REROC

RIVERINA EASTERN REGIONAL ORGANISATION OF COUNCILS

Riverina Eastern Regional Organisation of Councils (REROC) submission to the AEMC Pricing Review

The Riverina Eastern Regional Organisation of Councils ("REROC") encompasses nine Local Government entities located in the eastern Riverina region of NSW. REROC's Member Councils are Bland Shire Council, Coolamon Shire Council, Cootamundra-Gundagai Regional Council, Greater Hume Shire Council, Junee Shire Council, Lockhart Shire Council, Temora Shire Council, Goldenfields Water County Council and the Riverina Water County Council.

Thank you for the opportunity to comment on the proposed Pricing Review reforms. We recognise that this been a very busy stage for the AEMC, with many rule change proposals to facilitate the energy transition. We commend the work of the AEMC with recent rule change considerations. We are happy, for example, to see the increase in transparency, responsiveness to the community, and comprehensiveness proposed in the Integrated Distribution System Plan rule consideration.

Our input is in relation to Theme 3, Recommendation 5: "*Amend the rules to focus network tariff design on efficiency, supporting a lowest-cost grid and a fairer sharing of costs among consumers*".

In summary, we are concerned with the proposal to move to network "tariffs that are predominantly fixed…", and believe the proposal:

1. would worsen the business case for investment in Consumer Energy Resources (CER), deterring councils and their communities from participating in the growth of CER described as critically important in numerous regulatory documents[1], and in some cases undermining options for improving energy security;
2. does not sufficiently recognise that CER save costs for all consumers, through deferring the need for network augmentations, lessening peak electricity price events[2], and other services;

[1] For example in the Energy and Climate Change Ministerial Council's *National Consumer Energy Resources Roadmap: Powering Decarbonised Homes and Communities*; and in the Australian Energy Market Operator's *Draft 2026 Integrated System Plan* (esp. Chapter 9 Consumer and distribution actions to reduce grid-scale investments).

[2] The AEMC's own *Unlocking CER benefits through flexible trading* rule amendment 2024, cites one source that $16 billion in network infrastructure investment would be avoided with orchestration of CER (p. ii).

3. would penalise investments in solar and batteries already made in good faith by councils and their constituents, investments which were made in part to improve conditions for the community and the environment;
4. by disincentivising investments in solar and batteries, the proposal would retard the realisation of the Optimal Development Path (ODP) put forward by the Australian Energy Market Operator (AEMO), meaning that electricity customers will pay more over coming decades;
5. does not take adequate consideration of other electricity market changes to ensure the equitable integration of CER, nor allow adequate time for the full impact of the changes to come into effect;
6. would exacerbate existing inequities in the current electricity market structure.

1. Damage to the business case for investment in Consumer Energy Resources (CER)

The proposal to move to increased fixed network charges would worsen the business case for investment in Consumer Energy Resources (CER), deterring councils and their communities from participating in the growth of CER described as critically important in numerous regulatory documents[3]. Without a compelling business case, many councils and many community residents and businesses will not be able to proceed with the deployment of CER, so the wider community will forego the services that these CER would have provided. The wider community will, for instance, lose out on services that a consumer owned battery provides, such as enhancing the capacity of the local network and shifting surplus low emission supply from the middle of day to provide for evening peaks.

This is especially important in the context of energy security, as large parts of our NSW regional areas are affected by problems with supply (e.g. brownouts). CER investments in many regional areas are needed to improve security of supply. A comprehensive set of reports on interruptions and brownouts in electricity supply, and the negative impact this has on business viability and growth, and residents' lives, was prepared by Ernst & Young on behalf of the Central NSW Joint Organisation (CNSWJO).[4]

The "Business Case" reports found that of the region's 30 distribution zone substations, one-third and their surrounding areas are currently experiencing:

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[3]For example in the Energy and Climate Change Ministerial Council's *National Consumer Energy Resources Roadmap: Powering Decarbonised Homes and Communities*; and in the Australian Energy Market Operator's *Draft 2026 Integrated System Plan* (esp. Chapter 9 Consumer and distribution actions to reduce grid-scale investments).

[4] Business Case on the Nexus Between Energy Security and Emissions Reduction https://www.centraljo.nsw.gov.au/business-case/

- Network constraints – where electricity demand exceeds the rated infrastructure capacity; and
- Reliability issues – where supply interruptions in minutes are unacceptably high.

While the reports focussed on the central NSW region, they are representative of many NSW regional council areas.

Key solutions to the energy security issues, as pointed out in the CNSWJO reports, include the deployment by consumers of local generation (mostly solar) and battery storage. Other customers and the DNSP in such areas will share in the benefits of these consumer energy resources, as the DNSP will avoid or defer costs to upgrade the network to raise reliability to an acceptable standard.

