



TasNetworks
Delivering your power

Pricing Reform Working Group

23 November 2017

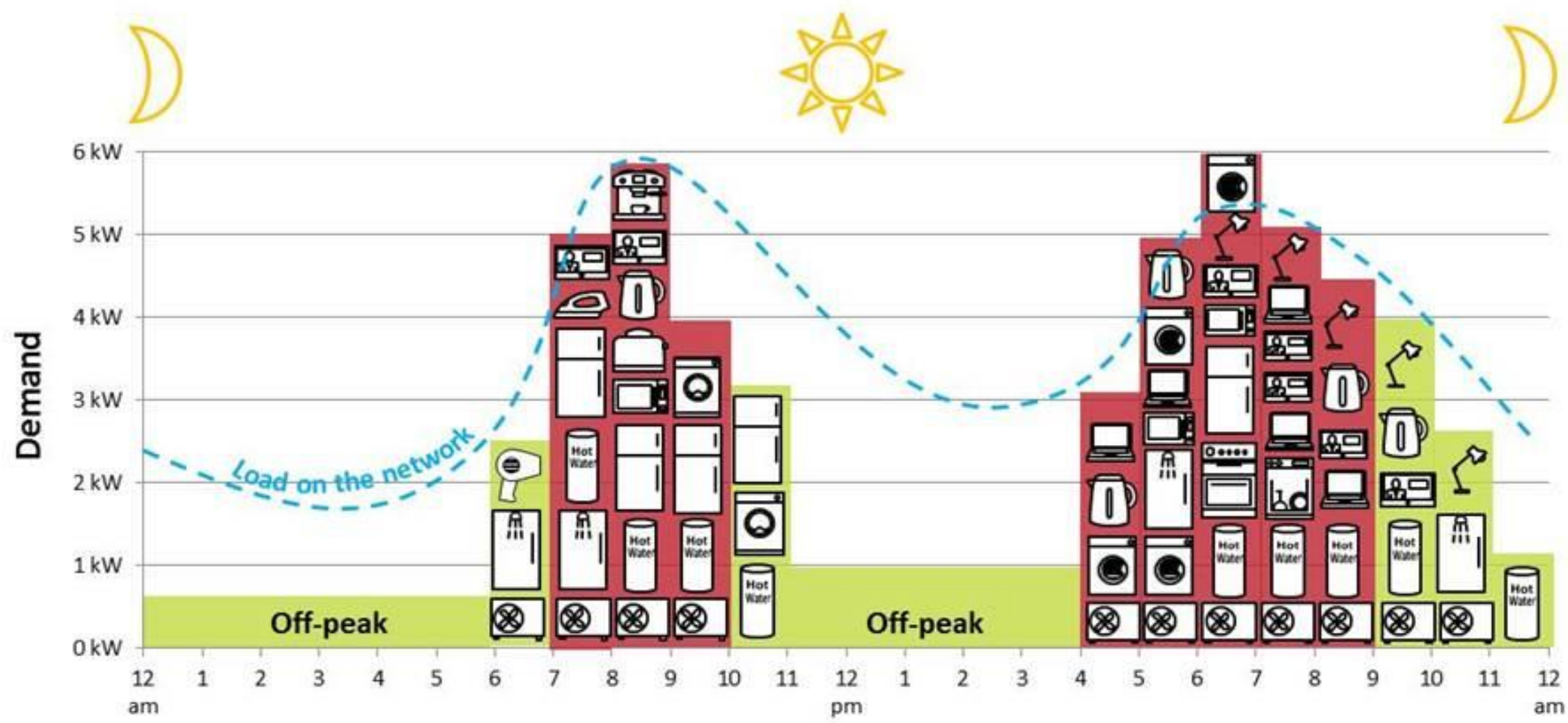
Agenda

- ✓ Welcome and safety
- ✓ Apologies
- ✓ Introductions

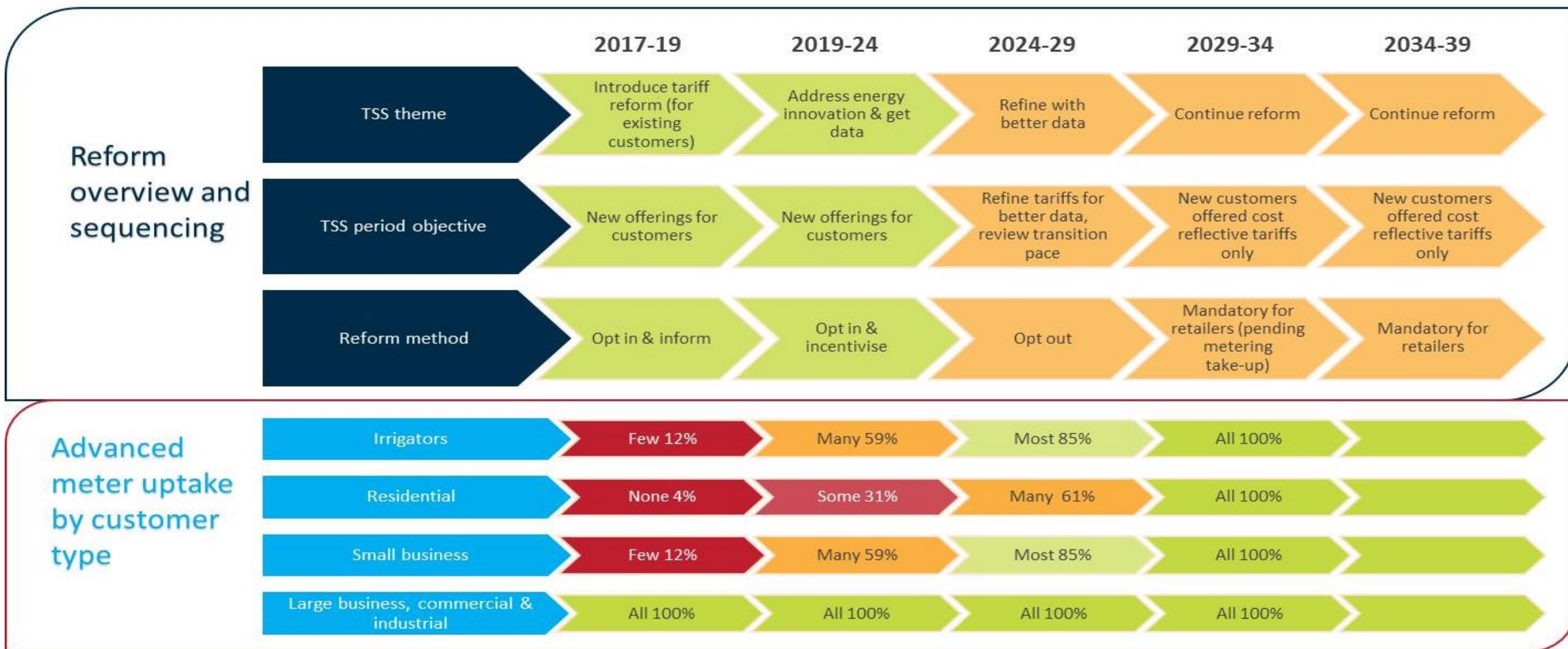
Agenda items for November

- ✓ Reset and pricing feedback discussion
- ✓ Reset 19 – alternative control pricing
- ✓ Advanced meters – Aurora Energy
- ✓ Next steps (timing)

Improving the way we price our services



Network pricing reform overview



Proposed 2019-24 Tariff Structure Statement



- **2017-19 continuing our reforms by:**
 - developing cost reflective (time of use consumption and demand) tariffs for existing customer types, where our customers can choose to opt in
 - gradual rebalancing of our tariffs and revenues



- **We are proposing the 2019-24 TSS will:**
 - continue gradual reforms, which includes removal of nursing home, curtilage and controlled off peak (T61) no longer available to new customers
 - trial incentives to encourage all customers to consider demand based tariff options – 1 Dec 2018 start (end of grandfathered feed in tariff)
 - introduce new Distributed Energy Resources tariffs targeted to new customer types with emerging energy technologies, so all customers can benefit from lower costs
 - gather data to refine our tariff suite and transition plan
 - prepare for transition from mid-2024 to cost reflective pricing to retailers
- **Post June-2024 we are proposing:**
 - cost reflective pricing to retailers (opt-out instead of opt-in)
- **Advanced metering technology underpins the progress of pricing reform**



Feedback activity

Feedback activity

- ✓ Queries and feedback on the Directions and Priorities Summary of Feedback paper
- ✓ Queries and feedback on the summary of feedback from customers on our pricing strategy



Overview of Alternative Control Services (ACS)

- ✓ Services that can be more directly attributed to an individual customer
- ✓ Distribution services priced outside the revenue cap using service-specific charges. ACS services are:
 - ✓ public lighting services
 - ✓ type 5-7 metering services
 - ✓ ancillary network services (fee based and quoted services).



