

Policy and Regulatory Working Group Minutes

Date: Tuesday, 20 October 2020 10:00 am to 12.30 pm.

Venue: held online via Zoom.

TasNetworks Representatives: Chantal Hopwood (Leader Regulation, Chair), Julie Morrison (Team Leader Network Pricing Analytics) and Shannon Culic (Senior Regulatory Analyst).

Attendees: Charles Scarafiotti (Nekon Pty Ltd); Django Still (Aurora Energy); Jack Gilding (Tasmanian Renewable Energy Alliance); John Cooper (Hydro Tasmania); Kylie Donaghy (Tasmanian Farmers & Graziers Association); Mark White (University of Tasmania); Penny Cocker (Australian Electric Vehicle Association); Robert Mallett (Tasmanian Small Business Council); Stephen Durney (Tasmanian Council of Social Service).

Apologies: Bruce Fyfe (Tassal); Chris Ferguson (Department of Education); Corina Woolford (Aurora Energy); Georgia Palmer (Local Government Association of Tasmania); Georgia Smith (Hydro Tasmania); Hayden Moore (Aurora Energy); Liam Foden (1st Energy); Marc White (Goanna Energy); Martin Bullen (Department Health & Human Services); Margie Law (Anglicare Tasmania); Michael Bailey (Tasmania Chamber of Commerce and Industry); Sara Chettle (TasWater); Tom Kelleher (Aurora Energy); Sue Leitch (Council on the Aging Tasmania).

1. Forum Purpose

The forum focussed on TasNetworks' pricing strategy, progress to date, barriers to the uptake of cost reflective network tariffs and the emergence of Distributed Energy Resources (**DER**). The first half of the forum focussed on the rollout of advanced meters and the uptake of cost reflective network tariffs. Members were then asked to provide their input on what the barriers are to customers moving to cost reflective tariffs. The second half of the forum discussed the growth of DER, such as solar PV, electric vehicles and batteries, and the impact and opportunities on the Tasmanian distribution network. Following this, members were asked for their input on what they perceive are the key challenges of DER on the network.

2. Format Trial

The forum trialled a new meeting format. Several members of the Policy and Regulatory Working (**PRWG**) group are also members of TasNetworks' Customer Council. To ensure we are using member's time effectively and eliminating the instance of members hearing the same presentation twice, we trialled a combined forum across both engagement groups. Topics relevant to both groups were shared at the beginning of the session following which the two groups were separated into distinct breakout sessions with the Customer Council and Policy and Regulatory Working Group forums running concurrently. Members who are represented in both groups were provided with the agenda for each session and asked to nominate which stream they wanted to attend.

3. Policy and Regulatory Working Group Stream

Pricing Strategy Re-Cap and Network Tariff Assignment Policy

The presentation slide pack and additional reading has been attached for your information.

3.1 Purpose and objectives of pricing strategy engagement

Speaker: Chantal Hopwood, Leader Regulation.

- Ms Hopwood shared with member's the purpose of the October 2020 forum, noting that the meeting has a particular focus on tariff assignment policy and network tariff options for customers with DER.
- Ms Hopwood also shared the finalised distribution pricing principles noting that the changes reflect both where we are at the moment and future developments in the electricity market.

3.2 Pricing strategy re-cap

Speaker: Julie Morrison, Team Leader Network Pricing Analytics.

- Ms Morrison provided an overview of TasNetworks' current network tariff assignment policy, which places a consumption based time of use network tariff as the default tariff for all new connections or customer-led meter changes.
- Members were then provided with an update on the rollout of advanced meters in Tasmania and the uptake of cost reflective network tariffs.
- Ms Morrison shared that advanced meter installations has exceeded TasNetworks' previous expectations, however, in comparison, the uptake of cost reflective network tariffs is lagging.
- 75 per cent of customers opted out from moving onto a cost reflective network tariffs at the time their meter was changed (including new meter installations).

3.3 Engagement Activity One

Facilitator: Shannon Culic, Senior Regulatory Analyst

- *The first engagement activity focussed on the reasons why customers are not taking up cost reflective tariffs at a higher rate.¹*

Question 1. What are the barriers to TasNetworks achieving the current pricing strategy?

