



ENA

AEMC WORKSHOP

NATIONAL ELECTRICITY AMENDMENT (DISTRIBUTION NETWORK PRICING ARRANGEMENTS) RULE 2014

JOHN BRADLEY, CEO, ENERGY NETWORKS ASSOCIATION

22 SEPTEMBER 2014

ENA welcomes the Rule change,

- Draft Determination seeks to build support for network tariff reform
 - NERA evidence
- Intent to maintain flexibility and ownership of prices by networks, with transparency
- Recognition that transition to cost-reflective network tariffs will require measures to manage implications for vulnerable customers
 - Consumer impact principle
 - Broader review of customer hardship programs
- Seeking to enhance customers' responses to cost-reflective network tariffs
 - Stakeholder engagement
 - Transparency through Tariff Structures Statement (TSS)

... while recognising key barriers are not in Rules

- Metering base
- Jurisdictional constraints on locational pricing
- Political environment

...and so ENA supports an integrated approach

- Balanced framework for metering contestability
- Review of customer hardship programs
- Consideration of more active measures to assign cost-reflective network tariffs
- Consumer information and decision making tools
- Deregulation of retail prices

Higher fixed charges and residual costs

- Recognise the need to manage impacts on vulnerable consumers of network tariff design.
- In current meter and growth context - caution against 'dismissive' approach to network tariffs which improve fixed cost recovery (eg. higher fixed charges or declining block tariffs).
- Retaining flexibility for NSPs to consider such tariff reform options in consultation with their customers is consistent with the emphasis in the AEMC Draft Determination on network responsibility.
- Note the options identified by Brattle include declining block tariffs, gradual increases in fixed charges, fixed charges with hardship exclusions; and demand-based charges relying on smart meters.

ENA supports key elements of AEMC approach

- Progressive implementation of cost-reflective network pricing
- Sufficient flexibility for networks to design and set tariffs that reflect the drivers of network costs, in consultation with their customers
- Choice in methodology to be used in determining LRMC and in the allocation of residual costs
- Greater transparency as a means of resolving conflicting principles
- Guidance within the NER on the principles, rather than prescription or subsequent regulatory guidelines
- Use of the existing Better Regulation guideline for consultation on network tariffs rather than a new specific guideline
- Encouragement for review concession and customer hardship government schemes
- Earlier finalisation of network prices in the annual pricing process

Initial view on key concerns

- 1) Binding nature of Tariff Structures Statement
Not clear that need to have a binding framework requiring approval by AER

Suggest consider

Focus should be on tariff structures element, and not locking in prices, or methodology

- 2) Practicality of Transitional Timeframes (30 June 2015)

Suggest consider

- Recognition that full compliance may not be feasible –
- ‘best endeavours’ in first period; or
 - defer the timeframe by 6 months