

# Pricing Reform Workgroup Meeting

**Date:** Thursday, 23 November 2017 - 9:30 am to 11.00 am

**Venue:** TasNetworks Offices 1-7 Maria Street (Admin 1 – Gordon Meeting Room)

**TasNetworks Representatives:** Kirstan Wilding (Chair), Chantal Hopwood, Iain Meaney, Scott Lancaster

**Invitees:** Andrew Nance (CCP)

**Members:** Mark White (UTAS), Robert Mallett (Tasmanian Small Business Council), Jack Gilding (Tasmanian Renewable Energy Alliance), Penny Cocker (Australian Electric Vehicle Association), Ian Fletcher for Rosalind Herbert (COTA), Hayden Moore (Aurora Energy), Tom Kelleher (Aurora Energy), Georgie Palmer (Local Government Association of Tasmania); Andrew Nance\* (AER Consumer Challenge Panel)

**Apologies:** Nick Steel (Tasmanian Farmers & Graziers Association), Sara Chettle (TasWater), Charles Scarafiotti (Nekon P/L), Jonathon Bellette (Aurora Energy), Bruce Fyfe (Tassal Limited), John Cooper (Hydro), Cynthia Townley (TASCOSS), Margie Law (Anglicare), Michael Bailey (Tasmanian Chamber of Commerce and Industry)

\* by telephone

## Meeting Notes

Members were provided with the following pre-reading materials:

- An extract from the *draft* Tariff Structure Statement for the 2019-24 regulatory period setting out the Issues raised by our customers in relation to network tariff reform and pricing, and TasNetworks' responses to those observations and suggestions.
- A summary of our submissions and key themes to our Directions and Priorities Consultation Paper (August 2017), which was released early November 2017.

## Meeting Purpose

The purpose of the meeting was to:

- Outline our pricing strategy and pricing reform plans as set out in the proposed Tariff Structure Statement for the 2019-24 regulatory period, due to be submitted to the AER in January 2018.
- Inform members of our indicative alternative control services prices for 2019-24 regulatory period, this includes metering, public lighting and some connection services.
- Update Pricing Reform Working Group members regarding the impending Power of Choice metering reforms (presentation by Aurora Energy).

## Activity – Revenue reset and pricing discussion

TasNetworks gave a presentation summarising the network tariff reform strategy and pricing initiatives which will feature in the proposed Tariff Structure Statement for the 2019-24 regulatory period, to be submitted to the Australian Energy Regulator in January 2018.

The presentation highlighted the following key elements of the proposal:

- the introduction of new distributed energy resources demand based time of use network tariffs for residential and small business customers on an opt-in basis, subject to the retailer taking up the new pricing from TasNetworks.
- the new incentive to discount the off-peak price of the all demand based time of use tariffs for residential and small business customers to encourage uptake of cost reflective tariffs.
- the importance of working with retailer/s and the Tasmanian Economic Regulator to introduce the network tariffs as new retail offers.
- we propose to reopen the 2017-19 Tariff Structure Statement, to enable the introduction of new Energy Resources network tariff from 1 December 2018.

The following represents a summary of feedback and questions from members.

- In response to the presentation, the TSBC asked why the transition to cost reflective pricing can't be progressed sooner, including the earlier use of opt-out assignment to the new demand based tariffs.
- Discussion about the introduction of the new demand based time of use network tariffs designed for residential and small business customers with DER mid-way through a regulatory year (1 December 2018) and the timing/prospects for the new DER tariffs to reach the retail market, via Aurora Energy.
- AEVA requested a breakdown of electricity consumption across the customer classes identified in the draft Tariff Structure Statement, noting that irrigators were identified as a customer class in their own right. (A chart providing the requested breakdown for 2016-17 is provided below).

**Action: provide PRWG members with a breakdown of electricity consumption by tariff class.**

- TREA expressed disappointment with a perceived mismatch between TasNetworks' Transformation Roadmap 2025, the Directions and Priorities and the Pricing Strategy in relation to integrating DER into the grid and offering payments to customers for the provision of network services.

**Action: TasNetworks to ensure that there is a clear link between TasNetworks' pricing strategy and its network innovation and demand management plans in the pricing documents supporting the revenue proposal.**

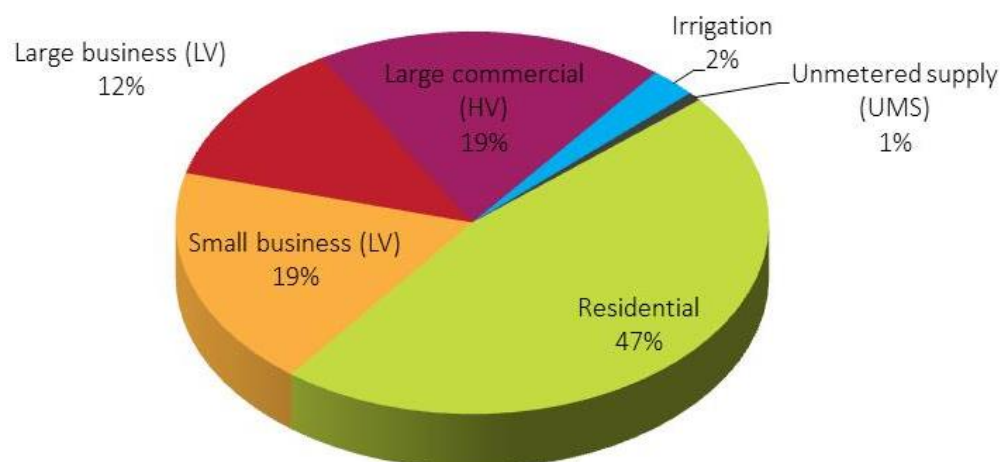
- The TSBC indicated that it is not convinced that, in general, TasNetworks' responses to the issues raised by the TSBC in response to the *Directions and Priorities Consultation Paper* are sufficient, or sufficiently clear.

