

Creating customer-friendly electricity network and retail tariffs

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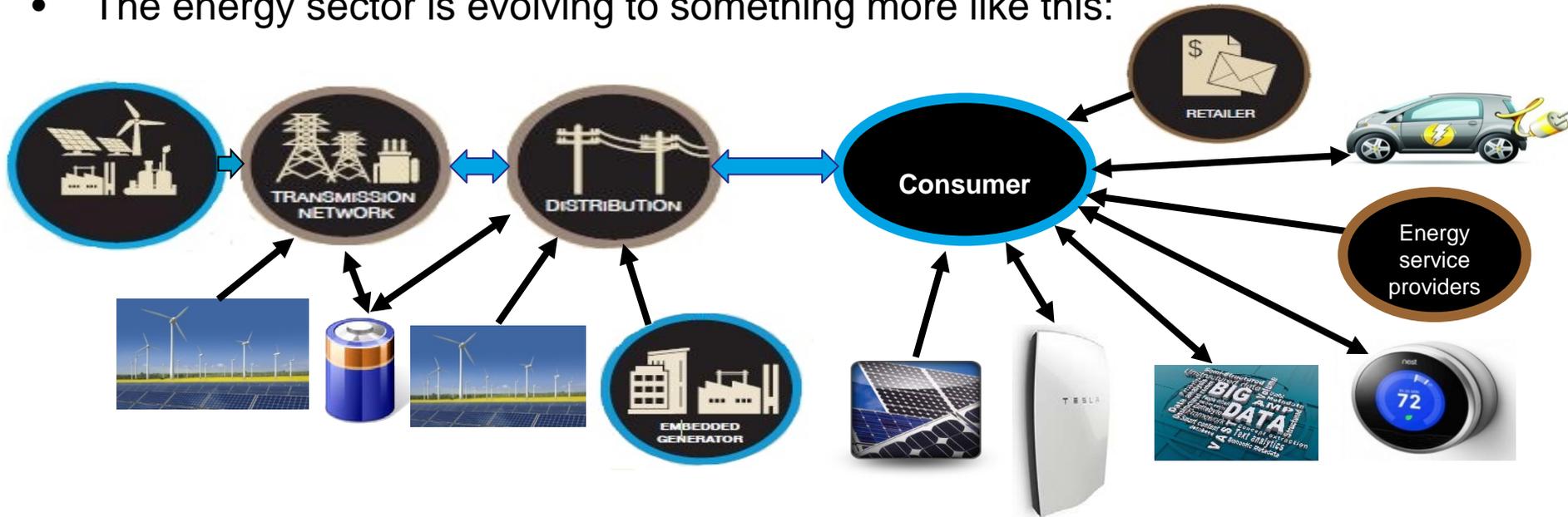
Context: evolution of the energy sector



- Our regulatory arrangements were originally designed based on a sector with a linear supply chain and reasonably passive consumers
- Changes in technology, business models, consumer preferences and government policies mean that the energy market and its regulatory arrangements are currently going through significant change

