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10 March 2015

Mr Andrew Hager  
Commercial Business Manager  
Energex  
customerengagement@energex.com.au  
*submitted electronically*

Dear Mr Hager,

### **Network Pricing Strategy Discussion Paper – November 2014**

Thank you for the opportunity to provide feedback on Energex's Network Pricing Strategy Discussion Paper.

COTA Queensland is a state based organisation committed to advancing the rights, needs and interests of people as they age in Queensland. We aim to help create a more just, equitable and caring community in which older people are actively involved and have access to appropriate support, services and care. COTA Queensland believes that everyone, regardless of age, health status, wealth or social status has a fundamental right to sustainable, ongoing, secure and affordable access to energy. Our submission will only consider the impact of the proposed network tariff reform for residential consumers.

#### *Demand-based tariffs*

In the long term interests of electricity consumers in south east Queensland, COTA Queensland supports the introduction of tariffs that will help reduce investment in the network necessary to meet peak demand, and over time stabilise the rising cost of electricity for consumers.

We understand that Energex is proposing to introduce a voluntary, 3-part, demand-based tariff for residential consumers commencing in 2016/17 comprising:

- a daily fixed charge;
- a volume based charge; and
- a demand or 'peak use' charge.

COTA Queensland agrees that a demand-based tariff will 'sharpen' the price signals for residential consumers, and depending on the component pricing, will encourage movement towards flatter load curves wherever possible. We are in favour of the 'Opt-in' approach for residential consumers who are able to benefit from the new tariff structures. We also believe that consumers should be able to 'Opt-out' of the new tariffs if the predicted benefits do not eventuate, or their circumstances change.

In the short to medium term however, tariff reform inevitably leads to ‘winners’ and ‘losers’. COTA Queensland is concerned that the ‘losers’ in south east Queensland will be the vulnerable consumers who are unable to take advantage of restructured tariffs because of barriers imposed by lack of understanding, lack of capacity to change electricity usage patterns, or lack of suitable metering configurations. Early adopters will seek to transition to the new tariffs to reduce their overall network charges. This will have the effect of increasing charges for everyone else. The consumers who are least able or willing to move to the new tariffs, including the most vulnerable, will progressively carry a larger part of the financial burden. We therefore request Energex to undertake additional modelling on the likely impact of the proposed tariff structure for specific consumer cohorts over the 2016 – 20 timeframe, including those who are unable to move to the new tariffs, and to implement strategies to mitigate against progressive price increases for those consumers.

Tariffs need to be understandable and predictable for consumers. For that reason, COTA Queensland endorses the approach of building on the current most commonly used tariff structure (ie fixed + variable usage charge), by simply adding a demand-based element. Although the concept of a demand component of the tariff will be challenging for many consumers, most will already be familiar with and understand the other two tariff components.

Predictability of bills is another important consideration. COTA Queensland has concerns that the monthly maximum peak demand for a household may be quite variable month to month leading to wide variations in bills. To enhance bill smoothing, we would prefer the option of averaging the four highest peak demands in any month so that consumers are not overly disadvantaged by one-off aberrations in their normal usage patterns. We also request Energex to consider whether a capacity based charge may provide even more predictability and certainty for consumers.

COTA Queensland strongly disagrees with the principle of charging more as fixed charges. We consider that higher fixed charges result in:

- Unfair disadvantage for frugal, low usage consumers; and
- Reduced incentives for energy or demand efficiency initiatives.

We are therefore opposed to the suggestion of a minimum demand charge, and believe that consumers should only pay for the demand they actually use.

### Consumer Advocacy

Tariff reform is a complex process and it is essential that all consumers are aware of the change, and the opportunities and risks it presents. COTA Queensland recommends that Energex:

- Carries out a detailed analysis of the cost impacts for various classes of residential consumers including low usage households, pensioner and retiree households, households requiring medical

heating and cooling and households with and without solar PV installations, using typical load profiles in each case;

- Conducts a comprehensive consumer education and awareness campaign, with specific communications targeted to the needs of older consumers (ie face-to-face contact, telephone services, print media);
- Continues to work closely with consumer representatives to identify the benefits, barriers and risks for older consumers;
- Minimises the proposed meter 'exit fee' which poses a significant barrier to the adoption of advanced metering for low and fixed income consumers;
- Investigates feasible options for renters;
- Provides an advisory service and a 'bill simulator' facility to enable residential consumers to model the effect of any new tariff on their individual circumstances, and predict likely cost impacts.

### The Pathway

Presentation slides from Tariff Reform Workshop #4 describe the future program as follows:

2016-20 Demand Tariff:

- Voluntary tariff
- More constraints due to lack of market maturity (e.g. metering and availability of supporting technology, e.g. battery storage)

2018/19 Engagement

- Work with customers on how tariff is working and changes in the market
- Develop approach for 2020 onwards

COTA Queensland recommends that work with customers to assess and review how the tariff is working needs to be continuous, commencing in July 2016 and building towards developing the approach for 2020 onwards.

### Other Issues

While network tariff structures may be designed to send price signals to consumers to reduce peak demand, there is no guarantee that these price signals will be reflected in retail bills to consumers. The diversity of retail bill structures will add to consumer confusion, and may dilute network signals. We recommend that Energex works closely with retailers to ensure that tariffs are implemented consistently across the supply chain.

If you require additional information about COTA Queensland or its energy policy position, please contact me on telephone (07) 3316 2999 or by email to [mte@cotaqlld.org.au](mailto:mte@cotaqlld.org.au).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mark Tucker-Evans', written over a horizontal line.

Mark Tucker-Evans  
**Chief Executive**