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To: AEMC
Level 15
60 Castlereagh Street
Sydney NSW 2000

Submission to The pricing review: Electricity pricing for a consumer-driven future

Submitted by:

Illawarra Shoalhaven Joint Organisation (ISJO)
On behalf of Wollongong City Council, Shellharbour City Council, Kiama Municipal Council and Shoalhaven City Council

Introduction and Regional Context

The Illawarra Shoalhaven Joint Organisation (ISJO) represents a diverse coastal and regional area in New South Wales encompassing the four local government areas of Wollongong, Shellharbour, Kiama and Shoalhaven and a population exceeding 450,000 residents. The ISJO plays a critical role in driving our regional net zero priorities and helps to build upon existing Local Government initiatives in key emission reduction areas such as the renewable energy transition, low emissions transport, sustainable procurement and community net zero programs.

We would like to thank the AEMC for the opportunity to comment on the proposed Pricing Review reforms.

Move to predominantly fixed charges not supported

Following extensive review, the ISJO and its member Councils must state their opposition to the AEMC's proposal to shift network pricing toward predominantly fixed charges. It is our view that fixed, unavoidable charges reduce bill control, exacerbate energy inequality and weaken incentives for efficient energy use and investment in consumer energy resources (CER).

While the proposal is framed as a measure to improve equity and simplify pricing, the practical effect would be to reduce the return on investment for CER, increase energy costs for the most energy vulnerable households and risk eroding community trust in the energy transition.

The ISJO and its member councils are concerned with the proposal to move to network "tariffs that are predominantly fixed...", and believe the proposal:

1. Would reduce return on investment for CER by reducing the proportion of bills that households can influence through solar, batteries and load shifting, weakening the financial case for CER installations, particularly batteries where payback is already marginal and undermines the key driver of CER uptake which relates to bill savings.
2. Represents a backwards step for the energy transition by diluting time-of-use pricing signals that encourages efficient energy use behaviours and reduces the incentives shifting and risks slowing CER uptake, delaying emissions reduction targets.
3. Would disproportionately impact low-consumption and lower-income households by increasing unavoidable fixed charges and removing their ability to reduce bills through efficiency or behavioural change further entrenching energy inequity
4. Would risk the effectiveness of council-led CER and energy equity programs, making engagement with vulnerable households more difficult and risks weakening councils' role as trusted intermediaries in the energy transition.

1. Impacts on Solar and Battery Investment

As a local government entity, the ISJO in partnership with its member councils is at the forefront of communication, advocacy and facilitation of CER-related programs within our communities. Through the ISJO-led [Community Renewables Program](#) we actively advocate for households and businesses to install rooftop solar and batteries as the most effective way to reduce electricity costs, reduce emissions, strengthen local network resilience and support the broader transition to clean energy.

The business case for CER, particularly battery energy storage systems, has often been marginal. While environmental motivation plays a role, the dominant driver for households is the opportunity to reduce bill costs. Increasing fixed network charges would materially lessen the financial returns that households have factored into their investment decisions.

When unavoidable fixed charges increase, the proportion of the bill that can be influenced through solar generation, load shifting or battery optimisation decreases. This weakens investment signals and risks a decline in CER uptake. It also changes the rules for households that have invested in good faith under existing pricing structures. Many CER owners have already absorbed additional changes through increasing export penalties and further rule changes that erode payback periods risk damaging confidence in regulatory stability.

The proposal does not sufficiently acknowledge the value CER has delivered to the broader electricity network, including wholesale price suppression effects and avoided or deferred network investment. Nor does it address the inequity inherent in peak-driven network augmentation, where high peak users drive infrastructure costs.

If fixed charges increase, the financial case for CER becomes harder to justify beyond emissions reduction alone. This narrows participation to a smaller, more environmentally motivated cohort and undermines the broad-based economic case that has underpinned Australia's rooftop solar success.

