

16 April 2016

New Handbook to deliver fairer, more efficient electricity prices

Australian electricity networks are drawing on international experience to assist the implementation of fairer, more efficient electricity prices for customers.

The Energy Networks Association has released an *Electricity Network Tariff Reform Handbook* for consultation to guide the development and implementation of electricity prices that provide benefits to customers.

“Australia’s energy customers are some of the fastest in the world to embrace new energy technologies, but we are in danger of being left behind when it comes to fair and efficient pricing,” Energy Networks Association CEO John Bradley said.

“About a third of households in the USA now have smart meters, with many US states moving to implement tariffs that reward customers for lowering peak demand – and we have seen similar changes in Italy and Canada.”

Mr Bradley said the draft Handbook, released for consultation today, highlighted insights from the implementation of tariff reform in Europe, Canada and the United States, as well as recent experience in Australian markets.

“Most Australian network service providers are currently implementing new tariff options for customers to choose, which reward reductions in peak demand.”

Mr Bradley said most customers today were charged for how much electricity they used, regardless of when they used it.

“By rewarding customers who reduce peak demand, we can avoid future network investment, encourage the best use of solar panels and battery storage, and reduce cross-subsidies between customers.

“Australian analysis has indicated tariff reform could save consumers \$250 per year over the long-term, while the draft Handbook highlights US customer bill savings of 11% to 41%.”

Mr Bradley said the Handbook recognised successful reform would require a clear customer focus with better analysis of customer preferences and outcomes, direct assistance for customers to respond and support for vulnerable customers.

“New tariffs have to be simple for customers to understand respond to - and that means collaboration with energy retailers and other new market participants will be vital.

“Fair and efficient prices are important for enabling choice when investment decisions move from a few large entities to millions of individual customers.

“Some customers will save by simply changing the time when they run appliances, while others can consider take up of rooftop solar PV, household battery storage or smart appliances and thermostats and electric vehicles.”

The Energy Networks Association engaged KPMG Australia to assist the production of the *Electricity Network Tariff Reform Handbook* to guide networks and stakeholders in the process of tariff redesign. A **public webinar** will be hosted on **Wednesday 27 April** to discuss the key insights.

Mr Bradley said the Handbook highlighted well-recognised principles for network tariff design including they be easily comprehended by customers, reflect the efficient cost of providing network services, and minimise unintended subsidisation of some customers by others.

According to the Handbook, evidence suggests, many vulnerable customers would be better off immediately under a demand-based tariff.

The Handbook references dynamic pricing trials in the US that found 80 to 90 per cent of low-income customers would benefit from moving away from flat or inclining block rates to dynamic pricing.

"In the short term, tariff reform will reallocate costs among customers more fairly, while over the longer term, reform will lead to network prices lower than they otherwise would have been," Mr Bradley said.

The draft *Electricity Network Tariff Reform Handbook* can be downloaded at www.ena.asn.au/electricity-network-tariff-reform

To register interest in participating in the webinar, go to www.ena.asn.au/events

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About the Handbook

KPMG Australia assisted the Energy Networks Association (ENA) to compile the *Electricity Network Tariff Reform Handbook* by undertaking research and analysis on which the handbook's guidance is based. It is intended as a toolbox for electricity distributors and industry stakeholders – including governments, consumer advocates and retailers – to assist in planning and implementing successful tariff reform.

The Handbook examines the elements of successful network tariff reform in three parts as illustrated in Figure 1 below. It highlights the potential for customers to be rewarded for smart energy use as illustrated in Figure 2 below.

The draft *Electricity Network Tariff Reform Handbook* can be downloaded [here](#).

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The Energy Networks Association is the peak national body representing Australia's electricity transmission and distribution networks and gas distribution networks on economic, technical, environmental and safety regulation, and national energy policy issues. ENA members provide energy to virtually every household and business in Australia.

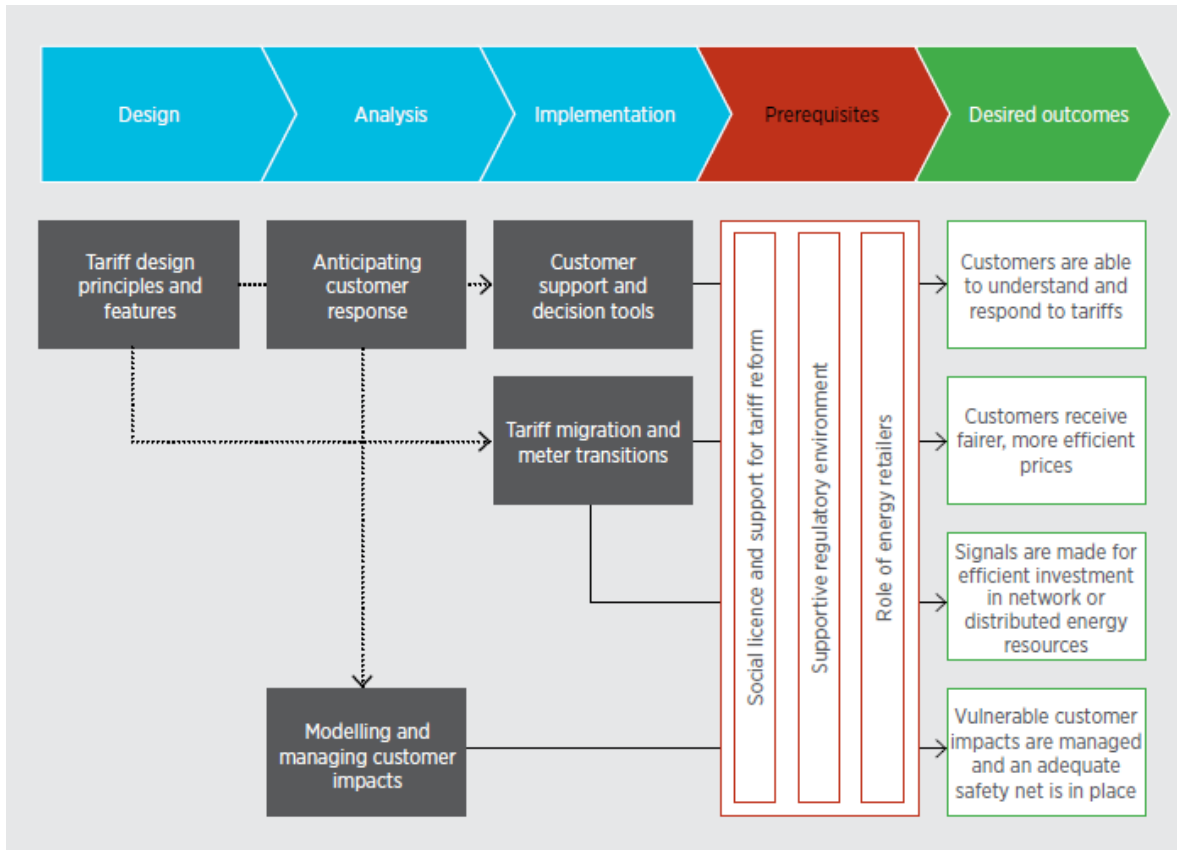


Figure 1: The interaction between elements of successful tariff reform



Figure 2: How tariff reform can reward customers for smart energy use