

Policy and Regulatory Working Group Minutes

Date: Thursday, 1 July 2021 12:25pm to 2:30pm.

Venue: TasNetworks' offices, Lenah Valley, Tasmania.

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

Attendees: Deb Lewis (Council on the Aging Tasmania); Dr Lucy Mercer-Mapstone (Tasmanian Council of Social Service); Jack Gilding (Tasmanian Renewable Energy Alliance); John Cooper (Hydro Tasmania); Kylie Donaghy (Tasmanian Farmers and Graziers Association); Mark White (University of Tasmania); Penny Cocker (Australian Electric Vehicle Association); Sam Unsworth (Aurora Energy); Sharon Raymond (Department of State Growth); Stephen Durney (Tasmanian Council of Social Service); and Sue Morrison (Department of State Growth).

Apologies: Bruce Fyfe (Tassal); Charles Scarafiotti (Nekon Pty Ltd); Chris Ferguson (Department of Education); Corina Woolford (Aurora Energy); Georgia Palmer (Local Government Association of Tasmania); Georgia Prenter (Hydro Tasmania); Hayden Moore (Aurora Energy); Liam Foden (1st Energy); Martin Bullen (Department Health and Human Services); Marc White (Goanna Energy); Michael Bailey (Tasmania Chamber of Commerce and Industry); Robert Mallet (Tasmanian Small Business Council); Sara Chettle (TasWater); Tom Kelleher (Aurora Energy); and Sue Leitch (Council on the Aging Tasmania).

1. Forum Purpose

The purpose of this paper is to:

- Develop a collective understanding of distributed energy resources (**DER**) and embedded networks (**EN**);
- Understand the impacts currently being observed on TasNetworks' network;
- Identify the opportunities in the Tasmanian networks now and into the future; and
- Determine the TasNetworks' approach towards investigating and potentially implementing tariffs to support innovation and fair use of the network.

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 objective of the Policy and Regulatory Working Group (**PRWG**) July workshop was to demonstrate the trends TasNetworks is seeing on the network and understand our customer preferences of adapting network pricing to facilitate increasing levels of DER technology and embedded networks.

4. Agenda

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

5. Introduction

Speaker: Chantal Hopwood, Regulation Leader

- Ms Hopwood opened the workshop with a discussion on how the electricity bill is, for some customers, a key point of contact with the energy sector.
- Ms Hopwood shared for today's workshop, we are seeking the group's genuine feedback on topics around tariff structure, tariff assignment, and tariff trials. The group's feedback has the ability to influence the end outcome of TasNetworks' pricing strategy, with a direct impact on customers.
- Ms Hopwood thanked the group for their ongoing participation and genuine feedback, and discussed how their contribution has continued to guide the direction of our pricing strategy to date.

6. Pricing Reform Check-in

Facilitator: Julie Morrison, Specialist Regulatory and Network Analytic

- Ms Morrison updated the working group regarding the pricing reform - identifying needs in customer bases, to make any changes to our current strategy.

