

# Proposed Victorian Tariff Structure Statements

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# About ATA

- Not for profit, **community** organisation
- Established **1980**
- 6,000 members, mostly **households**
- 14 member-run branches
- Australia's largest **green publisher**
- Energy projects to **tackle poverty**
- Energy **policy and research**
- **Advocacy** for Australian energy users

# ATA and cost reflective network pricing

ATA supports moving to cost reflective pricing structures, with opportunities for consumers to respond, when supported by robust protections for disadvantaged and vulnerable consumers.

- Engaged with **Power of Choice** reforms
- Engaged with AEMC and others in the **network pricing rule change** process in 2013/14
- Engaging with networks, AER etc to influence **TSS proposals and approvals** in 2015/16
- Next project: **TSS report card**
- With support of CAP and ECA

# Our 2015/16 TSS project

- Engaging with **12 DNSPs, AER, Govts, others**
- Participating in stakeholder **workshops/forums**
- **Bilateral meetings** to explore issues in depth
- **Written submissions** to DNSPs and AER
- **Building capacity and collaborating** with other consumer advocates (and other stakeholders)
- Researching **consumer impacts** and **preferences**

# New pricing rules strike right balance

- Reduce cross subsidies, send the right signals
- Long Run Marginal Cost principle promotes
  - Dropping **energy** (kWh) charges
  - Seasonal **peak demand** (kW) charges
  - Higher **fixed** charges
- While the consumer impact principle promotes
  - **Slow transition** from kWh charges
  - **Spreading/smearing** seasonal kW charges
  - **Lower** fixed charges

# How have networks responded?

- Victorian networks proposing to phase in **peak demand charges** with (3 to 9pm working day) peak window for households from 2017/18
- New South Wales networks proposing **declining block tariffs** (how long have you got?)
- Other networks proposing
  - **voluntary peak demand charges** for this TSS
  - aspirational goal of **mandatory charges** longer term (some longer than others)

# Victorian TSS proposals - positives

- **Common peak tariff window**
  - Consistency for households, retailers
  - Simpler messaging and education
  - Perception is important
- **Good timing lessens negative impacts**
  - Low LRMC means (relatively) low (foreseeable) distributional impact of peak kW charging
  - Lower revenue (subject to final determination and appeals) helps mitigate negative impacts overall
- Some great stakeholder engagement

# Victorian TSS proposals - issues

- Any proposed **increase to a fixed charge** is unacceptable, given lower revenue risk under cost reflective charging and revenue cap.
- **Bill shock/volatility could be better addressed**
- 9pm finish to peak period: is it too late?
- Lack of options for voluntary 'more cost reflective' tariffs for engaged consumers
- Some less-than-great stakeholder engagement



# Victorian TSS proposals - tradeoffs

- Common tariff requires an (acceptable) trade off with cost-reflexivity in parts of network that
  - Peak on weekends (or public holidays)
  - Peak before 3pm on weekdays
  - Peak in winter

The alternative? Excessive peak periods
- We need to address by next TSS:
  - Should we move to locational pricing?
  - Can we shorten the peak window?

# In conclusion

ATA supports moving to **cost reflective** pricing structures, with **opportunities** for consumers to **respond**, when supported by robust **protections** for **disadvantaged and vulnerable** consumers.

Overall, the proposed Victorian Tariff Structure Statements meet these criteria (in context), with minor specific room for improvement.

# (Some of) the bigger questions on cost reflective network tariffs

- Will jurisdictional arrangements or nervous governments stall the reforms?
- Will the AER accept (NNSW) more creative interpretation of the rules?
- Will retailers pass through the price signal?
- Does it matter if they don't?
- Will consumers respond to signals en masse?
- Does it matter if they don't?