

Network Tariff Reform

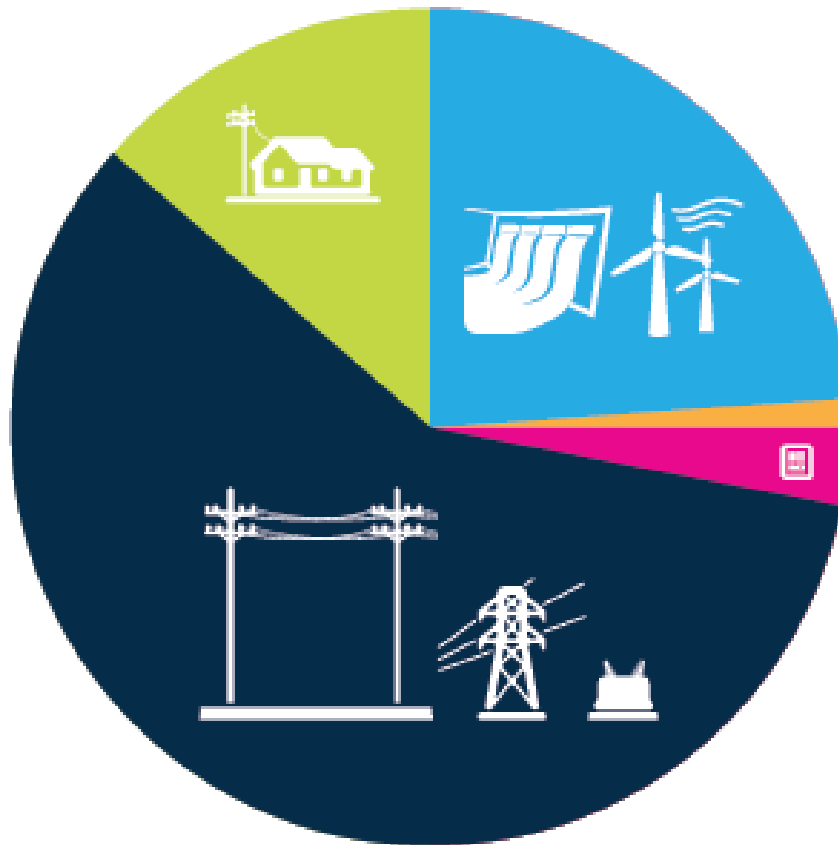
Presentation to ENA Roundtable
22 July 2015

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GM Strategy and Stakeholder Relations

Engaging with our customers



What makes up the end bill?



