



Tariffs & Pricing Panel

Meeting #3 | Summary Notes

Details	Members	AusNet Staff	External Observers
12:30-3pm Wednesday 27 Sept 2023 Online (MS Teams) Chair: Charlotte Eddy Secretariat: AusNet	Gavin Dufty Kate Hansen Jeff Nottle Chris Harvey Nick Mason-Smith Dean Lombard Emma Chessell	Charlotte Eddy Edwin Chan Sonja Lekovic Lucy Holder Observing: James Bleed Michaela Jackson Olivia Harrington	Apologies: Matthew Morrison (AER) David Prins (AER Consumer Challenge Panel)

Focus questions	Objectives of the meeting	Key outcomes	Next meeting objectives
FQ1 - How might we allocate revenue across different tariff classes in a balanced, justified and proportional way, that also provides support for customers with specialised needs? FQ2 - How might we better analyse and understand customer impact, including understanding the impact of 'doing nothing', to help us make more informed decisions?	- Consult on the existing framework for revenue allocation, and potential benefits of change. Collaborate on the key objectives and impacts of potential changes to the revenue allocation. - Collaborate on the most appropriate approach to tariff impact assessment, including a potential methodology for measuring impact, assumptions in the impact assessment, and how the results of the impact assessment can be used in tariff design.	- Acknowledgment there are limited opportunities to make substantive changes to the revenue allocation between tariff classes, as that might create bill shocks, and the AER priorities consistency between regulatory periods. - Tariff classes should be technology neutral as much as possible, given rapid emergence of new technologies. However, this may create cross-subsidies within tariff classes, which should be addressed. - Tariff design should be based on network cost drivers and how different customer types within tariff classes are driving those costs, including understanding the impact of 'do nothing'. - The tariff impact assessment should be more 'personalised', including examples of customers underpaying or overpaying based on current tariffs, and how a new tariff would offset those cross-subsidies. - Acknowledgement it is difficult to understand customer impacts when tariffs are optional.	- Review and discuss draft responses to focus questions 3 – 5. - Follow-up on outstanding actions.

Item	Time	Topic	Lead/s
	12.30pm	Welcome & agenda	Charlotte
1	12.35pm	General Items Action items Closing the loop on face-to-face meeting focus questions dot exercise Recap of Joint DB forum	Charlotte & Lucy
2	1.00pm	DEEP DIVE Revenue allocation between tariff classes	Edwin
	1.30pm	Break (5 mins)	
3	1.40pm	DEEP DIVE Impact of tariffs on customers	Edwin
4	2.25pm	Reflecting on the Focus Questions Answering the questions	Charlotte
	2.45pm	Othe matters & close Open floor	Charlotte

Summary

Welcome

Charlotte Eddy opened the meeting with an Acknowledgement of Country and noted a focus question on Focus Questions 1 and 2 in this meeting.

Key points

Part 1: General Items

Topics	Discussion points
Action items	Charlotte recapped on actions will be responded to in next session or in 2024.
Closing the loop on face-to-face meeting focus questions dot exercise	Lucy Holder addressing the group with accidental error and transparency on areas flagged with Future Networks overlap between both sub-panels with direct interest of topics. Group had no further comments.
Recap of Joint DB forum	AusNet's Charlotte Eddy explained to the panel that there was plenty of support for smart meter data and noted that "knowledge is power" for our customers understand the tariff landscape. Charlotte addresses the group by sharing that the forum was beneficial due to many influential stakeholders such as Victorian Government, Powercor and CitiPower were all in attendance to receive greater insights on our customers perspectives. Discussion There was in-depth discussion within the panel with these themes. - A member asked how we are planning to get trust and education across to customers about tariffs? Recommendations from this panel member was to combine reflections and findings from other sessions. - Another member shared concerns that smart meter data may be needing to be replaced within the next reset period. This recommendation was based off the opinion that most stock was installed at the same time. The panel member then offered a question to AusNet asking if there was discussion of a

replacement program during the tariff reassignments as thought it was beneficial to do. AusNet was unable to answer the question but acknowledged the great question and will action internally.

