

16 May 2018

**REFERENCE NUMBER**

JEF2018/119 – JED2018/060711

Mr Chris Pattas  
General Manager, Networks  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3001

Dear Mr Pattas

**Power and Water Corporation Distribution Determination**

Jacana Energy is pleased to provide a submission to Power and Water Corporation's (Power and Water) Distribution Determination consultation process.

Network costs make up approximately 50 per cent of customer retail bills in the Northern Territory. The transition to the national network regulatory framework, with its sophisticated incentive schemes and opportunities for benchmarking, provides an important opportunity for network service provision in the Northern Territory to become more efficient, flexible and adaptive to the evolving energy market environment.

This is important, because we expect the volume of distributed energy resources (DER) connecting to the network, such as solar PV, storage and smart appliances to increase rapidly in coming years. The current consultation process provides an important opportunity to ensure the network regulatory framework is fit for purpose in managing the transition to a more decentralised electricity market in which customers will play an increasingly active role. The framework should provide incentives for integrating DER into the network in ways that deliver value for DER owners as well as the network more broadly, so all customers benefit over the long term.

Power and Water's regulatory proposal proposes modest bill reductions for the majority of customers in the next regulatory period. Jacana Energy welcomes these reductions. Power and Water's proposed new network tariff structures for customers with smart meters are also supported. Cost reflective network price signals are fundamental to the efficient operation and development of the network.

Please find more detailed comments on these and a number of other specific issues of the regulatory proposal below.

**Network pricing**

This distribution determination provides an important opportunity for network tariff reform in the Northern Territory. Existing network tariffs generally:

- do not efficiently signal customer impacts on network costs (driven by peak demand



- requirements);
- sustain unintended and unfair cross subsidies between non-solar PV and solar PV customers; and
- do not provide efficient price signals for the take-up of new technologies and demand management.

Reform to network tariff structures will be integral to containing excessive growth in network costs as increasing numbers of rooftop solar PV connect into the distribution network.

Power and Water's core proposal is for all customers with smart meters to be mandatorily assigned to a seasonally based peak demand (\$/kW or \$kVA) charge. The charge will be applied to the highest demand for a customer during the peak demand window of 12 pm to 9 pm each month from October to March.

Jacana Energy supports well designed peak demand charges. They provide strong incentives for customers to reduce their contribution to peak network demand, because in doing so they lower their own network charges over time. Customers can reduce their exposure to high peak demand charges by investing in energy efficient appliances, shifting consumption to off peak times, or installing batteries. To the extent a significant number of customers respond in this way, this will act to reduce the maximum demand placed on the network and reduce the need for more investment in poles and wires. A peak demand charge therefore aligns a customer's incentives with the broader public interest. Individual changes in behaviour will collectively drive lower network costs and bills for all customers over the long term.

A further important advantage of a broadly applied peak demand charge is that it will remove any cross-subsidies that exist between customers, and therefore result in fairer network prices.

### **Metering services**

There are two key changes to the way metering services will be provided and regulated in the next regulatory period.

First, the AER has required Power and Water to unbundle its metering services charges from network services in its regulatory proposal. Jacana Energy considers this creates welcome transparency around the provision and cost of metering services.

Second, Power and Water proposes to install smart meters where a new or replacement meter is required. Under this policy customers will not be subject to any up-front costs for receiving a new smart meter on new and replacement basis. The costs of these meters will be recovered as part of Power and Water's general daily metering charge. Consistent with current arrangements however, customers who wish to replace a working accumulation meter with a smart meter will be required to pay the full cost of the smart meter up front.

Jacana Energy supports Power and Water's smart meter policy, which will allow for a manageable transition to smart meters for all customers in the Northern Territory. Jacana Energy considers smart meters will play an increasingly significant role in allowing customers to exercise choice and engage with the electricity market in new ways as energy markets become more digitalised and customer centric. Smart meters can provide products and services that customers value such as faster switching, more accurate and regular billing, as well as data and functionality necessary for demand response and Internet of Things control of smart devices and appliances within the home.

### **Ancillary Control Services**

The transition of the Northern Territory to the national framework for network regulation provides an important opportunity for Power and Water's service charges to be benchmarked against other network businesses.



Jacana Energy supports the AERs proposal for placing price caps on Ancillary Control Services charges. Power and Water's proposed charges should be closely scrutinised and assessed against similar services provided by network businesses in other jurisdictions.

For example, one concern Jacana Energy has previously raised with Power and Water is the after-hours reconnection fee for residential customers. Jacana Energy receives consistent feedback from its shared Power and Water customers regarding the costs of reconnecting their electricity supply (typically where a failure to pay has led to a disconnection from the network). Customers question the fairness of the amount of the reconnection charge for after business hours connections and why that charge is applied from 3 pm (as opposed to 4.00pm in other jurisdictions).

Jacana Energy notes that Power and Water proposes to charge a fee of \$640 for after business hour residential reconnections in 2019/20. While this represents a significant reduction from the current charge of \$766 this is still considerably higher than reconnection charges for accumulation meters in other jurisdictions (less than \$100 in total in SA for example). Jacana Energy is particularly concerned about the potential adverse consequences of such high reconnection fees on our more vulnerable customer groups for whom disconnection may be a direct consequence of ongoing financial hardship.

### **Incentive Schemes**

Jacana Energy strongly supports the implementation of a capital expenditure sharing scheme (CESS) and opex efficiency benefit sharing scheme (EBSS) for Power and Water. As Network costs make up a significant proportion of a customer's energy bill in the Northern Territory, it is important that Power and Water has in place 'best practice' incentive schemes for reducing capex and opex costs going forward and sharing the savings with customers.

Jacana Energy also strongly supports the implementation of a Demand Side Management Incentive Scheme (DMIS) and Innovation allowance (DMIA). The volume of DER is increasing rapidly in Australia and elsewhere around the world, which is changing customers from formerly disinterested passive consumers into interested and engaged energy market participants, seeking new ways to create value for themselves. The DMIS and DMIA are important mechanisms for allowing customers to realise this value while benefiting the power system as a whole.

Should you have any questions or wish to discuss further, please contact Con Van Kemenade on 0439399943 or myself.

Yours Sincerely



**Stuart Pearce**  
**Chief Executive Officer**

