



Policy and Regulatory Working Group

7 April 2022

Workshop objectives

- **To build your understanding of TasNetworks' alternative control services and seek your input on our metering services strategy.**
- **To present and consult on the revised tariff structure of our DER demand-based time of use network tariff.**
- **To present and consult on the revised peak windows of our small business time of use network tariff.**
- **To confirm our approach on TasNetworks' proposed embedded network tariff.**
- **To confirm our approach on TasNetworks' export tariff trial engagement.**

Workshop agenda

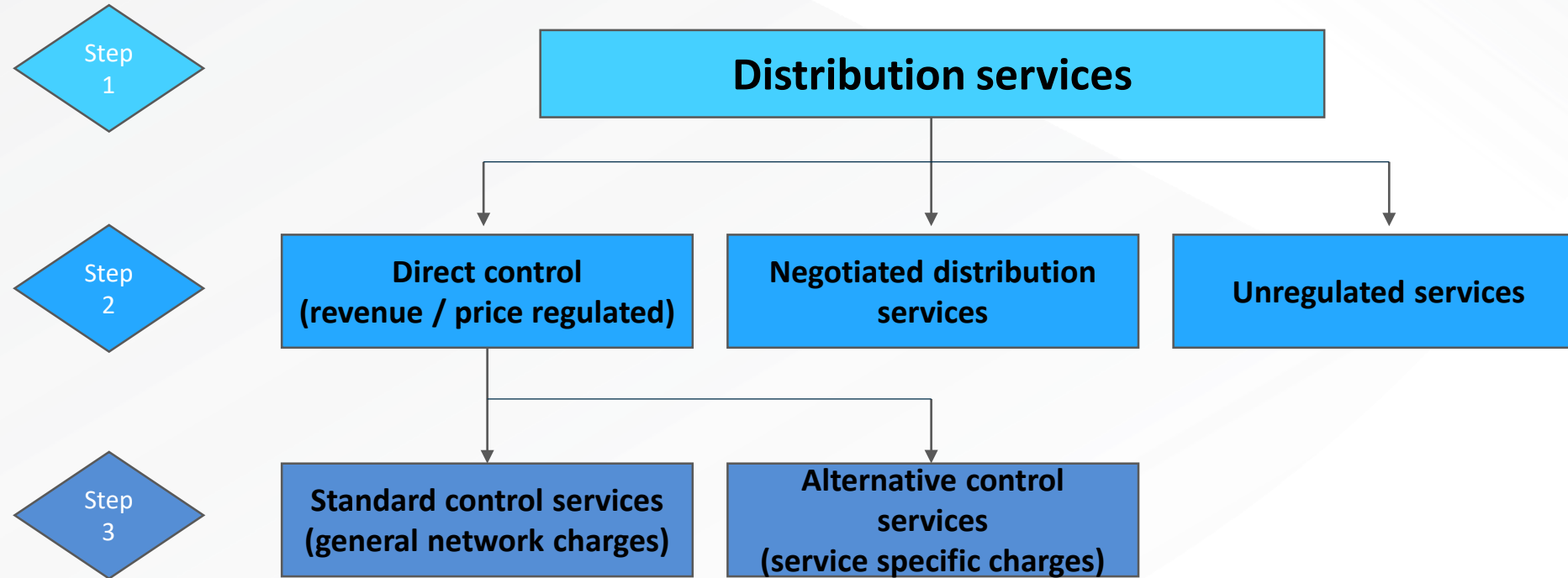
Topic		Time
Welcome, housekeeping, objectives	1:30pm	5 min
Alternative control services <ul style="list-style-type: none">• Metering strategy	1:35pm	20 min
Break	1:55pm	20 min
Standard control services <ul style="list-style-type: none">• DER network tariff• Small business time of use network tariff• Embedded networks• Tariff trial	2:15pm	60 min
Next steps	3.15pm	10 min

Alternative Control Services

Metering Services



Classification of services

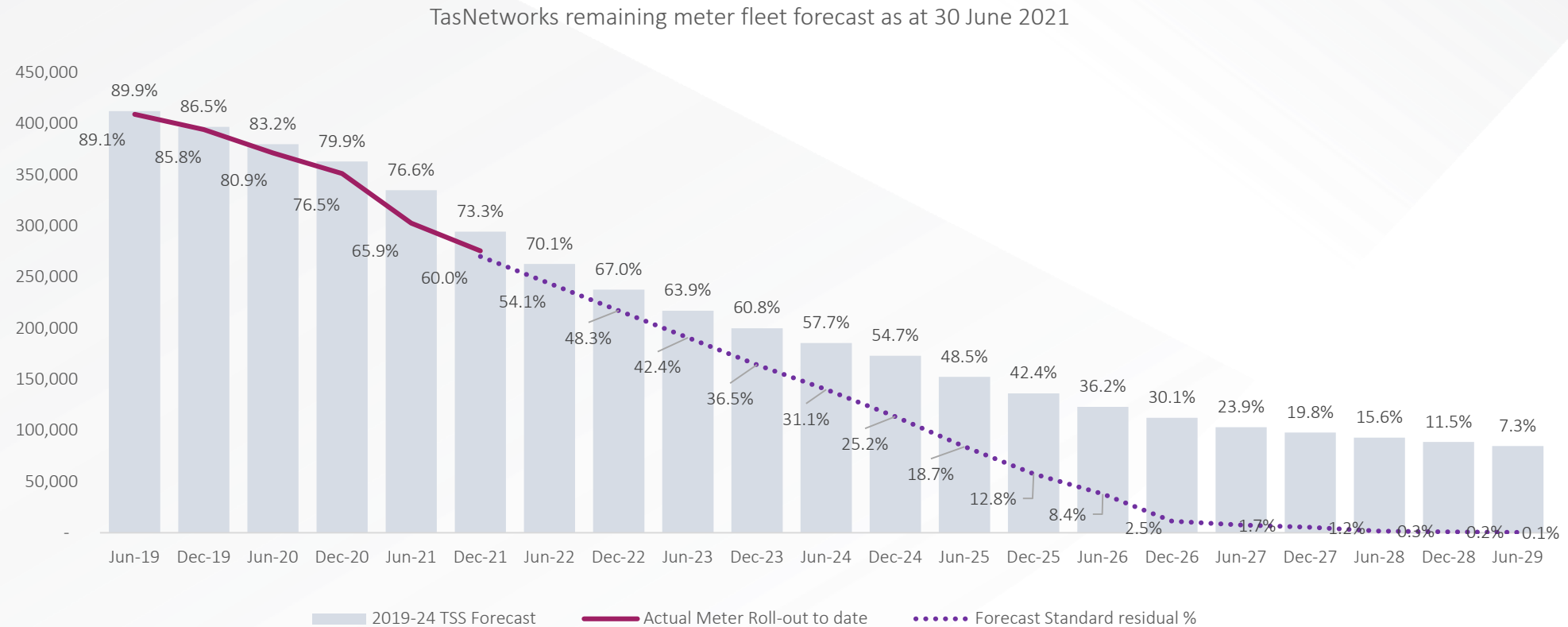


What are alternative control services?

