

Mr Warwick Anderson
General Manager
Australian Energy Regulator
GPO Box 3131
Canberra City, ACT, 2601

12 May 2023

Via email: AERresets2024-29@aer.gov.au

RE: Australian Energy Regulator (AER) Issues Paper - Evoenergy's 2024–29 regulatory submission

Dear Mr Anderson

ActewAGL Retail (“ActewAGL”) welcomes the opportunity to provide a submission to the Australian Energy Regulator’s (AER’s) Issues Paper for Evoenergy’s Electricity Distribution Determination 2024–29.

ActewAGL is a retailer in the ACT and surrounding NSW, providing energy to the Canberra region and nearby centres in south-east NSW including Queanbeyan, Goulburn, the Snowy Mountains, Nowra and the South Coast.

ActewAGL recognises that as the energy transition gathers pace, the demands placed on the electricity network are likely to change. This reflects changes in consumer behaviour as a result of several factors including technological improvements, changes in energy pricing, government policy and climate awareness. It is important that as the transition takes place, network pricing signals remain fit for purpose but are simple for customers to understand.

ActewAGL has reviewed Evoenergy’s Electricity Network Plan and Tariff Structure Statement (TSS) for the 2024–29 period. This submission outlines ActewAGL’s views on the potential effectiveness of Evoenergy’s proposed tariff structures and the likelihood of these generating intended retailer and consumer responses.

Proposed residential tariff structures

The residential tariff structures proposed by Evoenergy are more complex than the tariffs offered during the 2019–24 regulatory period, which were already more complex than several other Distributed Network Service Providers (DNSPs). The degree of complexity proposed in Evoenergy’s TSS could reduce the efficiency of price signals and impact the take up of cost reflective tariffs.

Evoenergy's proposed new default tariff to apply from 1 July 2024 is a demand tariff¹ featuring six charging components,² compared to the current default tariff which features three charging components.³ The design of this new tariff appears inconsistent with the original rationale of demand tariffs, which was to price demand during peak periods, so customers would shift discretionary usage to off-peak periods. It is not clear how adding off-peak demand charges will reduce peak demand which almost always occurs during the 5pm – 8pm peak period. Introducing off-peak demand charges could reduce the price signal sent to customers to reduce demand in the peak period.

The proposed new time of use tariff⁴ (TOU) could also be challenging for customers to respond to if reflected through retail offers. The proposed structure has peak usage, solar sponge usage, off-peak usage and tiered off-peak usage charges occurring daily. Given the off-peak interval is a two-rate inclining block structure which resets hourly, the proposed tariff design has 24 usage charging intervals per day. The proposed change introduces additional complexity for customers and therefore may not achieve the intended consumer response or retailer take-up.

Evoenergy could consider adopting a simpler TOU tariff, similar to proposals by other DNSPs, such as Essential Energy.⁵ ActewAGL considers Essential Energy's proposed Sun Soaker Two-Way TOU tariff structure meets the broad objectives and intent of a TOU tariff, while maintaining greater simplicity for customers. Network tariffs designed in this way are more likely to be passed through and reflected in retail tariffs to customers.

Number of tariff options and economies of scale for retailers

ActewAGL's preference would be to have network tariffs limited to a smaller number of relatively simple, technology agnostic options; reflective of the largely fixed-cost nature of distribution services. This reflects ActewAGL's view of DNSPs as business-to-business (B2B) service providers of network capacity to retailers, who then on-sell electricity and other products (wholesale energy, green certificates, metering etc.) to customers. ActewAGL considers pricing signals should be designed to reflect a network's primary cost drivers. Price signals should be designed to incentivise retailers to help customers shift their usage to lower demand times either through technological innovations and/or customer education programs. Retailers are also in the best position to design tariff offerings that respond to end-customer preferences, including customer preference for tariff simplicity and bill certainty.

Proposed export pricing structure

Export pricing structures should be designed to place a premium on simplicity. Given the approach proposed by Evoenergy, it is unlikely retailers will offer install date-specific feed in tariffs because of administrative complexities associated with compliance with AER guidelines.⁶

¹ 023/024 Residential Demand

² Supply, peak demand, off-peak demand, energy usage, solar sponge energy usage and no charge energy usage

³ Supply, peak demand, energy usage

⁴ 015 Residential Time of Use and 016 Residential Time of Use XMC

⁵ Essential Energy, *2024-29 regulatory proposal, 12.01 Tariff Structure Statement*, January 2023

⁶ Retail Pricing Information Guidelines 2018.

Tariff design

ActewAGL supports a cents per kilowatt hour (c/kWh) volumetric export charge design over alternative approaches used by some other DNSPs, who have introduced a cents per kilowatt (c/kW) demand charge. However, Evoenergy's proposal to levy export charges on retailers as a secondary tariff to all residential network tariffs (rather than on a dedicated tariff like the approach taken by Essential Energy with its Sun Soaker Two Way) will increase the number of tariff combinations and require significant system investment from retailers.

Basic Export Level

The Basic Export Level (BEL) appears reasonable when compared to other DNSP proposals.

Staged assignment

Evoenergy's proposed approach appears consistent with the National Electricity Rules (NER). However, as outlined above it would be preferable that export charges be linked to specific network tariff codes, rather than being charged across the entire suite of tariffs.

Refinements to commercial tariffs

ActewAGL has reviewed the proposed amendments to the Streetlighting and Small Unmetered Loads tariffs, and agrees the proposed changes would contribute to greater cost-reflectivity.

Proposed battery tariff structure

ActewAGL has reviewed the proposed Battery tariff and suggests the capacity charge be removed for daytime hours. It is currently unclear why a capacity charge would apply during daytime hours, when a battery is intended to "soak" surplus solar generation.

Transition periods following smart meter installation

ActewAGL does not support transition periods following the installation of smart meters and would prefer immediate re-assignment (as proposed by Essential Energy). Transition periods can increase the likelihood of inefficiencies/adjustment requirements in billing, customer queries and complaints. DNSPs have so far not committed to exact timeframes as to when tariff reassignment will occur and as the proposed transition periods are not automatic processes, it is likely to result in sites not being transitioned as currently proposed by DNSPs. As a result, retailers could be left to manage any potential adverse customer impacts following a tariff reassignment.

Intended customer response of Evoenergy's proposal

The energy transition underway presents both opportunities and challenges. Over the 2024–29 regulatory period, the trend of retail customers actively participating in the energy supply chain is likely to accelerate. This reflects the continued growth in embedded generation, the adoption of emerging technologies like electric vehicles and battery storage, as well as the transition from a dual fuel home to an all-electric home.

As customers play an increasingly active role in the energy supply chain, DNSP's and retailers need to ensure they provide solutions that are simple, but appropriate for customers' increasingly diverse usage requirements, while also continuing to operate a stable electricity supply system.

In order for network tariffs to remain fit for purpose into the future, it is ActewAGL's view that DNSPs need to increase the proportion of revenue collected from supply charges and reduce the proportion recovered through usage charges.

In addition, ActewAGL considers network tariffs that are simple and easy to understand are more likely to be reflected in retail tariff structures and influence customer behaviours. Evoenergy's 2024–29 regulatory proposal and TSS presents an opportunity to reflect the above principles to reduce peak demand on the network and in turn, reduce overall network costs for customers.

Should you have any questions in relation to this submission please contact Rohan Richardson, Group Manager Business Intelligence and Transformation, on [REDACTED] or via email to [REDACTED]

Yours sincerely



Rachael Turner
General Manager ActewAGL Retail