Strategy overview

Alternative Control Services Pricing Strategy

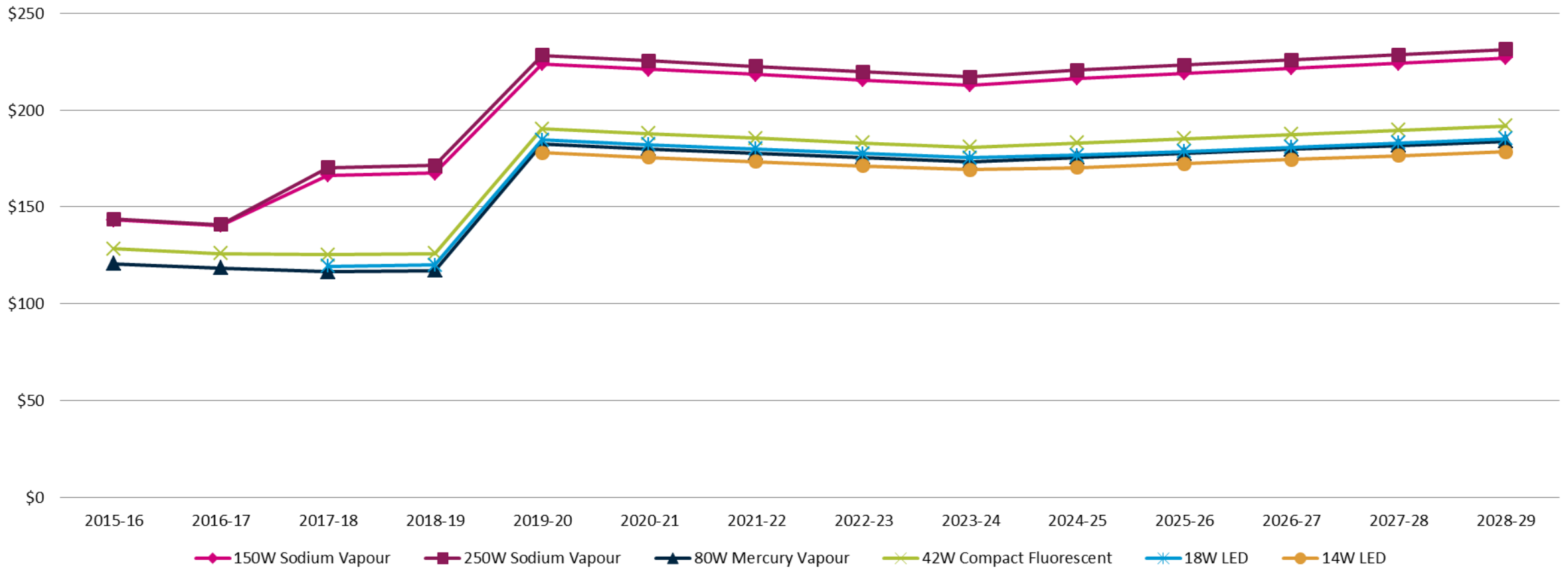
- ✓ Alternative Control Services are price capped not revenue capped
- ✓ Our pricing strategy is full cost recovery and a (modest) return to the business
- ✓ Greater clarity on the appropriate level and allocation of costs will see some step changes in prices due to increased cost allocation to ACS
- ✓ A glide path is proposed for public lighting prices to support strategy but avoid large price shocks

Strategy

- ✓ Continue to use current pricing approach of an annuity calculation
- ✓ Proposing a price path for public lighting to mitigate impact of significant step change in prices
 - ✓ Will not recover full costs until end of 2024-29 period
- ✓ New public lighting technology has been reclassified from Negotiated Service to Alternative Control Service
 - ✓ Price for new lighting services (including new technology) will be set in advance
 - ✓ Approach consistent with feedback from Local Government Association of Tasmania

