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Tasmanian Council of Social Service

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## TasNetworks

*Demand based network tariffs – offering a new choice: Consultation paper*

### TasCOSS submission

*23 October 2015*

#### About TasCOSS

TasCOSS is the peak body for the Tasmanian community services sector. Its membership comprises individuals and organisations active in the provision of community services to low income, vulnerable and disadvantaged Tasmanians. TasCOSS represents the interests of its members and their clients to government, regulators, the media and the public. Through our advocacy and policy development, we draw attention to the causes of poverty and disadvantage and promote the adoption of effective solutions to address these issues.

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## Introduction

The Tasmanian Council of Social Service (TasCOSS) welcomes the opportunity to provide written comments on TasNetworks' Consultation paper: *Demand based network tariffs – offering a new choice*. It should be noted that these comments are provided in addition to feedback provided by TasCOSS through its membership of TasNetworks' Tariff Reform Working Group and of TasNetworks' Customer Council.

In this submission, we address the question posed in the Consultation paper.

## Consultation questions

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

TasCOSS is unable to answer this question without having seen customer impact modelling and/or research that demonstrates the likely impact of the new tariff structure on low-income customers, including those in receipt of electricity concessions.

In principle, demand based tariffs may help to address existing inequities between customer segments (cross subsidies). However, it is imperative that the introduction of demand based tariffs does not result in perverse outcomes whereby vulnerable customers are disadvantaged and exposed to further financial hardship.

A carefully constructed local trial and modelling may provide the information necessary to inform a TasCOSS position on the introduction of demand based network tariffs.

**2. Do you agree with our preference to introduce network Time of Use Demand network tariffs? If not, which network demand based network tariff option(s) would you prefer to see introduced and why?**

The time of use demand based tariff favoured by TasNetworks seems the best option for the purpose of reducing peak demand and obviating the need to augment the network. However, again we cannot support any demand based tariff without knowledge of customer impact, as mentioned above.

The plan to identify two daily peak periods (discussed as Option 5 on page 39 of your Consultation paper), while increasing the complexity of the tariff, is preferable due to the fact that it identifies actual Tasmanian peak usage periods and does not unfairly extend the peak period across the daytime hours (as at least one other network service provider has proposed).

Further, TasCOSS is pleased to hear that TasNetworks is planning to classify all weekend hours as an off-peak period.

However, we reiterate our concern for the many households who will find it difficult to shift their weekday usage / demand to off-peak periods.

We are also concerned with the proposed significant differential in pricing with the off-peak price being one third of the peak price (as suggested by the assumptions underlying the modelling in the Consultation paper). While we understand that this is a price signal, it represents a significant difference in cost that may have a financially punishing impact on low-income households unable to shift their usage away from the peak period.

We hope that if this price differential is introduced, percentage-based demand and/or consumption concessions will be introduced to ameliorate negative impacts on vulnerable customers. Furthermore, we hope that TasNetworks will support and advocate to government for the introduction of such concessions.

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

Yes, we support the principles of simplicity and efficiency, but not at the expense of financial harm to vulnerable customers.

Simplicity is important to ensure that customers understand the tariff structure(s) on offer, and can make an informed decision about the suitability of a tariff option for their particular circumstances.

We also note that a degree of inefficiency may be necessary for ensure equitable access to electricity supply.

One concern is the suggestion (on page 17 of the Consultation paper) that advanced meters 'could be read manually' on a monthly basis to enable demand based charging for small customers. Surely this would be a highly inefficient – and expensive – use of resources?

(Note that we may have misinterpreted this suggestion; however, the manual reading of advanced-capable meters seems inappropriate when we understand that the relatively inexpensive installation of a communications module to advanced meters would enable remote meter reading).

We suggest that consumers who opt in to the new demand tariffs be directly consulted about their willingness to bear the additional costs of monthly manual meter reading.

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

Yes, TasCOSS would support an opt-in process for any new tariff offering by TasNetworks or a retailer. However, in the event of the introduction of an opt-in process, we believe it is vital that all Tasmanian households have access to full information about the offer – and the likely impacts – of any new tariff on various types of residential customers, including concession customers (and, in the case of a time of use demand tariff, customers who are likely to have difficulty shifting their usage to off-peak periods).

Consumers should also be informed about the pre-requisite for demand based tariffs, that is, an advanced meter, and information about how an appropriate meter can be obtained (eg any program and/or discounts that TasNetworks might be offering to those choosing to opt in).

If there is a limited opt-in period and it is to be used as a 'live trial' as suggested at the recent Tariff Reform Working Group meeting (15/10/15), it is important that the option to sign-on to a demand based tariff is not limited to those who can afford to buy an enabling meter type. In our view, if cost is a barrier to 'opting in', an important aspect of a 'live trial' will be defeated. That is, the trial will provide little or no information about how a demand based tariff will impact on low income households, especially those in receipt of electricity concessions.

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

Again, we cannot support the proposed tariff structure without detailed information about the likely impact on low-income customers, and in particular, those in receipt of an electricity concession.

However, TasCOSS does not support the proposed increase in the fixed charge component of TasNetworks preferred demand based tariff structure. TasNetworks' modelling demonstrates that for low usage residential customers, more than half of their network charge will be comprise a 'service' (or fixed) charge.

It is our understanding that research carried out by the Tasmanian Economic Regulator several years ago found that the large majority of households in receipt of an electricity concession used about 20% less electricity than average households. Low-income households are therefore – generally – also low usage households.

As we have argued in various forums, high fixed charges not only blunt price signals sent by other tariff components, but also do not allow significant savings to be made by reducing overall usage. A high fixed charge component therefore works directly against household efforts to increase the affordability of electricity by reducing usage.

The increase in fixed charges also works against the efficacy of energy efficiency messages that have been supported by governments and the community for many years, both in the interests of costs savings and the reduction in greenhouse gas emissions.

#### **6. What do you think would make customers choose a demand based network tariff option? (e.g. incentives or product offers)**

It is likely that different customers will be motivated by different things but most are likely to want to see material benefit from a new tariff offering. This again is an argument for the provision of better modelling and research.

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

The modelling provided in the Consultation paper (at *15.1 Network customer impacts*, pp 23-26) omits an illustration of the impact of the proposed new network charges on *high* (or large) usage residential customers. This is a significant omission as it is likely that a small number of low-income households fall into this category of user.

The Consultation paper does not consider the impact of demand based tariffs on low-income and vulnerable households. TasCOSS is disappointed that modelling has not been carried out using data from Aurora Energy regarding the usage patterns of customers receiving concessions, and the likely effect of demand based tariffs on their bills.

In addition, there is little detail about the proposed trial TasNetworks intends to carry out that might, if designed appropriately, provide information on usage patterns of a variety of household types, including low-income households. TasCOSS maintains that it is vital that low-income households are recruited and well represented in the trial population, particularly in light of the current absence of any modelling of low-income household electricity use and the likely financial impact of new tariff structures on those households.

There is also no information in the Consultation paper about the likelihood of, or circumstances under which a minimum demand charge may be introduced. TasCOSS maintains that the imposition of a minimum demand charge effectively increases the fixed charge component and should be therefore be avoided.

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

Not at this stage.

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The views expressed in this document do not necessarily reflect the views of Energy Consumers Australia.