

Issues paper – Ausgrid Electricity Distribution Determination

Flow Power submission

April 2023





About Flow Power

Flow Power is an electricity retailer that works with energy customers throughout the National Electricity Market (NEM). Together with our customers, Flow Power is committed to our vision of creating Australia's renewable future.

We empower customers to take meaningful action. By providing energy knowledge and innovative technology, we are delivering smarter ways to connect customers to clean energy to make our renewable future a reality. We provide our customers with:

- + Engineering support, access to live data and transparent retail tariffs that reward demand flexibility and encourage electricity usage at times of plentiful renewable output.
- + Hardware solutions that equip customers with greater information, visibility and control over energy use.
- + Access to renewable energy, either through distributed solar and storage installed on site, or through a power purchase agreement with utility-scale wind and solar farms.

We believe that by equipping customers with these tools, we can lower costs for all energy users and support the transition to a renewable future.

Overview of submission

We are concerned that the network tariffs proposed by Ausgrid for medium and high voltage customers are not cost-reflective and compromise the ability for consumers to manage their costs through demand flexibility. In particular, the peak capacity charges are described as:

“Charge applied to the customer's highest kVA of demand during any half-hour period between 3-9pm on working weekdays in the previous 12 months”¹

As a retailer that supplies commercial and industrial customers across the NEM and has a focus on rewarding demand flexibility, these proposed charges offer limited opportunities for customers to manage these costs. This is because:

- + The six-hour window is far longer than a typical demand response event. Managing demand across a six-hour window is possible, but this should be focussed around a small grouping of peak demand events, as opposed to every business day across the year.
- + The charge relates to *any* half hour period in the window across the past 12 months. Managing this charge would require consumers to manage demand every working weekday, regardless of the network demand or the potential for distribution network congestion.

¹ Ausgrid, *Tariff structure statement compliance paper*, pp. 23-25, Jan 2023.
Issues paper – **Ausgrid Electricity Distribution Determination**



This charge, apart from the 3-9pm window, does not appear to be derived from the marginal costs of consumption on Ausgrid's network. These peak capacity charges should be adapted to reflect the times when the network is under strain. Separately, Ausgrid have noted:²

"We think it remains efficient and fair to charge customers more for using the network in those peak seasons than we do in the other months of the year. We also propose to withdraw low season demand charges which will remove demand-based charging from the April, May, September and October months".

This statement appears inconsistent with the structure of the proposed peak capacity charges. For residential demand charge tariffs, there is no demand charge proposed for April, May, September and October.

Ausgrid has flagged "bill shock" as a reason why a four-hour window may not be appropriate.³ The risk of bill shock arises much more strongly when a charge can be set by the demand level in a single half hour window over the past 12 months.

We note that Endeavour Energy has structured its equivalent tariffs such that the demand window is narrowed to 4-8pm. In addition, the charge is split between peak season and off-peak season, to send a clearer cost-reflective price signal to customers. In addition, Essential Energy has flagged its intention to trial critical peak pricing. Both approaches provide customers with opportunities to effectively respond to the price signals in the network tariffs, reducing their costs and the costs of the DNSP.

Ausgrid have committed to developing innovative tariffs relating to electric vehicle charging and utility scale storage. We strongly support the Ausgrid continuing to explore how their tariffs can be adapted to reward demand flexibility by providing clear, actionable price signals. We ask the AER to work with DNSPs to expand the number of cost-reflective tariffs for consumers to take up. In particular, the critical peak demand scheme implemented by AusNet Services in Victoria is an example of a program that has delivered effective responses from consumers that has managed peak demand on the network. Ausgrid should consider offering more actionable cost-reflective tariffs for business customers, alongside their currently proposed tariffs.

If you have any queries about this submission, please contact me on [REDACTED] or at [REDACTED]

Yours sincerely,

Declan Kelly

Regulatory Policy and Corporate Affairs Manager

Flow Power

² Ausgrid, *Our TSS Explanatory Statement for 2024-29*, Jan 2023, p. 34.

³ Noting this is in regards to lengthening the winter peak demand charge window from four to six hours. Ausgrid, *Our TSS Explanatory Statement for 2024-29*, Jan 2023, p. 35.