Question 2. What is needed to facilitate effective electricity network tariff reform? What are we currently missing?

Via Menti, members shared that the top four barriers for customer uptake of cost reflective network tariffs include:

1. Customer uncertainty on financial benefits.
2. Difficult understanding different tariff types.

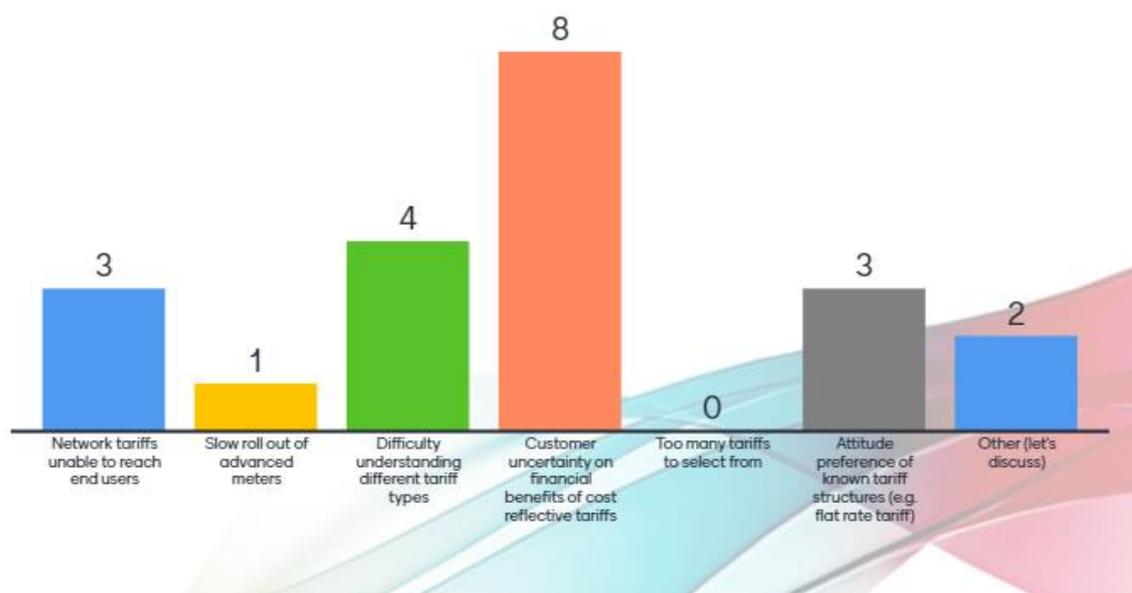
¹ The polling platform Menti was used to facilitate discussion. This can be access via www.menti.com.

3. Attitude preference of known tariff structures.
4. Network tariffs unable to reach customers.

Based on the answers above, members provided the following comments:

- Information provision is significantly lacking during the meter change process, with a lack of direction or call to action regarding tariff choice.
 - Retailer interaction with customers is lacking and customer communications.
- There is an opportunity to provide customers with more information on what tariff option best suits their needs and will be financially beneficial.
 - Size of the peak rate alarms customers and customers need more evidence that time of use is beneficial; and
 - More education required on different tariff types.
- Information shared with customers regarding the best tariff option for them should be provided in simple, easy to understand language.
- More information on what tariff options could be provided in association with relatable customer groups, i.e. large, working family or stay at home couple.

Image 1: Engagement activity responses of members via Menti.



Growth, opportunity and impact of Distributed Energy Resources

3.4 Network impact

Speaker: Julie Morrison, Team Leader Network Pricing Analytics

- Ms Morrison discussed the opportunities and impact of DER technologies.
- Ms Morrison shared that networks are built to supply peaks in the demand for electricity and that part of developing cost reflective pricing is to encourage more of the network's capacity to be used more of the time, rather than just at peak times.