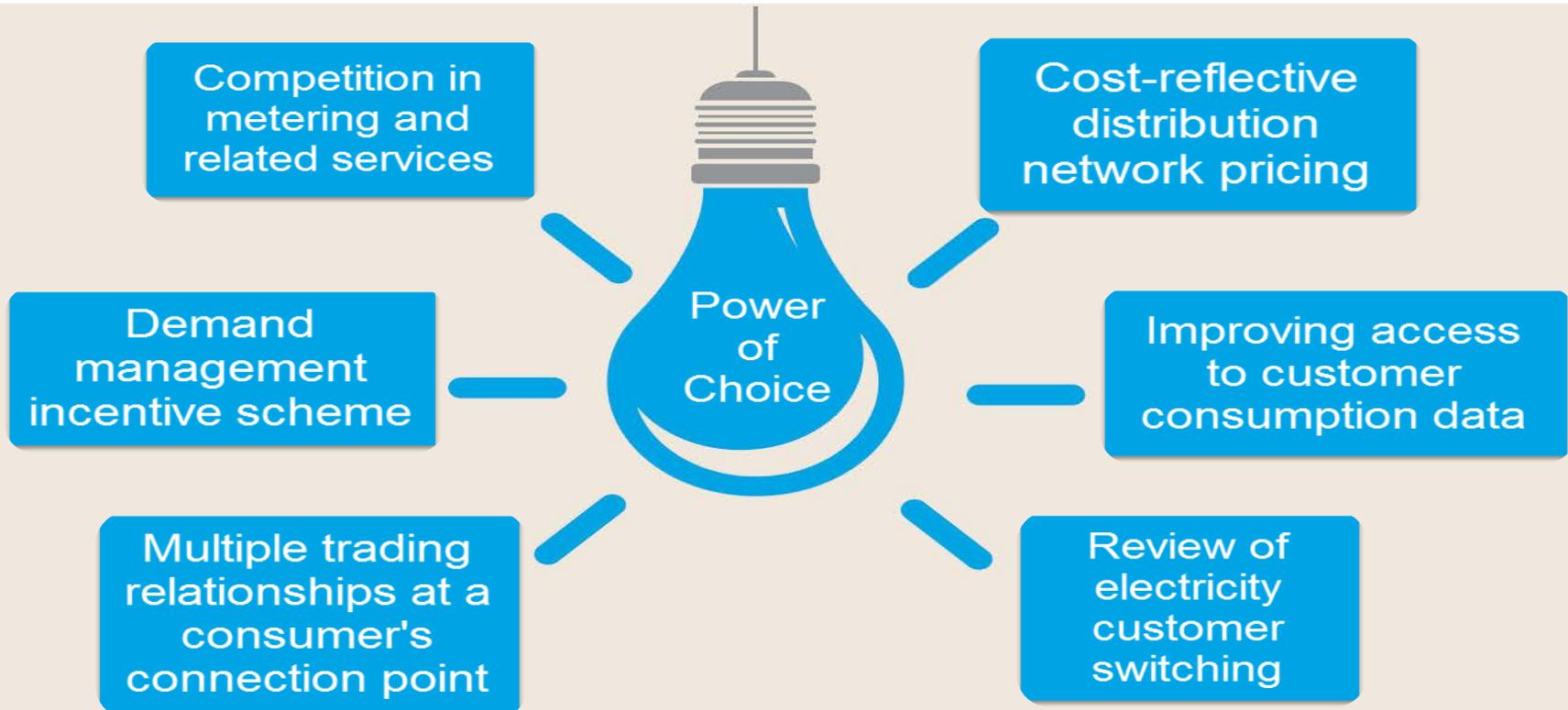
Context: evolution of the energy sector

- The energy sector is evolving to something more like this:



- Regulatory arrangements are evolving to support this change and enable consumers to make informed choices about how they use energy services

The Power of Choice: giving consumers options in how they use energy



Distribution network pricing rule change: what did we change and why?



More consumer consultation on how network prices are structured



Network prices that reflect each consumer's usage



Clear instructions for networks on the requirements to apply when determining how to structure network prices



Earlier notification of network prices to allow retailers and consumers to better prepare for price changes

HOW CONSUMERS WILL BENEFIT

We have set up the right rules for the future so:



The prices we pay reflect the decisions we make



Everyone can make informed decisions on how and when they use electricity as new technologies evolve

Distribution network pricing rule change: what did we change and why?

Network pricing objective: network tariffs should reflect the DNSP's efficient costs of providing network services to each consumer

Send consumers signals about the costs of using the network by basing tariffs on long run marginal cost

Tariffs must recover the total efficient costs of providing network services in a way that minimises distortions to efficient price signals

