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Australian Energy Market Commission
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Clean Energy Council Submission to the Australian Energy Market Commission's Discussion Paper– The Pricing Review (EPR0097)

The Clean Energy Council (CEC) welcomes the opportunity to provide feedback to the Australian Energy Market Commission (AEMC) on the "Discussion Paper – The Pricing Review.

The CEC is the peak body for the clean energy industry in Australia. We represent and work with Australia's leading renewable energy and energy storage businesses, as well as a range of stakeholders in the National Electricity Market (NEM), to further the development of clean energy in Australia. We are committed to accelerating the transformation of Australia's energy system to one that is smarter and cleaner.

The AEMC's review presents a pivotal opportunity to reshape Australia's electricity pricing framework to better accommodate the growing role of Consumer Energy Resources (CER). The CEC's Consumer Energy Resources Roadmap, Powering Homes, Empowering People[1], identified that if we successful integrate CER into our energy system we will deliver $22.4b of benefits. These benefits include complementing and taking pressure of the large-scale generation and transmission build as well as better utilisation of the distribution network. The Roadmap detailed how incentives are a key policy area that can drive consumer participation in CER markets.

As the energy market undergoes fundamental reform to better integrate CER, it is critical that tariff reform is not viewed in isolation but instead as part of a broader package of reforms designed to enable dynamic, efficient, and risk-aligned market outcomes.

By enlarge, distribution networks have significant excess capacity, particularly during off-peak periods. However, current network pricing does not generally incentivise the integration of CER in ways that fully utilise this spare capacity. Instead, static tariffs and demand-based charges can discourage CER exports or flexible load shifting. To improve efficiency and reduce costs for all users, network prices should prioritise better utilisation of existing infrastructure. This includes encouraging investment in technologies that enable two-way energy flows and congestion management across the network.

[1] powering-homes-empowering-people-cer-roadmap.pdf

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As such, tariffs must evolve to send clear, actionable price signals to the right market participants, those best placed to respond to them and manage associated risks. In many cases, this will not be the end consumer directly, but intermediaries such as aggregators or retailers who can bundle risk and develop flexible, innovative products and services. These services can then be offered to consumers in ways that reward participation and reflect the value CER provides to the broader system.

The remainder of the submission provides responses to the specific questions raised in the Discussion Paper.

If you have any queries or would like to discuss the submission in more detail, please contact Con Hristodoulidis (christodoulidis@cleanenergycouncil.org.au)

Kind regards,

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Response to Consultation Questions

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

The National Energy Consumer Framework (NECF) is increasingly unfit for purpose in the context of a decentralised, two-way energy market. Designed over a decade ago, the NECF was built around a linear, one-directional supply model where energy retailers sold electricity to passive consumers. This framework assumes a simple transaction: energy flows from the grid into homes, with the retailer as the central point of customer engagement, billing, and service.

Case study: **Billing Requirements under the Better Bills Guideline**

Under the AER's Better Bills Guideline, energy retailers must ensure that customer bills meet highly prescriptive requirements, including:

- The "better offer" message (which informs customers if they are on the best plan the retailer offers) must appear on the first page of the bill.
- It must be displayed in a font size of at least 10 points, in bold, and in plain English.
- Bills must follow a specified structure, with mandated content such as consumption data, payment amounts, due dates, and complaint handling information, all laid out in a regulated format.

Why This Inhibits Innovation

These rigid rules were designed for traditional, one-way energy supply. They do not account for the diversity and complexity of new CER-related products and services. For example:

- A customer participating in a virtual power plant or using peer-to-peer energy trading may want to see different information on their bill, like export value, battery credits, or flexible service rewards.
- Startups offering energy-as-a-service may not use standard billing formats but instead offer app-based dashboards or dynamic billing tied to performance or service levels.

Yet these businesses are forced to conform to billing structures designed for traditional electricity supply, limiting how they can communicate value to customers, and often making their innovative services appear confusing or non-compliant.

However, today's energy landscape is rapidly evolving. Consumers are now active participants, generating, storing, and trading energy through rooftop solar, batteries, electric vehicles, and peer-to-peer platforms. The rise of virtual power plants, energy sharing, and flexible demand services challenges the NECF's core assumptions about who provides energy, who consumes it, and what consumer protection looks like.