- Members were provided with interval advanced meter data that compared consumption over a two year time-frame which showed that:
 - Residential customers on the flat rate network tariffs were displaying a year on year increase on average consumption with higher utilisation during peak periods.
 - Whereas those customers who have moved to the consumption based time of use tariffs were showing a downward shift in the evening peak.
- This data is still limited and it is unclear yet if this behaviour is in response to pricing signals, COVID-19 or whether it is early adopters who are more easily able to adjust their consumption.
- Ms Morrison then discussed some of the adverse impacts of DER on the network.
- Members were provided with information that solar PV can give rise to localised power quality issues and in some markets, is also contributing to minimum demand.
- Although Tasmania is yet to experience some of the issues facing other distribution networks – especially in terms of capacity – TasNetworks still needs to be prepared to integrate more solar PV (and other forms of DER) in the future.

3.5 Engagement Activity Two

Facilitator: Shannon Culic, Senior Regulatory Analyst

- The second engagement activity focussed on the emergence of DER and how TasNetworks can work with stakeholders to respond to these new technologies.
- The summary of questions and comments are provided in Section 5.

Question 1. What are the key network challenges associated with the emergence of these new technologies (solar PV, batteries, electric vehicles)?

Image 2: Engagement activity responses by members via Menti.



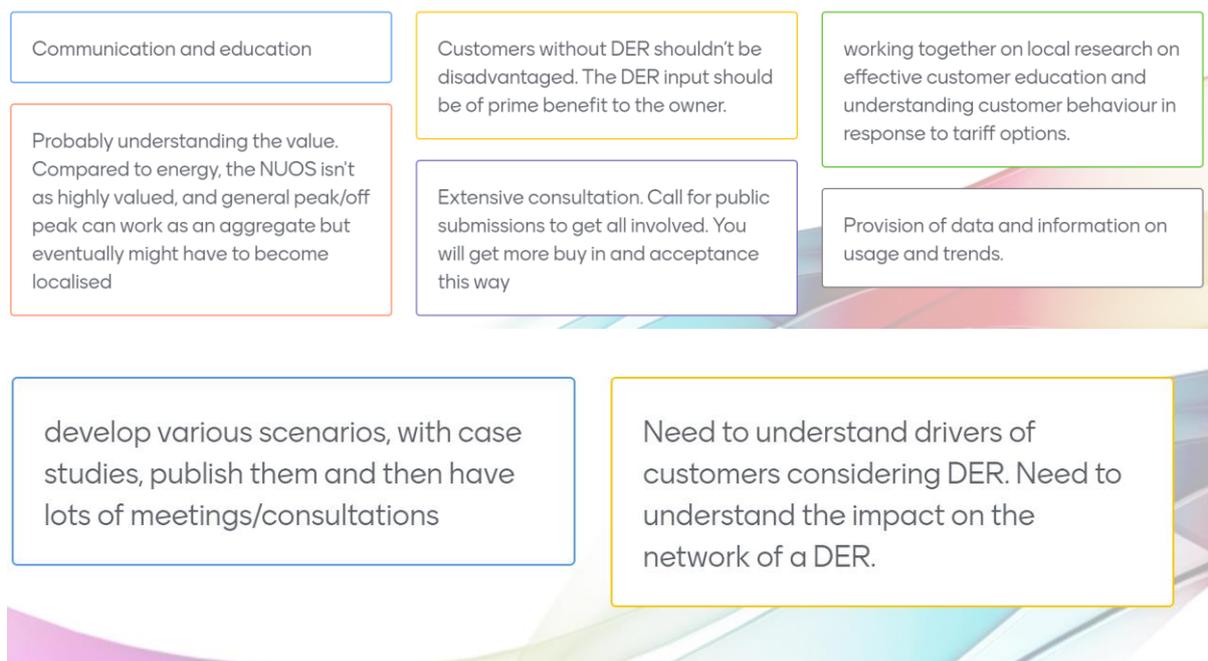
Question 2. How does TasNetworks work with stakeholders to develop a pricing structure that is relevant for the future?

Answers that were submitted via Menti are provided below

- Communication and education.

