Drew Butterworth
Australian Energy Market Commission

Submission made online at www.aemc.gov.au

10 July 2025

Dear Mr Butterworth,

Subject: AEMC Discussion Paper – The Pricing Review

SA Power Networks welcomes the opportunity to comment on the AEMC's Discussion Paper: "The pricing review: electricity pricing for a consumer-driven future" (the Review).

SA Power Networks is recognised by the Australian Energy Regulator (AER) as a leader in developing cost-reflective tariffs [1] that also consider customer impacts. In preparing this submission, we have taken an evidence-based approach, striking a balance between the need for a future-focused vision, tangible reform outcomes and the impacts on customers.

Our submission focuses on key areas for the Review to consider, and we would welcome the opportunity to discuss these further with the AEMC. These focus areas are:

1. Consider financial incentives and payments (non-tariff options) to drive behavioural change.

2. Investigate how "bookend" products can be developed using currently available network tariffs.

3. Design consumer safeguard mechanisms to ensure equitable outcomes for consumers engaging with bookend options.

4. Ensure that the pricing rules and principles of network tariffs remain sufficiently flexible to support the future evolution of network tariff design.

5. Explore the concept of a single cost-reflective network tariff per tariff class.

6. Consider the development of Retailer Impact Principles for DNSPs in designing tariffs.

If you have any queries on matters raised in this letter, please contact Pratib Parthiban, Pricing Manager, at pratiban.parthiban@sapowernetworks.com.au

Jessica Morris
Chief Customer & Strategy Officer

[1] Australian Energy Regulator (AER), *Final Decision Overview – SA Power Networks – 2025–30 Distribution Determination Revenue Proposal*, April 2025

The role of pricing in a consumer-driven future

More than 25 GW of Consumer Energy Resources (CER) are currently installed across the 40 GW power system comprising the National Electricity Market (NEM), with rooftop PV representing the single largest source of generation ever to operate in the system. According to AEMO's 2024 Integrated System Plan (ISP), 80% of this CER is expected to be orchestrated by 2050, more than double the current level of orchestration. Energy products, particularly pricing, are key enablers of orchestration, with financial benefits being the primary driver for a consumer to opt into orchestration.

Network tariffs today are designed to influence efficient long-term behavioural decisions through the introduction of cost-reflective elements. However, our view is that the task of influencing efficient behavioural decisions by customers will depend not only on access to efficient network tariff signals, but also on the role of non-tariff financial/payment-based incentives.

Non-tariff incentives to drive behavioural change

In our view, there is a role for Distribution Network Service Providers (DNSPs) deploying non-tariff incentives to drive efficient behavioural decisions. While these signals are currently aimed at consumers but implemented via energy retailers, we believe that in the future, these signals could be directed primarily at retailers. Non-tariff signals can act as a mechanism for incentivising efficient behavioural decisions.

We are actively exploring new strategies to leverage CER's ability to provide flexibility services to the network. Specifically, we see opt-in, reward-based Dynamic Operating Envelopes (DOEs) and distribution flexibility marketplaces will create new incentives to drive consumers' efficient behavioural decisions.

Through the ARENA-funded Energy Masters project, we are collaborating with energy retailers and technology providers to trial paid response to time-varying, or dynamic, import limits. These payments could be delivered through a credit-based tariff mechanism, as demonstrated using our current Diversify trial tariff, or through a new, non-tariff approach.

In parallel, we, along with other DNSPs, notably our Victorian counterparts, are actively seeking to deploy distribution-level marketplaces to better manage network constraints. Building on the model currently deployed in the United Kingdom, these marketplaces will allow DNSPs to contract with aggregated CER in real-time to mitigate network constraints. Payments would be provided to these distribution market participants, reflecting the avoided or deferred investment achieved through their response. We consider these payments to be managed separately from the distribution network tariff process, funded through the avoidance/deferral of capital expenditure, such as what would have otherwise been required to augment the network.

