

14 July 2025

Ms Anna Collyer
Chair
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2001

Dear Ms Collyer

Re: CleanCo Submission on the pricing review: Electricity pricing for a consumer-driven future

CleanCo Queensland welcomes the opportunity to provide a submission in response to the Discussion Paper for *The Pricing Review: Electricity pricing for a consumer-driven future*.

CleanCo was established by the Queensland Government in 2018. We own and operate a portfolio of flexible, responsive energy generation assets and support the development of new clean energy assets. We offer renewable energy firmed with our portfolio to deliver competitive clean energy products that are tailored to our customers' individual needs.

CleanCo's customer base comprises a diverse group of large businesses representing a significant share of Queensland's electricity demand. Despite their size, they grapple with many of the same challenges as smaller customers – how can they get the best price and what happens if they invest in the broad suite of Consumer Energy Resources (CER)?

The AEMC has appropriately identified both retail offerings and network tariffs within the broad category of electricity pricing. These ways of charging customers are clearly relevant but it is also important to recognise that the ultimate price or cost of the bill is at the forefront of customers' minds. This is particularly important when customers perceive prices to be "too high" – the responses by customers will be varied and their attitudes to product offerings and competition will be different. As an industry, we must focus on pricing structures that reflect costs and provide incentives to keep costs down.

The shift in the customer base towards more and diverse CER options creates an environment where different product offerings are necessary but at the same time there will be many customers that aren't able to access CER options. There will also be cohorts of customers that will have difficulty in engaging with the market or require specific supply arrangements e.g. life-support equipment. We agree that the consumer archetypes are a useful way of making distinctions between consumers and the preferences they have but we must recognise that individual behaviour is unlikely to be fully rational and can often be unpredictable.

In this environment, it is incumbent on industry to provide choices that are clear and easily understood by customers. From experience with our customers, CleanCo seeks to provide insights into the challenges and opportunities for designing the pricing frameworks necessary to expand the scope for product offerings and minimise overall system costs.

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?

The concept of bookended products ranging from basic to sophisticated is generally sound. However, noting the consumer archetypes developed by the AEMC, we suggest there should be consideration of a category further to the left on the product offering schedule that captures those who require special arrangements and very close contact with retailers. This could include safety-net offers that allow features like stable prices, managed payment options or guaranteed supply for medical equipment. These customers are more complex to deal with from a retailer perspective and should be considered separately from those seeking the 'Basic' product offering.

Beyond this, we also advocate for pricing signals that reflect the real costs of supply and incentivise behaviours that contribute to system efficiency, such as shifting demand away from peak periods or encouraging consumption when energy is abundant. However, these benefits can only be realised if signals are accompanied by clear, accurate, and actionable information for consumers. Products that are overly complex or opaque risk undermining engagement and limit the ability to respond effectively, reducing the potential value of diversified product offerings.

The Australian Energy Council (AEC) has noted a clear example of this with demand-based network tariffs. In its 2024 submission on managing complex network tariffs, the AEC noted that such tariffs are not easily understood by small customers, and thus "customers will not be able to respond to price signals if they cannot relate price structures to their usage decisions."

If customers cannot discern what actions will lower their bill under a particular tariff then the tariff's ostensible purpose – incentivising load shifting or peak reduction – is defeated. It is equally important to consider how price signals can be combined with other mechanisms to create feedback loops of engagement and input, allowing pricing to evolve from a zero-sum value transfer to genuine benefits for users and the system.

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

Competition in the retail market is crucial to helping customers access products and services aligned with their needs. However, competition does not automatically result in "low prices" but should result in prices being lower than they would otherwise be in comparison to their counterfactuals. We must also recognise that the benefits of competition may not always be clear to customers, particularly in "high price" environments.

