



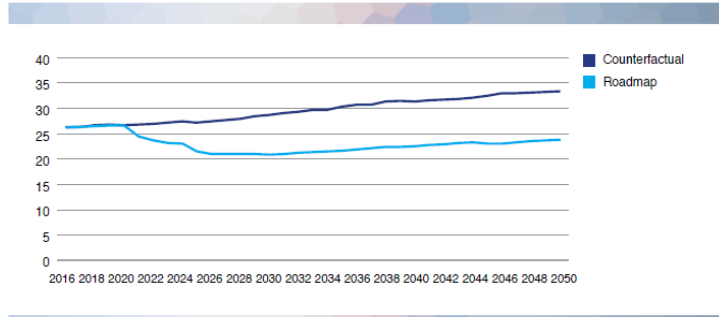
Pricing Reform

26 June 2017

Electricity Network Transformation Roadmap Outcomes

• Network-related Efficiency Benefits of Pricing and Incentive Reforms

Figure 18: Non-coincident substation peak demand



2050



Average network bills around 30% lower than what they were in 2016



\$18.6 billion of cross subsidies avoided

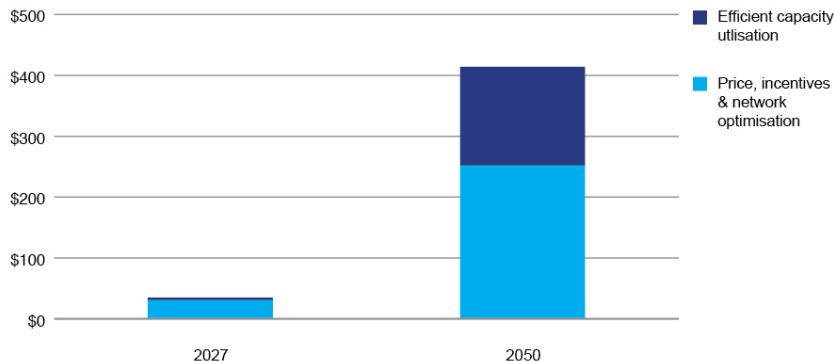


\$16.2 billion of network investment avoided



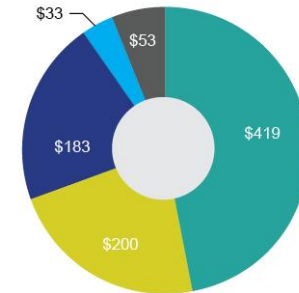
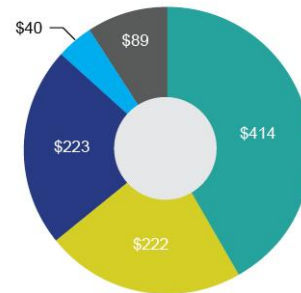
\$16.7 billion of net economic benefit

• Whole of System Benefits to customers



Counterfactual: \$988 billion





The Roadmap: \$888 billion



- Centralised generation
- Connected on site generation
- Distribution
- Transmission
- Off grid (metering, control, storage and disconnected generation)

Incorporating Fairness in the Balanced Scorecard

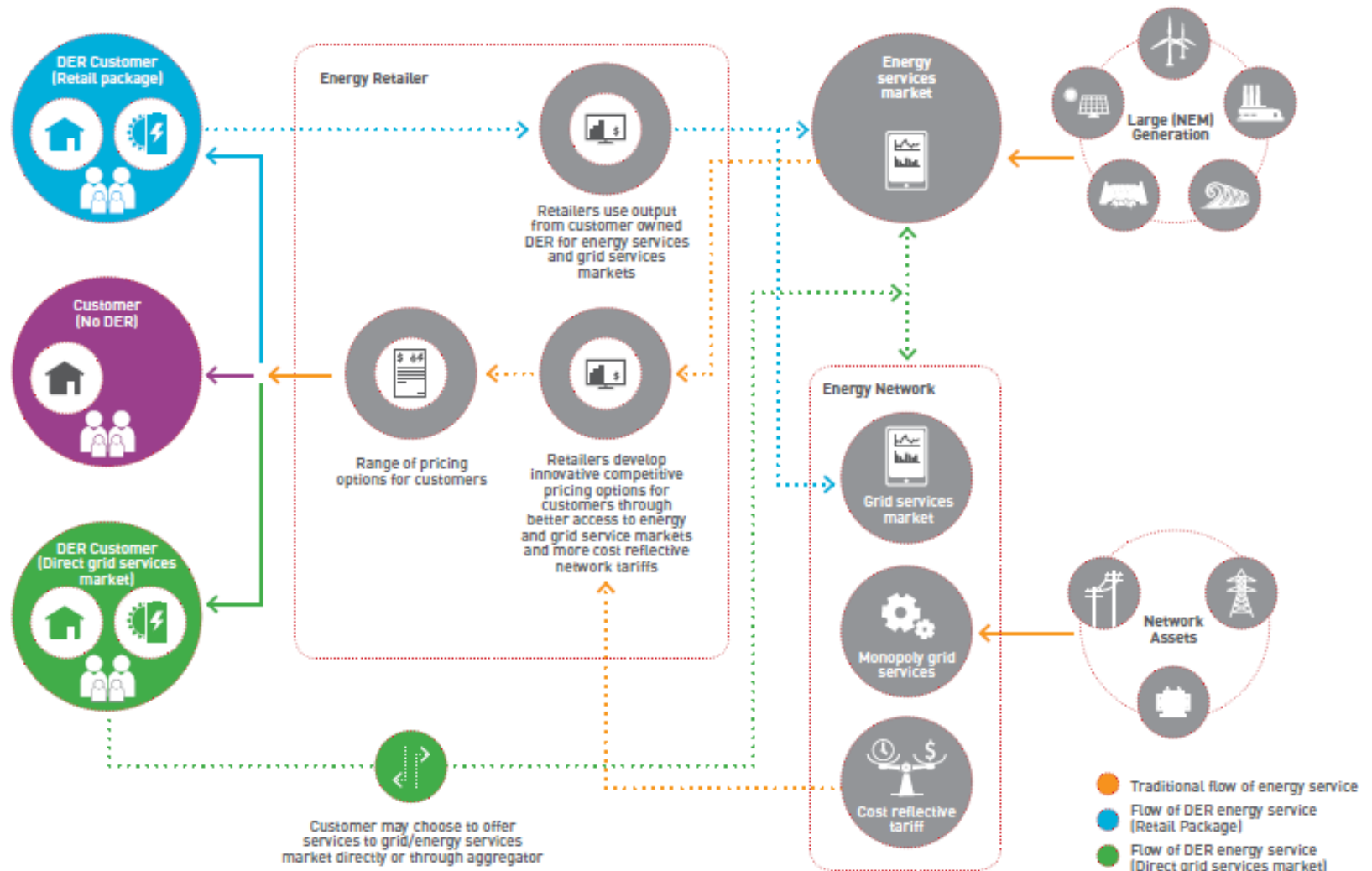
Figure 6: Residential bill outcomes for selected Australian household types in 2050 under the counterfactual and *Roadmap* scenarios

