

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

2014 - 2015

Department/Agency: Treasury

Question: BET 346 - 351

Topic: Discriminatory Pricing

Reference: written - 17 June 2015

Senator: Waters, Larissa

Question:

SA Power Networks have put in a submission to the AER to pass on electricity savings to their customers of around \$188 a year, however the reduced price for households with solar will be only \$88.

346. Will the AER entertain this proposed price discrimination or do you feel comfortable enough to dismiss this part of their application right now?
347. Is this proposal against the rules which state you can't discriminate against micro-generation where they have a similar load profile to other customers?
348. Can you rationally accept the contention that solar households impose costs on the network without similarly charging homes with air-conditioning units?
349. Does the AER accept the principle that network companies should be allowed to discriminate between households (either on this basis or on the basis of other characteristics like having an air conditioner?)
350. Does the AER view household solar as a threat to network companies because they reduce peak demand during heatwaves?
351. Has the AER calculated a rough figure for the avoided network investment that solar has created due to a dampened peak demand?

Answer:

346. The AER rejected SA Power Networks' proposed solar tariff. The distributor was required to resubmit its pricing (tariff) proposal by removing the solar tariff in order to ensure compliance with the national electricity rules' pricing principles. SA Power Networks responded by submitting a revised pricing proposal which removed the Solar Tariff. The revised pricing proposal has been approved.
347. The AER found that the proposed Solar Tariff filed by SA Power Networks did not comply with the National Electricity Rules clause 6.18.4(a)(3). This clause requires that customers with micro-generation facilities—such as solar Photovoltaic—should not be treated any less favourably than customers without such facilities, but with similar load profiles.
348. The AER rejected SA Power Networks' proposed solar tariff.
349. The AER's role is to enforce the pricing principles set out in the National Electricity Rules. Network tariffs can be set such that they recover the costs that specific customer classes impose upon the electricity network. Differential charging is permitted by the rules on this basis.
350. A revenue cap form of price control such as that applying to SA Power Networks will guarantee recovery of their efficient costs. Those costs were established during our

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recent preliminary determination for SA Power Networks for the regulatory control period 2015–20.

351. No.