



ENA

PRICING ENERGY SERVICES
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Where do we start from...?

- Current Retail Tariff **Levels**
 - Do not reflect economic cost of supply
 - Reflect WA's Wholesale and Retail market environment (\$180 per MWh)
 - Absolute subsidies from taxpayers to energy users (\$2.4 BN over 4 years)
 - Significant Cross-subsidies between regions (TEC) & customer classes
 - Network investment constrained by State balance sheet capacity, rather than customer value of reliability

Figure 2: Wholesale electricity cost comparison for 2013-14

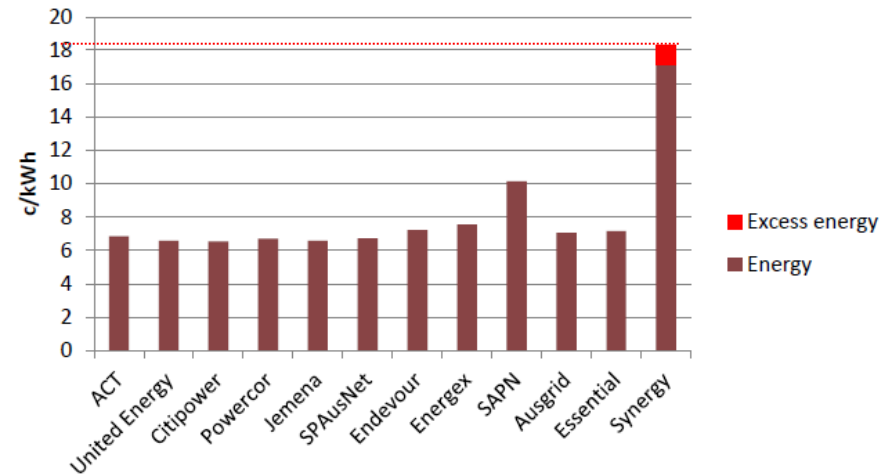
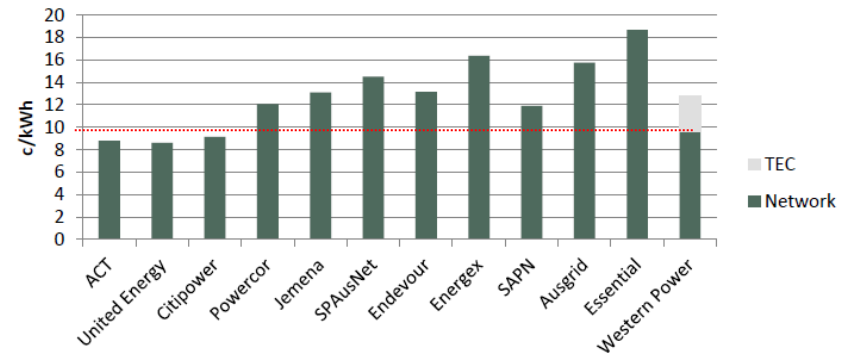


