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EPR0097 Draft report: The pricing review - Electricity pricing for a consumer-driven future

AGL Energy (**AGL**) welcomes the opportunity to make a submission on the Australian Energy Market Commission (**AEMC**) Pricing review: Electricity pricing for a consumer-driven future draft report (**draft report**). The review seeks to address genuinely difficult questions about how electricity pricing should evolve as customer preferences diversify, consumer energy resources (**CER**) expand, and the system transitions toward electrification and decarbonisation.

AGL supports the AEMC's central ambition to enable a pricing framework that delivers efficient outcomes, meaningful consumer choice, and a lowest-cost system over the long run.

AGL's submissions to the directions papers emphasised three core objectives that remain central:

1. **Protect access to basic electricity products** that are simple, fair and trusted, particularly for customers who cannot or choose not to actively engage with the market.
2. **Enable competition, supported by strong consumer protections**, as the preferred pathway to innovation, efficiency and improved customer outcomes.
3. **Reform network tariffs to improve clarity, efficiency and alignment** with regulated retail offers, while remaining workable in real-world customer contexts.

The draft report engages with these objectives and AGL welcomes the AEMC's willingness to explore new approaches and challenge aspects of the existing framework that may no longer be fit for purpose. We support the Commission's emphasis on enabling competition to deliver outcomes for customers over time, rather than relying solely on increasingly prescriptive regulation.

At the same time, AGL recognises the clear recent policy direction from governments to embed the Default Market Offer (and the Victorian Default Offer) as enduring safeguards that regulate efficient prices for simple products. These frameworks now, and will continue to, perform the central and ongoing role to protect disengaged customers and anchor trust in the retail market. The AEMC review of future pricing frameworks should therefore be designed to operate coherently alongside the DMO/VDO, rather than in tension with, or assuming these mechanisms will be transitional or displaced.

AGL's perspective is grounded in extensive experience serving customers with very different needs, capacities and levels of engagement. While many customers welcome innovative products and are willing to respond to more granular price signals, many value simplicity, predictability and bill control. Pricing reform must therefore strike a careful balance: enabling innovation and choice for those who want it, while ensuring default arrangements remain simple, fair and stable.

The draft recommendations represent a substantial package of change, proposed at a time when the sector is already managing significant regulatory reform across retail, network and consumer protection frameworks. In this context, AGL considers it essential that reforms are **coordinated, proportionate and evidence-based**, and that key assumptions—particularly about customer behaviour and responsiveness—are carefully tested to avoid unintended consequences.

There are already a very large number of regulations that impact retail pricing. Some of those are yet to commence. Accordingly, we suggest that for each proposed new regulation to be imposed, consideration should also be given to whether, other regulations could be removed if that regulation was imposed. That



would avoid unnecessarily overlapping regulation that could inhibit the operations of retailers, including through unnecessary complexity and compliance burden that could hinder innovation.

AGL's submission is intended to be constructive and forward-looking. We are open to exploring new pricing approaches and support continued experimentation where it is targeted, opt-in and supported by appropriate protections. Our focus is on how the AEMC's recommendations can best achieve their stated objectives **in practice**, while preserving consumer trust, supporting efficient long-term investment, and maintaining access to basic products for all customers.

AGL's high-level position on the draft recommendations

- **Draft Recommendation 1 – Same plan, same price**
AGL supports the objective of improving fairness and transparency. However, we do not support this recommendation. As proposed, it is a blunt and inflexible intervention that risks weakening competition and creating material unintended consequences for customers. The proposal sits uneasily alongside the enduring DMO/VDO frameworks and would add complexity and regulatory risk without clear consumer benefit
- **Draft Recommendation 2 – Competitive franchise for standing offer customers**
AGL does not support this recommendation. The proposed mechanism is complex, risks customer confusion and trust, and sits uneasily alongside governments' recent decisions to strengthen the DMO/VDO as the primary safeguard for standing offer customers.
- **Draft Recommendation 3 – Periodic monitoring and review of pricing regulation**
AGL supports timely, issue-led reviews where required, but does not support establishing a perpetual review cycle that would divert resources from targeted reform through established rule change processes.
- **Draft Recommendation 4 – Upgrade Energy Made Easy**
AGL strongly supports upgrading Energy Made Easy to improve comparability and consumer understanding, provided enhancements reflect real-world products and are developed collaboratively with industry, consumer groups and government.
- **Draft Recommendation 5 – Amendments to network tariffs**
AGL supports the need for better network price signals but does not support a shift to predominantly fixed charges or default dynamic congestion tariffs. These changes raise equity, efficiency, workability and policy-alignment concerns and risk undermining consumer trust.
- **Draft Recommendation 6 – Designing network tariffs for energy service providers**
AGL supports making retailers central to network tariff design, but considers customer impact, understanding and alignment with regulated retail offers must remain core design principles.