7. Icebreaker

Facilitator: Shannon Culic, Senior Regulatory Analyst

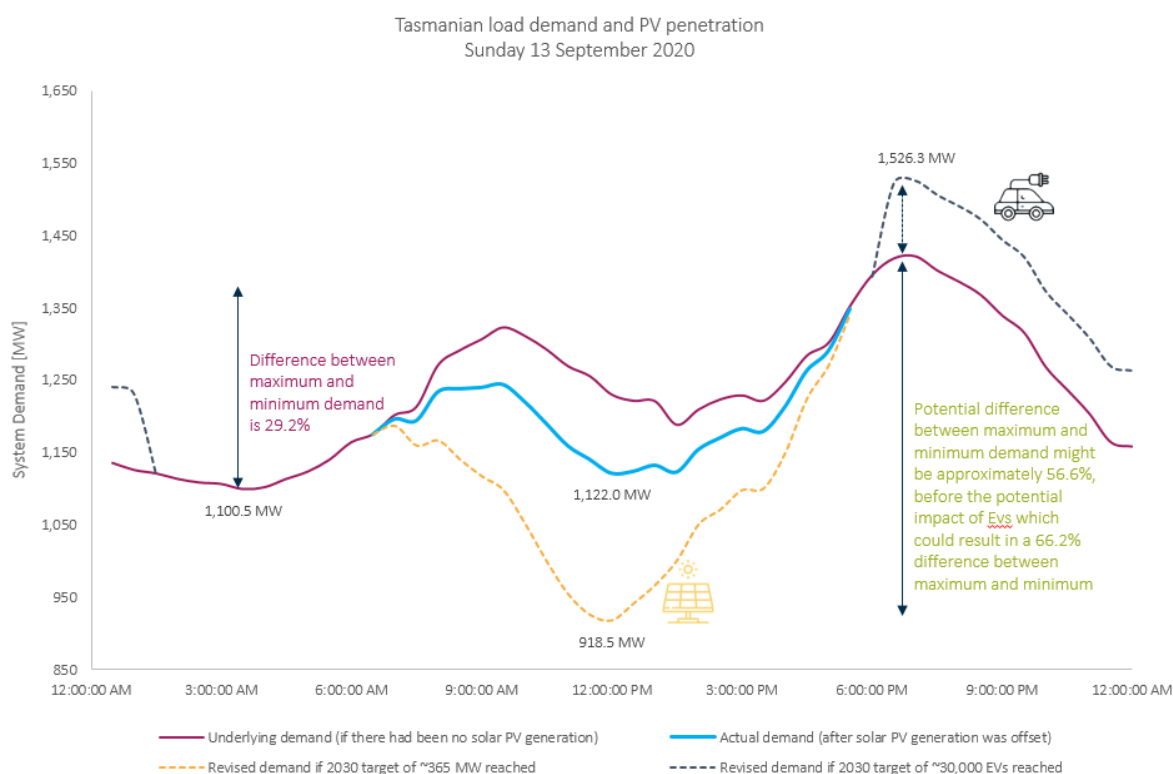
- Ms Culic began the engagement activities with an ice-breaker, which asked participants to introduce themselves and share what immediately comes to mind when they think 'Distributed Energy Resources' (DER).
- The ice-breaker led to a discussion on the different types of DER technology available. All members discussed different technologies within the scope of DER. Solar PVs, EVs and batteries were at the forefront, however Mr Gilding pointed out some of the less obvious technologies, such as smart controls and new applications.
- Members shared that we are likely to see strong growth in electric vehicles and solar PV and batteries in Tasmania, as well as the social and environmental benefits these technologies provide.
- Another member commented on the complexity of the DER business case and how it interacts with the network, noting that it was the expectation for network connection that underpinned the business case.

8. Analysis Presentation

Speaker: Julie Morrison, Specialist Regulatory and Network Analytics

- Ms Morrison then provided quantitative analysis on how the uptake of DER technology in Tasmania might impact on TasNetworks' network profile.

- Ms Morrison also shared with the group the Australian Energy Market Operator (AEMO) vision for the future of the Tasmanian energy market. This vision included:
 - 14,000 – 30,000 EV vehicles to be in use by 2030.
 - 320,000 customers by 2030.
 - 320,000 advanced meters by 2030.
 - ~6,000 customers with battery storage by 2030.
 - ~365+ MW installed capacity of embedded generation by 2030.
- This analysis and AEMO’s forecasts provided grounding for an in-depth discussion on preparing for the uptake of DER technology, in regards to the social considerations of this technology, as well as preparing network pricing in light of the pace of this change.



- The group discussed the trajectory of electric vehicle uptake. Ms Cocker commented that there is significant pent up demand for electric vehicles and once an affordable option is provided, which could be quite soon based on recent market changes, that there will be significant growth in the electric vehicle market in Tasmania; looking at the next five to seven years.
- Mr White (UTAS) confirmed this comment, noting that we are likely to see an economic switch in the next five years in regards to electric vehicles, noting a potential change in fleet economic policy.
 - Overall, there was consensus across the group on the pace of this change and that we are likely to see a significant rise in DER technology within the next regulatory period.
- The group also discussed a range of social considerations relating to the rise and expansion of DER.
- A few members questioned who benefits from the increase of DER technology and whether, under current pricing arrangements, it’s equitable.

- Another member agreed and began a discussion around the linkage of renewable energy technology and a sense of community and contribution, noting that was not linked to one social subset but visible across all social groupings. This was particularly evident through electric vehicles and batteries.
- The group also discussed the Tasmanian Government commitment to accelerate the roll-out of advanced power meters by 2026, giving customers real-time data on energy use.
- Based on the forecasted trajectory of DER technology in Tasmania, the group concluded that network pricing will need to prepare for this uptake.

