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Submission to: Australian Energy Market Commission

The pricing review - Electricity pricing for a consumer-driven future (EPR0097)

February 2026

Renew is a national, not-for-profit organisation that inspires, enables and advocates for people to live sustainably in their homes and communities. Established in 1980, Renew advocates in government and industry arenas for policies that promote renewable energy and cut emissions, make our homes healthier, more affordable and climate resilient, and protect consumer rights in our rapidly changing energy markets.

Renew has helped thousands of households save money and reduce their environmental footprint with information on energy efficiency, solar power, rainwater tanks, materials reuse and waste. Our community of climate change action includes readers of our two market-leading sustainability magazines *Renew* and *Sanctuary*, attendants at our Sustainable House Day and other events, users of our online information and calculators, people contacting our advice service, and our research and advocacy partners.

Renew acknowledges the First Nations people as the Traditional Custodians of the lands on which we live and work and recognises their deep and continuing connection to the land, sea and culture, and their rich contribution to society. We pay our respects to Elders, past and present, and acknowledge that Sovereignty of these lands was never ceded.

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Renew welcomes the opportunity to provide feedback to the AEMC's review of electricity pricing for a consumer-driven future.

Renew's members are residential energy consumers. Renew presents a unique perspective as an energy consumer advocate, bringing experience in energy policy, markets and technology, to be a strong and informed voice for energy consumers throughout Australia.

Renew thanks to the AEMC for producing a draft report which clearly outlines the proposed reforms. We support the AEMC's aim to ensure electricity pricing frameworks are effective, fair and fit for purpose as the energy system becomes more dynamic and decentralised. In particular, we welcome the focus on consumer outcomes – including affordability, simplicity, predictability, and choice – and encourage the Commission to continue to place these at the centre of reform efforts.

While there are many worthwhile recommendations, our most serious concerns relate to the proposed move to predominantly fixed network charges. Our focus of this submission will be on Theme 3, and the therein contained recommendations 5. We also comment briefly on draft recommendations 1 and 2.

Draft Recommendation 1

We wholeheartedly support the move to end the "loyalty tax" often imposed by electricity retailers to extract maximum profits from households that are less engaged with their energy plans.

Draft Recommendation 2

We support the proposal to effectively hold a reverse auction for customers who have never switched their plan, in the interest of reducing bills for this cohort.

Draft Recommendation 5

Draft recommendation 5 states: "Amend the rules to focus network tariff design on efficiency, supporting a lowest-cost grid and a fairer sharing of costs among consumers."

Fixed Charges

While the stated aim of achieving a fairer sharing of costs among consumers is commendable, it omits the need to achieve this without losing sight of sustainability, which includes the transition to renewable energy and cutting emissions, making homes healthier, more affordable and climate resilient. Fixed charges come with drawbacks.

The proposed high portion of fixed charges would have direct impacts on:

- household energy bills and bill control
- incentives to invest in solar, batteries and energy efficiency
- equity outcomes for low-consumption and lower-income households
- the viability of Australia's distributed energy sector

For example, they would reduce incentives for energy efficiency and CER (C*onsumer Energy Resources)* investment, which could as a result reduce overall efficiency.

Impacts on solar and battery economics

Modelling shows that households with existing solar and battery systems would see bills, and therefore payback periods, increase for those who already have solar and batteries, while households considering installation would see benefits substantially reduced. This would significantly weaken investment signals and risk a sharp decline in uptake.

Any changes must remain conscious of the broader benefits solar and batteries provide the energy system and for all consumers. They must not undermine households who have invested heavily in them, nor deter households from investing. Therefore, any such transition must be underpinned by robust, forward-looking analysis of both system costs and household-level impacts.

What is not being taken into account in the proposal are cost reductions to the overall power system costs. These are material (as the Energeia[1] report shows) and include reduced large-scale generation, reduced call on new transmission infrastructure in future, and reduced firming and storage needs elsewhere in the system.

