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Momentum Builds For Network Tariff Reform

“Electricity customers could be better off in future, if the building momentum for network tariff reform leads to fundamental changes in the way electricity is charged for and used”, Mr John Bradley Chief Executive Officer of the Energy Networks Association said today.

“While it is clear that the network cost pressures on electricity prices are declining we still have tariffs for small energy users that are unsustainable and unfair – locking in cross subsidies between consumers.”

In commenting on the Grattan Institute’s report Fair pricing for power, released today, Mr Bradley welcomed the contribution of another voice supporting network tariff reform.

“The Grattan Institute correctly identifies the barriers to reform as access to smart meters, retail price regulation and the need to support vulnerable customers”, Mr Bradley said.

“That is why the ENA has encouraged the COAG Energy Council to develop a national agreement on the introduction of flexible pricing and smart meters as part of an integrated package.

“ENA’s Road Map to Fairer Prices released in April is an integrated package that would remove the barriers to networks rolling out advanced meters; complete overdue retail price deregulation; inform consumers about better price options; and improve customer hardship programs,” Mr Bradley said.

“We welcome further progress on the pricing reform agenda as a matter of high priority at the next COAG Energy Council meeting in December 2014.”

Mr Bradley said that it is important to avoid prescriptive or standardised solutions.

“Both tariff structures mentioned in the Grattan report (a capacity tariff or critical peak price) are options which may improve fairness and help avoid future network expenditure but they should not be the only options available”.

“Networks and their customers are very different across Australia and it’s important that the regulatory framework permits flexibility in tariff design by networks, engaging with their customers.

“In this way, networks and their customers can achieve tariffs that provide the right incentives while balancing a range of factors such as fairness, efficiency, simplicity and mitigating volatility or bill shock,” Mr Bradley said.

Mr Bradley said that in addition already introducing and trialing new tariff structures to benefit customers, network businesses are already seeking to reduce costs, noting that;

- Demand has been falling and distribution networks have responded, reducing capital expenditure by approximately \$3 billion in total for the three years from 2009/10 to 2011/12
- Network companies are continuing to hunt cost savings, with NSW distribution companies projecting savings of \$4.3 billion over the 5 years from 2011, resulting in falls in network charges for consumers.
- Recent decisions of New South Wales and Queensland Governments to remove prescriptive reliability planning standards are also expected to save more than \$2 billion in networks capital expenditure in the next 5 years.

Read ENA’s position on Network Tariff Reform - [The Road to Fairer Prices](#)

ENDS.

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