- A member mentioned that when considering an opt-in time of use tariff, consideration needs to be given to the basic export level (BEL), and what happens if they opt-in and consume past the BEL. If customers are exporting past the BEL, and don't opt into tariffs, they will be free riding. This is particularly a problem for Victoria that already has high utilisation. Considerations of use of controls with tariffs might reduce the impact on the network. Connection agreements should be put into the tariff conversations.
- Many of the panel spoke to the importance of the "knowledge is power" concept. Energy reliability was addressed within a panellist's statement in support highlighting the need for providing trusted information to customers about tariffs and incentives.
- Another panel member added that for consumers, it can be complicated to even understand that Victorian Government are paying consumers \$250 to compare retailers and their varying tariff prices as the retail tariff is what effects the bill, but many consumers are unaware so do not bother. Although example is not an AusNet role to fix, it reinforces consumers lack of knowledge and education. AusNet acknowledged all panel members insights and spoke to the need to simplify messaging for mass market consumers.
- AusNet addressed the group to let them know that the next workshop for DB is upcoming in November at Powercor and invited all Tariff and Pricing panel members to attend.
- A member mentioned that the insight from the joint Vic DB workshop around having technology agnostic tariffs shouldn't necessarily apply, as in practice it reduces opportunities to practically manage problems being caused by specific technologies. There's a nuance in being aware of the types of technologies that the tariffs are targeting, but also being able to group the technologies under similar profiles (so not limiting anything by being too technology specific).
- Carrots and sticks in the context of tariff reform are almost the same things, and both should be used to incentivise the right behaviour.
- Edwin answered a panel question asking if energy retailers provide details on network tariff structures, providing an answer of no.

Part 2: DEEP DIVE | Revenue allocation

Topics	Discussion points
Revenue allocation between tariff classes	AusNet's Edwin Chan presented the panel with an overview on how revenue is allocated across the different tariff classes whilst adhering to the pricing principles. The panel moved to Padlet questions. • A panel member was interested to understand in greater detail how revenue changes from year to year. Edwin provided clarity that changes are accounted for per tariff class within limits. This explanation was to satisfaction to the panel member. • Discussion with the panel then transitioned to concerns that although formulas are a streamline approach, it does not service consumers that are needing specific tariffs that correctly account for their renewable assets, especially in rural network areas. Many of the panel agreed that there needs to be greater variation in tariffs to service these additional assets (EV, community batteries etc). AusNet noted this concern and Edwin addressed the group that AusNet are looking into various types of tariffs and trials.

- A member of the panel was interested to understand how we would facilitate older network tariffs. Recommendations from this panel member was to consolidate and reassign (via bill assessment) consumers who would fall in this category. Edwin indicated AusNet would look further into this feedback.
- Many of the panel were interested in discussing the social impact of the tariff divide between commercial businesses and residential customers. They were interested in AusNet to provide clarity on how the Australian Energy Regulator (AER) classify consumer classes. AusNet were able to answer the query by Edwin responding that the AER do review the pricing principles and as part of our TSS, the AER will look at the tariff class allocation to compare year-on-year. Charlotte added that by doing this there should be consistency between periods for consumers, and if not, it is reviewed in detail. AusNet provided to the group that this process does have a certain amount of discretion involved as long as the approach stays fair and doesn't attract unfair bill increases across the groups. The panel were satisfied with this approach noting it can be difficult.

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- There was mention of all the new types of technologies that are emerging and the likely combination of them in the future, and the need to design tariff and tariff classes in a way that does not require a new class for each new technology but utilises existing framework to the extent possible. For example, the storage tariff should be able to be applied to anyone who would like to response to the same type of pricing signal.
 - A member mentioned they were surprised networks were responsible for designing tariffs, particularly given little prescription around revenue allocation, as this is an important social question. There was a question around how much this is something that was set in the past and the AER does not look to assess it too much in new resets. AusNet explained the AER puts a lot of weight on consistency in reviewing the revenue allocation, and that in preparing our pricing proposals we look at fairness and an approach that doesn't attract large bill increases for any one tariff class. There isn't a lot of information on how the original allocation was arrived at, but was possibly linked to the history of price caps.
 - Solar tariffs became a large topic of conversation across the panel. Edwin addressed the group by stating solar tariffs are no different to non-solar tariffs, unless the customer is currently on the PFIT scheme.
 - The panel agreed there is large confusion with these solar and non-solar residential tariff groups, and a member asked whether the solar consumption profile is sufficiently different to require a different tariff class. AusNet explained that tariff classes are more about network impact rather than load profiles, however, it was mentioned that the different load profile might have a different network impact.
 - A call out from the panel was there is concerns that community or council sites (non-residential) have been at risk for not having their meters reconfigured to change their tariffs, so AusNet's database of solar customers may be incorrect.

The future of designing tariffs with additional renewable energy resources, specific to home batteries and electric vehicles, was discussed by the panel. AusNet mentioned that tariff classes should not be narrow, rather broad and capturing a large group of customers. AusNet also mentioned that networks focus more on providing price signals/tariff that can be used to flatten load and export profiles.

A member mentioned that AusNet's approach doesn't work well currently, as there are not enough batteries in the network, and something has to change somewhere to allow us to go faster where we need to get (energy transition).

- There was a question on what AusNet's view is on whether batteries should be incentivised to export in the evening or storage energy overnight. AusNet mentioned this will be part of our consideration of a battery tariff and other engagement.

