



Tasmanian Renewable Energy Alliance

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TREA response to “Demand based network tariffs – offering a new choice”

Overview

This paper provides a response specifically to the TasNetworks [Consultation Paper](#) on demand based network tariffs. TREA’s general position on tariff reform and on TasNetworks’ Directions and Priorities are covered in more detail in:

- [Response from Tasmanian Renewable Energy Alliance](#) for TasNetworks Tariff Reform Working Group, 13 February 2015
- [Response from Tasmanian Renewable Energy Alliance](#) to TasNetworks Directions and Priorities Consultation Paper, 25 September 2015.

In summary, TREA welcomes the introduction of the proposed opt-in two-part demand time of use network tariff. We believe this will give particular customer segments a valuable option and a motivation to explore shifting and managing demand in ways that benefit both the customer and the efficient operation of the distribution network. Equally importantly, a two-year opt-in introduction of this tariff has the potential to provide TasNetworks with real world experience of the impact of this tariff as a basis for assessing the impact of wider use of demand based tariffs in the regulatory period past July 2019.

Implementation issues

Introduction of a demand time of use tariff has the potential to make the electricity network more efficient. However this will only be achieved if new tariffs lead to significant change in customer behaviour which both reduces peak demand and increases overall energy consumption (or at least slows the reduction in demand).

A demand time of use network tariff is only the start of this process. In addition it will require:

- Introduction of retail tariffs which ensure these price signals are passed through to customers.
- A significant impact on bills if customers move consumption from peak to off-peak times.
- Easy customer access to their existing demand profile information which will allow an informed choice of tariff option.
- Hardware and software that make demand management a ‘set and forget’ possibility.
- Retail tariffs based on demand which provide very cheap charges for off-peak energy consumption (ie significantly cheaper than existing off peak charge of 11.5 ¢/kWh) to encourage increased off-peak consumption.

There are a number of current developments in the energy market which may facilitate the take up of demand based tariffs by residential customers:

- Increasing availability of home energy management systems which can monitor and manage energy demand.
- Early adopter interest in on-grid battery systems. Take-up of this technology requires a business case which will be facilitated by demand time of use tariffs.
- An emerging market for electric vehicles which would be facilitated by cheap off-peak charging.

Implicit in much of the TasNetworks discussion of network pricing is the intention to transition all customers to cost-reflective pricing from 2019. Information from the introduction of demand time of use tariffs from 2017 (along with information from the proposed tariff trial) will be essential in assessing the network impact and the public acceptance of such a transition. Given the lead time in developing policies for the 2019-2024 regulatory period it is highly desirable that there is significant early uptake of the opt-in demand tariff as soon as it is available.

Early uptake of the opt-in demand tariff will require a proactive program that involves;

- Early negotiation with retailers to quantify the likely retail tariffs based on the demand based network tariff.
- Active public education about the rationale for demand based tariffs and the ways in which customers can use them.
- Working with industry to ensure that hardware and software options are available to support demand management at the customer level. Relevant industry segments include home automation suppliers, suppliers of electric vehicles and associated charging infrastructure, solar designers and solar and battery equipment suppliers.

Response to specific questions

1. Do you support our proposed move to demand based network tariffs as compared to the status quo (principally consumption based network tariffs)?

We support the introduction of an opt-in demand based tariff. Our reservations about a move away from consumption based tariffs generally are covered in earlier papers.

2. Do you agree with our preference to introduce network Time of Use Demand network tariffs?

Time of use demand based tariffs are preferable to simply increasing fixed costs, for both customers and the network.

3. Do you agree that the principles of simplicity and efficient price signals are appropriate in selecting the preferred network tariff structure?

There are many factors in selecting a preferred network tariff structure and there will always be trade-offs. Demand based tariffs will never be as simple or as readily understood by customers as consumption based tariffs.

4. Do you support offering a demand based network tariff as a choice?

The fact that the tariff is offered on an opt-in basis is essential to our support of it.

5. Do you support our preferred demand based network tariff structure?

We believe the chosen option 5 is the best option for the reasons outlined in the Consultation Paper. Option 4 does avoid some problems of a single high reading, but – at least for an opt-in scenario – does not justify the additional metering costs.

6. What do you think would make customers choose a demand based network tariff option?

Access to their existing demand profile information which will allow an informed choice of tariff option.

Hardware and software that make demand management a 'set and forget' possibility.

A very significant difference between peak and off-peak charges to justify the expense and possible inconvenience of shifting demand.

Retail tariffs based on demand which provide very cheap charges for off-peak energy consumption to encourage increased off-peak consumption.

7. Is there anything in this consultation paper that hasn't been considered and is important to you?

The discussion on page 12 of the consultation paper says that TasNetworks is "considering using standard demand charges". If this means customers' bills would be based on estimated demand rather than actual demand we think this would seriously undermine customers' acceptance of demand based charging.

8. Is there any other feedback you'd like to give us?

No.

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