Australian Energy Market Commission
Level 15, 60 Castlereagh Street
Sydney NSW 2000

11 July 2025

Re: EPR0097 AEMC Discussion Paper– The pricing review

Thank you for the opportunity to provide feedback on the *Discussion Paper: The pricing review*.

The Energy Efficiency Council (EEC) is the peak body for Australia's energy management sector, working to ensure Australia harnesses the power of efficiency, electrification and flexible demand to deliver a prosperous, equitable, net zero Australia.

The EEC believes consumers play a critical role in the electricity market: by permanently reducing and altering the timing of electricity demand through energy efficiency and demand flexibility, electricity users – including households, commercial buildings and industrial facilities – can deliver a range of private and public benefits. These benefits include lower energy bills, reduced wholesale prices, reduced network costs, and the provision of grid services such as emergency capacity and frequency control and ancillary services, amongst others.

Consumers, retailers and the wholesale market

The EEC supports competition in the retail market but believes other measures are needed to support demand side action and enable service providers to deliver the mix of products that customers require.

The importance of aggregation in harnessing the benefits of CER

The EEC would like to highlight the important role that aggregators play in enabling a consumer to engage with the wholesale market (whether an independent aggregator or a retailer acting through a VPP).

A clear and supportive framework for aggregators is essential to stimulate innovation and unlock demand-side potential. Innovative aggregators can create new business models and customer engagement strategies. Appropriate mechanisms need to be in place to facilitate aggregators to play this important role.

Reforms are needed to activate a 'two-sided market' and unlock more innovative consumer products

A two-sided market, where both the supply and demand side of the market actively participate, remains embryonic in Australia. The current energy system does not make the most of demand-side opportunities to reduce cost and emissions. A more a holistic view of the energy system, and a range of mechanisms, are required to adequately incentivise participation from the 'demand side'.

While several rule changes have recently been proposed or passed that could help harness the power of Consumer Energy Resources, there is still work needed to enhance

their execution. A good example is the 'Unlocking CER Benefits Through Flexible Trading Rule Change', rule change of 2024.

While this was a positive step forward, in allowing large customers to have multiple energy service providers provide separate services, it could be improved and stimulate increased business model innovation by being extended to smaller users.

Similarly, the AEMC's review of the WDRM has recently found it to be cost-effectively delivering reductions in the wholesale price for consumers. While historic participation has been relatively low, changes to baseline methods and eligibility requirements could enable much higher participation, with greater benefits for consumers.

These are just two examples of reforms to the wholesale market that could improve outcomes for consumers and the EEC would be happy to discuss others.

Consumers, retailers and network tariffs

Volumetric tariffs and the uneven distribution of costs

The EEC agrees with the paper's contention that there are equity risks with volumetric network tariffs that 'do not share the costs of paying for distribution infrastructure fairly among electricity consumers.'

Volumetric network tariffs benefit those consumers with the means to invest in better energy performance (through energy efficient and flexible demand technologies). Consumers without the ability to change their energy consumption profile or afford energy efficient equipment in effect end up paying a greater share of network costs.

However, the EEC believes the equity problem is most pronounced at the current moment in the energy transition, compounded by a historic over-investment in network infrastructure.

Changes to address equity issues should not compromise future opportunities

The Commission's analysis set out in Appendix D shows that in most jurisdictions, distribution networks are significantly under-utilised. This is mainly because market rules have historically encouraged networks to prioritise capital expenditure and reliability, rather than achieving objectives such as lower energy bills and decarbonisation. Consequently, consumers are now paying for the historic gold plating of the networks, a situation that could have been avoided had the market rules properly incentivised networks to invest in non-network solutions earlier.

Nonetheless, the picture presented in Appendix D is likely to change significantly as Australia electrifies more of its energy end-uses, a process the EEC deems essential for the country to meet its decarbonisation goals. For example, in Victoria, a jurisdiction with a relatively low share of network with over 40% headroom, the Government has just passed regulations that will shift a large share of the state's residential gas demand to electricity. Other states are examining ways to electrify industrial gas use and innovative network companies are actively working to promote industrial electrification to increase network utilisation, a process the EEC fully supports.

In short, while addressing equity issues is important, any rule changes should consider future growth in electricity demand linked to Australian governments' decarbonisation goals. In a context of high variable renewables and higher electricity network use than today, the ability to link network use to price through volumetric tariffs may become more valuable.

Support flexibility and dynamic tariffs where the network is constrained

Retail offerings that include dynamic network tariffs that better align with wholesale price changes should be supported in parts of the network already facing constraints.

As set out in the paper, fixed demand charges can actively discourage flexibility and prevent consumers moving demand into times of low wholesale prices, such as the middle of the day.

EEC members report that dynamic network tariffs are working well in some areas. For example, AusNet's Critical Peak Demand tariff has shown a reduction in peak demand across AusNet's network, providing significant savings to participants.

The EEC looks forward to continuing to engage with the AEMC on this review. For further information on anything in this submission, please contact me on jeremy.sung@eec.org.au or 0411 934 701.

Yours faithfully,

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