Attachment A includes AGL's detailed response to the draft recommendations. If you have any queries about this submission, please contact Kyle Auret on 0498 003 090 or kauret@agl.com.au.

Yours sincerely,

Ralph Griffiths

General Manager, Policy and Market Regulation



About AGL

Proudly Australian since 1837, AGL delivers around 4.6 million gas, electricity, and telecommunications services to our residential, small and large business, and wholesale customers across Australia. AGL operates the largest electricity generation portfolio in Australia of any ASX-listed company, with a total operated generation capacity of almost 8000 MW across Australia. AGL is Australia's largest privately-owned hydro power station operator and operates the largest portfolio of renewables and storage assets of any ASX listed company. Since 2006, AGL has invested billions of dollars in the construction and delivery of over 2 GW of renewable and firming capacity in the National Electricity Market.



Attachment A: AGL response to AEMC Pricing review, draft recommendations

Theme 1: Harness competition to improve outcomes for all consumers

Draft Recommendation 1: Same plan, same price

We support the AEMC's consideration of alternative market structures to enable competition with strong consumer protections that may lead to improved outcomes for all customers. As highlighted in our previous submission, the market structure must strike the right balance to ensure the degree of price dispersion benefits customers overall. The degree of customer price dispersion results from a mix of cost, market structure and competitive dynamics. This review presents an opportunity to consider if price dispersion should be adjusted, not simply removed or significantly curtailed.

However, the AEMC has not made a strong case for why a radical shift is needed to significantly limit price dispersion within the competitive market. As set out below, the recommended changes to the market structure must consider the impact of pricing regulation, changes in competitive dynamics, how retailers will manage changing costs, and the range of potential customer outcomes that could arise in this new market structure. The current draft recommendation is complex, risks customer confusion and trust, and sits uneasily alongside governments' recent decisions to strengthen the DMO/VDO as the primary safeguard for standing offer customers.

We strongly support the achievement of an effective market structure that will promote fair and equitable outcomes for all, including having regard to the wide range of consumer preferences and needs, how these change over time, the innovation needed to ensure customers continue to be well served through the transition. We are open to further policy changes of that kind.

Pricing regulations must be considered

The draft report recommends that the retail market should be structured so that retailers set the same price for all customers on the same plan. This may have the direct effect of eliminating price discrimination within the retailer's customer book by prohibiting market offer discounting for acquisition of new customers. It is unclear if the recommendation, or its intended outcomes, includes other bill related incentives, such as temporary bill credits. However we are presuming the intent is to prohibit any bill discount incentives for new or existing customers as well.

It is unclear how standing offer contracts will exist within this framework. Standing offer contracts with the same tariff structure as market contracts will likely need to have the same price. Unless expressly excluded from this pricing obligation, the Default Market Offer regulations will therefore set the price for market plans that are the same tariff structure as standing offer contracts.

The recommendation is targeted at addressing the concern that customers who don't engage regularly with the market pay more than customers who do, while still allowing competition to set the price all customers pay. The proposal requires more specification in relation to how it would be structured and interact with other regulatory constraints, and the analysis needs to be supported by quantitative consideration of distributional impacts across customers.

A single price dispersion for the same or similar plan would, under current regulatory arrangements, likely be fixed for the annual pricing period. How retailers price their products in this new market setting is unclear. The combined effect of a requirement to have a single price and not change that price in the face of changing market and retailer specific costs creates significant risk. The AEMC will need to explore the suitability of the current regulatory pricing constraints within this new market structure.



For engaged customers, this market structure will limit the opportunity to shop around for a better price on the same product. Price based incentives to switch to an alternative retailer will be set for the pricing period. Alternatively, price incentives will also exist for customers to switch to different types of tariffs or products that are better suited to their energy needs.

The draft report states that:

Requiring energy service providers to charge both new and existing customers the publicly advertised price for a given offer, and not excluding existing customers from offers, would encourage competition on genuine differentiation in service, product features, and long-term value, rather than tactical and short-term acquisition pricing.

