

19 December 2024

Ms Anna Collyer
Chair
Australian Energy Market Commission
Level 15, 60 Castlereagh Street
SYDNEY NSW 2000

Project Reference: EPR0097

Dear Ms Collyer,

Consultation Paper – The pricing review: Electricity pricing for a consumer driven future

The Australian Energy Council (AEC) is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. AEC members generate and sell energy to over 10 million homes and businesses and are major investors in renewable energy generation. The AEC supports reaching net zero by 2050 and a 55 per cent emissions reduction target by 2035, and is committed to delivering the energy transition for the benefit of consumers.

A timely market review

We welcome the opportunity to respond to the Australian Energy Market Commission's (AEMC's) November 2024 consultation paper on *The pricing review: Electricity pricing for a consumer driven future (The Pricing Review)*. We support the AEMC conducting a future-focused market review that considers multiple parts of an increasingly complex energy ecosystem.

This submission is informed by our Future Role of Retailer project

AEC retail members have been part of the energy system evolution, providing customers with rooftop solar and battery offerings, virtual power plans, and EV bundles and EV charging plans. Our members are also working with other industry partners on current trials to test new technologies and innovative pricing arrangements that could deliver better outcomes for customers in the future.

We have developed a CER Integration strategy to provide a structured and holistic approach to guide our consideration of the changes to industry arrangements needed to serve customer needs in the future system. As part of this strategy, we initiated the *Role of Retailer* project in June 2024 and have worked with our retail members to consider what products and services customers may need in the future system and the changes that may be needed to retailers' role to deliver the outcomes customers require. This submission draws on the insights we developed through the project.

The *Role of Retailer* project is still ongoing. We intend to consult with industry stakeholders on findings in 2025 and welcome the opportunity to work with the AEMC to further refine our thinking on the future role of retailer.

Retailers as enablers of customer participation in the future energy system

The future electricity system is likely to be more dynamic than the current system. The future energy market may offer more choices and different types of interactions with the electricity system for some consumers, but it may also present more complexity and be more difficult to navigate for others. We urge the AEMC to develop recommendations that consider the needs for all customers, regardless of whether they have CER or not, or whether they have the capacity or willingness to engage with future energy markets.

The AEC and its members consider retailers have an important role as trusted enablers of customer participation in a future electricity system that is reliable and decarbonised. The diagram below is a draft future retailer vision that we have developed with our retail members:

Retailers are **trusted enablers** of consumer participation in a reliable and decarbonised energy system.



We provide energy services that deliver value and meet our customers' needs



We make our customers interaction with the energy system as simple as possible



We help integrate customer energy resources in the energy system so that our customers get the most benefits from their investment



We support and empower our customers to actively participate in Australia's transition to net zero

We look forward to working with the AEMC to further develop and refine this vision as part of the *Pricing Review*.

Retailers role is likely to remain the same, but their interactions with other businesses will need to evolve

In a decarbonised electricity system with high CER uptake, all parts of the supply chain will need to work together to deliver the desired customer outcome. We therefore welcome the AEMC reviewing the interface between different energy supply businesses in the future energy system.

However, we caution against the assumption that the role of distribution network service providers (DNSPs), retailers and third-party services providers will need to change in order to meet customer outcomes in the future. We consider the that the role of these parties is likely to remain the same in the future electricity system, but how they perform their role will be different.

For example, DNSPs will continue to provide the infrastructure to enable the conveyance of electricity, but the high uptake of CER means that they need to operate their networks much more dynamically compared to the past. Similarly, retailers will continue to have a role to facilitate customers' interaction with the electricity market. But their role will need to extend from the management of price volatility at the wholesale level to enabling customers to both consume and export electricity within the constraint of network infrastructure, as well as considering how technology could support different customers in meeting their energy needs.

Our *Role of Retailer* project has not considered retailers in isolation. We are examining how retailers need to change their interactions with established participants such as DNSPs, and also potential new parties who may play a part in the new energy system. We have also considered how collaboration between parties in the energy supply chain can deliver better outcomes for customers. To this end, we have established a retailer-DNSP forum together with Energy Networks Australia (ENA) where a number of DNSPs and retailers are working together to identify and implement opportunities where coordination between retailers and DNSPs can deliver better outcomes for customers in a high CER world.

