



APA DEWAP Pty Ltd

1 July 2024

APA Network - Services and Pricing Policy

Second pricing period from 1 July 2024 to 30 June 2027



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Webpage: [North West Interconnected System \(NWIS\) | APA Group](#)

1. Introduction

1.1. Purpose

This is APA DEWAP Pty Ltd's¹ ("ADEWAP") Services and Pricing Policy prepared in accordance with the Pilbara Network Rules ("PNR") and the Pilbara Network Access Code ("PNAC"). The Services and Pricing Policy applies to the reference services provided by the APA Network in the North West Interconnected System (NWIS) in the Pilbara.² This document also sets out information relevant to the Harmonised Technical Rules ("HTR").

This ADEWAP³ Services and Pricing Policy is for the second pricing period from 1 July 2024 to 30 June 2027.

1.2. Legislative framework

ADEWAP is required to prepare, publish, and maintain a range of instruments in respect of the APA Network which is deemed a light regulation network under the PNAC.⁴

Section 36(1) of the PNAC establishes the need for this document as follows:

- 36(1) *An NSP for a light regulation network must in accordance with this Code prepare, publish and maintain the following instruments in respect of the light regulation network —*
- (...)
- (b) *a services and pricing policy under section 40*

Section 40(1) of the PNAC sets out further requirements:

- 40(1) *The NSP of a light regulation network must ensure that its services and pricing policy sets out —*
- (a) *the pricing period; and*
 - (b) *subject to section 40(6), each reference service to be offered on the light regulation network, and reference terms and conditions for each such service in accordance with section 40(2); and*
 - (c) *the target revenue for the pricing period together with reasonable details of how it was calculated, consistent with the requirements of Chapter 5; and*
 - (d) *the methodology for adjustment of the target revenue during a pricing period in accordance with section 49 (if applicable); and*
 - (e) *its tariff setting methodology; and*
 - (f) *its price list; and*
 - (g) *the circumstances under which the price list will be reviewed for each year of the pricing period; and*
 - (h) *a prudent discount policy as required by section 67(4).*

Section 40(3) sets out the requirement for the review the services and pricing policy before the start of each new pricing period. The new pricing period starts on 1 July 2024.

¹ Previously Alinta DEWAP Pty Ltd.

² For the purposes of this document, references to "APA Network" have the same meaning as Alinta Port Hedland Network as defined in the PNAC.

³ The term "ADEWAP" in this document refers to the Network System Provider (NSP) for the Alinta Port Hedland network, unless stated otherwise.

⁴ Section 36(1) of the PNAC.



Subchapter 5.1 of the PNAC sets our matters in relation to pricing for access to services of a light regulation network such as the APA Network including revenue and pricing principles and the steps in preparing revenue and prices for reference services.

ADEWAP's second Services and Pricing Policy has been prepared in accordance with these requirements.

1.3. Pricing period

The APA Network second pricing period will be for three financial years from 1 July 2024 to 30 June 2027. The first pricing period for APA Network was 1 July 2021 to 30 June 2024.

1.4. Application

The Services and Pricing Policy applies to customers who have applied for, or intend to apply for, a reference service from ADEWAP for access to the APA Network.

1.5. Other relevant information

Other documents prepared in relation to PNAC information requirements and that should be read in conjunction with the Services and Pricing Policy include:

- ADEWAP System Description
- ADEWAP User Access Guide
- ADEWAP Contributions Policy
- ADEWAP Queuing Policy
- ADEWAP Planning Standard & Criteria.

