



Distribution Pricing Arrangements - Draft Rule Retailer perspective

AEMC Public Forum

Keith Robertson - Manager, Retail and Wholesale Regulatory Policy

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Summary



- The industry must undertake network tariff reform as a priority.
- Successful reform is predicated on effective consultation.
- AEMC's Draft Rule is a significant improvement.

Network tariffs do not meet the Electricity Objective and lead to higher costs overall



Reform is needed so network tariffs can better meet the National Electricity Objective:

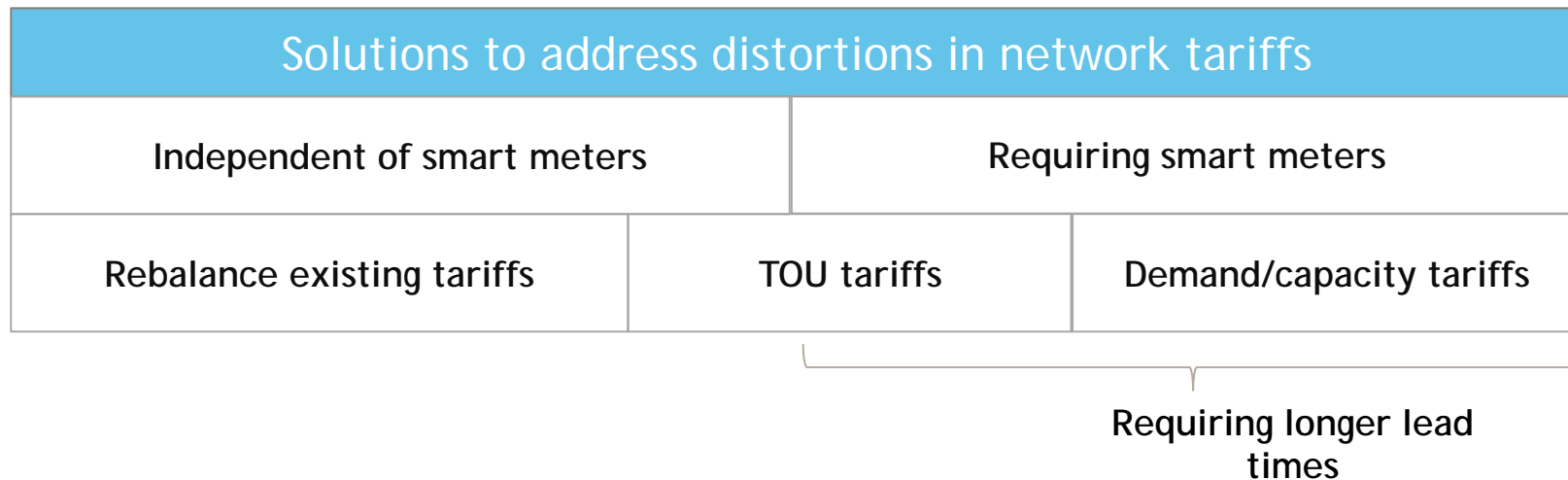
National Electricity Objective
To promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity

- The structures of network tariffs do not align with network cost drivers.
- Cross-subsidies are distorting consumption and investment decisions, NERA estimate:
 - 5 kW air-conditioner causes around \$1,000 p.a. in additional costs, but will face \$300 additional network charges;
 - a consumer with 2.5 kW north-facing PV system pays about \$200 a year less, but will save the network only \$80.
- Greater engagement is required between networks, retailers, customers and regulators.

Effective response will hinge on reducing reliance on volumetric components



- A suite of practical responses are required, including some that are not technology dependent.
- Any measure adopted must be done in a way that recognises the impacts on customers.



Draft Rule promotes network tariff reform



- Addressing pressing need for reform of network tariffs will require better consultation.
- Previously, no requirement for:
 - Network business to consult on tariff development, or
 - AER to assess tariff structures, other than ensuring revenue recovery.
- Draft Rule promotes:
 - Greater opportunity for consultation;
 - Earlier notification of network tariffs;
 - More certainty and transparency.

Draft Rule promotes network tariff reform by improving price change processes



The following requirements are key:

- AER must consult on Tariff Structure Statement;
- DNSP must provide pricing proposal to AER 3 months before they apply (not 2 months);
- AER can amend a pricing proposal that is deficient, within certain parameters;
- Consumer impact principle;
- AER must publish a pricing statement 30 days after receiving it.

