

Level 35, The Tower
360 Elizabeth Street
Melbourne Central
Melbourne Vic 3000

Contact: Chris Pattas (03 9290 1470)

GPO Box 520
Melbourne Vic 3001

19 June 2015

tel: (03) 9290 1444
fax: (03) 9290 1457

Mr Robert Stobbe
Chief Executive Officer
SA Power Networks

www.aer.gov.au

By e-mail

Dear Mr Stobbe

SAPN tariff proposal 2015-16

I refer to SAPN tariff proposal for 2015-16 that was submitted to the AER on 21 April 2015.

We have determined that the proposed solar tariff and social tariff do not meet the requirements of the tariff pricing principles in Part I of the National Electricity rules.

SA Power Networks is required to resubmit its 2015–16 pricing proposal within 10 working days of this letter by removing the Solar Tariff and Social Tariff from its proposal. The AER will then assess the revised submission for compliance with the pricing principles and the 2015–20 distribution determination.

Attached is a statement setting out our concerns with your proposals.

Please contact Chris Pattas, General Manager Networks for any further queries.

Yours sincerely



Paula W Conboy
Chair

Statement of Reasons

SA Power Network Tariffs 2015-16

SA Power Networks has proposed new residential tariffs to apply to customers with solar PV (Solar Tariff) and for those on retailers' hardship programs (Social Tariff).

The Australian Energy Regulator supports tariffs being more cost reflective as required by both the current applicable pricing principles as well as the new tariff requirements that will apply to future processes. However, it does not consider that the two tariffs proposed by SAPN in their current tariff proposal for 2015-16, the Solar tariff and the Social tariff, meet these requirements.

Determination on Solar Tariff

We find that the proposed Solar Tariff filed by SA Power Networks does not comply with the National Electricity Rules clause 6.18.4(a)(3). This clause requires that customers with micro-generation facilities—such as solar Photovoltaic—should not be treated any less favourably than customers without such facilities, but with similar load profiles.

SA Power Networks provided data and analysis to support its submission that customers with solar PV systems have a different load profile to other residential customers. They submitted that customers with solar PV systems have a 20 per cent less favourable load factor than customers without solar, primarily because of lower usage during the day.

We are not satisfied that SA Power Networks has demonstrated that PV and non-PV retail customers have sufficiently dissimilar load profiles. A PV specific tariff of the type proposed by SA Power Networks would therefore constitute less favourable treatment of retail customers with micro-generation facilities in contravention of clause 6.18.4(a)(3).

The data and analysis provided by SA Power Networks is not sufficient to conclude that customers with PV (micro-generation as per clause 6.18.4(a)(3)) have a dissimilar load profile to non-PV customers. The data provided did not show load profile variation over the day but rather consisted of averages and is selective.¹ For example, SA Power Networks focuses on the peak of the load profile only and use of a limited number of values extracted from extreme weather days. There was no consideration of the load profile over a reasonable time period (e.g. summer, winter, various times of the day and night) to show that the load profiles are dissimilar.

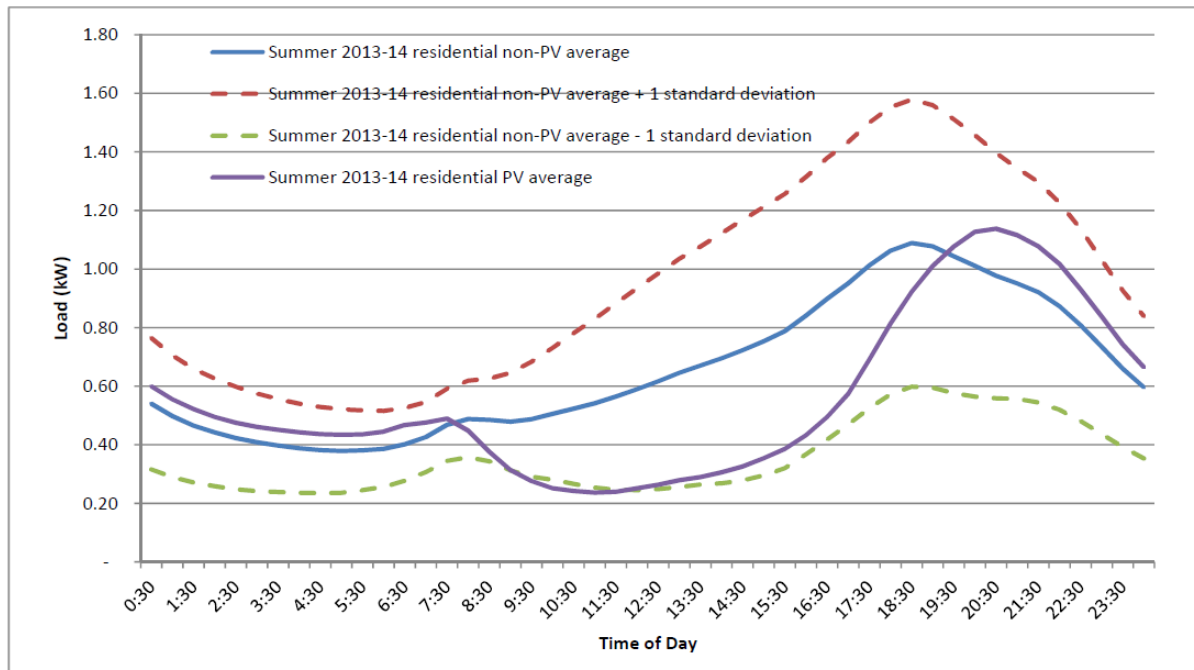
Furthermore, SA Power Networks has not given any consideration to the reasonable variation across the residential population's load profile.