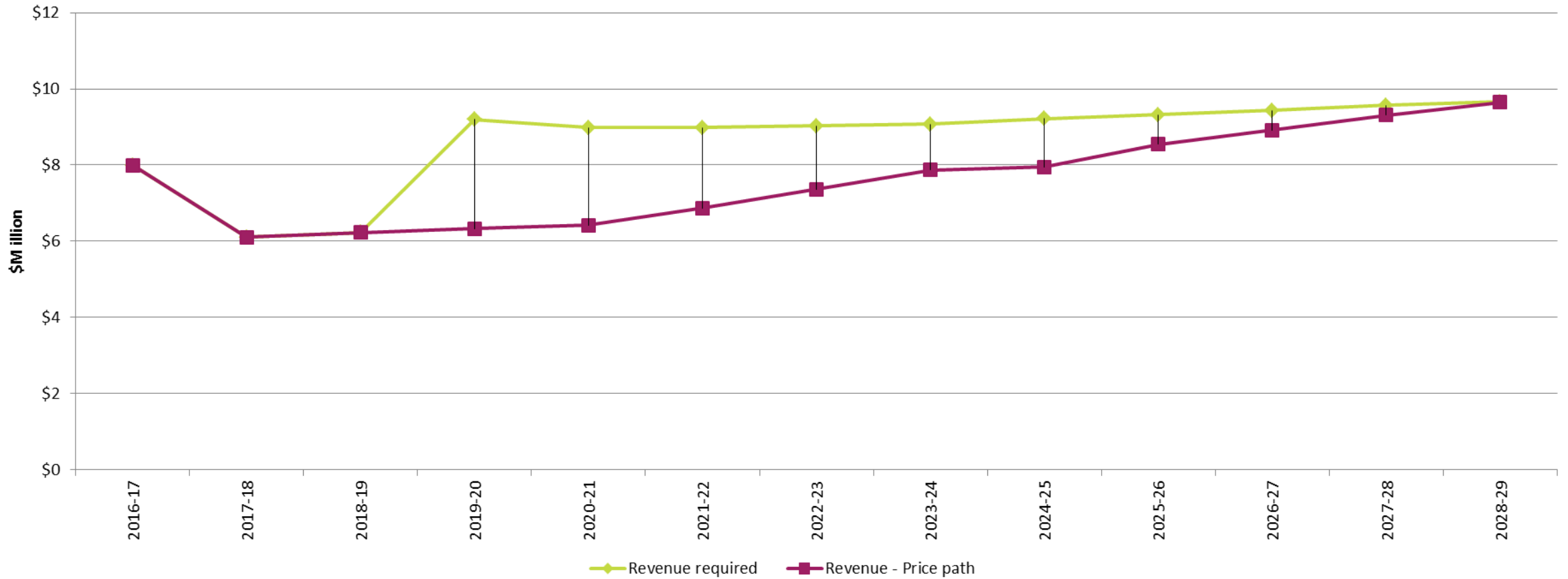
Indicative prices – public lighting

(base case, \$16-17)



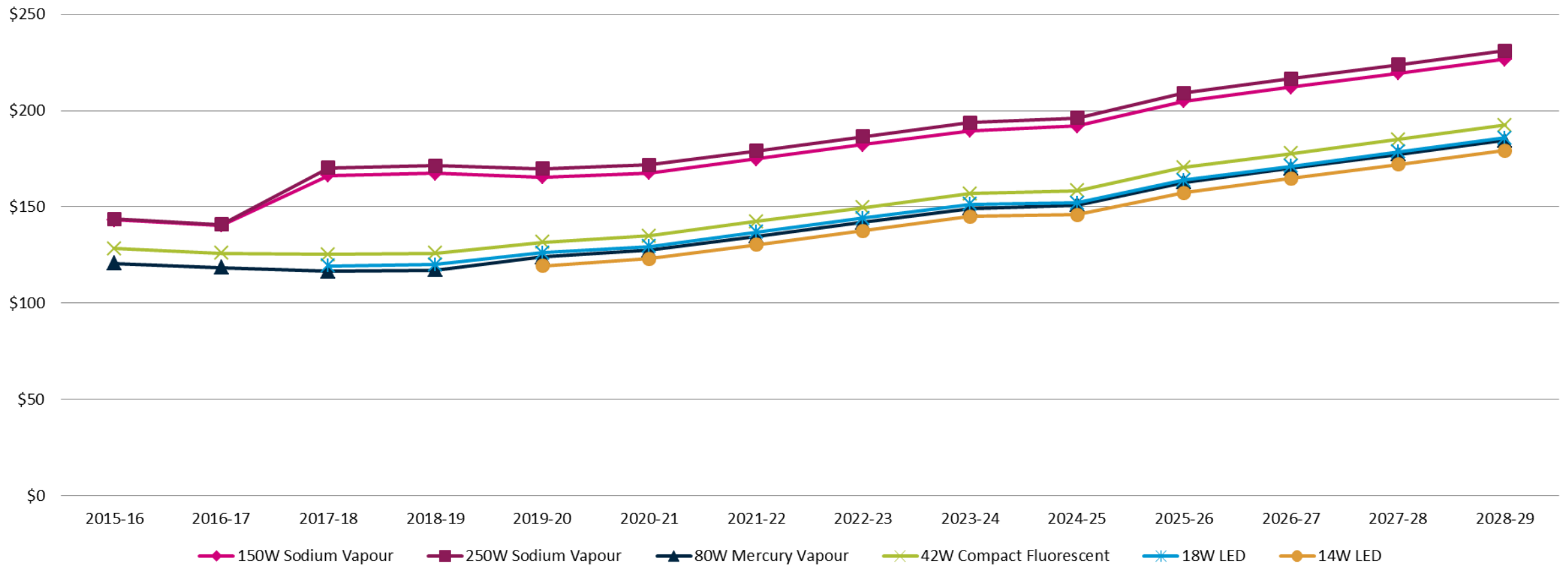
Indicative prices – public lighting

(revenue reduction, \$16-17)