Fee based	Quoted services	Metering services	Public Lighting services
<ul style="list-style-type: none">• Fee based services are provided for the benefit of a single customer rather than uniformly supplied to all customers, and is recovered from that customer, rather than the wider customer base.• Examples include retail contract termination, special meter reads, meter test or supply abolishment.	<ul style="list-style-type: none">• Quoted services are where the nature and scope of the service is specific to an individual customer's needs and varies from customer to customer.• Examples include removal or relocation of TasNetworks' assets at the request of a customer or third party and/or design work for a new connection	<ul style="list-style-type: none">• Metering services are provided by TasNetworks to all customers with Type 6 metering installations and form a component of the charges we levy.• Charging arrangements are separated into:<ol style="list-style-type: none">1. Capital component, i.e. the meter; and2. Non-capital component, i.e. the cost to read the meters	<ul style="list-style-type: none">• Public lighting services include the provision, construction, and maintenance of our public lighting assets and the maintenance of public lighting assets owned by customers (contract lighting).• Public lighting services are provided on a fixed cost basis, based on the type of service provided

TasNetworks' Proposed Metering Services Strategy

Meter roll-off forecast



- There has been an increased roll-out of advanced meters in excess of what was forecast for the 2019-24 regulatory control period.
- TasNetworks has forecast 4,500 meter replacements per month, with a small number of residual meters extending to the next regulatory control period.

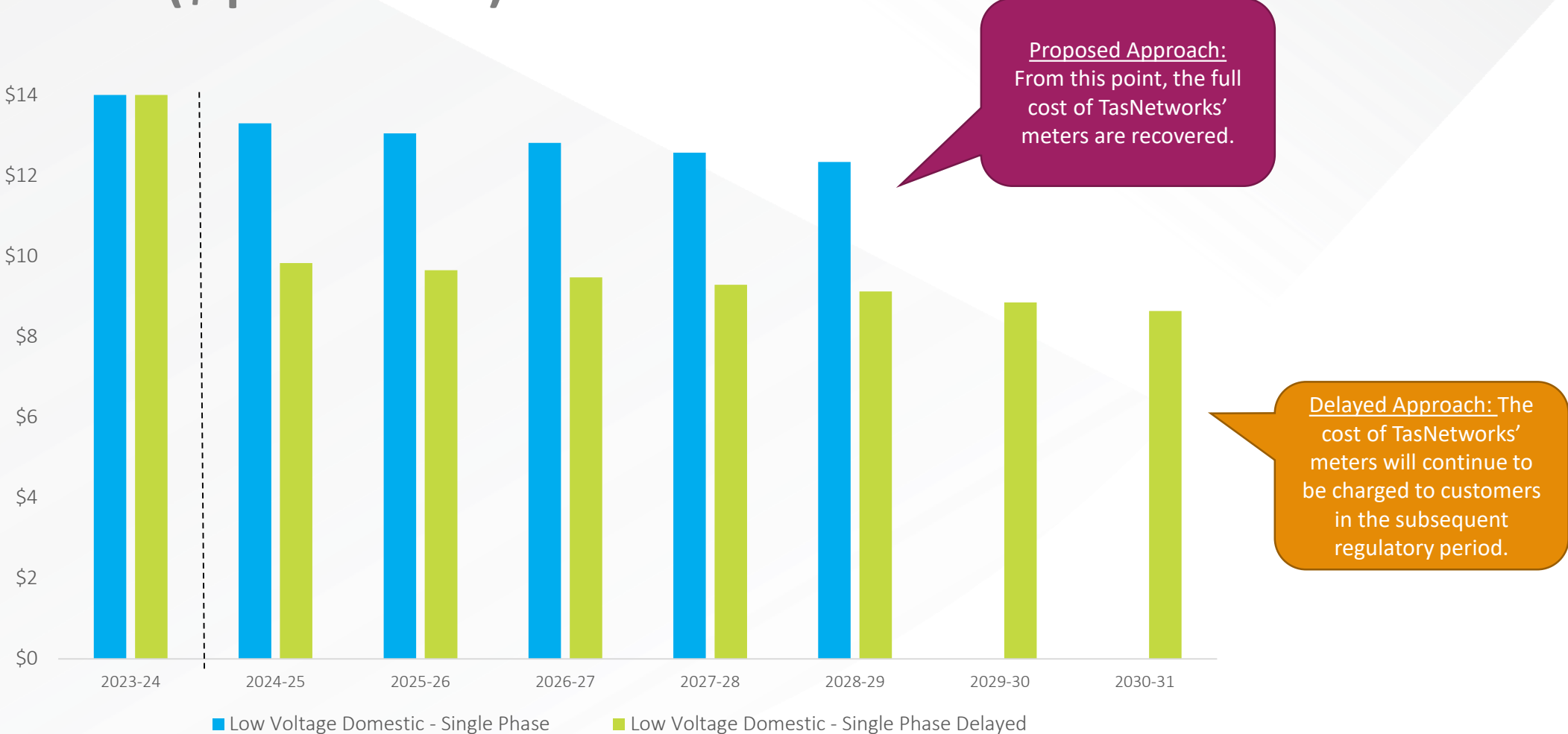
TasNetworks' Proposed Metering Services Strategy

Capital costs

- Rather than continue to charge our customer base over a lengthy period for meters which, increasingly, they will no longer have, it is prudent to align the recovery of the regulated metering asset value to reflect advanced meter deployment.
- This will also reduce the number of customers in the future who are paying both a capital charge for a retired regulated meter and a charge for an advanced meter.
- We are proposing to fully recover our regulated metering capital costs by June 2029.
- In this way, the costs of our existing metering assets will be recovered over a period that reflects their shortened economic life.