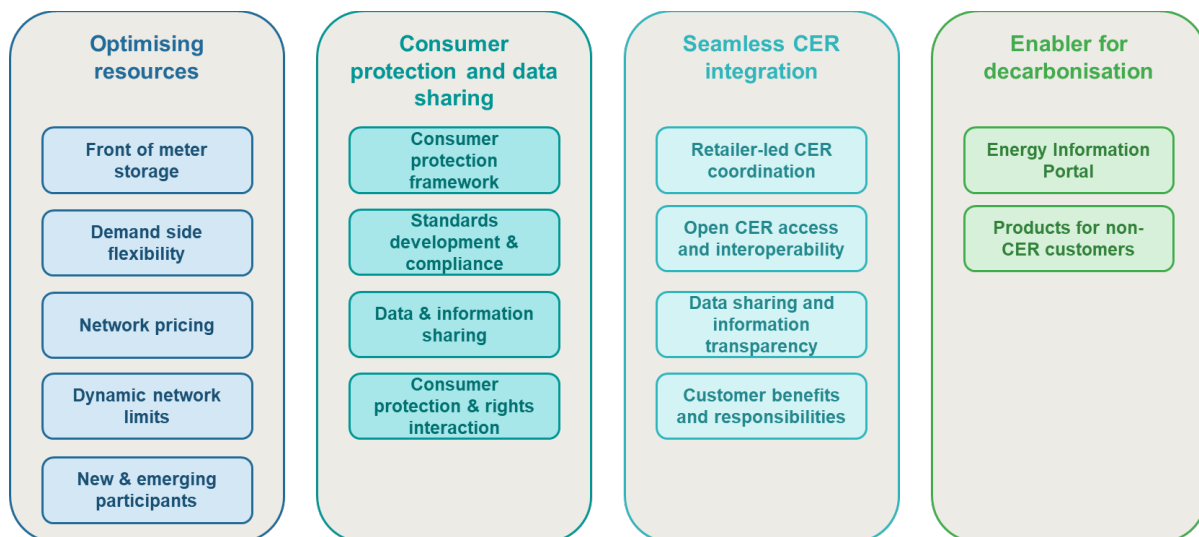
Our *Role of Retailer* project is focused on customer outcomes instead of defining future products and services

Technological developments are occurring much faster than previously, and they are enabling a faster products and services development cycle. Customers may also develop new preferences in response to new technologies entering the market. The *Pricing Review* should focus on defining the customer outcomes and consider the market and industry arrangements needed to support them rather than trying to predict or define products and services. Any products and services that are developed now and in the near future are likely to become redundant in a short period of time.

While the AEC supports the development of customer preference principles (CPP) and customer archetypes to guide the development of recommendations, we note that there are also many different ways to understand and define customer preferences and needs. We look forward to working with the AEMC to further refine the CPPs and customer archetypes through the review.

Some key enablers that would support retailers' role in the future

Through our *Role of Retailer* project, we have identified several key enablers that will support retailers' vision of being the trusted enablers of customer participation in the future energy markets. The diagram below shows an initial list of policy areas that we will examine with our members in 2025.



This list is not intended to be exhaustive and we expect additional issues will be identified as the project progresses. We look forward to contributing our insights to the *Pricing Review*

Reforms need time to develop and collaborative effort to implement

We appreciate the extended timeframe the AEMC has allowed for the *Pricing Review*. However, we also note that this review is considering complex issues that may require time for stakeholders to engage and consider implications before providing feedback. We urge the AEMC to remain flexible and not allow the review timeframe to constrain the development of policies that will have long term implications on energy market.

We welcome opportunities to work closely and iteratively with the AEMC

Recent past reform efforts that were successful heavily relied on open and consultative processes where a broad range of stakeholders collaborated to stress test and improve recommendations and solutions. We support the AEMC taking a similar approach. We also welcome opportunities to meet with

Commissioners and the AEMC project team to discuss our *Role of Retailer* project as we progress our thinking in 2025.

Please do not hesitate to contact me at jo.desilva@energycouncil.com.au or by telephone on 03 9205 3100 if you wish to discuss our submission further.

Yours sincerely,

Jo De Silva

Jo De Silva
General Manager Retail Policy