Indicative prices – public lighting

(price path, \$16-17)





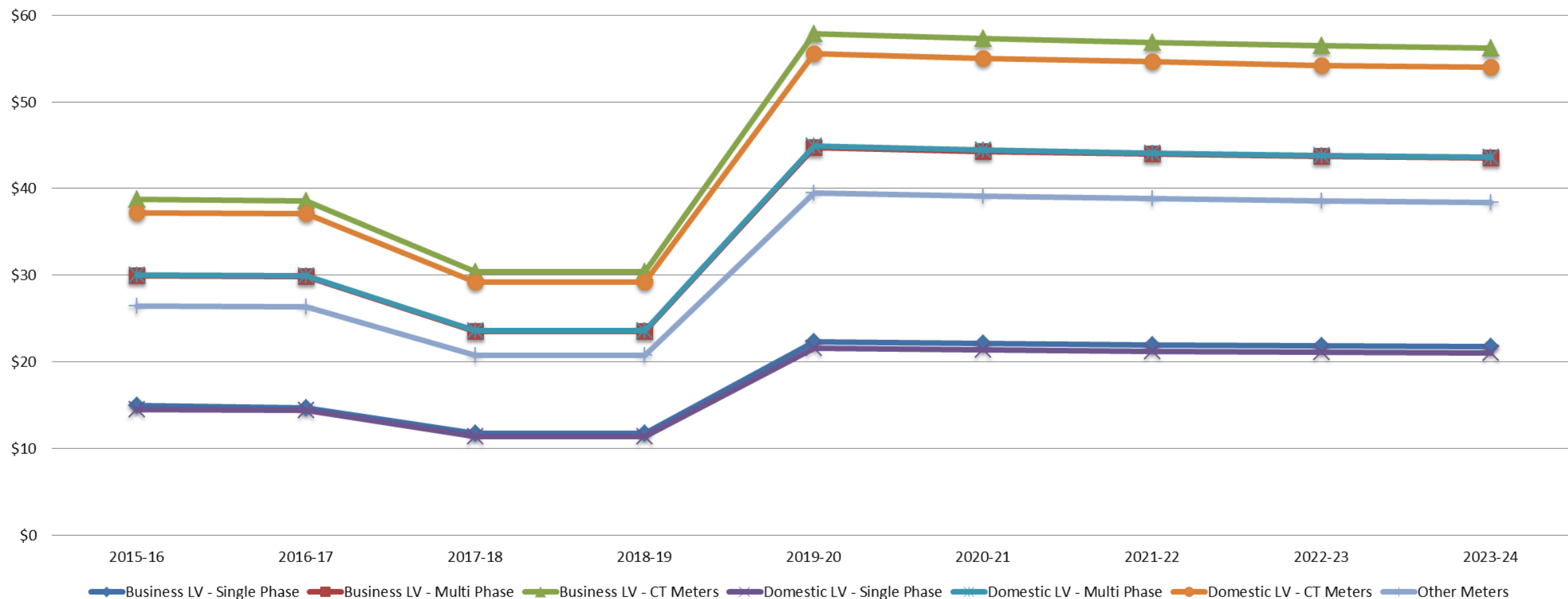
Metering services

Strategy

- ✓ Continue to use current pricing approach
 - ✓ Separate capital & non-capital charges
- ✓ Accelerated depreciation of metering assets over 5 years rather than up to 15 years
 - ✓ Impact is about \$10 per annum on average for a network metering capital charge during the 2019-24 regulatory control period
 - ✓ Capital charge falls to \$0 after 30 June 2024