TasNetworks' Proposed Metering Services Strategy

Capital costs (\$ per annum)

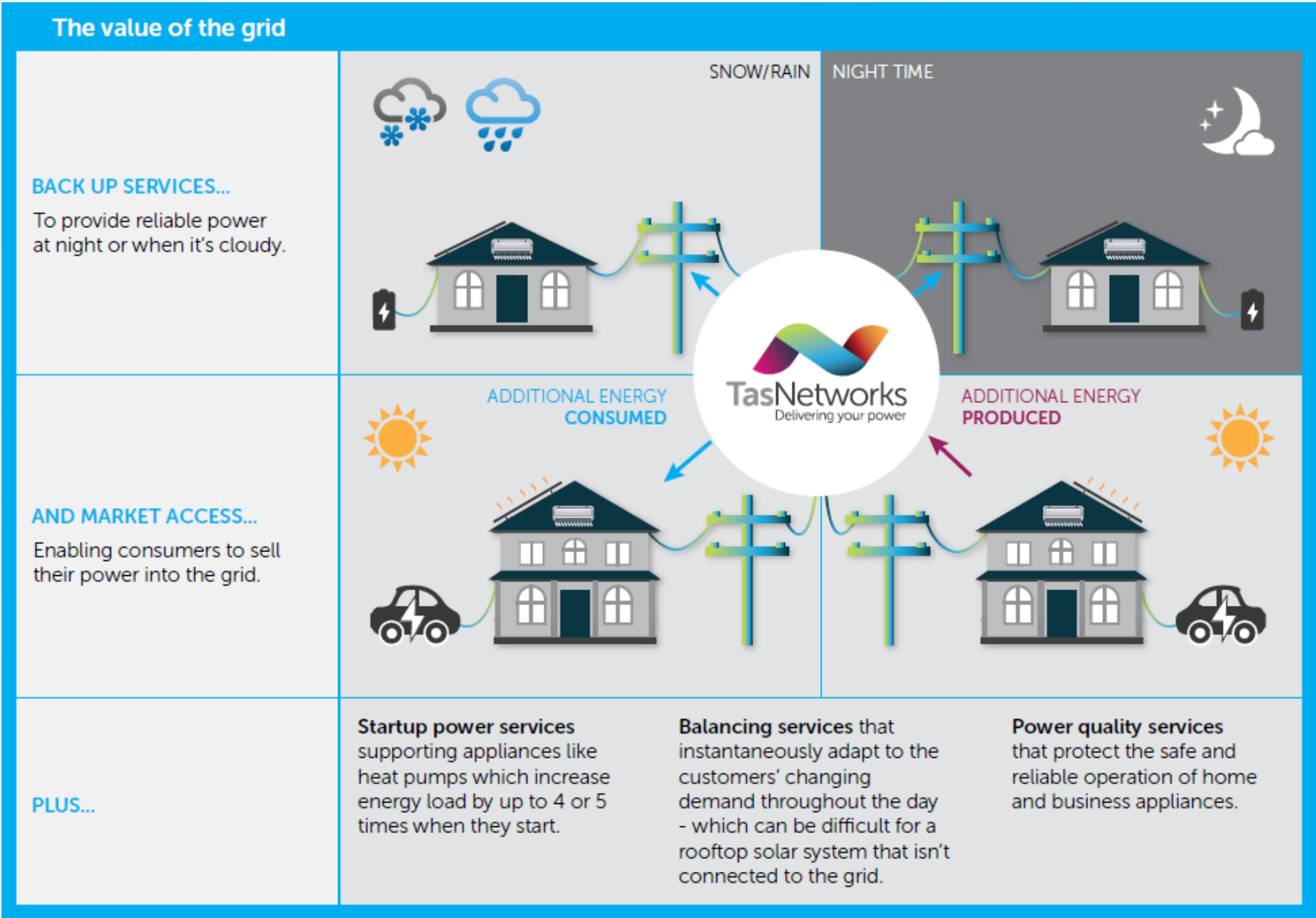




Break Time

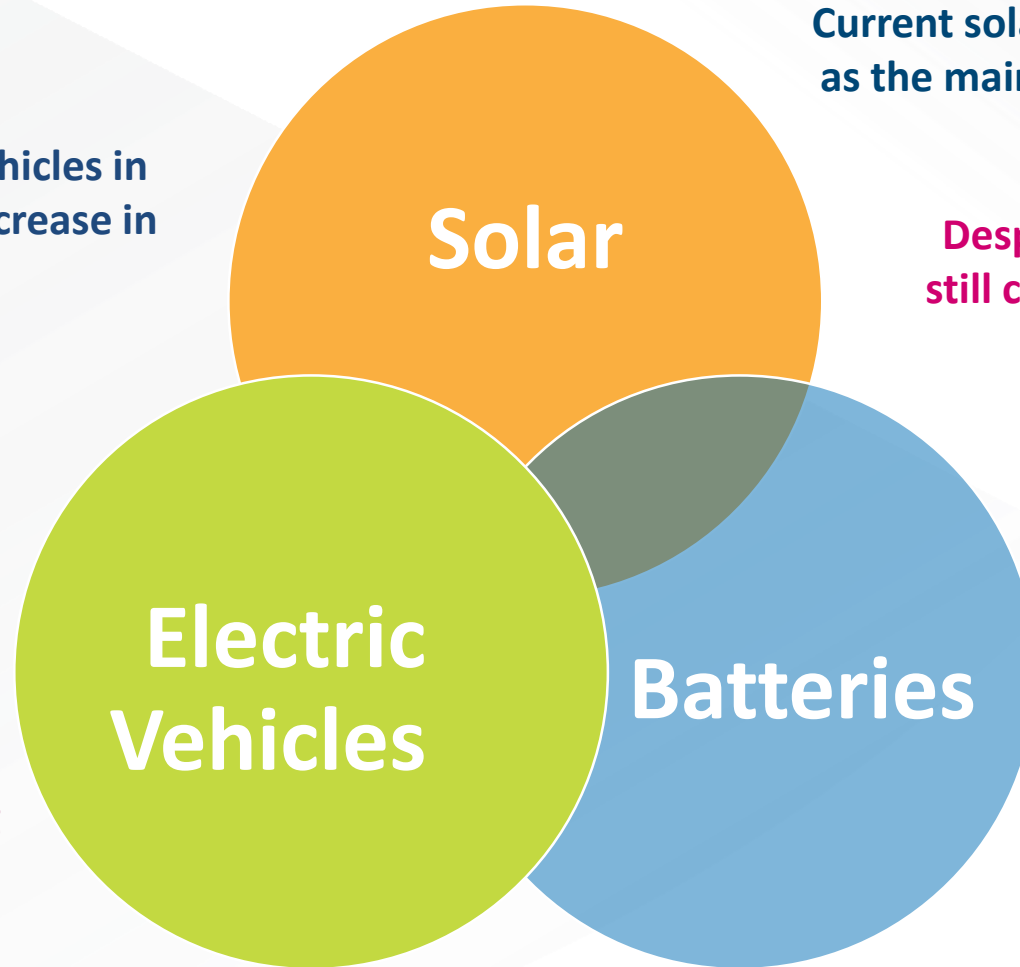
Approach to DER

Network increasingly supporting two-way energy flows



What we've heard

Distributed Energy Resources



There is growing demand for electric vehicles in Tasmania, this is likely to significantly increase in the 5 – 7 years.

Existing electric vehicle owners on a time of use network tariff are price responsive.

For all other customers, charging is driven by convenience.

Newer electric vehicle owners tend to have more anxiety range and plug in all day or top up more often than those who have owned their electric vehicle for longer.

Electric vehicle customers are diverse in their behaviour, often defined by how long they've had an electric vehicle for.

Current solar PV owners note the low FiT as the main disadvantage to investing in solar.

Despite the low FiT, many customers are still considering purchasing solar PV in the next 10 years.

