

7 May 2021

Office of the Tasmanian Economic Regulator
GPO Box 770
Hobart TAS 7000

Dear Sir / Madam

RE Standing Offer Price Methodology Review – Draft Approach Paper

TasNetworks welcomes the opportunity to comment on the draft Retail Electricity Standing Offer Price Methodology Review Approach Paper (**Approach Paper**). TasNetworks is the Distribution Network Service provider within Tasmania and our focus is to deliver safe, secure and reliable electricity network services to Tasmanian customers at the lowest sustainable prices. We also own and are responsible for reading legacy Type 6 meters. TasNetworks submission focusses on chapters 7 – Metering costs and 13 – Annual Price Approvals.

Metering Costs

The Approach Paper proposes an alternate recovery methodology for metering costs. The alternate methodology seeks charging mechanisms more closely aligned with individual customer's metering arrangements.

Since December 2019, approximately 93,500 advanced meters have been installed in Tasmania, representing nearly one-third of total residential customers, with the rollout forecast to continue at an accelerated rate. Advanced metering technology provides customer benefits, in the form of enabling greater understanding of electricity usage and transparency as well as improved network monitoring capability. As advanced meters continue to be installed across Tasmania, the network benefit will increase and enable realisation of further efficiencies in future network planning and management.

The transition to advanced metering includes proactive metering rollout as well as the reactive replacement of meters for example, under fault conditions. Under the revised methodology considered in the Approach Paper, a customer that experiences a type 6 metering fault and subsequently requires a meter replacement will face an upfront charge for this exchange. For vulnerable customers in particular this is likely to be problematic.

The benefits associated with advanced meters is well understood by industry, regulators and Government, however, customers to some extent are still evaluating the business case noting that realisation of net benefits will take time. Changes to the current cost recovery mechanism for advanced and legacy meters at this point in time may call into question the benefit of the

transition while posing an upfront cost barrier which may undermine the transition to the detriment to overall benefit realisation.

For these reasons TasNetworks encourages consideration of continued application of the current methodology for metering cost recovery.

Annual Price Changes

TasNetworks is continuing to encourage the uptake of cost reflective network tariffs, including time of use consumption and demand tariffs. These network tariffs represent a fairer way of sharing and recovering network costs. We are also adjusting legacy network tariffs to remove historic cross-subsidies, this involves non uniform price changes across the network tariff suite. This is a gradual transition aligned to a sustainable and predictable price path for our customers.

Research and case studies undertaken on behalf of the Australian Energy Market Commission demonstrate the customer benefit arising from a transition to cost reflective pricing. In the short term, residential customers can benefit from lower prices by utilising the savings available under time of use tariffs. As customers respond to network price signals, more efficient network utilisation is forecast which, in turn places downward pressure on network augmentation expenditure and prices for all customers in the longer term.

Greater customer awareness of the cross-subsidies inherent in Tasmania's legacy network tariffs will help build the case and social licence needed for a widespread transition to cost reflective network tariffs. A greater understanding on the part of customers of the impact that their use of electricity has on the cost of delivering that electricity will also encourage customers to evaluate the way they use electricity and consider the different retail pricing options available to them.

The delivery of long-term benefits to customers through the implementation of cost reflective network tariffs relies on network pricing signals being reflected in retail pricing. Achieving equitable pricing outcomes for all customers will necessarily result in a rebalancing of the contribution different customers make towards the cost of the network. To be effective, the rebalancing of network prices requires the flexibility of non-uniform changes in Standing Offer Tariffs.

TasNetworks considers this is the best way to achieve the transition to more cost reflective network tariffs so that Tasmanian customers can share the benefits cost reflective pricing brings.

If you have any queries or wish to discuss this submission, please contact Chantal Hopwood, Leader Regulation, either on 6271 6511 or at Chantal.Hopwood@tasnetworks.com.au.

Yours faithfully



Wayne Tucker

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