We support the AEMC exploring alternative market structures that harness competition to enable desired market features and customer outcomes that are in the long-term interests of all consumers. Market led approaches that improve price transparency, acknowledge and address barriers to customer engagement, and enable efficient retail prices will result in the best long-term outcomes for customers in an evolving and ever-changing market.

However, regulated market interventions, particularly regulatory pricing are inflexible and distorting. While they may address the specific issue or market failure they target, there is always a high risk of unintended negative consequences for customers. These risks are exacerbated when multiple interventions are implemented to address the same or similar issues in different ways.

For this recommendation to be meaningfully considered, the impact of the current regulatory pricing interventions on the proposed market structure must be considered, and ideally a credible pathway is explored for how the current regulatory interventions will be replaced or no longer required. However, it is likely that some of these regulatory features will remain in place regardless of our confidence in the market structure. This context is critical and must be expressly considered in the review. For this review to inform future market reform the AEMC must state what options make sense together with regulatory interventions, and what only make sense if regulations are removed.

As noted in the draft report, there are significant regulatory changes underway that will affect how the market will operate. In addition to the package of ECMC initiated rule changes, in June 2025 the Commonwealth government announced that it will reform the Default Market Offer and change its purpose to provide a 'fair, trusted and reasonably priced electricity option' for standing offer customers, in effect mirroring the purpose of the Victorian Default Offer. Contrary to the AEMC's draft report statements that the DMO/VDO are pricing safety nets, the regulated pricing now aims to perform a very different purpose. The regulatory pursuit of deriving the efficient cost of supply is resulting in the regulators' setting a benchmark for what they consider is a fair and reasonable cost of supply for disengaged customers.

Furthermore, the current reform options being explored for the Prohibiting Energy Market Misconduct (PEMM) legislation indicate the Government's interest in further complicating this perplexing regulatory intervention that sits outside and on top of the National and Victorian energy consumer frameworks and the regulated pricing under the DMO and VDO regimes.

All NEM jurisdictions have committed to regulated retail electricity pricing as a central feature of consumer protections for the foreseeable future. Whether this is desirable or not, it is critical context for the review and the AEMC should consider its recommendations in light of how they will interact with the DMO price regulation.

There are already a very large number of regulations that impact retail pricing. Some of those are yet to commence. Accordingly, we suggest that for each proposed new regulation to be imposed, consideration should also be given to whether, other regulations could be removed if that regulation was imposed. That



would avoid unnecessarily overlapping regulation that could inhibit the operations of retailers, including through unnecessary complexity and compliance burden that could hinder innovation.

This should not constrain the AEMC from continuing to proactively explore opportunities to improve pricing for a consumer led future. Rather it should provide a strong discipline to ensure any proposed changes work in the real-world context in which they will apply and inspire the AEMC to coordinate, streamline and fix the interventions within the NERR/NER where it is the rule maker.

In our view there is a significant risk that the proposed recommendation on its own will increase the cost, complexity and unintended consequences of the patchwork of regulated pricing interventions in the market.

Intended market outcomes are not guaranteed

The draft report notes the current market focus on discounting and churn reflects how the collective market works, where the current market structure determines how the competitive market should function or compete. This observation demonstrates the difficulty in predicting how the market will evolve or adapt to new structures as the market price equilibrium is largely set by the collective market forces as they progressively unfold.

The AEMC's expectation is that the prices set annually will create an incentive for retailers to set prices at the efficient cost of supply. Therefore, evenly spreading the benefits of competition across all customers. Whilst this is the desired outcome, further analysis is required to better understand how it could evolve in the market and the risk of unintended consequences. How customers engage with the new market structure and the types of retailers that participate in the market is difficult to predict. Market outcomes, and the commercial strategies that underpin them, are therefore entirely hypothetical until they are tested in the market. The interaction between the single price and the restriction on repricing needs to be explored to better understand the risks and whether they can be managed.

The draft report's assessment of the challenges in determining whether offers are 'meaningfully different' to existing market contracts/offers demonstrates the regulatory complexity that will need to be overcome to ensure the market functions as expected. In particular the AEMC should clarify whether a market contract with a similar structure to a regulated standing offer would be captured by the requirement to have the same price, effectively turning the regulated price into the only price that could be offered for the broad range of pricing structures that will be covered by DMO and SSO tariffs.

