

# Cost reflective pricing – residential consumers perspective

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#### Overview

Pricing principles

Consumers: what do they want?

Impact on vulnerable consumers

**NSW Networks and CRP** 



# Cost reflective pricing: Why?

Removing cross-subsidies

Demand management



# Demand management – challenges

Retail component obscures network price signal

Billing frequency obscures price signal

Low level of smart meters

What level of uptake is enough?



## Factors that affect support for CRP

Preference for status quo

Risk aversion

Decision making bias



### Factors that affect choice

- Income
- Education
- Employment
- Household size and type
- Dwelling type
- Home ownership

#### Lack of choice

Embedded networks



#### Consumers

Many consumers are unable to make behaviour changes required by CRP

- Renters
- People with disabilities or medical needs for heating and cooling
- Pensioners or retirees
- Large families
- Low income



## How to help consumers

#### Information and education

- Timing of information
- Quality of information



## How to help consumers

#### Tools to reduce risk of bill shock

- Automation
- Option to try for 3-6 months without being locked in



### A practical example of new pricing

Current round of TSS – meant to apply cost reflective pricing – arguable that they have not

- Calculation of tariff based on LRMC
- Declining block tariff
- Increasing fixed charge
- Lack of choice of tariff design
- Poor information and engagement



## Where to from here?

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## Thank you

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