



St Vincent de Paul Society  
*good works*



By email to \_\_\_\_\_

19<sup>th</sup> August 2015

Dear \_\_\_\_\_

We write regarding the development of cost reflective network tariffs in Victoria for the current TTS.

We applaud Victoria's electricity network businesses for working together towards consistent tariff design that better aligns with household contribution to peak demand. While this has required compromise by some businesses, this alignment will make it easier for Victorian consumers to understand and respond to cost reflective pricing.

In particular we acknowledge Jemena for undertaking extensive and genuine engagement with stakeholders and for being prepared to make material compromises to their proposed tariff design.

We are broadly supportive of the approach of introducing a half-hourly peak kW demand charge from 3pm to 9pm on business days. However, we are unable to support the current proposal to extend the 3pm to 9pm peak windows to weekends and public holidays.

In our view, state-wide weekend and public holiday peak charges:

- Are inconsistent with LRMC;
- Are unfair to most consumers;
- Send perverse signals to most consumers;
- Are confusing; and
- Will be met with strong public opposition.

Weekend and public holiday peak charges are **inconsistent with LRMC** based pricing. In our view, including weekends in the peak period would be justified on an LRMC basis if perhaps 20% of Victorian homes were supplied by a local network or sub transmission system that peaks on weekend evenings. From the information presented to us by Victoria's DNSPs, it is clear that a vastly smaller portion of Victoria's electricity networks peak on weekends.<sup>1</sup>

There are many weekend-peaking homes in weekday-peaking areas<sup>2</sup>. It would be **unfair** for these consumers to pay more or modify their usage when their weekend load has no impact on the local network. Initial analysis by ATA shows that, under current proposed tariff designs, many weekend-peaking homes in weekday-peaking areas may be charged \$100 or more per year over and above what they would under a weekday only charge.

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<sup>1</sup> For example, only one of 72 terminal stations in CitiPower's network is winter peaking.

<sup>2</sup> Initial analysis by ATA indicates cohorts that would be charged more than they should as a result of weekend peak charging include: weekend workers and some shift workers; consumers hosting a party or event on any weekend in a given month; pensioner households with weekend family visits and/or babysitting once or more per month; CALD households with culturally-specific weekend activities once or more per month; and part-time sole parents with weekend visitation. More detailed analysis by ATA will be made available in October.

Weekend and public holiday peak charges **send perverse signals** to households, to curtail or move loads away from those times when there is no benefit from doing so. They also restrict the opportunities available for weekday-peaking consumers to shift loads, reducing the effectiveness of any price signals.

Weekend peak charges may be **highly confusing** for consumers, who have been told for some time now that weekday evenings are the 'peak' time for households. Many consumers have historically accessed all-weekend 'offpeak' energy rates. The recent advent of flexible pricing in Victoria introduced a daytime weekend 'shoulder' period. Consumers are becoming used to these messages and arrangements, and some have responded by adopting flexible tariffs and shifting loads to weekends. These consumers are likely to be confused by the introduction of weekend evening peak charges.

Given all of the above, weekend and public holiday peak charges are likely to be **very unpopular with the public**, and negatively impact acceptance of the introduction of cost reflective pricing in Victoria. As Victorians are already wary of energy pricing reforms (and the AMI program), introducing weekend and public holiday peak charges for all households verges on foolhardy from a public relations perspective.

While we welcome the proposal of a common tariff structure, the proposed design of these tariffs - that will be in place for over 2.5 million households for the next five years - has only been presented to us in recent days and weeks. As businesses will be submitting their TSS proposals to the AER in September, this has given us insufficient opportunity to respond fully to matters such as weekend peak charging.

We therefore ask that Victoria's DNSPs urgently resolve this matter, ahead of finalising their TSS proposals for the AER, so that Victoria's energy consumer advocates can support their proposals through the new TSS process.

There is clearly a need to for all energy networks to compromise in arriving at a tariff design that is consistent across Victoria while being acceptable for consumers. We understand that the reason some may wish to introduce weekend peaking charges is that specific local networks, predominantly in holiday areas, peak on weekends. Just as businesses with winter-peaking parts of the network have conceded to a state-wide summer peak charge, and those with some peaks before 3pm have agreed to the 3-9pm peak period, we are of the view that a fair compromise can be made on the matter of weekend peak and public holiday peak charging.<sup>3</sup>

Thank you for your continuing engagement and for taking the time to consider this matter. Feel free to contact myself, or any of the below signatories, to discuss further.

Best regards,

*Craig Memery, Alternative Technology Association*

on behalf of:

*Gavin Dufty, St Vincent De Paul Society*

*Martin Jones, Consumer Utilities Advocacy Centre*

*Dean Lombard, Victorian Council of Social Service*

*Janine Rayner, Consumer Action*

*Joanna Leece, Kildonan*

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<sup>3</sup> There are also other measures to ensure that all consumers pay their fair share of network costs, such as location specific pricing, and other ways to incentivise load reduction to alleviate constraints, such as peak time rebates.