EnergyAustralia®

EnergyAustralia Network Annual Prices Report

March 2007

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1 Overview

This Annual Prices Report summarises the key elements of EnergyAustralia's 2007-08 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 Annual Tariff Compliance Spreadsheet which contains proposed FY08 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 2007-08 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 FY08 DUoS tariffs is limited to an overall increase of:

= CPI + 1.6% + D_{t+1} based on audited 2005-06 consumption data

= 3.5% + 1.6% - 0.1%

= 5.0 % increase in DUoS prices

D_{t+1} is an adjustment on prices for an allowance for demand management initiatives approved by IPART, for FY08 the approved D-Factor = 0.4% 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

= 3.5% + 4.5%

= 8% (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 2007-08 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 2007-08. These strategies draw heavily from EnergyAustralia's medium-term pricing strategies articulated in the Network Strategy Statement 2004[1], and are summarised as follows:

- improving cost allocation by identifying the true costs of providing network services to each customer of 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 increases where necessary (thus ensuring prices are sociably 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 their 2004 Network Pricing 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

5 Implementing Network Pricing Strategies in 2007-08

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 2007/08 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 to Transgrid, with the revenue for both organisations derived from the ACCC's final transmission network determinations. In TransGrid's case, their 2007-08 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 FY08 Transmission Related Payments are derived from the ACCC's Final Determination.

Anticipated FY08 TUoS Revenue and Payments $'000		**2007-08**
REVENUE	Transmission Cost Recovery (TCR) Tariffs	239,273
MINUS	Total EA Transmission payments (net of settlement residue)	241,952
	Transmission revenue collected by TNSPs	*278,452*
	Settlement Residue Payments	*(44,492)*
	Expected avoided TUoS payments	*843*
	Inter-distributor payments expected to be paid	*7.149*
MINUS	Recovery of Unders/(Overs) from previous years	-2,679
MINUS	Net Interest applied in FY08	-129
EQUALS	Transmission related payments over-recovery	129

Based on 2007-08 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 2007/08 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 2007-08

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 5.0% increase in 07/08[2]. 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 2006 was 3.5% and approved D Factor for FY07 was -0.1%.

Overall NUoS prices in FY08 are proposed to increase on average by 6.4%, which accounts for a general price increase to cover ongoing costs and also makes an allowance for additional capital expenditure to meet ongoing planning standards for reliability approved by IPART, and also upstream transmission costs.

Inclining block structure for domestic and business tariffs in 2007-08

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 2007/08 by moving from a 40% to a 50% pricing differential between the first and second block prices for both domestic and business non-ToU customers.

Whilst a 50% 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 2005-06 consumption data, adjusted for expected tariff movements in 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 2006/07 structure, but may be reviewed for the 2008/09 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 increase by 16%.

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 changes to the inclining block and increased NAC.

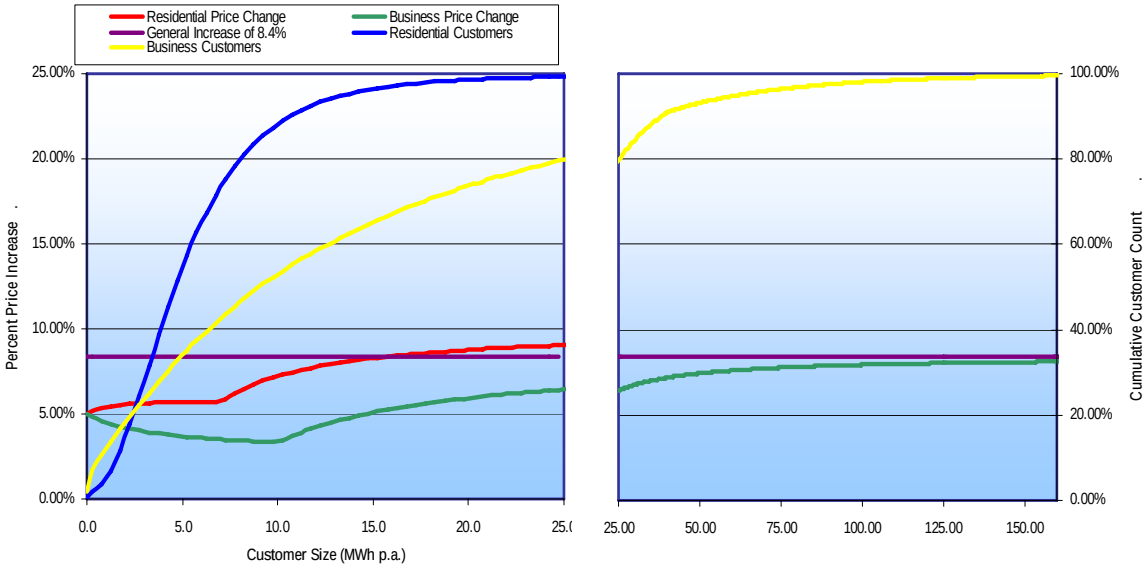
Table 1: Proposed FY08 vs Current FY07 Inclining Block Prices (ex GST)

	NAC (c/day)	Block 1 ¢/kWh	Block 2 ¢/kWh	Step kWh/quarter
Domestic FY07	13.7600	4.7977	6.7310	1,750
Domestic FY08	14.4500	5.0771	7.4106	1,750
Business non ToU FY07	41.0800	4.1704	5.8554	2,500
Business non ToU FY08	43.3400	4.2846	6.3497	2,500

Note: Includes Energy Savings Fund and reliability planning standards pass through amounts.

The percentage price changes for domestic and non-ToU business inclining block prices compared to FY07 prices are shown on the graph below.

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



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.

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 FY08 vs Current FY07 Inclining Block Tariffs (ex GST)

Consumption	Domestic annual network bill				Business non ToU annual network bill		
kWh p.a.	FY07	FY08	Diff. p.a.	per week	FY07	FY08	Diff. p.a.
1,000	$ 98.20	$ 103.51	$ 5.31	$ 0.10	$ 191.65	$ 200.27	$ 8.62
2,500	$ 170.17	$ 179.67	$ 9.50	$ 0.18	$ 254.20	$ 264.54	$ 10.34
5,000	$ 290.11	$ 306.60	$ 16.49	$ 0.32	$ 358.46	$ 371.65	$ 13.19
7,000	$ 386.06	$ 408.14	$ 22.08	$ 0.42	$ 441.87	$ 457.35	$ 15.48
10,000	$ 587.99	$ 630.46	$ 42.46	$ 0.82	$ 566.98	$ 585.88	$ 18.90
15,000	$ 924.54	$ 1,000.99	$ 76.44	$ 1.47	$ 859.75	$ 903.37	$ 43.62
25,000	$ 1,597.64	$ 1,742.05	$ 144.40	$ 2.78	$ 1,445.29	$ 1,538.34	$ 93.05
40,000					$ 2,323.60	$ 2,490.79	$ 167.19
160,000					$ 9,350.08	$ 10,110.43	$ 760.35

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

Time of Use Retailer Incentive Tariff: EA024 No NAC Energy40

Customers with a type-6 wanting access to a Time of Use (ToU) based tariff presently incur a cost of approximately $200-$300 for the installation of a type-5 meter capable of supporting a ToU tariff. EnergyAustralia network provides the meter free of charge to such customers. This proposed incentive tariff will replicate the existing EA025 LV Energy40 ToU tariff, except it will not include a network access charge (NAC) for a period of three years. This equates to approximately $200 over the three year period, equivalent to the average cost of a meter installation. After the three year period, the network billing will revert back to the default ToU tariff, presently LV Energy40 ToU.

The intent of the tariff is to provide a rebate to the retailer to offset the cost of a type-5 meter installation. EnergyAustralia network would continue to provide the interval meter. Whether the retailer

funds the meter installation through the use of an accredited service provider (ASP) and recoups the cost over the three year period through the reduced access charge or simply passes the reduced network tariff onto the customer highlighting the saving equivalent to the meter installation cost will be a matter for how the product is marketed by the retailer.