We expect that payments provided to retailers and CER aggregators through these new flexibility mechanisms would be passed on in some form to consumers, encouraging consumer opt-in and increasing the value they receive from the orchestration of their assets. Retailers and aggregators would seek to incentivise the adoption of CER amongst their customers, with each new orchestrated customer enhancing their ability to participate in distribution markets and be rewarded.

We believe that network tariff signals and non-tariff payments could form the foundation of DNSP-led signals for efficient behavioural decisions in the future. With this perspective in mind, we have provided our responses to the four key questions posed by the discussion paper.

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?

Question 2: Can we rely on competition in the retail market to deliver the mix of products and services that customers value?

We support the AEMC's focus on "bookend" energy products as an effective way to enable a diverse range of products, services, and arrangements to cater for consumers with varying levels of engagement with the energy market. We consider that the retail market has the ability to deliver this diversity. While the concept of bookend products is reasonable, we emphasise that regulation should not seek to mandate the specific design of products in a competitive market, unless there is clear evidence that competition is ineffective. We propose that the AEMC identify any potential market conditions or signals that may hinder competition from delivering these products effectively.

While we are encouraged by some innovative retail offers adopting current network tariff structures, these offers are not yet widely available, and most retail offers remain relatively uniform. One emerging form of retail offer gaining attention is subscription plans. A key question we are considering is how, and to what extent, retailers could package existing network tariffs to develop 'bookend' products, such as subscription plans. We encourage the AEMC to explore this question further and identify any barriers that may prevent the design of bookend retail offers.

It is important to note that the lower risk options, such as the subscription plan, may come at a higher cost to the consumer commensurate with the risk. To ensure that bookend products are equitable, they should be supported by appropriate consumer safeguard mechanisms or regulatory oversight. Potential options could include limited-time price oversight and a DMO-style mechanism tailored to different types of retail products to ensure that customers are not materially disadvantaged when selecting one type of retail offer. Any consumer protection mechanisms must be designed to ensure that they do not impact competitiveness. We emphasise that competition must be encouraged by regulatory frameworks that foster and enable innovation.

Question 3: How can better outcomes for consumers be enabled through network tariff-setting processes?

Network tariff-setting processes should provide efficient pricing signals that accurately reflect the drivers of distribution network costs, providing sufficient incentives for retailers to deliver value to consumers.

It is essential that the regulatory framework, particularly the Distribution Pricing Rules in the National Electricity Rules (NER), evolves to appropriately consider the views of those who directly receive the network tariff signals. Currently, the NER allows networks to consider either retailers' or customers' views in tariff design (enacted via the access, pricing, and incentives rule change). While this reform was intended to provide flexibility and enable more cost-reflective tariffs, it is unclear whether this goal has been fully achieved. Instead, distributors are left in an uncertain middle ground, balancing the need to ensure that distribution network tariffs are understandable by end consumers, with retailer-focused design.

The Australian Energy Regulator (AER) has generally given greater precedence to distributors' consideration of consumers' ability to understand the tariff structures that networks design. While the NER reforms aimed to prioritise retailer-focused tariff design, there is no equivalent in the rules to the 'customer impact principles' that focus on retailers. To address this gap, we recommend that the AEMC explore the concept of Retailer Impact Principles as part of the tariff-setting process, ensuring that retailer views are appropriately considered alongside customer impacts.

Another key area for the AEMC is to consider whether the current Network Pricing Objective (NPO) and pricing principles in the NER remain sufficiently flexible to support the future evolution of network tariff design. In our view, the NPO is fit for purpose; however, there is some uncertainty as to whether the pricing principles may need to be updated to accommodate a broader range of design options.

We believe that the future network tariffs should be manageable for retailers, enabling them to handle the risk profiles of their customers while maintaining simplicity where appropriate and progress towards greater levels of cost reflectivity over time.

To support retailers' ability to offer 'bookend' energy products, networks could consider the concept of a single cost-reflective network tariff per tariff class for retailers. While such a retailer-focused single network tariff does not necessarily need to be simple, it hopes to provide retailers with the flexibility to package this network tariff into a variety of retail offers tailored to their customers. This approach assumes that retailers will receive network tariff signals and incentives to manage risk on their customers' behalf and compete on retail offer design.