These documents can be found here [North West Interconnected System \(NWIS\) | APA Group](#)

2. Revenue and pricing principles

2.1. PNAC principles

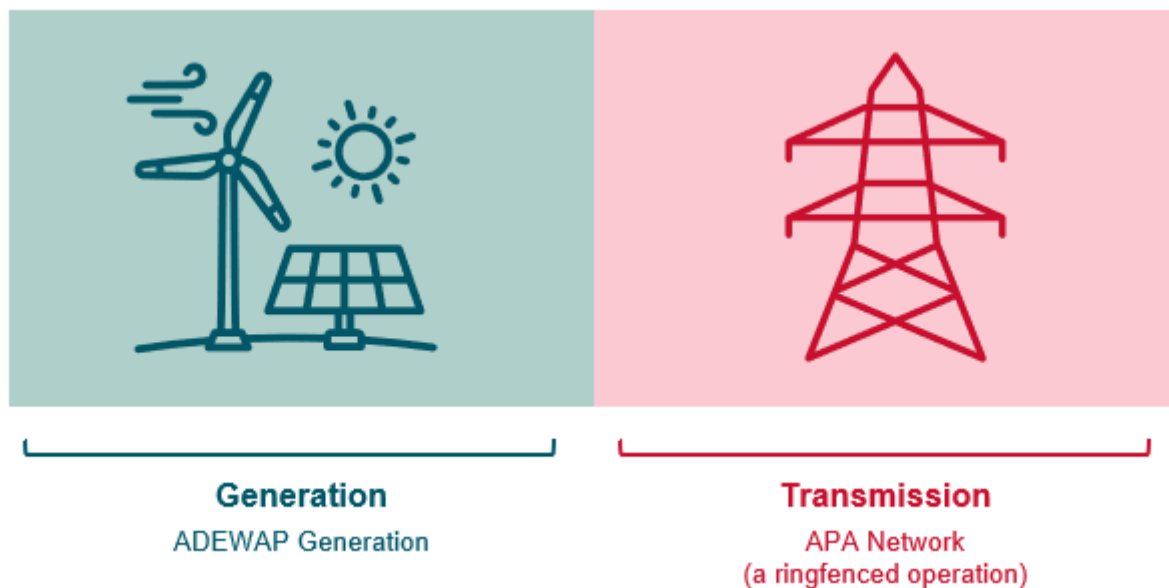
This Services and Pricing Policy sets out how ADEWAP in relation to the reference service, has calculated the target revenue, developed the reference service, and set the price of the reference service for users of the APA Network as defined in the ADEWAP System Description.

The tariffs for the APA network have been prepared in accordance with the PNAC revenue and pricing principles that apply to light regulation networks.⁵ The revenue and pricing principles provide for ADEWAP as the network service provider to recover the efficient costs incurred in providing covered services and complying with regulatory obligations.

Tariffs based on efficient costs provide signals for and promote efficient investment and use of the network, as well as the efficient provision of the service.

Figure 1 shows ADEWAP's role in the electricity supply chain.

Figure 1: APA DEWAP's roles in the electricity supply chain⁶



2.2. Cost allocation principles

As discussed throughout this document, costs are allocated between the ADEWAP Generation and APA Network to ensure that only the true, fair and efficient costs relating to APA Network business operations are allocated.⁷

In relation to the generation and network functions of ADEWAP, apportionment of direct costs between generation and network functions is determined and expressed in percentage terms.

⁵ Section 8 PNAC Revenue and pricing principles.

⁶ In Figure 1 APA DEWAP refers to the generation and transmission ring-fenced services.

⁷ All contributions and operating costs are calculated in accordance with the ADEWAP Ringfencing Rules as published on the ADEWAP website.



The cost allocation principles are:

- Costs that are directly attributable to APA Network are allocated 100%;
- Costs with a clear rationale for allocation are allocated based on this rationale; or
- Where there is no clear rationale for allocation, a 12% allocation is assigned to the APA Network business (with the remaining 88% being allocated to ADEWAP Generation).

The 12% proportion reflects the value of the APA Network Pricing Model's annual target revenue calculation, as a percentage of total annual ADEWAP power purchase agreement revenue. Therefore, where no clear rationale exists, the use of the 12% allocation provides a reasonable and fair method of allocation (based on the revenue contribution of the APA Network relative to total revenue for the entire ADEWAP business).