If the AEMC does make this recommendation in the final review report and the proposed market changes are progressed, the AEMC will need to carefully manage the risk of unintended pricing outcomes. We recommend the single price for the same product changes are first targeted at products that are clearly defined and universally recognised as what is constituted as the same plan. The recommendation can then be expanded in scope as the market adjusts and actual market insights are used to inform expanded implementation.

Draft Recommendation 2: Introduce a competitive franchise for standing offer customers

We do not support the draft recommendation to introduce a competitive franchise for standing offer customers. Rather than creating an additional framework, we recommend the review explores improvements to the Explicit Informed Consent (EIC) regulatory requirement when shifting customers on a better deal. A targeted adjustment to the EIC requirement for standing offer customers could facilitate customer transfers to market offers when the customer is clearly better off on the alternative plan.

We recognise the positive intention behind the AEMC draft report proposal as an alternative competitive mechanism for price discovery to determine the prices of standing offers. Broadly, this approach involves standing offer customers being pooled together and periodically assigned to a successful retailer following a price auction.



The draft report states that this recommendation complements recommendation 1 (same price for the same plan) as this framework specifically targets outcomes for standing offer customers.

However, it is unclear how this recommendation would complement or co-exist if implemented alongside recommendation 1, the purpose appears contradictory to the first recommendation. Would the competitively determined standing offer 'plan' be seen as materially different to similarly structure market contract? If not, the concept of the same price for the same plan would apply with standing offer customers having the same price as market customers. Should a lower price be achieved for standing offer customers through this process, a different type of loyalty-tax is created whereby market contract customers pay more.

In the absence of implementing recommendation 1, we do not consider the case for implementing a complex regulatory framework has been effectively demonstrated.

Firstly, the role of regulated pricing of standing offers is unlikely to change in this market. As outlined in our response to recommendation 1, the outcome of the DMO review indicates a strong interest in preserving regulatory price controls for standing offer customers. The regulatory purpose of the DMO is no longer about creating a pricing 'safety-net'. The DMO price will now aim to reflect a retailer's efficient cost of supply, therefore creating a 'fair, trusted and reasonably priced electricity option'.

The introduction of this framework will therefore create another layer of regulatory process to determine the standing offer price for these customers. Any auction process would likely require a DMO style price determination process to determine the appropriate maximum price benchmark that retailers could reasonably bid up to.

Given this price benchmark now set at the regulator's estimate of an efficient cost of supply, it is unclear if the winning price would be materially lower. The cost to serve this cohort will be fundamentally determined by the nature of customers on standing offers, after the implementation of this recommendation. There may be strong incentives for retailers to proactively ensure the best customers are on market contracts, while encouraging or allowing high-cost customers to revert to standing offers. Alternatively, as in the Italian auction referenced in the draft paper, regulators may determine that vulnerable customers with particular need for support – hardship, family violence, life support – should be excluded from this mechanism given risks.

Secondly, there are multiple implementation challenges that pose significant risk of regulatory failure. The issues include:

- The customer experience of periodic assignment to different retailers could lead to customer confusion and unnecessary distress. If the assigned retailer is unfamiliar to the customer, customer trust in the handling of personal information and billing may be significantly undermined.
- Customers will lose additional benefits such as multi-product discounts where additional services are provided by the same retailer. Furthermore, non-plan related services that the customer may value, such as service levels, payment arrangements, and partnerships may also change.
- Participating retailers will likely need to create bespoke systems and processes to enable the transfer in and out of the retailer's customer book. This will include processes to transfer current/historical customer information to ensure continuity of customer protections along with any necessary customer support and concessions assigned to the account.
- Special legislation would likely be required to enable the transfer of sensitive personal information and banking records to enable continuity of service without customer consent to ensure continuity of service and consumer protection.
- The periodic auction process will create uncertainty of customer load forecasts as the pool of standing offer customers could shift between retailers. This rapid and periodic change could undermine efficient retailer investment, including long-term wholesale market investment strategies such as long-term PPA arrangements or a vertically integrated retailer/generator direct investment in their generation portfolio.



- Whilst the draft report includes international examples of previous customer book auctions, it is not clear if they are relevant to this proposal and there remains significant uncertainty as to what types of commercial drivers will exist to inform a retailers bid for a pool of customers they will only retain for a defined period. Historically customer acquisitions are a permanent transfer.
- The terms of the auction, including the eligibility requirements for a retailer to participate, may result in a concentrated number of retailers potentially participating in this process. A limited number of retailers poses significant risk of limited regulatory benefit. For example, the retailer of last resort (ROLR) framework is predicated on a competitive application process to be assigned the designated ROLR, however this regulatory process has failed to produce meaningful competitive appointments.

