

Engagement Report

Tariff Reform for Small Business Customers and CAC



Engagement Process for Small Business Customers

Energex developed an e-newsletter (sample attached) for retailers to update them on the engagement process undertaken on small business customer tariffs and the proposed decision to remove the demand cap.

Retailers were asked to respond via email with any potential impacts to their small business customers if the demand cap was removed.

The e-newsletter was sent to 59 retailer representatives and had an open rate of 40.7%, which is significantly higher than the industry average of 18.7%. Despite this high open rate, no responses were received from the call for feedback.

Following this, phone contact was made directly with a number of the retailers in order to seek their feedback. Retailers contacted included AGL, Origin, Simply Energy and Energy Australia.

In addition to seeking retailer feedback, the Engagement Team consulted with the Chamber of Commerce & Industry Queensland (CCIQ), who represents the small business community in Queensland, to find out if the removal of the demand cap would have implications for any of their members.

A face to face meeting took place with CCIQ on Wednesday 3 August 2016.

Summary of Feedback

Feedback from retailers was highly consistent:

- Retailers supported standardisation of the approach across the National Electricity Market
- Retailers felt the demand cap was ineffective as there is such wide variation amongst small

business customer load profiles and usage patterns

- Retailers felt that facilitating the delivery of enabling products and services would better support business customers transitioning to cost reflective tariffs
- Despite this, retailers re-iterated support for the residential demand cap to remain
- Retailers' current focus is on the development of products for the Victorian and South Australian market.

CCIQ's feedback was in line with retailer feedback and included:

- The proposed demand cap was too blunt of a tool to be effective given the diversity of small business customers energy usage
- The demand cap seemed a short term solution to the complex issues facing small businesses and it would not result in behavioural change
- The timeframe for the peak demand period is of greater concern due to the fact that many small businesses are constrained in their ability to change usage due to the nature of their business e.g. refrigeration services requiring highest usage during the day when it is hot but able to reduce usage at night resulting in a demand curve that has a large peak during the day
- To continue to work with CCIQ on identifying services and technology that would facilitate business customer response to cost reflective tariffs.



Engagement Process for CAC

Energex held meetings with a small number of 11kV customers during which tariff reform was discussed. Customers indicated a preference to receive specific financial analysis, which was unable to be provided at the time, and had limited interest in other tariff reform topics.

Feedback was not given to support or refute the removal of CAC legacy tariffs during the 2017-20 period or whether the new cost reflective tariff should be made mandatory post 2020.

Further engagement will be conducted during the 2017-20 period about the removal of CAC legacy tariffs and the most appropriate transition arrangements for impacted customers.

Use of Feedback

The feedback from retailers, CCIQ and CAC customers will inform Energex's final submission of its Tariff Structure Statement to the Australian Energy Regulator in October 2016.



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Tariff Structure Statement - Retailer Update July 2016



Small business customer tariffs

Over the past few years, Energex has been engaging on the development of our Tariff Structure Statement (TSS) for the 2017 to 2020 period. This has included working with customers, customer representatives and retailers to inform tariff reform for small business customers.

In November 2015, we submitted our TSS to the Australian Energy Regulator (AER), who proposed a voluntary demand based primary tariff for small business customers. In this document we proposed introducing a demand cap (kW) that applies below a given consumption threshold (kWh) but did not assign values to the cap or the threshold as we required more data to do so.

Limited feedback was received from our stakeholders about the small business demand cap prior to the TSS submission in November 2015. Since then, Energex has received additional feedback from retailers reiterating their desire for consistent network tariff structures. In addition, Energex has since completed work with Deloitte Touche Tohmatsu Ltd to identify small business customer segments and their associated load profiles to help us in developing the demand based tariff. This helped us to better appreciate the diversity of consumption behaviours of small business customers.

As a consequence of the additional feedback, and of the insights gained from the small business customer segmentation and load profile project, our preference is to remove the demand cap and align with other distributors' tariff structures.

Note: Should the demand cap be retained, we propose to set the consumption threshold low to capture only smaller sized businesses.



Now we need your feedback...

What do you think will be the impact to you and your small business customers if the demand cap is removed?

If you require more information to inform your feedback, please email us at tariffteam@energex.com.au to request a copy of the small business customer load profile market segmentation report.

Our Tariff Team would appreciate your feedback to tariffteam@energex.com.au on the removal of the demand cap by Thursday 28 July 2016.

What happens next?

At the end of July, the AER is due to release its interim decision on Energex's 2017-2020 TSS.

Our revised TSS will be submitted to the AER in September 2016 and they will release their final decision in February 2017.

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