For the purposes of this document, reference to APA Network have the same meaning as Alinta (APA) Port Hedland Network defined in the PNAC. The APA Network is defined in the ADEWAP System Description.



3. Reference service

Reference services are the services an electricity network business offers to users that wish to connect to the electricity network. As required by the PNAC, reference services are distinguishable from non-reference services because they:

- are a standardised service provided under the terms set out within a standard network access contract;
- have an associated reference service tariff; and
- have an associated service standard benchmark(s).

Reference services are only available to users that hold a standard network access contract. The standard network access contract to access ADEWAP’s reference service is the ADEWAP Electricity Transfer Access Contract (ETAC).⁸

ADEWAP has one (1) reference service for this pricing period. This reflects the limited nature of the APA Network, which is described in the ADEWAP System Description document.

Some key attributes of this reference services are outlined below, however the ADEWAP ETAC provides comprehensive details of the terms and conditions for which ADEWAP’s reference service is offered.

Table 1: Key attributes of ADEWAP reference service

Reference service name	Reference service TR1 – Transmission Service
Reference service description	A service combined with a connection service and a compliant meter at any point on the APA Network.
Eligibility criteria	<p>Eligibility requirement for users to use this service:</p> <ul style="list-style-type: none"> • Configured meter – the meter is configured to measure the transfer of electricity in or out of the APA Network; • Compliance of user’s facilities and equipment – a user’s facilities and equipment comply with the ADEWAP Planning Standards, the HTR, the WA Electrical Requirements, Electricity Industry Act 2004 and any applicable regulations made under it, and all other applicable Australian standards for HV equipment including but not limited to: <ul style="list-style-type: none"> ○ Guidelines for the safe management of high voltage electrical installations; ○ AS/NZS 3000:2018 Wiring Rules; ○ AS 2067:2016 Power installations exceeding 1kV AC; ○ AS/NZS 3007:2013 Electrical Installations – Surface mines and associated processing plant; and ○ WA Distribution Connections Manual, <p>and</p> <ul style="list-style-type: none"> • The following do not apply within the user’s network access agreement with ADEWAP:

⁸ A sample copy of this ETAC can be found at [A sample copy of this ETAC can be found at North West Interconnected System \(NWIS\) | APA Group](#)



Reference service name	Reference service TR1 – Transmission Service
	<ul style="list-style-type: none"> ○ the tariff charges for the user’s network access service is different to the applicable reference tariff; and ○ the service standard applicable to the electricity delivered to the user is different to the applicable service standard benchmark.
Applicable reference tariff	“TR1” as published in the price list in this Services and Pricing Policy.
Applicable standard access contract	Electricity Transfer Access Contract

For the reference service, ADEWAP requires a user to nominate a contracted capacity amount that reflects their expected annual peak demand. Any demand above the contracted capacity amount will result in an excess network usage charge (“ENUC”) and/or load curtailment. These measures are designed to:

- encourage customers to take the necessary actions to manage their consumption of power to their contracted capacity right; and
- allow ADEWAP to achieve the safe and secure operation of its network, within its thermal network capacity limitations and the requirements of the HTR.

3.1. Reference service benchmarks

ADEWAP’s service standard benchmark applies to the provision of the reference service. If the service standard benchmark is not met in a Reference Service Year, then compensation will be payable in accordance with the terms of the ADEWAP ETAC.

Table 2 outlines the capacity available for reservation in the APA Network. As the APA Network is fully contracted, there is 0 kVA available for reservation under the reference service.

Table 2: Capacity available for reservation

Unit of Measure	kVA
Definition	kVA available in the APA Network based on n-1 contingency criteria. ⁹
Exclusions	N/A
Service standard benchmark	0 kVA (this reflects the fact that the APA Network is fully contracted)

Table 3 outlines ADEWAP’s Network availability standards and permitted unavailability. The terms “available” and “permitted unavailability” that are used to define this service standard benchmark have the meaning defined in Schedule 5 of the ETAC.