58.9%
Network



23.9%
Generation



13.1%
Retail



3.6% Renewable Energy
Certificate Charges



0.5%
Market Charges

Consistent feedback on our services and prices

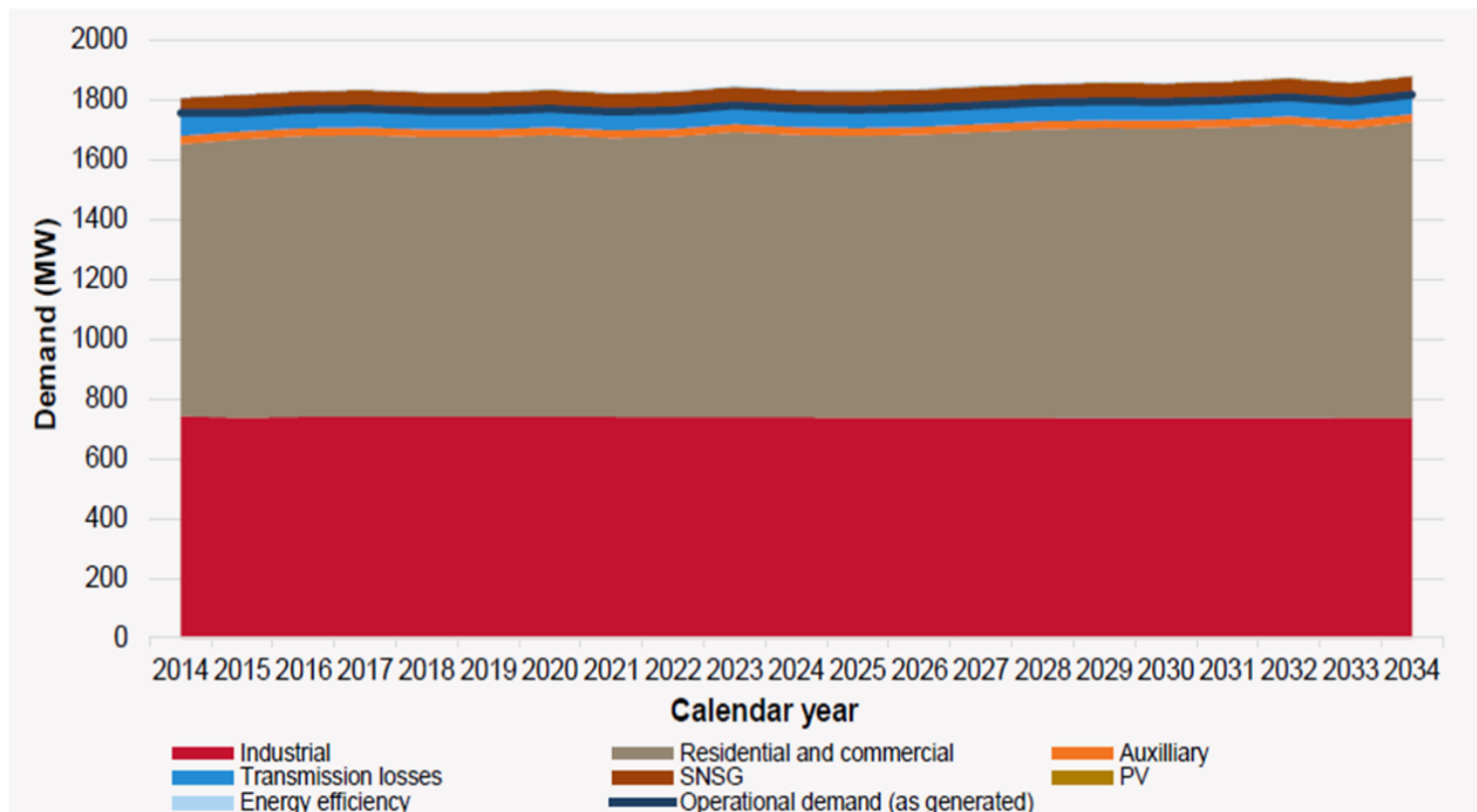
- Customers generally happy with level of network service reliability
- Looking forward:
 - Customers generally want the same level of service for about the same price
 - Relationship with TasNetworks, including communication, is important
 - Greatest concern is affordability/cost
- Network revenue and pricing is very complicated
 - Network charges should be visible in the retail bill
 - Customers want to be able to influence their bills
 - Customers are concerned about the impacts of network pricing reform on vulnerable customers

Our tariff strategy

- Compliance with National Electricity Rules changes
 - Network charges (or 'tariffs') in Australia are generally based on 'how much energy' a customer uses, not 'how much network' a customer uses
 - ...and this is not cost reflective or efficient
- Transition to more cost reflective tariffs
- Improve economic efficiency and equity
- Reduce cross-subsidies in the tariff structures by ensuring all customers pay a fair price for the service they use
- Provide information that allows customers to make more informed choices based on better price signals

Consumption and demand trends

- Consumption of energy from the electricity network is falling
- Demand is stable and underpins network replacement, operating and maintenance costs
- Demand is our key cost driver: tariff strategy underpinned by demand-based tariffs