**Action: Circulate Appendix G of the draft Tariff Structure Statement to the PRWG, which sets out the pricing related feedback received from stakeholders who provided submissions and TasNetworks' responses to that feedback.**

- AEVA suggested that an 'induction package' for new electric vehicle (EV) owners regarding the charging of vehicles, including the implications for customers and the network of vehicle charging, is required in order to encourage EV owners to use the grid in a way that supports network, to the benefit of all customers.
- AEVA also noted that work needs to be done to encourage customers to stay connected to the network, as the more customers that stay connected to the network, the lower the shared costs for everyone.
- Andrew Nance from the AER's Consumer Challenge Panel (CCP) noted the importance of aligning TasNetworks' plans with the Energy Network Transformation Roadmap produced by Energy Networks Australia and the CCP's interest in the pace of pricing reform.

**Action: Circulate TasNetworks' draft embedded network tariff fact sheet to members Action: Circulate TasNetworks' meeting presentation to members.**

### 2016-17 Electricity consumption by tariff class



### Activity – Alternative Control Services – Indicative Pricing

TasNetworks gave a presentation summarising the alternative control services strategy and pricing in the proposed Tariff Structure Statement for the 2019-24 regulatory period, to be submitted to the Australian Energy Regulator in January 2018.

### Public Lighting

As a result of further analysis of the asset and expenditure data, and a greater understanding of revealed costs related to the delivery of public lighting services, it has become apparent that the current public lighting prices fall significantly short of full cost recovery. On this basis, an increase in public lighting prices would be required in order to ensure cost reflectivity.

Introducing a significant step change in prices from 2019 would, however, be inconsistent with our strategy of providing predictable and sustainable prices for customers. TasNetworks is proposing, therefore, to use a gradual glide path for public lighting prices spanning the 2019-24 and 2024-29 regulatory periods, to transition public lighting to fully cost reflective pricing. The revenue foregone during this transitional phase – approximately \$13 million – will be absorbed by TasNetworks, and will not be passed on to other customers.

### **Metering Services**

As part of the transition to competitive metering services for TasNetworks, resulting from the AEMC's Power of Choice reforms, TasNetworks flagged the accelerated depreciation being applied to its fleet of existing Type 6 meters, in recognition of their potentially shortened operational life as a result of the mandatory introduction of advanced meters (on a new and replacement basis) from 1 December 2017.

The use of accelerated depreciation will enable TasNetworks to fully recover its regulated metering capital costs by June 2024, and will result in a short-term increase in the metering capital charge. The non-capital charge will cease when a customer receives an advanced meter. For any Type 6 meters that remain in use at 30 June 2024, there will be no further capital charge and customers should experience an ongoing reduction in their metering charges, until such time as their meter is replaced, through their retailer.

### **Fee Based Services and Quoted Services**

TasNetworks indicative fee based and quoted service prices for the 2019-24 regulatory period are broadly in line with forecast CPI.

### **Advanced Meters – Aurora Energy**

Aurora Energy presented PRWG members with an overview of the changes occurring with the introduction of competition to the provision of metering services from 1 December 2017, as a result of the Power of Choice rule changes.

**Action: Aurora Energy's presentation about advanced metering and the Power of Choice reforms is to be circulated amongst the PRWG.**

### **Meet the Australian Energy Consumer Forum**

TasNetworks facilitated a forum - Meet the Australian Energy Consumer on 2 November 2017. Many members from the PRWG attended the forum.

**Action: Circulate copies of the presentations from CitySmart and TasNetworks from the Meet the Australian Energy Consumer forum**

## Next steps

TasNetworks provided an overview of the next stages of engagement. Members supported the idea to hold the next PRWG around March – April 2018 to discuss the AER's Issue Paper in response to our proposed Tariff Structure Statement 2019-2024.

## Summary of Actions

The table below provides a summary of the actions captured during the meeting that have since been completed.

Action	Responsibility	Due date
• Aurora Energy's presentation to the PRWG about advanced metering and the Power of Choice reforms has been circulated amongst the PRWG.	Kirstan Wilding	27 November 2017
• Appendix G to the Tariff Structure Statement, setting out Pricing related feedback from stakeholders and TasNetworks' responses to that feedback, has been circulated amongst the PRWG.	Kirstan Wilding	27 November 2017
• TasNetworks presentation to the PRWG has been circulated amongst the PRWG.	Kirstan Wilding	27 November 2017
• Circulate a copy of TasNetworks' draft embedded network tariffs fact sheet.	Chantal Hopwood	3 December 2017
• A chart has been included in these minutes that provide a breakdown of electricity consumption by tariff class for the 2016-17.	Chantal Hopwood	3 December 2017
• Circulate copies of the presentations from CitySmart and TasNetworks from the Meet the Australian Energy Consumer forum.	Chantal Hopwood	3 December 2017
• PRWG members are to provide feedback on Appendix G to the Tariff Structure Statement.	PRWG members	7 December 2017

Meeting closed at 11:10 am

Next meeting: March / April 2018