

The responses did ask for some clarification about how the adjustment of demand and capacity charges would be administered. After further consultation, it has been decided that there will be no change from the existing arrangement regarding a request for capacity reset relating to a demonstrated permanent load reduction as outlined in Section 8.8 Adjustment of Demand and Capacity Charges in *ES7 Application of Network Use of System Charges*. A customer may make a request in writing to EnergyAustralia requesting a reduction in capacity due to a permanent reduction in load. This will be assessed against the supporting documentation. Any decision to reduce the capacity charge will not be made retrospectively.