Table 3: Network availability

Unit of Measure	Proportion of minutes per year (or part thereof)
Definition	<p>Transmission network access is an arrangement of transmission elements on the transmission system comprising overhead lines, underground cables, power transformers, switchyards and related equipment that is owned and operated by ADEWAP for the purposes of electricity transmission to the User’s connection point.</p> <p>The reference tariff paid by a User will be reduced where the actual hours that transmission network access is available to a user in a reference service year</p>

⁹ Refer to the ADEWAP Planning Standards and System Description for further information.



	has not met the ETAC's availability threshold, which is calculated subject to the ETAC's availability adjustment amount calculation.
Exclusions	Permitted unavailability as defined below
Service standard benchmark	0.98 (this is the threshold set by the reference service actual availability)

3.2. Other reference service conditions

3.2.1. Duration

The reference service is available to contract for a term of 10 years and will be charged at the price set out within the ADEWAP price list applicable for each pricing period.

3.2.2. Curtailment regime

Curtailment may occur when:

- The user exceeds their contracted capacity amount; and
- Required to achieve the safe and secure operation of the APA Network (to maintain operations within thermal network capacity limitations and the requirements of the HTR).

Full details of all curtailment conditions are contained within the ETAC.

3.2.3. Risk and liability regime

In relation to the provision of the reference service, the ADEWAP ETAC sets out the assignment of liability for direct losses, exclusions relating to indirect losses, the apportionment of liability for damage to the APA Network and the liability arising from a party's fraudulent activities.

Full details of the assignment of risk and liability between the parties is set out within the ADEWAP ETAC.

3.2.4. Payment terms

Payment terms will be 20 business days of the date of invoice.

3.2.5. Prudential requirements

ADEWAP may require the customer to provide a bank guarantee to the estimate value of three (3) months charges. The ETAC provides the details of this requirement.

4. Network access pricing

4.1. Process for calculating reference service tariff

ADEWAP applies the process set out in the PNAC to calculate the reference service tariff. This involves three-steps:¹⁰

Step 1: Calculating the target revenue for the light regulation network. This has been calculated following requirements in sections 47 to 60 of PNAC; then

Step 2: Developing tariff-setting methodologies and applying them to derive tariffs that are expected to deliver that target revenue; and then

Step 3: Applying the tariff-setting methodologies to derive a price list.

The application of the three-step process is described in Sections 4 to 6 of this document.

4.2. Target revenue

ADEWAP calculates the target revenue using the building block approach. The building block approach is an aggregation of the individual component costs that include:

- Return on capital – return on the asset base including forecast capital expenditure
- Return of capital - depreciation
- Operating expenditure – forecast non-capital costs.

The building block formula is set out below:

$$\text{Target revenue} = (RAB \times RoR) + \text{depreciation} + \text{non – capital costs}$$

Where:

- RoR is the rate of return as calculated in accordance with s.57 and s.58 of the PNAC
- RAB is the value of the capital base of network assets providing covered services on the light regulation network set out in PNAC s.53 or s.54
- Depreciation as described in Section 4.5 of this document
- Non-capital costs consists operating costs.

APA Network target revenue for the second pricing period is shown in Table 4.

Table 4: APA Network target revenue

Year (\$'000 nominal)	FY25	FY26	FY27
Capital costs ("return on capital")	2,374	2,420	2,439
Depreciation ("return of capital")	1,396	1,472	1,542
Operating costs (non-capital costs)	2,109	2,274	2,480
Revenue adjustments	38	39	40
Target revenue	5,917	6,206	6,502

¹⁰ Section 44 of PNAC.

4.3. Capital base roll-forward

ADEWAP has rolled forward the capital base from the first pricing period to 30 June 2024, adjusting for actual capital expenditure and inflation.

Table 5 provides the closing capital base values for the first pricing period. The closing capital base as at 30 June 2024 is higher than forecast due to CPI exceeding forecast inflation.¹¹ The opening value of the capital base for the second pricing period is \$37.7 million.