2. A backward Step for the Energy Transition

A shift toward predominantly fixed network charges would represent a backward step for the energy transition by weakening the economic signals that are currently driving decentralised decarbonisation of the modern electricity grid. The continued uptake of rooftop solar and battery storage is central to meeting Local, State and Federal emissions reduction targets and the primary driver of that uptake is the opportunity for bill savings. Slower CER because of the proposed changes will adversely impact uptake and therefore lessen emissions abatement in the electricity sector. This will in turn increase pressure on other sectors to decarbonise more rapidly.

Fixed pricing also dilutes time-of-use signals that encourage consumers to shift demand away from peak periods, reducing reliance on higher-emissions, high cost peaking generation and improving system efficiency. When households cannot meaningfully influence a significant portion of their bill, the incentive to load shift, optimise solar consumption or invest in storage weakens, reducing demand-side participation that is critical to delivering least-cost decarbonisation in the electricity sector. In turn, this increases reliance on centralised generation and transmission infrastructure, placing additional pressure on large-scale project delivery and potentially raising overall system costs.

Achieving emissions targets depends not only on technology deployment but on sustained public participation and confidence in the stability of policy settings. If households perceive that regulatory changes reduce the expected financial benefits of clean energy investments, trust in the transition may erode.

3. Equity and Affordability Concerns

Predominantly fixed network charges are regressive and risk impacting low-consumption and lower-income households hardest resulting in these cohorts paying more regardless of their ability to reduce energy usage, entrenching inequities rather than addressing them.

Our region is actively working to ensure low-income households can benefit from CER uptake, supported by Council and community initiatives that provide education and outreach to help vulnerable households manage bills through efficiency and demand shifting practices.

Increasing the fixed component of bills removes one of the few mechanisms households can rely on to reduce costs. A fixed charge that represents a substantial proportion of the total bill cannot be altered through energy efficiency, behavioural change, demand shifting or investment in clean energy technologies. For vulnerable households who already have limited capacity to invest in CER, a proposal that would increase bills while simultaneously reducing pathways to future energy savings is at odds with the messaging our community is receiving from Local Government regarding CER uptake.

Energy bills are already complex. Councils invest significant effort into helping households understand how time-of-use pricing can reward shifting demand away from peak periods. Time-of-use signals can change consumer behaviour in ways that benefit both the energy user and the broader energy network. Increasing fixed charges risks dulling these signals and diminishing the effectiveness of Council-led education and engagement programs.

4. Risk to Community Trust and the Energy Transition

Local Governments are trusted intermediaries in the energy transition. We facilitate solar and battery programs based on clear return-on-investment expectations and transparent communication about bill savings, network resilience and emissions reduction.

If network charges increase in a way that reduces expected savings, councils risk losing the level of trust required to support the transition within the community. Households who have made investment decisions based on anticipated savings may feel penalised. Those considering investment may delay or withdraw their investment due to a perception that regulators are changing the rules midstream at the same time governments are encouraging them to invest in the transition.

Such an outcome would make it increasingly difficult for councils to advocate for the renewables transition, particularly among low-income households, who will be most impacted by network charge increases whilst also receiving counter messaging that renewable installations are supposedly lowering energy costs.

Given this is a self-initiated review, the AEMC should not progress such a fundamental change without publishing detailed bill impacts, distributional analysis and real-world evidence of consumer and retailer behaviour.

There is insufficient modelling demonstrating how different cohorts such as low-income households, renters, regional customers and existing CER owners would be affected by network charge increases. Without this evidence, the proposal risks shifting costs in ways that undermine both equity and decarbonisation objectives.

Conclusion

Local governments are already supporting their communities move towards a just energy transition and are advocating for a reliable and equitable clean energy future. The proposed pricing reforms represents a backward step that will undermine consumer trust in clean energy investment and community-led transition efforts.

The ISJO and its member Councils urge the AEMC not to progress the proposal to introduce fixed network charges and instead retain pricing structures that:

- Preserve consumer agency and bill control
- Maintain strong incentives for CER investment
- Protect low-income and low-consumption households
- Recognise the system-wide value delivered by CER
- Support local governments' role in facilitating an equitable energy transition

The ISJO thanks the AEMC for the opportunity to contribute to *The pricing review - Electricity pricing for a consumer-driven future* consultation.

Yours sincerely,



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