

12 December 2024

Julia Cassuben  
Australian Energy Market Commission  
Level 15, 60 Castlereagh Street  
Sydney NSW 2000

Dear Ms Cassuben

**Re: The pricing review: Electricity pricing for a consumer-driven future (EPR0097)**

TasNetworks appreciates the opportunity to provide comments in response to the Australian Energy Market Commission's (**AEMC**) consultation paper about the electricity products and services that will be offered to customers in the future and the prices that customers will pay for them. As the Distribution Network Service Provider (**DNSP**) in Tasmania, TasNetworks welcomes the timing of the review and the consideration being given by the AEMC to the role of distribution networks in meeting customers' future needs and the interaction between network and retail pricing.

TasNetworks supports the submission made by Energy Networks Australia and makes the following additional comments regarding the market and regulatory arrangements needed to deliver the distribution network services customers want and need in the future.

The role of distribution networks is evolving. Distribution networks are increasingly facilitating transfers of energy (and other related services) between a range of market participants and end-users that they were not originally designed to cater for. Similarly, the regulatory framework governing network pricing is being asked to cater for transactions involving networks and network cost recovery mechanisms that were not envisaged when the current arrangements were conceived.

The cost of providing the shared network in the past was largely driven by the need to cater for peaks in demand. The proliferation of Consumer Energy Resources (**CER**) and changes in technology, customer behaviour and the electricity supply industry are changing the nature of distribution networks, including distribution network services. This means the basis for determining network charges may also need changing.

In the past, the cost of the shared network was closely linked to customer load and priced accordingly. In the future, pricing might need to reflect the broader range of services expected of distribution networks. The future regulatory framework should enable networks to recover not only the costs of catering for peaks in demand, but also recoup the costs of

providing a range of network services from the beneficiaries of those services, whether directly or through third parties. This should be a key focus of the Pricing Review.

DNSPs continue to be best placed to be responsible for network tariff design, in consultation with customers and stakeholders, including retailers. TasNetworks, like other DNSPs, invests considerable effort and resources in engaging with end users and their advocates in order to understand customer preferences with regard to network pricing. DNSPs are also best placed to understand network costs and how these are impacted by customer decisions, as well as conditions on their networks, which will be particularly important when designing and pricing network charges in the future to cater for CER.

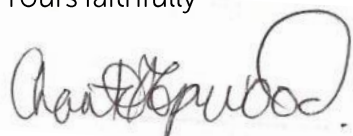
It is also important that the regulatory framework provides DNSPs with the freedom and flexibility to respond to changes in the electricity supply industry brought about by new market offerings and new technology, and to respond to customers' changing needs. To this end, greater flexibility in relation to trials of new network charging arrangements and the introduction of new network charges during a regulatory control period would help DNSPs to be more agile in responding to the changing energy landscape in Australia.

TasNetworks recognises that, in practice, the implementation of cost reflective pricing has been far from simple, for DNSPs, for retailers, for regulators and, most importantly, for customers. According to TasNetworks' own customer segmentation modelling, 63 per cent of residential customers in Tasmania are disinterested in managing their electricity usage, while another 29 per cent have low levels of energy literacy and lack the capacity to respond to network pricing signals in any case. This leaves less than 10 per cent of residential customers who have the capability and motivation to manage their electricity consumption in order to reduce their bills or help the environment.

So, while cost reflective pricing has the potential to improve the efficiency of electricity networks and minimise expenditure on network augmentation, the regulatory framework applying to DNSPs and the approach taken to network tariff reform needs to recognise that the ability of cost reflective network tariffs to influence customer behaviour may be limited.

Once again, thank you for the opportunity to provide comments in response to the consultation paper. To discuss the views expressed in this submission please contact Chris Noye, Leader Regulation, at [Chris.Noye@TasNetworks.com.au](mailto:Chris.Noye@TasNetworks.com.au) or 0417 399 009.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Chantal Hopwood', with a large, stylized flourish at the end.

Chantal Hopwood  
Head of Regulation