The Business case set of reports can be accessed at:
https://www.centraljo.nsw.gov.au/business-case/

Given the important roles of CER, the business case underlying its deployment should not be damaged with shifts to higher fixed network costs.

2. Need to better recognise the value that CER creates for all customers

Any lack of volumetric network payments is already offset by the value (for other customers) created by CER. While CER owners are portrayed in the AEMC draft report as not paying their way, the draft report acknowledges that network tariffs "do not sufficiently reward consumers for contributing to reductions in network costs". Battery owners, for example, are not rewarded for their contribution to reductions in network costs. The AEMC draft report also notes that "CER provides a significant opportunity to lower costs for all customers …" (p. iv, para. 20).

In the AEMC Rule determination *Unlocking CER Benefits rule change* 15 August 2024[i5], the AEMC makes the point (p. ii) that if consumer energy resources "*are integrated well, the power system will operate more smoothly, and consumers and industry will enjoy the benefits of cheaper supply."* The document cites an ENA Electricity Transformation Roadmap quantification of the benefits: *"$16 billion in network infrastructure investment would be avoided by CER and DER orchestration*" (p. ii).

[5] https://www.aemc.gov.au/sites/default/files/2024-08/Final%20determination%20-%20Unlocking%20CER%20benefits%20through%20flexible%20trading%20-%2015%20Aug%202024.pdf

A November 2025 report by the three NSW DNSPs[6] states that coordinated CER can provide "an opportunity to defer the need for distribution network augmentation" (p. 35). The report states that with coordinated CER, all customers benefit "from a more reliable and lower-cost energy system" (p. 35).

Also, there is a value to the grid even if CER are not orchestrated. The NSW Peak Demand Reduction Scheme (PDRS) calculations for the creation of certificates[7] show that a value to peak demand reduction from batteries is clear even without orchestration.

The National Electricity Objectives (NEO) (noted on p. 48 of the AEMC draft report) apply across the whole electricity system. Even if some CER owners are paying little for the use of the network, they are assisting with other objectives; e.g. lower costs through CER's dampening effect on wholesale costs, and the emission reduction objective. We feel that the AEMC should not consider CER owners' contribution to network costs in isolation. A more wholistic perspective is needed, in which the benefits of CER to other aspects of the system covered by the NEO are valued (e.g. benefits to market wholesale costs and hence to providing a downward pressure on futures costs and retail costs of energy for all consumers).

The AEMC draft report notes its intent to achieve the outcome of customers being "appropriately rewarded for using energy in ways that contribute to a lower overall cost of energy for all consumers" (p. iii). Given the clear and credible statements of the value of CER to all customers, network charges should not be changed towards higher fixed charges.

3. The proposal would penalise investments in solar and batteries already made

The proposed increase in fixed network charges affects the return that CER owners have counted on. Often CER investment, especially batteries, has been a marginal business case. While environmental motivation is not generally the main driver of CER investment decisions, it is a factor, especially in the case of marginal business cases. We are not in favour of changing the rules in ways that penalise investments made in good faith and with an interest in promoting the general good.

The draft report notes the importance of trust "*to realise the opportunities to access low-cost, low-emissions generation from CER"* (para. 5, p. i). For those who have begun planning for, or

[6] Distribution System Plan: Opportunities Report
https://d2s3n99uw51hng.cloudfront.net/static/DSP%20Opportunities%20Report-v1.pdf

[7] IPART, Peak Demand Reduction Scheme Method Guide, September 2025 (p. 78)
https://www.energysustainabilityschemes.nsw.gov.au/sites/default/files/cm9_documents/PDRS-Method-Guide-V2.5-September-2025-%281%29.PDF

committed to, CER purchase (to contribute to emission reduction, the community and their own savings), a significant change to the structure of network tariffs that makes their CER planning or investment a disappointment, would be damaging to trust.

Any changes to the rules in ways that reduces returns on committed investments (made in good faith) are likely to be regarded as a betrayal.

4. Retard the realisation of the Optimal Development Path for the Energy Transition

The proposed change towards increased fixed network charges disincentivises investment in CER, which is shown in the draft Integrated System Plan 2026 (ISP) as extremely important to achieve the Optimal Development Path (ODP) through the energy transition. A reform that disincentivises CER is damaging to the interests of all customers.

5. Need to more adequately consider, and allow time for fuller effect of, other existing market changes

There are a number of changes to the electricity market and market rules that will achieve much of the objective of the AEMC draft report's proposed increase to fixed network charges. These should be allowed time to achieve their effects more fully before instituting this additional proposed change of higher fixed network charges.

