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Advocating responsible planning and governance in Queensland

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Gavin Fox,
General Manager
Australian Energy Regulator
GPO Box 3131, Canberra ACT 2601
By email to energyqueensland2025@aer.gov.au

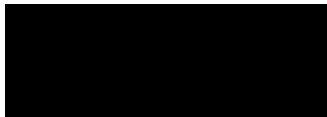
Dear Mr Fox

Energex's proposed tariff structure statement 2025-2030

Please find attached a submission from the South East Queensland Community Alliance (SEQCA).

This submission is not confidential.

Yours sincerely



Chris Walker
President
South East Queensland Community Alliance (SEQCA)
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Introduction

This submission has been prepared by the Southeast Queensland Community Alliance (SEQCA), a not-for-profit umbrella organisation formed by planning and environmental advocacy groups based across SEQ. Further information about SEQCA is available at <https://seqalliance.org/>

We have reviewed the Tariff Structure Statement 2025-2030 submitted by Energex to the Australian Energy Regulator (AER). We are concerned the Statement falls short on providing immediate, meaningful, equitable and transparent incentives to encourage the uptake of distributed energy resources (DER) and effective demand management. Specifically, we note:

1. **Time of use tariffs:** The methodology for calculating the proposed Time of Use tariff is incomprehensible to most users and an actual deterrent to conservative demand management at peak times.
2. **Household batteries:** The proposed flexible two-way tariff system needs to be adopted immediately and on a scale that will adequately reward early adopters of behind-the-meter (BTM) storage.
3. **Community batteries:** The proposed tariff structure penalises community owned, community batteries.

We understand a rapid uptake of distributed energy resources (DER), including batteries, is feasible, desirable and cost effective.¹ We offer below our recommendations, from the community's perspective, to ensure sensible tariff reforms that will actually incentivise load shifting and increase the transparency, equity and efficiency of the energy transition.

Time of use tariffs

Energy Queensland imposes, or intends to impose, a time of use demand charge on all customers with smart meters. There are two types of charge – a volume peak charge and a peak demand charge (see below).² The peak demand charge is levied on the basis of a customer's single highest level of demand per half hour in the demand peak period any time in the month. This is an excessively complex methodology. Most consumers are unaware of it and those that are aware of it find it difficult to understand and almost impossible to respond to. We are not aware of any efforts made to educate the public about these changes to charging.

The peak demand charge actively **disincentivises economy of use** because, over any monthly period, if a high level of use is made in one half hour period, that customer will be charged at the higher rate for the rest of the month even if they are more conservative in their use over the rest of the month. Hence, the charge actively discourages conservative behaviour.

AER requires network distributors to focus on tariff reform to support DER and enable new services.³ It has urged distributors to consult widely at every stage of tariff reforms because, *"It is with consumer and other stakeholders' buy-in that the benefits of network tariff reform can be realised."*⁴

¹ Nexa Advisory, *Accelerating Consumer Energy in Australia*, April 2024, p.7.

² Energex, *Tariff Structure Statement*, 2024, p.14.

³ AER, Network tariff reform, [Network tariff reform | Australian Energy Regulator \(AER\)](#)

⁴ AER, *Tariff Reform and Distributed Energy Resources (DER)*, September 2021.

Energy Australia’s peak demand charge fails to respond to the AER’s counsel to consult widely at every stage; is almost impossible to understand or follow and provides a perverse incentive to extravagant energy use during the peak demand period.

Open Network Tariffs

Table 5 - Open Smart Meter Network Tariffs – SAC Residential and Small Business

| Network Tariff | Parameter | Unit | Description |
|--|-----------------|-------------|---|
| SAC Small Primary Tariffs | | | |
| Residential TOU Demand & Energy (NTC3900) Default for all Customers. Previously known as Residential Transitional Demand. | Fixed | \$/day | Daily supply charge |
| | Volume Shoulder | \$/kWh | For energy consumption between the hours of midnight to 11am and 9pm to midnight daily |
| | Volume Off-Peak | \$/kWh | For energy consumption between the hours of 11am to 4pm daily |
| | Volume Peak | \$/kWh | For energy consumption between the hours of 4pm to 9pm daily |
| | Peak Demand | \$/kW/month | Charge applied to the single highest 30-minute kW demand during the month between the hours of 4pm to 9pm daily |

(Tariff Structure Statement: 14)

Household batteries

Energex states:

System maximum demands are expected to occur outside of the solar PV generation times and, as a result the continued growth of solar PV, will not have any real effect on the annual peaks in future years.⁵

