



17 February 2026

Ms Anna Collyer
Chair
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2001

Dear Ms Collyer

Re: CleanCo submission on the pricing review: Electricity pricing for a consumer-driven future

CleanCo Queensland welcomes the opportunity to provide a submission to the draft report on the *AEMC's pricing review on electricity pricing for a consumer-driven future*.

CleanCo was established by the Queensland Government in 2018 to own and operate a portfolio of flexible, responsive generation assets and support the development of new clean energy projects. We offer renewable energy firming with our portfolio to deliver competitive solutions that are tailored to our customers' individual needs.

CleanCo's customer base comprises a diverse group of large businesses representing a significant share of Queensland's electricity demand. Despite their size and sophistication, many face challenges similar to smaller customers, including understanding increasingly complex price signals and having practical, affordable ways to respond to those signals.

CleanCo's position:

- **CleanCo supports the transition toward more cost-reflective tariffs but emphasises that technical efficiency must be matched by consumer agency and accessibility.**
 - **CleanCo advocates for a holistic approach that considers how network capital expenditure incentives interact with tariffs, ensuring that fixed-dominated charges result in downward price pressure rather than a continuously escalating price floor.**
 - **CleanCo recommends that the tariff framework explicitly account for structural barriers and the equity divide to ensure that the benefits of dynamic pricing are accessible to all customers. It should also account for incentive constraints on prospective investment, ensuring that price signals remain clear, material, and sufficiently stable over time.**
 - **CleanCo supports an environment that fosters retail innovation by ensuring that network price risks are manageable and managed by the party that is best placed to do so. We caution that transferring unmanageable volatility to ESPs, who already bear significant risk, will likely result in higher risk premiums and direct cost pass-throughs.**
 - **CleanCo advocates for a design process where the strengthened role of ESPs complements, rather than displaces, the customer. Given their position as originators of network costs, networks should remain accountable for ensuring that price signals are transparent and easy for customers to navigate.**
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- **CleanCo supports evolving the current Tariff Structure Statement (TSS) process into a more robust framework that explicitly tests tariff designs for operability and requires networks to demonstrate how stakeholder feedback is considered. This should be complemented by a strengthened AER role to ensure engagement is substantive and outcome-focused, rather than a purely procedural compliance exercise.**
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Question 5: Do you consider that the proposed reforms would be effective in delivering more efficient network tariffs and better promote the long-term interests of consumers than the existing rules?

CleanCo considers the AEMC's proposal to transition from predominantly volumetric charges to a combination of fixed and dynamic components to be a positive step toward improved cost reflectivity. However, CleanCo is concerned that the proposed framework introduces material risks that cannot be fully mitigated within broader market and regulatory arrangements.

If the recommendations do not adequately account for the prevailing network incentive framework and the constraints faced by service providers, the AEMC risks delivering a model that exposes consumers to rising, unavoidable costs. This would ultimately undermine achieving the 'Value-for-Money' principle by increasing bills without providing commensurate benefits or meaningful agency for consumers to manage their exposure.

The risk of increasing fixed charges

As the AEMC notes, under the proposed framework, tariffs will operate largely as fixed charges, whenever congestion is absent. While CleanCo supports the use of fixed charges where they accurately reflect the underlying cost structure of network service provision, the issue arises when tariff design interacts with network incentives in a way that allows fixed charges to grow over time without restraint. In this context, fixed costs can create a price floor that limits consumers' ability to influence their bills through efficient use of the network.

When bill outcomes are dominated by fixed components, customers have few, if any, levers to reduce their costs. This establishes a price floor that rises regardless of how efficiently a customer uses the network, locking them into charges they have no practical ability to influence. In CleanCo's view, this weakens the link between consumer behaviour and financial outcomes and conflicts with the AEMC's objective of rewarding efficient use of the network.

This risk is amplified by current regulatory settings that favour capital-intensive solutions over lower-cost non-network alternatives. Over time, these dynamics place upward pressure on fixed charges and lock in the price floor that consumers face. Without addressing network incentives (acknowledging these may be addressed in the upcoming network regulation review), tariff changes risk shifting the costs of an over-capitalised system onto consumers while stripping them of agency to manage their exposure.