Half of existing solar owners intend to purchase a battery in the next 10 years.

Most are motivated by the ability to utilise the off peak rate and self consume during peak time.

A high proportion of all non battery owners would not considering purchasing battery storage without solar PV.

TasNetworks' approach to DER pricing

Stage 1

Stage 2

What are we doing?

- Identify amendments to the existing DER residential network tariff in consultation with our stakeholders.
- Run an export tariff trial during the 2024-29 regulatory control period to understand the impact and opportunity of the wider uptake of DER technology on the network.

Why are we doing this?

- Accommodate the increasing electric vehicle charging loads at residential properties that sends a price signal to encourage efficient network utilisation.
- Allow DER customers to realise greater benefits from their investment, e.g. through rewards.
- Allow non-DER customers to realise greater benefits of DER investment, e.g. through efficient network utilisation and an overall reduction in network costs.

Intended outcome

- Make available an updates DER residential network tariff in the 2024-29 regulatory control period.
- Seek to implement an export tariff in the 2029-34 regulatory control period.

DER Network Tariff

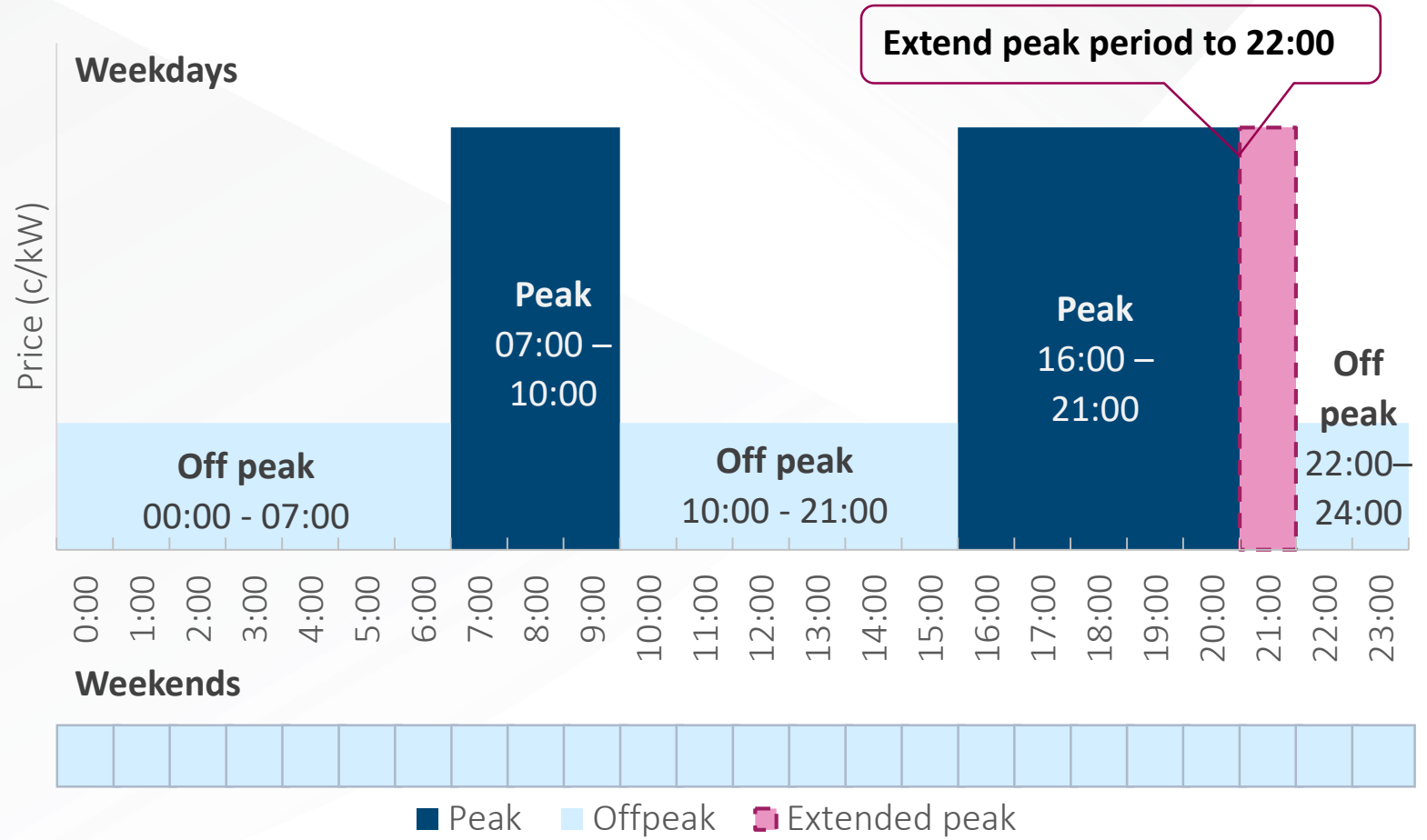
Objectives of a DER Network Tariff

1. Allow greater choice of network tariffs for residential customers.
2. Provide an incentive for residential customers to utilise the network in times of low network demand.
3. To encourage more efficient network utilisation to avoid creating a third peak.

PRWG Feedback

- Extension of the evening peak period emerged as the group's preferred option out of the four alternatives presented by TasNetworks, ahead of extending the morning peak period and the extension of the average demand windows.

