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Ms Lisa Shrimpton
Director
Australian Energy Market Commission
Level 15, 60 Castlereagh Street
Sydney NSW 2000

Dear Ms Shrimpton

Ausgrid submission to the discussion paper "Electricity pricing for a consumer-driven future" review

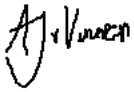
Ausgrid welcomes the opportunity to respond to the Australian Energy Market Commission's (**AEMC's**) discussion paper as part of the "Electricity pricing for a consumer-driven future" review. Technological change has far outpaced the regulatory framework, and the sector has been unable to scale improvements to pricing and billing that will facilitate long term benefits for consumers. It is important that any changes made to the pricing framework are not so prescriptive that innovation is stifled but are not so open that consumers who are vulnerable or not in a position to engage with the sector are left with an increasing cost burden. Equity in cost recovery is an important principle to protect all consumers.

Further, it is important that customers who can respond to network and wholesale market signals are given the opportunity to do so with enough information to make informed choices. These customers will drive lower long-term network costs, so it is important that steps are taken to increase this cohort.

Ausgrid is preparing for the next Tariff Structure Statement (**TSS**) by undertaking a detailed review of all network pricing structures, how they are conveyed to the market and how we can set ourselves up for a future where customer energy resources and other distributed energy resources can unlock cheaper and more efficient energy. Our next TSS will also be informed by several trials we have under way including a locational use of system tariff. We have also applied for a regulatory sandbox that aims to share the market benefits of customer energy resources with all customers including those who cannot access solar and batteries. If successful, this will provide valuable data for future pricing strategies as well as wider sector learnings.

The outcomes of this review will be critical to how these initiatives develop and we look forward to continuing to work with the AEMC on this important review. Our responses to the specific consultation questions are below. If you would like to discuss this submission further, please contact Ellen Zhang at ellen.zhang@ausgrid.com.au

Regards



Alida Jansen van Vuuren
Acting Group Executive, Market Development & Strategy

Submission

Question 1

If we focus on enabling bookend products (from basic to sophisticated), is this sufficient to enable the range of products and services that will meet consumer preferences and lower system costs?

Ausgrid supports the development of a diverse range of retail products and services to reflect customer preferences and enable system efficiencies. The key issue is how those bookend products are formulated and to ensure they do not lead to perverse outcomes or cross-subsidies.

For example, while maintaining a flat rate retail tariff as a safety-net for small customers can be valuable, making it the unrestricted default for network tariffs risks increasing long-term network costs and embedding inequities that are difficult to reverse. Setting appropriate eligibility thresholds can help ensure that customers who have the capability to respond to price signals remain on cost-reflective tariffs, rather than shifting to flat rate and transferring costs onto customers who cannot respond. To ensure sophisticated tariffs genuinely reward customers who shift load rather than transferring costs to others, complementary safeguards can be applied in tandem such as maintaining a peak to off-peak price differential that mirrors the network's cost structure, so any savings remain proportional to the costs avoided.

Please see our response to Question 4 for examples of how we are supporting customer choice and innovation through our pricing and program design.

Question 2

Can we rely on competition in the retail market to deliver the mix of products and services that customers value?

- ***How should this review address issues in the retail market to ensure the products and services needed will be available, recognising work already underway?***

Retail competition has an important role to play in supporting innovation and product diversity, particularly for engaged and well-resourced customers. However, competition alone cannot fully deliver the mix of services needed to meet all customer preferences and ensure equity in the energy transition.

Customers with high resources and high interest (archetype: Embracers[1]), are best served by a competitive market. They are more likely to actively seek out offers that align with their goals, such as dynamic tariffs, wholesale-linked pricing or CER-integrated products. For these customers, competition works well in supporting value for money, meaningful options and engagement. They are more willing to interact with pricing complexity to unlock financial benefits. The 'Full of potential'[2] customers with resources but low engagement, may benefit from competition if retailers are proactive in offering clear, simple products that manage complexity on the customer's behalf. Current offerings are limited, and retailers may avoid offering these products due to perceived complexity. In Victoria, for example, where smart meters have been fully rolled out, retail product innovation has not developed any further than other states with only partial smart

[1] AEMC, Consultation paper - The pricing review, November 2024, p 24.

