



AEMC's forum - Distribution Network Pricing Arrangements

Distribution pricing principles
Economic theory is fine BUT

Wednesday 27 November 2013

Consumer impact moving to cost reflective tariffs

- Moving to LRMC will reallocate costs within a community potential big impacts - How far do you go and how quick - all communities and governments expect some cross subsidies and sensible pricing strategy
- Similarly - Ramsey pricing no longer are households captive for example may drive more PV or other responses – have alternatives this is relatively new in energy industry – unintended consequences.
- As metering technology changes possible to price in many and varied ways – again it's about a balance - some policy guidance is needed
- With the pricing proposal unclear in the expectation of policy makers on DBs in developing pricing. Is it to work with consumers to respond / engage as active participants or just sending and efficient price signal– eg is pricing an engagement during the pricing period or set and forget.

Transitioning consumers - cost reflective network tariffs what are you offering? and how fast.

- Will DB's offer a number of network tariff designs – CHOICE (capacity TOU, inclining block etc) All designed to achieve same outcome - let the retailer package them to the customer consumer picks shape that fits there ability to engage
- Or Back to the Future - tariffs for various fuel mix / Consumption profiles (controlled load - PV - EV – dual fuel storage etc)
- OR Nodal pricing this has significant impacts on communities and implications in the broader energy market (people will feel picked upon)
- If nodal how will the market support the consumer - will DB offer straight line relationship need to develop associated supports if not how will this relate to the retail market.
- When moving current design with a price path, if price path how long and how hard will the side constraints be pushed
- If New tariffs how different are they from current (this not in the side constraints) are consumers reassigned to this and can they revert and how fast will they change

Transitioning consumers to cost reflective network tariffs

- The key here is to achieve effective and community acceptable price signals - ones that reflect future costs and recover sunk costs – ones that understand how consumers behave – they can't just pick up and replace appliances or change routines over night.
- Allow consumer to be actively participating and see the reward for their effort \$ \$
- Understand how retailers may respond - possibly bill smooth no one likes price shock