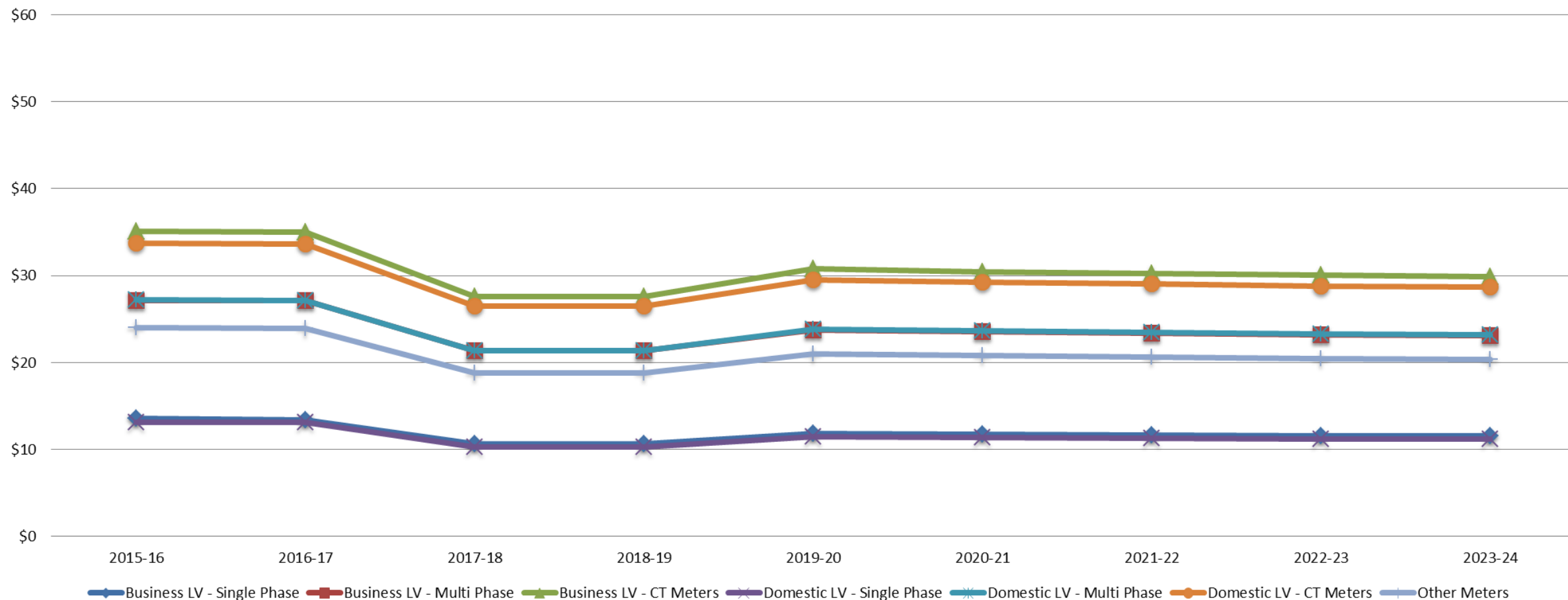
Indicative prices – metering services

(capital charge \$16-17)



