

12 February 2026

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

By email: aemc@aemc.gov.au

Re: The Pricing Review – Draft Report (EPR0097)

Dear Commissioners,

Gridcog welcomes the opportunity to respond to the AEMC's draft report on electricity pricing.

Gridcog is an energy modelling platform used by retailers, developers, consultants, and asset owners to evaluate energy investments and optimise flexible energy resources.

We operate across multiple international markets and deal directly with the complexity of network tariff structures. Our comments focus on Recommendations 5 and 6.

Fixed charges weaken efficient price signals

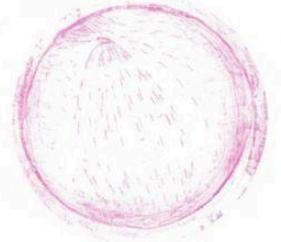
If the bulk of the network bill is fixed, the marginal price of using the network becomes negligible. This removes the incentive for consumers to use the network efficiently and will lead to higher utilisation of existing network infrastructure, including at times when it is capacity constrained, bringing forward costly augmentation.

Consumers end up paying for avoidable investment through higher fixed charges, creating a self-reinforcing cycle. The AEMC criticises blunt time-of-use signals, but the answer is better usage-based signals, not the near-elimination of them.

Fixed charges discourage investment in DER and energy efficiency

Higher fixed charges reduce the bill savings available to consumers who invest in solar, batteries, energy efficiency or demand flexibility. This weakens the business case for these investments at the worst possible time.

The draft report itself recognises consumer energy resources as a major opportunity to lower system costs — but predominantly fixed charging undermines the incentive to deploy and operate DER in system-beneficial ways. Energy efficiency, in particular, is the lowest-cost form of demand reduction and is barely discussed in the report.



On the equity rationale

The concern that solar customers shift costs onto non-solar customers has some validity, but predominantly fixed charges overcorrect. A low-consumption renter would pay a similar network charge to a high-consumption household with EVs, pool pumps and air conditioning. That is regressive, not equitable. Better-targeted dynamic and locational signals are a fairer solution.

On the residual cost recovery argument

Treating almost all network costs as sunk ignores that today's consumption patterns drive tomorrow's investment. In a system undergoing rapid electrification, the forward-looking marginal cost of network use is not small — and usage-based signals are the right way to communicate it.

Networks should not design pricing structures

The draft report documents that networks lack incentive to design good tariffs and may prefer structures that grow the regulated asset base. We agree. The solution is not to add incentive schemes on top of a flawed structure — it is to remove tariff design from networks altogether.

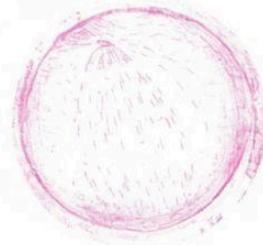
From our experience operating across multiple international markets, Australian DNSP tariff structures are among the most complex and varied we encounter. The degree of disparity between DNSPs is remarkable.

This creates real cost for the sector: energy service providers and technology platforms must interpret and build for fundamentally different tariff designs across 13+ networks, making it significantly harder and more expensive to create innovative products and services for customers.

This complexity is a direct consequence of allowing each network to design its own pricing arrangements.

In the UK, Ofgem established the Common Distribution Charging Methodology (CDCM), a single methodology applied by all distribution network operators. Networks set rates within that framework, but the pricing structure is governed centrally. This ensures consistency, removes conflicts of interest, and reduces costs for retailers and technology providers.

We recommend the AEMC consider a model where pricing structures are set by the regulator or an independent body, and networks are responsible only for applying rates within that framework.



Tariffs should be published electronically

Network tariffs are currently published as lengthy, unstructured PDF documents that differ across every DNSP. This is incompatible with the automated, technology-enabled response to price signals that the AEMC envisions. Networks should be required to publish tariff schedules in a standardised, machine-readable format to reduce costs and enable the efficient, automated response to price signals that the transition demands.

Yours sincerely,

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