This is exacerbated when retailers present customers with prices that reflect rising costs that are out of their control and can potentially negate visible benefits from competition. Retailers are responsible for managing a range of energy market costs and risks to provide customers with a retail product that reflects these. As the AEMC has noted, around 80% of a typical customer's bill comes from wholesale electricity and network costs and there is limited ability for retailers to control these costs.

Generally, customers like to have choices and they will try to find product offerings that suit their needs. When it comes to electricity, we are seeing more customers who are seeking to service quite complex consumption requirements with combinations of solar, batteries and electric vehicles, while

simultaneously looking for something that is easy to understand and can be compared with other offers. Retailers have shown a willingness to add and modify product offerings to suit these changing preferences but as preferences change, there may not necessarily be more competition as product offerings become more bespoke.

Effective competition relies on consumers having transparent and understandable information. We can see that customers frequently struggle to interpret complex network tariffs, placing increased reputational risk on retailers who must explain charges they neither control nor design. This complexity may also have the unintended consequence of undermining retail competition as smaller retail participants will take on greater risk to absorb network tariff structure changes without passing them through to customers. Addressing these barriers through improved transparency and focus on collaboration between networks and retailers is essential for realising competitive market benefits.

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

CleanCo agrees that current network tariff structures, despite their intended cost-reflectivity, often prioritise theoretical precision at the expense of practical consumer usability. Complex tariffs with multiple components can confuse consumers and limit their ability to respond effectively.

Network costs currently make up 40% of an electricity bill, so the setting of tariffs plays a critical role in conveying signals for these costs. Effective network tariff design is essential to deliver better outcomes and we support a greater focus on the retailer-network interface in setting tariffs, with more emphasis on retailers as the connection to customers. As an industry, we have learned from experience that customers are not interested in more complexity in pricing structures and more likely are seeking simplicity. Paradoxically, we are seeing a growing number of customers who want product offerings that reflect their specific circumstances, which retailers are required to develop and offer.

CleanCo recognises the inherent challenges arising from the way network tariffs are regulated. Network tariffs are effectively set for a five-year period, looking ahead to a market that will likely be very different at that period's conclusion. Networks may design tariffs with the intention of reflecting customer outcomes but without the regular feedback and input from consumers and retailers, the outcomes could unintentionally reinforce inefficient outcomes.

To strengthen the feedback loop, CleanCo advocates for structured stakeholder consultation processes that meaningfully integrate retailer and consumer perspectives into tariff design. We have seen positive examples of this in Tariff Structure Statement (TSS) consultation process, with recent Victoria TSS processes involving genuine consultation with retailers, resulting in tariffs that met network objectives without overly complicating pricing structures. Such collaboration ensures that retailer perspectives on what customers can understand and manage are embedded before tariffs enter the market.

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

Network tariff setting should focus on reflecting the costs of using the network rather than necessarily focusing on customer preferences. We believe that tariffs must accurately reflect underlying network

costs and give retailers the ability to work with interested customers to manage energy use effectively and reduce their bills.

Network tariffs should be seen as a way of facilitating the breadth of customers and usage patterns (including the varying uptake of CER) but not necessarily designed to account for the various combinations that customers will choose. Additionally, as the AEMC has noted, there may be mismatches between signals from networks compared with the wholesale market. As a result, there should be no expectation from networks or regulators that the products offered to customers specifically reflect underlying network tariffs.

We are actively engaging with our customers to understand their expectations of the future grid. Enhancing the retailer-network interface in network tariff design and improving transparency are essential for achieving broader system efficiency. We strongly support continued efforts by Government and market bodies to enable effective price setting processes. Ultimately, we want to ensure that customers can access product offerings that reflect their circumstances and worry less about the components of their bill.

CleanCo supports the objectives of the Pricing Review and appreciates the opportunity to contribute to this important consultation.

Yours sincerely,

Andrew Burnett

A handwritten signature in black ink, appearing to read 'Andrew Burnett', with a stylized flourish at the end.

Andrew Burnett,
Principal Advisor, Customer & Energy Markets
CleanCo