TASNETWORKS DRAFT TARIFF STRUCTURE STATEMENT

CONSULTATION PAPERS

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Introduction

This is a combined submission from Total Environment Centre (TEC) and Solar Citizens (SC). TEC has been working on reform of the National Electricity Market since 2004 to improve its environmental outcomes through advocacy for more demand management, energy efficiency and decentralised energy. Solar Citizens is an independent community based organisation bringing together over 1.4 million solar owners and 78,000 direct supporters to protect and grow solar in Australia. TEC and Solar Citizens have a grant from Energy Consumers Australia to engage with all networks in the NEM around the TSS process.

We appreciate the opportunity to respond to TasNetworks' consultation papers for its draft tariff structure statement. We were not made aware of the existence of the Demand based network tariffs consultation paper until well after the closing date for submissions had passed. Because they are more critical to the tariff reform process than the more recent Choice of network tariff design consultation paper, we have focused most of our comments on the former.

By way of context, as a general principle solar customers are willing to pay their fair share of network costs as long as they also receive their fair share of network benefits and are not discriminated against relative to non-solar customers. We recognise the need to move to more cost reflective network tariffs in order to send consumers a price signal about the cost of augmenting network capacity to meet peak demand (although it is unclear the extent to which retailers will pass through cost reflective network tariffs). We also recognise that the move to cost reflective tariffs will not increase TasNetworks' total revenue but is rather about how revenues are recovered between various customer classes. It is important that in this move solar customers do not in effect subsidise non-solar customers - especially those with a large airconditioning load which is likely to make them unresponsive to voluntary demand tariffs. It is therefore critical that TasNetworks engages with solar customers to help them understand new tariff structures and affords them ample opportunities to adapt.

Demand tariffs

In common with other network tariffs proposed in draft tariff structure statements, TasNetworks' proposed demand tariff is more cost reflective than existing tariffs. Recognising that the tariff is in the early stages of its design, the economic analysis underpinning the two-part demand tariff needs to be made explicit; in particular, TasNetworks' long run marginal cost calculation for its LV

network, whether this is allocated solely to the demand charge, and whether residuals are to be recovered solely through fixed charges.

The network load profiles underpinning the move to a demand tariff are also unclear. We assume that the inclusion of a morning peak period is in response to a system wide peak demand on cold mornings in winter, but we would like to see load profile data to support this assumption.

For ease of implementation we agree with the decision to base the tariff on the system peak demand rather than using peak demand on local assets serving particular customers. We also commend TasNetworks for considering a two part demand tariff, since in principle it is likely to be more cost reflective than tariffs that include a consumption charge. However, we cannot support higher fixed charges as they are inherently regressive, penalising low income and low consumption households disproportionately.

We have no firm view on the issue of whether the network demand charge should apply to a single period or whether it should apply to the average level of demand measured over multiple periods. A single reading creates the greatest opportunity for consumers to respond, whereas multiple readings allow impacts to be smoothed. Either way, clearly the longer the billing period, the more frequently peak demand should be measured: a minimum of once per month should apply.

There are a number of other issues we would like to see addressed in the next iteration:

- How much variability between monthly bills - especially post-winter and post-summer - is a 2 part demand tariff likely to cause, and does it regard as acceptable to consumers?
- Will the new tariff apply 5 or 7 days per week?
- Will it be seasonal or year-round? If the latter, this is incongruent with a peak demand tariff charged on summer mornings when the network is unlikely to face its maximum daily, let along annual, demand.
- If future (2028-29) total network charges are likely to be lower for low consumption households (which is good, unlike 3 part demand tariffs) and similar for average demand households, in the context of fixed network revenues we have to assume they're higher for high consumption consumers; but why aren't they shown in the customer impact figures?

In the longer term TasNetworks should also consider developing other, more directly cost reflective tariffs, such as critical peak pricing with rebates, which offer greater flexibility for some consumers to respond (especially where they have batteries or automated appliances). We recognise that even if it is passed through by retailers, most consumers are unlikely to respond to the relatively weak price and delayed signal sent by a demand tariff, whereas a minority is likely to respond enthusiastically to, say, an SMS from TasNetworks informing them that if they keep peak demand under 1 kW during today's peak they will earn a rebate of $10.