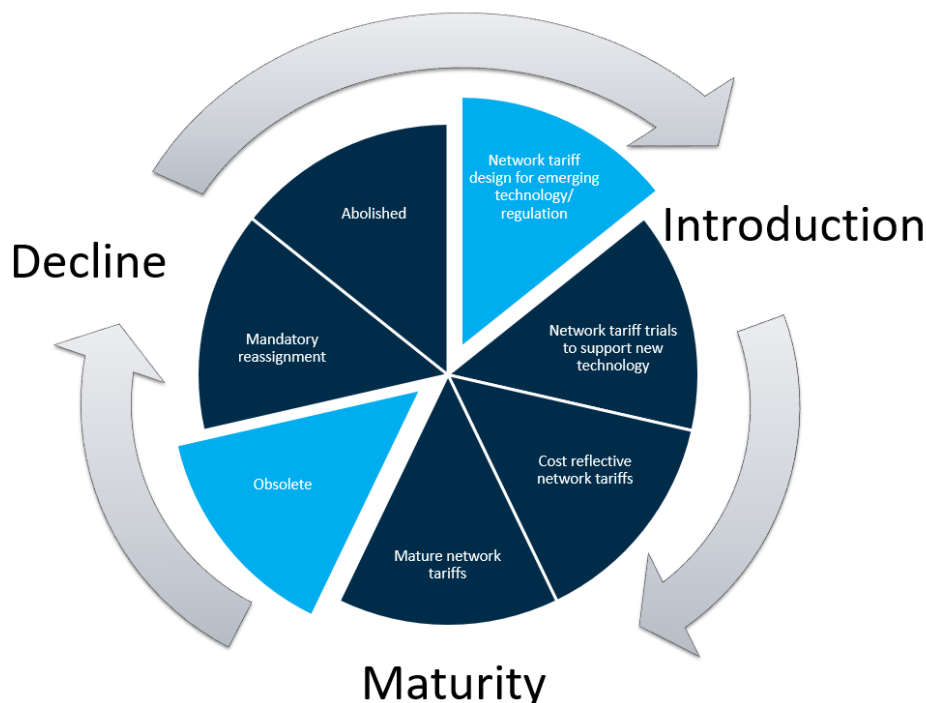
9. Lifecycle of a network tariff

Speaker: Shannon Culic, Senior Regulatory Analyst

- Ms Culic provided an overview of the network tariff lifecycle.
- This lifecycle followed three main stages: introduction, maturity and decline.
- Ms Culic explained that how the lifecycle is essential to ensuring TasNetworks' network tariff suite continues to meet changing customer needs, new regulatory requirements and emerging technology.
- Ms Culic shared that today's workshop will focus on two stages of the lifecycle process – introduction and maturity.

10. Obsolete discussion

Facilitator: Shannon Culic, Senior Regulatory Analyst



Engagement activity overview

- Ms Culic discussed the first activity, which focussed on moving network tariffs through the 'mature' stage in the network tariff lifecycle process.

- Ms Culic explained that when network tariffs no longer meet the needs of customers, and are not keeping pace with changing technology or the regulatory environment, they can become 'obsolete'. As a network, obsolete means minimising the amount of customers moving onto that network tariff, however the actual 'triggers' for not allowing customers to move onto a network tariff is not pre-determined.
- Ms Culic then discussed how at the last workshop in March 2021, the group discussed tariff assignment options for these tariffs. The group discussed a preference to make these tariffs obsolete, via some triggers as a preference over an alternative of providing an incentive for more cost reflective tariffs (in terms of price level). The group reasoned that for many customers energy is still a low involvement product and many people would not be aware of alternate tariff offerings, so differential in price level could be unnecessarily impactful. This approach also ensures that we aligned with our pricing principles, which aim to provide simple and fair pricing to customers.
- Ms Culic explained that this activity wanted to pick-up on that discussion and seek input from the group on what these triggers could be to minimise the amount of customers moving onto these flat rate network tariffs.