The tariff would only apply to customers without a type-5 meter who are not covered in the mandated roll out. This tariff will not apply to new and upgraded installations where a type-5 meter would have otherwise been installed as part of that new or upgraded installation. These sites are usually identified by mechanisms such as a notice of service works. Only where the retailer actually applies ToU to the customer, will this 'incentive' tariff apply. Contractual conditions of this tariff will specify these conditions.

This tariff will be capped to a given number on a first in basis.

Grandfathering 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. Existing customer on this tariff at March 2005 have been grandfathered on it.

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

It is proposed to reduce the network rate for Controlled Load 1 by 3.2% and increase the rate for Controlled Load 2 by 3.9%; these price impacts are both below the average tariff increase of 6.4% (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.

New Business Tariff EA305 LV Cap750 & EA306 LV Cap750 (Substation)

We plan to migrate on 1 July 2007, all customers with a type-4 (or better) meter on the existing EA302 LV kW Capacity ToU (System) and EA303 LV kW Capacity ToU (Substation) tariffs to the new EA305 LV Cap750 and EA306 LV Cap750 (Substation) tariffs which charge capacity on a kVA basis. The other components will be identical in structure and price.

This aligns with the kVA based capacity which exists for customers on tariffs EA310 and above. Encouraging customers to improve their Power Factor is the key price signal created from this tariff reform.

Presently all 40 – 750 MWh p.a. customers are charged a capacity rate which is measured in kilowatts (kW) and is a measure of real power only. The power is not an indication of true cost of delivering the total apparent power to the customer by the network, which is measured in kilovolt amperes (kVA). This kVA measure is a combination of two components of the customer's consumption being:

- The consumed real power (kW), and
- The reactive power (kVAr) which performs no useful work and is required to generate magnetising current.

The proposed new tariffs will replicate the existing EA302 LV kW Capacity ToU and EA303 tariffs with a reduction in the capacity rate to reflect the higher kVA compared to kW volumes. This initiative will provide an incentive for customers with a poor overall power factor to reduce their total kVA peak demand on the network as it encourages customers to install power factor correction equipment at their premise relatively cost effectively. Average customer payback for the installation of power factor correction equipment where a customer is on a kVA based tariff is three years.

	Increase of between 4% and 9%	Increase of between 9% and 14%	Increase greater than 14%
Number of Customers	2,515	2,166	233
Percentage of Customers	51%	44%	5%

The proposed tariff will result in above average increase in charges for customers with a power factor lower than the average and a below average increase in charges for customers with power factors better than the average. The tariff will be revenue neutral overall when compared to the existing EA302 and EA303 tariffs. Analysis on the tariff's impact has shown that approximately 45% of all

customers in this group will see a price increase of up to between 9% & 14%. 50% of customers will see an increase of between 4% & 9% and only 5% of customers with extremely poor power factor will see an increase of greater than 14%. The customer impacts have been summarised in the table below. The overall average NUoS tariff increase for EA302 is 9.4%.

Eliminate the demand component for tariffs EA310 and above by increasing the capacity component

We propose to alter the price structure of tariffs for large business customers EA310 – EA390 by rolling the monthly demand rate into the monthly capacity rate over FY08 and FY09.

The demand component is a measure of the customer's peak hourly consumption over the monthly bill period. Removing the demand component will be achieved by allocating half of the revenue attributable to demand in to the capacity component of tariffs in FY08 with the remainder in FY09 making the demand component obsolete.

Capacity is a function of demand, being the highest demand in the previous 12 months including the current bill month and therefore better reflects long term marginal cost. The impact of the capacity charge is related to the customer's utilisation of the network as defined by their load factor. This load factor is a measure of the average consumption of the customer as a percentage of their maximum consumption or peak demand. Under this new tariff reform customers with poor or low load factor would experience a relatively higher increase in their charges than those with a good or high load factor. This is because the capacity charge is a more persistent long term signal than the demand charge.

EA025 LV Energy40 ToU (System) and EA026 LV Energy40 ToU (Substation)

The overall NUoS tariff increase is 8.7% and 10.2% respectively for FY08. Although price limits stipulate a maximum 8% DUoS increase for FY08, planning standards require extra capital approved by IPART to be spent, and this additional cost does not fall within the price limits imposed by IPART.

EA302 LV kW Capacity ToU (System) and EA303 LV kW Capacity ToU (Substation)

The overall NUoS tariff increase is 9.4% and 9.5% respectively for FY08. Although price limits stipulate a maximum 8% DUoS increase for FY08, planning standards require extra capital approved by IPART to be spent, and this additional cost does not fall within the price limits imposed by IPART.

Increasing the number of customers on ToU pricing

The existing roll out of smart (Type 5 capable) meters will continue in 2007-08, primarily focused on 15-40MWh p.a. customers as the majority of 40-160MWh p.a. customers were completed in FY07. The roll out will continue until June 2009 when it is expected to be complete for all customers over 15MWh p.a. 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 EA025 LV Energy40 ToU (System) tariffs and EA302 LV kW Capacity ToU (System) and;
- A transfer of Domestic customers to EA025 LV Energy40 ToU (System) tariff.

ToU tariffs were introduced for all new and upgraded connections to the network, as of March 2005. EnergyAustralia is currently seeing growth in ToU tariffs by about 4,500 sites per month. It is expected that about 400,000 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 FY08, the seasonal Time of Use (ToU) tariffs will continue to be slightly less than revenue neutral compared to their standard 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

In 2006 EnergyAustralia embarked on a two year project to examine the value of implementing Dynamic Peak Pricing. This project will continue through FY08 and FY09 with results reported periodically. The study is 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 began in March 2006 and slated to be complete by June 2008. Participating customers have been 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 FY08 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 FY08. 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 2007-08.

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

Please refer to this document for details relating to expected service levels for 2007-08.

In broad terms, EnergyAustralia intends to spend $690M in overall system capital expenditure on the distribution network over 2007-08 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.

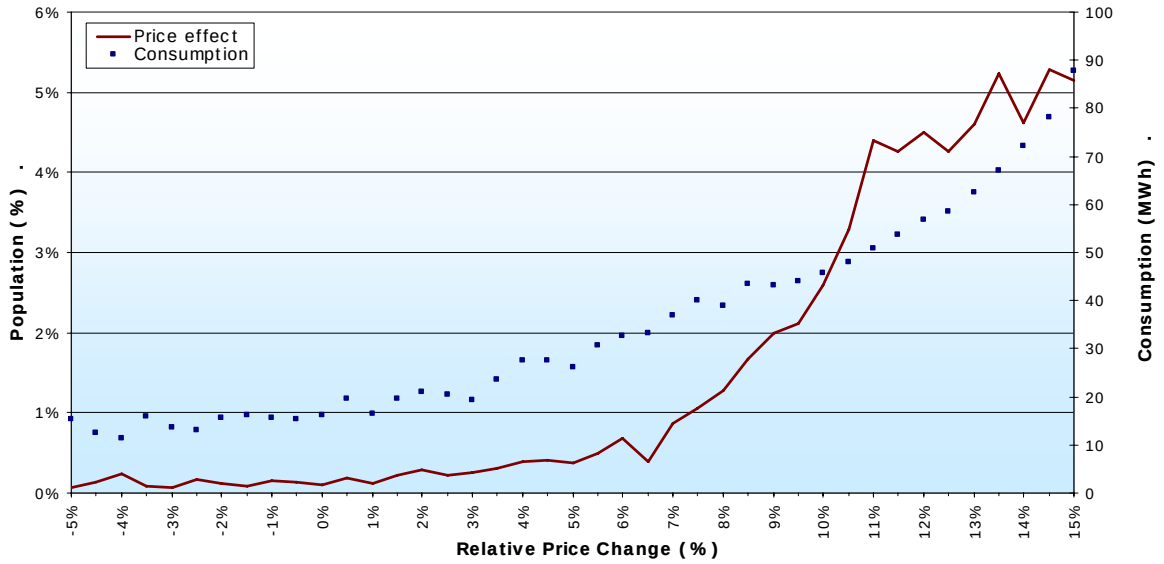
Major Customer Class	Unit	Consumption
Residential Sales	GWh	10,057
Non-Residential Sales	GWh	17,158
Major Industrial Customers & IDTs	GWh	2,905
Total Sales	GWh	30,120
Total Maximum Demand (excl major industrials & IDTs)	GW	5,460