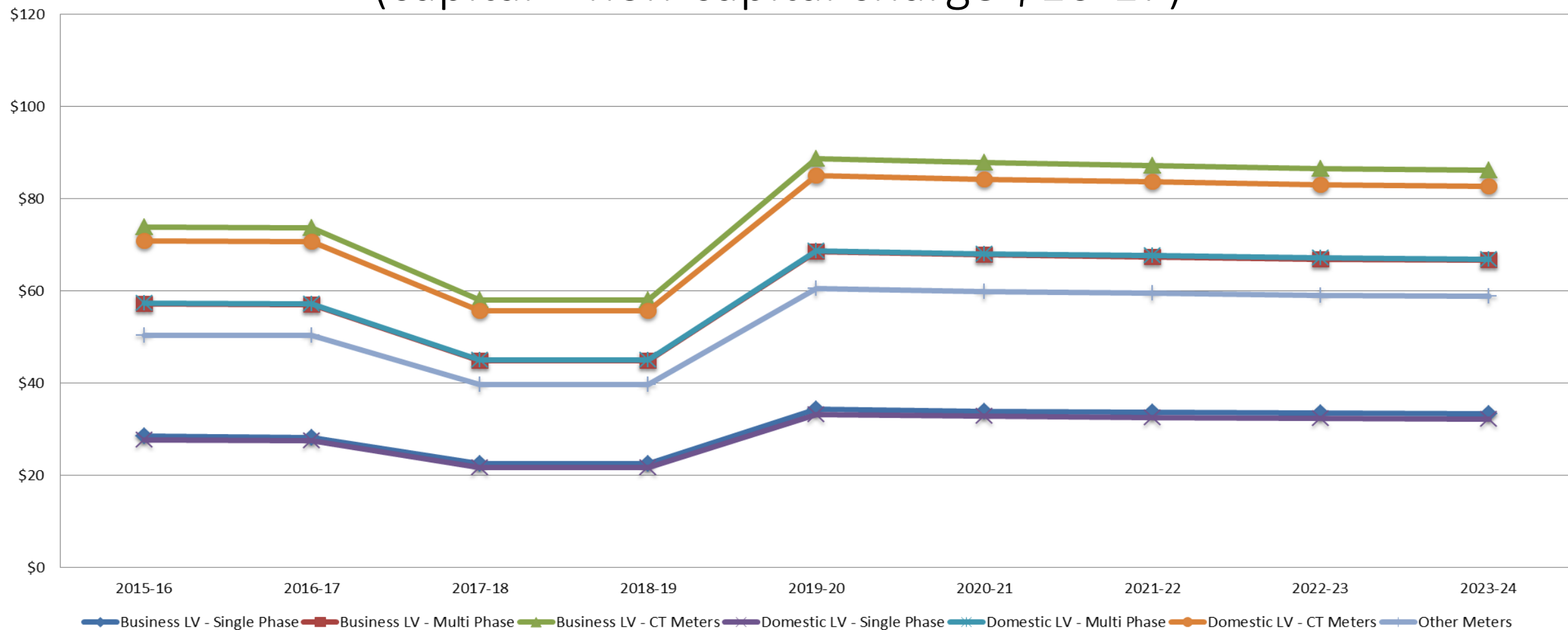
Indicative prices – metering services

(non-capital charge \$16-17)



Indicative prices – metering services

(capital + non-capital charge \$16-17)





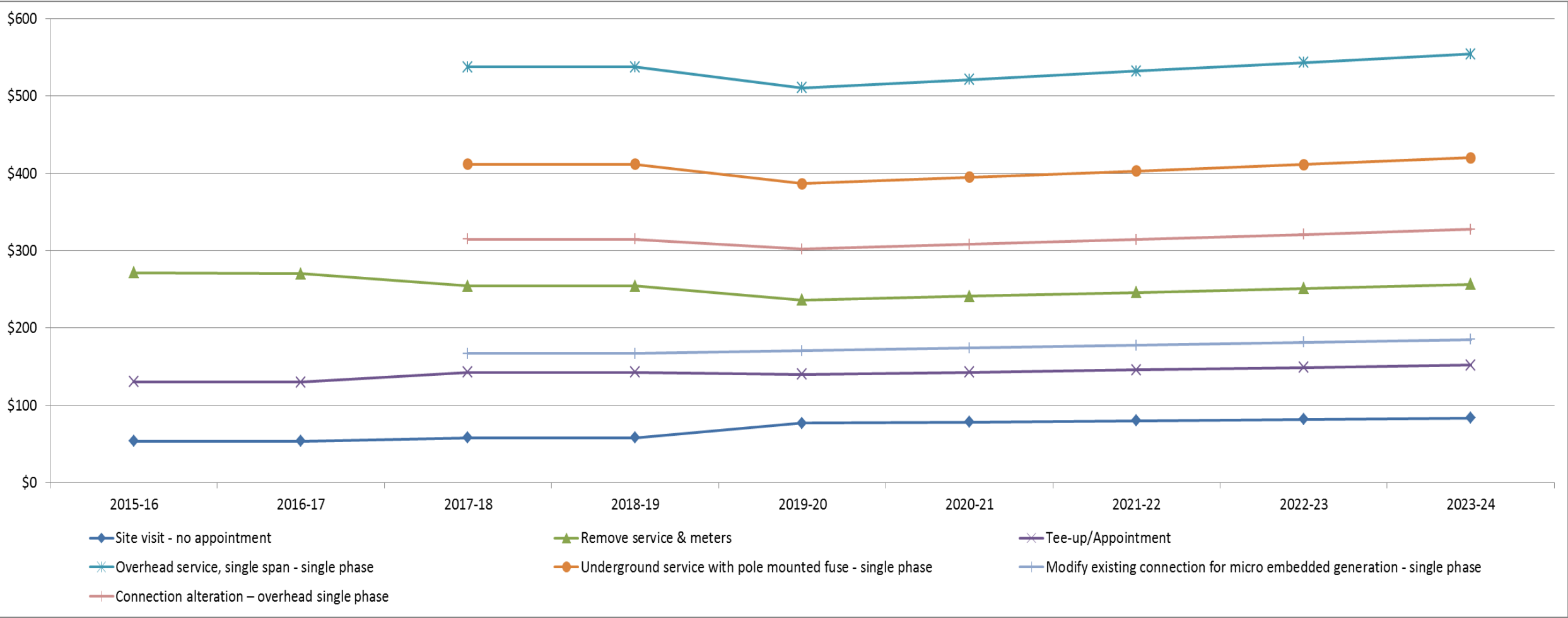
Fee based services

Strategy

- ✓ Historically a loss making business segment, costs not adequately recovered
- ✓ Eg basic connection services, re-energisation and de-energisation
- ✓ Continue with current pricing approach, inputs amended to reflect revealed costs of service provision



Indicative prices – fee based services (\$16-17)