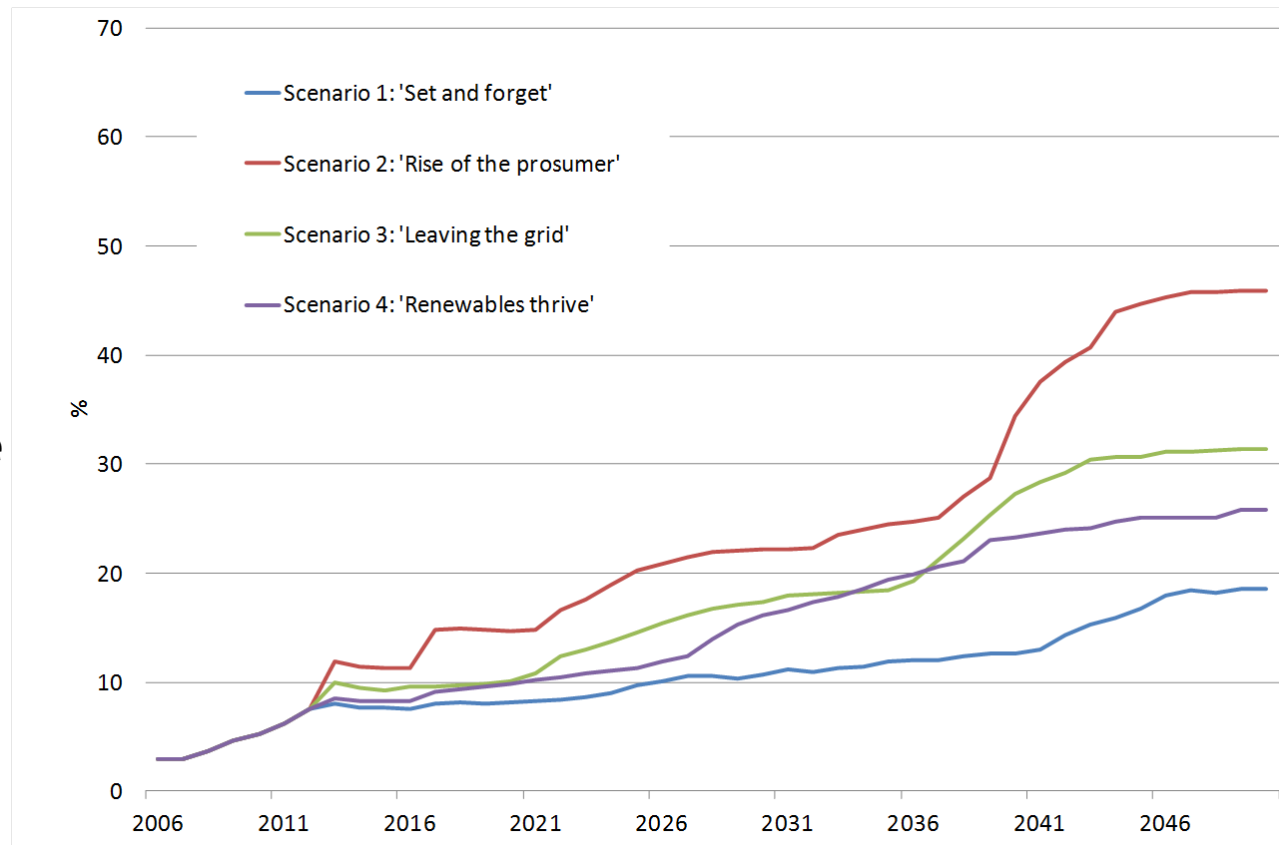
Figure 12: Network cost comparison 2013-14 (residential cost stack)



Source: Sapere analysis

Potentially diverse futures for Network Use...

- > Very different scenarios possible
- > Opportunities as much as threats if agile.
- > No 'Right' Answers but – **Risk of Partial Substitute**
- > Exposure to highly **volumetric tariffs**
- > Exposure to '**tipping points**' through step changes in use and technology



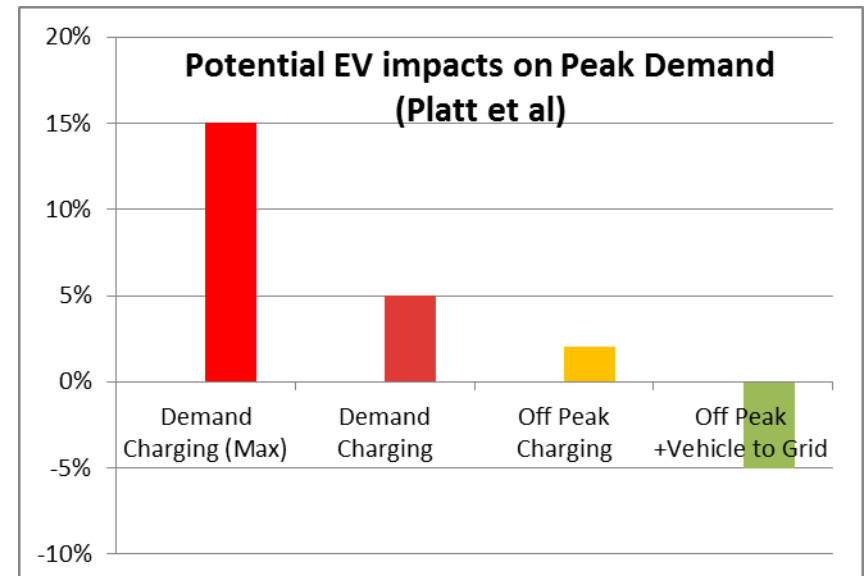
Future Grid Forum - % of Total Electricity from onsite generation

Need for Tariff Reform

- > Tariff Reform essential to
 - address current cross subsidies
 - incentivise efficient DER - avoid encouraging duplication & higher costs to consumers
 - increase Resilience to the next step change

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Diverse Options with Diverse Consequences