Appendix 1 EnergyAustralia 2007-08 Tariffs and Price Changes (exl GST)

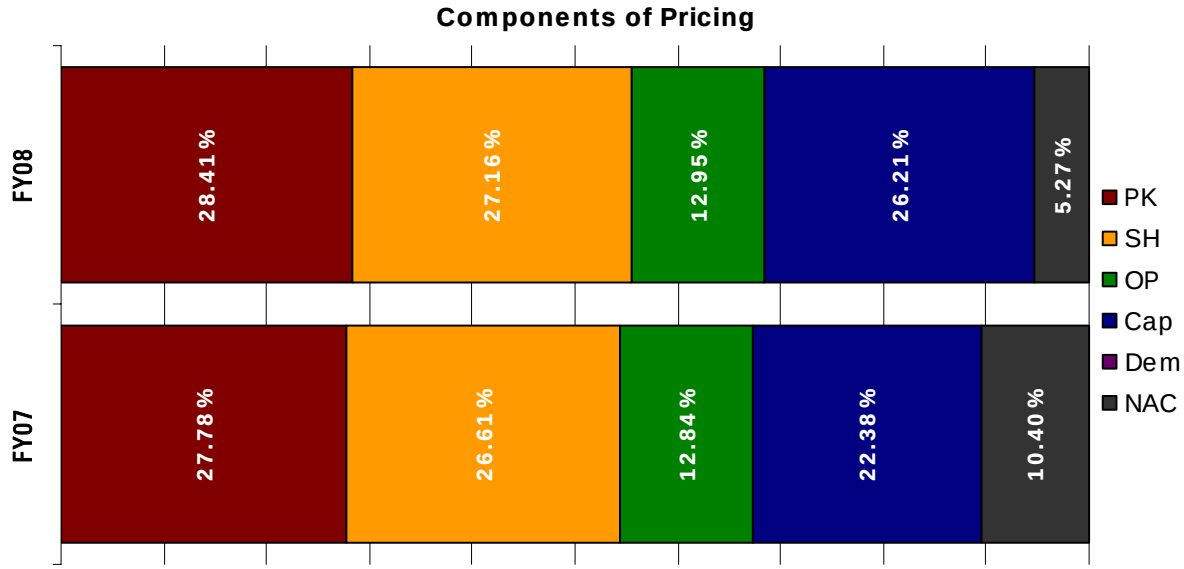
Code	Tariff Name	DLF		NAC	Energy ¢/kWh				Demand $/kW or kVA Peak	Capacity $/kW or kVA Peak	NUoS + Deus Plng & ESF $'000	Price Change %
				¢/day	Anytime	Peak	Shoulder	Off Peak				
130, 390	ST kVA Dem ToU	1.0166		558.58		1.4199	0.8953	0.4516	0.5909	1.8606	**9,670.9**	**1.6%**
120, 380	HV kVA Dem ToU (Substation)	1.0194		485.25		2.1241	1.2794	0.5422	0.7169	2.2807	**3,541.2**	**3.4%**
110, 370	HV kVA Dem ToU (System)	1.0194		485.25		2.1596	1.3008	0.5514	1.2856	4.0121	**37,280.7**	**5.1%**
100, 350	HV Business ToU	1.0194		491.43		10.3160	5.8975	1.6099			**327.1**	**6.3%**
80, 320	LV kVA Dem ToU (Substation)	1.0344		147.04		2.9973	1.7670	0.7261	1.6558	4.6534	**86,783.7**	**5.5%**
303	LV kW cap ToU (Substation)	1.0344		48.22		6.0111	3.7084	1.5123		2.8541	**1,832.7**	**9.5%**
306	LV Cap 750 (Substation)	1.0344		48.22		6.0111	3.7084	1.5123		2.4260	**2,749.9**	
291	LV Business ToU (Substation)	1.0344		128.33		10.6924	5.4485	2.1456			**117.9**	**9.5%**
26	LV Energy40 ToU (Substation)	1.0344		17.29		12.6917	2.4131	0.6051			**0.0**	**10.2%**
70, 310	LV kVA Dem ToU (System)	1.0653		173.74		2.9586	1.7479	0.7240	1.6567	4.6473	**147,135.0**	**5.3%**
302	LV kW cap ToU (System)	1.0653		58.71		6.1023	3.7958	1.5960		3.1791	**102,205.5**	**9.4%**
305	LV Cap 750 (System)	1.0653		58.71		6.1023	3.7958	1.5960		2.7022	**71,604.4**	
304	Miser Seasonal 2	1.0653		51.75		7.6704	3.4130	1.4535		2.4919	**122.6**	**1.3%**
60, 290	LV Business ToU (System)	1.0653		180.41		10.5537	5.3234	2.2169			**9,834.2**	**5.7%**
25	LV Energy40 ToU (System)	1.0668		19.74		12.8111	2.4361	0.6110			**79,962.3**	**8.7%**
24	No NAC Energy40	1.0668		0.00		12.8111	2.4361	0.6110			**226.4**	
28	Miser Seasonal 1	1.0668		18.92		18.4497	1.8105	0.5000			**71.5**	**2.4%**
30, 250	Controlled Load 1	1.0668		1.27	0.3740						**5,706.9**	**-3.2%**
40, 260	Controlled Load 2	1.0668		1.27	2.2186						**10,718.3**	**3.9%**
27	Interruptible Load	1.0668		19.18		8.2588	1.9311	0.4134			**0.0**	**7.5%**
402	Constant unmetered	1.0653		0.00	4.5874						**1,301.7**	**6.8%**
403	EnergyLight	1.1009		0.00	3.7765						**232.4**	**6.9%**
401	Public lighting	1.1009		0.00	3.7765						**5,599.6**	**6.9%**
57	PowerAlert Medium	1.0668		13.61		42.5178	3.3270	3.0666			**126.2**	**3.5%**
58	PowerAlert High	1.0668		13.61		85.0356	2.9762	2.4448			**216.3**	**3.5%**
307	LoadAlert Medium	1.0668		63.78		42.5178	3.1888	2.9018			**211.1**	**3.5%**
308	LoadAlert High	1.0668		63.78		85.0356	3.1888	3.0825			**389.1**	**3.5%**
					Block 1	**Block 2**						
50, 270	LV Business non-ToU	1.0653		43.13	4.2846	6.3497					**101,903.2**	**6.4%**
010, 210	Domestic	1.0668		14.45	5.0771	7.4106					**487,573.7**	**6.7%**

Appendix 2 Price Impact Analysis for EA300 Series of Tariffs, 2007-08 (excl GST)

