SUPPLEMENTARY GAZETTE

THE SOUTH AUSTRALIAN

# GOVERNMENT GAZETTE

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ADELAIDE, WEDNESDAY, 28 JUNE 2000

## PROPOSED VARIATION TO ELECTRICITY PRICING ORDER

The Treasurer proposes to vary the electricity pricing order notified in the *Gazette* on 11 October 1999 at page 1471 in the manner set out below (where appropriate, the changes made to the electricity pricing order are indicated by shading):

1. Bundled Tariffs – delete clauses 4.2 (a) and (b) and replace them with the following:

   (a) The *non-contestable tariffs* and the *grace period tariffs* that are set under this *Order* include:

      (i) in respect of *Retail Customers* that are *Transmission Network Users*, the charges for *prescribed transmission services* provided to those *Retail Customers*; and

      (ii) in respect of *Retail Customers* that are *Distribution Network Users*:

         (A) the charges for *prescribed distribution services* provided to those *Retail Customers*; and

         (B) for the purposes of the public lighting *tariffs* described in the table of unmetered supply *tariffs* in Part C of the *Transitional Tariff Schedule* and in Part C of the *Tariff Schedule*, the *excluded distribution services* described in paragraph B1 of the *Distribution Services Schedule*.

   (b) For the avoidance of doubt, this *Order* is to be interpreted on the basis that:

(i) *ETSA Power* charges *Retail Customers* for *prescribed transmission services* or *prescribed distribution services* (and, to the extent set out in clause 4.2(a)(ii)(B), *excluded distribution services*) provided to those *Retail Customers*; and

(ii) the charges for *prescribed transmission services* or *prescribed distribution services* (and, to the extent set out in clause 4.2(a)(ii)(B), *excluded distribution services*) provided to those *Retail Customers* are costs incurred by *ETSA Power* in providing *prescribed retail services*.

2. Heading to Chapter 5 – delete the heading to Chapter 5 and replace it with the following:

**Chapter 5. ALTERING INTRODUCING AND CLOSING TARIFFS**

3. Heading to clause 7.1 – delete the heading to clause 7.1 and replace it with the following:

**7.1 Subsequent Regulatory Period - Transmission**

4. Subsequent Regulatory Period – delete clause 7.2(i)(iii) and replace it with the following:

(iii) the value of the retained performance incentive revenue allowance (defined in the *Formula Schedule* as $RPI_t$) at the end of the *initial regulatory period*;

5. Country Equalisation Scheme – delete clause 8.2(b) and replace it with the following:

(b) The principles set out in clause 4.2 apply in relation to this clause 8.2 as if:

(i) the reference to *'non-contestable tariffs* and *grace period tariffs'* was a reference to an amount charged to a *small customer* for *prescribed retail services*;

(ii) clause 4.2(a)(ii)(B) and the references to *excluded distribution services* in clause 4.2(b) were deleted; and

(iii) references to *ETSA Power* were references to a *Retailer*.

6. Chapter 9 – distribution tariff component – insert the following new definition after "distribution system" in clause 9.1:

***distribution tariff component*** means a *tariff component* of a *distribution tariff* and includes both:

(a) the part of the *tariff component* that is attributable to costs for *prescribed transmission services*; and

(b) the part of the *tariff component* other than that described in paragraph (a).

7. Chapter 9 – excess demand charge – delete the definition of "excess demand charge" in clause 9.1 and replace it with the following:

***excess demand charge*** means the charge described in paragraph A2.3 of the *Demand Schedule* that may be imposed by *ElectraNet SA* on a *Transmission Network User* where the *actual maximum demand* exceeds the *agreed maximum demand* in respect of a *connection point* or group of *connection points* of that *Transmission Network User*.

