

26 October 2016

Mr Chris Pattas  
General Manager, Networks  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 30001  
Email: [NSWtss2016@aer.gov.au](mailto:NSWtss2016@aer.gov.au)

Dear Mr Pattas,

### **NSW Electricity Distribution Business Tariff Structure Statement (TSS) Proposals**

NCOSS welcomes the opportunity to provide further comment to the AER on the current TSS Proposal process for NSW electricity distributors. As an essential service, energy represents a significant, and growing, proportion of the cost of living for vulnerable and disadvantaged people, particularly those with low or fixed incomes.

NCOSS made a detailed submission<sup>1</sup> to the initial stages of the TSS process raising a number of key concerns with earlier TSS proposals and the likely impacts they would have on vulnerable consumers. NCOSS retains a number of serious concerns, both with the AER response to the initial TSS proposals, and with the re-drafted TSS proposals from the NSW distribution businesses. In summary those concerns include:

- The re-balance towards higher fixed charges, which NCOSS believes places disproportionate burden upon low-consumption customers, and limits their ability to understand and control the bill impacts of their usage.
- The acceptance of Flat Block Tariffs, which NCOSS believes have similar issues to declining block tariffs, in providing little price signal or incentive to reduce consumption or move to more reflective tariffs. Further, like the initial proposal for declining blocks, low-usage customers are disproportionately burdened with the recovery of residual costs under this structure.

We would like to take this opportunity to again highlight those issues, and reiterate that there must be a more concerted effort on the part of NSW distribution businesses to address the impact of these proposals, particularly on vulnerable and disadvantaged consumers. NCOSS remains very concerned that the current proposals will largely see a continuation of the status quo, with most customers on unreflective default block tariffs, and charging windows that are ineffective in providing incentive for behaviour change. We believe that this TSS period represents a lost opportunity to make more progress on reforming tariff structures, and that without more substantial work on the part of distributors, the next regulatory period will again see little progress.

NCOSS believes it is unacceptable that limited available time has been used as justification for making only minimal changes to the distribution businesses' proposed Tariff Structure Statements. NSW distribution businesses have been aware of the new tariff structure process for nearly 2 years. NCOSS believes this is ample time and opportunity to demonstrate a commitment to engage with stakeholders and consumers, and develop a significant base of evidence and data able to inform a range of more significant reforms to tariff structures, charging windows, peak pricing, and managing customer and network impacts.

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<sup>1</sup> NCOSS submission: AER issues paper on NSW Tariff structure statements. May 2016 [https://www.aer.gov.au/system/files/NCOSS%20-%20Submission%20-%20AER%20Issues%20paper%20-%206%20May%202016\\_0.pdf](https://www.aer.gov.au/system/files/NCOSS%20-%20Submission%20-%20AER%20Issues%20paper%20-%206%20May%202016_0.pdf)

In their redrafted TSS proposals, the distribution businesses have relied on committing to and justifying a single approach to tariff structures and charging windows. Further, their proposals have relied on aggregated and averaged customer data as supporting evidence for those approaches.

In some cases network demand data has been presented in a way that aggregates residential and business customers. We believe that in taking this approach, distributors have provided no capacity to properly assess potential alternatives, and no basis to accurately assess and manage the potential impacts on different customer groups and the network more broadly.

In response, NCOSS believes that the next TSS process, and related stakeholder consultation processes, must be better informed. This should include detailed, disaggregated customer data, as well as detailed information on the impacts of a range of reforms to the way that charging windows and peaks are structured. Specifically, NCOSS would like to see:

- each distributor undertake a project to gather segmented data on actual customer impacts of a range of tariff structure types. Subject to appropriate consultation and consent, this should segment customers by housing type, location, and usage profile (and where possible, income, family size and cultural background). This project could use ‘ghost meters’ to gather information on the timing and quantum of different customers’ demand, and the likely impact on bills of unaltered customer behaviour. NCOSS would like to see such a project gather detailed data to examine, at minimum:
  - all block tariff structure options (inclining, flat and declining);
  - demand tariff and critical peak demand tariffs;
  - time of use tariffs;
  - when and how different customer groups currently use energy;
- each distribution business undertake pilot tests for a range of tariff structures (including, but not limited to Time of Use and Demand tariffs) on small groups indicative of various customer types. These pilots should provide actual data as a basis for determining the potential changes to customer behaviour and the resulting bill and network impacts; and
- each distribution business undertake detailed modelling with supporting data, on the impacts of a range of potential changes to the structure of charging windows and peak charging (ideally using actual customer data derived from the kind of project outlined above, to determine potential network impacts).

NCOSS believes that it is imperative that distribution businesses demonstrate a genuine commitment to progress, and that they are using this 2 year period to gather detailed data that can form the basis of much more meaningful and substantial consultation and reform as part of the next TSS process.

NCOSS has been involved with the consultative processes of NSW distribution businesses throughout this year and has welcomed the improved engagement demonstrated by distributors. However, we believe that much more genuine progress needs to be demonstrated by the kind of work outlined above, to ensure that the engagement of stakeholders is adequately informed and actually leads to real improvements for consumers and an evidence base that can assist in the development of appropriate safeguards for vulnerable consumers.

If you would like more information about NCOSS, or would like to discuss any of the issues raised in this letter further, please contact Carolyn Hodge on 8960 7910 or email [carolyn@ncoss.org.au](mailto:carolyn@ncoss.org.au)

Yours sincerely,



Melanie Fernandez  
Acting CEO, NCOSS.