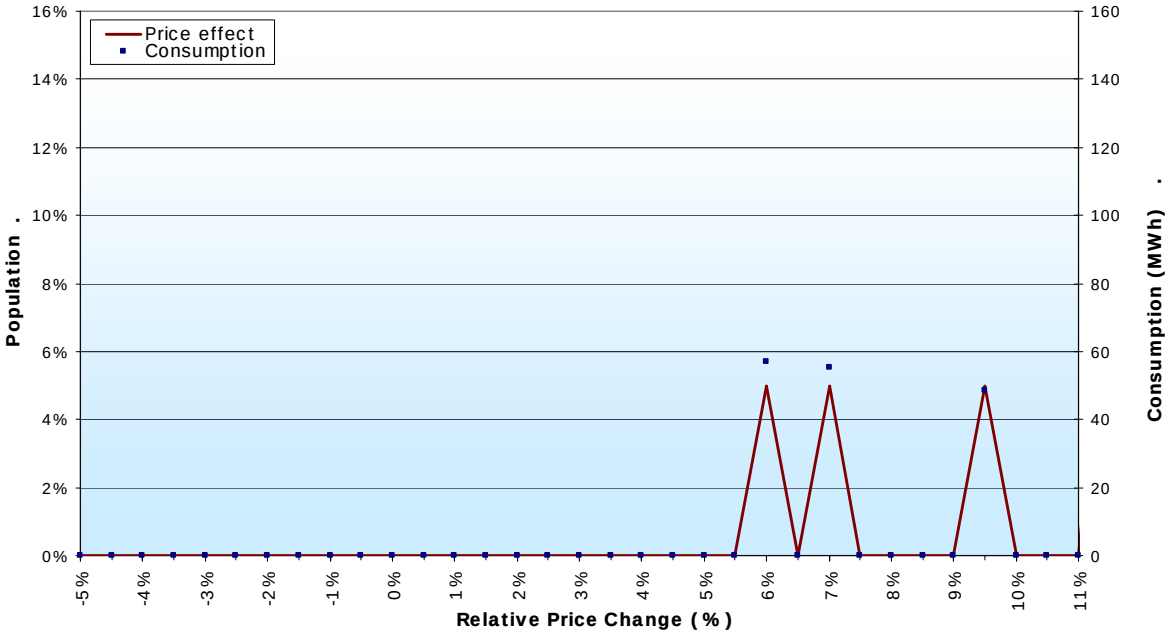
EA302 – LV kW Cap ToU (System)



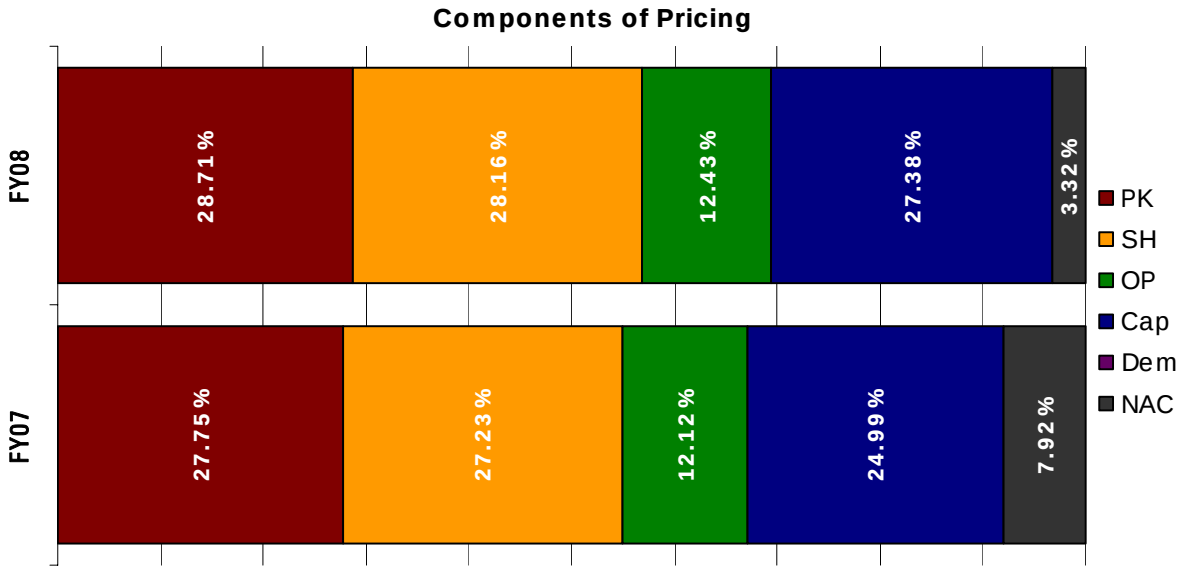
Relativities in Tariff Components from FY07 to FY08 for EA302



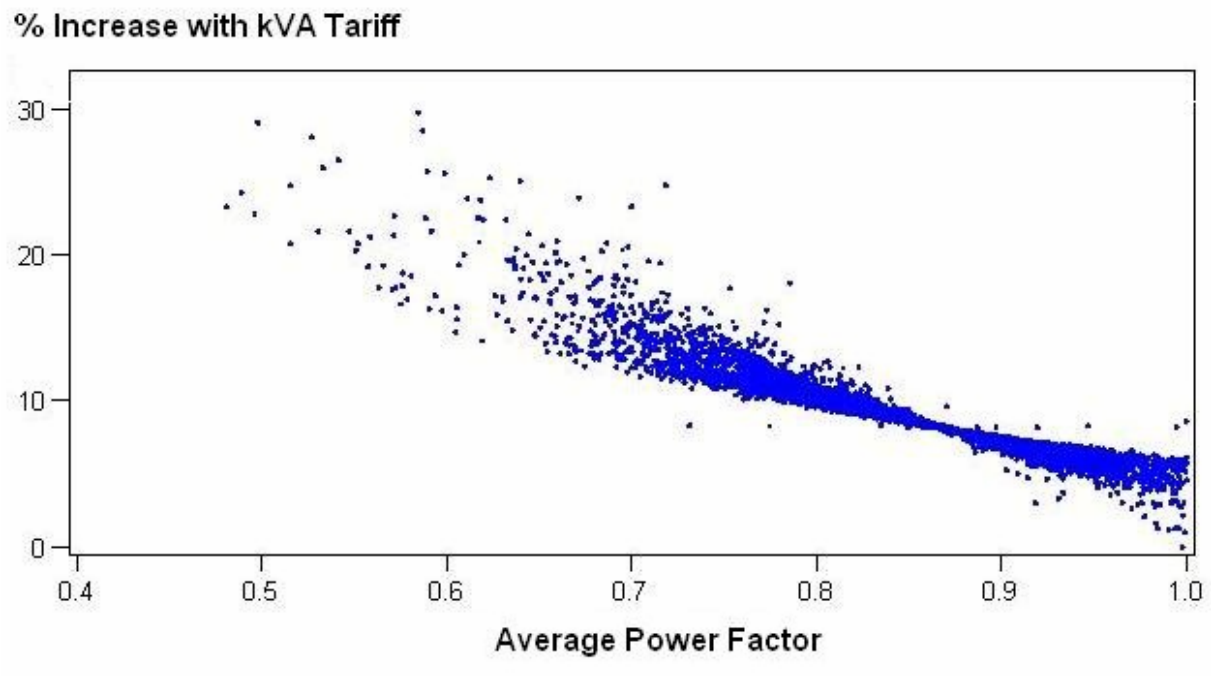
EA303 – LV kW cap ToU (Substation)



Relativities in Tariff Components from FY07 to FY08 for EA303



EA305 – LV Cap 750 (System) and EA306 – LV Cap 750 (Substation) - *New Tariffs for FY08*

