

)

TasNetworks Electricity Distribution Business (TND)
Access Arrangements 2017–19
AER Draft Decision (DD)
Tariff Structure Statement (TSS)

Public Forum, Hobart – Tuesday 18 October 2016

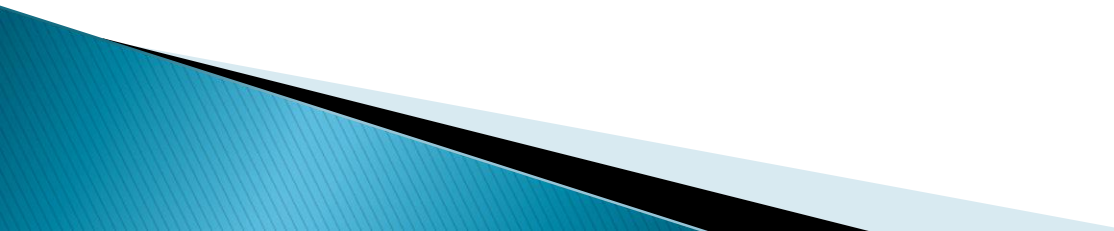
Presentation by David Headberry

AER's Consumer Challenge Panel (CCP) sub-panel 4
Jo de Silva, Hugh Grant and David Headberry


This assessment is an initial view of the AER draft decision to:

- 1. Highlight some elements that we believe are of interest to consumers**
 - 2. Provide input to consumers' thinking**
 - 3. Stimulate discussion on the draft decision**
- 

Tariff structure and demand responsiveness

- ▶ The whole purpose of tariff reform was to enable end users to vary their usage of electricity and so reduce the need for investment in assets that were used only occasionally.
 - ▶ This means that the tariffs must provide incentives to consumers to change.
 - ▶ Unless this occurs there is no purpose to the TSS and the associated tariffs
- 

Tariff structure – TSS

- ▶ There are some basic premises that underpin the tariff reforms
 1. Networks are sized to reflect peak demand so demand should be the primary driver of cost allocation
 2. Fixed charges reduce cost reflectivity and reduce signals for demand side action
 3. Opt in approaches distort cost reflectivity as you only opt in if there is a benefit, and so pass increased costs onto others
 4. There are some cross subsidies which are explicit and others which are implicit (eg PV rooftop solar) and both have to be recognised.
- 

Tariff structure – TSS

- ▶ The fixed elements should be minimal for all tariffs to maximise the incentive to change usage patterns
- ▶ Therefore we agree with the AER that although network costs are fixed, having a high fixed element in a tariff reduces incentives, especially under a revenue cap as any revenue under-run in one year can be recovered in the next.
- ▶ We agree with the AER that a demand tariff at the residential and small business level is cost reflective, although making them opt-in defeats their purpose
- ▶ We are concerned about the timeframes for assessing the peak demand. Once reached, the peak demand is fixed and becomes a disincentive for subsequent action within the billing period
- ▶ We support a transition to limit price shock
- ▶ There is a need to harmonise distribution tariffs with retailer tariffs

THANK YOU