8. Chapter 9 – prescribed retail services – delete the definition of "prescribed retail services" in clause 9.1 and replace it with the following:

***prescribed retail services*** means the sale of electricity and, for the purpose of interpreting this *Order*, is also deemed to include:

(a) if the *Retail Customer* is a *Distribution Network User*:

(i) *prescribed distribution services*; and

(ii) for the purposes of the public lighting *tariffs* described in the table of unmetered supply *tariffs* in Part C of the *Transitional Tariff Schedule* and in Part C of the *Tariff Schedule* during the *initial regulatory period*, the *excluded distribution services* described in paragraph B1 of the *Distribution Services Schedule*; and

(b) if the *Retail Customer* is a *Transmission Network User*, *prescribed transmission services*.

9. Principles of Interpretation – delete clause 9.2(e) and replace it with the following:

(e) When a calculation is required under this *Order*:

(i) *regulatory year* "*t*" is the *regulatory year* in respect of which the calculation is being made;

(ii) *regulatory year* "*t-1*" is the *regulatory year* immediately preceding *regulatory year* "*t*";

(iii) *regulatory year* "*t-2*" is the *regulatory year* immediately preceding *regulatory year* "*t-1*";

(iv) *regulatory year* "*t-i*" is the *regulatory year* that is *i* years preceding *regulatory year t*; and

(v) *regulatory year "t-i-j"* is the *regulatory year* that is *j* years preceding *regulatory year t-i*.

10. Prescribed Transmission Services – delete paragraph (a) in paragraph A.1 of Schedule 1 and replace it with the following:

(a) the provision of *network capability* to support the delivery of electricity from the *transmission network* to each *exit point* up to the *agreed maximum demand* for that *exit point* by whatever means including by the implementation of transmission network capability, distribution power system capability, generating unit capability or load interruptability (or any combination thereof); and.

11. Transitional Transmission Tariffs – replace the words "measured demand" in Note 6(b)(i)(B) in Part A of Schedule 3 with the words *"measured demand"*.

12. Initial Transmission Tariffs – replace the words "measured demand" (where twice occurring) in Note 7(b)(i)(B) in Part A of Schedule 4 with the words *"measured demand"*.

13. Forecast Average Transmission Revenue – delete paragraph A2.2 of Schedule 7 (other than the heading) and replace it with the following:

$\mathrm{FATR}_t$ is calculated as follows:

$$FATR_t = \frac{FTTR_t}{FMD_t}$$

where:

FATR$_t$ ($/kW) is:

(a) where $t$ is the *relevant regulatory year*, FATR$_t$ is $35.060/kW x CPI$_t$ (where CPI$_t$ is defined in paragraph D1 and $t$ is the *relevant regulatory year*); and

(b) where $t$ is a subsequent *regulatory year*, FATR$_t$ is the forecast average transmission revenue from *network services* for *regulatory year* t;

FTTR$_t$ ($) is:

(a) where $t$ is the *relevant regulatory year*, FTTR$_t$ is $101,170,538 x CPI$_t$ (where CPI$_t$ is defined in paragraph D1 and $t$ is the *relevant regulatory year*); and

(b) where $t$ is a subsequent *regulatory year*, FTTR$_t$ is the forecast total transmission revenue from *network services* for *regulatory year t* calculated using the undiscounted *transmission tariffs* submitted to the *Regulator* for approval for *regulatory year t;* and

FMD$_t$ (kW) is:

(a) where $t$ is the *relevant regulatory year*, FMD$_t$ is 2,885,640kW; and

(b) where $t$ is a subsequent *regulatory year*, FMD$_t$ is the forecast *agreed maximum demand* in *regulatory year t*, defined as the sum of the forecast *agreed maximum demands* of all *Transmission Network Users* in all *transmission zones*.