Impacts on solar customers

In order to assess the impacts of the new demand tariff on solar customers, we need to know first of all how many there are. There appears to be a discrepancy between the data provided by TasNetworks (around 12,000 installations) versus Clean Energy Regulator data (around 26,000). If the CER data are correct, adjusting for commercial solar installations this probably amounts to one household in ten, a significant cohort that TasNetworks should specifically address in respect of the impacts of tariff reform.

Regardless, it is likely that solar customers with average daily consumption will be worse off under the demand tariff, as their peak demand is (without behavioural change) likely to be similar to non-solar customers. Combined with the proposed higher fixed charges, the benefits of lower total on-grid consumption are likely to be negated. As a by-product, this is likely to push out the payback

period for installing new solar systems. As a result, at this point we would not recommend that solar customers voluntarily switch to the peak demand tariff.

We would have preferred to see impacts on solar specific cohorts. As with other networks, we suggest modelling the impact of the demand tariff on four cohorts of solar customers: stay at homes with a relatively flat load profile versus working families with peaky profiles; and both with low and high total consumption.

Implementation

We agree that moving to the demand tariff should be voluntary for the foreseeable future - especially considering the limited number of interval-readable meters currently in the network, and uncertainty around Aurora's intentions in respect of passing through the demand tariff. However, we recognise that this will likely result in consumers who are likely to benefit from it making the switch, while those that are unlikely to benefit remain on existing tariffs. This may lead to a revenue shortfall that results in TasNetworks seeking to increase fixed and/or volumetric charges on existing tariffs. This may mean that solar customers who stay on the current tariff are not better off despite not moving onto the demand tariff. We would appreciate a response from TasNetworks in relation to whether it agrees that this problem is likely to arise, and how it intends to respond to it.

We consider that TasNetworks will need to engage directly on an ongoing basis with solar customers to understand and respond to their concerns and to provide practical and financial incentives to make the switch to the new demand tariff. TasNetworks could, for instance, subside the shift to smart meters where there are network constraints and there is a quantifiable financial benefit to TasNetworks from solar and other local consumers reducing their peak demand.

We also need more clarity around the modifications needed to solar customers' meters in order for them to participate in demand tariffs, and how TasNetworks intends to charge for these modifications.

With respect to the short term transitioning of "existing consumption based network tariffs to be more cost reflective" that is the subject of the second consultation paper, our understanding is that the impacts are likely to include increasing the fixed charges and reducing the difference between the existing tariff 31 (light and power) and tariff 41 (heating and hot water). We recognise that there may be negative impacts on vulnerable households which rely on affordable winter heating. Further, as stated above we cannot agree with the proposal to increase fixed charges, as they are regressive and not cost reflective.

Adapting

TasNetworks needs to consider how solar customers can adapt to the new tariff to ensure their network charges will not increase (assuming the demand signals are passed through by retailers). This could occur by:

- Load shedding - for instance, via appliances with direct load control (DLC).
- Load shifting to offpeak times.
- Installing real time monitoring and alerts so consumers feel in control.
- Installing batteries to store energy during the day and consume it during the evening peaks.
- New customers installing solar panels to face north-west or west to produce more energy in the late afternoon.

We would also like to know how TasNetworks intends to incentivise reductions in peak demand by non-tariff means of demand management - eg, by subsidising battery installations by consumers

in constrained areas of the grid, which could then be used to power overnight and early morning space heating.

Value of solar exported to network

The tariff design paper refers to "properly understanding the true costs and benefits of electric vehicles, solar panels, and battery storage and energy efficiency measures." There is no indication as yet that the network has seriously considered and responded to the economic benefits of these new technologies. By contrast, Ausnet pays a ~4c/kWh summer generation tariff to solar customers, which reflects the value of exports in reducing total demand on hot summer afternoons. ActewAGL pays a 0.5c/kWh tariff to solar customers to reflect avoided transmission use of system (TUoS) charges. TasNetworks does not appear to be planning any similar tariffs to recognise the value of solar exports. Why not?

There is currently a rule change request before the AEMC to implement local generation network credits (LGNC) across the NEM in networks' annual tariff pricing proposals to the AER. Some networks are participating in trial projects to understand how this credit might be calculated and paid to generators and potentially also netted off to related consumers (such as councils moving energy between adjacent or nearby sites). We therefore recommend that TasNetworks supports the rule change as a reform that is complementary to the introduction of more cost reflective consumption tariffs.

Yours sincerely,

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