



SA Power Networks – Industry News

Change to business tariff and metering arrangements

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SA Power Networks

www.sapowernetworks.com.au

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Background

SA Power Networks will be introducing cost reflective tariffs for all customers over the next 5 years. This has been driven by an electricity rule change to take effect in 2017 and also our desire to ensure a fairer tariff structure for all electricity customers. To date we have had agreed demand tariffs for large business customers, last year we implemented an opt-in demand tariff for residential customers, and we have also introduced a specifically targeted sports ground lighting demand tariff which catered for the load dynamics of these unique community sites.

From 1 July 2015 for all new and altered multi phase business customers, the applicable tariff will be an **Actual Demand Tariff**. This includes the installation of embedded generation. Therefore new or altered customers will only be placed on an Actual Demand Tariff with the only exception being customers whose load factors are very good. In this case it may be more beneficial for the customer to be placed on an Agreed Demand Tariff.

What does this mean for Electrical Contractors?

The introduction of the new tariff means that when electrical contractors are completing a Form A, they will be required to request a **Type 1-5 meter** for multi phase business customer installation works. Customers should note that where they chose to have a Type 1-4 meter, they have the right to exercise choice regarding their meter provider. This is for CT and whole current jobs. All multi phase business customer jobs after 1 July 2015 where the customer has not elected to have a Type 1-4 meter installed will have type 5 meters installed. In all cases the customer's National Market Meter Identifier will be placed on an Actual Demand Tariff. This includes any jobs that are currently in the system that will be connected in the field on or after 1 July, regardless of when paperwork was submitted.

We believe there will be a need for electrical contractors to understand the tariff demand periods to be able to advise and implement demand management technologies to help customers keep within desired demands. The information below will help you understand the tariff and what it means for business customers.

About the Actual Demand Tariff

The Actual Demand Tariff only applies to the Network charges of the electricity bill. These include the Distribution costs (SA Power Networks), the Transmission costs (ElectraNet) and some other charges such as Feed in Tariff (FiT) for solar PV. Network charges are sometimes called charges for the 'poles and wires' - the infrastructure that delivers electricity to the customer. Customers on this tariff are charged in a way that reflects their individual **maximum electricity demand** on the State's distribution network, particularly during **peak usage times** (see graph below). A customer's peak demand during these times largely drives the network investment required to supply their electricity.

The tariff provides for **three demand periods**:

- **Peak demand period**
This is any half hour period between 4pm and 9pm (local time) on work days, between November and the end of March.
- **Shoulder demand period**
This is any half hour period between 12noon and 4pm (local time) on work days, all year round.
- **Off peak demand period**
This is any half hour period outside of the Peak and Shoulder demand periods.

Note:

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Weekends and Public holidays are not considered work days and therefore are exempted from the shoulder demand and peak demand periods.

Customers on the Actual Demand Tariff will be subject to demand charges based on their maximum **actual** recorded demand in the peak and shoulder periods since their last meter read. At the end of each meter reading period the maximum demands will reset to zero. The customer’s level of demand is determined by how much electricity they require at any one time, so the more motors, lights and appliances they use at the same time, the higher their demand on our network.

Time	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
1:00							
2:00							
3:00							
4:00	Off-peak Demand Period (All year round, local time)						
5:00							
6:00							
7:00							
8:00							
9:00							
10:00							
11:00							
12:00							
13:00	Shoulder Demand Period (All year round, local time)						
14:00							
15:00							
16:00							
17:00							
18:00	Peak Demand Period (Nov – March, local time)						
19:00							
20:00							
21:00							
22:00							
23:00							
0:00							

How can customers manage their peak demand?

The three demand periods will enable customers with flexible loads to use power at the lowest possible rate to **reduce their overall network charges**. For the months they can not avoid the peak

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or shoulder periods, they are no longer locked into this level of demand for the entire year, as all demands are reset to zero at the start of the next meter reading period or monthly for type 4 meters.

Customers with seasonal loads – wineries, etc.

Customers with seasonal loads will benefit from the Actual Demand Tariff, because the demand resets to zero at the start of each meter reading period. We expect small to medium sized wineries will benefit as vintage is generally late in the summer peak demand months, and they will only be charged the peak demand rates in those months that the demand is required.

Irrigation and industry

We anticipate irrigators will try to avoid the peak demand period by watering from 9pm to 4pm of the next day, providing them with 19 hours a day to pump water to their crops. If they can also avoid the shoulder demand period they still have 15 hours each day to irrigate crops and can avoid demand charges altogether.

Small business with 'peaky' loads like furnaces and some injection moulding businesses may also try to avoid the peak and/or shoulder demand periods by not operating significant machinery during these periods.

Some offices and schools that effectively close before 4pm may be able to avoid much of the peak demand charge if they shut down their air-conditioning before 4pm.

Will installing solar panels or batteries allow my demand to be reduced?

The installation of Distributed Energy Resources (DER – such as solar PV, wind turbines or battery storage) may impact the level of demand reached at the customer's site, but may not be able to be relied upon to consistently lower the levels of demand. For example, if sunny days line up with peak demand days, then solar panels may enable the actual peak or shoulder demands to be lower in those months. However, in other months, there may be cloud cover on peak demand days resulting in higher demand. Battery storage may enable a more reliable demand reduction, although this will be highly dependent on the battery system's configuration.

As indicated earlier, customers should also be aware that any alteration to your site may result in a change to your tariff. For example, for business customers with a multi-phase supply, an actual demand or agreed demand tariff will be required to apply to your site if you request an alteration (such as solar or battery installation).

Why does summer peak demand matter?

Everyone expects to have electricity when they turn on a power switch. Consequently, we have to build the network to cope with those moments of highest (peak) demand from customers, which usually occur in the late afternoon/evening on a few hot days in summer. This summer peak demand is a major driver of increased investment in the transmission and distribution networks. Some 25% of the network capacity we all pay for is used to meet peak demand during a few hours on just a few days a year.

We also need to ensure that the networks supplying business customers have adequate capacity for their daily peak, which typically occurs between 12noon and 4pm throughout the year.

To use an analogy, it is like building a ten lane freeway - but with two lanes that are only required for one long weekend. If we can provide a worthwhile incentive to customers to moderate their

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demand during these rare peak times, then we can avoid or delay the need for those extra lanes. Some customers may be able to avoid these peak times completely.

More Information

[SA Power Networks – Demand Management FAQs](#)

[AEMC – New Rules for cost-reflective distribution network prices](#)

[AEMO \(Australian Energy Market Operator\)](#)