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Australian Energy Market Commission  
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# Electricity Pricing Review – *Electricity Pricing for a Consumer-Driven Future*

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## 1. Introduction and Context

Orkestra welcomes the opportunity to make a submission to the Australian Energy Market Commission's Electricity Pricing Review ([EPR0097](#)). We support the Commission's focus on ensuring electricity pricing frameworks remain fit-for-purpose in a system undergoing rapid structural change driven by electrification, distributed energy resources (DER), and increasing consumer participation.

This submission focuses specifically on the Draft Report's proposed direction regarding network tariff structures, particularly the indication that **fixed network charges may play a more dominant role in future revenue recovery**. We assess this proposal through the lens of the **National Electricity Objective (NEO)** and the Commission's stated objective that network tariffs should be efficient and cost-reflective.

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## 2. About Orkestra

[Orkestra](#) is a global software company founded in Australia that provides advanced modelling tools for commercial and industrial solar and battery investments. Our platform is

used by energy retailers, developers, financiers and energy users to understand how network tariffs, wholesale prices and behind-the-meter technologies interact to shape consumption behaviour, investment decisions and system outcomes.

Through this work, Orkestra has direct insight into how tariff design influences:

- Load shifting and peak demand behaviour
  - Battery and demand-side investment decisions
  - The efficient use of distribution networks
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### 3. National Electricity Objective and Tariff Design

The AEMC's work is guided by the **National Electricity Objective**, which is to:

*“Promote efficient investment in, and efficient operation and use of, electricity services for the long-term interests of consumers of electricity with respect to price, quality, safety, reliability and security of supply of electricity; and the reliability, safety and security of the national electricity system; and the achievement of targets set by a participating jurisdiction for reducing greenhouse gas emissions.”*

In the context of network pricing, this objective requires tariff structures that:

- Enable **efficient investment** in network assets and non-network alternatives
- Encourage **efficient operation and use** of the electricity system
- Deliver **long-term consumer benefits**, including lower system costs and improved reliability

Tariff reform should therefore be assessed not only on the basis of revenue recovery, but also on its impact on consumer behaviour, technology adoption and system efficiency over time.

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## 4. Efficiency as a Core Principle of Network Tariffs

Orkestra strongly supports the Draft Report's statement in **Section 64** that:

*"Consumers are best served when network tariffs are efficient, and send signals to energy service providers that enable a response that rewards customers who are behaving in a way that contributes to the lowest overall cost for the system and ensures equitable sharing of costs."*

We consider this principle to be central to both the Draft Report and the National Electricity Objective.

Efficient network tariffs must achieve **two interrelated outcomes**:

1. **Revenue recovery** – enabling network service providers to recover efficient costs and earn a regulated return.
2. **Efficient price signalling** – encouraging consumers to use the network in ways that minimise congestion and reduce the need for future network investment.

A tariff framework that weakens price signals in favour of unavoidable charges risks compromising the second outcome and, in doing so, may undermine long-term consumer interests.

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## 5. Changing Consumer Capabilities and System Context

The electricity system has changed materially in recent years. The Draft Report recognises the growing role of consumer energy resources and the increasing ability of consumers to engage with the energy system.

In particular:

- Battery technologies are now commercially mature and widely deployed, especially in the commercial and industrial sector.

- Financing arrangements increasingly enable battery adoption without upfront capital.
- Software platforms and automation allow load shifting and demand response with minimal operational complexity.

These developments materially expand consumers' ability to respond to network price signals and contribute to efficient system operation.

From Orkestra's experience, tariff design is a **primary driver** of whether these capabilities are utilised in ways that reduce peak demand and system costs.

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## 6. Implications of Predominantly Fixed Network Charges

Stakeholder interpretations of the Draft Report suggest a potential shift towards **predominantly fixed network charges** as a means of improving revenue certainty and equity. Orkestra is concerned that such a shift, if not carefully constrained, may weaken tariff efficiency.