Table 5: APA Network closing capital base by year (first pricing period)

Year	FY22	FY23	FY24
(\$'000 nominal)	35,650	37,312	37,690

Table 6 provides forecast and actual capital expenditure for the first pricing period. Actual capex exceeded forecast due to CPI and unexpected equipment failures requiring replacements or repair, particularly in FY23.

Table 6: Capital additions to the asset base in the (first pricing period)

Year (\$'000 nominal)	FY22	FY23	FY24
Forecast	204	18	284
Actual	350	764	308

4.3.1. Revenue adjustments

To account for the difference between forecast and actual capex in the first pricing period, a revenue adjustment has been calculated on the capital related costs (return of capital and return on capital).

The revenue adjustment represents the present value of the difference in forecast and actual capital related costs over the first pricing period. The adjustment has been smoothed over the 3-year second pricing period and has been adjusted for inflation. This value of this adjustment is provided in Table 4 above.

4.3.2. Forecast capital expenditure

Forecast capital expenditure is rolled forward into the asset base. The forecast capital expenditure includes replacement expenditure invested to maintain the safety, security and reliability of the services provided by APA Network. These costs have been subject to APA's governance and budgeting processes.

ADEWAP has included a portion of corporate capital expenditure in the second pricing period, reflecting the benefit provided to the APA Network from corporate assets. This expenditure was not included in the first pricing period.

Capital additions to the APA Network's regulatory asset base for the FY25 to FY27 period are shown in Table 7.

¹¹ The capital base was indexed using a forecast inflation value of 2.50% in the first pricing period. The capital base has been indexed using actual CPI of 6.1%, 6.0% and 3.8% for FY22, FY23 and FY24.

Table 7: Capital additions to regulatory asset base

Year	Units	FY25	FY26	FY27
Capital additions	\$'000 nominal	1,184	804	924

The APA Network accounting procedures assess and account for the true, fair and efficient allocation of costs relating to APA Network business operations.

This is achieved through the:

- strict application of financial management accounting practices to allocate direct (activity-based) business costs to ADEWAP; and
- controls adopted for apportionment of direct costs between ADEWAP's generation and network functions.

Financial management accounting is used for all entities across APA. This ensures that APA Network allocated amounts are accurate and separated from other amounts, including those which relate to any associate business. These accounting practices for the APA Network are audited on an annual basis and take place with strict adherence to the requisite Australian Accounting Standards.

The capital costs forecasts apply the cost allocation principles discussed in Section 2.2 of this document. Table 8 provides the allocation of ADEWAP capital expenditure to APA Network.

Table 8: APA Network capital expenditure allocation

Expenditure category	Network allocation
Switchyard	100%
Battery charger	100%
Circuit breaker	100%
Relay room	100%
Cables	100%
VESDA	90%
Equal share	50%
Revenue share	12%
Generation assets	0%

The shared corporate capital expenditure to APA Network from the APA parent entity is a percentage based on the relative revenue of APA Network to total APA revenue and represents the share of benefit to the APA Network business from corporate assets.

4.4. Rate of return

To calculate the return on capital, ADEWAP has applied a real pre-tax rate of return of 6.30% and forecast inflation of 2.52% to the capital base to determine capital costs for the second pricing period. These parameters were updated in accordance with the PNAC and the ERA's final determination¹² and are shown in Table 9.

¹² ERA, *Determination of Pilbara networks rate of return*, 24 November 2021.

Table 9: Rate of return and inflation

Parameter	Value
Equity risk-free rate ¹³	4.20%
Market risk premium	5.90%
Equity beta	0.90
Return on equity – after-tax	9.51%
Return on equity – pre-tax¹⁴	11.18%
Credit rating	BBB-
Cost of debt ¹⁵	5.50%
Debt issuing costs	0.165
Nominal cost of debt	5.67%
Gearing	40%
Forecast inflation ¹⁶	2.52%
Franking credits (gamma)	50%
Corporate tax rate	30%
Nominal after-tax WACC	7.97%
Real after-tax WACC	5.32%
Nominal pre-tax WACC	8.98%
Real pre-tax WACC	6.30%

4.5. Return of capital - depreciation

ADEWAP applies straight line depreciation to all categories of network assets, based on the following economic life assumptions in Table 10.