Engagement activity discussion

- Participants formed small groups to discuss the possible triggers and customer protections required to make a change to TasNetworks' tariff assignment policy that would see the flat rate network tariff obsolete for both residential and small business customers.
- Members first shared the possible triggers.
- Members agreed that this assignment policy should apply to all new builds, with customers being placed on a cost reflective network tariff and be unable to transition to a flat rate network tariff.
- There was some concern around a "move-in move-out principle" (i.e. vulnerable customers and/or renters who move in move out of homes more frequently than home owners), as this could lead to a potential bill shock for customers.
 - Members discussed whether the incoming tenant would take their previous network tariff with them when they move, or whether they would adopt the tariff of the property.
 - However, members agreed that when you move into a new property, you take-on the network tariff of the previous occupant.
- The group also discussed the difference between a customer actively choosing to upgrade a meter and a customer receiving a new meter due to failure of end of life replacement.
 - Members concluded that a meter upgrade, whether customer initiated as a result of fault or due to a customer wanting an advanced meter, would not be classed as a trigger to move onto a more cost reflective network tariff. The reasoning behind this is that it is impossible to know a customer's motivation, even if the meter upgrade was requested by the customer.
 - The exception to this is where the customer requests both a meter upgrade and a tariff change to a more cost reflective network tariff.
- Members agreed that once customers move onto a more cost reflective network tariff, either as a result of a new build or an active decision, they would not be able to then switch back to a flat rate network tariff.

Customer protections

- Members were then asked what customer protections would be required if TasNetworks was to make the flat rate network tariffs obsolete for both residential and small business customers.
- The discussion focussed on data access and the need to overlay a change in tariff assignment policy with customer engagement and education.
- Members discussed the pace of the advanced meter roll out and what customers have been targeted.
 - Ms Morrison provided an update on the advanced meter roll out, noting that we have over 100,000 customers on an advanced meter.
 - Ms Hopwood provided comment around targeting customers with meter access issues, but did not confirm whether this approach had been taken.
 - Ms Hopwood also provided an observation how a targeted locational approach to the advanced meter roll out can reduce future network costs, by minimising the amount of travel time for meter readers.
- The group again discussed the Tasmanian Government policy decision in relation to advanced meters.
- From this, members discussed how a large number of both residential and small business customers, would be better off on a more cost reflective network tariff, based on the analysis shared with the group at a previous workshop.
 - The analysis demonstrated that 58 per cent of residential customers who are currently on a flat rate network tariff (TAS31) would be better off on a more cost reflective network tariff, such as time of use consumption (TAS93).
 - For small business customers, the analysis showed that 90 per cent of business customers who have moved to the time of use consumption network tariff (TAS94) have reduced their network charges, when compared to those who remained on the flat rate network tariff (TAS22).
- Members discussed the demand based network tariff and questioned why no Tasmania retailer offers a tariff that reflects a demand structure for residential and small business customers.
- There was recognition that the retail tariff offerings do not need to mirror the network tariff. Members discussed that retailers have the role of developing products and services to the meet needs of their customers.
- A key customer protection option that members discussed was to provide the option of a cooling off period, where customers would have the ability to revert back to the flat rate network tariff following their first retail bill.

11. Tariff Trial – Principles

Facilitator: Shannon Culic, Senior Regulatory Analyst

Engagement activity overview

- The next activity focussed on the introduction of tariff trials, looking at tariff trial principles and tariff trial options.

- Ms Culic introduced the activity by sharing that as TasNetworks continues to develop and reform its pricing strategy, we need to provide fit for purpose tariffs that will reward customers when they use the network in more efficient ways.
- This will allow customers who invest in these technologies to maximise their investment and benefits.
- One of the ways we can explore new tariff options is through tariff trials, which especially important for the Tasmanian context, where we can't always leverage off the outcomes of trials in other jurisdictions where they experience different peak periods and times of minimum demand.
- Ms Culic shared that we already have our pricing principles, which guide the development of our pricing reform and designed in collaboration with our PRWG members.
- For this activity, Ms Culic explained that we are seeking member's input on tariff trial principles, which will guide the development, purpose and direction of tariff trials for the forthcoming regulatory period.