Manage the impact of price changes on consumers

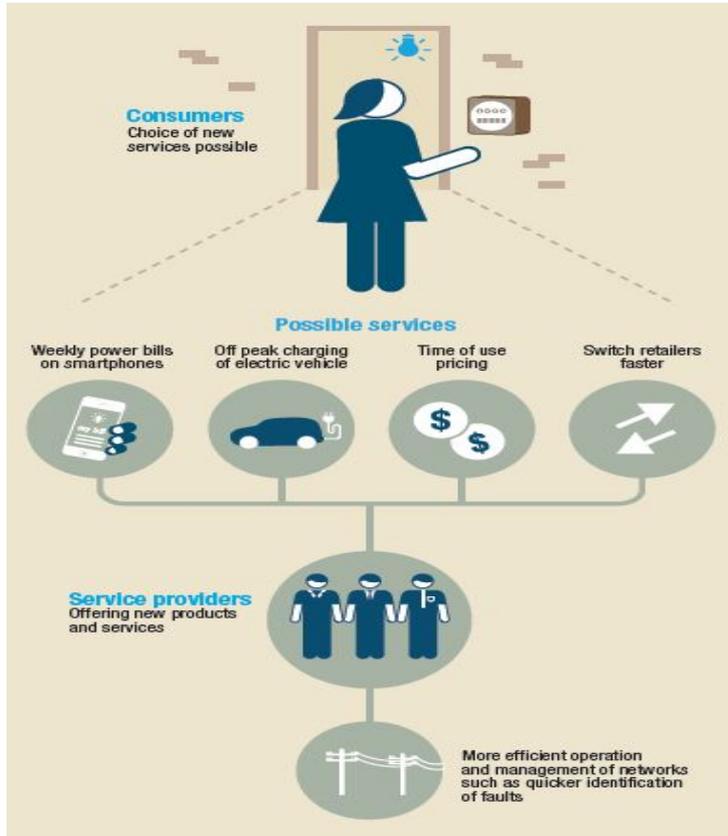
Develop tariffs that consumers are capable of understanding

Depart from the other principles to the minimum extent necessary to meet any jurisdictional pricing obligations

Distribution network pricing rule change: what did we change and why?

- AEMC case studies and other research indicate that:
 - over 80% of consumers would pay lower charges in the medium term under a peak demand price, with average network charges falling by \$30-\$60 a year
 - residential consumers with relatively flat load profiles would immediately save \$30-\$150 a year under a peak demand price
 - consumers in a hardship program are the group of consumers that are the most disadvantaged by current flat tariffs, and 79% of hardship consumers would pay lower charges under a peak demand price
 - small business customers could save up to \$2,000 a year if they reduce demand for just 20 hours a year in response to critical peak prices
 - consumers do respond to price signals, with 60% of overseas trials producing peak demand reductions of over 10%

Competition in metering: why do we care about meters?



- The rule change wasn't really about meters
- It's about the new services and pricing offers that advanced meters enable to help consumers make more informed decisions about how they manage their energy use
- You can't improve pricing without advanced meters
- Advanced meters also allow retailers and networks to provide services more efficiently, with benefits passed on to consumers through lower charges and better service

Competition in metering: what changes under the new rules?

Increased competition – any registered parties can provide metering services



Enhanced consumer protections to keep access to meters and data secure



We are opening up metering services to competition

Minimum services that new or replacement meters must be able to provide



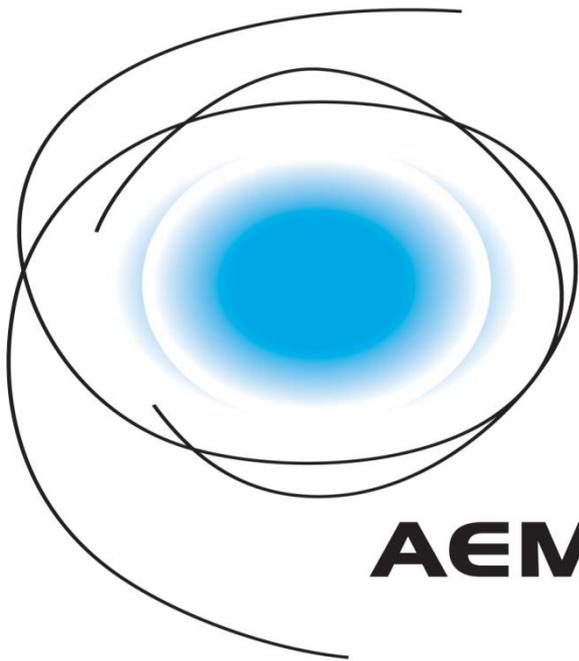
Households and small businesses can continue to deal with their retailer but reap the benefits of competition



If you want to keep your current working meter, you can. And if you do get a new meter, you don't have to take up any new services or pricing. It's up to each consumer to choose what works best for them.

Most Australians (except Victorians) have basic 1950s style meters that prevent us managing our electricity better.





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