The NECF is poorly equipped to manage this complexity. It does not adequately address new business models or the rights and responsibilities of prosumers and non-traditional service providers. Its structure can stifle innovation by forcing novel services into outdated regulatory categories. To support a

decentralised, dynamic market, a new consumer protection framework is needed. One that is flexible, technology-neutral, and capable of supporting diverse participants while ensuring fair treatment, transparency, and access for all consumers.

While it is positive that multiple agencies are focusing on consumer protections, there is a noticeable trend across these reviews that seems to pre-suppose more regulation as the default solution. The AEMC rule changes, DCCEEW's Better Energy Customer Experiences workstream, and the AER's review of the payment difficulty framework all appear to lean toward increased regulatory intervention, often without first asking whether the market, if allowed to operate more effectively, could deliver better outcomes with less reliance on prescriptive rules.

This regulatory first mindset risks layering new obligations onto an already complex framework without addressing the underlying question: are we enabling the kind of market that can deliver innovation, choice, and value for consumers?

As energy consumer protection laws evolve to accommodate new technologies and services, it is also essential they do not duplicate or overreach into areas already covered by broader consumer protection frameworks. For example, electric vehicles (EVs) that turn out to be faulty (so-called "lemons") are already protected under existing Australian Consumer Law, which covers product quality, warranties, and remedies. Further, the safety of products like solar panels and battery installations is already regulated under established electrical and building safety laws, which set standards for installation, equipment, and licensed tradespeople. As such, there is no need for energy-specific consumer protection laws to duplicate these requirements, as existing safety regulations already provide comprehensive protections.

Attempting to regulate such issues again under energy-specific consumer protections risks regulatory duplication, confusion, and unnecessary complexity for consumers and providers alike. Instead, energy consumer protection architecture should focus on the specific risks and relationships unique to the energy system and protections for consumers participating in CER markets. Getting this architecture right is critical as part of the broader reform landscape, ensuring coherence across sectors while supporting innovation, competition, and clear lines of accountability.

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

Better outcomes for consumers in network tariff-setting processes can be achieved by ensuring that risks and responsibilities are assigned to the market participants best placed to manage them. When tariffs are designed to reflect actual network costs and usage patterns, they can incentivise retailers, aggregators, and other intermediaries, who have the capability and resources, to respond effectively and manage consumption or export behaviour on behalf of consumers. This approach reduces the need for blunt cost recovery from end users and encourages innovation in how demand and CER are coordinated.

By doing so, tariffs can become one of several complementary tools that support efficient market operation. The goal should be to foster a competitive environment where products and services emerge that enable end consumers to participate in ways that:

- Provide measurable value to the market or system (for example, load shifting, peak shaving and frequency control)

- Reduce the exposure to risk for the market participant (for example, cost volatility, non-compliance penalties and network congestion charges)

- Share that value fairly with consumers as active participants.

Under the current regulatory framework in Australia, network tariffs are typically assigned based on consumer cohort types such as, residential, small business, or large business; rather than on the actual load profile or behaviour of the retailer or aggregator serving them. This results in a structural disconnect. Retailers and aggregators face limited or no financial exposure to the network costs incurred by their customers' consumption patterns. Consequently, they have weak or misaligned incentives to proactively manage those risks or invest in solutions that could shift or reduce peak demand, integrate CER, or support system efficiency.

In contract, retailers are directly exposed to wholesale electricity price signals through their obligations in the National Electricity Market (NEM). They are responsible for purchasing electricity from the spot market to meet their customers' demand, meaning they bear the financial risk of price volatility and fluctuations in wholesale energy costs. This direct exposure creates strong incentives for retailers to manage wholesale market risk efficiently, whether through hedging strategies, demand response programs, or innovative retail products that encourage customers to shift consumption to lower-cost periods. By facing the true cost of energy in real time, retailers are well-positioned to develop and offer services that reduce wholesale risk while delivering cost savings and improved value to consumers. This alignment of cost responsibility and risk management capability supports competitive outcomes and encourages investment in tools and technologies that enhance customer participation and system flexibility.

Therefore, there is an opportunity for this review to consider how to better align network cost risk management to the market participant best placed to manage this risk and therefore enable more efficient outcomes and unlock the full value of customer flexibility. For example, network tariffs could be reassigned based on the load profile of the retailer or aggregator, not the static classification of the end consumer. Doing so would shift risk to the party best placed to manage it, the retailer or aggregator, who has both the visibility and capability to influence consumption patterns at scale. Faced with a tariff structure that reflects their collective load impact, these market participants would be incentivised to actively seek out innovative products and services that reward consumer participation, reduce peak demand, and improve network utilisation.