We know this not to be the case. Battery storage has the capacity to store solar power for use later in the day. The draft 2024 ISP forecasts approximately 53% of intra-day shifting will be delivered by shallow storage by 2030 (AEMO, 2024 draft ISP: 63). Behind-the-meter (BTM) batteries are a valuable source of shallow storage and can reduce system costs overall if adopted AT SCALE.⁶

BTM storage at scale provides numerous benefits to the grid.⁷ BTM batteries can be installed with speed and flexibility and without the emerging social licence difficulties, high costs and extended timelines for larger high voltage connected renewable energy alternatives. BTM batteries can:

- alleviate export limits and facilitate the huge uptake of solar PV required for the energy transition;
- reduce losses, by keeping electricity generation, storage and consumption onsite;
- defer network upgrade / augmentation costs; and

⁵ Energex, *Overview - Energex Regulatory Proposal for 2025-30*, p.27.

⁶ Nexa Advisory, *Accelerating Consumer Energy in Australia*, April 2024, p.8.

⁷ Nexa Advisory, *Accelerating Consumer Energy in Australia*, April 2024, p.

- contribute to the overall goal of reducing carbon emissions and meeting State and Federal climate change targets.

Appropriate tariff charging is an indispensable tool for incentivising the uptake of household batteries and two-way charging, especially during peak demand periods - **not just critical peak periods**.⁸ We welcome the proposal to include two-way network tariffs over the next five years (Tariff Structure Statement: 27). Noting that Energex **already** charges additional tariffs for drawing electricity from the grid during peak demand times, we urge Energex to adopt this pricing structure **IMMEDIATELY** to help incentivise the rapid uptake of household batteries. We recommend a pricing structure that provides a meaningful incentive⁹ – for instance, 40 cents per KW over and above the wholesale electricity price at peak demand times - for a minimum five-year period. This will encourage consumers to supply their excess solar into the grid when most needed providing a valuable service to grid stability.

Community batteries

Community batteries have an additional advantage because they can facilitate energy equity by allowing non-solar customers to benefit from the lower generation costs that rooftop solar PV provides.

Community batteries offer a valuable service to DNSPs, and tariff arrangements should reflect that. Energy Queensland intends to impose an annual access charge of \$6513, the highest charge of any DNSP. The only reward for the services that a community battery can supply will be a Critical Peak Period Reward of \$1.66/kW for a maximum period of 40 hours per year at the discretion of Energex. Charges will apply for operation of the battery during Critical Peak Periods for either import or export, limited to 40 hours, again at the discretion of Energex. There is no equivalent to the storage and discharge rebates offered by several other DNSPs. For an average sized Low Voltage community battery, within a LV network with no current network constraint, it is unlikely a Critical Peak Period would be declared by Energex for a few years, costing the owner \$7-8,000 per annum, which, added to asset running costs, makes the project unfeasible.¹⁰ This is untenable and runs counter to the declared objectives of tariff reform.

Conclusion

The draft 2024 ISP forecasts a quadrupling of DER by 2050 and, by 2030, approximately 53% of intra-day shifting will be delivered by shallow storage (2024 draft ISP: 63). To help achieve these goals, the AER requires network distributors to focus on tariff reform to support DER and enable new services. It has urged distributors to consult widely at every stage of tariff reforms because, *“It is with consumer and other stakeholders’ buy-in that the benefits of network tariff reform can be realised.”*¹¹

⁸ Nexa Advisory, *Accelerating Consumer Energy in Australia*, April 2024, p.5.

⁹ Nexa Advisory, *Accelerating Consumer Energy in Australia*, April 2024, p.12.

¹⁰ Zero Emissions Noosa, *Submission to Australian Energy Regulator re Energex Tariff Structure Statement 2025-2030*.

¹¹ AER, *Tariff Reform and Distributed Energy Resources (DER)*, September 2021.

We believe Energy Queensland's proposed tariff structure fails to achieve transparency and, in some cases, actively disincentivises the uptake of DER. This means the transition to renewable energy will be more expensive, less reliable, unnecessarily delayed and more inequitable overall.

A more rapid uptake of distributed energy resources (DER), including batteries, is feasible, desirable and cost effective.¹² We have offered our recommendations from the community's perspective to ensure sensible tariff reforms that will actually incentivise load shifting and increase the transparency, equity and efficiency of the transition. Our recommendations are:

1. Revise the peak demand charge to make it more transparent and responsive to actual usage.
2. Immediately introduce two-way tariff charging making sure the export reward is high enough to encourage the rapid uptake of household batteries and to reward owners who feed excess power into the grid at peak demand times.
3. Reduce the charges associated with community owned community batteries and offer them a generous feed-in tariff rate.

¹² Nexa Advisory, *Accelerating Consumer Energy in Australia*, April 2024, p.7.