



Network Tariffs vs the People



Network Tariffs and demand



Optimising investment

Networks' role and future

Tariffs and demand

Where to now?

Optimising investment



National Electricity Objective



"promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity....

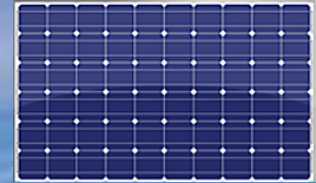
Optimising investment



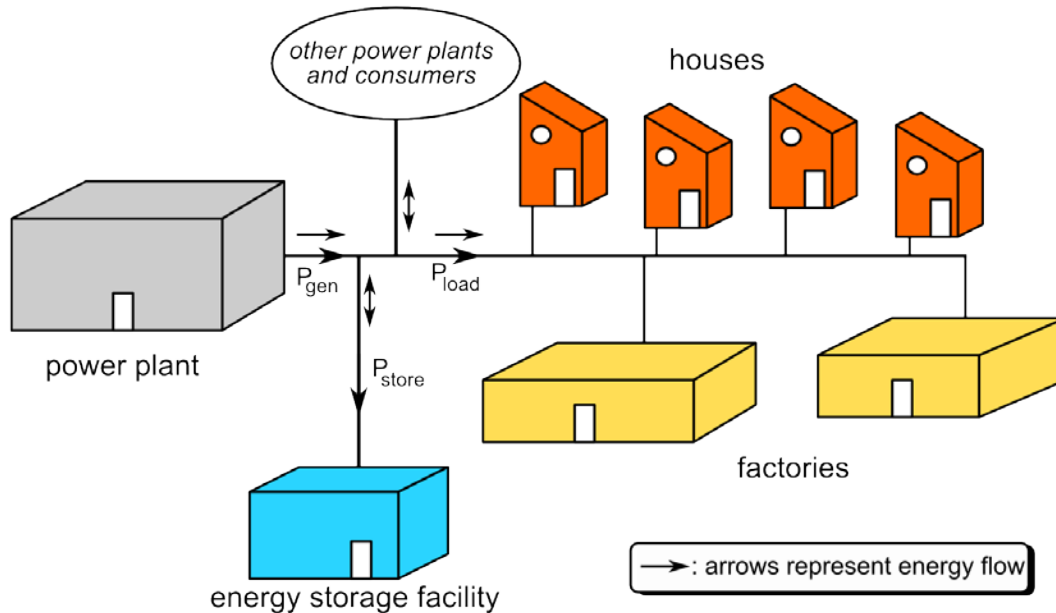
Demand-side



Supply-side



Way more complicated...



Networks' role & future



The report of my death...

Link supply & demand

Less essential

Diversity supply =
security & competition

Yes

Aggregating users =
better demand profile

Yes



SAPS

Mini-grids

Mega-grids



Australia's top 5

City	Pop
Sydney	4.8
Melbourne	4.4
Brisbane	2.3
Perth	2
Adelaide	1.3
TOTAL	65 %

Europe's top 5

City	Pop
London	8.5
Berlin	3.6
Madrid	3.2
Rome	2.9
Paris	2.2
TOTAL	3 %

Networks must vary with...



Location

Users' needs & supply options

Existing infrastructure

Consumer preferences

Tariffs



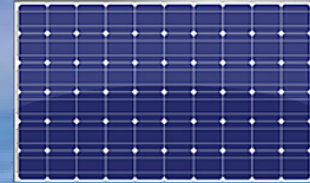
Optimising investment



Demand-side

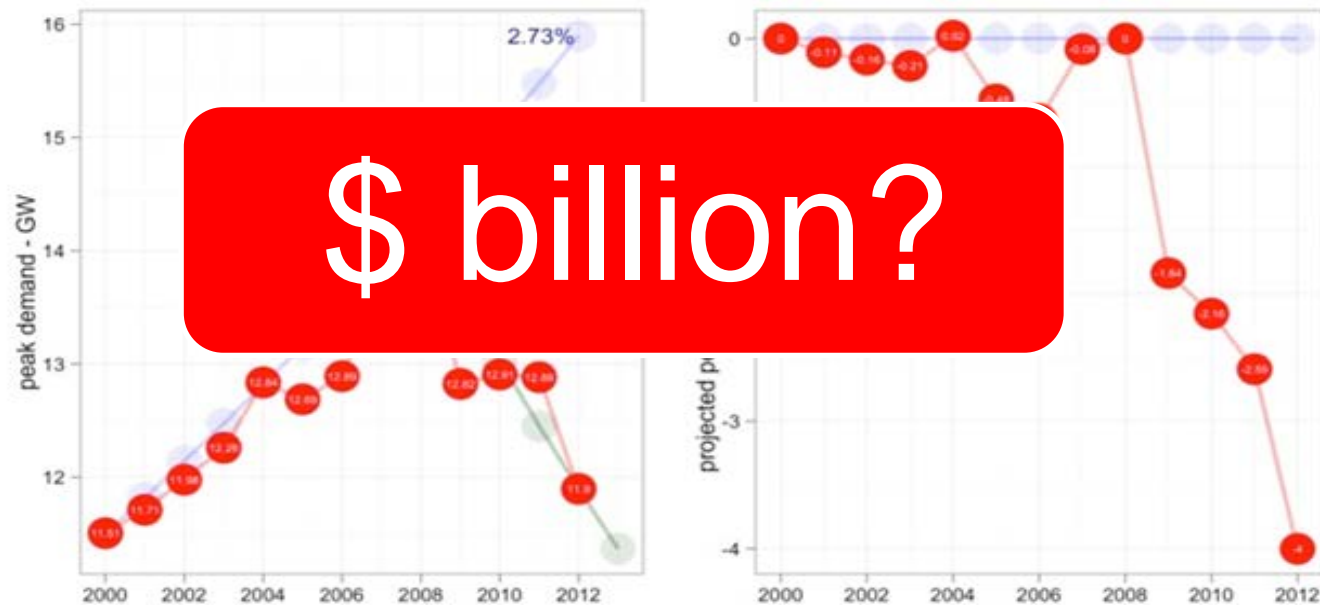


Supply-side





Grid overinvestment



Source: Mike Sandiford

'Cost-reflective' pricing?!



Efficient future investment

Grattan: demand charge, CPP + small fixed

Paying for existing (bad) decisions

No 'efficient' price signal

Equity and not undermining efficiency

Do new tariffs stack up?



Rapidly rising fixed charges

Inefficient and debatable equity

Declining block tariffs

Highly inefficient and inequitable

Will tariffs fix it all?

Demand-side

Find capital

Undertake works

Limited aggregation

Supply-side

Capital paid by suppliers

Networks act for consumers

Aggregation market

PLUS regulatory distortions

Supply side bias



"[There] is a relatively low demand side involvement in the NEM because:

- the NEM systems are supply side focussed*
- the demand side cannot gain the full value of what it brings to the market*
- residential consumers do not face price signals."*

COAG Energy Market Review (Parer Review) 2002

Recommendations



National 'model tariff' development

Better incentives for networks (AER)

Third parties and oversight networks

Trial new models in regional towns



Network Tariffs vs the People

