

Submission to the AER in response to the TasNetworks revised Tariff Structure Statement

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This submission addresses issues in response to the TasNetworks Revised Proposal related to proposed changes to network tariffs.

Phasing out of TAS31, TAS41 and TAS22

Retail tariffs based on these network tariffs have been the most common tariffs for residential and small business customers in Tasmania for many years. TasNetworks is proposing that these network tariffs will not be available for new customers from 1 July 2024 and the arrangements for existing customers to stay on these tariffs are complex.

It is worth noting that Aurora, the major retailer in Tasmania, has traditionally allocated retail tariffs based on the corresponding network tariff and there is no indication that this policy is likely to change. So effectively policy decisions by TasNetworks will be directly implemented by Aurora.

There are a number of situations in which existing customers will be forced onto the new tariff (sometime with a 12 month opt-out period):

- **New meter installation.** Aurora and the state government are committed to upgrading all meters to advanced meters. The majority of residential and small business customers in Tasmania will have advanced meters installed by the end of 2024 so this will eventually affect nearly all consumers.
- **Voluntary opt-in to a new tariff.** Customers who voluntarily choose to move to the new T93 and T94 tariffs will not be able to change back to T31/41 after 1 July 2024.
- **Solar or battery installations that require a meter upgrade.** If a customer installs solar or battery and this requires a new meter, the same conditions will apply as if there had been a retailer initiated meter upgrade.
- **Installation of an electric vehicle (EV) charger.** Customers who install an EV fast charger (defined by TasNetworks as “any dedicated EV charging unit that does not plug into a standard 10A outlet”) will be allocated to TAS93 or TAS94 and will not have the option of opting back to T31/41.

The process for existing customers who wish to remain on tariffs 31, 41 and 22 are complex and require them to actively opt to remain on these tariffs within a 12 month period. This assumes that after 12 months they will be provided with smart meter consumption data that will allow them to assess the best tariff for them. This in turn requires the retailer to provide this information, convey the results in a way that can be understood by the customer and convey any customer decision to remain on existing tariffs to TasNetworks. Almost inevitably, the least

engaged customers will be forced onto time of use tariffs without being fully informed and aware of the consequences.

Forcing customers onto a new tariff structure that they do not understand is certain to cause frustration and confusion, and is very unlikely to result in changed customer behaviour that would realise the theoretical benefits of 'cost reflective' tariffs.

We believe that it would be fairer and more effective for customers to remain on existing tariffs unless they choose to opt-in to new tariffs. This would put the onus on TasNetworks and retailers to explain the benefits of changing tariffs. The resulting communication and education is much more likely to result in desirable changes in consumer behaviour.

Practical results of 'cost reflective' tariffs

Network tariffs TAS93 and TAS94 are regularly referred to by TasNetworks as 'cost reflective' but this requires some unpacking.

TasNetworks' total revenue is determined separately to the application of specific tariffs. So customer allocation to network tariffs is essentially a zero-sum game, unless there is actually a change in customer behaviour which reduces costs to the NSP or the retailer. By zero-sum game we mean that any benefit to some customers will be offset by a loss to other customers since the total revenue collected is not affected by the number of customers on various network tariffs.

Real cost reductions resulting from changed customer behaviour can occur in one of two ways;

- Consumption is moved to times of lower wholesale electricity prices and this benefit is realised by the retailer and passed on to the customer.
- Consumption moved from peak to off-peak times results in a longer time before upgrades to the distribution network are required to meet peak demand, thereby reducing the capital expenditure on the distribution network.

These benefits will not be realised by forcing less-engaged customers onto new tariffs.

Introduction of new tariffs

TasNetworks is proposing the introduction of new tariffs in response to the increasing installation of 'consumer energy resources' (CER), in particular grid connected residential batteries and electric vehicle (EV) chargers.

At least some of these tariffs propose a 'super off peak' period between midnight and 4am. If taken up by a significant number of consumers this could benefit both consumers and the costs of the distribution network by:

- Encouraging EV charging at times when the network is under utilised.
- Reducing the chance of an increase in peak demand as a result of EV charging
- Encouraging residential batteries to be charged at times when the network is under utilised and discharged to reduce demand at peak times.

Specific tariffs as described in the TasNetworks revised Tariff Structure Statement are:

- TAS87 – Low voltage residential time of use demand
- TAS97 – Low voltage residential time of use consumer energy resources (CER)
- TAS98 – Low voltage small business consumer energy resources (CER)

While we are in favour of new tariff structures being introduced on an opt-in basis there are a number of problems with the practical application of these tariffs:

- The structures of the tariffs are complex and confusing:
 - The time periods are slightly different to the time periods for time of use consumption tariffs.
 - The TAS97 and TAS98 tariffs have different structures to each other even though they are intended to achieve a similar purpose. (TAS97 has consumption charges and an anytime maximum demand charge, TAS98 has peak and off-peak demand charges but apparently no consumption charges).
- In part due to the complexity of these tariffs, it appears that Aurora is unlikely to offer retail tariffs based on these network tariffs.

These tariffs are complex and to be effective need to be used in conjunction with automated consumer energy resources to use energy at the cheapest times while minimising maximum demand.

Effective implementation of these new tariffs requires close liaison between TasNetworks, retailers, CER suppliers and electrical contractors.

The un-necessarily complex structure of these new network tariffs, and the fact that Aurora is unlikely to offer corresponding retail tariffs is a wasted opportunity. It is essential that we do not have to wait another five years for the effective introduction innovative tariff structures.

We therefore urge the AER to encourage greater cooperation between TasNetworks and retailers and better engagement with electrical contractors. The AER should make provision for better thought-through innovative tariffs to be introduced without waiting for the next 5 year revenue period.

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