- Customers without DER shouldn't be disadvantaged. The DER input should be of prime benefit to the owner.
- Working together on local research on effective customer education and understanding customer behaviour in response to tariff options.
- Probably understanding the value. Compared to energy, the network use of system (NUOS) charge isn't as high valued, and general peak/off peak can work as an aggregate but eventually might have to become localised.
- Extensive consultation. Call for public submissions to get all involved. You will get more buy in and acceptance this way.
- Provision of data and information on usage and trends.
- Develop various scenarios, with case studies, publish them and then have lots of meetings/consultations.
- Need to understand drivers of customers considering DER. Need to understand the impact on the network of a DER.

Image 3: Engagement activity responses by members via Menti.



Further commentary

Based on the answers above, members provided the following comments:

- Question difficult to answer, as different DER has different challenges associated with it.
- Need to understand what the source of behaviour change is, and is this automatic (i.e. dishwashers set for overnight) or manual.
- The world is changing, solar PV is increasing, and we need to manage the current network but also understand what the network will look like in 2050. We need to plan for this network and understand how trials, such as the Bruny Island Battery Trial, would be possible on the wider network.

- There are new technologies emerging, such as electric vehicle to grid technology. Customers are realising that they do not need batteries with solar panels if they have an electric vehicle.
- Need to understand the individual motivation and drivers of customers purchasing DER.
 - Environmentalist.
 - First adopters.
 - ROI for customers – time to return to cost-neutral.
- DER is of prime benefit to the owner.
- Lack of understanding of localised value of DER, otherwise it costs to use the network – change the mentality.
- Opportunity to understand how our more vulnerable customers can access DER technologies.

4. Summary of questions

4.1 Policy and Regulatory Working Group Stream

The responses to the questions below were provided on behalf of TasNetworks.

- *Why is the Australian Energy Regulator (AER) concerned about the pace of reform?*
 - The AER is promoting a faster uptake of cost reflective tariffs NEM-wide.
- *What is the difference between consumption and demand based tariffs?*
 - Consumption based tariffs are based on the amount of energy consumed over a period of time, whereas demand based tariffs charge based on the maximum demand your energy use places on the network at a given time.
- *Were the levels of advanced meter rollout (which were exceeded) for 2024?*
 - Yes, the advanced meter rollout expectations were based on levels for 2024 and that we are on track to exceed these numbers.
- *When would Tasmania constraint export limits?*
 - We are focussing on connection standards to ensure we do not have to impose limits to exports.
- *What is the problem with minimum demand?*
 - Minimum demand is needed for network stability and can give rise to localised power quality issues.
- *Can localised power quality issues be better understood through advanced meter data?*
 - We are currently receiving a sample set of advanced meter data, such as voltage power factor, which is helping us better understand the network.
- Comment – members shared that they appreciated the additional supporting material and data to understand customer usage trends.

5. Further reading

- Members were provided with additional reading to support our member's understanding of the forum topics and provide further insights into how TasNetworks is progressing against our pricing strategy. We encourage all members to review the additional reading at your own leisure.²

6. Summary of actions

The table below provides a summary of the actions captured during the meeting. We will update members as the actions progress.

Action	Due date	Status
• Circulate and publish forum minutes and actions to all members	30 October 2020	Complete
• Post feedback survey	30 October 2020	Complete
• Refine additional supporting material based on member comments and circulate this to members	6 November 2020	In progress

7. Forward engagement plan

The table below provides a summary of the Policy & Regulatory Working Group forward engagement plan.

Each forum will focus on aspects relating to TasNetworks' pricing strategy development, current business projects and/or regulatory updates. A detailed agenda will be provided prior to each meeting.

Engagement activity	Topic	Date
• Policy & Regulatory Working Group Forum	Pricing strategy development	Early 2021 (likely February / March)
• Policy & Regulatory Working Group Forum	Pricing strategy development	Mid 2021 (likely June / July)
• Policy & Regulatory Working Group Forum	Pricing strategy development	Late 2021 (likely September / October)

Meeting closed at 12.30 pm.

Next meeting: Early 2021 - date to be determined.

² The additional reading pack can be found at <https://www.tasnetworks.com.au/poles-and-wires/pricing/modernising-pricing>.