



Cost reflective pricing – residential consumers perspective

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1 June 2016



Overview

Pricing principles

Consumers: what do they want?

Impact on vulnerable consumers

NSW Networks and CRP



Cost reflective pricing: Why?

Removing cross-subsidies

Demand management



Demand management – challenges

Retail component obscures network price signal

Billing frequency obscures price signal

Low level of smart meters

What level of uptake is enough?



Factors that affect support for CRP

Preference for status quo

Risk aversion

Decision making bias



Factors that affect choice

- Income
- Education
- Employment
- Household size and type
- Dwelling type
- Home ownership

Lack of choice

- Embedded networks



Consumers

Many consumers are unable to make behaviour changes required by CRP

- Renters
- People with disabilities or medical needs for heating and cooling
- Pensioners or retirees
- Large families
- Low income



How to help consumers

Information and education

- Timing of information
- Quality of information



How to help consumers

Tools to reduce risk of bill shock

- Automation
- Option to try for 3-6 months without being locked in



A practical example of new pricing

Current round of TSS – meant to apply cost reflective pricing – arguable that they have not

- Calculation of tariff based on LRMC
- Declining block tariff
- Increasing fixed charge
- Lack of choice of tariff design
- Poor information and engagement



Where to from here?

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Thank you

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