We also emphasise the critical role of consumer engagement in shaping the tariff design processes of distribution networks. While acknowledging that it is retailers that are the recipients of distribution network tariffs, tariff design intends to work through the competitive retail market to ensure that efficient end-use decisions are made. Therefore, there will likely still be an important role for the networks in engaging with consumers, and the key consideration will be on how this engagement should be appropriately refocussed to topics that are most meaningful to customers.

We recommend that the AEMC ensure the pricing rules and principles are flexible to cater for future tariff design options. We do not believe this review should mandate the specific design of network tariff structures, nor should any of the above points lead retailers to specify network tariff structures.

Question 4: What role can network tariffs play in meeting customer preferences while also efficiently and effectively contributing to lower overall costs?

Network tariffs play an effective role in driving efficient outcomes, particularly when paired with enabling technologies. Network tariffs can be designed to send pricing signals to retailers, agents and energy service providers, encouraging more effective and efficient use of the network and ultimately contributing to lower overall costs. SA Power Networks has been able to demonstrate this in the current regulatory landscape, where retailers have responded significantly to time of use pricing signals for controlled load by shifting load to the 'Solar Sponge' window. This response contributes to one of our network objectives of increasing daytime demand on the network.

Graph 1: % of controlled load usage kWh within Solar Sponge window

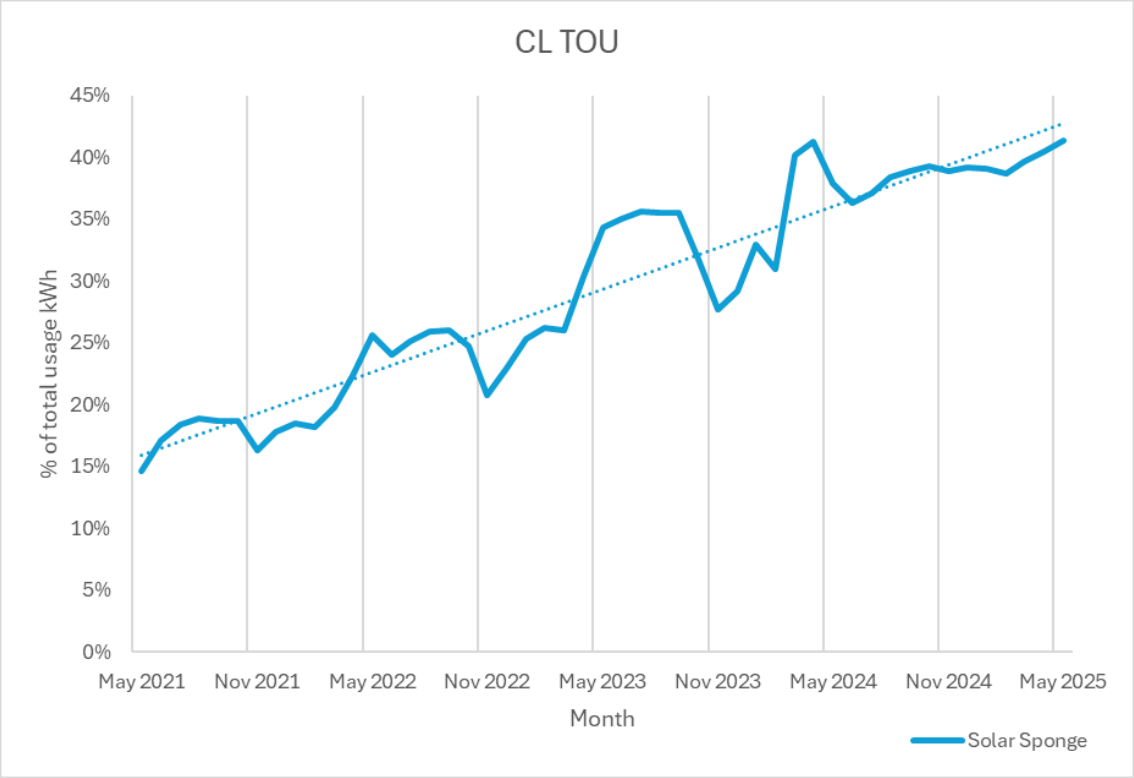
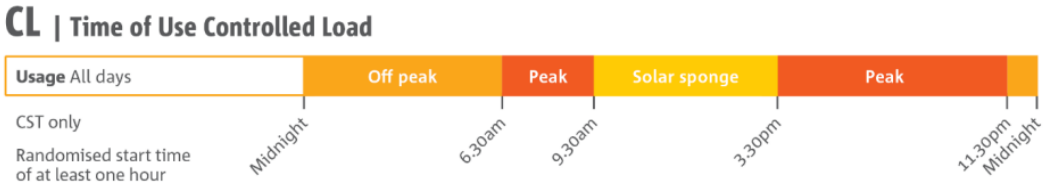


