



DEMAND TARIFFS

What is a demand tariff?

Electrical appliances and equipment are all different and require different levels of power throughout the day, creating times of peak usage on the electricity network. This peak usage is known as total power or ‘demand’.

Under the National Electricity Rules, electricity networks (the ‘poles and wires’) must be built to handle the maximum peaks in demand. This means that network charges must reflect a combination of the total electricity being used and the peak rate at which it is being consumed.

When customers run equipment such as water pumps, refrigerators, air conditioners or processing plant, they increase the peak demand on the network.

The more efficiently a customer uses electricity, the less impact they have on the electricity network. Therefore, demand tariffs are a cost-reflective way of setting prices for those customers based on their peak demand.

Essential Energy’s demand tariffs

Essential Energy offers a range of tariffs that have been designed for different types of customers, considering their energy consumption and/or demand profile, voltage level and type of connection to the network.

Customers with an interval meter can choose to move to a demand tariff at any time. However, Essential Energy will always apply a demand tariff once a customer consumes more than 160MWh per annum according to the terms in our Network Price List. Charges vary across time periods depending on which tariff you are on.

Each tariff has its own structure, comprising between one and three tariff components. When added together, the components represent how Essential Energy charges customers to ensure they receive an efficient price signal of the network services we provide.

Each Essential Energy network tariff is made up of one or more of the following components:



- > **A fixed charge component** – an annual supply charge that applies to each connected premises to which electricity is delivered. The amount does not vary with the amount of energy a customer uses. This component is charged as a fixed amount per day.
- > **An energy charge component** – a charge that is applied to each unit of electricity consumed in cents per kilowatt hour (kWh). Depending on the particular tariff, the consumption charge may also vary with the time of day or the amount of energy consumed in a period.
- > **A demand charge component** – a charge that is applied to either a customer’s maximum demand level in dollars per kilovolt-ampere (kVA) or per kilowatt (kW) or their electricity capacity requirement in dollars per kVA – depending on the tariff.

Most of our residential and small business customers are currently on tariffs that comprise a fixed charge (which includes a metering charge) and an energy charge (consumption) component. Most other business customers are on tariffs that comprise all three charge components (as well as an additional metering charge from the metering services provider). Tariffs containing a demand component are discussed in the following section.

‘Network Price List and Explanatory Notes’ available at essentialenergy.com.au



You may find it beneficial to engage a commercial energy efficiency consultant to assess the potential for reducing your electricity bill. An internet search on terms such as ‘energy efficiency advice/consultant/provider’ may be a good place to start.

How to reduce your charges

Charges are higher in Peak and Shoulder times and lower in Off-Peak times so, understanding the way you use electricity and the available tariff options is important to ensure you get the best value for money.

Typically, customers should aim to use electricity at lower cost (Off-Peak) times in order to save on their electricity charges. The amount you're able to save depends on your ability to change your consumption patterns, or shift your consumption to these lower cost time periods.

Even though you may only record high energy usage in Peak time periods once during the month, that will be taken as your peak demand charge for the month.

Usage patterns also tend to change over time, so, reviewing these on a regular basis will help you get the best deal for your business needs.

You may also be able to reduce your charges by applying energy efficiency measures. Eligible customers can receive assistance through the NSW Government's Energy Saver program. To find out if you are eligible, phone **1300 361 967** or visit environment.nsw.gov.au

Can Power Factor correction help?

Power Factor (PF) is the measure of how effective incoming power is being used and is expressed as a numerical value between zero and one. The closer a PF is to one, the more efficiently you are consuming electricity. A PF between 0.95 and one is the most cost effective.

If you have poor PF you may be able to improve it and reduce your charges by installing Power Factor Correction (PFC) equipment. PFC equipment works to correct energy supply and efficiencies. Compared with other options, this can be a relatively low cost solution to reducing your network charges.

How is my electricity demand measured?

If you consume more than 100MWh per annum, you are required under the market rules[†] to have an interval meter installed. These meters are electronic and generally record your usage remotely, in 30 minute intervals, so you can tell how much is consumed in Peak, Shoulder and Off-Peak periods.

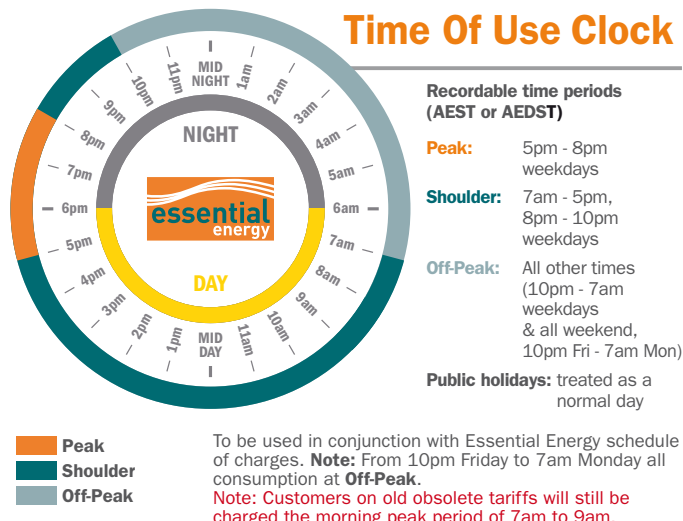
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Questions and feedback

If you have any questions or feedback on Essential Energy's demand tariffs, contact us at: **Email:** networkpricing@essentialenergy.com.au or **Phone:** **13 23 91**

[†] In accordance with Australian Energy Market Operator's Metrology Procedure Part A S2.4

Time Of Use Clock

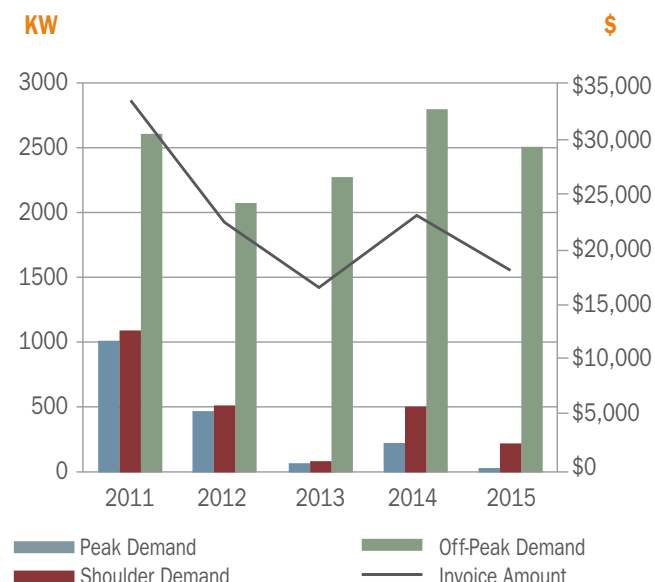


Essential Energy offers a number of demand tariffs for business customers and one demand tariff for residential customers. The conditions which apply to each of these tariffs are contained in our Network Price List and Explanatory Notes available at essentialenergy.com.au

Case study

The graph below illustrates how a vineyard owner reduced charges by adjusting their irrigation times to occur within Off-Peak periods.

In 2010, the customer was moved from a Time of Use (TOU) only tariff to demand tariff BLND3AO. This tariff change, along with the change in irrigation times and PFC, saw significant bill decreases from the period 2011 to 2015.



You should contact your retailer to discuss the best tariff for you and make any requests for tariff changes.