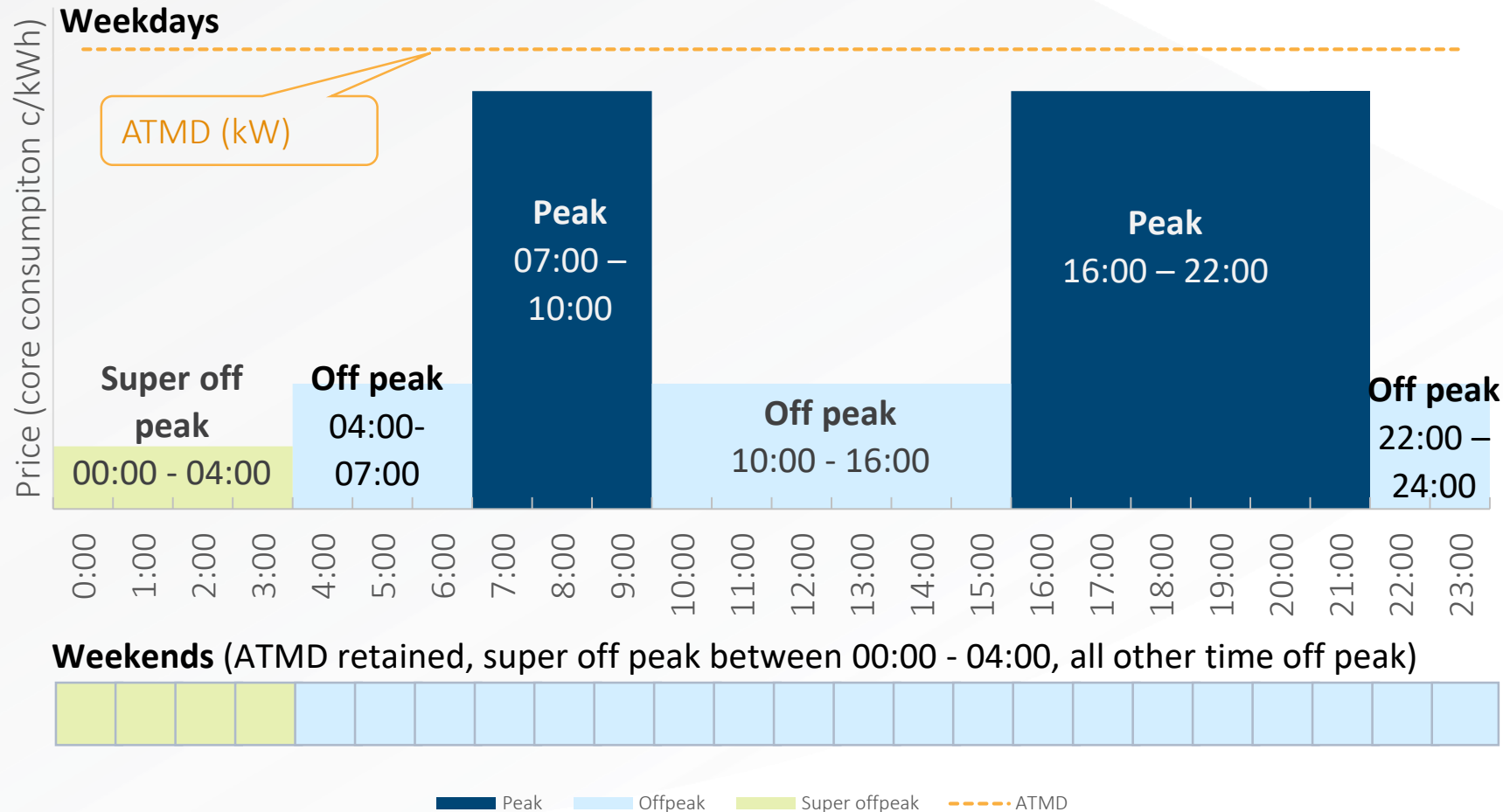
Option 1: Current DER Network Tariff and PRWG's feedback



DER Network Tariff

Option 2: anytime maximum demand

- Calculate the ATMD charge of the DER tariff based on the average of the highest four daily readings throughout a month instead.



Key points:

- Residential
- Extend evening peak to 10:00pm
- Introduce super off peak 12:00am to 4:00am
- Base price is consumption

Points to consider:

- Overlay a demand charge

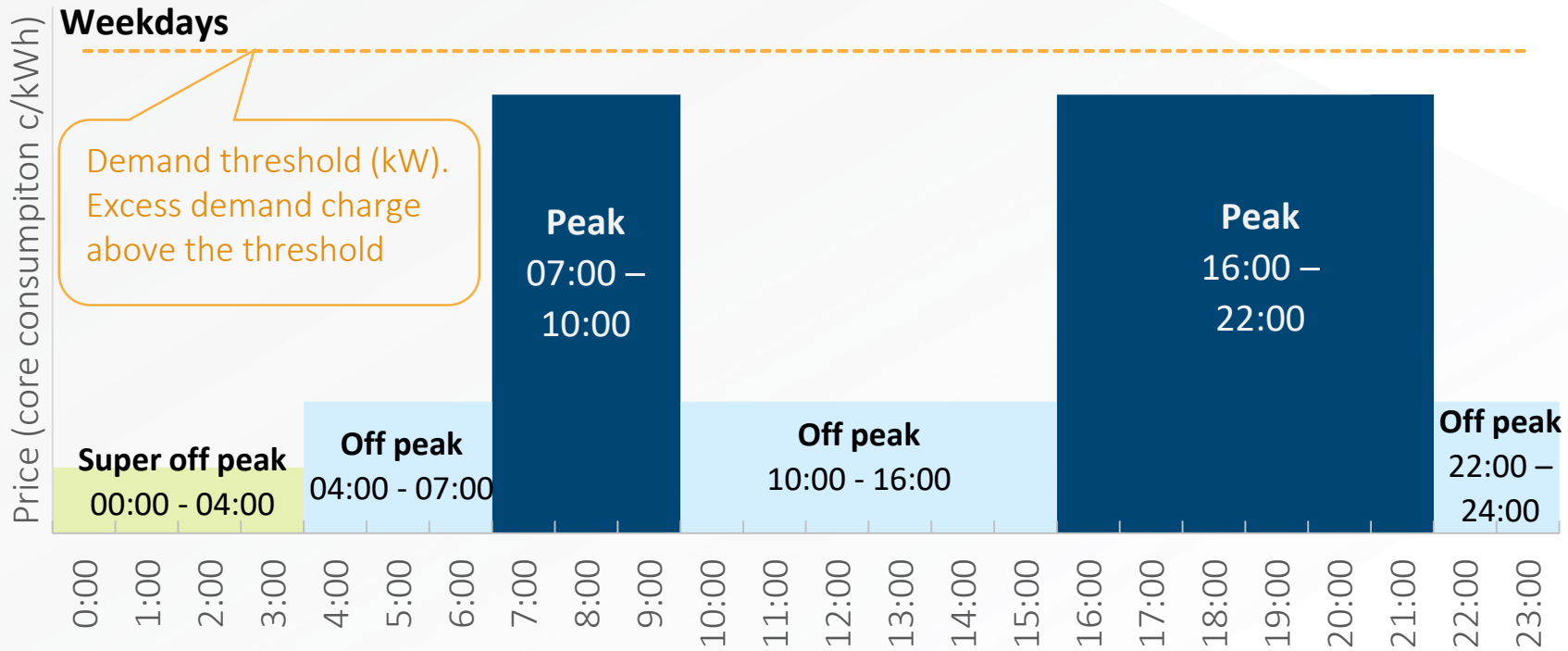
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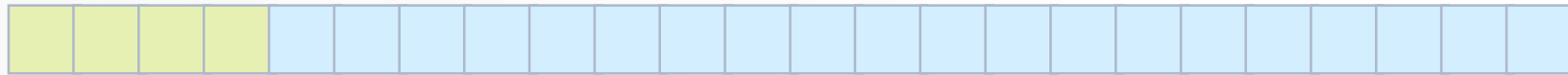
DER Network Tariff

Option 3: demand threshold and excess demand.

- For any day on which the daily ATMD remains below the demand threshold, no demand related charges would be applied.
- For any day on which the daily ATMD exceeds the demand threshold, an excess demand charge would be applied to the difference between the ATMD and the demand threshold.



