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Ms J J Shaw MLA
Chair
Economics and Industry Standing Committee
Parliament House
4 Harvest Terrace
WEST PERTH WA 6005

Dear Ms Shaw

INQUIRY INTO MICROGRIDS AND ASSOCIATED TECHNOLOGIES

Thank you for the opportunity provided to the Department of Treasury's Public Utilities Office to appear before the Economics and Industry Standing Committee on 28 November 2018 as part of its Inquiry into Microgrids and Associated Technologies.

During the hearing, two matters were taken on notice, with further information requested from the Public Utilities Office:

1. the saving to the average consumer's annual power bill resulting from the \$200 million projected to be saved over a 10 year period as a result of a transition to constrained network access (page 2 of the transcript); and
2. clarification as to whether any vulnerable consumers participating in Horizon Power's MyPower product trials in Broome and Port Hedland had not benefited from the trials (page 15 of the transcript).

In respect to Question 1, modelling commissioned by the Public Utilities Office indicates that a \$200 million saving over a 10 year period would equate to an annual bill reduction of \$5.40 for a residential customer with average consumption (5,198 kilowatt hours). Consequential reforms to the Wholesale Electricity Market following the adoption of constrained network access will also result in more efficient dispatch of generators, leading to further savings for customers.

It is worth noting that the benefits of constrained network access go well beyond up-front savings for customers. In the absence of constrained access, new generators seeking connection to the network are likely to face insurmountable cost barriers, preventing the transition to a lower-emission energy mix.

In respect to Question 2, Horizon Power defines vulnerable customers as those with a Commonwealth Pension or concession card, or have been subject to instances of credit activity in the prior 12 months, such as disconnection for non-payment and broken payment arrangements.

Under Horizon Power's MyPower trial, no vulnerable customers have been worse-off. As part of the trial, Horizon Power actively monitors vulnerable customers each month to assess if their usage patterns are likely to result in higher bills. If a customer is identified as being worse-off under the trial, Horizon Power will contact the customer and recommend that they revert to the standard tariff before they are billed.

Horizon Power has undertaken detailed analysis of how customer bills would change under the MyPower tariff. This analysis is based on 12 months of actual electricity consumption data for all of Horizon Power's customers. For the vulnerable customer segment, Horizon Power estimates that around 80% would be better off under MyPower. This forecast assumes no change in customer behaviour in response to the tariff. Horizon Power is working on how best to assist all customers affected by MyPower changes, especially vulnerable customers.

I trust this information is of assistance to the Committee.

Yours sincerely



Michael Barnes
UNDER TREASURER
17 DEC 2018

cc: Hon Bill Johnston MLA; Minister for Energy