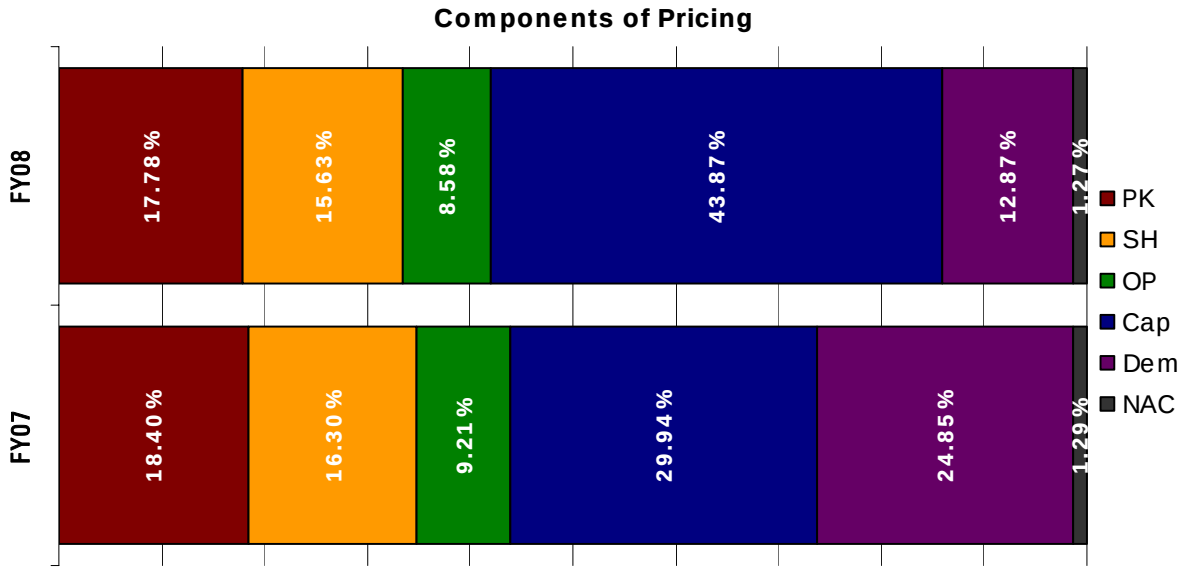


Relativities in Tariff Components from FY07 to FY08 for EA305 and EA306

The relative tariff components for EA305 and EA306 in FY08 are the same as EA302 and EA303 respectively.

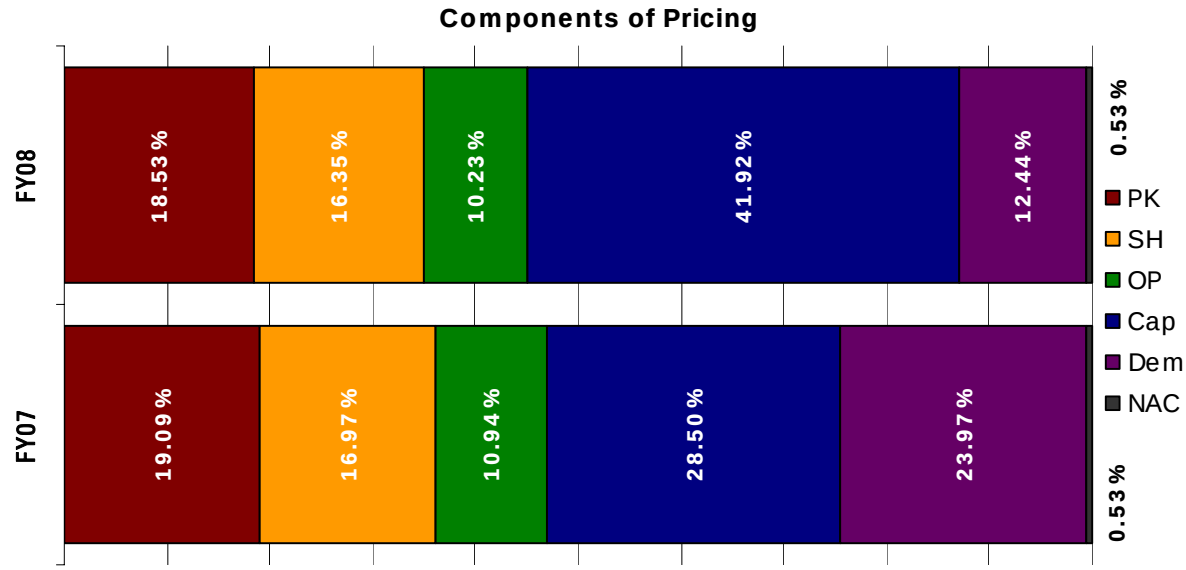
EA310 – LV kVA Dem ToU (System)

Relativities in Tariff Components from FY07 to FY08 for EA310

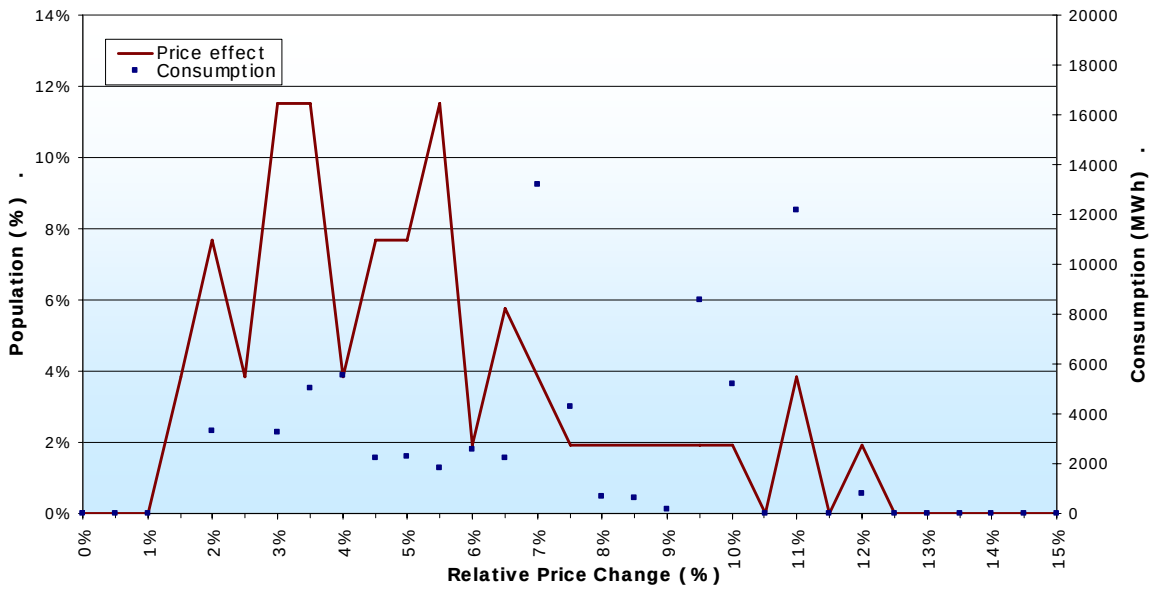


EA320 – LV kVA Dem ToU (Substation)

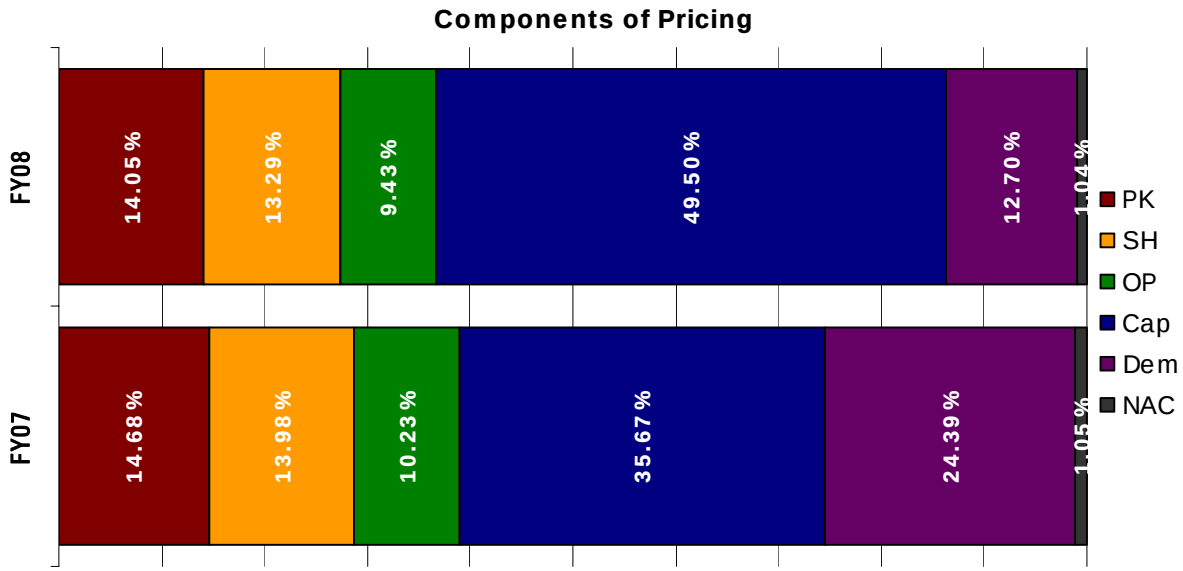
Relativities in Tariff Components from FY07 to FY08 for EA320