- The panel were interested in understanding what the current numbers and data used are they driven by customer or consumption? AusNet answered customer. Recommendations from the panel were, can we model customer numbers plus consumption to forecast future figures. AusNet might be different to other networks in this regard, because of the high proportion of residential customers.
- There was a question around whether tariffs can be designed for groups of customers, for example a group that belongs to a co-op or a community energy group. AusNet advised that is something we can consider off line.
- There was a question around what capacity charges relate to and how that relates to customers with different usage patterns, and whether it would apply to storage. AusNet mentioned they are considering these factors as part of the design of a tariff trial for batteries.
- It was mentioned that the current framework seems restrictive, particularly with rapid growth in new technologies like batteries.

Part 3: DEEP DIVE | Impact of tariffs on customers

Topics	Discussion points
Impact of tariffs on customers	Edwin asked the group for feedback on the questions on slide 39 of the meeting pack. • There was a question on whether there are particular tariff classes where there are under recovery of revenue within a tariff class. For example, in AusGrid, embedded networks were included in the residential tariff class and it was uncovered they were under recovering compared to other households, and so AusGrid is now looking to rebalance using tariff design. Opt-in tariffs can increase risk of cross-subsidies of this kind. • An important question that needs to be answered is what part of any tariff class is really driving costs and how does that relate to revenue allocation. I.e, does it matter if solar customers use less from the network if they have high evening peaks, etc. Perhaps the answer is not simple. AusNet to provide more information on this. • The tariff impact assessment should be more 'personalised', disaggregating impact to different types of customers, and understanding what is 'bad' and 'really bad' impact. It would also be good to have examples of customers underpaying or overpaying based on current tariffs, and how a new tariff would offset those cross-subsidies. • It is important to model the impact of 'do nothing' as change is typically hard for customers, and the benefits of increased utilisation given unit costs like the WACC and other cost are only increasing.

Part 4: Reflecting on the Focus Questions | Answering the questions

Topics	Discussion points
Reflecting on the Focus Questions Answering the questions	Charlotte revisited focus question 1 as a discussion to the panel, however asking the question of, if there are any principles we are wanting to share within the group. • An experience from a panel member was shared to provide greater detail to AusNet in the challenges they experienced when going to market and comparing retailers varying tariffs on offer (for a larger customer). There were several retailers engaged by this consumer and little to no explanation on demand periods and peak rates leaving this customer confused in why the pricing was varied.

- A panel member agreed with this narrative and posed the question to AusNet that there could be large benefit in communicating tariff pricing in a way that is machine readable for consumers.
- The main takeaway during this discussion was highlighting the lack of customer education for tariff pricing, and the importance of implementing them.
- A panel member suggested creating a model for the impact of concessions as there is a varying range of barriers for those customers groups. There's also a need to model green scheme impacts.
- A panel member summarised that our discussion on tariff classes didn't quite give enough information as to whether tariff classes need to change and if they make sense, what might they be. The different customer specialised needs were also not covered in detail, however that is something that can be modelled through the impact of concessions (as mentioned), but there might be other types of specialised needs (e.g., industrial customers with special needs). AusNet responded that specialised needs might also include specific technologies which might warrant specific tariffs for those customers. The way to look at this could be once we have the planned investment, whether that creates a case for change.
- A panel member said takeaway around revenue allocation is that it's quite a restrained field and not clear how panel members can influence. AusNet responded that potentially that it might help us identify what the regulatory barriers are and what the impacts of that are. Another panel member mentioned that identifying constraints is useful as it can lead a broader discussion about the current framework.
- This highlighted once again the case for change of tariffs needed to benefit customers, but also the importance of education on tariffs. The group were in agreeance of this challenge and supported the two key outcomes to try minimising this challenge.
- AusNet acknowledged and gave thanks to the panel for their insightful feedback throughout the session. Outcomes include drafting up a response to the theme of tariff impact and provide to the group for reviewal.

Part 5: Other matters

Topics	Discussion points
Open floor	• Nil raised

Meeting close

Thanked everyone for their time, provided a summary of actions arising from the meeting, and closed the meeting.

Action items			
Action	Assigned to	Status	Due date
AusNet to provide details about the smart meter replacement program	Regulation	To start	Meeting #5, 30 October 2023
AusNet to provide information on how they can structure customer information and communications	Customer Communications	To start	TBD

In preparing its Tariff Structure Statement proposal, AusNet to consider:	Regulation	To start	2024
• how opt-in export pricing might impact cross-subsidies in the future, and whether use of controls can limit those subsidies • providing further analysis on how customer numbers together with consumption (rather than just customer numbers) are driving costs for each tariff class • key cost drivers for each tariff class and how changing usage profiles impact that • how customer numbers together with consumption (rather than just customer numbers) are driving costs for each tariff class • if there a groups within tariff classes from which we might be under recovering fair share of revenue. • provided feedback on the type of impact assessment that would be useful • whether any legacy tariff need to be removed			
AusNet to consider the benefits of batteries exporting in the evening or storing energy overnight as part of their tariff design, as well as whether a capacity charge should apply.	Regulation	To start	TBD
AusNet to take on notice we produce pricing documents during the annual pricing proposal process.			