

Tariff Reform Working Group

Workshop Notes

Chair:	Kirstan Wilding
Attendees:	Robert Mallett (Small Business Council), Kath McLean (TasCOSS), Marcus McKay (State Growth), Matt Fenton (Treasury), Paul Grzinic (Aurora Energy), John Deveraux (Goanna Energy for Aged Care Tasmania), Ricky McCulloch (ERM), David Bowker (Hydro) Chantal Hopwood, & Jo Arnol (TasNetworks)
Date and time:	Thursday, 11 th February 2016
Location:	1-7 Maria Street, Lenah Valley
Apologies:	Jack Gilding (Tas. Renewable Energy Alliance), Heather Lovell (Uni. of Tas.), Megan Sperring (Treasury)

Agenda

Item	Topic
1	Introduction
2	Tariff Strategy and Tariff Structure Statement
3	Activity 1 - feedback
4	Activity 2 – Customer Impacts
5	Open forum
6	Next Steps

Activity 1:

TRWG members and observers were split into groups of two. Each group was provided with a printout of the customer feedback table from TasNetworks Tariff Structure Statement.

Each group was then asked to share their thoughts and or insights with the wider group. The summary below captures the key points shared during this activity.

TasCoss

- TasNetworks Tariff Strategy does not clearly explain that the new demand based tariff offerings are offered to customers as a choice via a retailer. The critical link is the retail tariff offering – a word change is suggested to make this clear.
- A number of questions remained unanswered including, in particular:
 - what is the transition strategy timeline; and
 - the impact on customers, in particular as it relates to the realignment of the Uncontrolled Low Voltage Heating (TAS41) tariff.
- The following aspects of TasNetworks Tariff Strategy and tariff reform more broadly remain concerning:
 - potential abolishment of the Uncontrolled Low Voltage Heating (TAS41) network tariff;
 - increasing service charges; and
 - the potential impact on vulnerable customers and the lack of progress in this area – who is leading this?

Aged Care Tasmania

- Reducing revenue distorts the impact of tariff reform, however, it also provides the opportunity to reduce the bill impact of network tariff reform on customers. This opportunity may not arise again.
- Increasing service charges will not help with the objective of trying to keep people connected to the network and has the potential to impact the effectiveness of price signals. The more customers that remain connected to the network, the better it is for all customers as network costs can be shared across a wider customer base, thereby reducing the individual cost.
- Increasing service charges also negatively impact vulnerable customers - if you want to encourage behavioural change do not increase service charges!
- There are sound historic reasons which underpin a number of the existing network tariffs, and there may be long term economic benefits for Tasmania in continuing with aspects of the current tariff suite (i.e. Uncontrolled Low Voltage Heating tariff (TAS41)).
- It is important to engage with customers so they are able to understand tariff reform and what it means for them. Information linked to appliance usage may assist in answering questions like:
 - *What's in it for me?*
 - *How do I respond?*
- TasNetworks is talking about genuine tariff reform over 10-15 years, but customers decision making frame only extends over 3 years maximum – the transition timeline is too long!

Small Business Council of Tasmania

- The introduction of different network tariff offerings has the potential to generate more competition in the Tasmanian retail market.
- Unless retailers adopt the new demand based network tariffs– it is all for naught. It is important to ensure customers have the information they need to make informed decisions and so that they can put pressure on retailers and/or the Government to ensure network price signals are reflected in retail tariffs.
- In relation to increasing service charges: the fixed charges associated with water charges for example, do not encourage me to use less water! Do we really want to increase electricity service charges to that point? Why would a customer change their behaviour in that instance?

ERM

- We don't yet understand the propensity for customers to change behaviour and/or tariffs.
- The metering implications arising from TasNetworks Tariff Strategy are unclear.
- Customer education and communication is crucial to the success of tariff reform and the difficulty in explaining these concepts to customers should not be underestimated. Do we have enough data to equip customers to make informed decisions?
- Vulnerable customers will particularly suffer as a result of tariff reform.

Aurora Energy

- The vast majority of customers do not understand the concept of a demand based tariff.
- Customers are primarily interested in whether they will be better off under a different tariff offering, what tools will customers be provided with to enable them to understand the concept of demand?
- Educating customers will be a costly exercise, and the 'first movers' will most likely bear the majority of the costs.
- The cost of metering will be an important consideration for customers and has been largely left out of the discussion to date.
- Additional costs associated with storing increased data volumes (interval data) needs to also be considered.
- Time of use tariffs encourage people to look at options where they can store power and use it at a time when the tariff charge is lower.
- Tariff reform has implications for vulnerable customers.

Hydro Tasmania

- A move to cost reflective pricing does not necessarily align with the requirement for postage stamp pricing for small customers in Tasmania.

Activity 2:

TRWG members and observers were split into groups of two. Each group was provided with:

- customer impact analysis, comparing network bill impacts for key tariffs, highlighting the difference in forecast network bill from 2015-16 to 2018-19
- distributional impact analysis showing the breadth of customer impacts by tariff
- a summary of the proposed changes to service charges from 2015-16 to 2018-19

Each group was then asked to share their thoughts and or insights with the wider group. The summary below captures the key points shared during this activity.

Business Low Voltage Time of Use Network Tariff (TAS94)

- These customers are those with a reasonable size business
- Overall service charges are forecast to increase over the period (2015-16 to 2018-19)
- Analysis outlines good spread in terms of forecast customer savings – a lot of customers will see a decrease in actual network costs (at least 90% of customers)
- Still important to be able to understand what the tipping point is in terms of benefits for switching between tariff offerings
- If customers are prepared to do the analysis they will find they can benefit
- It is important to recognise that impact analysis reflects network charges only – metering and electricity costs are excluded

Residential Network Bill Impact

- Majority of customers are forecast to see a reduction in actual network costs – except for 11%, it isn't clear what types of customers will see an increase network charges although it is assumed to be customers who are proportionally high users of the Uncontrolled Low Voltage tariff (TAS41).
- Of the 11% most customers are expected have network bill increases between 0 and 5%.
- It would be useful to understand the usage profiles of customers who are forecasts to see an increase in network costs (what is the tipping point?)
- Better understanding the household characteristics of a high user, may assist in this respect, although it may further confuse customers.
- There is a lot of complexity in terms of customer bill impact; analysis has not necessarily changed our thoughts on increasing service charges.

Business LV Nursing Homes (TAS34)

- Nursing home tariff is a legacy tariff which has been transitioning for a period of time. Recently, the realignment has focussed on the second energy step component of the tariff.
- There are currently approximately 70 customers remaining on this network tariff. Over time, the majority of customers have transitioned to other tariff offerings (i.e. Business Low Voltage Time of Use (TAS94)).
- Analysis shows that more than 50% of customers on this tariff will see a 5 per cent increase network charge. This needs to be considered against the context of other customers being

forecast to see a decrease in network charges, therefore this is not a good outcome for our customers.

- There are alternate network tariffs available for these customers – that is not the case for all customers.
- Individual customer impact analysis is likely to show that these customers would be better off on an alternate tariff offering – not all customers demonstrate a propensity to shift tariffs.

Note: further information has been requested in relation to this activity – information requests have been captured within the actions register.