

1 May 2019

Mr Glenn Bounds
Assistant Director – Price and Service
Office of the Tasmanian Economic Regulator
GPO Box 770
Hobart TAS 7001

Dear Glenn Bounds

RE Regulated Feed-in Tariff Rate Draft Investigation Report 2019

Thank you for the opportunity to make a submission to the Office of the Tasmanian Economic Regulator (**OTTER**) on the 2019 Draft Regulated Feed-in Tariff (**FIT**) Rate Investigation Draft Report (**Draft Report**). TasNetworks submission focusses on Chapter 7 of the Draft Report which investigates the merits of introducing a time-varying FIT in Tasmania.

TasNetworks is currently transitioning towards network pricing that aims to provide customers with appropriate pricing signals on their impact on the network. When network tariffs were introduced in Tasmania, they were developed based on the existing retail electricity tariffs and therefore many did not meet the needs of Tasmania's energy market, nor were they consistent with cost reflective pricing principles. Since commencing operations in 2014, TasNetworks has begun gradually introducing network tariffs that more accurately reflect the underlying network cost drivers to give customers a better reflection on their impact on the network.

We have introduced several cost reflective network tariffs which have been designed with the aim of providing a pricing signal to incentivise customers to effectively manage their energy usage and in turn in the long term reduce network costs. For example, from 1 December 2018 we introduced a Time of Use (**ToU**) Distributed Energy Resource (**DER**) network tariff including an off peak discount to incentivise customers with storage capability to consume excess energy during peak times. In addition, from 1 July 2019 we are moving to a faster pace of reform with consumption based ToU network tariffs becoming the default network tariffs for all new small business and residential customers and those customers whose connection characteristics change. We are confident that the transition to more cost reflective network tariffs provide the appropriate pricing signals to over time reduce network costs and therefore network tariffs for all customers.

Noting a detailed cost benefit analysis has not been undertaken, we do have concerns that the risks associated with the introduction of a time-varying FiT rate may outweigh the potential benefits. For example, if the price signal of a time-varying FiT rate is too strong, it may incentivise a large proportion of customers to feed excess solar into the grid at the same time. This has the potential to result in additional costs associated with managing network voltage levels.

Localised network constraints on our distribution network represent a significant driver of both augmentation and replacement expenditure. Through TasNetworks three year Bruny Island trial, we have been investigating how through a combination of technology (i.e. solar panels and batteries) and network support payments network augmentation expenditure can be avoided or delayed. Our trial has shown that with the use of technology, the right incentives, and customer buy-in this can be achieved. We are however concerned that the addition of a time-varying FiT may reduce the effectiveness of network support payments, increase costs and add unnecessary complexity in managing geographical and/or temporal capacity issues into the future.

The Draft Report requests feedback on the benefits of introducing both a time-varying and a single FiT rate. If a time-varying FiT was introduced in Tasmania, TasNetworks notes that both a time-varying and a single FiT rate to customers would be required for an indefinite period of time. TasNetworks anticipates minimal incremental costs as a result of operating both a time-varying and a single FiT rate.

If you have any questions in relation to this submission, please contact Shannon Culic, Senior Regulatory Analyst, on (03) 6271 6751 or via email shannon.culic@tasnetworks.com.au

Yours sincerely

A handwritten signature in black ink that reads "Chantal Hopwood". The signature is written in a cursive, flowing style.

Chantal Hopwood
Leader Regulation