Current Structures	Energy	Demand	Other
- Increased Fixed charges	- Time of Use	- Anytime MD	\$/kW charge for net metering (APS)
- Declining Block tariffs	- Critical Peak Pricing	- Coincident MD	Fixed \$/month all customers (SDGE)
	- Peak Time Rebate		

> Challenges

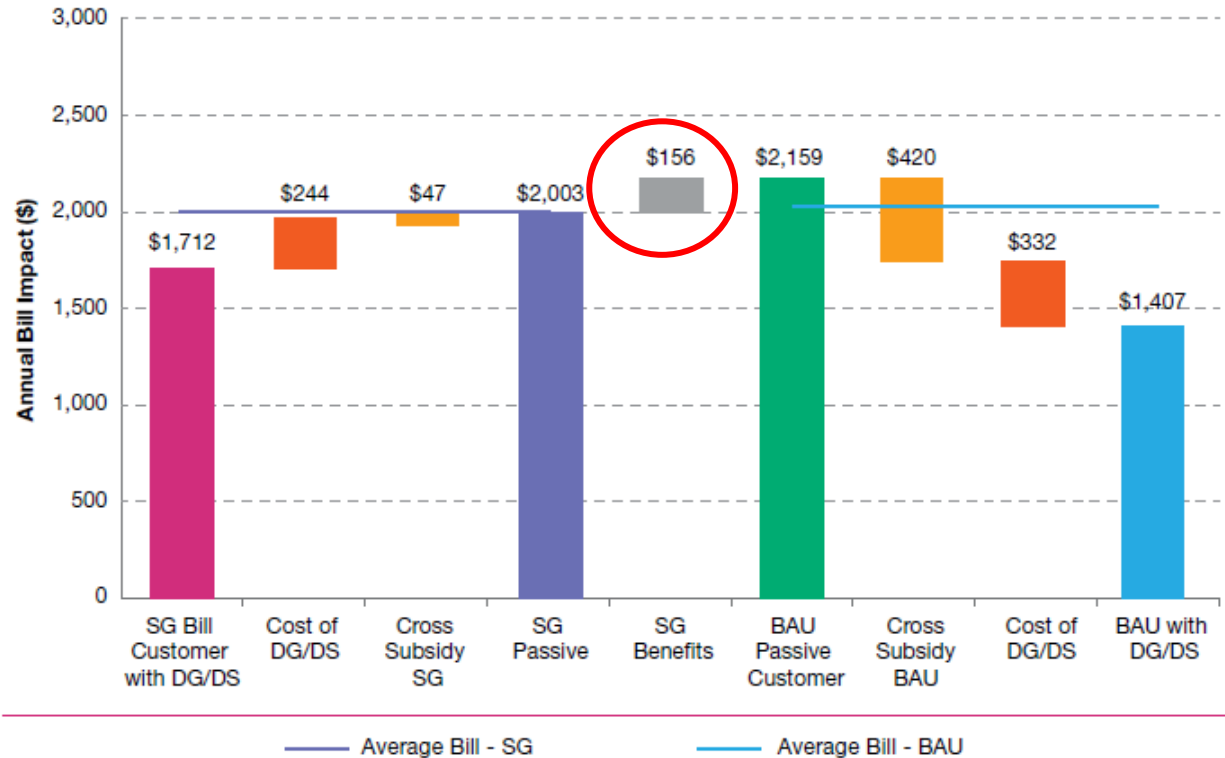
- Simplicity, User Friendly
- Avoid prescriptive, one size fits all solutions.
- Allow service providers to tailor for customers - in consultation with customers.

What's at stake.... the Long Term Interests of Consumers

> Efficiency

- Avoiding \$10 BN over investment in onsite generation and storage
- Saving \$156 p.a. on Average Bills.

Figure 24 Impact on average annual residential customer bills in 2034 (medium scenario)