The AEMC's *National Access, Pricing and Incentive Arrangements for Distributed Energy Resources Rule 2021*[8] has triggered major changes in the treatment of CER. DNSPs in NSW and SA now have two way solar tariffs. For the DSNPs in NSW, two way solar tariffs are increasingly becoming the default. These two way solar tariffs include:

- rewards for usage during the middle of the day and higher costs for usage at peak periods,
- a cost for solar exports (above a nominal threshold) during the middle of the day and a reward for exports at night.

For example, the Essential Energy Network Price List shows the residential Tariff BLNRSS2 LV Residential ToU - Sun Soaker to have a network charge (for consumption) of $.17/kWh during peak periods and only $.06/kWh during off-peak periods. The 'off-peak' period includes the middle of the day, 10am-3pm, when solar generation is at its maximum. Exports during the 10am-3pm period are charged .82 cents/kWh (if above the low threshold) and exports during the 3pm-10pm

[8] https://www.aemc.gov.au/sites/default/files/2021-08/Final%20determination%20-%20Access%2C%20pricing%20and%20incentive%20arrangements%20for%20DER.pdf

period are rewarded with 11.6c/kWh. Such changes are already aligning CER to maximise their value to the network.

Another major change that is producing more cost-reflective pricing is the growth in time-of-use tariffs. The ACCC (2025, p. 4) states: "The number of solar customers and customers on time of use and demand tariffs grows". Again, this will increasingly incentivise customers to align their energy use and demand shifting to complement the needs of the network.

One option for any AEMC moves towards increased reliance on fixed network costs is to wait until CER:

a) are fairly rewarded for local network benefits (e.g. payments for deferral of network upgrades and stabilisation of supply);
b) are provided with flexible exports services by the network operator;
c) are not curtailed unless there is a current condition on the local network that requires curtailment.

The rewards to CER for local network benefits would be consistent with:

- the concept of the CSIRO's "distribution-level markets" [9] (p. 129) in its report on the evolution to a Distribution System Operator (DSO) model;
- the adequate provision by DNSPs of "network augmentation plans" & "indicative annual deferral plans" for both import capability and export capability, for HV feeder and distribution substations (pp. 12-13)[10], a requirement flagged by the Australian Energy Regulator (AER) in its Low-voltage Network Visibility Phase 3 Final Report;
- the concept of "Local Energy Precinct" put forward by the NSW DNSPs[11].

6. *Would exacerbate inequities in the current electricity market structure*

A change to increased fixed network tariffs would have a negative effect on many of the most vulnerable customers. Already, low income households with low energy use contribute through their network charges to electricity network augmentations required to supply the higher energy consumption and peak demand of wealthier customers. High energy user households, with multiple air-conditioning units, pool pumps, etc., incur a cost for the network which is not recouped from them in many of the current network tariff structures. Adding additional fixed network costs to low income households that are already seeking to avoid energy use exacerbates existing inequities of the system.

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[9] CSIRO Distribution System Operator (DSO) Models report https://www.csiro.au/-/media/EF/Files/GPST-Roadmap/Stage-4-Final/ARPSTStage4Topic7Report4-Final.pdf

[10] AER Low-voltage Network Visibility Phase 3 Final Report https://www.aer.gov.au/system/files/2025-03/Low-voltage%20Network%20Visibility%20-%20Phase%203%20Final%20Report.pdf

[11] Distribution System Plan Opportunities Report https://d2s3n99uw51hng.cloudfront.net/static/DSP%20Opportunities%20Report-v1.pdf

We challenge the assertion in the Draft Report (p. v) that "*Network tariffs currently contribute to an inequitable sharing of network costs where those customers that benefit the most from the use of the network pay the least for it*." The customers that benefit the most from the use of the network are arguably those who use the most electricity. The proposal to move to predominantly fixed network charges will mean that these high electricity users – the customers who benefit the most from the system – will actually pay less for the network. That is, the proposed reform would result in customers that benefit the most from the system paying less.

As referred to above in section 1, there are inequities in the quality of energy supply for many regional/rural areas compared to the secure energy supply experienced in metropolitan areas[12]. Large parts of our NSW regional areas are affected by electricity supply interruptions, brownouts and other problems with supply. To make customers who are suffering from ongoing network supply issues pay more in standing charges for their poor quality supply would be inequitable. To degrade the business case for the CER solution to the energy supply issues would be a double blow.

Thank you for the opportunity for REROC Member Councils to contribute to the AEMC's *The pricing review - Electricity pricing for a consumer-driven future* consultation.

Regards,
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[12] As detailed in the CNSWJO Business Case on the Nexus Between Energy Security and Emissions Reduction https://www.centraljo.nsw.gov.au/business-case/