	Counterfactual			<i>The Roadmap</i>		
	Active \$	Passive \$	The Gap \$	Active \$	Passive \$	The Gap \$
Working Couple 	\$1,346	\$1,811	\$465	\$1,123	\$1,422	\$299
Medium Family 	\$1,816	\$2,601	\$785	\$1,428	\$1,988	\$560
Large Family 	\$2,794	\$3,950	\$1,156	\$2,346	\$2,734	\$288
Single, Retired 	\$1,058	\$1,730	\$672	\$883	\$1,355	\$472

Early transition to better tariffs and incentives for network orchestration delivers the value

Unlocking value through better prices and better access to new markets

Instead of building networks "buy" output from DER (through retailers, aggregators or directly from customers) for locational, dynamic benefits



Favourable signs supporting progress on tariff reform...

AEMC: *The role of the networks is to provide cost-reflective [network] pricing. The retailers' role is to take wholesale costs, network charges and other potential energy services such as distributed generation or energy management systems, and package these up for consumers. Consumers choose between fixed and variable mortgages with different terms in the financial sector...*

AER: *The price signals faced by the retailer should be cost reflective in order to meet this objective....In the long run, we consider this should be facilitated by assigning all customers to cost reflective network tariffs. **We consider the best method to transition to this objective is through an opt-out approach in the next round of tariff structure statements***

BUT...practical barriers to Tariff Migration...

- **Metering limitations in most States:**

- Contestable rollouts underway
- Close monitoring required to confirm effective

- **Government intervention to retain Choice**

- Victorian Government Order In Council precludes network assignment to cost-reflective tariffs unless the retail customer 'opts in'.

- **General customer benefits are hostage to Retailer 'in market' strategy**

- Customer recruitment to Opt In is beyond direct control of networks.
- Retailer pass through of NSP signal is uncertain & reflects commercial strategy

Figure 16: Comparison of customers on fair and efficient tariffs (%)

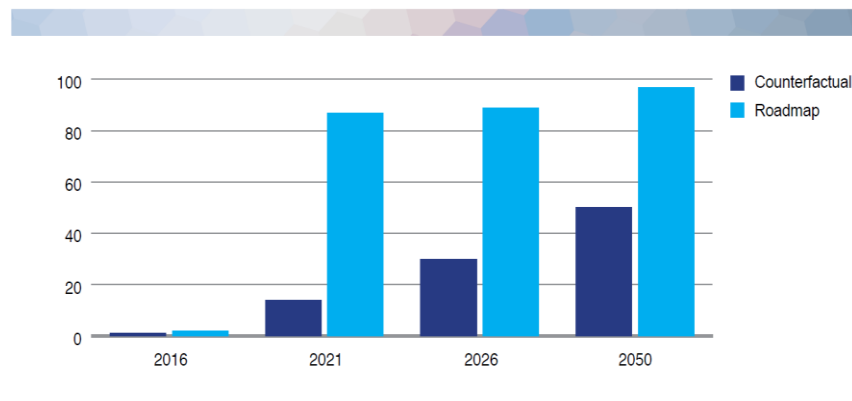


Figure 10: Comparison of network and retail supply charge

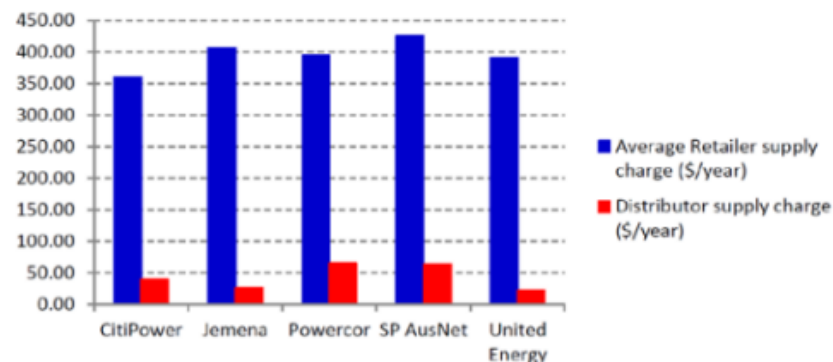


Figure 17: Forecast penetration of smart meters in Australia

