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Ms Jessica Robinson
Director Pricing
Independent Pricing and Regulatory Tribunal NSW
By online portal

Dear Ms Robinson

Ausgrid submission to the "Monitoring the Retail Electricity and Gas Markets in NSW" report consultation

Ausgrid is pleased to provide this submission to the Independent Pricing and Regulatory Tribunal (**IPART**) in response to the consultation on its 2023-24 monitoring report on the retail electricity and gas markets.

Ausgrid operates a shared electricity network that powers the homes and businesses of more than 4 million Australians living and working in an area that covers over 22,000 square kilometres from the Sydney CBD to the Upper Hunter.

Ausgrid welcomes the opportunity to inform IPART's retail energy market reporting by providing information on cost reflective pricing structures and virtual power plants (**VPPs**).

We have also recently engaged on these issues by providing submissions to the Australian Energy Market Commission's (**AEMC's**) "Electricity pricing for a consumer driven future" review and its separate consumer safeguards directions paper (as part of the "Accelerating smart meter deployment" rule change).

Our responses to IPART's consultation questions are as follows.

Are new tariff structures, including time of use and demand tariffs, creating barriers for customers switching electricity plans or retailers? If so, what are the barriers?

It is important to note the distinction between network tariff structures and retail tariff structures. Ausgrid's network prices are passed through to energy retailers who typically bundle these rates within their small customer retail tariffs. It is not a requirement for the underlying network pricing structure to be passed through by retailers to all customers directly. Further, a network tariff change does not require a retail tariff to change and it should not be provided to a customer as a reason for a mandated retail tariff change. We recognise this has been a widely misunderstood part of the retail energy sector[1], and the Ausgrid customer contact centre regularly receives small customer tariff enquires on this topic that are referred to us from retailers.

We consider customers should be able to decide on the best retail tariff for their needs. Retailers should assist customers with understanding their tariff options, including how time-based periods apply under the different retail structures offered. If customers aren't satisfied with the information they receive, they should have a clear understanding of alternative options available to them, including how to change retailer.

[1] The AER submission to the AEMC Accelerating smart meter deployment rule change (5 June 2024) identified the industry confusion relating to Rule 46 of the NERR.

Ausgrid's current Tariff Structure Statement (**TSS**) sets out our network tariffs and assignment policy until June 2029. When a small customer has a smart meter installed by their retailer, the default network tariff assignment is for a customer to move to a demand tariff[2]. However, the demand tariff structure is not the only option and a customer's retailer can request a transfer to a network time of use tariff. We note the NSW Government has recently committed to prohibiting retailers from automatically assigning customers to demand tariffs without their explicit informed consent as part of their NSW Consumer Energy Strategy. Ausgrid is supportive of this change to ensure customers understand these tariffs and can benefit from them.

Ausgrid undertook extensive consultation as part of developing its tariff assignment policy which included small and large energy customers, industry groups, and consumer advocates. We believe our TSS achieves an appropriate balance between enabling both flexibility for Consumer Energy Resources (**CER)** and fairness for vulnerable customers[3]. Specifically, demand tariffs, on average, ensure small customers who don't have rooftop solar have equitable network bill outcomes when compared to customers who do have rooftop solar. Energy affordability should remain a priority as the sector transforms to more diversified, renewable sources.

How are changing electricity pricing structures, including time of use and demand tariffs, impacting households and small businesses? What datasets are available to assist us in understanding the impact of these pricing structures on consumers?

The underlying network tariff structures are not required to be reflected in a retail tariff structure if a customer does not wish to receive it. Retailers can respond to network price signals on behalf of customers, for example by coordinating behind the meter batteries with VPPs. If retailers understand what drives network costs (through cost reflective prices) they can develop products and solutions for their customers that, at a minimum, won't drive up network costs, and at best reduces these costs. This doesn't require the direct engagement of an end use customer but will continue to encourage an efficient use of the network.

In situations where Ausgrid's network price structures are passed through to customers by their retailer, our preference is that they reflect the structures and charging windows as defined in our TSS. For example, some retailers are now passing our network charges through to customers as a separate part of their energy bill. This is popular among customers who have invested in CER and use smartphone-based apps to manage their usage and generation proactively.