Weekends (all day demand threshold retained, super off peak between 00:00 - 04:00, all other time off peak)



■ Peak
 ■ Offpeak
 ■ Super offpeak
 - - - Demand threshold

Key points:

- Residential
- Extend evening peak to 10:00pm
- Introduce super off peak 12:00am to 4:00am
- Base price is consumption

Points to consider:

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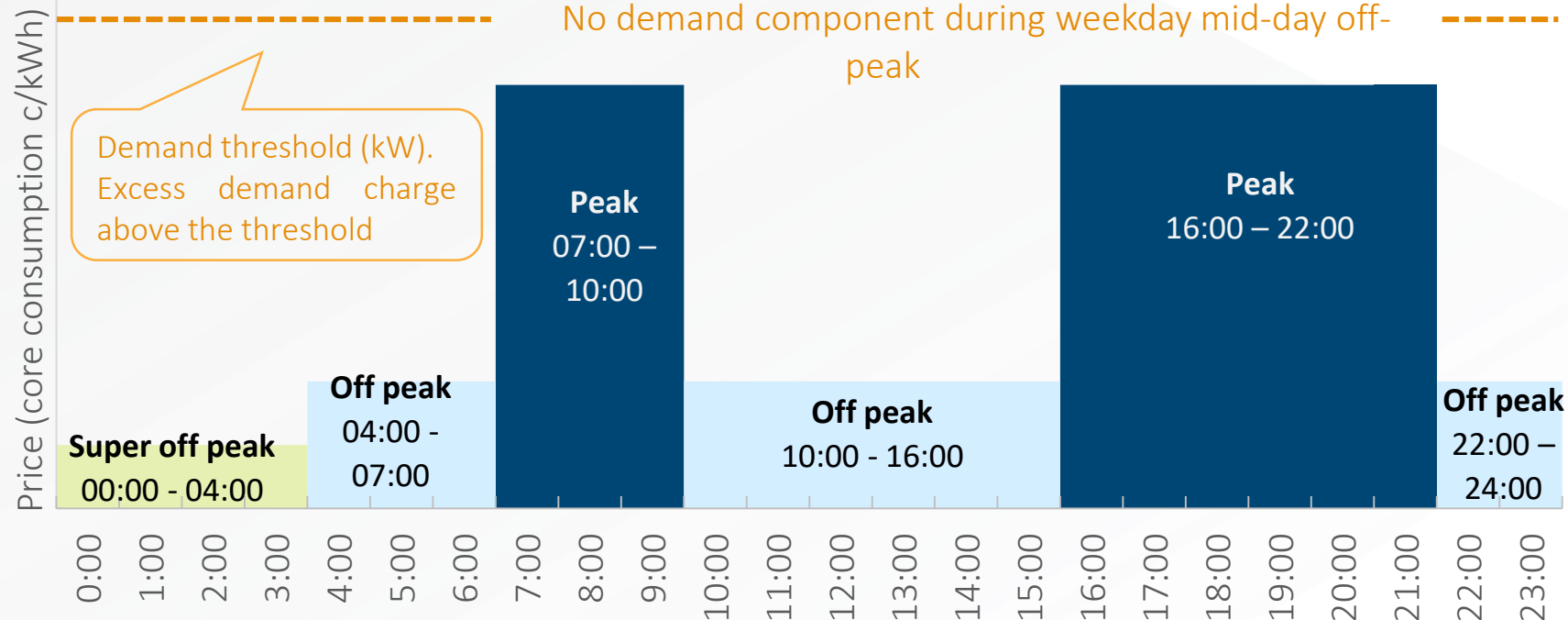
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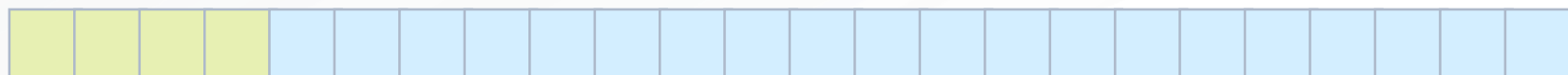
DER Network Tariff

Option 4: demand threshold

- For any day on which the daily ATMD during the relevant time frames (22:00 – 07:00) remains below the demand threshold, no demand related charges would be applied.
- For any day on which the daily ATMD during the relevant time frames (22:00 – 07:00) exceeds the demand threshold, an excess demand charge would be applied to the difference between the ATMD and the demand threshold.



Weekends (all day demand threshold retained, super off peak between 00:00 - 04:00, all other time off peak)



■ Peak ■ Offpeak ■ Super offpeak

Key points:

- Residential
- Extend evening peak to 10:00pm
- Introduce super off peak 12:00am to 4:00am
- Base price is consumption

Points to consider:

- Overlay a demand charge

Objectives of the DER Network Tariff:

- Allow greater choice of network tariffs for residential customers.
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Seeking Feedback



Understanding export services

What's happened?

The Australian Energy Market Commission has provided a **framework** to decide on the **type and level of export services** to be provided.

- Treating export services as a distribution service
- Application of incentive schemes to export services
- Clarify that pricing can be “two-way”
 - Signalling costs and providing rewards

What does the rule change facilitate?

Networks to develop options **suitable for their own circumstances**

- Networks have the option to develop pricing for export services
 - This rule removes the barrier for networks to develop export tariffs
 - It does not mandate for it to happen
- All customers to have a say on services to be provided, and how costs should be allocated
- Export pricing only to be introduced if it is in the interest of consumers

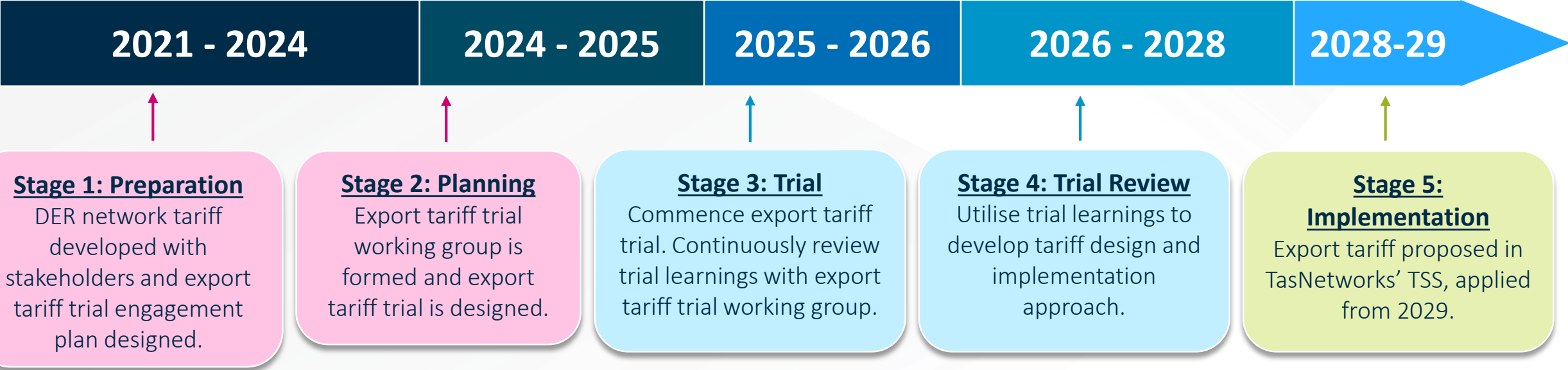
What does this mean for customers and the network?