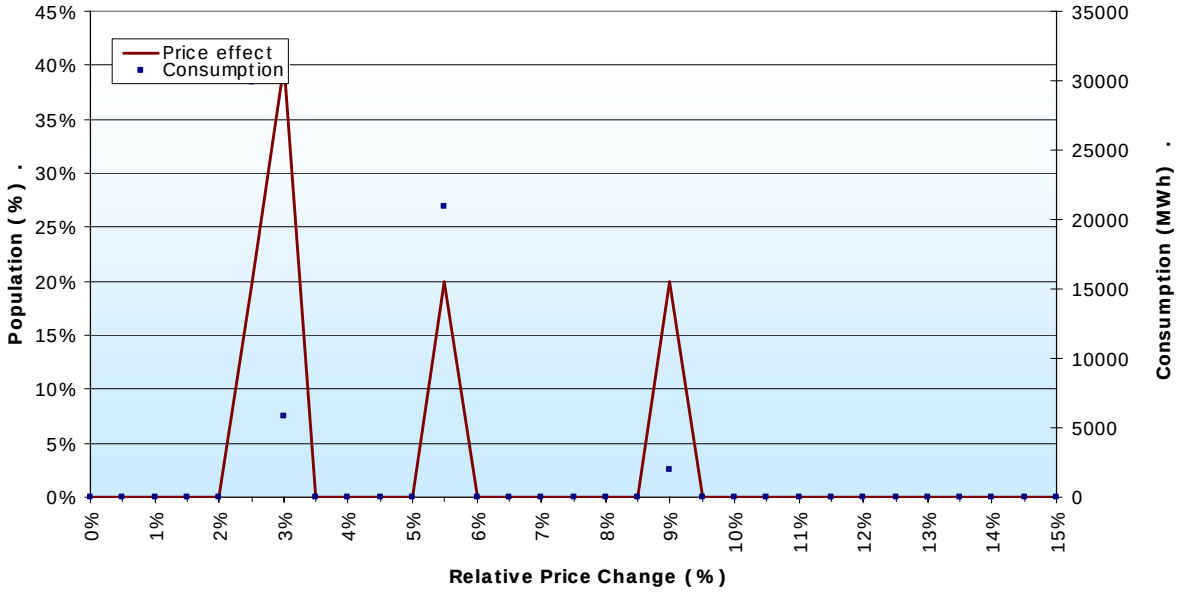
EA370 – HV Dem ToU (System)



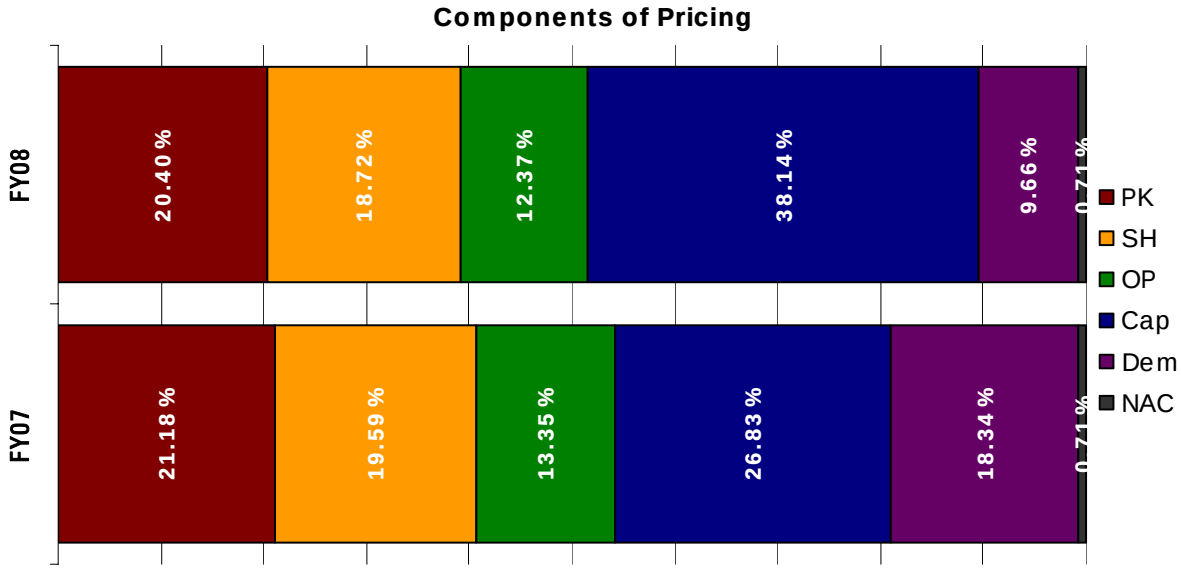
Relativities in Tariff Components from FY07 to FY08 for EA370



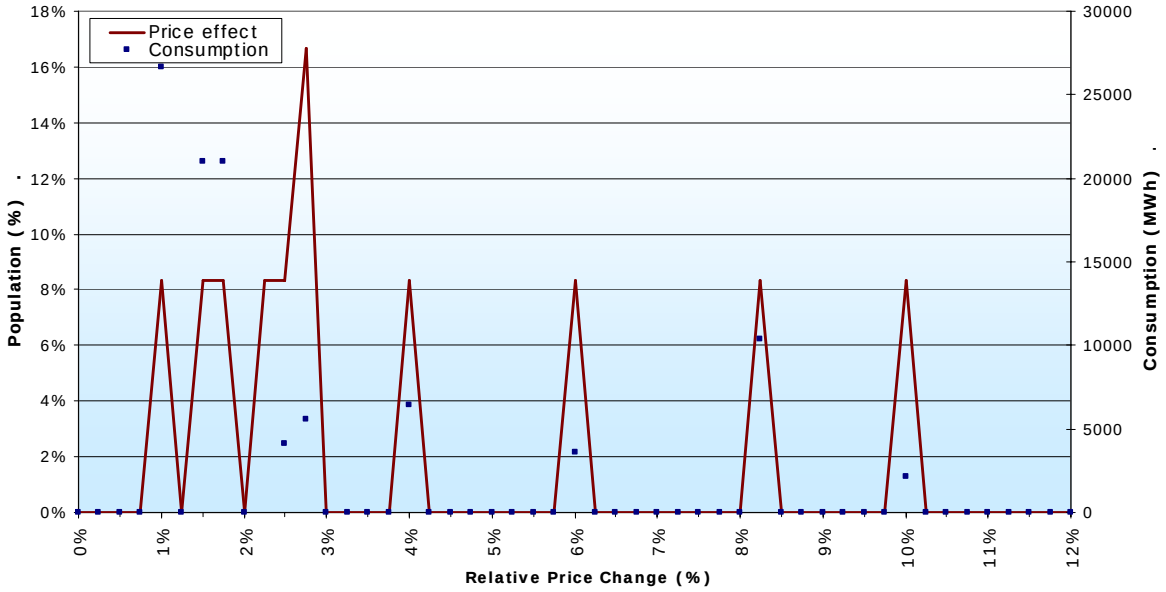
EA380 – HV Dem ToU (Sub)