Impacts on moving to more energy-efficient buildings (standards)

Like the impacts on CER, the financial incentives for households to improve the energy efficiency of their homes would substantially reduce. Why bother investing in insulation, double-glazing, etc. if you must pay high power bills regardless of consumption? This would condemn many Australians to continue living in overpriced homes that are neither efficient nor climate resilient. With climate change this not only leads to higher energy consumption but also presents serious and increasing health risks.

[1] See: https://www.aemc.gov.au/energeia-finds-cer-flexibility-could-deliver-45b-benefits-2050

Equity impacts

Predominantly fixed network charges are regressive. Low-consumption and lower-income households would pay more regardless of their ability to reduce usage, entrenching structural inequities rather than addressing them. As more residual network costs are recovered through fixed charges, questions of fairness and affordability will become increasingly salient.

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

Demand tariffs

The draft report recommends a dynamic charge component in addition to a fixed component. [2] This dynamic charge would apply at times when demand approaches network capacity and be set at a level high enough to "ensure efficient allocation of network capacity", i.e. to provide a meaningful carrot or stick.

For this dynamic charge, it is concerning that the AEMC mentions the option of a demand charge (i.e. charging for historical power in kW) equally prominently with the option of an energy charge per kWh. The document does not clearly differentiate between residential and commercial customers, however given that nearly all the listed vignettes relate to households, we assume that a demand charge is suggested for residential customers.

Residential demand charges are full of pitfalls for households. Given the prevalence of poor household engagement and understanding of current energy plans and bills, it is entirely unrealistic to expect people to understand the difference between a kW and a kWh on their bill. In an electricity retailer's call centre, it's likely that many staff members at the coal face will also struggle with this distinction. In the case of a billing error, it is already very difficult for a householder to advocate for their right to have their bill corrected to an accurate amount. This becomes a near impossibility when a demand charge is involved. In addition, the potential for misunderstood demand charges to result in unexpected high bills has already been well documented in other documents and media reports.

Pricing isn't the whole game

As the draft report notes, network tariffs can play a role in aligning consumer behaviour with system needs, helping to manage demand and reduce overall network costs. This has been shown to work, at least to some extent, by households shifting some of their demand, and investing in CERs, thus reducing demand in peak periods to avoid high ToU charges. This has contributed to support system efficiency, and should continue to do so.

[2] See Box 14 in the reference document.

But to truly meet diverse consumer preferences while reducing system costs, tariffs should be considered alongside a broader suite of options such as dynamic export limits and smart technology integration.

Locational network tariffs

The draft report states that network tariffs should be locational,[3] i.e. vary by location within a network's geographic area. The intention is to target areas of the network under stress, for example areas approaching capacity at times.

Locationally-varying network tariffs would lead to complexity and confusion, especially for households. It also seems inconsistent with the document's goal to reduce the burden of complexity on electricity retailers.

This is a prime example where solutions other than pricing are likely more appropriate. When the requirement is to alleviate a looming constraint, it's unlikely that a sufficiently swift and sure response will be obtained by incentivising households via a change to their network tariff. Many households are disengaged, many others have limited flexibility to modify behaviour or invest in CER, and some are wealthy enough to not care.

To confidently address local network issues, direct approaches provide strong solutions. In the case of excess solar exports, dynamic export limiting is proven to work well at times of network stress while allowing high exports most of the time. Similar solutions can be included in batteries via Virtual Power Plants (VPPs) and introduced on the demand side for discretionary loads such as water heaters, pool pumps and EV chargers. These are a better option than an indirect measure founded on a theoretical market principle.

Conclusion

Internationally, policymakers and regulators are moving in the opposite direction to that suggested by the AEMC — seeking to preserve bill control, equity and incentives for flexibility by limiting unavoidable fixed charges and strengthening usage-based pricing.

Australia risks taking a backward step that serves to undermine consumer trust and clean energy investment.

We urge the AEMC not to progress the proposal to introduce predominantly fixed network charges and to retain pricing structures that preserve consumer agency, equity and incentives for clean energy investment.

[3] Page 47, 104, 121, box 14.