

**Pricing Issues Consultation Group & Stakeholder Meeting  
Minutes Wednesday 7 May 2003, 1.45pm**

**Meeting for DNSPs Pricing Proposals**

**Attendance**

<b>Organisation</b>	<b>Representative</b>
AGL	Shaun Ruddy, Meng Goh
Australian Inland	Adrian Ray, Ray Thorn
BHP Billiton	David Mawer
BHP Steel	Bill Garrod, Jeff Corberry
Business Council of Sustainable Energy	Ric Brazzale (apologies)
Country Energy	Terry Crossley, Paul Smith
Energy & Management Services Consultancy	Peter Halyburton
Energy Markets Reform Forum	Bob Lim
Energy Users Association	Roman Domanski
EnergyAustralia	Harry Colebourn, Mike Martinson
EnergyAustralia Retail	Eric Tong
ESC - Victoria (observer)	Sally McMahon, Scott Stacey
ICRC (observer)	Mark Vassarotti (apologies)
Integral Energy	Robert Telford , Frank Nevill, David Neville, Karen Waldman
IPART	Lisa Spence , Anna Brakey, Steve Tropoulos, Michael Seery, Emma Kelso, Fiona Towers, Katharine Williams, Gerard O'Dea, James Beard (consultant)
Ministry of Energy and Utilities	Anthony Poon
National Retailers Forum	Bruce Page (TXU)
NSW Treasury	Nicola Tully
Onesteel	John Davies, Gary Elsley
Origin Energy	Van Bui, Bev Hughson
PIAC	Jim Wellsmore, Trish Benson
SEDA	Chris Dunstan
TransGrid	Chris Baker , David Conroy

**Agenda**

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1.45 - 2.30 pm	EnergyAustralia to present proposed pricing structure for next regulatory period (includes ~20min for discussion/question time)
2.30 - 3.15 pm	Integral Energy to present proposed pricing structure for next regulatory period (includes ~20min for discussion/question time)
15 min BREAK	
3.30 - 4.00 pm	Country Energy to present proposed pricing structure for next regulatory period (includes discussion/question time)
4.00 - 4.30 pm	Australian Inland to present proposed pricing structure for next regulatory period (includes discussion/question time)
4.30 - 4.50 pm	Information disclosure to the public and timing of annual pricing proposals (IPART paper to be distributed) - DELAYED UNTIL NEXT MEETING
4.50 - 5.00 pm	Updates on Demand management (Ministry of Energy & Utilities - DM Code of Practice, IPART's DM consultancy and items for next PICG meeting)

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***Papers distributed***

(to be discussed at the next meeting)

- a) Proposal for Information Disclosure from DNSPs for 2004/5 onwards
- b) Proposed timeline for submitting annual pricing proposals to IPART

***Minutes of meeting***

***1. Presentation by EnergyAustralia (1.50pm~3pm)***

EnergyAustralia outlined the basis of their 2004 network review submission, proposed price increases and proposed tariff structure. The tariff proposals included introducing an inclining block tariff for customers on single rate meters, seasonal tariff for time of use customers, and a roll-out of interval meters to customers consuming 15 MWh and above. An infrastructure charge is proposed for new/additional loads to the system

EnergyAustralia's presentation is available on IPART's website at:  
[http://www.ipart.nsw.gov.au/papers/EA\\_070503.pdf](http://www.ipart.nsw.gov.au/papers/EA_070503.pdf)

***2. Presentation by Integral Energy(3pm~3.45pm)***

Integral Energy outlined the basis of their 2004 network review submission, proposed price increases and proposed tariff structure. The tariff proposals included introducing an inclining block tariff or a seasonal tariff. The relative tariffs that could apply in 2004/05 were demonstrated in the presentation.

Integral Energy's presentation is available on IPART's website at:  
[http://www.ipart.nsw.gov.au/papers/I\\_070503.ppt](http://www.ipart.nsw.gov.au/papers/I_070503.ppt)

***BREAK***

***3. Presentation by Country Energy (4pm ~ 4.30pm)***

Country Energy focussed on their proposed tariff structure. The tariff proposals are aimed at significant tariff reform with a concentration on time-of-use tariffs via the roll-out of time-of-use meters to new customers (currently in place).

Country Energy's presentation is available on IPART's website at:  
[http://www.ipart.nsw.gov.au/papers/CE\\_070503.ppt](http://www.ipart.nsw.gov.au/papers/CE_070503.ppt)

***4. IPART – Update (4.30pm-4.45pm)***

- Ministry of Energy & Utilities will be inviting stakeholders to partake in a working group for the review of the Demand Management Code of Practice. Terms of Reference have been finalised and stakeholders will be contacted shortly.
- IPART has appointed a consultant to investigate the feasibility of congestion pricing and the calculation of avoided network costs and how this can be incorporated into the form of regulation. Future Pricing Issues Consultation Group meetings will provide feedback on the review.

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- EnergyAustralia's pricing proposal for 2003/04 is available for public consultation. Submissions close 18 May 2003 (to enable decision to be made prior to retailers introducing tariffs on 1 July). Information in relation to the proposal can be found at: [http://www.ipart.nsw.gov.au/papers/EA03\\_Net\\_prices.pdf](http://www.ipart.nsw.gov.au/papers/EA03_Net_prices.pdf)

**5. Presentation by Australian Inland (4.45pm ~ 5.15pm)**

Australian Inland outlined the basis of their 2004 network review submission, proposed price increases and proposed tariff structure. Tariff proposals for the medium term strategy are still in development, however inclining block tariffs or seasonal tariffs are not on the agenda.

Australian Inland's presentation is available on IPART's website at: [http://www.ipart.nsw.gov.au/papers/AI\\_070503.ppt](http://www.ipart.nsw.gov.au/papers/AI_070503.ppt)

**Topics raised in discussion**

During the afternoon various issues were highlighted in relation to the proposed tariff structures and more generally in relation to the 2004 network review which are presented below:

- There is limited evidence as to the effect that the inclining block or seasonal tariff proposals will have on consumption or maximum demand and any impact is not likely to be seen in the medium term. On account of this, the DNSPs submissions for the 2004 review do not incorporate any reductions or adjustments in capital and operating expenditure forecasts over the medium term. DNSPs are continuing to research the effects and proposals for the medium/long term.
- There is concern as to how the network price signals will translate to the customer via the retail prices - given the current default tariff structure, and uncertainly associated with the retail tariff arrangements after 30 June 2004.
- The question was raised as to how much of a 'hands on' approach to price structures the Tribunal should take, given the approach in the current regulatory period is 'principles' based, as an alternative to the prescriptive Part E requirements in the Code.
- There is concern that large capital and expenditure programs have been put forward with no formal linkage to reliability or service standards.

**Wrap-up**

The next Pricing Issues Consultation Group meeting will be held mid-June (date to be decided). The items proposed for discussion are:

- Information disclosure requirements for next regulatory period (see distributed paper).
- Timeline for price changes notification and when default arrangements should be introduced (see distributed paper).
- IPART Demand Management consultancy on avoided distribution costs and congestion pricing - consultants to present results so far, and obtain feedback from the group.
- (time permitting) - avoided TUOS methodology and other issues/ topics as requested by stakeholders.