

Ms Anna Collyer  
Chair  
Australian Energy Market Commission  
60 Castlereagh St  
Sydney New South Wales 2000

10 July 2025

Dear Ms Collyer

## **The pricing review: Electricity pricing for the customer-driven future**

ActewAGL Retail (ActewAGL) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) Discussion paper considering future electricity products and services, and the prices that consumers pay for these.

ActewAGL is an energy retailer servicing the Canberra region and surrounding areas of south-east New South Wales, including Queanbeyan, Goulburn, the Snowy Mountains, Nowra, and the South Coast.

ActewAGL supports the AEMC's intent to foster a diverse range of electricity offerings into the future, enabling customers to choose options that best suit their individual circumstances or align with their preferences. ActewAGL also supports the AEMC's view that retail competition is central to Australia's electricity market arrangement<sup>1</sup> and agrees that electricity pricing plays an important role in achieving outcomes that deliver both individual and system-wide benefits.<sup>2</sup>

While some stakeholders have suggested that existing regulatory settings may not be delivering the best outcomes for consumers, ActewAGL considers existing arrangements are already helping customers navigate the market.<sup>3</sup> For example, under the Australian Energy Regulator's (AER) Better Bills Guideline, retailers are required to clearly communicate to customers on their bills whether they are on their retailer's best offer and how to switch. This promotes transparency and empowers customers to make informed choices.

Retailers are actively competing in response to consumer needs by offering a diverse range of products and services, including those designed around customer energy resources (CER). Where such offerings are not widely available, it typically reflects lower levels of customer demand rather than regulatory or market barrier. In a competitive environment, retailers are well-placed to respond when sufficient customer interest emerges.

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<sup>1</sup> AEMC, Discussion paper: The pricing review, June 2025, p 38.

<sup>2</sup> Ibid., p. 4.

<sup>3</sup> Ibid., p. 7.

Network tariffs represent a significant portion of electricity costs, making them an important factor for retailers to consider when developing retail offers.

While ActewAGL recognises the role engagement with end consumers plays in network tariff design, network tariffs should be designed with retailers in mind. Retailers are ultimately responsible for managing the overall cost and risk of the retail electricity offer. Given their direct relationship with customers, retailers are best positioned to design innovative, responsive products that align with evolving customer preferences.

Customers benefit from retailers competing to best meet the evolving needs of customers through these product offerings. Furthermore, retailers are well-positioned to engage directly with electricity distribution networks on the design of network tariffs. This helps ensure network tariffs align with the needs of both retailers and networks, and deliver value to customers.

ActewAGL's customers typically prefer the simplest tariff options where they can understand how their energy bill reflects their energy use on a purely volumetric basis. For example, some customers prefer straightforward flat-rate tariffs, as they offer predictable bills without the added complexity of time-varying rates. On the other hand, some customers prefer more complex offerings that provide opportunities to maximise the value of their CER investment.

Over time, network tariff structures have become increasingly complex, creating a growing disconnect between how network charges are applied and the types of retail offers that customers understand and value. For example, although demand tariffs are the default network structure for many customers on the ACT's distribution network (operated by Evoenergy), many households continue to request simpler, flat-rate retail plans that better align with their preferences. There may therefore be merit in simplifying default network tariffs, while enabling more sophisticated pricing structures to be made available for retailers and customers on an opt-in basis.

This approach would allow networks to maintain predictable, simple pricing for some users, while giving retailers the flexibility to incorporate complex tariffs into tailored offerings for more engaged and/or CER-equipped customers. As household solar, electrification and electric vehicle uptake drive greater variability in electricity demand across the day, it is placing growing pressure on system costs. To avoid higher prices for all electricity users, it is increasingly important to support customer responsiveness to load-shifting solutions, including virtual power plants (VPPs), community and household batteries and individual demand response. This can be achieved through more innovative tariff designs that deliver greater value to retailers and customers.

By allowing retailers to manage tariff complexity on behalf of consumers, pricing structures can play a pragmatic role in lowering total system costs. Such flexibility is particularly important during the energy transition, as more households adopt enabling technologies and retail markets evolve to support their participation. Providing greater flexibility for retailers also allows for a more dynamic response to evolving customer preferences than can be provided through the five-yearly Tariff Structure Statement (TSS) process required of network

businesses. The outcomes of that process may differ significantly from those intended, depending on how retailers package these tariffs in their offerings and the pace of change in customer demands, preferences and technology.

While ActewAGL supports the direction toward more cost-reflective network pricing, it would caution against proposals to create network tariffs that apply only to selected customer types or technologies. Building on the earlier suggestion to simplify default network tariffs, ActewAGL notes that designing fewer, simpler tariffs with broader customer coverage enables small adjustments to deliver more meaningful impacts on overall system costs. In contrast, experience with legacy tariffs has shown that narrowly targeted structures can be difficult to unwind and may lead to unintended outcomes. Special exemptions or tailored arrangements may result in cross-subsidies, with some customer classes benefiting from reduced network charges while others carry a greater burden.

The AEMC's pricing review highlights a timely and important issue: the potential for existing regulatory settings to limit the ability to deliver better customer outcomes, including access to a broader mix of products and services. In this context, the ACT's Reference Price framework, along with similar models such as the AER's Default Market Offer (DMO) and the Essential Services Commission's Victorian Default Market Offer (VDO), although intended to help customers compare available electricity offers more easily, may also be restricting innovation and flexibility. As customers becoming increasingly diverse in terms of electricity consumption patterns, overall usage and technology uptake, these frameworks may unintentionally disadvantage innovative retail offers in retail price comparisons.

We look forward to continued engagement with the AEMC on this important review. Should you have any questions in relation to this submission please contact Rohan Richardson, Group Manager Pricing, Analytics and Regulatory, by phone on (02) 6248 3592 or via email to: [rohan.richardson@actewagl.com.au](mailto:rohan.richardson@actewagl.com.au).

Yours sincerely



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