



Government
of South Australia

Department for
Energy and Mining

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Consultation on Proposed Tariffs to Incentivise Energy Use in Low Demand Periods in South Australia

Glossary

AEMO	The Australian Energy Market Operator
AER	The Australian Energy Regulator
DER	Distributed Energy Resources
kWh	Kilowatt-hour(s).
MW	Megawatt
NERL	National Energy Retail Law (South Australia) Act 2011
PV	Photovoltaic
SAPN	SA Power Networks
ToU	Time of Use tariff
TSS	Tariff Structure Statement

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1. Background

Minimum net demand is an emerging challenge that must be managed in South Australia.

The Australian Energy Market Operator (AEMO) has been analysing low demand conditions and made some recommendations which seek to respond to the low demand challenge.

In 2012 minimum net demand occurred for the first time in the daytime, influenced by growing generation from distributed rooftop photovoltaic (PV). Since that time, minimum net demand has declined by an average of 80 MW per year, reaching a record minimum of 458 MW on 10 November 2019.

To AEMO's knowledge, South Australia is the first gigawatt scale power system in the world to approach operation with such high proportions of demand met by distributed energy resources (DER), such as solar generation on homes and businesses.

Solar installations are growing rapidly, with more than 200 MW per year being installed in South Australia at present. While there are many benefits of this rapid installation, with growth continuing at this rate, AEMO forecast minimum net demand could reach zero in South Australia within the next 1-3 years.

Without action, low demand conditions could represent a real risk of the supply of electricity being disrupted to all or part of the South Australian community. Increasing load into low demand periods is an option that can assist to mitigate the emerging challenge.

This means there is an urgent need to establish solutions to manage this challenge.

SA Power Networks has developed tariffs which seek to provide customers incentives for moving electricity use into low demand periods. There is currently no obligation for retailers to provide household and small business customers offers which reflect these incentives.

2. Tariff to incentivise energy use in low demand periods

SA Power Networks (SAPN) had been proposing to introduce new tariffs from 1 July 2020 to provide sufficient pricing incentives to change individual consumer consumption behaviour.

The introduction of these tariffs was intended to incentivise some customers to naturally shift their consumption to low-demand times. However, the success of these tariffs is dependent on the extent to which retailer's provide offers incorporating the tariff structure to the customer.

Further, on 12 May 2020, the Australian Energy Regulator (AER) published an indicative Tariff Structure Statement (TSS) for SAPN customers for the 2020-25 period. The TSS noted that due to the uncertainty resulting from the COVID-19 pandemic, SAPN's proposed tariff assignment for residential and small business to time of use tariffs has been delayed from 1 July 2020 to 1 July 2021.

The indicative TSS outlined that all existing customers will remain on the assigned tariff as at 30 June 2020, though retailers can seek reassignment of individual customers.

On 25 June 2020, the AER approved SA Power Networks' pricing proposal for the period 1 July 2020 to 30 June 2021.

While a new customer who connects to the distribution network or an existing customer who initiates an upgrade to their connection (e.g. to connect distributed energy resources (DER)) post 1 July 2020 will be assigned to the default tariff for interval meters for that tariff class, the retailer may request to opt-out the customer of that tariff assignment.

Given this delay and the ability for opt-outs to occur, there is significant uncertainty of whether any retailer will offer the SAPN tariff structure to the end-use customer.

3. Proposal to introduce tariff on Standing Contract offers

It is proposed that a new requirement be introduced which requires retailers operating in South Australia to have a standing offer which includes a tariff structure that incentivises electricity use in low demand periods.

The requirement would apply to retailers standing offers for customers with interval meters.

Retailers standing offer tariff structures for these customers will be required to pass on either:

- a. The time of use tariff structure of the SA Power Networks residential time of use tariff; or
- b. The demand tariff structure of the SA Power Networks residential prosumer tariff.