If pursuing this idea further we strongly encourage the AEMC to map out the customer experience and anticipated market dynamics in the specific context of the Australian market and the policy intention in this context. The international examples quoted, while informative, do not appear to readily translate to the context and problem the AEMC is seeking to address.

For example¹, the Italian auction outlined in the paper appears to have had a very different purpose and result. Regulators were concerned about high percentage of customers remaining on regulated tariffs and were seeking to drive customers from a regulated offer to the unregulated market. Vulnerable customers were excluded and the auction was a 'one off' process. Customers have no right to return to a regulated tariff after the 3-year term as regulated prices are now generally restricted to vulnerable customers. Successful retailers are free to reprice customers after this period. Reports suggest that tender prices reflected successful bidders' expectation of future lifetime value from the acquisition of a low churn customer base rather than a direct substitute for the efficient market price within the period. The aim and result of the Italian auction was to move the Italian market to a state most NEM states achieved over a decade ago.

The NEM already has a very low percentage of standing offer customers, and it is not clear how this example helps inform the AEMC proposal.

In the Pennsylvania example it appears the auction is for bulk energy supply to the regulated utility who then serves default customers. Customers do not change retailer or supply arrangements through the auction. Again, it is not evident exactly how this example would inform or apply in relation to the AEMC proposal.

Draft Recommendation 3: AEMC's periodic monitoring and review of Pricing Regulation

The AEMC should consider rule change requests in a timely manner and conduct relevant reviews as required by developments and circumstances.

It is not obvious that there is benefit in setting up a frequent and regular review cycle. This risks misallocation of resources from addressing issues as required to conducting reviews against a schedule. Conducting a review is inherently resource intensive for the Commission and for stakeholders to respond to, and every review will likely create new recommendations and further work, even when no substantive issues are identified.

Harnessing competition to improve outcomes for all consumers is critical to ensuring a fit for purpose retail energy market. Information provision and accessible dispute resolution services are key to ensuring there are no unnecessary costly obligations, and pricing remains as transparent as possible. They have long been an effective mechanism for assessing the integrity and performance of the regulatory framework.

¹ [This synopsis is drawn from internet research and may be flawed. Our request is for the AEMC further detail the examples and their application.](#)



While AGL has no objection to this recommendation in principle, we hold concerns regarding key elements of the Draft Report's proposal for the periodic review of regulations. Prima facie, introducing an additional measure to monitor and review pricing activity can contribute to ongoing effectiveness and efficiency. We are concerned however that proposed allocation of responsibilities is likely to give rise to poor regulatory oversight.

Most notably, the AEMC's proposal of expanding on the AER's regulatory role by introducing a three-year review cycle risks duplicating functions in a way that may confuse both industry, participants and consumer alike. It is unclear who would ultimately be responsible for the supervision and enforcement of the regulatory framework, given the overlapping functions proposed. A similar issue was identified in the *Review of the effectiveness of the Prohibiting Energy Market Misconduct (PEMM) Act 2019* (Cth). The Report found an overlap of responsibilities between the ACCC and AER, which would risk inconsistencies in regulatory approach, increase confusion for market participants, and potentially rupture consumer trust, which would ultimately undermine the overall intended outcome of the draft recommendation.

Alongside concerns related to governance, the AEMC proposes to leverage existing data obtained by the AER, while also undertaking further assessments of the effectiveness of the regulations, such as information requirements to support competition and consumer outcomes. While well intentioned, this approach could add further regulatory burden during a period of significant market change. The sector is already managing and responding to significant regulatory change that requires substantial resources, including from initiatives such as ECMC rule change package, Better Bill Guidelines and Solar Sharer offer. Introducing a three-year review cycle that is conducted by another agency would only double up regulatory oversight with limited additional benefit.

Competing regulatory industry monitoring and reporting on the retail market could also lead to industry confusion and uncertainty. Certainty around government and policy settings is imperative to ensure a fit for purpose, stable and efficient retail energy market that delivers valuable signals for providers and consumers. Accordingly, AGL does not support the AEMC periodically assessing the impact of regulations and interventions on competition.

