Electricity Network Charging for Flexibility

EPRG Working Paper 1623
Cambridge Working Paper in Economics 1656

Michael G. Pollitt

Abstract
This paper discusses the principles of electricity network charging in the light of increasing amounts of distributed generation and the potential for significant increases in electric vehicles or distributed electrical energy storage. We outline cost reflective pricing, traditional public service pricing, platform market pricing and customer-focused business model pricing. We focus on the particular problem of how to recover network fixed costs and a recent example from Australia. We conclude that there are serious issues for regulators to address, but that potential solutions at the distribution level may already exist at the transmission level.

Keywords
network charging methodology, platform market.

JEL Classification L94