



16 February 2026

Australian Energy Markets Commission
Level 15, 60 Castlereagh Street
Sydney NSW 2000

Via email: www.aemc.gov.au

The pricing review – draft report (EPR0097)

CitiPower, Powercor and United Energy welcome the opportunity to provide feedback on the Australian Energy Markets Commission (AEMC) draft report, *The pricing review - Electricity pricing for a consumer-driven future, 11 December 2025 (draft report)*.

We support the draft report recommendations one to four, focussed on enhancing retail competition and removing excessive retail margins.

Our response is focussed on recommendations five and six relating to network tariffs.

Focussing network tariffs on efficiency

The draft report defines efficient network tariffs as those which send signals to energy service providers that enable a response that rewards behaviour in a way that reduces costs. The draft report states that more efficient network tariffs ensure a more equitable sharing of costs.

Whilst efficiency is an important driver of performance, it is only meaningful when contributing to positive outcomes for all customers. The concepts of social and environmental equity and justice are relevant to considerations of efficiency. That is because these factors shape the real costs and benefits that customers bear over time. To that end, even if the AEMC does not explicitly change the National Electricity Rules (NER) to allow consideration of equity, in practice we will continue to depart from efficiency as required to preserve social licence in the long-term interests of consumers.

The draft report goes on to further narrow an efficient network tariff to one with:

- a dynamic charge
- a fixed charge.

We discuss these proposed components of a network tariff below.

Dynamic charge

The draft report recommends networks design tariffs that provide signals related to the need for infrastructure investment (long run marginal cost) as well as shorter-term management of network congestion (short run marginal cost). These price signals should be mirrored for exports and imports.

We support the draft report recommendation to expand the scope of network tariffs from only signalling long run marginal cost to include dynamic price signals. This leads to greater network pricing innovation and better outcomes for customers.

We understand the AEMC means by shorter-term management of network congestion, that if a local network area is approaching its rated capacity, a network should increase network prices for customers in the local

network area until demand matches available capacity. This is a major departure from cost-based pricing, and unlikely to be interpreted as short run marginal cost by most stakeholders. We urge the AEMC to be more explicit as to how they define congestion pricing.

We agree that dynamic pricing would be efficient, however the transition from largely static variable prices to dynamic prices needs to be carefully managed. Dynamic pricing will only be efficient if it is localised. This means that energy service providers will face different costs for similar customers in different locations. Energy service providers already need to manage dynamic wholesale prices, however there are an array of available wholesale price hedging products to manage wholesale price risk. This won't be available for managing network price risk. Energy service providers will need to develop a critical mass of managed customer energy resources (**CER**) to manage network price risk. The pace in which this critical mass can be developed will depend on customer investment in CER and their willingness to cede control to energy service providers.

Fixed charge

The draft report recommends revenue not recovered through a dynamic charge be recovered via a fixed charge. That is, a charge which does not vary with consumption. If this were implemented, a significantly greater proportion of network revenue would be recovered through fixed charges.

The draft report recognises that there would need to be a transition period to higher fixed charges.

While we believe fixed charges are the most economically efficient way to recover residual costs, we are concerned about the perceived equity of high fixed charges. We therefore propose that flexibility is provided through an elongated transition to higher fixed charges. It should be acknowledged we may never recover all residual costs through fixed charges due to public and political realities.

Currently we have the same low fixed charges for each of residential customers, small business customers and medium business customers. We don't apply fixed charges to commercial and industrial (**C&I**) customers. C&I customers do however have 12-month rolling demand charges which fall between a variable and fixed charge. If we were to materially increase fixed charges, we would need to further disaggregate customers. For example, it would not make sense for a single bedroom apartment to incur the same high fixed charge as a large 5-bedroom house. An example of further disaggregation could include dividing residential customers into low, medium and high capacity households. There would be challenges in defining and monitoring categories without the fixed charge effectively becoming a demand charge. Extensive engagement would be essential to design fixed charges.

Energy service providers central to consultation on network tariff design

We support the draft report proposal to remove or amend the customer impact and customer understanding principle and make energy service providers central to network tariff design consultation. Networks should have the freedom to decide to what extent they wish to engage with their customers on tariff design. For instance, if energy service providers state that their intention is to continue to pass through network charges to C&I customers, then networks should engage with C&I customers.

The draft report's stated reasons for focussing tariff design consultation on energy service providers include:

- network tariffs should support energy service providers offering products and services that consumers want
- networks need to consult with energy service providers, because if energy service providers cannot benefit from or pass on a signal to the customer, then there is no point in providing it
- will ensure that the impact on energy service providers' e.g. IT and billing systems, and the cost to energy service providers of accommodating multiple tariffs across regions
- reduce energy service provider compliance costs
- support energy service provider innovation by making changes to the timing and / or flexibility of the tariff structure statement.

