

17 October 2018

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Dear Chris

Revision of draft Tariff Structure Statement by Ausgrid

On 26 September 2018 Rob Amphlett-Lewis, Executive General Manager Strategy & Regulation of Ausgrid, wrote to you advising that Ausgrid intended to do a substantial revision of its TSS for 2019-24. Ausgrid advised that the changes were in response to submissions from its customers, CCP, customer advocates and its newly formed Pricing Working Group. As you are aware Ausgrid formed the Pricing Working Group as a sub committee of its Customer Consultative Committee as part of its engagement on its TSS. Eric Groom and Louise Benjamin represent CCP on this Working Group.

On 19 September Ausgrid shared a draft of its revised TSS proposal with the Working Group. The draft revised proposal involves the introduction of a demand tariff, reversal of the increase in fixed costs for residential customers and opt out assignment policies limited to cost reflective tariffs.

On 27 September 2018 Eric responded to the Ausgrid letter on our behalf in an email to you and Craig. Eric noted that the purpose of the revisions was to have a TSS in line with the common views expressed in the submissions by CCP, PIAC, ECA and TEC outlined in the Pricing Directions statement agreed by each of those

stakeholder groups (copy attached), as well as the submissions to the AER on the draft TSS lodged on 30 April 2018.

In Eric's email he stated: "*We consider this to be a very positive move by Ausgrid that we welcome and support and we would encourage the AER to facilitate the approach set out by Ausgrid.*"

This letter confirms CCP's support and also sets out our expectations for the revised TSS, Ausgrid's consultation process for developing the revised draft TSS and also for ongoing modelling of customer impacts.

Tariff design

1. We expect the revised TSS to include tariffs that are consistent with the Pricing Directions statement. In particular this would include the introduction of residential and small business demand tariffs on at least an opt-out basis for all customers with a smart meter.
2. Any opt-out should be limited to the customer. Retailers should only be able to opt out on a customer's behalf with the specific customer's explicit informed consent.
3. The opt-out should be restricted to a cost reflective ToU tariff or alternative demand or capacity tariff.
4. Harmonisation with the demand tariffs and peak and off peak windows of Endeavour should be maximised, recognising that both networks have their own cost challenges.
5. There should be no increase in the fixed costs for residential customers on legacy or other tariffs as was proposed in the current draft TSS.
6. Introduction of cost reflective tariffs for residential and small business customers must be accompanied by a comprehensive education, awareness and support program.

Demand Management strategy

7. Ausgrid to develop a more proactive opt-in DM rebate program for localised constrained areas.

Modelling

8. Ausgrid to develop an ongoing modelling strategy to establish the customer impacts of its proposed tariffs by household referring to socio economic data as well as by load shape.

Tools

9. Customer advocates have confirmed that a critical complementary measure they expect to accompany the introduction of cost reflective tariffs is for networks to provide tools to customers to access their own data to enable them to assess their ability to respond to any price signals.

Engagement

10. Ausgrid should consult with its Working Group, other stakeholders and customer advocates and informally with the AER in a timely and transparent way prior to lodging the revised TSS with the AER in January. We believe that it is essential that the revised proposal that is lodged in January 2019 have wide stakeholder support. The objective of this engagement is to enable Ausgrid to submit its revised TSS confident that it will find broad support from stakeholders and the AER. The recent remittal decisions for the NSW 2014-19 determinations were assisted when the engagement was timely and detailed. We note that Selina O'Connor has agreed to further engagement and has scheduled meetings of the Pricing Working Group on 18 October and 15 November.

Further consideration should be given to a data sampling period, opt-out arrangements and the glide path for legacy tariffs through ongoing engagement with customers and the Pricing Working Group.

We commend Ausgrid for responding to the concerns raised by its customers. We note those concerns were brought to Ausgrid's attention earlier this year in the deep dive process and through the development by customer advocates of the Pricing Directions statement.

We believe that the AER should support Ausgrid in responding to customers concerns and facilitating Ausgrid submitting a revised TSS in January 2019 on the basis of their letter and this response.

We are aware that the AER will give a copy of this letter to Ausgrid.

Yours sincerely

Eric Groom (chair CCP21), Mark Henley (chair ccp10), Louise Benjamin, Mike Swanston and Robyn Robinson