Table 10: Asset category economic life assumptions

Asset category	Economic life (years)
Cables	55.00
Steel towers	60.00
Wood poles	45.00
Metering	40.00
Transformers	50.00
Reactors	50.00
Capacitors	40.00
Circuit breakers	50.00
SCADA & communications	11.00
IT	6.00
Other non-network assets	27.00

¹³ Calculated using ERA's methodology with an averaging period of 40 business days up to 29 February 2024.

¹⁴ Return on equity has been converted to a pre-tax version using the Officer/Monkhouse framework.

[Determination of Pilbara networks rate of return \(erawa.com.au\)](http://erawa.com.au)

¹⁵ Updated with latest data from ERA's railway determinations.

¹⁶ Calculated using ERA's methodology with an averaging period of 40 business days up to 29 February 2024.



Asset category	Economic life (years)
Shared support assets – Other	20.00

The economic lives used in Table 10 are based on Western Power’s AA4 asset category economic life assumptions, as published on the ERA website. This is except for a new asset class for the second pricing period “Shared support assets – Other”. As mentioned above, ADEWAP has included a portion of corporate capital expenditure in the second pricing period. Most of this expenditure fell into existing classes, such as IT and SCADA. Corporate capital expenditure that did not fit into existing classes was grouped as “Other” and depreciated at 20 years, in-line with APA Group’s other regulated assets.

Depreciation on the capital base is calculated using the weighted average remaining lives (WARL) for each of the assets that comprise the capital base.

ADEWAP is not proposing any accelerated depreciation in this pricing period.

4.6. Non-capital costs – operating costs

APA Network’s non-capital costs consist of operating costs and a contribution towards shared corporate costs.

Non-capital costs included in target revenue for the pricing period are provided in Table 11. Operating costs have increased from the first pricing period due to increased labour costs, increased insurance costs and an increased share of corporate costs.

Table 11: APA Network non-capital costs forecasts

Financial Year	Units	FY25	FY26	FY27
Operating costs	\$'000, nominal	2,109	2,274	2,480

The APA Network accounting procedures assess and account for the true, fair and efficient allocation of costs relating to APA Network business operations.

This is achieved through the:

- strict application of financial management accounting practices to allocate direct (activity-based) business costs to ADEWAP; and
- controls adopted for apportionment of direct costs between ADEWAP’s generation and network functions.

Financial management accounting is used for all entities across APA. This ensures that APA Network allocated amounts are accurate and separated from other amounts, including those which relate to any associate business. These accounting practices for the APA Network are audited on an annual basis and take place with strict adherence to the requisite Australian Accounting Standards.

The operating costs forecasts apply the cost allocation principles discussed in Section 2.2 of this document. Table 12 provides the allocation of ADEWAP operating expenditure to APA Network.



Table 12: APA Network operating expenditure allocation

Expenditure category	Network allocation
Personnel costs	12%
Travel costs	12%
Vehicle costs	12%
Site costs	12%
Plant & equipment costs	12%
IT & communication costs	50%
Professional Fees	12%
Insurance & office costs	12%

The shared corporate cost allocation to APA Network from the APA parent entity is a percentage based on the relative revenue of APA Network to total APA revenue and represents the share of costs required to resource the operation of the APA Network business.

4.7. In-period target revenue adjustment methodology

In period adjustments will only occur when there has been a non-forecast material change in costs. ADEWAP have set the following materiality thresholds:

- non-capital cost variance greater than \$100,000 pa, or 2.2% of FY25 target revenue; and
- capital cost variance greater than \$250,000 pa, or 7.2% of the FY25 opening RAB value.

In the event of an in-period revenue adjustment being undertaken, this Services and Pricing Policy will be re-issued, with the rationale and amended calculations for the pricing period clearly articulated.

