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Ms Anna Collyer
Chair
Australian Energy Market Commission
Sydney South NSW 1235

By online submission:

Dear Ms Collyer

AEMO Response to AEMC Discussion Paper on *The pricing review: Electricity pricing for a consumer-driven future*

AEMO welcomes the opportunity to provide feedback on the Australian Energy Market Commission's (AEMC's) discussion paper for their review titled Electricity pricing for a consumer-driven future.

This is a timely and important review that recognises the need to revisit how electricity pricing frameworks support evolving consumer needs and the broader transformation of the energy market. The review's future-focused approach, with an emphasis on how consumers engage with and benefit from the market, is strongly supported.

Our submission focuses on the matters considered within Question 3 of the discussion paper, and outlines areas where AEMO processes and data may encourage innovation and enable more dynamic and consumer-responsive retail offerings, including support for tariff flexibility and enhanced access to configuration data. We also consider the limitations of historical consumption data in a transitioning market, and the need, over time, for better tools and guidance to support informed consumer decision-making.

Network Tariffs as a Foundation for Flexible Retail Offerings

Conventionally, network tariffs have been used to underpin the design of retail products and services. They form the foundation upon which retail pricing structures are built and are the mechanism through which network related cost-reflective price signals are sent to market participants. These signals influence behaviours such as when and how energy is consumed or injected back into the system, helping align customer usage with network capacity and investment needs. As such, the structure and application directly shape the types of retail offerings that are developed and made available to consumers.

The increased deployment of smart meters – providing regular delivery of 5-minute interval metering data – removes a major constraint on tariff assignment. Traditionally, a customer's network tariff is linked to their physical metering configuration, such as the connection of electric hot water systems to controlled load circuits via mechanical time-switches or ripple control equipment. Metering data supporting these tariffs being based on accumulated register readings taken over a billing cycle of three to six months, limiting the granularity and flexibility of tariff structures.

Smart meters have transformed this landscape. Smart metering installation typically includes the replacement of traditional control equipment at customer premises where loads are configured for load control, enabling control schedules to now be managed remotely. In combination with time-of-use pricing, this can allow for a complete reconfiguration of a customer's tariff structure without physical changes to the metering installation

or site. Pricing signals can be applied dynamically, aligned with actual consumption data, and adjusted to reflect changing consumer needs or technology upgrades – such as the installation of solar PV or a home battery.

While customers do not directly choose their network tariff, smart metering can enable retailers – within the bounds of DNSP-defined tariff structures and eligibility criteria – to initiate network tariff changes that support the delivery of more tailored retail products. These changes could be facilitated through AEMO's systems, as part of a customer-initiated event such as switching retailers, upgrading equipment, or following the installation of the smart meter itself.

This evolution unlocks significant potential for greater flexibility in how network tariffs are applied and how they interact with retail products. By supporting a broader range of pricing structures that reflect customer preferences and site configurations, the market could better align with consumer expectations and the technical realities of increased CER adoption. AEMO's systems could play a supporting role in this process by improving access to relevant site configuration data and facilitating streamlined tariff changes at key market transaction points.

Enabling Tariff Flexibility via Site Configuration Visibility

A critical enabler of more flexible and tailored retail offerings is better visibility of a site's physical energy configuration, particularly at the time of customer onboarding or retailer transfer. While AEMO already holds relevant data, including from the DER Register and standing data processes, this information is not currently accessible to retailers through standard MSATS NMI Discovery functionality. Bridging this data gap presents a practical opportunity to support product innovation and streamline customer switching processes.

AEMO considers that the introduction of a simplified "site configuration identifier" into AEMO's MSATS platform, to be made available to authorised retailers via NMI Discovery, could:

- Indicate, in a standardised format, the presence of CER/DER assets such as solar PV or fixed batteries;
- Be derived from existing, non-sensitive data already held by AEMO, avoiding the need for new data collection or exposure of confidential customer information; and
- Be designed to protect consumer privacy, while supporting retailers to automate product and network tariff selection in a consistent and repeatable manner, through standard switching processes.

Such a tool could materially improve the quality of decision-making and reduce post-transfer mismatches between site capabilities, network tariffs, the customer's energy usage pattern and their chosen retail product. It could also streamline processes where a customer is offered or is seeking a more suitable retail offering, that requires or is enabled by a different network tariff. This could be prompted by a CER upgrade or a change in usage pattern.

AEMO could also explore enhancements to MSATS to allow for automated network tariff changes triggered during the customer transfer process or change of metering equipment where supported by pre-set validation rules and DNSP-defined eligibility criteria. This could reduce reliance on DNSP processes such as B2B transactions, improving efficiency and shortening the time-to-benefit for consumers.

These changes could enhance the ability of retailers to deliver more responsive, personalised energy products while maintaining a streamlined and secure operational framework that respects DNSP responsibilities and consumer privacy.

Looking Beyond Historical Data in Consumer Decision-Making

Current government energy comparison tools, such as Energy Made Easy and the Consumer Data Right, have a reliance on historical energy consumption being relevant as a basis for comparing future electricity products and pricing structures. While historical metering data can be very useful in understanding past behaviours, its predictive value is diminishing in the use cases such as the adoption of CER and opportunities to reduce costs by shifting consumption patterns.

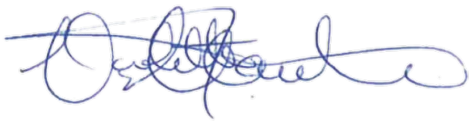
There is a risk that consumers may be misled or disincentivised from adopting beneficial new technologies or ways of using energy differently through the day, if comparison tools continue to rely solely on historical usage. For example, a consumer who installs a battery or changes their energy usage behaviour in response to a time-of-use tariff may not see that potential reflected in a comparison based on last year's metering data.

A way to address this is for comparison websites and market tools to consider ways to:

- Incorporate the concept of tariff flexibility, including the potential for consumers to select retail products which rely on a shift in the underlying network tariffs (if this were to be an available future feature), to better support their technology choices and intended energy usage;
- Provide guidance on when historical metering data remains a useful comparator, and when it should be supplemented by forward-looking scenarios; and
- Support consumers in simulating outcomes under different usage patterns, CER configurations, or tariff structures – particularly through independent or trusted channels.

This approach – encompassing access to simplified configuration data via NMI Discovery, the evolution of government comparison tools to reflect tariff flexibility, and supplementing historical data with forward-looking scenarios – aligns with broader reforms such as the Consumer Data Right and Metering Data Provision Procedures. Collectively, these measures could support more informed and confident consumer decision making by providing accessible, privacy-conscious, and future-relevant information that better reflects the dynamic nature of customer energy use and technology adoption. AEMO looks forward to continuing its collaboration with the AEMC and other stakeholders on this important consultation. Should you wish to discuss any of the matters raised in this submission, please contact Hannah Heath, Group Manager – Strategic Market Reform, at hannah.heath@aemo.com.au.

Yours sincerely,



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