Image 1: Time of Use Controlled Load Tariff Structure 2020 – 2025



In South Australia, retailers are responsible for the control of interval metered controlled load and to date, we have seen great success with Retailers responding to our price signals. In May 2025, 41 percent of the controlled load was in the Solar Sponge time window and it is expected that this shift will continue to increase. As a distribution network, the only stipulation we have is that loads must continue to be randomised by one hour to avoid creating new peaks. This combination of pricing signals and technical guardrails demonstrates the effectiveness of network tariffs in incentivising change to address a network problem via a non-capital solution.

Looking ahead, our vision for the future of electricity services is centred on Home Energy Management Systems (HEMS), whether as physical devices or cloud-based systems, with seamless 'plug-and-play' integration for all home devices enabled by nationally legislated interoperability standards. Acting as the 'brain' of the home's energy system, HEMS would allow consumers to set preferences via an app, such as deciding which devices are managed or monitored, setting limits on control (e.g. EV charging or hot water usage), and opting in or out of control at any time. These systems would prioritise consumer outcomes, ensuring consumers remain in control while optimising energy use based on their preferences, network tariffs, dynamic operating envelopes (DOEs), and market participation opportunities, such as virtual power plants (VPPs) or wholesale energy markets.

In the future state, network tariffs will continue to provide pricing signals to retailers, customer agents, aggregators, and energy service providers acting on behalf of customers. We support a range of future network pricing options, alongside network tariffs, to enable efficient investments in CER and the coordinated orchestration of CER. This approach has the potential to lower system costs by encouraging efficient behaviour and deferring costly network upgrades. We continue to emphasise the importance of customer-centric retail offers coexisting with these network signals, ensuring fair participation and protection for all customers, particularly those without access to CER.

Projects such as Energy Masters[2]and the Energy Charter Customer-Led Tariffs initiative[3]will continue to inform our approach. In the Energy Masters project, our network tariff, Residential Electrify tariff, is being packaged by retailers into retail offers and is currently being trialled in 500 homes. In addition, as part of the Energy Charter Better Together Tariff Initiative, we are exploring innovative approaches to network tariffs that provide clear pricing signals to retailers, promote the adoption and orchestration of CER, and enable the design of simple, predictable retail subscription plans. A cost-reflective tariff design aimed at retailers to motivate CER orchestration has the potential to reduce future network augmentation and improve network utilisation. Maximising network utilisation is critical, as increasing the number of customers and/or load helps distribute costs across a broader base, thereby reducing the cost per customer. This reduction in system costs is essential for facilitating and incentivising the further electrification of households and businesses.

We acknowledge that the challenges outlined in this Review are unlikely to be resolved through a single solution. A combination of network tariff and non-tariff solutions will be necessary to deliver better consumer outcomes and improved system efficiency.

[2] Energy Masters is a project led by SA Power Networks, and supported by a partnership of government and private organisations in the energy industry with funding from the Australian Renewable Energy Agency (ARENA) (Energy Masters | Energy Masters)
[3]Customer-led Tariffs initiative is a project led by EnergyAustralia, SA Power Networks and Essential Energy, with coordination support from The Energy Charter (Energy Charter – Better Together Tariffs initiative)