The change in costs is limited to the following circumstances as set out in s.49(2) of the PNAC:

- a) a *force majeure* event, where ADEWAP was unable to (or is unlikely to) recover some or all of the costs under insurance; and at the time of the *force majeure* event, ADEWAP had insurance to the standard of a *reasonable and prudent person*; or
- b) there are significant changes in loads on the network that were not forecast; or
- c) there is a *regulatory change event* as defined in the PNAC.

5. Tariff setting methodology

5.1. Reference service tariff

A simple charging regime has been adopted using the APA Network's n-1 capacity, which reflects the fully contracted nature of the APA Network.

The reference tariff (TR1) is calculated in nominal \$/kVA per annum by dividing annual target revenue by the APA Network's n-1 capacity of 75,000 kVA. This method has been employed for this price period as the APA Network's capacity is fully contracted.

The TR1 reference tariffs for the FY25 to FY27 period represents the annual fixed capacity reservation charge for APA Network access.

Table 13: APA Network access charge calculation

Financial year	Units	FY25	FY26	FY27
Target revenue	\$'000, nominal pa	5,917	6,206	6,502
APA Network access capacity	kVA	75,000	75,000	75,000
TR1 reference tariff	\$/kVA, nominal, pa	78.89	82.74	86.69

5.2. ADEWAP prudent discount policy

If a User seeks to implement initiatives to promote the economically efficient investment in and operation of the APA Network, then ADEWAP will reflect in the User's tariff, by way of a discount, a share of any reductions in either or both of ADEWAP's capital-related costs or non-capital costs which arise in relation to the initiative:

- a) by entering into an agreement with a User to apply a discount to the TR1 reference tariff to be paid by the User for the reference service; and
- b) then recovering the amount of the discount from other Users of covered services through the reference tariff.

A prudent discount reduction to the TR1 reference tariff will be quantified during the detailed modelling assessment undertaken by the process set out within the ADEWAP UAG. This modelling assessment will quantify any cost savings for ADEWAP that can be passed back to the User as a prudent discount on an NPV neutral basis.

5.2.1. Calculation of discount

In the same manner that the access charge is calculated, so too will the discount amount described above. The cost reductions identified will be divided by the n-1 capacity in the network and the real \$/kVA charge reduced by that amount.

6. Price list

6.1. Reference service tariff

The APA Network's price list showing the TR1 reference tariff is provided in Table 14.

Table 14: APA Network access charge calculation

Financial Year	Units	FY25	FY26	FY27
TR1 reference tariff	\$/kVA, nominal, pa	78.89	82.74	86.69

The TR1 reference tariff charge is presented in nominal dollar terms and includes a CPI inflation assumption of 2.52% pa. The tariff charged to Users may be negotiated to incorporate actual recorded CPI values, where CPI is calculated annually relative to the base CPI value specified in a User's ETAC.

The price list will be reviewed in accordance with the approach set out within Section 4.8 of this Services and Pricing Policy.

6.2. Excess network usage charge

An additional charge applies to User's under the TR1 reference tariff where a User's peak half-hourly demand exceeds its contracted capacity amount during an accounting period, except where ADEWAP deems the excess export or import of power was required for power system reliability or security.

The excess network usage charge (ENUC) is calculated by applying a factor to the excess usage as follows:

$$ENUC = ENUM \times (PDkw - CMDkw) \times \frac{AC}{CMDkw}$$

where:

ENUM is the excess network usage multiplier factor, which is set at 2

PD is the peak half-hourly amount entered into or exited out of the APA Network during the accounting period (expressed in kVA and kW)

CMD is the contracted capacity for the accounting period (expressed in kVA and kW)

AC is the sum of the TR1 reference tariff amount, and any other pass-through costs for the billing period for the contracted capacity.

6.3. Service standard benchmark

Where ADEWAP does not meet the service standard benchmark for the reference service an Availability Adjustment Amount will be applied to the TR1 reference tariff. This is set out in Schedule 5 of the ETAC.