

Submission to AEMC Pricing review

The draft report proposes that AEMC wants:

P3	Want the market to work better for consumers
P5	We therefore want to put in place arrangements now so that we are set up for success
P8	Network costs would be shared more equitably.

The report does not seem to articulate what: better for consumers looks like, nor what a successful (long term) outcome looks like, nor what basis equitable sharing of costs would be.

Perhaps it tries to do too much in 1 report. Once these are agreed (other than the sole determinant of the report's success being whether politicians feel like they can accept/defend the outcome) the report is valuable.

It seems to me that we have a very (very, very) low risk network that comes at a cost that no-one really signed up for, but we all pay for. It seems to me that the start of the pricing process is to agree what risk the network should be designed and maintained to achieve. Then we can decide how to pay for it and what costs need to be shared. At present the pricing model assumes that the ESPs are trying to deliver (and charging for) what we want. – they are probably not doing this at all: rather looking for opportunities to justify continual investment.

In the future the most common purpose of the network will be risk mitigation as most/many will use DER to minimise what they draw from the grid most of the time and only turn to the grid when their own resources are exhausted. So really the key question is how much does it cost to give us a network that carries no power most of the time, but handles the load when we need it to? Divide that by 365 and the number of connections (somehow catering for some little and some big connections) and you have the daily rate. Then add a variable charge on top of it. This probably isn't very attractive to companies who want continual growth built in to their business model. In parallel someone needs to influence people to value the risk mitigation the network provides.

Is it possible that privatised operators cannot ever deliver the 'most efficient' network charging – are the incentives too hard to regulate? Do we have to accept some inefficiency? Are we better if that inefficiency appears in the cost of regulation rather than lining the pockets of some market participants?

I could address other detail in the draft report, but these are the key items I think you need to address.