14. Maximum Average Transmission Revenue - delete paragraph A2.3 of Schedule 7 (other than the heading) and replace it with the following:

MATR$_t$ is calculated as follows:

(a) where t is the *relevant regulatory year*:

$$MATR_t = FATR_t$$

(b) where $t$ is a subsequent *regulatory year*:

$$MATR_t = \left[ \left( MATR_{t-1} + KT_{t-1} - \frac{PIT_{t-1}}{FMD_{t-1}} \right) \times (1 - AT_t) \times (CPI_t - XT) \right] - KT_t + \frac{PIT_t}{FMD_t}$$

where:

MATR$_t$ ($/kW) is the maximum average transmission revenue for *regulatory year* t;

FATR$_t$ is defined in paragraph A2.2;

MATR$_{t-1}$ ($/kW) is determined in the same way as MATR$_t$, but for *regulatory year t-1* instead of *regulatory year t*;

AT$_t$ is defined in paragraph E2;

CPI$_t$ is defined in paragraph D1;

XT is 2.63%;

KT$_t$ ( $/kW) is a correction factor for *regulatory year* t, calculated in accordance with paragraph A2.4;

KT$_{t-1}$ ( $/kW) is:

(i) where *t-1* is the *relevant regulatory year*, zero; and

(ii) where *t-1* is a subsequent *regulatory year*, determined in the same way as $KT_t$, but for *regulatory year t-1* instead of *regulatory year t*;

$PIT_t$ ($) is the performance incentive revenue allowance for *ElectraNet SA* for *regulatory year t*, calculated in accordance with paragraph A2.7;

$PIT_{t-1}$ ( $) is:

(i) where t-1 is the relevant regulatory year, zero; and

(ii) where *t-1* is a subsequent *regulatory year*, determined in the same way as $PIT_t$, but for *regulatory year t-1* instead of *regulatory year t*;

$FMD_t$ is defined in paragraph A2.2; and

$FMD_{t-1}$ is determined in the same way as $FMD_t$, but for *regulatory year t-1* instead of *regulatory year t*.

15. Correction Factor – delete the formula used to calculate $KT_t$ in paragraph A2.4 of Schedule 7 and replace it with the following:

$$KT_t = \frac{KTa_t + KTb_t}{FMD_t} \times i_t$$

16. $KTb_t$ - delete paragraph A2.6 of Schedule 7 (other than the heading) and replace it with the following:

$KTb_t$ is calculated as follows:

(a) where t is the *regulatory year* after the *relevant regulatory year*, $KTb_t$ is zero;

(b) where *t* is a subsequent *regulatory year*:

$$KTb_t = [ATR_{t-2} - ETR_{t-2} - [\ (AMD_{t-2} - EMD_{t-2}) \times MATR_{t-2}\ ]\ ] \times i_{t-1}$$

where:

$KTb_t$ is a factor which corrects for differences between estimated and actual quantities for *regulatory year t-2*;

$ATR_{t-2}$ ($) is the actual transmission revenue from *network services* in *regulatory year t-2* calculated using the undiscounted *transmission tariffs* approved by the *Regulator* for *regulatory year t-2*;

$ETR_{t-2}$ ($) is the estimated transmission revenue from *network services* in *regulatory year t-2* used in the calculation of $KTa_t$ for *regulatory year t-1*;

$AMD_{t-2}$ (kW) is actual maximum demand in *regulatory year t-2*, defined as the sum of the higher of *agreed maximum demand* and *actual maximum demand* for all *Transmission Network Users* in all *transmission zones;*

$EMD_{t-2}$ (kW) is the estimate of maximum demand made for *regulatory year t-2* used in the calculation of $KTa_t$ for *regulatory year t-1*;

$MATR_{t-2}$ ($/kW) is determined in the same way as $MATR_t$ but for *regulatory year t-2* instead of *regulatory year t* (see paragraph A2.3); and

$i_{t-1}$ is equal to:

(i) where $ATR_{t-2} - ETR_{t-2} - [(AMD_{t-2} - EMD_{t-2}) \times MATR_{t-2}]$ is a negative value, $CPI_{t-1}$ (defined in paragraph D2) plus $(WACC - 0.5\%)$; and

(ii) where $ATR_{t-2} - ETR_{t-2} - [(AMD_{t-2} - EMD_{t-2}) \times MATR_{t-2}]$is a positive value, $CPI_{t-1}$

(defined in paragraph D2) plus $(WACC + 0.5\%)$,

where:

WACC is 8.26%.