CleanCo encourages the AEMC to consider how tariff reform interacts with network incentives. Tariff design should be accompanied by mechanisms that reward networks for pursuing efficient, least-cost solutions, including non-network alternatives. To put downward pressure on prices, reforms must address not only how costs are recovered, but also whether the investments driving those costs are efficient in the first place.

Dynamic charges and participation barriers

Where congestion occurs and dynamic charges apply, CleanCo believes their effectiveness is largely dependent on a consumer's ability to adjust load. Currently, this capability

is largely restricted to consumers with access to consumer energy resources (CER) or automated flexible loads. Those without the capital or structural ability to invest in these technologies, such as renters or lower-income households, remain exposed to both rising fixed costs and the volatility of dynamic prices.

Simultaneously, for customers who have the capacity and intention to invest, the proposed tariff framework risks weakening the incentives required to do so. By increasing the fixed price floor and reducing the proportional savings available through load-shifting, the framework lowers the value of CER investments and extends payback periods. This creates a risk where customers unable to participate are penalised while customers who can and wish to provide flexibility face eroded financial signals. The result is a slower-growing pool of flexible load available to manage congestion, undermining efficient network utilisation and delivering higher-cost outcomes for consumers over time.

To address these distinct risks, CleanCo encourages the AEMC to build on its consideration of whether networks should explicitly account for the ability of customers and energy service providers (ESPs) to respond during the tariff design process. For consumers without the means to adjust their behaviour, tariff development and assessment should incorporate structural safeguards, such as limits on exposure to dynamic charges or targeted protections embedded in tariff design. Conversely, for consumers with the capacity to provide flexibility, price signals must remain clear, material, and sufficiently stable to support investment decisions over time.

Embedding these considerations within the proposed outcome-based objective would enable the AER to test whether tariffs appropriately protect customers without response capability, while ensuring that customers and ESPs with flexible load can understand, act on, and reliably benefit from efficient network price signals.

Limitations of energy service provider intermediation

The AEMC's proposal places significant reliance on ESPs to intermediate price signals and manage impacts. CleanCo considers that the effectiveness of this approach is constrained by a compounding set of risks related to how network risk is allocated and subsequently managed across the value chain.

Central to this issue is that intermediation can shift where risk resides, but it does not inherently mitigate the systemic risk created by the underlying tariff design and network incentives. Under a framework where a larger share of cost recovery is fixed and largely invariant to short-term behaviour, an ESP's ability to influence outcomes is structurally limited. In this context, costs are determined primarily by network planning and investment decisions rather than by portfolio optimisation or consumer response. Where dynamic charges apply, the scope for ESPs to manage exposure is similarly constrained by the physical flexibility of customers' loads. As a result, shifting responsibility to ESPs does not reduce overall system risk; it merely reallocates it.

This challenge is amplified by gaps in market maturity, particularly in the absence of financial instruments that allow ESPs to manage the exposure being transferred to them. Unlike the wholesale market, there are no mature instruments designed specifically to hedge network-driven volatility. In the wholesale market, hedging exists because both the originator and the receiver of the signal (generators and consumers, or retailers on behalf of consumers) share part of the risk. In the network space, only the receivers, either retailers or customers, bear the full risk. Networks do not face symmetric financial consequences from short-term price volatility, which limits incentives and tools to manage the volatility in the same way as the wholesale market.

As the AEMC observes, ESPs already bear significant risk on behalf of consumers. For example, under current settlement dynamics, ESPs must fund network charges well before receiving payment from customers, effectively financing system costs on behalf of the end-user. Transferring additional, unmitigated network risk into this context places unsustainable pressure on an already constrained system and overlooks the sector's limited capacity to absorb and finance materially higher exposure.

When these factors intersect, the proposed framework is unlikely to act as a catalyst for innovation. Instead, unmanageable exposure is likely to be translated into higher risk premiums in retail offers or continued direct pass-through of network costs to consumers.

Impact of removing protections

Given that ESPs lack tools to hedge either the trajectory of fixed costs or the volatility of dynamic charges, CleanCo considers that removing side constraints would further increase consumer exposure to bill shocks. While greater flexibility in tariff design has merit, it should not come at the expense of predictability and stability for consumers.