[2] ibid

meter rollouts. This suggests that, in addition to setting permissive rules, we encourage the AEMC to further investigate the implementation barriers that may be discouraging retailers from bringing new products to market and passing through underlying network signals. A deeper understanding of these practical challenges could help identify targeted solutions that support retail innovation.

The 'Not to be left behind' and 'Behind barriers' customer[3] archetypes either have limited resources and/or limited capacity to engage, and as a result are more likely to receive standardised, undifferentiated and potentially expensive offers. These groups comprise a significant proportion of the customer base. These customers will benefit from clearer, more accessible information on electricity pricing, how to manage energy costs, and where to seek help. While the AER's *Energy Made Easy* website can help customers understand some of the retail offers, it cannot yet compare demand-based or dynamic tariffs.

As outlined in our November submission[4], Ausgrid regularly receives tariff enquiries from small customers that are redirected from retailers, highlighting a gap in customer support and education. Retailers should play a more active role in helping customers understand their tariffs and, where needed, offer alternative retail structures that better meet their needs. It's not necessary for all customers to see the underlying network tariff structure, retailers should be incentivised to respond to network price signals and design products that reflect cost drivers without overwhelming customers with complexity.

Question 3

How can better outcomes for consumers be enabled through network tariff setting processes?

- ***What can be improved at the retail and network interface that would contribute to better outcomes for consumers?***
- ***How can arrangements governing retailers and networks be improved to support better product and service offerings?***

The discussion paper does not fully reflect the extent of engagement between networks and retailers. During our recent regulatory reset and extended engagement processes, we consulted extensively with both customers and retailers through forums, newsletters, direct meetings, and workshops. At the recent retailer forum on our 1 July 2025 network price change, we had 90 online attendees.

In preparing our pricing reforms for the 2024–29 regulatory period, we engaged proactively through multiple channels and worked closely with the Pricing Working Group (**PWG**)[5] to develop our pricing strategy. The group's members include a range of customer and electricity industry advocates, and energy retailers and aggregators were also invited to the PWG meetings.

Since the introduction of the Subthreshold trial tariff arrangements, Networks across the NEM have significantly increased their collaboration with retailers and informed customers on new and innovative tariff arrangements. Our Network Innovation Fund in the 20219-24 regulatory control period and the ongoing Demand Management Innovation Allowance has also enabled us to actively partnering with the spectrum of

[3] AEMC, Consultation paper - The pricing review, November 2024, p 24.

[4] Ausgrid, Submission to AEMC's Consultation paper - The pricing review, December 2024, p.5.

[5] The Pricing Working Group is a stakeholder group that provides feedback to Ausgrid on pricing matters from a variety of stakeholder perspectives.

providers (Origin and EnergyAustralia (large retailers) and Reposit Power and ShineHub (emerging customer agents)) in Project Edith on the design of Dynamic Network Pricing to support new business models like virtual power plants and enable efficient participation in wholesale markets.

Ausgrid remains committed to ongoing collaboration with retailers and other stakeholders to improve processes and tools that support better outcomes for customers. Our customer support team and dedicated pricing inbox provide continuous assistance, responding to queries and supplying tailored information to both retailers - such as the ES7 Network Price Guide - and individual customers. We have also developed a suite of customer guides designed to demystify the energy system. These resources help consumers understand their electricity bills, optimise usage, and feel more confident when engaging with retailers to find the most appropriate pricing plans. The guides also explain the role of smart meters and offer practical advice on how to maximise the benefits of solar panels and electric vehicles.

While accessible and well-structured information is an essential part of consumer empowerment, we acknowledge that it is unlikely to be sufficient on its own, particularly for customers with low engagement, limited trust in service providers, or constrained capacity to act. Ausgrid supports a layered approach that reflects the diversity of consumer archetypes and their varying levels of interest and capability.

For those who wish to engage, tools and usage insights should be timely, intuitive, and easy to interpret. In the future, AI-assisted platforms may enhance customer decision-making by helping them choose retail offers and respond more effectively to network signals with minimal customer input required.

For consumers who prefer not to engage, default retail and regulatory arrangements should be designed to deliver outcomes that are fair, transparent, and easy to navigate. This could include trusted third-party platforms and better alignment between retail offerings and underlying network pricing signals. Appropriate protections to safeguard customers from paying too much could be set with reference to the default market offer (**DMO**).