Supporting a **foundation to future market development**

- Making best use of existing infrastructure
 - Reward customers when their actions support the grid
 - Signalling high cost of congestion periods
- Helps to “smooth” demand for network services
 - Higher productivity and lower average network costs for all system users
 - New investment may be deferred

Our expectations on engagement with customers and stakeholders*

*We recognise that stakeholder engagement is an evolving process and that our approach will continue to mature as we learn and build on our previous engagement programs.



Who	Customers and advocates	Retailers	3 rd Party Aggregators	Vulnerable customers	DER customers	Non-DER customers	Businesses	Government	AER
Methods	Dedicated trial working group	Bi-lateral discussions	Dedicated meetings	Wider stakeholder forums (e.g. PRWG)	Social media	Email updates	Newsletters	Written feedback / submissions on approach	Surveys



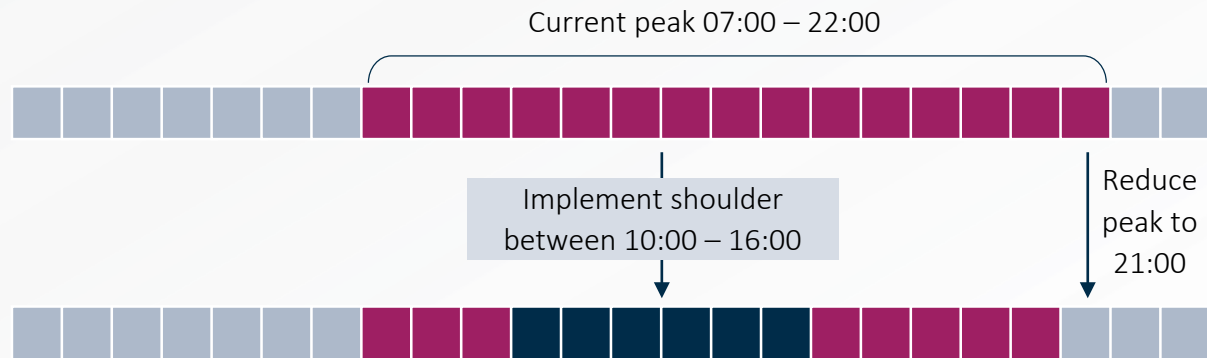
Break Time

Small business time of use window review

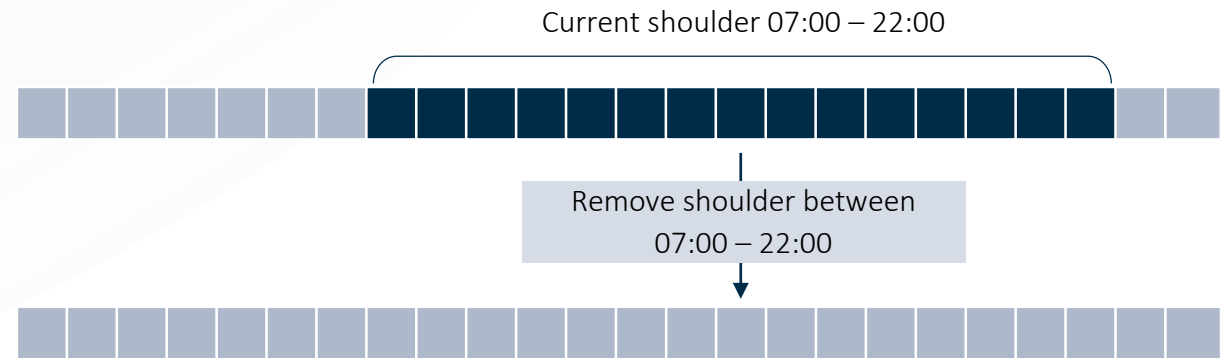
Small business time of use peak window review

- Reviewed our current time of use windows across our network tariffs
- Found that the business time of use consumption network tariff (TAS94) could be better aligned to:
 - **reflect small business load patterns;** and
 - **times of high network utilisation.**
- Sought stakeholder views on revising the peak windows for the business time of use network tariff (TAS94).

Weekdays:



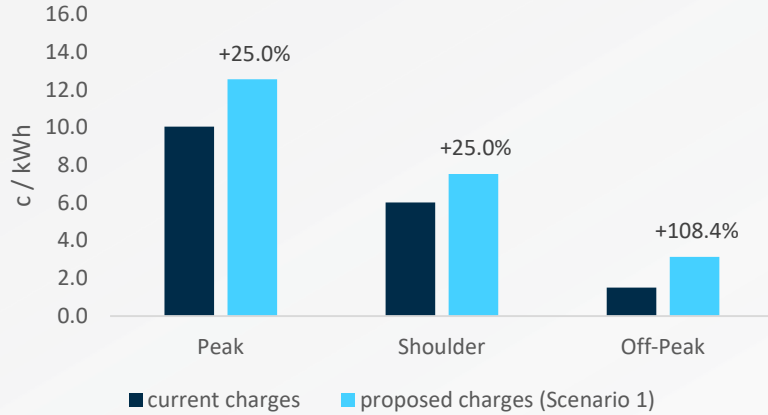
Weekends:



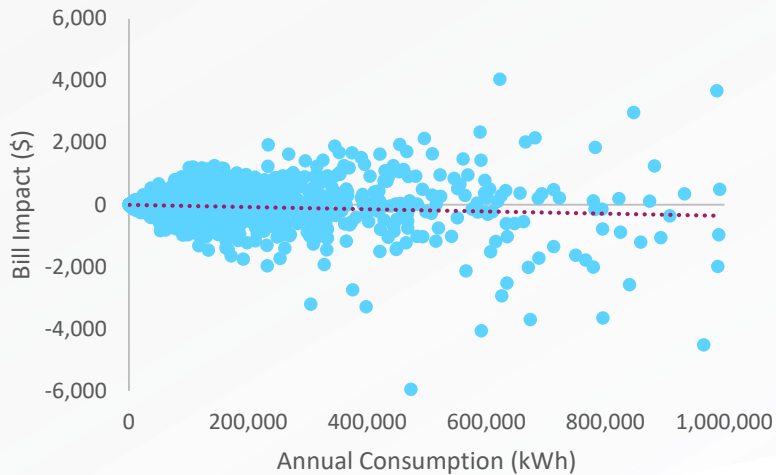
■ Peak ■ Shoulder ■ Off-peak

Small business peak window review: customer impacts

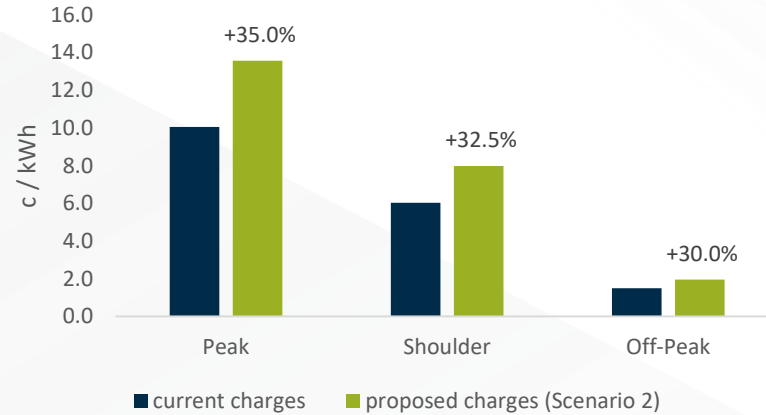
Scenario 1: Over-proportional off-peak increase



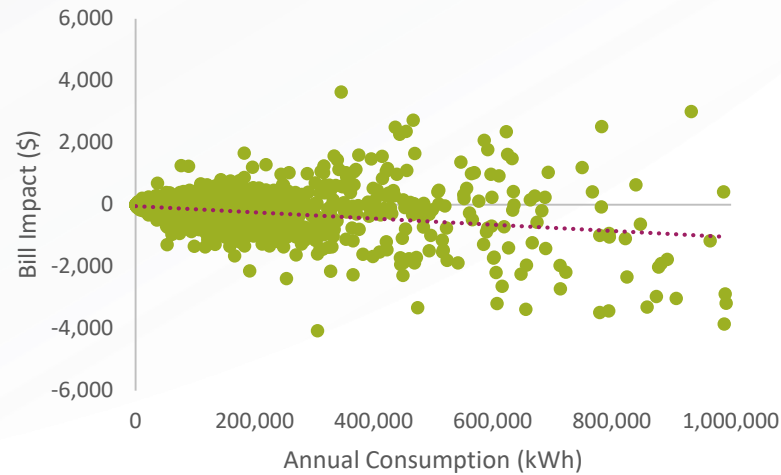
- ~59% of existing TAS94 customers will likely see a decrease in their network charges – on average \$175 per annum.
- ~79% of these customers are expected to experience a $\pm 5\%$ variation in their annual network charges.



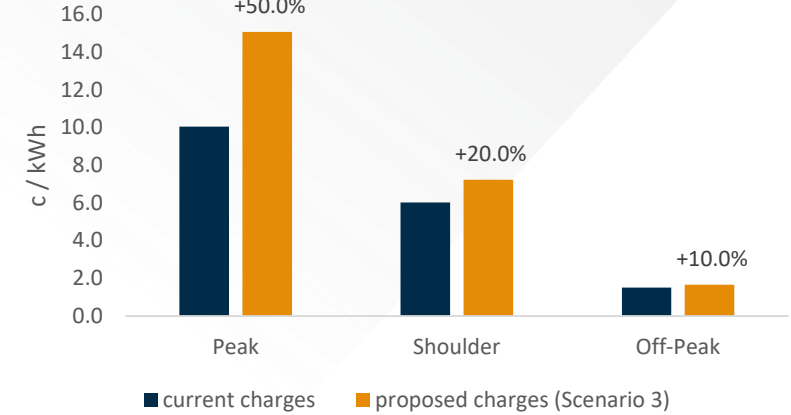
Scenario 2: Even time of use changes



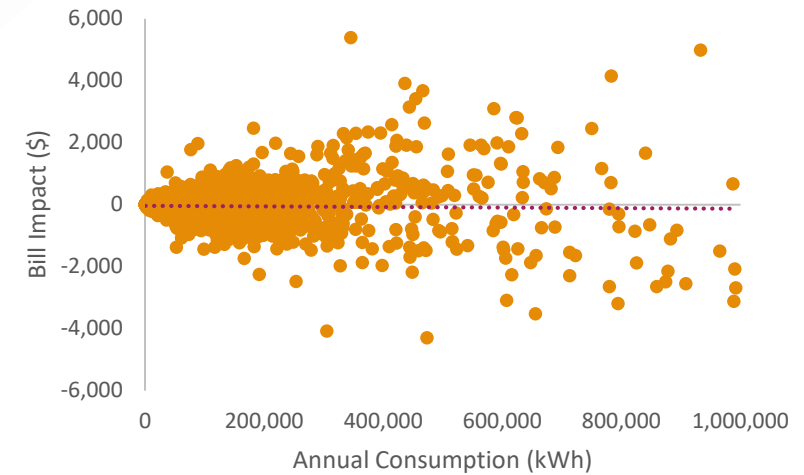
- ~80% of current TAS94 customers' network charges are expected to decrease – on average \$200 per annum.
- ~73% of TAS94 customers are expected to experience a $\pm 5\%$ variation in their network charges - the majority (56%) is likely to experience a decrease.



Scenario 3: Over-proportional peak increase



- ~70% of current TAS94 customers' network charges are likely to decrease – on average \$185 per annum.
- ~75% of customers are expected to experience a $\pm 5\%$ variation in their network tariff charge - the majority of these customers (52%) will likely experience a decrease.



Seeking Feedback



Embedded network tariffs

Introduction of Embedded Network Tariff

Objectives

- The proposed objectives focus on the key **efficiency, equity** and **customer impact** requirements that will need to be substantiated to develop a new embedded network.
 1. Ensure that the allocation recovers the efficient costs (both sunk and forward-looking costs) to embedded network customers and reflect the cost of providing services to those customers.
 2. Ensure that other customers using standard control services are not subsidising embedded network customers due to tariff arbitrage.
 3. Ensure that customers within an embedded network are not paying more than a typical comparable customer outside the embedded network.
 4. Incentivise the embedded network to consume electricity in a manner that minimises future network costs.

Introduction of Embedded Network Tariff

Assignment principles

Existing embedded networks

- Opt-in assignment for all existing embedded networks.
- All existing embedded networks to remain on their existing tariff, unless they choose to move to an embedded network tariff.
- Once assigned to an embedded network tariff they cannot revert to a non-embedded network tariff.

New embedded networks

- Mandatory assignment for all new embedded network from 1 July 2024.
- All embedded networks connecting to the network will be assigned to an embedded network tariff.
- Cannot switch to a non-embedded network tariff.



Next steps



Next steps

Mid 2022

- Seek feedback on TasNetworks' Draft Plan
-

Late 2022

- Policy and Regulatory Working Group workshop
-

Jan 2023

- Submit TasNetworks' Pricing Strategy (Tariff Structure Statement and Tariff Structure Explanatory Statement)

Should you have questions or comments, please contact Chantal Hopwood at Chantal.Hopwood@tasnetworks.com.au

