



26 October 2016

Mr Chris Pattas  
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Australian Energy Regulator  
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Dear Chris

**Re: Ausgrid - Tariff structure statement 2015, Endeavour Energy - Tariff structure statement 2015, Essential Energy - Tariff structure statement 2015**

Thank you for the opportunity to comment on the AER's Draft Decision and the businesses revised proposals for the Tariff Structure Statements (TSS) of Ausgrid, Endeavour Energy and Essential Energy that will apply from 1 July 2017.

The Energy & Water Ombudsman NSW investigates and resolves complaints from customers of electricity and gas providers in NSW, and some water providers.

EWON believes that the AER's draft decision with respect to the TSS proposed by the three NSW networks provides the opportunity for considerable improvement to the original proposals. EWON's submission to the AER issues paper<sup>1</sup> expressed some concerns about declining block tariffs, proposed time of use tariffs and demand tariffs. EWON also argued for consideration of a social tariff to assist in addressing the issue of affordability of supply. We have included a table summarising our views in Appendix 1 at the end of this submission.

## Social tariff

In addressing EWON's call to explore a social tariff the AER stated that:

***"There are no particular requirements for tariffs to deal directly with affordability concerns, beyond transitional considerations. It is also usually more efficient to provide assistance to vulnerable customers through more targeted measures."***<sup>2</sup>

<sup>1</sup> EWON submission to AER Issues paper – Tariff structure statement proposals – NSW electricity distribution network service providers May 2016

<sup>2</sup> AER Draft Decision Tariff structure statement proposals Ausgrid, Endeavour Energy, Essential Energy, p60.

EWON argued that whenever energy affordability prevents some customers from ensuring ongoing security of their energy supply, then the National Electricity Objective is not being met. EWON holds this view and again calls for the AER, the NSW networks and other stakeholders to engage in discussion about social tariffs in the next round of tariff design. In today's disruptive energy environment, a complete rethinking of affordability solutions and options is required. A social tariff should not be discounted until new solutions and options are established and found to be effective.

## Declining block tariffs

EWON welcomes Ausgrid and Essential Energy's current proposals to end their declining block tariffs and replace them with flat tariffs. This will see an end to the current subsidising of high use customers by customers with low consumption, many of whom are vulnerable and in hardship. We note that Endeavour Energy is proposing to do the same over a 2 year period and EWON questions this approach, while noting that Endeavour Energy's transitional approach is designed to minimise bill shock.

## Time of Use tariffs

EWON was concerned that the original proposal saw time of use tariffs which did not offer a pathway to more cost reflective tariffs for customers. The current proposals are a significant improvement and provide more identifiable benefits for customers to move to time of use tariffs. The introduction of non-business day off-peak rates by Essential Energy and Endeavour Energy provides real incentives for customers to change their consumption patterns and thus gain benefits from a time of use tariff.

While Ausgrid has retained shoulder rates for non-business days for residential customers EWON notes that Ausgrid's indicative pricing of the off-peak and shoulder rates are considerably lower, and the differential between off-peak and shoulder is significantly less than the pricing proposed by the other two networks. EWON also welcomes Ausgrid's new proposal to vary the structure of the winter and summer peak times to better reflect consumption patterns.

## Tariff Assignment

EWON did not comment on tariff assignment in our previous submission. In NSW retailers are currently rolling out digital meters to solar bonus scheme customers. When examining the current proposals it is not clear as to which default tariff these customers will receive.

The AER was not satisfied with an opt-in approach to tariff assignment. Where opt-out tariff assignment is offered by networks this choice will be communicated to customers by retailers. It is critical that communication between networks, retailers and customers is clear and easily understood so that customers really do have choice. It is not EWON's experience that this has always been effectively done in the past.

## Demand Tariffs

In its draft decision the AER said that:

*On the other hand, EWON did not support demand tariffs as they can be difficult to understand.<sup>3</sup>*

In our previous submission we noted that there were no demand tariffs proposed for residential customers. We also argued that because of the complex nature of a demand tariff, if they were to be introduced for residential customers there would need to be a clear communications plan so that customers could enter into such a tariff arrangement with explicit informed consent.

Essential Energy has, in its new TSS, proposed an opt-in demand tariff for residential customers. It will be incumbent on retailers, who offer this product to their customers, to ensure that there is a clear understanding of this new tariff structure. Information about this tariff needs to ensure that customers understand, not just its potential benefits, but also the implications of intermittent high consumption which would impact total consumption for that billing period.

If you would like to discuss this matter further, please contact me or Rory Campbell, Manager Policy and Research, on (02) 8218 5266.

Yours sincerely



**Janine Young**  
**Ombudsman**  
**Energy & Water Ombudsman NSW**

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<sup>3</sup> AER Draft Decision Tariff structure statement proposals Ausgrid, Endeavour Energy, Essential Energy, p16.

## Appendix 1 Summary of Comments

| Network                 | Original Proposal  | EWON initial response  | Revised Proposal  | EWON response  |
|-------------------------|--|--|---|--|
| <b>Ausgrid</b>          | Declining block tariffs for residential and small business | Concern about impact on low consumption customers                  | Flat tariff   | Welcome revised proposal   |
|                         | Seasonal ToU tariff  | Did not comment  | Vary summer and winter peak times   | Welcome revised proposal   |
|                         | Charging windows   | Concern over lack of consumer benefit                              | Weekend off-peak for business but not residential                         | Improvement but still have concerns with impact on residential customers                                       |
|                         | Tariff assignment  | Did not comment  | All new customers on ToU tariffs with opt out provision                   | Question about customers with new retailer meter   |
| <b>Endeavour Energy</b> | Declining block tariff for residential and small business  | Concern about impact on low consumption customers                  | Transition to flat tariff   | Still have concerns with impact on low consumption customers   |
|                         | Charging windows   | Concern over lack of consumer benefit                              | Introduce off-peak for all non-business days                              | Provides consumer flexibility for shifting consumption pattern   |
|                         | Tariff assignment  | Did not comment  | Opt-in approach for ToU tariffs   | Question about customers with new retailer meter   |
| <b>Essential Energy</b> | Declining block for residential and small business         | Concern about impact on low consumption customers                  | Flat tariff   | Welcome revised proposal   |
|                         | Charging windows   | Concern over lack of consumer benefit                              | Introduce off-peak for all non-business days plus longer shoulder periods | Provides consumer flexibility for shifting consumption pattern   |
|                         | Tariff assignment  | Did not comment  | Tariff assignment based upon meter type                                   | Question about customers with new retailer meter   |
|                         | Demand tariff  | Concern about need for clear communications about nature of tariff | New opt in demand tariff for residential customers                        | Concern about need for clear communications about nature of tariff and the impact of intermittent higher usage |