17. Forecast Average Distribution Revenue – delete paragraph B1.2 of Schedule 7 (other than the heading) and replace it with the following:

$FADR_t$ is calculated as follows:

$$FADR_t = \frac{FTDR_t}{FDE_t}$$

where:

$FADR_t$ ($/MWh) is:

(a) where *t* is the *relevant regulatory year*, $FADR_t$ is $54.547/MWh x $CPI_t$ (where $CPI_t$ is defined in paragraph D1 and *t* is the *relevant regulatory year*); and

(b) where *t* is a subsequent *regulatory year*, *t* is the forecast average distribution revenue from *prescribed distribution services* for *regulatory year t*;

$FTDR_t$ ($) is:

(a) where *t* is the *relevant regulatory year*, $FTDR_t$ is $544,913,621 x $CPI_t$ (where $CPI_t$ is defined in paragraph D1 and *t* is the *relevant regulatory year*); and

(b) where *t* is a subsequent *regulatory year*, $FTDR_t$ is the forecast total distribution revenue from *prescribed distribution services* for *regulatory year* t calculated using the undiscounted *distribution tariffs* submitted to the *Regulator* for approval for *regulatory year t*; and

$FDE_t$ (MWh) is:

(a) where *t* is the *relevant regulatory year*, $FDE_t$ is 9,989,800 MWh; and

(b) where *t* is a subsequent *regulatory year*, $FDE_t$ is the total amount of electricity forecast to be distributed by *ETSA Utilities* during *regulatory year t*.

18. Reweighted Average Distribution Revenue – delete paragraph B1.4 of Schedule 7 (other than the heading) and replace it with the following:

$RADR_{t-1}$ is calculated as follows:

$$RADR_{t-1} = \frac{\sum_{j=1}^{m} \left[ADR_{j,t-1} \times FDE_{j,t}\right]}{FDE_t}$$

where:

$RADR_{t-1}$ ($/MWh) is the average distribution revenue from *prescribed distribution services* in *regulatory year t-1*, reweighted by the total amount of electricity forecast to be distributed by *ETSA Utilities* to *Distribution Network Users* on each *distribution tariff* during *regulatory year t*;

$ADR_{j,t-1}$ ($/MWh) is the average distribution revenue from *distribution tariff j* in *regulatory year t-1* determined as follows:

(a) where *t-1* is the *relevant regulatory year*, $ADR_{j,t-1}$ for each *distribution tariff j* is $ADR_{j,2000}$ set out in the following table multiplied by $CPI_{t-1}$ (where $CPI_{t-1}$ is defined in paragraph D2 and *t*-1 is the *relevant regulatory year*):

| DISTRIBUTION TARIFF$_j$ | $ADR_{j,2000}$ ($/MWh) |
|---|---|
| Subtransmission | $12.398 |
| Zone substation | $16.914 |
| High voltage / High voltage (obsolete) | $30.573 |
| Large Low voltage demand | $34.826 |
| Low voltage demand | $39.485 |
| Medium low voltage demand | $51.023 |
| Low voltage business – 2 rate | $57.932 |
| Low voltage business – single rate | $74.839 |
| Low voltage residential – single rate | $88.804 |
| Low voltage off-peak controlled load | $25.390 |
| Low voltage unmetered usage (overnight) | $36.600 |
| Low voltage unmetered usage (24 hour) | $41.000 |

(b) where *t-1* is a subsequent *regulatory year*:

$$ADR_{j,t-1} = ADR_{j,t-2} \times (CPI_{t-1} - XD) \times (1 - AD_{t-1})$$

where:

$ADR_{j,t-2}$ ($/MWh) is determined in the same way as $ADR_{j,t-1}$ but for *regulatory year t-2* instead of *regulatory year t-1*;

$CPI_{t-1}$ is defined in paragraph D2;

XD is 2.73%;

$AD_{t-1}$ is defined in paragraph E2 but for *regulatory year t*-1 instead of *regulatory year t*;

$FDE_{j,t}$ (MWh) is the total amount of electricity forecast to be distributed by *ETSA Utilities* to *Distribution Network Users* assigned to *distribution tariff j* during *regulatory year t*;

*m* is the number of *distribution tariffs*; and

$FDE_t$ is defined in paragraph B1.2.