CleanCo recognises that existing side constraints are imperfect, but they provide important guardrails on both the pace and distribution of bill impacts. Rather than removing these protections, the AEMC should focus on redesigning them to deliver clearer and more predictable limits on how quickly and unevenly costs can change. This would support both consumers and ESPs to adapt while reducing the risk of sudden or unmanageable bill outcomes.

Question 6: Do you consider that removing or amending the customer impact and customer understanding principles, as outlined, would make energy service providers central to network tariff design? If so, why and what would the preferred option be? If not, are there different approaches that would work better?

CleanCo supports strengthening the role of ESPs in network tariff design as their commercial lens and understanding of operational viability is vital for developing tariffs that can be integrated into market-facing products. However, CleanCo does not consider that shifting the centre of tariff design toward ESPs alone will reduce complexity or deliver downward pressure on prices while maintaining customer engagement.

In CleanCo's view, the AEMC's approach places excessive reliance on intermediation to solve problems originating in network design and investment decisions. Networks remain the originators of tariff structures and have the greatest visibility over cost drivers, congestion and long-term planning. While ESPs can provide valuable input on operability and commercial practicality, they do not control the underlying cost drivers embedded in tariffs. Shifting responsibility for customer impacts onto ESPs risks weakening incentives for networks to ensure tariffs are understandable, workable and aligned with real consumer behaviour. ESP input should be used to test customer outcomes and operability, given ESPs face direct reputational and commercial consequences when tariff designs produce bill shocks.

Strengthening ESP participation should therefore complement, rather than displace, direct consideration of customer understanding and impacts. ESPs cannot substitute for the network's responsibility to design signals that are fundamentally transparent. Removing or downgrading the customer understanding and customer impact principles risks encouraging tariff structures that are technically efficient but behaviourally inaccessible and may drive unintended customer outcomes.

Even sophisticated providers can struggle to operationalise complex network signals when customers lack the physical, financial, or informational capacity to respond. Tariffs that rely primarily on

intermediation, rather than on transparent and usable price signals to customers themselves, are unlikely to deliver the AEMC's reform objectives in practice.

CleanCo recognises that energy service provider participation in tariff design has historically been limited. As the AEMC observes, the cost and frequency of TSS, together with competitive and confidentiality constraints, are barriers to ESPs' participation. However, CleanCo considers that the quality and purpose of engagement are also factors that limit this engagement.

ESPs are unlikely to engage meaningfully where consultation is perceived as procedural, where feedback is not transparently considered, or where engagement has little influence on tariff outcomes. When participation requires material resourcing without a clear pathway to impact, ongoing involvement becomes difficult to justify.

In CleanCo's view, engagement frameworks should clearly define the role of ESPs as contributors to operability, integration, and risk manageability, rather than as substitutes for customer input or network accountability. The current TSS framework could be strengthened to encourage meaningful engagement with both customers and ESPs. Assessment criteria could be expanded so that tariffs are explicitly tested for operability, risk manageability, and customer impact, while also providing transparency around how feedback is considered in tariff design.

To support this, CleanCo recommends that the AEMC consider extending the proposed empowered role of the AER, including granting it the authority to audit the practical manageability of tariffs and enforce transparency regarding how networks address stakeholder feedback. This would ensure that tariff designs are not only standardised and aligned with ESP capabilities, but also that engagement with both providers and customers is substantive and outcome-focused, rather than a purely procedural or compliance-driven exercise.

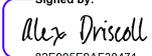
Conclusion

CleanCo is committed to the transition toward a more efficient and cost-reflective energy system. However, for tariff reform to succeed it must be grounded in the practical realities of consumer behaviour, network incentives and commercial risk management. Leaving risk with ESPs and end users without providing the financial, physical and institutional tools to manage it does not improve efficiency.

By aligning tariff reform with efficient network investment incentives, preserving consumer protections, supporting equitable access to flexibility and strengthening genuine engagement between networks, ESPs and customers, the AEMC can deliver a model that empowers customers rather than exposing them to unavoidable costs.

CleanCo looks forward to the outcomes of this review and would welcome the opportunity to discuss this submission in more detail. Please contact regulation@cleancoqld.com.au if you would like to follow up on any aspects of our response.

Yours sincerely,

Signed by:

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**Executive General Manager,
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