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Energy White Paper Taskforce  
Department of Industry  
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Attention: Energy White Paper Taskforce

**RE: Energy White Paper Issues Paper - United Energy and Multinet Gas Submission**

United Energy and Multinet Gas (UE and MG) welcome the opportunity to make this submission to the Department of Industry as part of the Energy White Paper – Issues Paper consultation process. We also draw your attention to the submission from the Energy Networks Association (ENA) which we support. The ENA submission provides detailed responses to a number of the specific areas raised for comment in the Issues Paper.

UE and MG own and manage the distribution network – the poles, wires and pipes – that deliver electricity and gas to 1.2 million Victorian gas and electricity customers.

UE is an electricity distribution network service provider to more than 650,000 customers across east and south-east Melbourne and the Mornington Peninsula over an area of 1,472 square kilometres.

MG distributes natural gas to 660,000 customers throughout Melbourne's inner and outer east, the Yarra Ranges and South Gippsland via 164 kilometres of transmission pressure pipelines and 9,866 kilometres of distribution mains.

**Demand, Reliability and New Technologies**

Australian energy markets are changing, after decades of stable growth, electricity demand from the grid has been falling for a number of years due to structural changes in the economy and increases in the uptake in distributed solar generation. While total demand has fallen, the recent heat wave in South Eastern Australia highlighted that demand for electricity at peak times is still strong.

Networks need to be designed, constructed and maintained to reliably supply these peak demand loads today and into the future. New and emerging demand side technologies such as in home control, domestic energy storage and electric vehicles have the potential to significantly increase energy productivity and reduce peak demand as they change the way customers use electricity and network infrastructure. Over the long term this includes the potential for traditional grids to be viewed as a back-up for distributed generation rather than the primary supplier of energy to customers in some areas.

While we are working with customers to understand their views on reliability and pricing it is clear that the tariffs structures in place today do not provide customers with the information required to make informed decisions regarding these complicated technology, price and reliability trade offs. To address these challenges network businesses need the flexibility to innovate and test potential solutions, developing new ways to manage peak demand and reliability in the best interests of all stakeholders.

## Network Tariff Reform

Network businesses provide the capacity to transport energy to consumers. As part of the ongoing process of network tariff reform it is important that businesses are allowed to establish pricing signals that recover the efficient costs of providing this capacity service at the margin.

Any move to more cost reflective tariff models and the associated removal of cross subsidisation will have wide ranging implication on different groups of network users. For example, consider the case of two customers with the same peak demand, one with solar generation to offset consumption during the daylight hours and one without. Today the customer with solar pays lower network charges based on total energy consumption, despite having the same peak usage as the customer without solar. Under a more cost reflective model the charges to the customer with solar are likely to increase to cover the cost of using the grid at peak times, while the costs to the customer without solar should fall. Similarly customers with high air-conditioning loads at peak times do not currently pay the full cost of network augmentations needed to reliably meet demand for a few peak hours a year. Governments will need to consider how they assist the most vulnerable and disadvantaged members of the community through any transition.

In implementing network tariff reform it is fundamentally important that customers understand the nature of the services offered to them by retailers and network business, as well as the price signals and incentives provided through network tariffs. Governments, regulators and multiple levels of industry will need to work together to ensure that customers have the information and knowledge required to make informed decisions on energy consumption.

## Ongoing Regulatory Reviews and Reform

The market environment is evolving. While the ongoing regulatory reform processes are important to ensure the regulatory environment keeps pace with the changing market environment, businesses need some degree of stability and visibility of the external and regulatory environment to make efficient investment and operating decisions.

The impact of recent and ongoing regulatory reforms on the operation of the market has yet to be fully understood in some areas. In this environment the value of future reforms should be critically assessed. Any new or existing reforms progressed should be appropriately prioritised, well coordinated, and the information on the progress of the reform made available to all industry stakeholders in a timely manner. Appropriate consultation and testing of changes is important to ensure there are not unintended consequences of the regulatory change.

Any reforms should also consider the removal of regulatory barriers to efficient market operation and allow flexibility for innovation. In a changing market, businesses need the ability to trial new approaches, understand customer reactions and assess market implications.

We look forward to continuing to engage with the department as it progresses through the Energy White Paper process. If you have any questions on our submission please contact me on (03) 8846 9860.

Kind Regards,



Andrew Schille  
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