

Expert Consumer Panel submission
Western Power Tariff Structure Statement - Additional Information
25 July 2022

Thank you for the opportunity to comment on the additional information provided by Western Power for its 2022-27 Tariff Structure Statement (TSS).

The Expert Consumer Panel (ECP) met with Western Power on 16 August 2021 and 25 October 2021 to discuss the development of the TSS, and followed up with a written submission in November 2021.

How Western Power recovers its costs through pricing is always an important matter for customers. Network charges make up a significant component of the final bills customers pay and impact affordability. The way tariffs are structured, in terms of fixed and variable components (particularly how rates vary with when electricity is consumed) also influence how retailers structure their services and ultimately how customers manage their use.

We welcome the changes Western Power has made to its tariffs to reward customers for using energy and their energy assets (particularly electric vehicles) in a flexible way. Tariffs that incentivise customers for managing their energy reduce their own bills and support a more efficient system overall.

A key matter for the ECP in our engagement has been Western Power's proposal to increase the fixed component of the network charge to make its tariffs more cost reflective. We acknowledge that Western Power's updated proposal to increase the fixed component in a more gradual way, paired with a reduction in the variable component to leave the average residential bill unchanged in the 2023-24 period.

We remain concerned however that the impact on the average customer masks the impact on some customers who are least equipped to manage the changes. All other things being equal, higher fixed charges will see bills fall for households with high electricity demand, and rise for households with low electricity demand. This raises the risk, for example, that high income, high use households see bill reductions, at the same time as a low use, low income household, such as an elderly pensioners, see their bills increase (at least in relative terms). This outcome would be out of step with community expectations about equitable access to essential electricity services.

The proposal for tariffs to increase in line with CPI from 2024-25 could also see prices rise substantially in the new inflationary economic environment we have entered, placing further pressure on customers already struggling with affordability.

More detailed analysis about how these changes impact customers with a range of consumption profiles and needs is needed to enable an informed assessment of the updated proposal. The ECP would be happy to discuss the issues with Western Power and the ERA to help progress the tariff structure statement.

Please do not hesitate to contact the ECP secretariat if you would like to discuss our submission further.

Kind regards

Expert Consumer Panel