Draft Rule promotes network tariff reform by improving price change processes

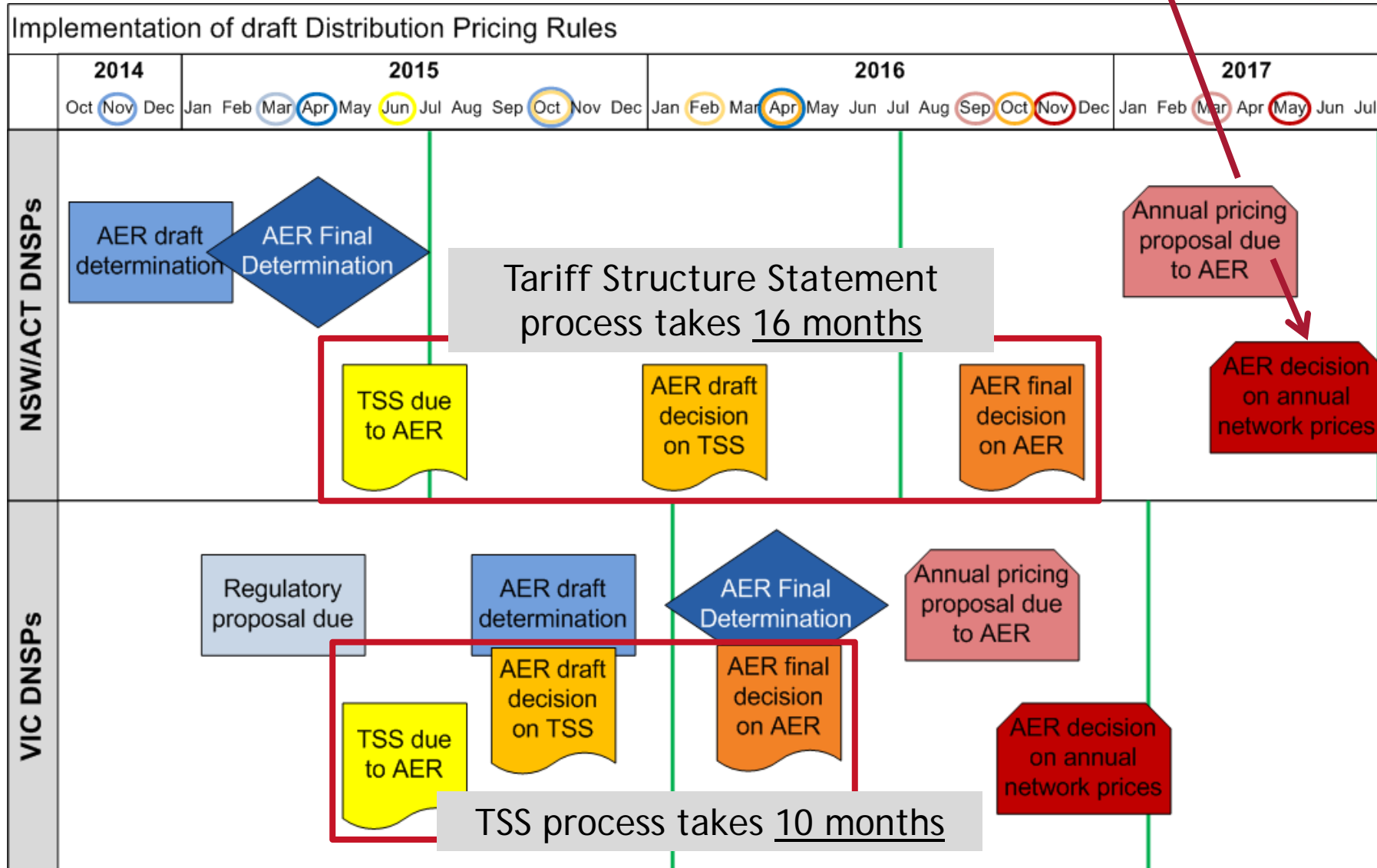


- Networks can amend pricing structure statements (with consultation) to respond to shifting dynamics
- Where proposal is not deficient, this leaves **2 months** for retailers to integrate tariffs
- If AER provides opportunity for DNSP to rectify deficient statement, this leaves only **6 weeks**
- **6 weeks is bare minimum** - this translates to only two weeks to prepare retail tariffs in Victoria.

Implementation timetable too long



Annual Pricing Proposal for NSW/ACT not effective until July 2017





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Thank you
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