There will be tension between designing efficient network tariffs and designing tariffs to support energy service providers offering products and services that consumers want. The products and services that most customers want are unlikely to be efficient pricing. We suggest that this purpose is removed.

Network incentive scheme

Networks generally respond well to financial incentives. However, the challenge is to design a network pricing incentive:

- which is not based on subjective assessment
- for which a fair target can be set
- is in the control of the network
- does not create a perverse incentive.

Below we assess the options raised in the draft report. None of the options meet the above criteria, and we are not aware of a financial incentive scheme which does meet the criteria.

Transitional reform option	Our thoughts
A tariff strategy and implementation incentive to encourage a more rapid transition to efficient tariffs	This incentive appears to rely on subjective assessment by the Australian Energy Regulator (AER). It therefore doesn't meet the requirements
A dynamic tariff uptake incentive to provide transitional encouragement for networks to design efficient tariffs that energy service providers can cost-effectively package for consumers	Setting a fair target would be difficult because a 'dynamic tariff' would need to be very clearly defined and targets difficult to establish. The reform does not recognise there are other non-tariff initiatives (network control, DOEs, network support agreements) that may be more efficient than dynamic pricing to reduce future network costs
A financial incentive to reward or penalise the efficient use of the network (network utilisation incentive)	Network tariffs are one of many factors impacting network utilisation. A network utilisation incentive is more appropriately considered in the AEMC's broader network regulation review

While networks respond well to financial incentives, we have been unable to identify an incentive scheme which meets the above criteria.

Transmission charges

The draft report proposed that transmission charges be recovered from customers in a way that complies with the pricing principles and objective. The draft report has identified opportunities for distribution tariffs to reflect underlying costs but expects networks to treat transmission charges as a residual cost. This means energy service providers will see price signals from generation and distribution, but not from transmission. We propose transmission charges be treated by networks as an efficient price signal, and that the AEMC requires transmission network service providers to design efficient transmission tariffs. We note that in Victoria, the majority of transmission charges are recovered through a flat energy rate, contrary to the AEMC's opinion of an efficient network tariff.

Transitional measures

We agreed with the comments in the draft report getting the glide path right is the most significant element of the reform program. A well-designed and paced transition will ensure the benefits of reform are realised, whilst minimising disruption and unintended consequences.

We support the AEMC’s consideration of transitional measures and look forward to considering the residential and small business customer impact analysis that the AEMC intends to undertake.

Below are our comments on the three transitional reform options raised in the draft report. We support options 1 and 2 which are not mutually exclusive.

Transitional reform option	Our thoughts
1. require networks to provide energy service providers with a choice between a basic and a dynamic tariff, to support consumers who want a simple service while creating a commercial incentive for energy service providers to rapidly develop their ability to cost-effectively manage dynamic tariffs	We support energy service provider choice model for residential and small business network tariffs. Commercial and industrial tariffs are already further progressed towards being efficient and may not make sense to regress to offer a basic tariff. Customers would benefit from some degree of National Electricity Market-wide consistency in the structure of the basic tariff to reduce costs for energy service providers and facilitate messaging to consumers.
2. require networks to consider energy service providers’ ability to adapt, so that energy service providers can transition to efficient tariffs in a timely manner	We support this option and believe that this should be the primary purpose of engaging with energy service providers.
3. empower the AER to take a more active role in the tariff setting process and to effectively facilitate the implementation of the tariff reforms between energy service providers and networks.	This approach is not supported because the AER does not have the level of knowledge and insights as networks and energy service providers.

Implementation timing

The draft report considers that a transitional rule could be made to require either re-opening or replacing tariff structure statements (TSS) by a certain date. We don’t oppose this however believe that the date can’t be earlier than 1 July 2029. Because of the scale of changes to network pricing rules envisaged, ample time should be provided for the necessary engagement to occur, tariffs to be designed, transition paths to be established and for the AER approval processes to be completed. The setting of the date should account for the future timing of each network’s subsequent TSS to allow time for the newly designed tariffs to be implemented and responses observed.

The draft paper asks whether higher fixed charges could initially be transitioned through the annual pricing proposal process without amending the TSS. This is a question for the AER.

TSS flexibility

The current TSS NER provision make it challenging to amend a TSS within regulatory period. We support the intent of the Energy Networks Australia rule change to increase flexibility to amend a TSS within a regulatory period.

Enquiries

We would be pleased to discuss this submission with the AEMC should that be of assistance. In the first instance, please contact mdevillers@powercor.com.au or on 0414 323 890.

Yours sincerely,

A handwritten signature in blue ink that reads "Renate Vogt". The signature is written in a cursive style with a large initial 'R' and a distinct 'V'.

Renate Vogt
General Manager Regulation
CitiPower, Powercor and United Energy