

Policy and Regulatory Working Group Minutes

Date: Wednesday, 3 March 2021 12.30pm to 2.30pm.

Venue: TasNetworks' offices, Lenah Valley, Tasmania.

TasNetworks Representatives: Chantal Hopwood (Leader Regulation, Chair), Julie Morrison (Specialist Regulatory and Network Analytics) and Shannon Culic (Senior Regulatory Analyst).

Attendees: Charles Scarafiotti (Nekon Pty Ltd); Corina Woolford (Aurora Energy); Georgia Prenter (Hydro Tasmania); Kylie Donaghy (Tasmanian Farmers and Graziers Association); Marc White (Goanna Energy); Penny Cocker (Australian Electric Vehicle Association); Robert Mallett (Tasmanian Small Business Council); Stephen Durney (Tasmanian Council of Social Service).

Apologies: Bruce Fyfe (Tassal); Chris Ferguson (Department of Education); Georgia Palmer (Local Government Association of Tasmania); Hayden Moore (Aurora Energy); Jack Gilding (Tasmanian Renewable Energy Alliance); Liam Foden (1st Energy); Mark White (University of Tasmania); Martin Bullen (Department Health and Human Services); Michael Bailey (Tasmania Chamber of Commerce and Industry); Sara Chettle (TasWater); Tom Kelleher (Aurora Energy); Sue Leitch (Council on the Aging Tasmania).

1. Forum Purpose

The forum's purpose was to continue the development of TasNetworks 2024-29 distribution pricing strategy and to demonstrate the pace of network tariff reform both in the National Energy Market (NEM) and for Tasmania. Further, to identify and understand whether there are barriers that may be impacting the pace of reform in Tasmania, including:

- understanding the impact of network charges on our customers;
- determining whether there is a need to incentivise certain customer groups to take-up cost reflective network tariffs; or
- whether changes to the network tariff assignment policy can assist with increasing the uptake of cost reflective network tariffs.

2. Forum Objective

The objective of the meeting was to determine whether there are any changes needed to our network tariff assignment policy.

3. Format

The Policy and Regulatory Working Group (PRWG) forum was held in conjunction with TasNetworks' Customer Council meeting. Topics relevant to both groups were shared at the beginning of the workshop, following which the two groups were separated into distinct breakout sessions with the Customer Council and PRWG forums running concurrently. Members who are represented in both groups were provided with the agenda for each session and asked to nominate which stream they

wanted to attend. We will review this arrangement prior to each workshop to determine whether it is appropriate for the topics and/nature of the meeting.

4. Agenda

The presentation slide pack and additional reading has been attached for information.

4.1 Introduction

Speaker: Chantal Hopwood, Leader Regulation.

- Ms Hopwood opened the forum and shared the purpose and objective of the day.
- Ms Hopwood provided a brief overview of TasNetworks' forward engagement plan for the distribution pricing strategy development.
- Ms Hopwood provided a re-cap of the distribution pricing principles that were developed with the group during a previous workshop.

4.2 Peak Demand

Speaker: Julie Morrison, Specialist Regulatory and Network Analytics.

- Ms Morrison provided an overview of the peak demand across the distribution network.
- Ms Morrison shared that TasNetworks' peak demand days typically occur over winter and are the result of increased heating load.

4.3 Residential Customer Analysis

Speaker: Julie Morrison, Specialist Regulatory and Network Analytics.

- Ms Morrison began the discussion with analysis demonstrating on the pace of network tariff reform to cost reflective network tariffs across a range of distribution networks.
- Ms Morrison shared that by the end of the current regulatory period (June 2024), just under 40 per cent of customers will be on a cost reflective network tariff. This reflects an average uptake when compared to other distribution networks.
- Ms Morrison discussed residential customer's tariff movements and shared that since July 2019, approximately 75 per cent of customers are opting out of the cost reflective network tariffs.
- Of those customers who have moved, Ms Morrison shared that 80 per cent of those customers have benefitted financially by moving to a cost reflective network tariff.

4.4 Engagement Activity One – Residential Customers

Facilitator: Shannon Culic, Senior Regulatory Analyst.

- Ms Culic led the discussion on whether TasNetworks should make any changes to its current tariff assignment for residential customers.
- Based on the data Ms Morrison provided, participants were asked the following two questions:

Question 1. Should TasNetworks make the flat rate network tariffs¹ obsolete for residential customers?

