The pricing review - Electricity pricing for a consumer-driven future

Draft report consultation

February 2026

eec

About the EEC

The EEC is the peak body for Australia's energy management sector.

We are a membership association for businesses, universities, governments and NGOs that have come together to ensure Australia harnesses the power of efficiency, electrification and demand management to deliver a prosperous, equitable, net zero Australia with:

- People living and working in healthy, comfortable buildings;
- Businesses thriving in a decarbonised global economy; and
- An energy system delivering affordable, reliable energy to everyone.

The EEC works on behalf of its members to drive world-leading government policy, support businesses to rapidly decarbonise, and to ensure we have the skilled professionals to drive Australia's energy transformation.

Introduction

The Energy Efficiency Council (EEC) welcomes the opportunity to provide feedback on *The pricing review - Electricity pricing for a consumer-driven future, Draft Report* (**Draft Report**).

The EEC has long advocated that behind-the-meter measures, including energy efficiency, electrification, and active energy management, are essential to optimising the energy system, helping to maximise renewable electricity use and reduce wasted energy and expenditure.

While long overdue, critical reforms to support the role of demand side measures in the energy transition are underway, including the consumer energy resources (CER) roadmap workstreams, the announcement of a demand side statement of opportunities, and the implementation of actions following the National Energy Market (NEM) wholesale market settings review. The EEC welcomes the AEMC's acknowledgement that pricing is only part of the picture: pricing reform must work alongside other reforms coherently to deliver a holistic approach to optimising the energy market.

The EEC also supports the Draft Paper's assertion that CER such as rooftop solar, batteries, electric vehicles and flexible loads can deliver significant consumer benefits and system value by improving reliability and reducing costs. As these are mainly connected to the distribution network, distribution network service providers (DNSPs) play a pivotal role in supporting the integration and effective operation of CER and getting network tariffs right is part of this.

However, while the AEMC is understandably focussed on how to reform network tariffs for the future energy system, the EEC is concerned that recommendation 5 in the Draft Report attempts to deal with the symptoms of the issue (consumers paying high network prices to enable networks to recover capex spend) rather than the cause (market rules incentivising capex spend by networks rather than flexibility).

Without system-level reforms to regulation and incentives, the vast majority of DNSPs will have no commercial or regulatory driver to change their current business models to be less capex-oriented.

This is why a broader review of network regulation is crucial and why pricing reform alone will not deliver the full value of CER to consumers or the power system. The EEC looks forward to working with the AEMC on its upcoming review to examine the future of electricity network regulation in the NEM.

For further information about anything in this submission, please don't hesitate to contact Amelia Jarrett via email at amelia.jarrett@eec.org.au.

Yours faithfully,

Jeremy Sung

Head of Policy,
Energy Efficiency Council

Recommendations

Draft recommendation 1:

Require energy service providers to charge all customers on the same plan the same price, to address the 'loyalty tax' on customers who don't switch and ensure every customer is always on the best price

EEC position – supportive while acknowledging that implementation will require careful consideration of how 'meaningfully different plans' will be defined and how the compliance arrangements would operate.

Draft Recommendation 2

Introduce a competitive franchise model for the cohort of customers who have not chosen a market offer, so that all customers are on a competitive plan

EEC position – the EEC has heard that more analysis and consideration should be given to the factors listed in the Draft Report and the impact to customers of this approach, before this recommendation can be fully supported.

Recommendation 3

Periodically review whether regulations are supporting good consumer outcomes in an evolving market

EEC position: supportive with an extension to the scope of the review.

The EEC recommends that the AEMC extends the periodic review beyond whether the current regulations support competition to explicitly consider how regulations are impacting customer bills.

This review should look at what current trends and processes mean in terms of energy bills per customer. The AEMC is well placed to review how regulation impacts customer bills alongside the AEMC's annual Residential Electricity Price Trends report and with support from the AER's review of prices, profits and margins.

The EEC is concerned that increases to customer energy bills could threaten the social licence of the energy transition and that focus needs to be directed towards managing costs to customers.

Recommendation 4

Provide the AER with additional funding to upgrade Energy Made Easy so that consumers can easily compare electricity offers, including new and emerging types.

