

10 July 2025

Kate Degen
Acting Executive General Manager Consumer, Market and Analytics
Australian Energy Market Commission
Level 15, 60 Castlereagh Street
Sydney NSW 2000

Dear Ms Degen

Re: The Pricing Review: Electricity pricing for a consumer-driven future (EPR0097)

As the Distribution Network Service Provider (**DNSP**) in Tasmania, TasNetworks welcomes the opportunity to provide comments in response to the discussion paper released by the Australian Energy Market Commission (**AEMC**) about the electricity products and services that will be offered to retail customers in the future and the prices that customers will pay for them.

TasNetworks is supportive of The Pricing Review and its objective to support the availability of products and services consumers want in the future, while also delivering a lower-cost system for all consumers. Both these objectives align with TasNetworks' 2024-2029 Tariff Structure Explanatory Statement where we outline our aim to provide affordable and innovative network tariffs.

In November 2014, the National Electricity Rules (**NER**) were updated to require network businesses to set prices that reflect the efficient cost of providing network services to individual consumers¹. The rule change introduced the network pricing objective and distribution pricing principles², both of which received broad industry support at the time.

TasNetworks considers that the network pricing objective is still broadly applicable. This does not mean that change is not warranted and TasNetworks acknowledges that the process of designing and introducing network tariffs could be improved, both through greater collaboration between DNSPs and retailers and through regulatory reform. In particular, the rapid uptake of consumer energy resources (**CER**) in many parts of the National Electricity Market (**NEM**) needs to be taken into account in tariff design, both in the provision of innovative tariffs for engaged customers, while also ensuring equity in the recovery of network costs.

¹ AEMC, *National Electricity Amendment (Distribution Network Pricing Arrangements) Rule 2014*, 27 November 2014

² NER, clause 6.18.5

TasNetworks notes the three focus areas of the review, this submission responds to two of these areas: The Distribution Network, and The Retail-Network Interface.

The Distribution Network

The aim of cost reflective network tariffs is to change customer's consumption behaviour by reducing maximum demand to lower costs through deferral of network augmentation. However, for many reasons, a large proportion of customers are unable or unwilling to respond to cost reflective network pricing through their energy usage³.

Despite this fact, we consider that network tariffs still need to be structured to recover the efficient costs associated with supplying retail customers and reflect the costs of operating the network. A move away from cost reflective pricing would compromise networks' ability to signal the costs of inefficient network usage and reduce our ability to design innovative tariffs for customers who are engaged, able to change their energy consumption and wish to utilise their investment in CER to its full potential.

We also consider that DNSPs remain best placed to design network tariffs. We understand our network costs and operate within a regulated framework that is designed to ensure that expenditure and investment in network augmentation is prudent and efficient. Further, we invest considerable resources in understanding consumers and ensuring that our network tariffs comply with the pricing principles in the NER, whilst also aligning with changing preferences and needs.

Therefore, to deviate from having consumers front of mind and instead designing network tariffs to facilitate competition in the retail market, factor in conditions in the wholesale electricity market or deliver external public policy objectives, risks the creation of cross-subsidies, unwelcome price volatility for consumers, and inefficient use of networks by end users.

Additionally, network tariffs are proposed and approved during the regulatory determination process which sets what is offered by DNSPs for the five-year regulatory period. Due to the rapid pace of change in the energy market, DNSPs and retailers cannot be certain how consumer preferences will change over a five-year period. While DNSPs should still be required to engage with end-users and consult with retailers on the development of tariffs, we believe that a key outcome of The Pricing Review should be allowing DNSPs to introduce new network tariffs during a regulatory control period. Making this change would help equip us with the ability to adapt to a rapidly evolving market.

The Retailer-Network Interface

Retailers perform a valuable function in packaging electricity costs from across the energy supply chain into products and services for consumers. In doing so they need to balance the

³ TasNetworks' research indicates that over 90 per cent of Tasmanian customers fall into this category.

risks of the different costs that exist in different parts of the supply chain. TasNetworks acknowledges that this complexity imposes costs on retailers and these costs are ultimately passed through to customers. TasNetworks welcomes greater network and retailer collaboration on network tariff design and considers it to be key to ensuring that customers are not paying the costs of unnecessary risk.

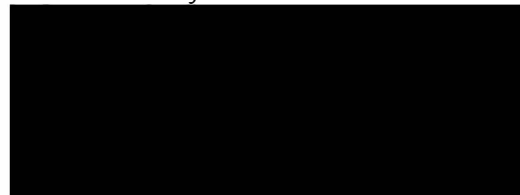
Our observations and experiences align with the AEMCs Discussion Paper and reflect that there are currently barriers to greater retailer involvement in network tariff design. We would welcome more insights from retailers on the needs and preferences of their customers however, operating in a competitive market means that there may be a reluctance from retailers to share information with DNSPs. Competition law considerations also prevent retailers from discussing or giving effect to agreements or understandings relating to pricing, necessitating DNSPs to consult with retailers individually, rather than as a group, which means getting a consensus is difficult.

We also note that under the current framework there is no obligation on retailers to offer innovative network tariffs developed by networks. In the absence of any obligation to offer these tariffs, we consider that more meaningful consultation between networks and retailers, incorporating insights from both parties could ensure that innovative tariffs meet the needs of networks and retailers and are more likely to be offered to end use customers. However, the competitive nature of the retail market and differences in retail risk appetite and market segmentation makes developing innovative tariffs that meet the needs of all retailers more challenging.

In closing, in TasNetworks' view it is not clear that the current framework applying to network pricing needs significant reform noting that this does not mean that there aren't opportunities for changes or improvements. The Australian energy industry and consumer preferences are constantly changing and will continue to change after The Pricing Review concludes. It is important that DNSPs are equipped to respond to these changes through a more flexible and collaborative framework that enables us being able to respond to an evolving customer base.

Once again, thank you for the opportunity to provide comments in response to the discussion paper. To discuss the views expressed in this submission please contact Gemma Hutchison, Acting Leader Regulation, at [REDACTED]

Yours faithfully



Julie Morrison
Acting Head of Regulation

Confidential information has been omitted for the purposes of section 24 of the Australian Energy Market Commission Establishment Act 2004 (SA) and sections 31 and 48 of the National Electricity Law/sections 223 and 234 of the National Energy Retail Law.