In particular, increasing the proportion of unavoidable fixed charges:

- Reduces the financial incentive for consumers to shift load away from constrained periods
- Weakens the economic case for battery and demand-side investments that reduce peak demand
- Limits the ability of consumers to contribute to efficient network utilisation

Where consumers are unable to materially reduce network charges through changes in behaviour or investment, price signals become less effective, even where those consumers are capable of responding.

This outcome risks being inconsistent with the NEO's requirement to promote **efficient operation and use** of electricity services for the long-term interests of consumers.

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## 7. Electrification and Long-Term System Efficiency

Australia is entering a period of sustained electrification across transport, heating, and industrial processes. This transition will increase reliance on distribution networks and place greater importance on managing peak demand efficiently.

Long-term modelling by the AEMC highlights that electrification — including through solar, batteries and electric vehicle uptake — materially influences future demand and system costs.

The [AEMC's Residential Electricity Price Trends 2025 report](#) projects how households' costs and demand patterns may evolve as electrification and DER adoption grow. It shows that changing demand conditions — including how households electrify — are key drivers in future price trends and network utilisation.

This underscores that network tariffs must support **efficient operation and use over time**, including through dynamic price signals that properly reflect periods of constraint and flexibility value.

In this context:

- Network throughput is expected to increase over time
- Peak demand management will be critical to maintaining affordability and reliability
- Consumer flexibility will be a key resource for avoiding unnecessary network augmentation

Tariff structures that diminish incentives for flexibility may increase long-term system costs, contrary to the NEO's focus on efficient investment and long-term consumer outcomes.

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## 8. Alternative Tariff Structures Consistent with the National Electricity Objective

Orkestra considers that **dynamic tariff components** become the primary element of efficient network tariffs and should not be subordinated to fixed charges.

Approaches that align more closely with the NEO include:

**TOU Consumption Tariffs:** Well-designed TOU tariffs provide clear signals that encourage consumption during periods of low network constraint. Three rate consumption tariffs like those used by Ausgrid provide understandable signals that support efficient behaviour without unnecessary complexity.

**Demand-Based Charges:** Demand charges are particularly effective in commercial and some residential contexts, where load management and battery dispatch can materially reduce network peaks. Introducing demand charges, including ToU demand charges, as alternative to fixed charge will likely result in more efficient outcomes. These are already levied on homes by Energex.

These structures allow networks to recover efficient costs while preserving incentives for efficient use of the system.

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## 9. Equity and Long-Term Consumer Interests

The Draft Report appropriately highlights the importance of equitable cost sharing. Orkestra notes, however, that equity should be considered over both **short-term bill impacts** and **long-term system outcomes**.

Tariffs that discourage efficient consumer behaviour may appear equitable in the short term but risk higher system costs over time, ultimately affecting all consumers through higher prices.

Ensuring consumers who invest in flexibility and reduce system costs are appropriately rewarded supports both equity and efficiency.

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## 10. Conclusion and Recommendations

Orkestra supports the AEMC's objective of modernising electricity pricing arrangements to reflect a changing energy system and deliver long-term benefits for consumers.

However, we are concerned that a shift towards predominantly fixed network charges risks weakening efficient price signals, discouraging flexibility investment, and increasing long-term system costs.

Consistent with the National Electricity Objective, **we recommend that the AEMC:**

1. Ensure dynamic price signals remain a central feature of network tariffs.
2. Avoid reliance on fixed charges as the primary mechanism for network revenue recovery.
3. Explicitly assess tariff reforms against their impact on efficient operation and use of the system over the long term.
4. Recognise the growing capability of consumers to respond to price signals through DER and electrification.

A pricing framework that balances revenue recovery with strong incentives for efficient behaviour will best support a consumer-driven, reliable and affordable electricity system.

Respectfully submitted,

A handwritten signature in black ink, consisting of several overlapping, stylized strokes that form the name "James Allston".

**James Allston**

Co-Founder and Co-CEO, Orkestra

*On behalf of Orkestra Technologies and the wider Orkestra team.*