

13 February 2026

Dear Commissioner,

We thank you for the opportunity to provide a submission for the Australian energy Market Commission's *The pricing review: Electricity pricing for a consumer-driven future* draft report.

The Smart Energy Council (SEC) is the peak independent body for Australia's smart energy industry, representing over 700 residential, commercial, and large-scale renewable generation and storage companies, smart transport firms, as well as the renewable hydrogen and ammonia industry.

The SEC supports the AEMC's objective to enable consumers and their agents to access and capture the value of flexibility and consumer energy resources (CER); and reduces total system costs over time.

There is a key element of the report that is strongly opposed by the SEC and its members, the essence of recommendations 5 & 6, that fixed network charges should be substantially increased and make up a more significant (if not total) proportion of customers' bills. As it will be outlined, this is deeply problematic as it will decrease the uptake of CER, the very technology that is essential for the lowest cost pathway for the energy transition. This is incompatible with the Consumer Energy Resources Roadmap, and the impacts of the policy would need to be thoroughly modelled against any proposed tariff changes. It also would affect Australia's ability to reach the 82% renewable energy target by 2030, and the 43% and 62 to 70% emissions reduction targets by 2030 and 2035 respectively.

Modelling on the proposal shows that it is likely to push up electricity bills for households and therefore add to cost of living pressure in the Australian economy. In our submission the AEMC should be extremely cautious about adding to cost of living pressure at this time as it is likely to attract significant public controversy.

THE INDEPENDENT BODY FOR THE SMART ENERGY INDUSTRY IN AUSTRALIA

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In summary, the Smart Energy Council raises the following aspects:

1. Oppose predominantly fixed network charges

- The AEMC's draft proposal to shift the majority of household network costs to largely fixed, unavoidable charges is strongly opposed.
- Fixed charges reduce consumer agency, weaken incentives for efficient energy use, and undermine investment in solar, batteries, and other distributed energy resources (DERs).

2. Impacts on solar and battery economics

- Green Energy Markets modelling¹ finds:
 - Households with existing solar and battery systems could see bills increase by \$416-\$684/year.
 - Households considering installation could see potential savings reduced by \$353-\$1,252/year, delaying payback periods and weakening investment signals.
- This threatens industry viability and slows Australia's clean energy transition.

3. Equity and affordability concerns

- The modelling conducted by Green Energy Markets shows that predominantly fixed charges can be regressive, disproportionately harming low-consumption and lower-income households.
- The Draft Report's approach shifts network cost risk onto households, with minimal consideration of distributional impacts.

4. Evidence and process gaps

- The Draft Report lacks published bill modelling, distributional analysis, or real-world evidence demonstrating consumer and retailer responses.
- As a self-initiated review, AEMC should apply a higher evidentiary threshold before proposing structural changes to network pricing.

5. Regulatory context and alternative approach

¹ Green Energy Markets Household Hourly Energy Use, Solar and Battery Payback Model, as found in <https://reneweconomy.com.au/plan-to-increase-fixed-network-costs-will-take-from-the-poor-give-to-the-rich-and-slash-returns-on-pv-and-batteries/>

- Network economic regulation remains capex-biased, incentivising overinvestment. Fixed-charge dominance transfers risk to consumers without addressing root causes.
- As Nexa Advisory covers in their submission, we recommend genuine totex framework and reforms to incentive structures should precede tariff reforms.

The core recommendation from the Smart Energy Council is that the AEMC does not progress with predominantly fixed network charges. Tariff structures should continue to reflect consumption and time-of-use, preserving consumer control, equity, and incentives for clean energy adoption.

While retail measures (Recommendations 1–4) are broadly positive, the most consequential proposals are Recommendations 5 and 6, which indicate a shift toward predominantly fixed network charges with dynamic elements layered on top.