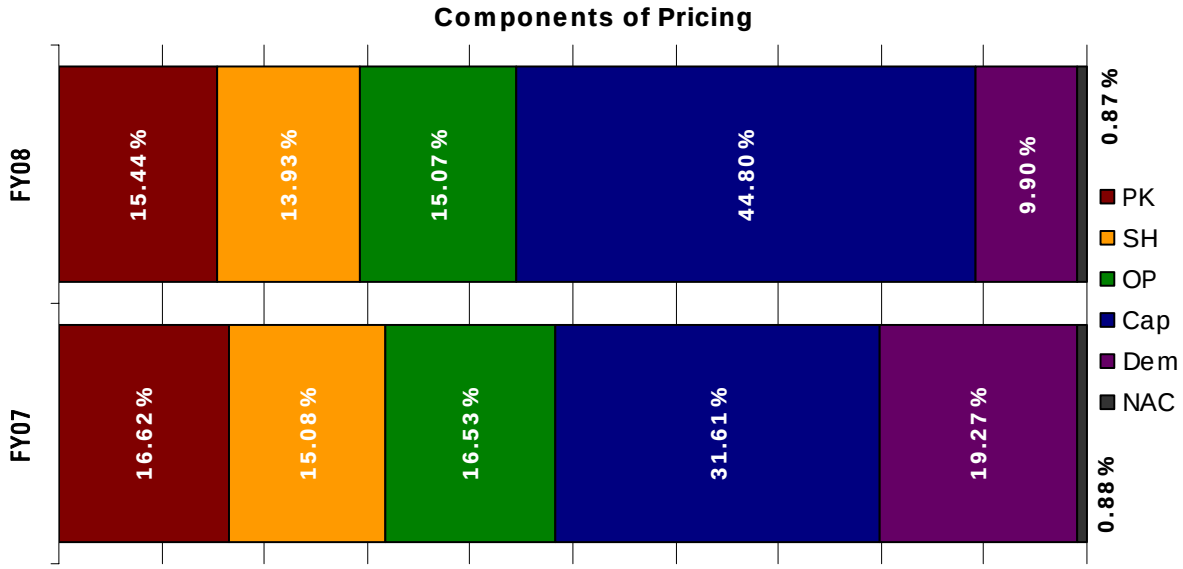
Relativities in Tariff Components from FY07 to FY08 for EA380



EA390 – ST Dem ToU



Relativities in Tariff Components from FY07 to FY08 for EA390



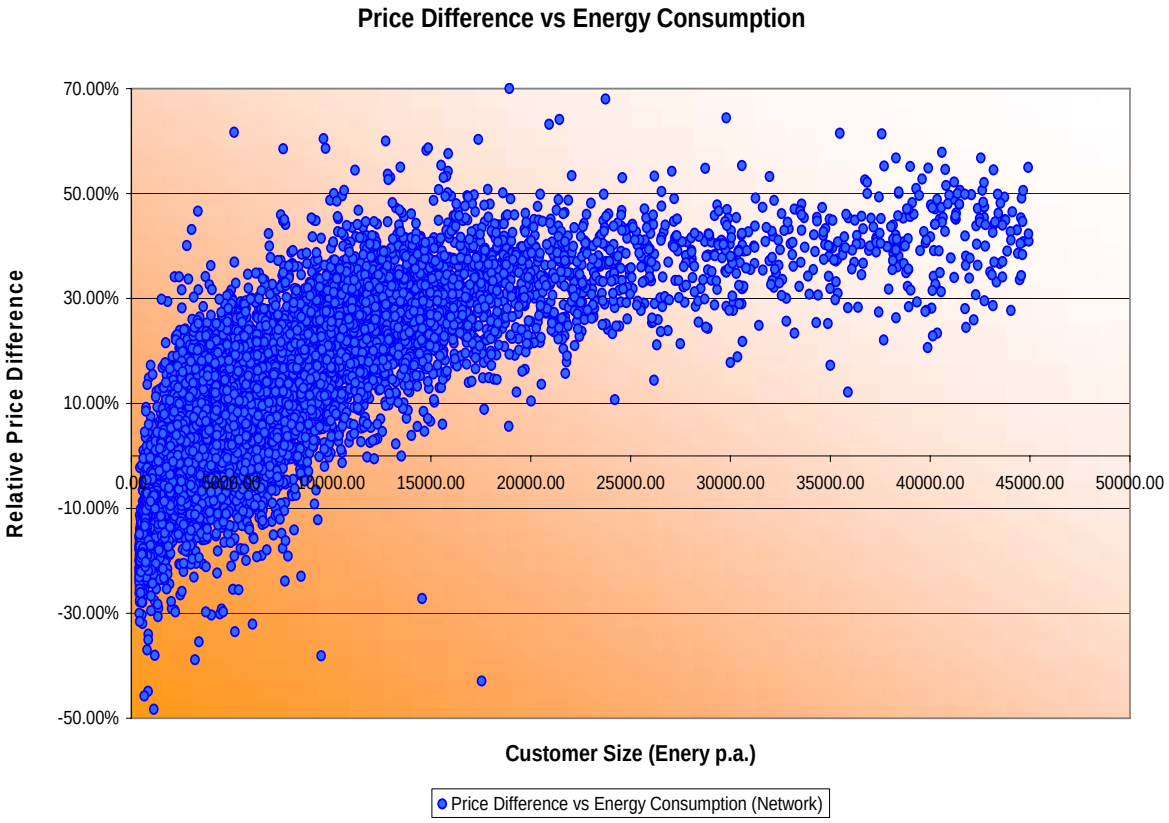
Appendix 3 Impacts on Customers moving on to ToU Tariffs

Impacts on Domestic ToU Customers below 40MWh p.a. from proposed FY08 prices

The default tariff for customers below 40MWh p.a. usage is currently EA025 LV Energy40. No major reform is proposed for this tariff for FY08, and the overall price has risen by 8.7%. As such there is no impact on customer's 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 FY08. The table below demonstrates the impact of mandating customers below 40MWh on to Time of Use from a flat tariff based on proposed FY08 prices:

Diagram 1: Bill Impact on 0-40MWh pa Domestic Customers Moving from Flat Tariff to ToU on Proposed FY08 Prices