- ***Who should receive the network price signal to make it more effective?***
- ***Should network tariffs be designed for retailers or consumers? If retailers, how much weight should networks put on the recommendations and views of retailers?***

The current framework places the end customer at the centre of network tariff design. However, in practice, network tariffs are primarily received by retailers, who ultimately determine how these signals are packaged and passed through to customers. If the retailer packages all network prices such that there is no signal to the ultimate consumer that could have an effect on network congestion, and therefore longer term network costs, the imperative for cost-reflective network pricing is lost. However, we know from the different archetypes that some customers are highly engaged, or interested in engaging to an extent that they would change their behaviour or give some control to another party to respond on their behalf. To that end, in line with allowing bookends for a spectrum of products, network price signals should remain accessible to customers who can and wish to respond. Where customers are not interested in or able to respond to more complex signals, they should have access to something simpler.

This leads to the question of whether the network should create non cost reflective network prices for the retailer to pass through, or if all network prices should remain cost reflective. In the latter scenario, the retailer needs to manage the risk of offering a simplified product that doesn't guarantee full cost recovery of the network component.

We note that there has been some concern that retailers cannot manage this risk. Ausgrid has analysed total Network Use of System (**NUOS**) charges paid by retailers connected to our network over the past five years.

During this time the numbers of customers on demand and time-of-use tariffs increased by over 500,000 (around 30%). The data shows that per customer NUOS charges have remained relatively stable or even declined for most retailers. This suggests that network cost variability across customer classes is typically low and largely self-hedged within a retailer's broader customer portfolio. On this basis, creating a requirement for a simplified, non cost reflective tariff to be provided by networks for a back-to-back retail tariff does not seem necessary.

However, Ausgrid is open to exploring options in this space. Our key concern is that any changes resulting from the review do not create new cross-subsidies between or within customer segments. We note that pricing does not change overall revenue received by network businesses, therefore any changes to how tariffs are structured will inevitably result in winners and losers (relative to the status quo). This must be remembered when making any recommendations.

- ***Should any or all of the following be key design features of network tariffs: support competition in the retail market, avoid imposing unnecessary additional costs, and deliver lower overall costs over time?***

We acknowledge the AEMC's concerns that network tariffs which do not accurately reflect local network constraints may inadvertently introduce inefficiencies that negatively impact wholesale market outcomes. Network tariffs are not designed specifically to promote retail competition, but we agree they should, as far as practically possible, avoid creating unnecessary barriers to innovation in retail offerings.

We recognise that existing network tariffs are not fully cost-reflective at a granular, locational, or dynamic level, given the practical constraints of regulatory frameworks (such as postage stamp pricing), equity considerations, and the need for customer simplicity and acceptance. Within these existing limitations, Ausgrid remains committed to progressively improving network price signals through trials and targeted reforms, as detailed further in our response to Question 4.

We also recognise the need to reflect on whether the current design of broad, static peak periods still best serves their intended purpose or if the windows should be more frequently revised to reflect changing network conditions, and whether the balance between long-run marginal cost signals and residual cost recovery remains optimal. Ultimately, we support moving toward a more integrated and adaptive tariff framework—one that maintains core principles of cost-reflectivity and fairness, enables retailer innovation, minimises unnecessary additional costs, and contributes to lower overall system costs.

In this context, Ausgrid considers that the key to unlocking value lies in how network and wholesale signals are translated into retail offers and supporting retailers to translate both network and wholesale signals into intuitive, tailored product offerings. Aligning retail products with cost drivers without passing through unnecessary complexity can unlock benefits for a wide range of consumers and deliver lower overall costs over time.

Question 4

What role can network tariffs play in meeting customer preferences while also efficiently and effectively contributing to lower overall costs?

The growth of CER presents an opportunity for network tariffs to better reflect the diversity of customer preferences and capabilities. Customers who are highly engaged and have CER assets may benefit from dynamic pricing that rewards responsiveness to real-time network or market conditions. Others, such as renters or customers with lower digital literacy, may prefer simplified retail offers underpinned by stable

network tariffs. By supporting a range of tariff designs, network pricing can play a role in enabling customer choice while also contributing to efficient system use and lower long-term costs.