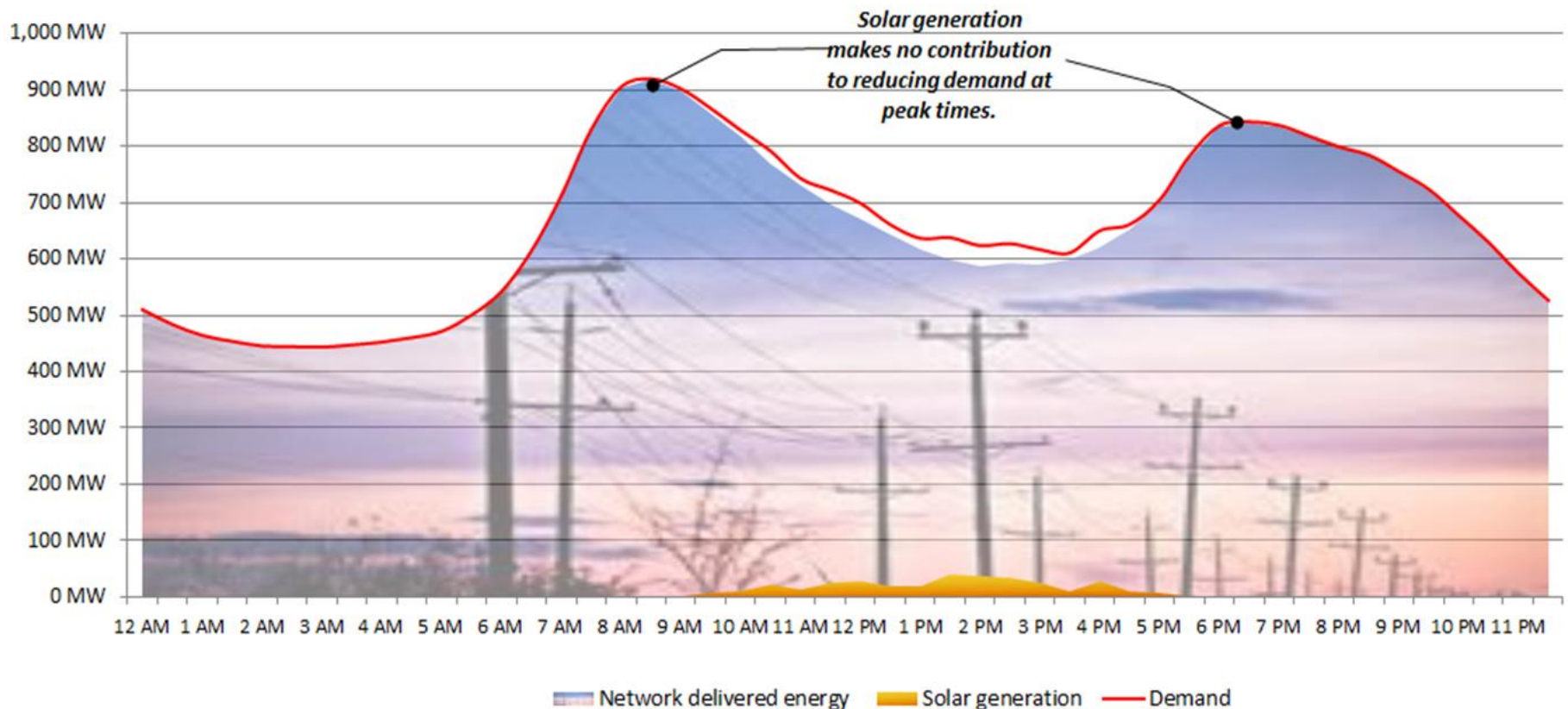


Fair and equitable pricing

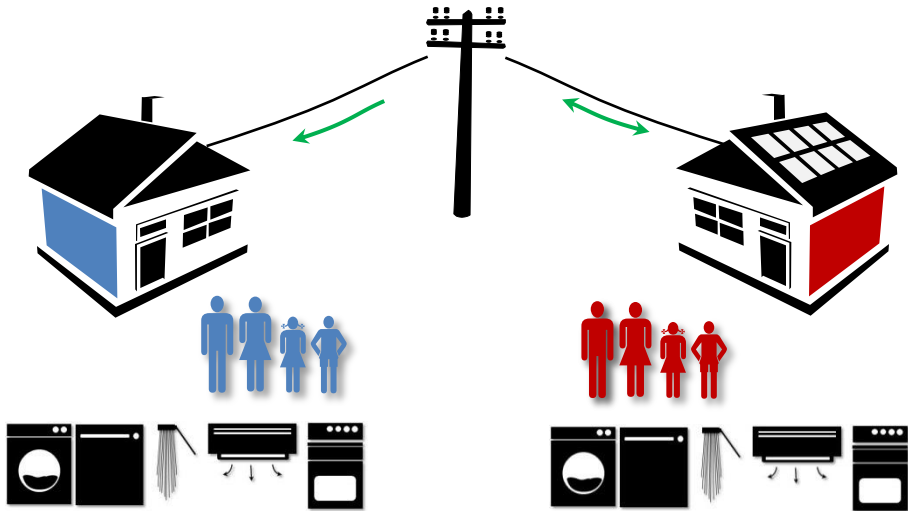
Present pricing is based on consumption of energy

Solar generation highlights that this is not cost-reflective for network charges:

- Solar generation reduces the amount of energy delivered via the network
- This reduced consumption does not reduce peak demand on the network



Sharing the cost of the network



Consumption 8,151 kWh p.a.

Annual electricity cost \$1,917

Contribution towards cost of the network (41% of total cost) **\$712**

Consumption (total) 8,151 kWh p.a.

Generation (3.0 kW PV array) 3,321 kWh p.a.

Annual electricity cost \$1,292

Contribution towards cost of the network (41% of total cost) **\$480**

Maximum demand	4.5kW at 8am during winter	Maximum demand	4.5kW at 8am during winter
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Same household maximum demand served by the network – different contributions to network costs. Cross-subsidy from one customer to the other.

