

Sunday, 19 October 2014

### **APVI Submission on proposed changes to Network Pricing Arrangements.**

The Australian PV Institute (APVI) responded on behalf of its members to the Australian Energy Market Commission's (AEMC) draft rules to change how distribution networks charge customer for electricity.

Network prices are responsible for about 50 per cent of the electricity prices paid by residential consumers on average across Australia. A key driver of the network price component is the infrastructure costs required to meet peak demand. A key outcome of the network pricing review needs to ensure pricing provides signals to consumers to encourage the most efficient use of the distribution network.

Under current price structures, all consumers pay the same network prices based on fixed charges and the volume of electricity consumed, regardless of how or when they are using power. As a result, network prices over-recover revenue for off-peak use of the network and under-recover for peak use. Further, there is no network price impact for increasing peak demand, nor any benefit for reducing use at peak times. The AEMC records that a consumer using a large 5kW air-conditioner in peak times causes about \$1,000 a year in additional network costs compared with a similar consumer without an air-conditioner, but the consumer with the air-conditioner pays about an extra \$300 under the most common network prices. The remaining \$700 is recovered from all other consumers through higher network charges

APVI agrees with the stated aim of making network charges efficient and technology neutral.

Future processes should be transparent, public and contestable. Any expenditure should be open to third party competition, with demand side options provided with equal opportunity to compete.

Tariff structures and levels should similarly be transparent, public and contestable.

The APVI reject the assumption that past expenditure in networks must be recovered from customers. Much of the historical expenditure was not made in an efficient, technology neutral manner and was not required by customers.

Rob Passey and Muriel Watt, who together prepared the submission on behalf of the APVI, said "Consumers have a right to know what options are available, and whether the most appropriate ones have been chosen to suit local conditions, customer preferences and trends. Tariffs should be technology neutral and not directed to specific technologies.

Chair of the APVI, Renate Egan, added “demand charge component in tariffs, structured to signal peak times, would provide the fairest way to signal network costs to customers.”

The APVI argues that any changes should be notified and promoted well in advance, so that customers have time to make appropriate changes to their appliances and energy use patterns

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### **About APVI**

The Australian PV Institute is a not-for-profit, member based organisation which focuses on data analysis, independent and balanced information, and collaborative research, both nationally and internationally. Our objective is to: *support the increased development and use of PV via research, analysis and information*. In addition to Australian activities, we provide the structure through which Australia participates in two International Energy Agency (IEA) programs – PVPS (Photovoltaic Power Systems), made up of a number of activities concerning various aspects of PV, and SHC (Solar Heating and Cooling), concerned with new solar thermal products and services.