Ausgrid is trialling dynamic tariff models for those with higher interest and access to enabling technologies. To test how tariffs can support equitable access and value creation across diverse communities, we are progressing a number of initiatives, including but not limited to the following:

- Project Edith: demonstrates five-minute dynamic network pricing that reflects actual network conditions. Targeted at highly engaged customers enrolled in a virtual power plant, this trial supports more granular CER participation and efficient use of network capacity while preserving simplicity at the retail interface through retailer partnerships.

- Energy Storage as a Service (**ESaaS**): provides shared access to community batteries via retailer-led offers. It is designed to serve households without rooftop solar or individual storage—particularly renters and apartment dwellers—by offering a low-barrier entry point into energy storage benefits. This helps customers "behind barriers" or with limited flexibility participate in the energy transition without upfront investment.

- Ausgrid's Community Power Network (proposed): a sandbox application to the AER that explores how a localised energy-sharing model could deliver affordable, reliable electricity to a broader set of consumers. By coordinating generation, storage, and flexible demand in a defined area, this approach aims to reduce the overall network cost base while also improving access to solar and batteries for renters and low-income customers.

- Flexible load EV tariff: offers participating customers a critical peak pricing signal during periods of high system demand to encourage off-peak EV charging. We will continue to gather data from critical peak events and work closely with retailers to better understand how sharper demand-based signals can shape load behaviours in a way that reduces future network costs.

While we regard the existing pricing principles in the National Electricity Rules to be largely fit for purpose, one barrier to networks being able to quickly respond to changes in technology and contribute to meeting customer preferences is the two-phase network tariff determination process[6]. The current five-year TSS reset process provides planning stability and regulatory certainty, however, this approach could limit DNSP's ability to respond to evolving customer preferences or system challenges mid-period.

For example, changes in local constraints or emerging trends such as electric vehicle adoption and CER uptake may warrant a more dynamic pricing response than the current cycle allows. When innovative tariff designs are developed and tested, they can't be rolled out broadly until the next TSS cycle. This delays the system efficiency benefits these tariffs are designed to unlock. Retailers may be less willing to engage in tariff trials that they know cannot scale or evolve quickly, especially if limited to one DNSP's jurisdiction or a narrow timeframe**.** While the existing framework offers a stable foundation for pricing, Ausgrid believes there may be benefits in exploring opportunities for greater flexibility within the existing framework to enable mid-period adjustments without requiring a full TSS re-opening.

[6] Phase 1 - The tariff structure statement process. This was introduced as part of the five-year determination process. In this step, networks propose, and the AER approves, network tariff designs and customers will be able to choose those tariffs. Phase 2 - The annual pricing determination process.

Another key challenge for future tariff design lies in how residual network costs are recovered. The marginal cost to the network of increased customer demand is typically low, especially in the short term. As a result, most network revenue is recovered as a residual cost, not as a marginal cost. We believe the key trade-off for future network tariffs is whether customers with CER should be able to avoid payment of residual network costs through the volumetric charges. For example, it would be an unacceptable outcome if CER enabled customers made little or no contribution to fixed network costs, while the shortfall was borne by other customers, including those who are unable to afford or access CER.

A shift toward higher fixed charges could ensure that CER-enabled customers continue to contribute to the shared costs of the network. However, a greater reliance on fixed charges risks disproportionately impacting low-usage customers many of whom are vulnerable, such as elderly people living alone or low-income households. These customers typically have limited ability to reduce bills through demand shift or investment.

In past pricing assessments, Ausgrid has modelled a range of tariff recovery approaches to understand the potential customer impacts of allocating shared costs through different combinations of fixed and variable charges. These exercises showed that where fixed charges were increased, some customer classes, particularly residential and large high voltage and sub-transmission business customers were disproportionately impacted. For residential customers, this was due to their lower overall usage, while for high voltage and sub-transmission customers, the small number of accounts with the sub-transmission tariff class meant that fixed charges were spread across fewer parties.

The solution will be a balance, informed by extensive customer impact analysis. There needs to be adequate incentives for customers to invest in CER, but not to the extent that other customers pay more and cross-subsidise customers with CER. This ensures customers who rely on the network contribute fairly. The right policy settings will avoid unacceptable outcomes and help to maintain ongoing community support for the energy transition.