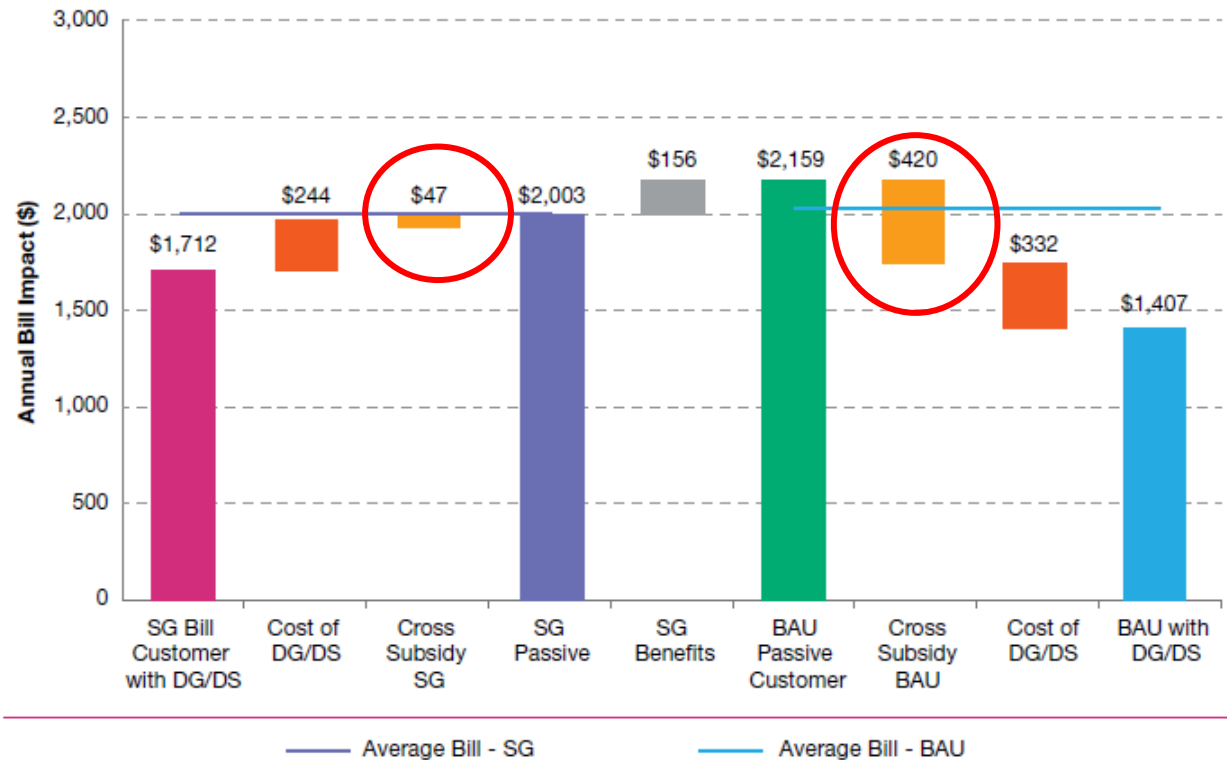


What's at stake.... the Long Term Interests of Consumers

> Fairness

- Current A/C cross-subsidies of c. \$350 pa.
- Current Solar Cross Subsidies estimated \$60 - \$241 p.a.*
- Smart Grid Smart City report shows potential to increase to \$420 p.a.
- Avoiding economic stranding.

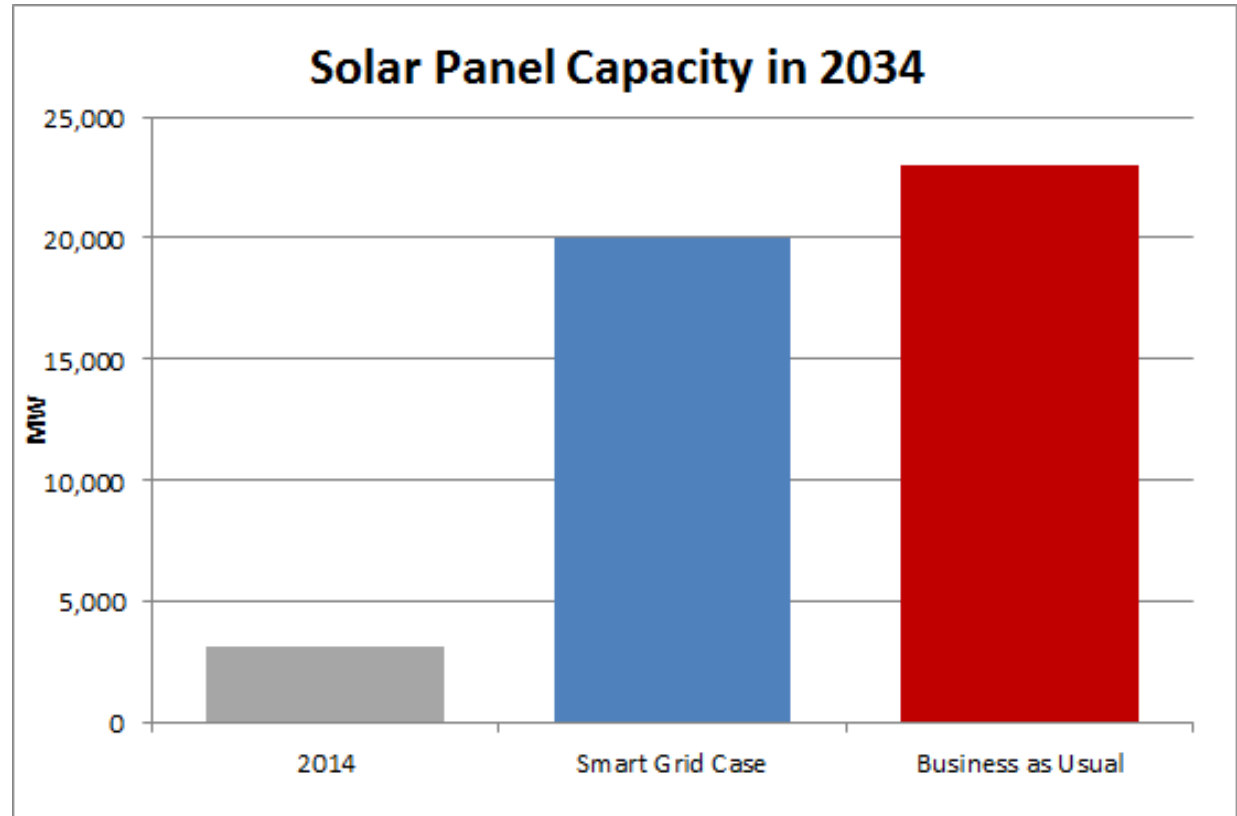
Figure 24 Impact on average annual residential customer bills in 2034 (medium scenario)