Theme 2: Make it easier for consumers to compare offers that suit them

Draft Recommendation 4: Reforms to Energy Made Easy

AGL supports the Draft Report's recommendation that the AER upgrade Energy Made Easy so that consumers can easily compare existing and new electricity offers and subsequently support market competition. The AER has a large budget and whether this upgrade should be funded by a new allocation from Government or reprioritisation of existing funds is a matter for the AER board and Govt to consider in the context of overall budget and cost of living pressures.

Energy Made Easy has been a supportive and educational tool for consumers since its genesis, however, as noted in the Report, it has not kept pace with products, plans or pricing. The introduction of new innovations, such as CER, has now led the tool to be basic in its offerings and failing to meet the needs of many consumer preferences today. The upgrade is therefore timely, and necessary.

While AGL supports AEMC's recommendation for upgrading the tool, using AI as a key tool to achieve this, the improvements must be undertaken in a conceivable way. Counterfactually, the tool is now basic by comparison and must become more sophisticated for different value propositions and complex tariffs. For example, the tool should inform customers of non-price based benefits and model load-shifting benefits. The tool should also enable customers to search for plans based on customer assets such as solar, EV and battery.

Improvements to EME must also be supported by the regulations that determine how retailers describe plans in EME, such as the AER's Retail Pricing Information Guidelines. It is essential that changes to how retailers



present plans are targeted at facilitating retailer capability to communicate customer value rather than creating additional operational burden to retailers to update and maintain offers.

To guarantee tailored, cost-efficient consumer outcomes, AGL recommends the AER establishes a working group that consists of industry, government and consumer representation. This would help inform the necessary changes at a complex and technical level for offerings, as well as ensure the tool reflects consumer needs.

Theme 3: Reward consumers for activities that are valuable in achieving a lowest-cost system, and target a more equitable allocation of shared costs

Draft Recommendation 5: Amendments to network tariffs

AGL acknowledges there are complex equity challenges and implications associated with different network tariff structures. AGL strongly supports the importance of providing the right signals for customers capable of demand flexibility. Network tariffs should incentivise efficient use of the network to maximise network productivity and minimise future network costs for all customers. These tariffs should be designed to be as simple, actionable and fair as practical. AGL strongly supports development of network services markets to help DNSPs efficiently address local congestion issues.

AGL does not support the AEMC's proposal to amend network tariffs so that most network costs are recovered through a fixed charge, with the remainder recovered through a dynamic charge.

The proposed move to a primarily fixed tariff component would be inherently unfair and inefficient. Some adjustment to reflect use, demand and/or income would be necessary to reduce extreme anomalies between large and small users. A largely fixed tariff would reduce important price signals for load shifting and energy efficiency activities that repeatably and predictably reduce energy usage in peak periods. While peak load growth has been suppressed over many years due to customers investment in solar, improvements in energy efficiency and the emerging ability to engage in load shifting, this could quickly change with increased electrification and electric vehicle charging demand.

For most customers simple, actionable and fair time-of-use price signals remain the most appropriate means to prompt long-term behaviour change and minimise network costs for all energy users. A time of use tariff can be readily combined with a fixed charge component to create an acceptable balance between charging all customers some fee to have access to the network, recovering more from customers who use the network more, and incentivising load shifting to smooth the overall load shape to minimise future network costs and improve network productivity. The time of use component could be substituted by other well-designed alternatives proposed by some stakeholders, such as a capacity charge or subscription model, in close consultation with retailers.

AGL accepts that it is retailer's responsibility to package network tariffs with wholesale and service costs to provide customers with simple attractive products that work for customers. We support shifting to a greater focus on designing network tariffs for retailers to package. However, as network tariffs are typically the largest single component of the retail cost stack it is still important that network tariffs are well designed.

Short-term network congestion needs to be managed, but network tariffs are not the most suitable mechanism to address this need in most circumstances.

Short-term network congestion is better addressed via other tools available to networks. These include procurement of flexibility services and operational measures (e.g., dynamic voltage management, or dynamic operating envelopes through a customer agent). These levers would directly target specific issues including critical peak demand and localised congestion and voltage issues and should be considered as part of the CER Roadmap's workstream on redefining roles for market and power systems operations.



Local and short-term distribution network congestion primarily reflects DNSP operational, investment and deferral decisions. They are not the ‘fault’ or ‘responsibility’ of customers. Customers should not face punitive local pricing signals when they have no way to influence or understand the DNSPs decision. In most cases it is pure luck whether a customer’s premises is located on a congested or uncongested feeder. There is no way for a customer, or the regulator, to know whether the congestion is efficient or the result of poor operating decisions or inefficient or delayed investment. The potential for gaming incentive schemes to privatise profits of under investment and socialising the cost to customers through congestion charges would need to be carefully managed.