Discussion

- The group discussed 13 principles that could be used to guide the development of tariff trials for the next regulatory period.
- From this list, the group was asked to vote on their top three principles out of the following:
 1. Beneficial to customers
 2. Beneficial to the network
 3. Timely
 4. Clear intent and purpose
 5. Validity of data and control representative, representative of Tasmanian population
 6. Respond to trial data and listen to feedback
 7. Innovative
 8. In line with TasNetworks' vision and purpose
 9. Supported by stakeholders
 10. Rewards customers for efficient network utilisation
 11. Supported by customers
 12. Tasmanian focus
 13. Collaboration with industry partners
- From this, the group voted the top five tariff trial principles as:
 1. Tasmanian focus
 2. Beneficial to customers
 3. Collaboration with industry partners
 4. Rewards customers for efficient network utilisation
 5. Clear intent and purpose
- Following this activity, members discussed the difference between an on-market and off-market trial.
 - Ms Hopwood explained that the National Electricity Rules allow distribution network service providers to trial new tariffs on-market within a regulatory period, and recover a limited amount of revenue from that network tariff.

- The forecast revenue thresholds for an individual tariff is 0.5 per cent and for all such tariffs cumulatively is 1.0 per cent, both on an annual basis.
- The group discussed that any trial TasNetworks runs must have a well-designed and clearly stated purpose prior to the trial.
- The group also discussed the validity of the trials, with trials for a diverse demographic group.



12. Tariff Trial – Options

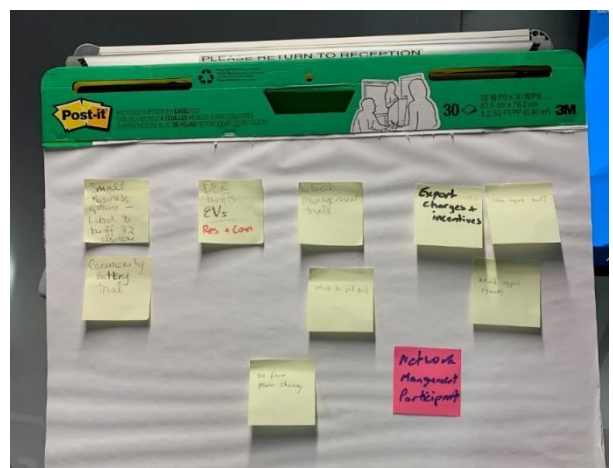
Facilitator: Shannon Culic, Senior Regulatory Analyst

Engagement activity overview

- Following the tariff trial principle discussion, the group was then asked to provide suggestions for what trials TasNetworks could consider running in 2024-29.
- Ms Culic explained that the additional reading pack provided an overview on the forecast growth of solar PV and electric vehicles in Tasmania, and also demonstrated that minimum demand is continuing to decrease and that on occasion, the midday minimum demand is lower than the overnight minimum demand.
- The room was split into smaller groups and asked to come up with tariff trial options.

Discussion

- Each group shared their ideas for tariff trials for the next regulatory period.
- There was a range of ideas from each group.
- Two groups discussed support for an export charging tariff trial. One group shared that this trial should not focus solely on solar, but on storage more generally.
- Another group discussed a trial around network support, where DER technology would provide support to the network at specific times of peak demand and would be rewarded accordingly.
- There was also support in the room for battery trials, particularly looking at either community batteries or reliability batteries. In general, there was strong support for a move towards more community-based programs.
 - Members shared that support for more community-based program was particularly important as a result of COVID-19 and the growing focus on supporting local communities.
- The last group focussed on trials to increase reliability, specifically for more vulnerable communities and/or communities with lower network reliability.
- Overall, the suggestions from each group included:
 - Small business options – linked to making tariff 22 obsolete
 - Community battery trial
 - DER tariffs, Electric vehicle, and distinguished between residential and commercial
 - Network management trials
 - Vehicle to grid trial
 - On farm power sharing
 - Export charges and incentives
 - Network management participants
 - Solar export tariff
 - Network support payments