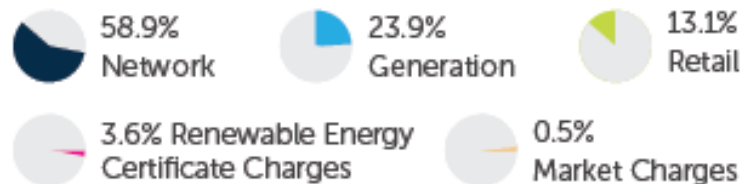
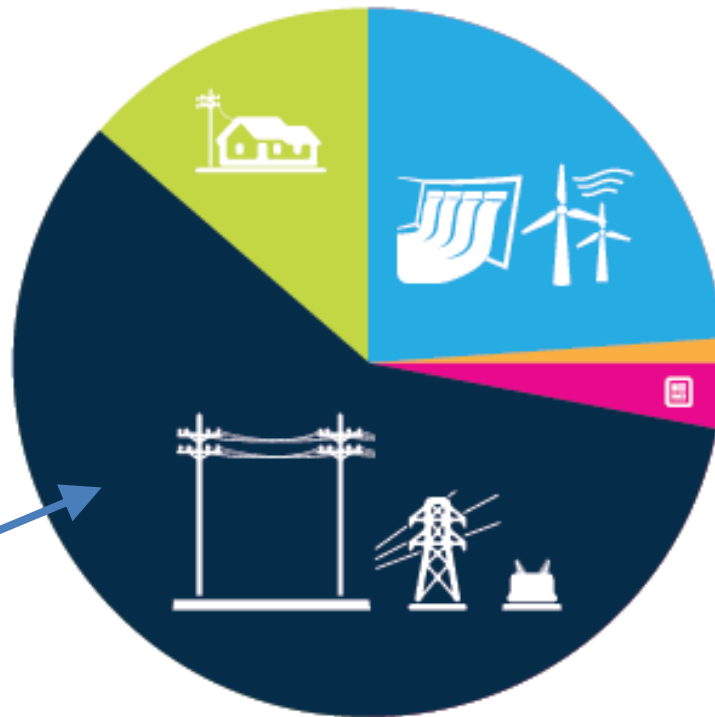
Note: indicative bill costings

Strategy overview and transition plan

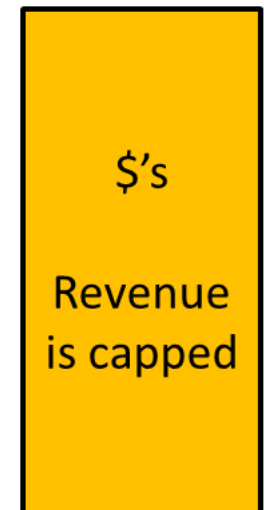
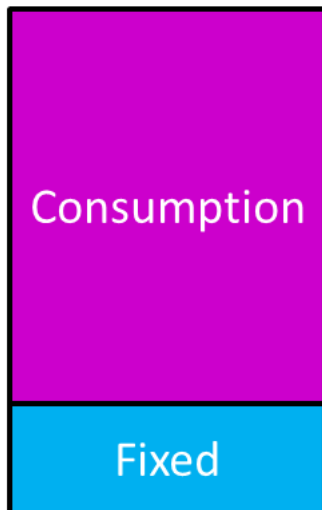


What makes up the end bill?

This is the component that is reflected in the design of network tariffs



Network tariff transition



NB: Diagram not to scale

Supporting vulnerable customers

AER may not see its role as providing hardship relief through network tariff structures:
“There is no evidence to suggest that customers on hardship programs have different demand, usage or connection characteristics to other residential customers.”

Tasmanian Energy Strategy:

“Any changes to tariff arrangements in Tasmania will be matched with appropriate concession arrangements. Through the Energy Strategy the Government will ensure that vulnerable customers continue to be properly supported.”

Our role in supporting vulnerable customers includes:

- Contributing to the discussion on how concession frameworks can support network tariff strategy
- Working with retailers to provide information to support better customer decision-making, recognising the literacy and numeracy challenges Tasmania faces
- Continuing to work with customer advocates and customers to ensure we’re on the right track

Key tariff reform messages

- The current structure of network tariffs is driving cross subsidies and inefficient investment
- Tariff reform will not work without a whole of market response
- Network tariffs are only one part of the picture
- Networks and retailers must work together with customers and stakeholders
- Customer education and support programs are critical to successful tariff reform
- We will continue to engage with customers

We are interested in your feedback

- Understanding how we can better engage
- Responding to your feedback, including in future plans
- Improving our communications
- Please get involved – we want tariff reform to be successful and support better customer outcomes

**Please send feedback or comments to
DD17@tasnetworks.com.au**

Questions