18 January 2019

REFERENCE NUMBER
JED2019/ 001731

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

Dear Mr Pattas

Power and Water Corporation's revised Regulatory Proposal

Jacana Energy is focused on collaborating with key stakeholders to ensure that the long term interests of consumers are safeguarded and that customers pay no more than they should for safe and reliable electricity. To this end, Jacana Energy has reviewed the Revised Regulatory Proposal submitted by Power and Water Corporation (**PWC**) on 29 November 2018 and wishes to make the comments below with respect to that proposal.

Capital Expenditure (Capex):

Jacana Energy advocates a 'user pays' framework for generator and large customer connections. Doing so allows for the differentiation between true shared network costs and those costs driven by a particular project, and enables fair and equitable cost attribution. A new connection by a large customer (including reinforcement costs) should be borne by that customer and not charged to the overall customer base as a shared network cost.

Tariff Structure Statement:

1. Assignment of customers to tariff classes and network tariff change requests

It is proposed that the assignment of customers to a tariff class and network tariff will be undertaken once a year by PWC taking into consideration a customer's annual consumption. Jacana Energy considers assignment based on annual consumption to be problematic as customers move above and below the threshold which: (i) increases the administrative burden associated with the assignment process, and (ii) provides an opportunity for gaming (which is a legislative issue). A better approach would be to assign customers to a tariff class based on connection voltage and connection capacity, thereby achieving stability and preventing gaming of the system.

Jacana Energy also notes that any changes requested by retailers outside of PWC's annual assignment will incur a 'network tariff change request' ACS charge, and has the following concerns with respect to this approach:

- the assignment of customers to a network tariff is the responsibility of the Network Provider. It follows that the costs associated with processing tariff changes should be borne by PWC and not the retailer or the customer; and

- the annual assignment of customers results in increased financial risk to retailers due to the misalignment that will arise between the network and retail tariffs levied on those customers whose consumption moves under the annual threshold during the course of the year. The assignment of customers to a network tariff should be subject to review on an ongoing basis to ensure that customers are assigned to the appropriate network tariffs and are not paying more than they should.

2. Type 7 metering arrangements

Jacana Energy supports the Department of Treasury and Finance's preference to adopt similar Type 7 metering arrangements (i.e. for unmetered supplies) as that in the NEM, including the adoption of AEMO load tables for deeming usage.

3. HV and LV individually calculated tariffs

Individualised network tariffs increases administrative and system costs and therefore should be used in only a small number of exceptional cases. Criteria should be set as to when and under what circumstances individually calculated tariffs may be offered by PWC.

4. Excess kVAr charges

Jacana Energy notes that the Electricity Pricing Order is the responsibility of the NT Government, which is currently reviewing tariffs. Furthermore, there are generation costs which have different cost drivers and price signals. The unilateral approach adopted by PWC is inconsistent with other activities and cost drivers. Jacana Energy does not support the application of an excess KVAr charge and suggests that a collaborative approach would more be more effective in achieving PWC's desired outcome to 'incentivise electricity retailers to develop appropriate pricing structures in the future.'

It is stated that the proposed kVAr charge of $4/kVAr is based on Ergon's current rate. Jacana Energy suggests that price and justification should be based on, and reflective of, the Northern Territory's requirements and costs. Jacana Energy reaffirms its position that there should not be an excess kVAr charge.

Another concern is that a tariff change such as this will increase customer engagement and education costs for retailers as many customers are generally not familiar with these kinds of charges. Such costs should be borne by PWC.

5. Demand charges to small customers when interval metering is installed

Retailers and customers have no control over the rollout of smart metering in the NT and little visibility of which customers will have new smart meters installed and when. It is Jacana Energy's view that the application of a seasonal demand charge ($/kVA) to small customers when a smart meter is installed therefore results in increased financial risks for retailers for the following reasons:

- it increases the likelihood of a disconnect between the network tariffs and retail tariffs levied on these customers, the difference between which will have to be absorbed by the retailer; and
- retailers will be unable to undertake financial modelling on the impact of interval metering.

Applying a demand charge to small customers because a smart meter has been installed that enables that charge to be levied, and not applying that same charge to customers without a smart meter, does not seem to be equitable from a customer perspective. Particularly as the installation of the smart meter may not be at the request of the customer. Jacana Energy therefore suggests that a demand charge for small customers should only be considered when all small customers have smart metering. Alternatively, if PWC wishes to act sooner, impacted customers should be afforded adequate time to understand their usage patterns (and options to change their usage) before such charges are imposed upon them. The cost of this customer engagement and education should be borne by PWC.

6. Adjusting the peak charging period to 12:00 to 21:00

Retailers and customers have been provided inadequate time to assess the impact of the proposed adjustment to the peak charging period. Nevertheless, Jacana Energy's initial concerns regarding this proposed change include that:

- it results in a disconnect between the network tariffs and retail tariffs levied on customers under the Electricity Pricing Order, the difference between which will have to be absorbed by the retailer;
- the proposed peak charging period does not match the generation peak period (past or future); and
- customer engagement will have to be undertaken to inform customers about this adjustment, the costs of which should be borne by PWC.

Jacana Energy suggests that prior to proposing and implementing new peak/off-peak periods, PWC should engage with retailers on the best way to pass through network signals to customers rather than assume that retailers' treatment of peak/off-peak periods will remain unchanged. Generation peak periods and pricing structures are changing, and will continue to evolve over time due to solar PV impacts. Accordingly, a coordinated approach is needed to achieve alignment.

7. Connection Services: Disconnection (and Final Read) charge

Jacana Energy notes the introduction of a new 'Disconnection (and Final Read)' charge for a customer that fails to pay or after a customer moves out of the relevant premises. This type of disconnection charge, especially in relation to failure to pay, exposes retailers to customer charges that often cannot be recovered from the customer thereby potentially increasing bad debt levels. Jacana Energy considers that the disconnection should occur, but the cost should be included in the connection charge to enable the charge to be recovered. In addition, it avoids unknown occupier consumption and additional unrecoverable costs for the retailer. In the event that no disconnection occurs, any unknown occupier usage should be paid for by the Network Provider.

Jacana Energy wishes to highlight that the combined move-in/move-out impact of the Disconnection (and Final Read)' charge is an increase of $49 (incl. GST), which is a significant uplift.

8. Customer impact – bill analysis

PWC's large customer bill impact analysis (figure 5) shows that some large user customers will experience bill increases of about 20%. These customers should be transitioned to cost reflective pricing over a period of five years, with increases capped at 5% per annum.

The pricing structure changes proposed by PWC will have a substantial impact on customers – educating to the new regime, on retailers - due to the billing system changes required, and will require legislative changes to effect the new pricing. Stakeholders should be given more time to prepare for pricing structure changes of this magnitude. Accordingly, Jacana Energy suggests that PWC's pricing be implemented using the existing pricing structure and that the proposed pricing structure changes be delayed until 1 July 2020.

Thank you for the opportunity to comment on PWC's revised Regulatory Proposal.

Please do not hesitate to contact me should you wish to discuss the contents of this letter.

Yours sincerely,

David Brown
Acting Chief Executive Officer
Jacana Energy