EEC position: supportive.

The EEC recommends that Energy Made Easy is upgraded to include the following features:

1) Extend the service to compare offers on future load profiles

As Energy Made Easy only looks current power use it does not assist consumers who are considering making changes to their profile – such as buying a battery or electrifying.

2) Compare services offered as well as overall price

It is currently difficult to compare retail offers which offer additional services, such as orchestration of batteries through a VPP or the offer of internet services alongside electricity. Additional consideration of this complexity and the explanation of products to consumers would be beneficial.

3) Provide more information on energy use and energy costs to consumers

Energy Made Easy should be upgraded to provide clear, accessible consumer resources. These resources should explain that accessing the full benefits of some offers requires flexible appliances, and that a home's thermal and energy efficiency levels will influence consumer costs under some offers.

This guidance could encourage load-shifting behaviours and direct consumers to programs that help them adopt energy efficient and flexible technologies in states where these are available.

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

EEC position: a full review of the economic regulation of distribution networks is required; pricing reform alone cannot deliver a lowest-cost grid for consumers. Any increases to the fixed charge component of the tariff will require careful consideration of impacts on equity, and energy efficiency.

The EEC has the following concerns with the composition of the efficient network tariff that has been put forward by the AEMC, specifically increasing the fixed charge element:

1) *Increased fixed charges may penalise low-income households and low-usage consumers*

Energy Consumers Australia reporting has shown that low-income households currently consume and pay less for energy than higher income households. Higher fixed charges therefore risk being regressive, representing a higher share of electricity bills for low-consumption households and could lead to them paying more for electricity, while high-income households pay less. Analysis from Green Energy Markets suggests that many low-income households may be worse off under the AEMC's proposal – depending on how the fixed component is applied.

This concern is supported by analysis by the Brattle Group which found 'a tariff with a very large fixed charge may be perceived as unfair, because (relative to current tariffs) customers with low consumption would pay more and customers with high consumption would pay less'.

To avoid potentially regressive impacts, any fixed component would need to be applied in a graduated way so that different income groups face different levels of exposure based on their ability to pay.

2) *Increased fixed charges are likely to reduce incentives for efficient energy use, with flow-on costs for the energy system*

Despite the AEMC's assertion that 'fixed charges have a limited impact of customers' decisions' the EEC suggests that higher fixed charges may pose potential risks to energy efficient behaviours and purchasing decisions.

The EEC has significant concerns that higher fixed charges will undermine the uptake of energy efficiency measures, electrification efforts and consumer energy resources (CER) uptake and orchestration, which are both vital to the energy transition, and to save consumers money through deferred expenditure on generation, storage and network infrastructure.

AEMO's draft 2026 Integrated System Plan identifies opportunities for deploying coordinated CER in the distribution network that could reduce total system costs by $7.2 billion, with an additional $12 billion saved by extending energy efficiency policies.

This is consistent with findings from the ENA–CSIRO Electricity Network Transformation Roadmap, which estimated that orchestrated distributed energy resources to provide network services could avoid around $16 billion of network infrastructure investment by 2050.

Higher fixed network charges are likely to weaken the incentive to reduce energy use through energy efficiency or shifting the time of electricity use and may potentially change the economics of switching from gas to electricity for some end-uses.

This concern is supported by analysis from Green Energy Markets which indicates that the increase in fixed charges under the AEMC proposal would have a material impact on solar or battery payback periods for many households.

EEC recommendation: provide evidence that the proposed approach delivers the AEMC's vision

The AEMC notes that 'Transitioning towards network tariffs that have a larger fixed charge component will help ensure that consumers can make the best use of network infrastructure to power their homes and businesses and to send power back to the grid. In the longer-term this will create the lowest cost electricity system'.

However, no evidence has been put forward that increasing the fixed charge component of the tariff will deliver the lowest cost electricity system. The EEC recommends the AEMC publish transparent analysis of their justification of this position before finalising this review.

The proposed higher fixed price component appears designed to address a concern volumetric pricing will not allow for network cost recovery, given many networks are currently under-utilised. However, the EEC reiterates that while current utilisation rates may be low in many parts of the grid, this is likely to change significantly as Australia electrifies more of its energy end-uses. AEMO's Draft 2026 ISP forecasts total electricity consumption to nearly double from the current 205 (TWh) to 389 TWh in 2049-50, for example.