13. Embedded Network – Value of connection

Facilitator: Shannon Culic, Senior Regulatory Analyst

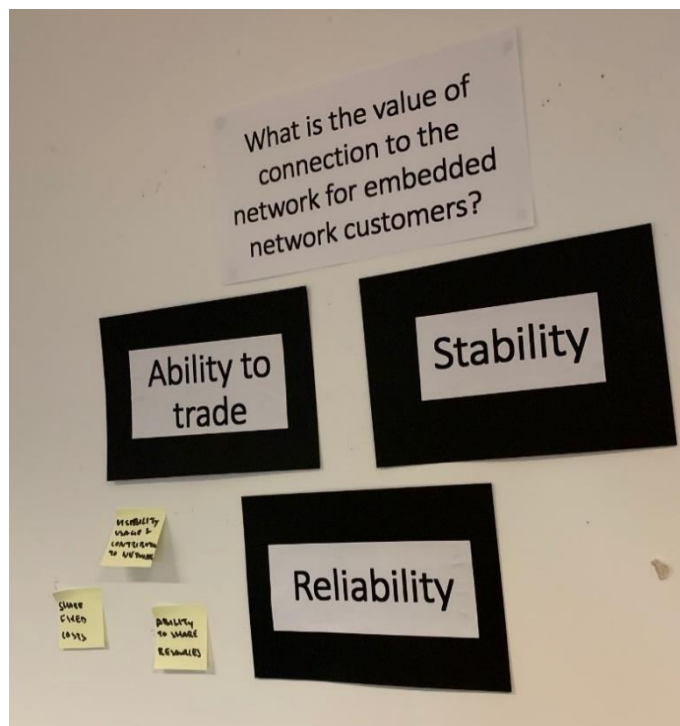
Engagement activity overview

- The final topic of discussion focussed on embedded networks; discussing the value of connection for embedded network customers and designing an embedded network tariff.
- Embedded networks are private networks which serve multiple premises and are located within, and connected to a distribution network through a 'parent' connection point. Common examples of embedded networks include shopping centres, retirement villages, caravan parks, apartment blocks and office buildings.
- The discussion picked up on the additional reading pack, which provided modelling of the different usage profiles of various embedded networks across the state. This included an independent living village, shopping centres and home improvement warehouses with fast food restaurants within the complex.
- To support the discussion, Ms Culic explained some of the charging structures available for a network tariff. This included:
 - Fixed, consumption and demand charge;
 - Capacity charge – a charge seeking to reflect the costs associated with providing network capacity required by a customer on a long term basis; and
 - Bulk fixed charge – a charge seeking to reflect the forecast number of child connections, by child connection type.

Discussion

- The first activity looked at the value of connection, with the group asked to identify these different values for an embedded network customers.
- The group first discussed why TasNetworks is looking into embedded network tariffs and initially members questioned the benefits of an embedded network tariff.
 - During the discussion, the group gained an appreciation of the inequity of existing network tariffs and discussed that a purpose designed tariff for embedded networks would provide greater cost reflectivity.
- One member identified that there was a difference between the embedded network operator and the embedded network customer, and recognised the complexity of the role of charging customers within an embedded network.
- The majority of the values discussed and captured by the group (identified below) related more to the embedded network customers, that is the child connections, rather than the embedded network operator itself.
- As a group, the members captured the value of connection for embedded networks as:
 - Ability to trade
 - Stability
 - Reliability
 - Share fixed costs
- The group also identified several benefits targeted at the embedded network customer.
 - This included a greater visibility and understanding of usage.

- There was also a discussion around the sharing of resources such as solar, generation, ability to share batteries.
- This discussion picked up from the previous discussions around community batteries and many customers wanting to give back to their local community, particularly following COVID-19 and the Tasmanian lockdowns in 2020.
- Group determined that the above values were of equal value to embedded network operators and customers.



14. Embedded Network – Designing a network tariff

Facilitator: Shannon Culic, Senior Regulatory Analyst

Engagement activity overview

- The final activity looked at designing an embedded network tariff.
- This activity picked up on the discussion around the value of connection and the different charging options.
- Ms Culic explained that charging structures are one component of designing a new network tariff and that for this activity, we are seeking stakeholder feedback on all facets of a network tariff, i.e. customer protections, assignment policy, whether incentives are required etc.

Discussion

- There was a preference for TasNetworks to explore capacity based tariff structures for an embedded network tariff.
- The remaining discussion focussed on the complexity of designing an embedded network tariff.

- This discussion is still in a very early stage and will be continued at the next PRWG workshop.



Meeting closed at 2.40pm. Next meeting: Late 2021 – Date to be determined.

15. Summary of actions

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

We will update members as the actions progress.

Action	Due date	Status
• Circulate and publish forum minutes and actions to all members	30 July 2021	Complete
• Circulate final report for Bruny Island Battery Trial	30 July 2021	Complete

16. Further reading

- Members were provided with additional reading to support our member's understanding of the forum topics and provide further insights into the opportunities and impacts of DER. We encourage all members to review the additional reading at your own leisure.

17. 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 2 	Late 2021 (likely October)
<ul style="list-style-type: none"> • Policy & Regulatory Working Group Forum 	Pricing strategy development	Early 2022 (likely February)