Impacts on Solar, Batteries, and Consumer Flexibility

Analysis by Green Energy Markets, as published in Renew Economy, demonstrates the customer impacts of predominantly fixed network charges:

Network	Household type	Annual kWh	Current tariff structure		AEMC proposal		Increase in bill for existing system owners	Reduced benefit from solar+battery for prospective purchaser
			Bill - no solar + battery	Bill with solar + battery	Bill - no solar + battery	Bill with solar + battery		
Ausgrid	Median household	5,039	\$1,885	-\$237	\$1,967	\$321	\$558	\$475
Ausgrid	Electrified, enviro conscious	8,177	\$2,870	\$196	\$2,593	\$749	\$553	\$831
Endeavour	Median household	5,039	\$1,927	-\$239	\$1,942	\$338	\$577	\$562
Endeavour	Electrified, enviro conscious	8,177	\$2,936	\$192	\$2,548	\$766	\$574	\$962
Energex	Median household	5,005	\$1,973	-\$182	\$2,048	\$334	\$516	\$441
Energex	Electrified, enviro conscious	7,789	\$2,908	\$212	\$2,627	\$728	\$516	\$797
United	Median household	4,078	\$1,333	-\$249	\$1,418	\$189	\$438	\$353
United	Electrified, enviro conscious	8,862	\$2,530	\$333	\$2,097	\$749	\$416	\$848
Powercor	Median household	4,078	\$1,425	-\$174	\$1,525	\$313	\$487	\$386
Powercor	Electrified, enviro conscious	8,862	\$2,648	\$411	\$2,183	\$873	\$462	\$927
SAPN	Median household	4,191	\$2,101	-\$198	\$2,168	\$486	\$684	\$617
SAPN	Electrified, enviro conscious	7,503	\$3,614	\$250	\$3,042	\$929	\$679	\$1,252

Network	Household archetype	Annual kWh	Current Tariff Structure		AEMC Proposal		Loss/ Gain	Result
			Retail variable	Network fixed	Retail variable	Network Fixed		
Ausgrid	Low income, small home	4,039	\$1,218	\$222	\$832	\$787	-\$178	Worse off
Ausgrid	Median household	5,039	\$1,520	\$222	\$1,038	\$787	-\$82	Worse off
Ausgrid	High income, large house, 2 Teslas	12,927	\$3,978	\$222	\$2,621	\$787	\$792	Better off
Endeavour	Low income, small home	4,039	\$1,252	\$240	\$798	\$821	-\$127	Worse off
Endeavour	Median household	5,039	\$1,562	\$240	\$995	\$821	-\$15	Worse off
Endeavour	High income, large house, 2 Teslas	12,927	\$4,080	\$240	\$2,527	\$821	\$972	Better off
Energex	Low income, small home	4,005	\$1,223	\$208	\$870	\$724	-\$163	Worse off
Energex	Median household	5,005	\$1,528	\$208	\$1,087	\$724	-\$75	Worse off
Energex	High income, large house, 2 Teslas	12,894	\$4,106	\$208	\$2,749	\$724	\$841	Better off
United	Low income, small home	3,078	\$730	\$115	\$441	\$584	-\$179	Worse off
United	Median household	4,078	\$968	\$115	\$584	\$584	-\$85	Worse off
United	High income, large house, 2 Teslas	11,966	\$2,963	\$115	\$1,703	\$584	\$791	Better off
Powercor	Low income, small home	3,078	\$745	\$165	\$428	\$686	-\$204	Worse off
Powercor	Median household	4,078	\$988	\$165	\$568	\$686	-\$101	Worse off
Powercor	High income, large house, 2 Teslas	11,966	\$3,027	\$165	\$1,649	\$686	\$857	Better off
SAPN	Low income, small home	3,191	\$1,249	\$248	\$771	\$943	-\$217	Worse off
SAPN	Median household	4,191	\$1,640	\$248	\$1,013	\$943	-\$67	Worse off
SAPN	High income, large house, 2 Teslas	12,080	\$5,161	\$248	\$3,065	\$943	\$1,401	Better off

This modelling shows that a change would reduce the financial viability of household solar and batteries, slowing uptake at a critical stage in Australia's clean energy transition. The disincentivising of energy efficiency investments and participation in DER markets weakens incentives for demand flexibility and load-shifting, undermining system efficiency.