The EEC recommends that detailed analysis is undertaken and shared with stakeholders to confirm that network cost recovery would be low over the longer term. While addressing equity issues is important, any reform must consider future growth in electricity demand.

EEC recommendation: address the cause, not the symptom - complete a full review of the economic regulation of distribution networks prior to addressing tariff reforms

The EEC understands the AEMC's concern that there are equity risks with volumetric network tariffs that benefit those consumers with the means to invest in better energy performance (through

energy efficient and flexible demand technologies). The EEC suggests the position is more nuanced than this and uptake is not defined by income alone. For example, some analysis has shown that amongst home owners, poorer households install solar at a similar or greater rate than richer households.

The EEC believes that any equity problem is most pronounced at the current moment in the energy transition, compounded by a historic over-investment in network infrastructure. Regulation has historically encouraged networks to prioritise capital expenditure and reliability, rather than achieving objectives such as lower energy bills and decarbonisation.

The EEC asserts that a first-principles review of the review of the economic regulation of electricity distribution networks should be undertaken before the pricing review is finalised.

Current regulation favours traditional, capital-intensive network solutions over non-network or operational alternatives. This means DSNPs are incentivised to prioritise capex spend rather than maximise network utilisation through flexibility, or other demand-side solutions which prevents cheaper, more innovative options from competing on equal terms. Reforming these frameworks would unlock substantial consumer and system value, reduce costs, and foster competition and innovation.

The AEMC has announced a self-initiated review on the future of electricity network regulation and the outcomes of this review should be considered alongside pricing reform. Similarly, any incentive options, such as those set out in the Draft Report should be considered as part of the full review into electricity network regulation.

The EEC looks forward to working with the AEMC on its review on the future of electricity network regulation.

Recommendation 6

Amend the rules to ensure networks design tariffs for energy service providers, rather than directly for customers, to promote more flexible and innovative retail offers

EEC position: tentatively supportive but consumer focussed principles must remain

Consumers respond to retailer pricing rather than DNSP tariffs. Setting pricing signals at the network level is therefore only setting half the signal to the consumer. This disconnect between network tariffs and retail tariffs can mean that innovative networks are designing tariffs to support the system which are not being passed through to consumers by retailers.

As highlighted by St Vincent de Paul Society and Alviss Consulting, 'there are major differences in retailers' practices [in relation to underlying networks tariffs] between jurisdictions: 'In NSW (Ausgrid) and Queensland (Energex) many retailers offer a tariff structure that is different to the underlying network tariff (NUOS) and in South Australia there is some variation. In Tasmania, the ACT and Victoria (Citipower), however, none of the surveyed retailers offer different tariff structures'.

Retail offerings that include dynamic network tariffs that better align with wholesale price changes should be supported in parts of the network facing constraints. Dynamic network tariffs are working well in some areas. Preliminary results from Project Edith indicates that CER responds to dynamic network prices at competitive cost, with an average 500W change in demand for a 45c/kWh price shift. This implies customers can shift 1 kWh of load for ~90c/kWh, far below the cost of traditional demand response programs (e.g., RERT, WDRM).

To the extent that rule changes can change incentives for networks and retailers to better align their tariff structures, the EEC supports this recommendation.

However, the Project Edith Stage 3 Insights Report also states that 'Traditional network utilisation metrics used by organisations such as the Australian Energy Regulator (AER) may not adequately capture the benefits of dynamic pricing, as reducing peak demand through effective CER coordination can paradoxically appear to worsen utilisation figures.' Once again, this points to the need for a wider review of distribution regulation (including utilisation metrics).

Finally, while we support greater collaboration between energy service providers and networks when considering tariff design, some of our members have concerns that removing the 'customer impact' and 'customer understanding' principles may leave energy consumers vulnerable. We therefore recommend that these principles be retained to ensure tariffs that meet consumer needs.

Energy Efficiency Council

Level 18, 1 Nicholson Street,
East Melbourne 3002
Victoria, Australia

eec.org.au