ENERGY POLICY RESEARCH PTY LTD

consilium et aequitas

13 Feb 2026

Submission to Oppose the AEMC's Proposal to Increase Fixed Network Charges

Energy Policy Research (EPR) strongly opposes the AEMC's proposed direction toward fixed electricity network charges at this current stage of the energy transition[1]. The AEMC's proposal represents an **isolated step in policy direction** that has not been supported by sufficient rigorous, transparent, and consumer-centred analysis of total system impact, value, and benefit. Until such analysis is undertaken and publicly shared, demonstrating a clear and measurable benefit to consumers, the proposal should not proceed.

Alignment with the National Electricity Objective (NEO)

The AEMC is required to act in accordance with the National Electricity Objective (NEO), which states:

"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:

(a) price, quality, safety, reliability and security of supply;

(b) the reliability, safety and security of the national electricity system; and

(c) the achievement of targets."

A network does not function in isolation. It is the product of interacting systems including control, dynamics, markets, policy, consumer and prosumer behaviour, and

[1] EPR is a member of SEC, who are also of this view: https://smartenergy.org.au/smart-energy-council-strongly-opposes-aemc-proposal-to-shift-households-to-fixed-electricity-network-charges/. EPR is a strong advocate for CER and consumer equity.

asset performance. Addressing perceived network challenges through fixed charges alone does not meet the intent of the NEO, nor does it reflect the integrated nature of a **modern and dynamic electricity system**.

Fixed charges do not resolve network challenges

Fixed network charges do not resolve the underlying challenges facing the electricity system. Instead, they risk **misallocating costs**, weakening consumer agency, and undermining efficient demand-side participation. Networks must continue to demonstrate how they serve the long-term interests of consumers through:

- cost-reflective pricing,
- reliability and security of supply,
- responsiveness to demand, consumption, and energy sharing, and
- meaningful recognition of household, prosumer, commercial and industrial (C&I) contributions.

A holistic approach to the energy transition must explicitly include the benefits provided by household solar and battery systems, not only to individual consumers, but also to the grid and other investors and contributors to the system.

Networks continue to benefit materially from consumer investment and now aim to transfer risk

We continue to follow how the network benefits from prosumer delivery through solar and battery via:

- energy contributions to the grid (now often penalised through negative pricing),
- congestion alleviation via consumer-funded storage,
- timely grid support services provided at no cost to networks (and often at a cost to prosumers), and
- indirect support for vulnerable and grid-reliant consumers through reduced system stress and shared energy (alleviating unpaid bills).

Despite these contributions, proposed fixed charges risk **shifting financial burden from networks to consumers once again**, while continuing to protect shareholder returns. Network risk should not be transferred to consumers, who already pay for

connection and service. Investment risk is not a consumer responsibility, but a network owned risk. Not investing in consumer coordinated energy resources is also high risk to networks.

Consumer awareness and transparency are lacking

We invite the AEMC to provide evidence of consumer willingness to pay higher fixed network charges. We raise the question whether most consumers even understand what a network charge is, or how much they pay for it. In practice, the answer for many consumers is: *"I have no idea."* This lack of awareness is driven by poor retail billing transparency. In many cases, network charges are not itemised or explained, obscuring their role in total electricity costs to consumers.

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A real-world example illustrates this issue

A strata entity was approached by an electricity broker offering a three-year contract for a mixed residential/commercial property, giving only three days to proffer a decision. The information provided was inconsistent and unclear — usage was alternately expressed in kWh and MWh referencing the same value in different places on the contract, discounts were quoted without specifying what they applied to or whether they were compounded, and requests for clarification through meetings and written information were ignored. The committee was effectively pressured into making a decision without adequate information and in a very limited time frame. This example demonstrates that network charges are largely invisible to everyday consumers. It also shows that consumers respond to headline price reductions—not fixed costs—because overall prices remain too high. Locking in discounts is attractive; locking in higher fixed charges is not, particularly when they have not been included on billing to begin with. Transparency is non existant.

Absence of demand-side modelling and equity analysis

The AEMC's own Network Planning framework states that modelling for network cost changes should include demand-side engagement strategies. We ask that the modelling is thus provided first that demonstrates:

- how fixed network charges benefit consumers with solar and batteries

- how they affect consumers without access to distributed energy resources
- the short-, medium- and long-term financial impacts across income groups

Low-income households cannot absorb higher fixed costs on behalf of the broader system. Fixed charges risk increasing pressure on government assistance schemes, shifting costs back to government resources to make up the shortfall, rather than working to reduce the burden or provide innovative solutions.

Public ownership and public interest

Given that the majority of network assets are government-owned, the focus should be on how these assets can be used to:

- deliver public value,
- remain financially and economically viable,
- support renewable energy targets, and
- benefit communities and consumers—not networks in isolation.

Market integrity and system alignment

At its core, fixing network charges reduces system dynamism. Removing price signals introduces predictability that undermines the role of retailers, markets, and ultimately the market operator. If pricing is decoupled from behaviour, demand response and contribution, the rationale for a competitive market—and for market operation itself—is taken away. Greater alignment is required between networks, retailers, and consumers to deliver a fair, efficient, and equitable energy transition.

Broader sector opposition

This proposal is also strongly opposed by the Smart Energy Council, which has warned that shifting network charges from usage-based pricing to predominantly fixed charges would:

- increase household bills by an estimated $400–$680 per year,
- disproportionately harm low-income and low-consumption households,
- undermine the financial viability of new solar and battery installations, and
- threaten investment confidence in Australia's clean energy transition.

EPR urges the AEMC to reconsider this proposal and instead focus on a **whole-of-system approach** that recognises consumer benefit as a network asset central to pricing equity, trust, and long-term system success. A clear, transparent, and evidence-based inclusive model demonstrating consumer benefit is essential before altering pricing structures in ways that risk eroding consumer agency, equity, and participation in Australia's renewable energy future.

We welcome further engagement on this topic.

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EPR is a member of both the Clean Energy Council and the Smart Energy Council. We pay respects to the Gadigal peoples as the traditional custodians of the lands on which we live & work.