Most customers will continue to rely on grid electricity as an essential service and will not have the ability to respond to dynamic charges which change based on the conditions of the network. Dynamic tariffs can be suitable for certain customer cohorts on an opt-in basis but are unsuitable as a core feature of default network tariffs. While theoretically efficient, prior attempts at network tariff reform have faced low acceptance from consumers and their representatives. Therefore, there is a risk that the implementation of dynamic pricing becomes restricted in practice and energy service providers are unable to offer these signals to customers.

The draft report also embeds an implicit assumption that symmetric two-way network tariffs are inherently efficient, desirable and socially acceptable. AGL encourages the AEMC to more openly test this assumption in light of experience and developments since this reform was introduced. Symmetry in pricing does not, of itself, equate to fairness or efficiency. Symmetric export charging risks misalignment with enduring policy settings and investment signals. Small-scale distributed generation face charges to export into the distribution system, while large-scale generation does not face equivalent shared network usage charges under the distribution or transmission frameworks. Further, symmetric export pricing may distort incentives between behind-the-meter resources and front-of-the-meter assets, such as for community or neighbourhood batteries, particularly where network owners setting the two-way tariffs for batteries are also competing to own and operate batteries in the same market.

Default two-way pricing introduces complexity and bill volatility that many customers cannot readily understand or respond to and is directionally inconsistent with reforms such as the Solar Sharer Offer that are intended to share solar value to other consumers.

There is a clear social licence challenge with “pay to export” constructs. As the AEMC draft report notes NSW has amended legislation to prohibit negative retail solar feed-in charges and tariffs. In Victoria, the Essential Services Commission’s minimum feed-in tariff draft decision explicitly states that the minimum feed-in tariff cannot be negative, reflecting a similar policy constraint against negative outcomes for small customer exports. These legal and policy settings indicate that “symmetric” export charging is not simply a technical design option—it is likely to be politically and socially contested, with inconsistent jurisdictional treatment.

Draft Recommendation 6: Designing network tariffs for energy service providers

AGL supports elements of the AEMC’s to proposal to amend the rules so that networks design tariffs for energy service providers, rather than directly for consumers. AGL supports:

- Making changes to the timing and / or flexibility of tariff structure statements to reduce energy service provider costs and support energy service provider innovation, including standardising tariffs across networks and jurisdictions.
- Making energy service providers central to network tariff design consultation, to ensure network tariffs support the development of products and services that consumers want.

However, AGL does not support some other features of the AEMC’s proposed implementation. Removing the principles of ‘customer impact’ and ‘customer understanding’ from network tariffs would not support



product innovation, or the customers who ultimately will take-up retail products. Retailers need to incorporate and package network costs and risks together with wholesale and other inputs to develop simple products that work for customers. Therefore, network tariffs must remain simple, actionable, and fair regardless of the recipient.

The recent announcement of the Federal Government's Solar Sharer Offer also reinforces the importance of ensuring network tariffs are aligned with regulated retail offers. The AEMC could consider whether its recommended reforms to tariff structure statements can support the following changes:

- When a regulated price is in the form of a tariff cap, all electricity networks are required to provide the same tariff to match the regulated tariff price structure.
- Customers (and retailers) can opt for a network tariff aligned to the regulated standing offers at any time.
- Networks are restricted from changing a customer's tariff within 12-months of the installation of a new smart meter. Customers continue to be free to choose to move network tariffs at any time.

Transitional Reforms

As noted previously, AGL does not support the AEMC's proposed move to a network tariff with a larger fixed price plus a dynamic component. However, should the AEMC proceed with this recommendation, AGL's preference would be to implement the proposed 'energy service providers choice' model, which would require networks to offer both basic and dynamic tariff options for retailers. This would enable retailers to make the required changes to their processes and systems to support dynamic tariffs over time and would improve their ability to manage costs risks for consumers.

The AEMC proposes a sunset trigger for this transitional arrangement. However, the AEMC could also use this period to collect evidence on the customer impacts of these tariff changes. This evidence would be used to inform whether fully transitioning to a default dynamic tariff structure is beneficial to consumers, or whether it is preferable to preserve the choice model.