

1 March 2016

Mr Jack Gilding  
Executive Officer  
Tasmanian Renewable Energy Alliance Inc.  
PO Box 4748, Bathurst St, Hobart TAS 7000  
(0407) 486-651

[eo@tasrenew.org.au](mailto:eo@tasrenew.org.au)

Dear Jack

## **RE Net metering for customers on two tariffs with micro-embedded generation**

Thank you for the constructive way in which you've represented the interests of the renewable energy industry as we have investigated how customers with micro-embedded solar generation might be enabled to offset the power they generate against multiple tariffs. This has been a complex issue which stakeholders and the Tasmanian electricity supply industry have grappled with for some time.

### **Tasmanian context**

As you are aware, many Tasmanian electricity customers are connected to more than one electricity tariff, each of which is separately metered. Interstate customers are typically connected to only one electricity tariff.

We note that multiple network tariffs for Tasmanian customers exist as a 'bundled tariff' arrangement. The associated network charges reflect a range of legacy electricity pricing treatments.

The existing tariff suite contains a number of cross-subsidies and does not properly signal the costs of providing network services, as charges are linked to consumption of energy, not contribution to peak demand (a key driver of network costs). Further, most residential customers receive a bundled network tariff TAS31 and TAS41. Network tariff TAS41 is heavily cross-subsidised by other tariffs, and inefficiently provides a heavily discounted rate at the time of heaviest network loading (usually cold dark mornings and evenings).

TasNetworks has developed a long-term tariff strategy to transition from the present arrangements to more cost reflective arrangements.

Given these legacy tariff cross subsidies, the circumstances which make offsetting the energy generated from micro-embedded generation against multiple tariffs potentially worthwhile are somewhat peculiar to Tasmania.

## **Offsetting multiple tariffs**

There does not appear to be an off-the-shelf metering solution to provide net metering across multiple metering registers. This may reflect the peculiarities of Tasmanian network charging and tariff arrangements.

In the absence of a ready-made solution, we have investigated the technical feasibility of adapting our current standard-issue meters to provide dual register net metering, and a workable solution was identified. That solution involves bespoke firmware and software upgrades to our existing meters, and would require metering changes that could only be delivered to established feed-in tariff customers by an exchange of meters at the customer's premises.

It has become evident that significant cost would be involved to progress this implementation. Further, under the current regulatory framework, the expense of developing and implementing these bespoke net metering arrangements would be unlikely to be recovered on a user-pays basis. Therefore, we have considered the costs and benefits of this solution in the context of our whole customer base.

We do not consider that there is benefit to our customer base to progress this bespoke metering option, given:

- that customers already have options that allow them to fully offset micro-embedded generation;
- the costs and customer equity issues associated with a bespoke metering solution for embedded micro-generation customers; and
- our network tariff strategy.

## **Retail products**

We understand that Aurora Energy provided advice to Government around the time of the formation of TasNetworks, that its investigation indicated that there is no metering or other technical solution available to Aurora Energy to enable a customer to retain multiple tariffs and offset all consumption against each of those tariffs. In the context of this information, the Direction issued by the previous Government to facilitate net metering against multiple tariffs was rescinded.

While TasNetworks has undertaken further work to explore metering solutions, as noted above, our view is that there is still no appropriate net metering solution that addresses cost and customer equity issues.

The Government has indicated to TasNetworks and Aurora Energy that it expects that electricity retailers will offer products that enable customers with renewable generation to offset all of their consumption against the energy they generate. We consider that existing retail products, and potential new retail products that Aurora Energy or other retailers may

offer, are the most workable, cost-effective means of enabling customers with micro-embedded generation to offset all of their consumption against the energy they generate.

### **Customers able to fully offset micro-embedded generation**

TasNetworks and Aurora Energy presently provide choices for customers with micro-embedded generation that permit them to apply the energy they produce against all of their consumption, before exporting any excess to the grid.

The network tariff options currently available to a residential customer include:

- the Residential Low Voltage General tariff (TAS31),
- the Residential Low Voltage Time of Use tariff (TAS93) and
- the bundled option of the Residential Low Voltage General tariff (TAS31) together with the Uncontrolled Low Voltage Heating tariff (TAS41).

Both TAS31 and TAS93 provide full micro-embedded generation offset.

Customers are able to work with their retailer to consider whether they are better off with full embedded micro-generation offset or whether their demand and usage patterns mean that they are better off with a bundled network tariff, with the heavily subsidised TAS41 component and partial embedded micro-generation offset.

Appendix 1 includes an outline of the network tariffs available as a choice for both residential and small business customers. There may be costs associated with meter changes to move to a new tariff. These typically range from \$179 to \$250<sup>1</sup>.

### **Network tariff strategy**

As noted above, multiple network tariffs for single customers exist as a 'bundled tariff' arrangement. The associated network charges reflect a range of legacy electricity pricing treatments. As a result, TasNetworks has developed a long-term tariff strategy to consider how to transition from the present arrangement to a more cost reflective arrangement. As part of this transition, we are slowly rebalancing the prices between network tariff 31 and the heavily cross-subsidised network tariff 41.

We are also increasing the share of network revenues recovered through the service charge, to better reflect the service connection to the grid provides to customers – allowing them to access the grid for energy import and export.

TasNetworks also plans to introduce single, time of use, demand-based network tariffs for residential and small business customers. This will further support net metering for customers with micro-embedded generation against all the energy they use. It will also provide better price signals to customers as to the value of energy from grid and embedded generation sources at different times of the day.

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<sup>1</sup> Refer TasNetworks 2015-16 Fee Based Services Application and Price Guide

In the future we anticipate that all residential and business customers will move from the current consumption-based network tariffs, and combinations thereof, to single time of use network tariffs.

### **Continuing engagement**

We thank you for your assistance in relation to this issue. Whilst we appreciate that this is not the outcome which you have advocated, we consider this decision is in the best interests of our customer base as a whole. We continue to look forward to working with the Tasmanian Renewable Energy Alliance to support renewable generation's role as a key part of Tasmania's energy future, for the benefit of all customers. We also appreciate your informed advocacy for this important customer group, including as a member of our Tariff Reform Working Group.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Lance Balcombe', written in a cursive style.

Lance Balcombe  
Chief Executive Officer

# Attachment 1: Network tariff classes and network tariffs