19. Correction Factor – delete the formula used to calculate $KD_t$ in paragraph B1.5 of Schedule 7 and replace it with the following:

$$KD_t = \frac{KDa_t + KDb_t}{FDE_t} \times i_t$$

20. KDb$_t$ - delete paragraph B1.7 of Schedule 7 (other than the heading) and replace it with the following:

KDb$_t$ is calculated as follows:

(a) where *t* is the *regulatory year* after the *relevant regulatory year*, KDb$_t$ is zero; and

(b) where *t* is a subsequent *regulatory year*:

$$KDb_t = [ADR_{t-2} - EDR_{t-2} - [(ADE_{t-2} - EDE_{t-2}) \times MADR_{t-2}]\ ] \times i_{t-1}$$

where:

KDb$_t$ (\$) is a factor which corrects for differences between estimated and actual quantities for *regulatory year t-2*;

ADR$_{t-2}$ (\$) is the actual distribution revenue from *prescribed distribution services* in *regulatory year t-2*, calculated using the undiscounted *distribution tariffs* approved by the *Regulator* for *regulatory year t-2*;

EDR$_{t-2}$ (\$) is the estimated distribution revenue from *prescribed distribution services* in *regulatory year t-2* used in the calculation of KDa$_t$ for *regulatory year t-1*;

ADE$_{t-2}$ (MWh) is the actual amount of electricity distributed by *ETSA Utilities* in *regulatory year t-2*;

EDE$_{t-2}$ (MWh) is the estimate of the amount of electricity distributed by *ETSA Utilities* in *regulatory year t-2* used in the calculation of KDa$_t$ for *regulatory year t-1*;

MADR$_{t-2}$ (\$/MWh) is determined in the same way as MADR$_t$, but for *regulatory year t-2* instead of *regulatory year t* (see paragraph B1.3); and

$i_{t-1}$ is equal to:

(i) where $ADR_{t-2} - EDR_{t-2} - [(ADE_{t-2} - EDE_{t-2}) \times MADR_{t-2}]$ is a negative value, CPI$_{t-1}$ (defined in paragraph D2) plus $(WACC - 0.5\%)$; and

(ii) where $ADR_{t-2} - EDR_{t-2} - [(ADE_{t-2} - EDE_{t-2}) \times MADR_{t-2}]$ is a positive value, CPI$_{t-1}$ (defined in paragraph D2) plus $(WACC + 0.5\%)$,

where:

WACC is 8.26%.

21. Performance Incentive Scheme – delete paragraph B1.8 of Schedule 7 (other than the heading) and replace it with the following:

PI$_t$ is calculated as follows:

(a) where *t* is a *regulatory year* ending before 1 July 2003, PI$_t$ is the lower of:

(i) zero; and

(ii) RPI$_t$; and

(b) where *t* is a *regulatory year* ending after 1 July 2003, PI$_t$ is the lower of:

(i) 1.5% x RADR$_{t-1}$ x FDE$_t$; and

(ii) RPI$_t$,

where:

$PI_t$ ($) is the performance incentive allowance for *ETSA Utilities* for *regulatory year t*;

$RPI_t$ is the retained performance incentive revenue allowance from the previous *regulatory year* and is calculated as follows:

(a) where *t* is the *relevant regulatory year*, $RPI_t$ is zero; and

(b) where *t* is a subsequent *regulatory year*:

$$RPI_t = [\ (RPI_{t-1} - PI_{t-1}) \times (1 + WACC)\ ] + PIT_t + PID_t$$

where:

$RPI_{t-1}$ is determined in the same way as $RPI_t$ but for *regulatory year t-1* instead of *regulatory year t*;

$PI_{t-1}$ is determined in the same way as $PI_t$ but for *regulatory year t-1* instead of *regulatory year t*;

WACC is 8.26%;

$PIT_t$ is defined in paragraph A2.3; and

$PID_t$ is calculated as follows:

$$PID_t = PIP_{t-1} \times PIA_{t-1}$$

where:

$PIP_{t-1}$ is the number of performance incentive points earned by *ETSA Utilities* for the period from 1 April in *regulatory year t-2* to 31 March in *regulatory year t-1*, determined in accordance with the *Distribution Code*;

$PIA_{t-1}$ is:

(i) where *t-1* is the *relevant regulatory year*, $300,000; and

(ii) where *t-1* is a subsequent *regulatory year*:

$$PIA_{t-1} = PIA_{t-2} \times (CPI_t - XD)$$

where:

$PIA_{t-2}$ is determined in the same way as $PIA_{t-1}$ but for *regulatory year t-2* instead of *regulatory year t-1*;

$CPI_t$ is defined in paragraph D1;

XD is 2.73%;

$RADR_{t-1}$ is defined in paragraph B1.3; and

$FDE_t$ is defined in paragraph B1.2.

22. Undergrounding – delete paragraph B1.9 of Schedule 7 (other than the heading) and replace it with the following:

$UD_t$ ($) is calculated as follows:

(a) where *t* is a *regulatory year* ending before 1 July 2003, $UD_t$ is zero; and

(b) where *t* is a *regulatory year* ending after 1 July 2003:

$$UD_t = LR_{t-1} + \sum_{i=1}^{n} \left( NU_{t-i} \times \left( WACC + \frac{1}{L_{t-i}} \right) \right)$$

where

$UD_t$ ($) is the undergrounding allowance for *ETSA Utilities* for *regulatory year t*;

$LR_{t-1}$ ($) is an amount to reflect the removal of overhead lines and poles as part of an undergrounding program established by the Minister under the *Act* in respect of *regulatory year t-1* calculated as the written down value of the overhead lines and poles so removed by *ETSA Utilities* during the period from 1 April in *regulatory year t-2* to 31 March in *regulatory year t-1;*

$NU_{t-i}$ ($) is the amount by which the cost of the new underground assets installed as part of an undergrounding program established by the Minister under the *Act* during the period from 1 April in *regulatory year t-i-1* to 31 March in *regulatory year t-i* (excluding the proportion attributable to *ETSA Utilities* of any *GST* paid on the inputs to the installation to the new underground assets), exceeds:

(i) where *regulatory year t-i* is the *relevant regulatory year*, $4,200,000; and

(ii) where *regulatory year t-i* is a subsequent *regulatory year*:

$$\$4,200,000 \times \prod_{j=1}^{n} CPI_{t-i-j+2}$$

where

*i* is each year in the *initial regulatory period* prior to *regulatory year t*;

*j* is each year in the *initial regulatory period* prior to *regulatory year t-i*;

*n* is the number of *regulatory years* in the *initial regulatory period*;

$CPI_{t-i-j+2}$ is defined in paragraph D3;

WACC is 8.26%; and

$L_{t-i}$ (years) is the expected average life of the new underground assets installed in year *t-i*.

23. Regulatory Year *t-i*+1 – delete paragraph D3 of Schedule 7 (including the heading) and replace it with the following:

**D.3 Regulatory Year *t-i-j*+2**

$CPI_{t-i-j+2}$ is calculated as follows:

$CPI_{t-i-j+2} = RCPI_{t-i-j+2} - G_{t-i-j+2}$

where:

$RCPI_{t-i-j+2}$ is calculated as follows:

(a) the Consumer Price Index, All Groups Index Number (weighted average of eight capital cities) published by the Australian Bureau of Statistics for the March Quarter immediately preceding the start of *regulatory year t-i-j+2*;

divided by:

(b) the Consumer Price Index, All Groups Index Number (weighted average of eight capital cities) published by the Australian Bureau of Statistics for the March Quarter immediately preceding the March Quarter referred to in paragraph (a); and

$G_{t-i-j+2}$ is:

(a) where *t-i-j+2* is the *regulatory year* ending 30 June 2002, 3.00%; and

(b) where *t-i-j+2* is another *regulatory year*, zero.

ROB LUCAS, Treasurer
Minister for Industry and Trade

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