

The development of fairer and more efficient tariffs in QLD

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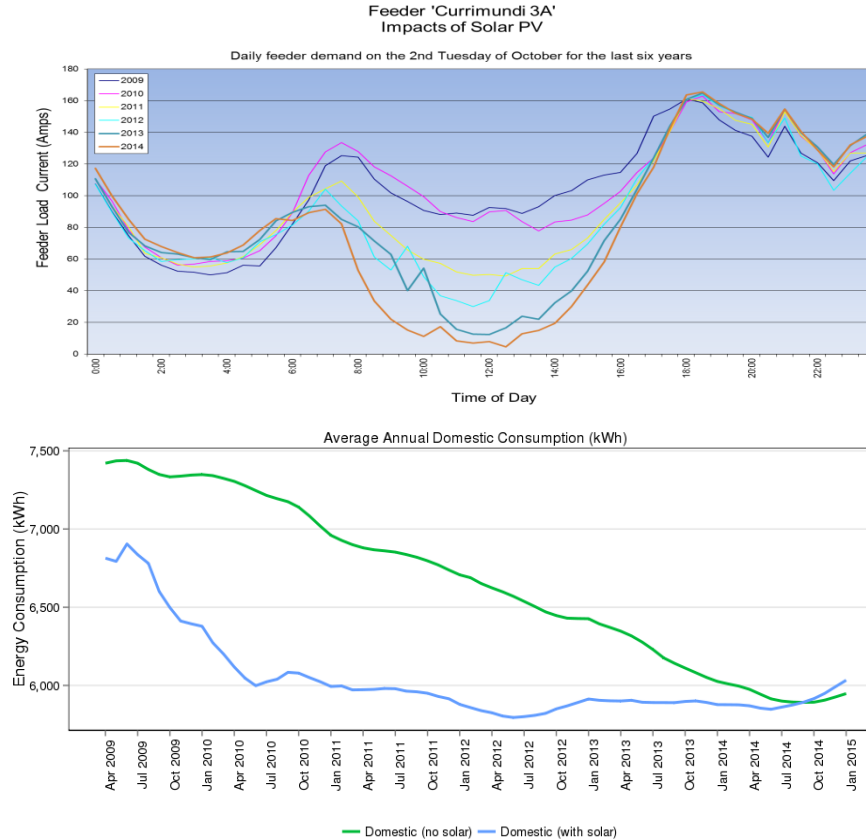
Tariff Reform - Tariffs are only one part of the picture

Tariff Reform is a whole of market reform package that requires a whole of market response to be successful:

- Network and retail tariff structures
- Billing processes
- Enabling technology
- Electricity meters
- Customer education
- Customer service offerings
- Hardship and assistance programs

Which element drives tariff reform and at what pace?

The current network tariffs are not working



Demand-based network tariffs are the future

Benefits of demand-based tariffs

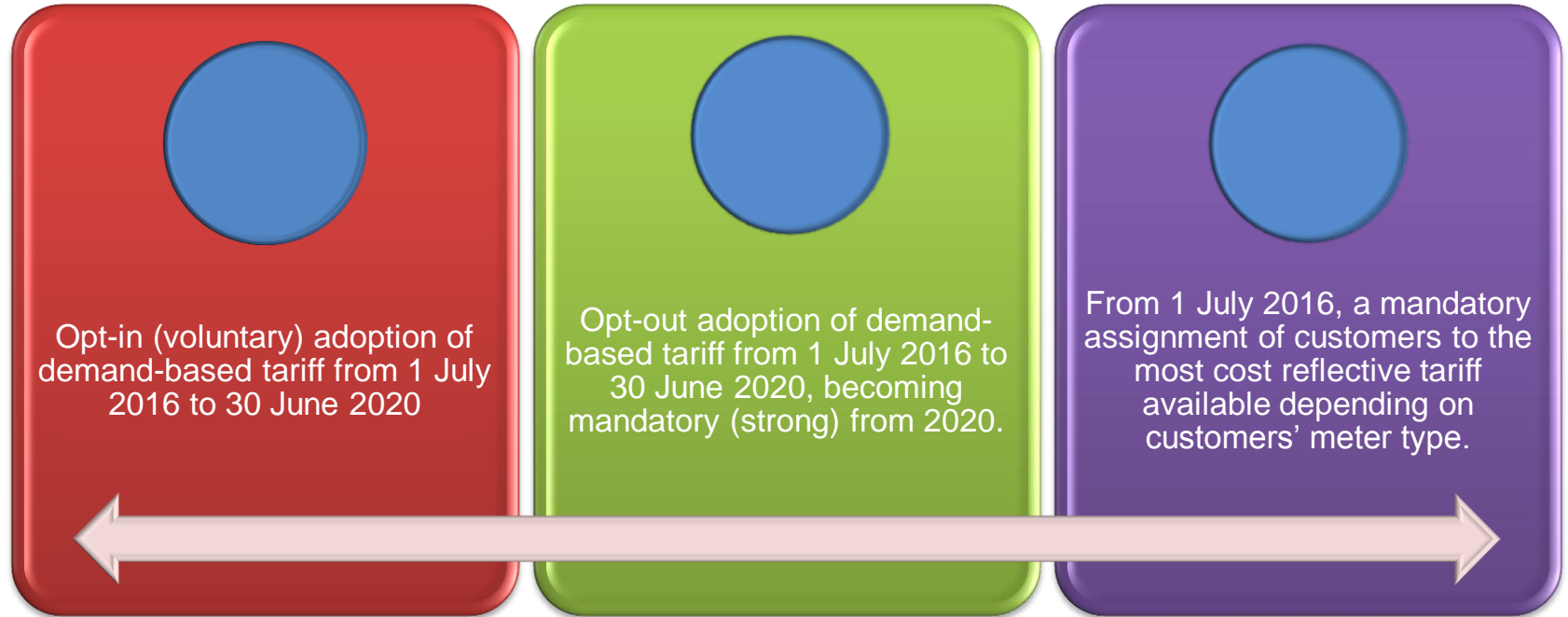
Demand-based network tariffs will:

- **Empower customers to reduce bills**
in the short term and long term
- **Help customers make optimal investment decisions**
in emerging technologies and effectively integrate emerging technologies into the network
- **Reduce cross-subsidies**
by improving fairness and equity for customers.
- **Improve how efficiently our network is used**
- **Better signal the cost to build the network**
to customers which is based on capacity and reflect cost of supplying the level of network service used
- **Stabilise revenue recovery**
for Energex and help us stay commercially viable

Workshops and submissions



The pace of tariff reform



Customer and network priorities

Aligning customer and network needs

Network

- Pricing for the use of the network is reflective of the costs to build and maintain the network into the future.
- The network is used efficiently to reduce the need for future investment.

Customer

- The tariff must be **simple and easy to understand**, enabling customers to make informed choices about how they use electricity.
- The tariff must deliver meaningful financial **rewards for behavioural change**, but customers are sceptical of financial penalties for high peak use behaviour.
- The tariff must provide **price stability for customers** with consistent and stable annual price changes to allow customers how to efficiently invest in new technologies.
- The tariff must **have regard to equity**, including **applying rules consistently to all customers** and with a full understanding of how a tariff change may **impact vulnerable customers** or those who cannot access advanced metering.

Customer Impact

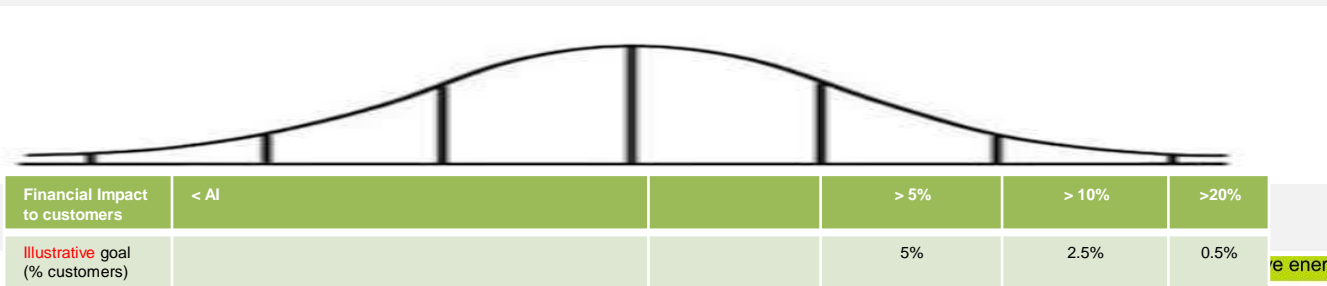
Two elements: Qualitative and quantitative

Qualitative

- Customer's ability to understand the new tariff
- Customer's ability to choose their tariff (voluntary opt-in, opt-out) or mandatory
- Notice period provided to customers when mandatory charges are introduced
- Cost and availability of supporting technology to enable customer response
- Customer's prior financial investment under the existing tariff
- Market / retailer services to help customers understand, compare and select tariff offerings (eg iSelect, Choice)
- Government's involvement in protecting vulnerable and hardship customers (eg concession or hardship assistance)

Quantitative

- Identify most impacted vulnerable customers and set targets using customer load profiles



Real time Tariff Study

- Strong interest from customers, customer advocacy groups and stakeholders about a real time study
- Study will use interval meters and real tariffs to analyse customer behaviour
- Three pronged:
 1. Demand based tariff
 2. Time of use volumetric
 3. Flat tariff
- The study results will inform Energex in developing the tariff structures for the 2020-25 TSS
- This type of study will require significant consultation with customers, retailers and representative groups

What is the distributors role in hardship?

(examples)

- **Education**
 - Tariff information, demand management, ways to change demand
 - Load profile information – must be meaningful
- **Communication**
 - Engage with customers, government, retailers, consumer groups
- **Industry**
 - Active participation in industry efforts and programs to manage hardship
 - Publishing data to assist industry
- **Financial**
 - Tariffs & tariff transitions
 - Funding assistance, community support programs
- **Programs**
 - Hardship flags to improve visibility
 - Potential fee waivers

Key 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
- Customer education and support programs are critical to the success
- Networks and retailers must work together with customers and stakeholders
- Energex will continue to engage and evolve tariff reform implementation as the market matures



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