(* ENA, ACIL Tasman (2013))

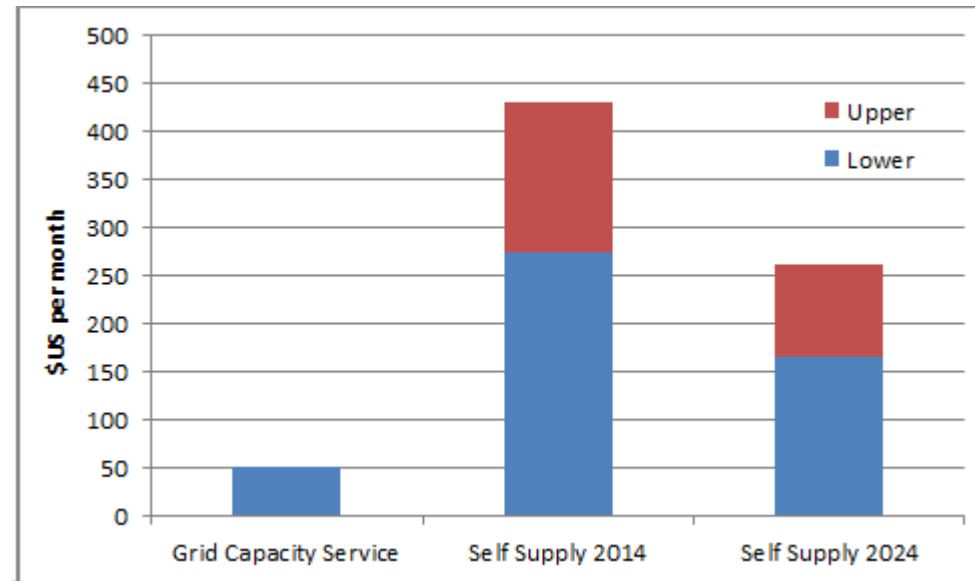
Tariff reform is not a death knell for DER...

- > Economic Signals
- > Australia at world-leading levels of EG integration
- > Smart Grid, Smart City indicated difference was a 700% increase in Solar PV, not 800% increase.



The Grid can compete on Value to Consumers...

- > Efficiency of Supply
- > New Services
- > Access to New Markets
- > Hidden services:
 - Back-up Service
 - Regulation (Balancing) Service:
 - 'Start-up' service



Priorities – Tariff Reform

- > Tariff Reform must reflect today's reality
- > An integrated Road Map is needed:
 1. balanced approach to the regulation of **advanced metering**;
 2. a **consumer information** initiative;
 3. a national approach to flexible pricing based on **trigger events** and **consumption thresholds**;
 4. the refocussing **customer hardship** programs; and
 - 5. deregulation of retail prices**
- > Avoid prescriptive, one size fits all solutions.
- > Allow service providers to tailor for customers - in consultation with customers.