However, an analysis of current residential electricity offers[4] shows that most retailers in our network region do not accurately pass through the underlying network tariff structure. Retailers in our network area are:

- Charging peak period pricing in months when it does not apply in the underlying network structures. Since 2019 Ausgrid has not applied peak period pricing for four months of the year (April, May, September, and November). However, all 21 of the residential time of use offers currently available on the "Energy made easy" website apply a peak period for 12 months of the year;
- Applying a shoulder energy period when it is no longer a part of Ausgrid's tariff structures. On 1 July this year Ausgrid removed its network shoulder period and replaced it with a longer off-peak period. However, 13 out of 21 active retailers

[2] For the first 12 months after the smart meter upgrade, the customer receives an introductory demand tariff (with a low demand price). If the retailer passes through the network price, this transition period provides a period within which the customer can become familiar with the demand tariff structure.
3 Ausgrid's 2024-25 pricing proposal overview document shows how average network bill impacts compare for flat, TOU and demand tariffs (page 6).
[4] AER Energy Made Easy website accessed in September 2024 for Ausgrid region residential offers.

continue to offer a shoulder period price, and 9 of these have it set at a higher rate than the offered off-peak rate;

- Continuing to apply a peak period between 2pm to 8pm despite the network peak period window moving to 3pm to 9pm on 1 July this year.

These items could result in significant differences across retail bill outcomes and are not easily understood or identifiable by energy consumers. We welcome the opportunity to work with IPART on datasets that may assist consumers with understanding these pricing structures.

What additional information would assist household and small business customers in engaging with and responding to changing tariff structures, including time of use and demand tariffs? For the matters we are required to report on, are there additional metrics that we should consider for our 2023-24 report?

Consumers will benefit from information on how tariff structures vary across available retailer offers. This includes greater clarity on where to find information on electricity pricing, ways to manage their energy costs and where they can find help on these matters. Customers are likely to need help in understanding and comparing new electricity products and services, which can differ in levels of complexity. The AER's Energy Made Easy website and initiatives such as Ausgrid's website materials on "Ways to save on your energy bill" are steps in the right direction.

Our preference is that where retailers offer time-based tariff structures, consumers are made aware of any significant differences across these structures. Consumers should also have more than one retail tariff structure made available to them by a retailer, to enable them to opt out of their current structure if it isn't right for them. To support this, we believe IPART could include the following metrics in its market monitoring:

- The number and type of small customer retail tariff structures available from each retailer for a given meter type (this will show, for example, whether a demand or time of use tariff structure is mandated by a retailer when a smart meter is installed);
- Similarly, the extent that each retailer allows customers to choose their retail tariff structure (for example, whether a retailer allows a customer to move between demand and time of use structure, or stay on a flat tariff[5]);
- How the time periods of charging windows differ across small customer retail offers (for example, the number of hours in a month or months in a year when the peak period applies, and whether a retail offer includes any hours for a shoulder window period).

What information is available to help IPART understanding virtual power plant programs in NSW including the benefits of participating in virtual power plant programs?

The growth of CER presents an opportunity for retailers to innovate and offer new products and services to customers, including VPPs. VPPs are a significant opportunity for retailers and networks to share benefits with customers who have behind the meter batteries installed. Ausgrid conducted a three-year VPP trial from 2019 to 2022 and the report summarising the project and its findings can be found here. We found that a sufficiently sized VPP can help address network constraints during peak demand periods and potentially defer or avoid network upgrades. An increase in residential battery uptake is required for this potential to be realised.

[5] The recent AEMC consumer safeguard directions paper proposed mandating retail flat tariffs for customers who have had a smart meter installed, in addition to an "explicit informed consent" condition before a customer can be transferred to a cost reflective retail tariff.

Ausgrid's Project Edith is a network pricing trial specifically exploring ways that network value can be made available to retailers to optimise for market price signals on behalf of customers. 5-minute dynamic network prices are published day-ahead to retailers to be considered alongside 5-minute market prices. Currently energy retailers Energy Australia and Origin Energy are participating in the trial alongside aggregators Reposit Power and ShineHub. IPART could consider monitoring the number of retailers offering VPP products under the voluntarily the New Energy Tech Consumer Code (**NETCC**) to understand the maturity of this market in NSW. Further information can be found at the NETCC website.

We note the NSW Government has recently set a target for 3,400 MW of VPP participation by 2035 and 10,000 MW by 2050 as part of its Consumer Energy Strategy. With this expected growth in VPPs, further analysis by IPART on the take up and benefits of VPPs will assist in developing VPP products and ensuring customers can benefit from the savings they can offer.

Are there emerging issues in the NSW retail electricity and gas markets that IPART should explore as part of our Energy Market Monitoring report?

IPART could consider monitoring the extent of customer electrification for future publications of its report. This could include the number of customers disconnecting from the gas network or an assessment of how much household gas consumption has fallen since the previous release of the report.

Please contact [redacted] if you would like to discuss this submission.

Regards

[redacted]