This approach supports a more dynamic and responsive energy system by aligning financial responsibility with operational control. It ensures that those shaping demand patterns are also accountable for the network costs they drive, encouraging the development of market-based solutions that benefit both consumers and the broader energy system.

What role can network tariffs play in meeting consumer preferences while also contributing to lower overall costs?

Network tariffs can play a role in aligning consumer behaviour with system needs, helping to manage demand and reduce overall network costs. By signalling the cost of using the network at different times, well-designed tariffs can encourage consumers to shift or manage their energy use in ways that support system efficiency. However, as identified in the Discussion Paper, network tariffs are just one tool, and their effectiveness depends on how well they are understood and acted upon by consumers. To truly meet diverse consumer preferences while reducing system costs, tariffs should be considered alongside a broader suite of options such as flexible exports, dynamic connection agreements, and smart

technology integration. These complementary approaches can provide more adaptable and consumer-friendly ways to integrate CER, ensuring that consumer participation is voluntary, informed, and rewarded in ways that reflect the value they provide to the grid.

Flexible exports

Flexible export arrangements and dynamic connections can offer a more targeted, locationally and temporally responsive alternative. By allowing CER to export energy in a way that reflects actual network capacity at a given time and place, these mechanisms provide direct, real-time signals to customers and their agents. This approach enables greater export participation without the need for blunt export limits or rigid pricing structures, and more importantly, it encourages behavioural and technological responses (such as shifting exports, using storage, or participating in orchestration) that align with network needs.

These dynamic mechanisms may better reflect the true value and cost of network usage, and allow for more efficient utilisation of existing infrastructure. Crucially, they assign the operational signal to the party capable of responding to it rather than relying solely on indirect financial signals that may not reach the right actors or drive the desired response.

Therefore, any network pricing reform must be designed to complement and integrate with flexible export and dynamic connection frameworks. Reforms should avoid duplication or conflicting signals and instead seek to harmonise pricing with dynamic operational signals, so that market participants receive consistent incentives across different layers of the system.

DMO/DSO

Further, clearly defining the roles of the Distribution System Operator (DSO) and the Distribution Market Operator (DMO) as part of the ECMC Roadmap work is essential for enabling a more dynamic and efficient energy system, including the effective integration of CER into the energy system. When these roles are well-defined, the DSO can focus on maintaining system security and reliability, while the DMO can be incentivised to actively procure network services such as demand response, voltage control, or local congestion management from third parties, including CER owners and their agents

RIT-D and Distribution Energy Zones

Distribution networks are currently incentivised to pursue capital-intensive, network-based solutions due to the regulatory framework, particularly the way the Regulated Investment Test for Distribution (RIT-D) operates. Under the existing model, networks receive a regulated return on capital investments, which naturally drives them to favour traditional infrastructure upgrades over more innovative or cost-effective non-network alternatives. This structure does not promote the uptake of CER, which often falls outside the scope of capital expenditure and thus attract less interest from networks.

To address this imbalance, the RIT-D should be reformed to actively encourage networks to consider and prioritise non-network CER solutions. This means shifting the incentive structure so that networks are rewarded for enabling cost-effective, distributed energy outcomes, particularly when these solutions can better utilise the network and therefore defer or replace traditional infrastructure spending. By broadening the scope of RIT-D to encompass non-network investments and by adjusting how value is assessed, this better aligns financial incentives with consumer interests.

Proposed Distributed Renewable Energy Zones (DREZs) in areas like Caloundra, Townsville[2], and Illawarra[3] offer a strong opportunity to trial a new model. These DREZs should be treated as distributed renewable energy capacity investment frameworks. Under this model, networks would define the specific grid challenge or need, but an independent body would run a competitive tender to identify the least-cost renewable generation and storage solutions, driving innovation, transparency, and more efficient outcomes for consumers.

This market-based approach complements cost-reflective network tariffs by creating additional value streams for flexible energy use and generation, beyond price signals alone. While network tariffs send economic signals to guide consumer behaviour, procurement by a DMO ensures that the system actively rewards those who can provide services when and where they are most needed. Together, these mechanisms can reduce the need for costly network investment, enhance operational efficiency, and deliver lower long-term costs for consumers.

[2] https://reneweconomy.com.au/creation-of-local-renewable-zones-is-the-game-changer-australias-energy-transition-needs/
[3] Government engages community on plan for the Illawarra Renewable Energy Zone | EnergyCo