Question 2. Should TasNetworks consider introducing a discount for the cost reflective network tariff options for residential customers?

- During this engagement activity, it was determined that a change is required to our tariff assignment policy for 2024-29 to incentivise the uptake of cost reflective network tariffs, however the pace of change is yet to be decided.
- PRWG members discussed the option of making the flat rate network tariff obsolete for both residential and small business customers over the next 5 – 10 years.
- To determine the pace of this change, members noted that further information would assist in understanding the customer impact.
- Members also discussed the option of introducing a discount for residential customers on the time of use network tariff relative to the flat rate network tariff, however determined that the benefit quantification was required to better understand this option.
- From this discussion, an action was taken to understand the network impact of a 20 per cent reduction in peak demand by residential customers (noted in the Summary of Actions table).

4.5 Small Business Customer Analysis

Speaker: Specialist Regulatory and Network Analytics.

- Ms Morrison shared the uptake of cost reflective network tariffs of low voltage business customers and demonstrated how this uptake differs from residential customers as there is a higher proportion of low voltage business customers who have advanced meters that are on cost reflective network tariffs.
- For small business customers, Ms Morrison shared that nearly 78 per cent of all small business customers are on the flat rate business network tariff (TAS22).
- Ms Morrison discussed the tariff movements of small business customers and shared that since July 2019, just over 50 per cent of small business customers are opting out of the cost reflective network tariff.

4.6 Engagement Activity Two – Small Business Customers

Facilitator: Shannon Culic, Senior Regulatory Analyst.

- Ms Culic led the discussion on whether TasNetworks should make any changes to its current tariff assignment for residential customers.
- Based on the data Ms Morrison provided, participants were asked the following two questions.

¹ For residential customers, this includes the combination of a network tariff (TAS31) for general power and light and another for hot water and/or home heating (TAS41).

Question 3. Should TasNetworks make the flat rate network tariff² obsolete for small business customers?

- Similar to the residential customer discussion, members shared that a change is required to the tariff assignment policy for small business customers.
- However, although members agreed that a change is required, the pace of that change is yet to be decided.

4.7 Engagement Activity Three – Customer education and communication

Facilitator: Shannon Culic, Senior Regulatory Analyst.

- Ms Culic led the discussion on how TasNetworks can provide excellent customer education.

Question 4. What are some examples of businesses providing excellent customer education?

- Members discussed the benefit of using trusted sources within the local community to communication information to various customer segments.
- Members also discussed the examples of companies utilising Article Intelligence technology to engage customers.

Further commentary

- Members shared that any changes to TasNetworks' distribution tariff assignment policy needs to be coupled with customer education on how these changes may impact them and what the best pricing options are for their household or business.
- Members also discussed the opportunity of reviewing the peak times to ensure they are aligned with when the network experiences peak demand.

5. Further reading

- Members were provided with additional reading to support our member's understanding of the forum topics and provide further insights into how TasNetworks is progressing against our pricing strategy. We encourage all members to review the additional reading at your own leisure.³

6. Summary of actions

The table below provides a summary of the actions captured during the meeting.

We will update members as the actions progress.

² For small business customers, this includes the flat consumption based network tariff (TAS22).

³ The additional reading pack can be found at <https://www.tasnetworks.com.au/poles-and-wires/pricing/modernising-pricing>.

Action	Due date	Status
<ul style="list-style-type: none"> • Circulate and publish forum minutes and actions to all members 	19 March 2021	Complete
<ul style="list-style-type: none"> • Understand the network impact of a 20 per cent reduction in peak demand by residential customers 	Next PRWG Workshop	In Progress

7. Forward engagement plan

The table below provides a summary of the Policy & Regulatory Working Group forward engagement plan.

Each forum will focus on aspects relating to TasNetworks' pricing strategy development, current business projects and/or regulatory updates.

A detailed agenda and consultation paper will be provided prior to each meeting.

Engagement activity	Topic	Date
<ul style="list-style-type: none"> • Policy & Regulatory Working Group Forum 	Pricing strategy development <ul style="list-style-type: none"> • DER & Embedded Networks Part 1 	Mid 2021 (likely June)
<ul style="list-style-type: none"> • Policy & Regulatory Working Group Forum 	Pricing strategy development <ul style="list-style-type: none"> • DER & Embedded Networks Part 2 • TasNetworks' Framework & Approach Paper 	Late 2021 (likely October)

Meeting closed at 2.30 pm.

Next meeting: Mid 2021 - date to be determined.