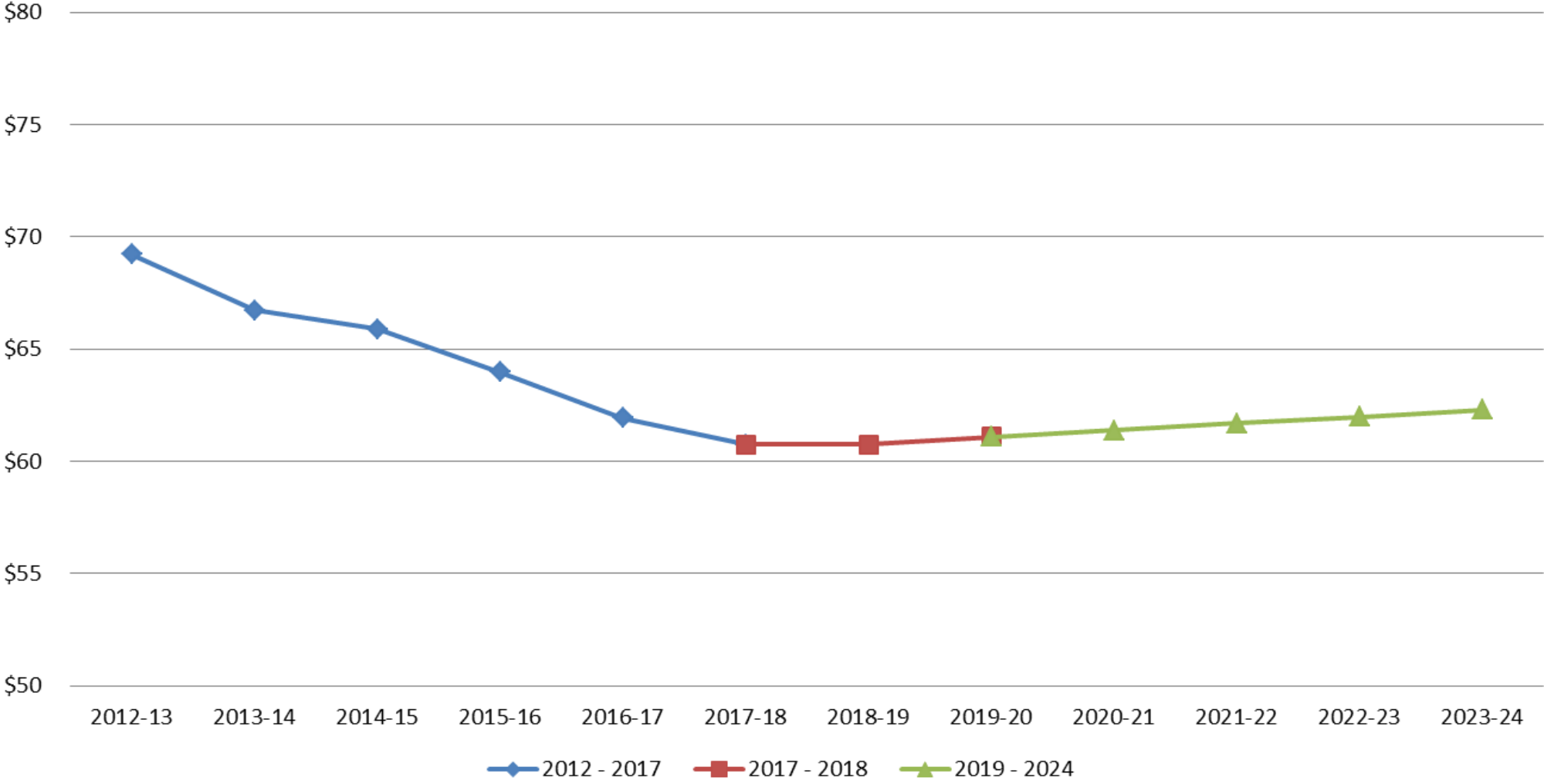


Quoted Services

Strategy

- ✓ Historically a loss making business segment, costs not adequately recovered
- ✓ Continue with current pricing approach, inputs amended to reflect revealed costs of service provision
- ✓ Ongoing business focus on process improvement

Indicative prices – quoted services
(Average labour rates, \$16-17)





Next steps



Next steps and timing

- ✓ Regulatory Proposal (Tx and Dx) – **submitted 31 Jan 2018**
- ✓ Tariff Structure Statement – **submitted 31 Jan 2018**
- ✓ Australian Energy Regulator consultations between March-April
 - ✓ Regulatory Proposal Forum
 - ✓ Issues Paper
- ✓ Pricing engagement ongoing and targeted e.g. in response to the AER issues paper we plan to engage with our PRWG members



Thank You

We welcome any feedback:
Kirstan Wilding, Leader Regulation
kirstan.wilding@tasnetworks.com.au