

22<sup>nd</sup> October 2015

Dear TasNetworks

I thank you for the opportunity to provide input to your Consultation Paper 'Demand based network tariffs – offering a new choice'.

I wish to make a few comments and suggestions on the Paper, based on its content and also the related discussion at the subsequent Tariff Reform Working Group meeting (15<sup>th</sup> October 2015), a Group that I sit on as an Observer.

First, I note **the paper only covers the provision of a new optional demand based tariff**, and not the more contentious issue of the transition of existing customers off their existing tariffs.

Second, I recommend that TasNetworks **offers an opt out** to customers who sign up to the new demand based tariff. Failure to do so will signal a lack of confidence in the new product, and there is a risk of very few customers signing up.

Third, I would encourage TasNetworks to design and implement the proposed **tariff trial** as a real test of the new tariffs, rather than something designed to promote the tariffs and reassure customers. I stress that I have not heard anything that suggests it will not be designed as a true test, but rather I know of other situations in which stakeholders have used such experiments and trials for positive publicity, in a way that does not yield useful independent results. On a very practical note I would also suggest it would be worth collecting metering data from interval meters in the trial area now (which as I understand remains stored on meters for 90 days), so that you have pre-trial winter/heating season data for at least some of the households in the study.

Fourth, and most critically, there is an absence of discussion of **the wider issue of households moving off-grid** within the Consultation Paper. This represents a missed opportunity to consider tariff reform as connected with what is a real potential near-term problem for TasNetworks, namely high numbers of customers leaving the grid enabled through a combination of renewable energy generation and battery storage. In a report published this week by the Climate Council '[Powerful Potential](#)', one of the findings is that going off-grid could become cost competitive with staying connected by as early as 2018. This is within the timeframe of the new proposed tariffs. What TasNetworks are proposing in the Consultation Paper is an increase in the fixed ('service') charge to customers and it is debatable whether

this sends the right message to customers wondering about leaving the grid. Customers with embedded generation (and thus low usage patterns) will have to incur higher costs for remaining on the grid. Further, what demand based tariffs might encourage is customers with photovoltaic panels installing batteries, in order to avoid the evening peak period. And once you have trialled batteries and have them in your house it is a relatively small step to increase the battery capacity further and disconnect from the grid entirely. The proposed new tariff is at risk of seeming short-sighted in five years time when TasNetworks might be rapidly losing customers. One suggestion is to tailor the new demand tariff in a way that is attractive to customers with embedded generation and/or battery storage with perhaps even a dedicated, specialised tariff for these customers, e.g. by offering customers with battery storage a pricing deal which gives TasNetworks permission to access their battery storage at times of peak network demand. Another suggestion is to use the Tariff Trial to better understand household opinions and preferences in relation to going off grid. Third, to cross reference existing strategic work and planning regarding the future of the electricity network in Tasmania, in order to indicate the wider thinking about forward planning that is no doubt occurring (e.g. in encouraging electric car use, as per the *Tasmanian Energy Strategy 2015*), and to clearly position the tariff reforms as part of this debate.

Please do not hesitate to contact me if you would like to discuss any of the issues I raise in further detail.

Yours sincerely,



Associate Professor Heather Lovell