CER Industry & Customer Impact

The CER industry in Australia will be significantly impacted by the proposal to increase the fixed tariff rate for power bills. The industry - comprising installers, retailers, OEMs, technology providers, financiers, aggregators, and more - has been

the leading force for getting Australia to a world leader in household solar uptake. The Cheaper Home Battery Program has also been a raging success, along with the electrification of homes and increasingly transport. The industry has been underpinned by the clear message from DCCEE, AEMO, the AEMC and other institutions, that investing private capital in clean energy infrastructure, and subsequently reducing demand on the grid is positive, and would be rewarded through lower bills. This proposed change challenges this message and has significant implications for the industry.

A home electrification upgrade, be it solar, battery, hot water or another system, is sold primarily on the premise that it saves on power bills.. These savings are then used to estimate a payback period of the installation, against the cost of the install. As calculated by Green Energy Markets, a proposed increase to the fixed component of power bills will have a significant impact on these savings calculations. This will directly impact the entire industry's ability to sell the products on the estimated savings, and will have severe reputational damage for systems that have been sold on the premise that reducing consumption, especially in peak periods, will proportionately reduce power bills.

Equity and Consumer Agency

Predominantly fixed charges are regressive, as low-consumption households, often lower-income or renters, pay a larger share of their bill through unavoidable charges. Fixed charges also reduce bill controllability and consumer agency, particularly impacting those with limited ability to invest in DER. Transitional measures proposed in the Draft Report (optional tariff pathways, staged implementation) do not resolve the structural inequity inherent in fixed-charge dominance.

Using a real-world illustration, renters and low-income households already face energy hardship; removing the link between consumption and cost compounds financial stress. Households with rooftop solar and batteries lose a substantial portion of financial benefit, undermining trust in energy policy.

Evidence and Procedural Concerns

The Draft Report lacks sufficient evidence to justify structural change. There is no publicly available bill impact modelling, distributional analysis, or real-world evidence of consumer and retailer responses.

The reliance on retailer and energy service provider innovation to shield consumers is untested and speculative. Their financial incentive pulls them in the opposite direction. International regulators are moving toward usage-based pricing and lower fixed charges, highlighting the risk of Australia taking a regressive step backward.

Regulatory and Market Design Considerations

The Smart Energy Council supports the submission from Nexa Advisory to focus on the underlying regulatory drivers, namely the capex bias. Distribution networks earn regulated returns on capital investments but are less incentivised to manage opex or utilise existing assets efficiently. Fixed charges transfer cost and risk to households rather than incentivising efficient network utilisation.

Recommended approach:

- Reform economic regulation through a genuine totex framework, neutralising capex bias.
- Align network incentives to minimise total system costs, rewarding operational, demand-side, and DER solutions.
- Only then should residual cost recovery and tariff structures be reviewed, with evidence-based evaluation of consumer impacts.

Recommendations

1. Oppose predominantly fixed network charges – retain usage- and time-of-use-based pricing.
2. Publish evidence – before finalising any structural changes - and provide further opportunity for analysis and feedback on that evidence. Provide detailed modelling on:
 - Bill impacts by consumer segment, housing type, and DER ownership
 - Distributional and equity impacts
 - Likely behavioural responses
3. Protect consumer agency and equity – any tariff evolution must preserve controllability and fairness.

4. Reform network regulation first – address capex bias via a totex framework to ensure least-cost solutions.
5. Monitor real-world DER data – leverage upcoming initiatives (e.g., Solar Sharer Offer) to build an evidence base for effective tariff design.

The Smart Energy Council urges the AEMC not to progress a predominantly fixed network charge model. Network pricing should support consumer agency, equity, and distributed energy adoption, enabling Australia to achieve a clean, flexible, and affordable energy future.

Should you wish to discuss any of this submission further, please contact:

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