This issues paper raises questions regarding ActewAGL’s charge structure for households.

The ICRC periodically determines the Transitional Franchise Tariff (TFT)—the regulated maximum tariff that electricity retailers may charge small customers (consuming less than 100 MWh/year). The TFT is set for 2009-10 at $160.36/MWh, or ~16c/kWh. Retailers may charge less than the TFT to be competitive, not more.

For 2009-10 the TFT is based on retailer’s costs for energy purchase (~47.3%, or ~44.5% if energy losses are not included in this category), retail operations (~6.5%), network costs (41.5%, or 44.2% if energy losses are included in this category) and a profit margin of 5% (Table 2-1).

ICRC’s determination procedure is quite clear, but less so ActewAGL’s implementation.

ActewAGL charges households 13.86 c/kWh. This is clear enough. This charge is set below the TFT and may look competitive. This charge surely includes a considerable supply component (representing network costs with possibly addition of costs for energy losses). ActewAGL’s charge of 13.86 c/kW represents 86.4% of the TFT. According to Table 2-1 supply costs represent 41.5% of the TFT cost package, 44.2% if energy losses of about 6% are included in the supply costs rather than energy purchase costs. ActewAGL’s charge at 86.4% of the TFT includes at least 27.9% (41.5%-13.6%) or 30.6% (44.2%-13.6%) of the 41.5% or 44.2% supply component of the TFT.

However, ActewAGL adds an additional supply charge of 48.3 c/day or ~176 $/year. This charge is not expressed in c/kWh and its impact on retail pricing is not transparent. Its impact varies, depending on consumption of individual households.

A large household consuming ~8.1 MWh/yr is effectively charged at the TFT of ~16c/kWh. Households consuming more than ~8.1 MWh/yr are effectively charged below the TFT. This is all seemingly in accordance with the TFT as the regulated maximum tariff that a retailer may charge.
However, households consuming less than ~8.1 MWh/yr are effectively charged above the TFT. For example, a household consuming 5MWh/yr is effectively charged 17.38 c/kWh and a household consuming 3MWh/yr (my case, single, solar hot water system) is effectively charged 19.73 c/kWh.

Such a charge structure, increasing unit cost with decreasing usage, is not helpful to reduce consumption.

It is unclear whether ActewAGL recovers costs of the Feed-In-Tariff scheme through its unit charge of 13.86 c/kWh, through its fixed charge of 48.3 c/day, or through both. In the latter two cases, a household aiming for a reduction in its level of consumption would face an increase in its pro-rata contribution to FIT cost recovery.

The legality or otherwise of ActewAGL’s effective bypassing of the TFT as a price ceiling may be questioned.

Chris Klootwijk