The Residential Time of Use (ToU) tariff structure components are:

- Fixed supply charge per annum, measured as a dollar per customer per day.
- Usage component with Peak Pricing applied for the 14 hours per day which are not captured in the off-peak and solar sponge windows at 125% of the single rate price, measured as \$/kWh.
- Usage component with Off-peak pricing applied for the Five-hour off-peak block every day (1:00am to 6:00am) charged at 50% of the single rate price, measured as \$/kWh.
- Usage component with Solar Sponge. This applies for a 5-hour off-peak block every day (10:00am to 3:00pm) at 25% of the single rate price, measured as \$/kWh.
- Controlled load component, a usage-based companion tariff with a time clock managed by SAPN, and typically involves supply usage between 11:30pm to 6:30am, priced at 50% of the single-rate prices, and from 9:30am to 3:30pm, priced at 25% of the single-rate prices, measured as \$/kWh.

The Residential Prosumer tariff structure components are:

- Fixed supply charge per annum, measured as a dollar per customer per day.
- Usage component with Peak Pricing applied for the 14 hours per day which are not captured in the off-peak and solar sponge windows at 75% of the single rate price, measured as \$/kWh.
- Usage component with Off-peak pricing applied for the 5-hour off-peak block every day (1:00am to 6:00am) charged at 30% of the single rate price, measured as \$/kWh.
- Usage component with Solar Sponge. This applies for a 5-hour off-peak block every day (10:00am to 3:00pm) at 15% of the single rate price, measured as \$/kWh.

- Summer Demand charge component, charged monthly based on maximum kW demand measured:
 - Highest daily average demand over a four-hour period in November to March only
 - Between 5:00pm-9:00pm
- Controlled load component, a usage-based companion tariff with a time clock managed by SAPN, and typically involves supply usage between 11:30pm to 6:30am, priced at 50% of the single-rate prices, and from 9:30am to 3:30pm, priced at 25% of the single-rate prices, and measured as \$/kWh.

It is proposed that retailers would have the choice of which prescribed tariff structure they wish to use.

A small customer that has an interval meter on a standing offer would not have a choice of standing offer, it must be one of the prescribed tariff structures – whichever their retailer has chosen to adopt. However, this does not mean that a customer does not have choice in retail tariff, as they can move to a market offer for their electricity supply.

The expected benefits of this proposal include:

- Increased likelihood of market offers with incentives to use electricity in low demand periods.
- Accelerated roll out of tariffs which incentivise electricity use in low demand periods.
- Consumers which use energy in the low demand periods have access to tariff structures which reward this behaviour.
- Enhances power system security and reduces power system costs to address low demand challenges.

4. Proposed Implementation Pathway

The *National Energy Retail Law (South Australia) Act 2011* (NERL) requires that a retailer must make a standing offer to provide customer retail services to small customers for whom it is the designated retailer at the standing offer prices and under the retailer's form of standard retail contract (section 22 subsection (1)).

Further, the NERL provides that if a small customer has an interval meter, then a retailer's standing offer must include such tariff structures as may be prescribed by a local instrument (if a local instrument of a jurisdiction declares that this subsection applies)(section 22 subsection 1(a)).

It is proposed that amendments will be made to South Australian regulation to declare section 22 to apply.

These amendments would require that all electricity retailers authorised to sell to small customers in the South Australian region must offer a standing contract to customers with interval meters which includes a prescribed tariff structure.

The amendments would require that the prescribed tariff structures are:

- a. The time of use tariff structure of the SA Power Networks residential time of use tariff; or

b. The demand tariff structure of the SA Power Networks residential prosumer tariff.

It is proposed that retailers would have the choice of which prescribed tariff structure they wish to use for the standing offer applicable to small customers that have an interval meter – either the ToU structure or the Prosumer tariff structure.

The amendments will not provide for the small customer to have a choice in standing offer.

5. Proposed Timeline

AEMO advice suggests that the South Australian power system is already facing serious security risks, and deeper record low demands are anticipated in spring 2020. The new requirements are proposed to commence in September 2020. This provides retailers with two months to prepare their standing offers.

6. Consultation

The Department for Energy and Mining invites comments on this proposal from stakeholders and interested parties by close of business, Friday 10 July 2020.