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A NEW STANDARD IN FAIRER, MORE AFFORDABLE POWER

Australian households could save an average of up to \$250 per year in electricity bills and avoid unfair cross subsidies of up to \$650 per year under a proposed new standard for network tariff reform.

Australia’s electricity transmission and distribution network providers have proposed a national approach to fast-track the benefits of electricity tariffs which reward consumers for contributing to lower network costs.

Energy Networks Association CEO John Bradley today released the Position Paper *Towards a National Approach to Electricity Network Tariff Reform* and independent analysis addressing the benefits of fairer electricity prices in Australia.

“Independent analysis released today shows electricity customers could pay up to \$250 less per year in the future if fairer network tariffs are put in place now, Mr Bradley said.

“If we don’t act, today’s outdated tariffs will lead to network price increases which are 5 times higher than necessary and result in unfair cross subsidies to some customers of up to \$655 per year.”

Mr Bradley said the findings supports recent analysis by the Australian Energy Market Commission which found that network tariffs currently don’t reflect network cost drivers and allow air-conditioning customers to impose costs of up to \$700 per year on other users.

“This analysis shows today’s network tariffs will encourage an explosion in unfair cross subsidies, leading to a world of ‘haves’ and ‘have nots’ in 2034.

“Customers who have taken up solar and other technologies would pay electricity bills that are \$1270 (about 40%) lower than those who have not. About half that ‘discount’ would be paid for by other customers through unfair cross subsidies.

“The review of pricing options found network tariffs based on customer peak demand would achieve the lowest network charges and cross-subsidies for residential customers,” Mr Bradley said.

Mr Bradley said despite recent changes to network pricing rules by the Australian Energy Market Commission, a range of barriers to fairer tariffs needed to be addressed urgently.

“Australia’s electricity networks want to work with their customers to implement fairer tariffs in a carefully planned way that suits local network circumstances.

“The first step is the removal of outdated regulatory restrictions that prevent the efficient network cost being charged to a retailer, such as default flat rate tariffs.

“The second step is to develop an industry standard for implementing network tariff reform, including collaboration with electricity retailers, working with consumer advocates on measures to support vulnerable customers and establishing some Foundation Principles,” Mr Bradley said.

Mr Bradley said consumers had more choices in their energy and technology use and networks would be asking for customer support for fair, technology neutral tariff structures.

“Network businesses have a clear obligation to protect the interests of all their customers by providing fair, efficient tariffs, where customers can choose how they use energy without imposing costs on others.

“Australia’s world leading rates of rooftop solar installation are both an opportunity and a threat to fair prices for customers, with up to a further 7 million customers projected to install solar panels by 2034.

"Solar panels require advanced meters that measure the time of energy use, so there would be no additional investment needed to provide a fair network tariff.

"However, if we leave network tariffs as they are, then Australia faces cross subsidies of up to \$655 per year, massive over-investment in distributed energy resources and higher community costs of up to \$17.7 billion," Mr Bradley said.

He said that ENA has proposed 3 foundation principles for consultation with customers and other stakeholders, to fast-track the benefits of network tariff reform.

1. A national policy to install "smart ready" meters for new connections or replacement of meters, which can be converted to smart meters when economic to do so.
2. The ability for networks to assign customers making new connections or upgrading their existing connection to a cost-reflective network tariff.
3. The ability for networks to assign customers using over 40 MWh per year (ie. approx. \$10,000 per year) of electricity, or a capacity threshold, to a cost-reflective network tariff. Networks would specify the thresholds in their regulatory proposal and the tariff structure statement that is required to take effect from 2017 under the new rules.

"With the AEMC's recent change to network pricing rules, it's now time to remove the remaining barriers to fairer network prices in Australia.

"We have learnt the lesson from Victoria which prescribed retail tariffs and retail assignment of network tariffs and fewer than 5,000 customers have taken up flexible tariffs in the year since their introduction.

"Research shows that not only are most customers better off but vulnerable consumers are more likely than average to be better off," Mr Bradley said.

ENDS.

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[Download](#) the ENA Position Paper *Towards a national approach to electricity network tariff reform*

[Download](#) the Energeia Analysis *Network pricing and enabling metering analysis*

ENA is the peak national body for Australia's energy networks; and represents gas distribution and electricity network businesses on economic, technical, environment and safety regulation as well as national energy policy issues.

FACT SHEET SUMMARY

BENEFITS OF TARIFF REFORM:

Residential customers

- Up to \$655 per year in unfair cross subsidies in 2034 could be avoided for residential customers which cannot or do not invest in distributed energy resources.
- Network tariff reform can achieve average residential electricity bills up to \$250 per year lower in 2034, than without tariff reform.
- The cumulative increase in network prices by 2034 could be as low as 7% by 2034, compared to over 30% without tariff reform.

Business customers

- Up to \$4,145 per year in unfair cross subsidies in 2034 could be avoided for business customers which cannot or do not invest in distributed energy resources.
- Network tariff reform can achieve average electricity bills for small to medium businesses of up to \$1,400 per year lower in 2034, than without tariff reform.

Lowest community costs

- Network tariff reform removes the current incentives for up to \$17.7 billion in over-investment in distributed energy resources by 2034. The most efficient and technology neutral network tariffs result in rooftop solar photovoltaic (PV) and storage capacity increasing by more than 1000% to 35 GW by 2034.

ENA POSITION SUMMARY:

- Existing regulatory barriers to cost-reflective network tariff design should be removed. While consumer engagement and a transitional approach will be necessary, it is clear that some use of mandating network tariff assignment will be needed for some customers, if Australia is to protect fair, efficient outcomes for all customers and the general community.
- Further regulatory constraints on the ability of network businesses to provide a cost-reflective tariff to the retailer, including within the NER, should not be progressed.
- A national approach could be progressed through the development of an *Industry Standard for Network Tariff Reform* and informed by ENA's proposed *Foundation Policies for Smart Tariffs*.
 - ENA is seeking to engage with stakeholders on an *Industry Standard for Network Tariff Reform*, recognising the shared responsibilities of networks, retailers, governments and market participants. The *Industry Standard for Network Tariff Reform* could support tariff development, co-operative models for retailer pass-through, assistance to vulnerable customers and the development of information and decision making tools for customers.
 - The proposed *Foundation Policies for transitioning to Smart Tariffs* include:
 - a new and replacement meter policy based on smart ready meters to facilitate future tariff reforms outside Victoria;
 - an ability for networks to assign new or upgrading customers to cost-reflective network tariffs without scope to opt-out; and
 - the ability of network businesses to assign existing customers to a cost-reflective network tariff above a consumption threshold of 40 MWh or a capacity threshold such as customers with current transformer metering or three phase supply arrangements.