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

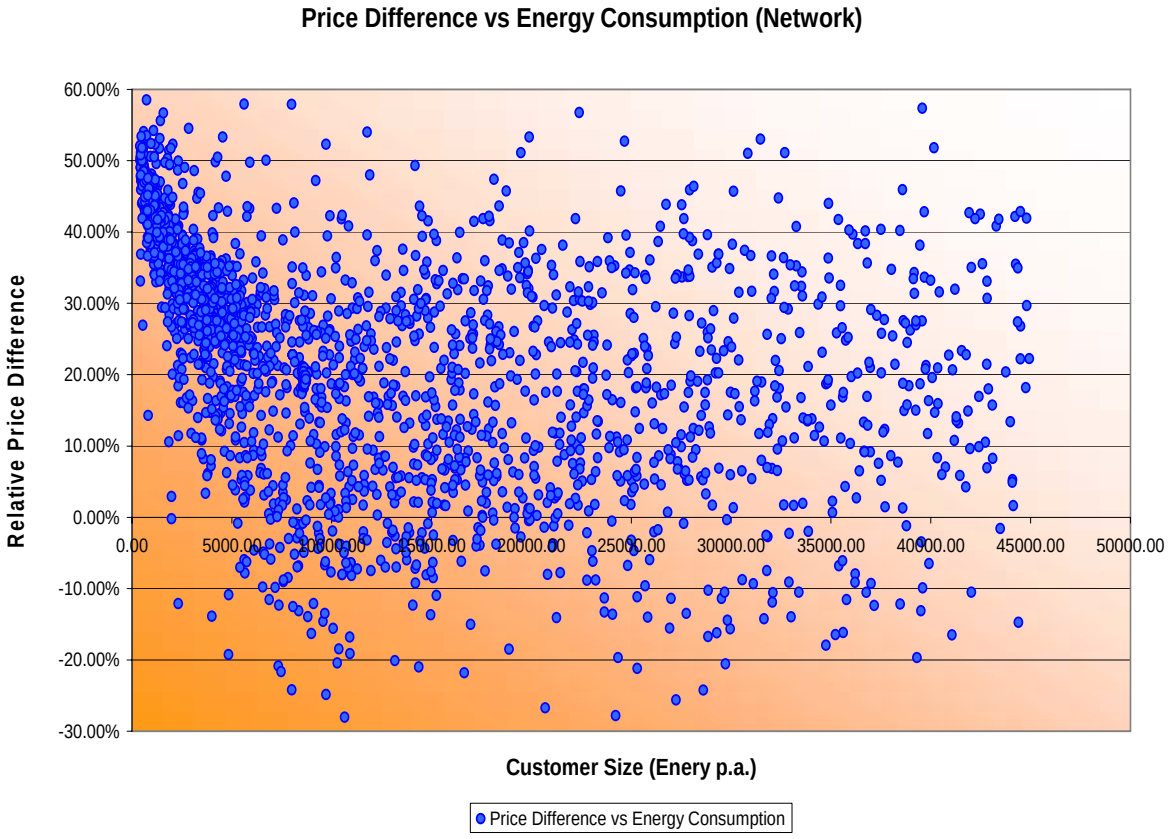


Impacts on 0-40MWh pa Business ToU Customers from proposed FY08 prices

The underlying network ToU tariff is the same for business customers below 40MWh as it is for domestic customers. 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 FY08 compared to FY07. The bill impacts of moving from a flat tariff to a ToU tariff is demonstrated in the diagram below:

Diagram 2: Bill Impact on 0-40MWh pa Business Customers Moving from Flat Tariff to ToU on Proposed FY08 Prices

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

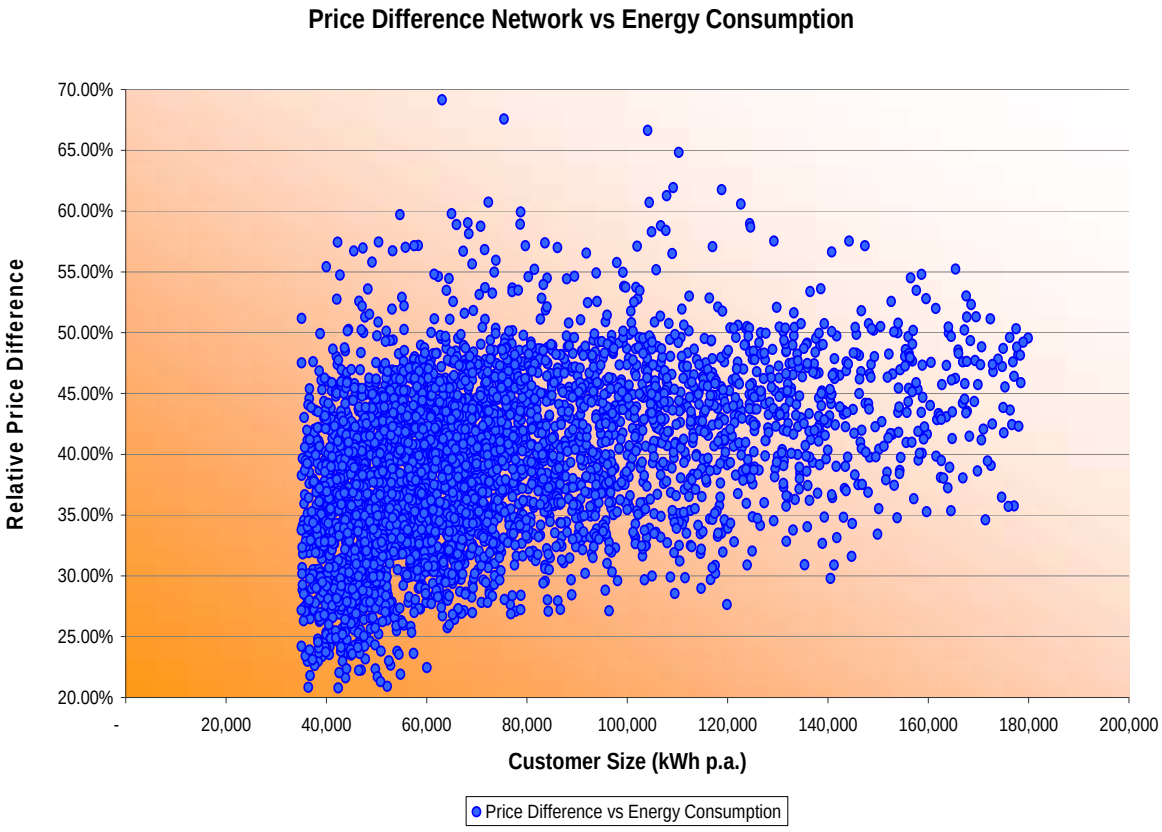


Impacts on 40-735MWh pa Business ToU Customers from proposed FY08 prices

Business customers in the 40MWh to 160MWh tranche are progressively moved across from EA050 LV Business non-ToU to EA302 LV kW Capacity ToU. Customers 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 3: Bill Impact on 40-160MWh pa Business Customers Moving from Flat Tariff to ToU on Proposed FY08 Prices

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



Appendix 4 EnergyAustralia Miscellaneous and Monopoly Fees, 2007-08

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, 2007-08 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 6 to 10 lots $207.90 11 - 40 lots $346.50 Over 40 lots $415.80	$69.30 per hour	$69.30 per hour	$69.30 per hour	$69.30 or $83.60 per hour (See Note 5)
Design Certification (Minimum 1 Hr)	Up to 5 lots $69.30 6 to 10 lots $138.60 11 - 40 lots $207.90 Over 40 lots $277.20	1 - 5 poles $69.30 6 -10 poles $138.60 11 or more poles $207.90	Up to 10 lots $138.60 11 - 40 lots $207.90 Over 40 lots $415.80	$83.60 per hour	$69.30 or $83.60 per hour (See Note 5)
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 per lot / B per lot / C per lot First 10 lots: $35.20 / $83.60 / $173.80 Next 40 lots: $20.90 / $48.40 / $104.50 Remainder: $6.60 / $27.50 / $48.40	Grade: A per pole / B per pole / C per pole 1-5 poles $41.80 / $83.60 / $152.90 6-10 poles $35.20 / $69.30 / $138.60 11+ poles $27.50 / $48.40 / $104.50 (see Note 4)	Grade: A per lot / B per lot / C per lot First 10 lots $35.20 / $83.60 / $173.80 Next 40 lots $35.20 / $83.60 / $173.80 Remainder $35.20 / $83.60 / $173.80	$69.30 or $83.60 per hour (see Note 1)	$69.30 or $83.60 per hour (see Note 1)
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 6 - 10 lots $224.40 11 - 40 lots $280.50 Over 40 lots $336.60	Up to 5 poles: $168.30 6-10 poles: $224.40 11 or more poles $336.60	$56.10 per hour (max 6 hours)	$56.10 per hour (max 6 hours)	$56.10 per hour
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 2007/08, Responses & Summary

EnergyAustralia Network opened up consultation on its proposed new network prices for 2007/08 on 14th February 2007. The consultation document was posted on the EnergyAustralia website and sent to interested persons.

The consultation remained open until 28th March 2007. There were no responses to the consultation submitted as of this date.