

vastly different in the two cases. I believe the high fixed costs mean that customers with low consumption are subsidising customers with high consumption. It would be more equitable to have lower fixed costs and higher price per kWhr. The current arrangement is analogous to going to a supermarket and having to pay an entrance fee say of \$100 as you go through the door to pay for fixed costs like car parking, use of a trolley, and air conditioning regardless of whether you purchase anything or not.

Thirdly NEM, the Nationally Electricity Market.

The way the NEM works as I understand it is like this.

You go to your market to buy 11 bushels of apples. There are 3 vendors. 2 vendors each have 5 bushels of apples for sale at \$2 a bushel. The third has 10 bushels for sale at \$10 a bushel. Since you want 11 bushels you take all the apples the first 2 vendors have plus one bushel from the third vendor and then you average the bids of the vendors $(2+2+10)/3$ pay all 3 vendors \$4.66 a bushel for their apples. That makes a total of \$51.33 for your apples. If paid for separately at the bid price with no averaging the cost would have been \$30. I rest my case. I know of no other good or service that is sold this way.

Fourthly Time of Use Tariff vs Demand Tariff

A demand tariff does not allow for diversity. Whatever a customer's demand in the 4pm to 8pm peak period it is billed as if all customers had peak demand at the same time and they reach that peak every day for a month. There are $8 * \frac{1}{2}$ hour periods. If 8 customers each have their peak in non overlapping consecutive periods the $\frac{1}{2}$ hour total demand will be the demand of the highest peak, not the sum of all peaks. Eg. If all 8 have a 1kW peak the overall peak will be 1 kW, not 8 kW. If all the peaks coincide then the peak will be 8 kW. The reality would be that some peaks would overlap but not all so the demand would be somewhere between 1 kW and 8 kW. The longer each peak lasts the more likely that one customer's peak will overlap with another customer's peak but Demand does not allow for this. A customer with a 1kW demand for just the $\frac{1}{2}$ hour is charged the same demand as a customer whose 1kW demand lasts the whole 4 hours even though the 4 hour demand is almost certainly going to overlap with other customers.

Time of use can allow for this while only penalising a customer for a high peak for the time they are at that peak.

It is my opinion that Time of Use is the best of the available tariffs. It provides a cost signal that will encourage customers to avoid putting load on the grid during peak hours while also being equitable. It's current cost however is too high relative to the Flat Rate as demonstrated above.