We undertook analysis using SA Power Network's data that showed that the load profile of PV customers and non-PV customers could be considered similar. This is shown in chart 1. The red and green dashed lines represent one standard deviation of the non-PV customers load profile. The blue and purple lines, representing non-PV customers and PV customers' respectively; both sit within that single standard deviation across a very large portion of the profile.

¹ Half hourly data over a period from 1 July 2013 to 14 May 2015 over a population of customers comprising about 900 non-PV customers and circa 450 for PV customers).

We are therefore not satisfied that the proposed Solar Tariff complies with clause 6.18.4(a)(3) and hence this tariff should be removed from the tariff application.

Chart 1 Comparison of average summer 2013-14 PV and non-PV load profiles



Source: AER analysis of SA Power Networks' Solar photovoltaic load profile data provided as attachment in email, AER - Residential Solar Data Request, 9 June 2015

Determination on Social Tariff

SA Power Networks filed a proposed residential Social tariff. The business submits that the concept of a Social tariff had been discussed with some key stakeholders and was included in its regulatory proposal. The proposed Social tariff would exclude any charge for PV FiT recovery and the distribution supply charge. SAPN submits that it is inequitable for hardship customers to contribute to the PV FiT cost-recoveries. In deleting the supply charge from hardship customers, SA power Networks further argue that requiring customers on hardship programs to contribute at average levels to costs in excess of long run marginal cost may have economic repercussions.

We find that SA Power Networks' proposed Social Tariff does not comply with the National Electricity Rules clause 6.18.4(a)(1)(i) and (ii). This clause requires that customers should be grouped together on the basis of the nature and extent of their usage and the nature of their connection to the network.

There is no evidence to suggest that customers on hardship programs have different demand, usage or connection characteristics to other residential customers.

SA Power Networks should therefore remove the Social Tariff from its pricing proposal.

Overall, the AER considers the inclusion of a Solar Tariff and the Social Tariff to be deficiencies under clause 6.18.8(b) and, to correct those deficiencies, the AER requires the pricing proposal to be submitted without those tariffs.

Additional matters

We require a more explicit communication from SA Power Networks advising that customers are entitled to obtain type1-4 metering services from a party other than SA Power Networks.

SA Power Networks' proposed a mandatory requirement for the installation of a type 1 to 5 meters triggered by the installation of a new PV system.² SA Power Networks retains the exclusive distribution of type 5 and 6 meters until 2017 only, however, this does not apply to type 1-4 meters.

Customers have a right to source a type 1-4 meter from a provider other than SA Power Networks when installing a PV system.

The pricing proposal as submitted could give the impression that a customer seeking such a meter is required to obtain it from SA Power Networks. This is clearly not the case set out in the AER's 2015 preliminary distribution determination which established meter contestability for these services.

A clarifying statement in the resubmitted pricing proposal to the effect that customers have the right to exercise choice regarding their metering service provider for type 1-4 meters should be made.

Actions for SA Power Networks to undertake

SA Power Networks is required to resubmit its 2015–16 pricing proposal within 10 working days of this letter by:

- removing the Solar Tariff
- removing and Social Tariff
- inserting a reference to the ability of customers to choose their meter service provider, and meter type when installing a PV system.

The AER will then assess the resubmitted pricing proposal for compliance with the pricing principles and the 2015–20 preliminary distribution determination.

² SA Power Networks proposals states, "Use of Cost-Reflective Tariffs (demand based) - (d) A new Distribution Network User connecting or an existing Distribution Network User altering the supply arrangements to the Distribution Network from 1 July 2015 and requiring multi-phase supply must be assigned to a distribution network tariff that includes a demand component in respect of that connection point. A Type 1-5 meter is required at such sites. Installation of a type 1-5 meter by itself is not an alteration to supply, but installation of an inverter, eg for Solar PV Equipment or Battery Storage, is an alteration to supply." See SA Power Networks, 20 May 2015, 'SA Power Networks – Appendix A – Pricing proposal tariff schedule and notes 2015-16', p. 7.