Endeavour Energy
ABN 11 247 365 823
T 133 718
Level 40-42, 8 Parramatta Square
10 Darcy Street
Parramatta NSW 2150
PO Box 811, Seven Hills NSW 1730

20 February 2026

Mr Andrew Lewis
Executive General Manager – Consumer, Markets and Analytics
Australian Energy Markets Commission (AEMC)

Submitted via website

Dear Mr Lewis,

Pricing review draft report: Electricity pricing for a consumer-driven future

Endeavour Energy appreciates the opportunity to provide feedback to the AEMC's Pricing Review Draft Report. We support an open and holistic review of electricity pricing arrangements to ensure customers have the choice and flexibility required to promote efficient energy choices and investments.

Endeavour Energy supports the AEMC's objective of improving the efficiency and equity of network pricing in a future characterised by high uptake of Consumer Energy Resources (CER). We agree that pricing frameworks must evolve to remain fit-for-purpose as technology, two-way flows and consumer preferences change.

In particular, we support the AEMC's key directions in Draft Recommendations 5 and 6, including:

- strengthening efficiency focus in tariff design and accelerating reform by removing unnecessary constraints;
- making tariffs designed for energy service providers (ESPs) (retailers/aggregators) rather than end-customers; and
- modifying or removing the Customer Understanding Principle, Consumer Impact Principle, and tariff side constraints (while addressing impacts through transition design and broader consumer protection reforms).

We acknowledge that the AEMC's draft report refers to *"empower[ing] the AER to take a more active role"* as a transitional option, rather than as a necessary precondition for reform. In light of that, we agree that the AER's involvement in network price setting ought not extend beyond the provision of clear guidelines for networks to operate within. In particular, we recognise the risks associated with augmenting the AER's role such that it becomes quasi-determinative or facilitative of tariff outcomes, including increased cost, delay, and blurred accountability.

In principle, we support incentive schemes as a regulatory tool in circumstances where the network has direct control over the incentivised metric (to avoid rewarding or penalising outcomes driven primarily by retailers, customers, government policies, or technology adoption rates). Where incentives are used to accelerate tariff reform, we support using the Small Scale Incentive Scheme (SSIS) as a flexible vehicle once the end-state and metrics are clearly defined.

Finally, we note that:

- existing time-of-use (TOU) tariff structures do not preclude a transition from volumetric to fixed charges for the recovery of residual costs. Indeed, current TOU and related cost-reflective

structures can incentivise behaviours that reduce peak demand and, therefore, reduce long-run network costs and prices for all customers, particularly where retailers pass through network pricing signals and customers respond. Within our network area, we have observed positive behavioural differences where network TOU signals are passed through versus not passed through. If adopted and passed through at scale by retailers, the benefits of existing, low-cost TOU tariff solutions, will flow through to customers;

- universal smart meter uptake is a key enabler of many recommendations; however, as the AEMC has recognised, this is not expected until 2030 (due to the delayed smart meter rollout) and, as such, existing TOU structures have not had sufficient time or coverage to fully demonstrate their potential; and
- the Draft Report recognises that the costs of implementing "efficient" network tariffs have not yet been assessed or considered, and therefore it is challenging to provide a convincing, quantified demonstration of how those costs exceed the benefits.

We have provided at Appendix A our detailed response to questions 5 – 8 of the Discussion Paper, and we would be pleased to discuss our submission further. If that would assist, please contact Daniel Bubb, Manager Economic Strategy at Daniel.Bubb@endeavourenergy.com.au.

Yours sincerely

Francoise Merit
Chief Financial Officer

Appendix A – Detailed response to the Discussion Paper

Question 5: Implement reforms such that network tariff design is focused on efficiency

Do you consider 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? If not, are there different approaches that would work better?

Endeavour Energy broadly supports the AEMC's proposal to re-orient network pricing rules toward efficient tariff outcomes - including enabling tariffs to reflect both longer-run investment signals and shorter-run congestion management signals, clarifying residual allocation, and removing barriers to timely transition. While we agree with the economic framing in the Draft Report of a lowest-cost system in the context of its "good practice" direction - tariffs that are predominantly fixed with a targeted dynamic component that is "zero most of the time" and activates only under genuine constraints - we recognise that there may be practical challenges in operationalising this direction.

Existing tariffs demonstrably deliver system value

We agree that volumetric structures may allow some CER households to reduce contributions to shared network costs in ways that do not always reduce system costs, and that this can contribute to costs being shifted to non-CER customers.

However, existing TOU tariff structures do not preclude a transition from volumetric to fixed charges for the recovery of residual costs. In addition, current TOU and related cost-reflective structures can incentivise behaviours that reduce peak demand (and therefore the long-run network costs and prices for all customers), particularly in circumstances where retailers pass through network signals, and customers respond. We note that we have observed positive behavioural differences where network TOU signals are passed through versus not passed through (see further our earlier submission on the Consultation Paper).

We consider that simple alternatives exist using our existing TOU tariff suite. For example, segmenting and offering separate TOU tariffs for CER and non-CER customers would be a simple, implementable and low-cost way to ensure residual costs are not avoided by one class of customer at the expense of another class. In this example, residual costs in the TOU tariff for a CER household tariff could be removed from volumetric charges and placed in a fixed charge. For non-CER households, the urgency to remove residual costs from volumetric charges is not as immediate, but could also be achieved or transitioned over time.

Existing TOU tariffs have not been "given time" due to smart meter rollout timing

The effectiveness of existing TOU structures is constrained by the delayed or incomplete availability of enabling metering technology. The AEMC notes universal smart meter uptake is expected by 2030, and smart meters are a key enabler of modern tariffs and consumer/ESP responsiveness. Consequently, we consider that many current TOU designs have not yet been deployed at sufficient scale (or with sufficient retailer pass-through) to fully test their potential benefits, and that over time, these benefits will be able to be demonstrated.

Building a case for change: costs vs benefits will need stronger quantification

As we have previously noted, highly granular locational/dynamic tariffs risk:

- tariff proliferation and administrative burden;
- significant billing and system upgrade costs; and
- potential low realised benefit if retailers do not pass through or operationalise signals.

Accordingly, we support efficiency reform but caution against approaches that impose large system costs for limited net benefit. Where constraints are local and transitory, we consider this would be best addressed through targeted tools (e.g., network support schemes or other "off-market" mechanisms) and should remain available as alternatives to broad tariff proliferation.

We note the Draft Report acknowledges that the Commission has not yet assessed or considered the costs of reforms. In view of this, given the material industry-wide system, billing and process costs that are likely to be involved in implementing "more efficient" tariffs (especially if they become more dynamic), it

would be helpful if the Final Report could more clearly demonstrate that benefits are not outweighed by implementation costs, consistent with good regulatory practice.

Question 6: Ensure that network tariffs are developed and designed for energy service providers

Do you consider that removing or amending the customer impact and customer understanding principles would make ESPs central to network tariff design?… Do you consider that TSS timing can be amended to reduce ESP compliance costs and support innovation?

We support the AEMC's direction to make tariffs designed for ESPs as the primary counterparty, given retailers/aggregators are the parties who package network and wholesale cost structures into consumer offerings and manage risk.

Remove Customer Understanding Principle, Consumer Impact Principle, and tariff side constraints

Endeavour Energy supports modifying or removing:

- the Customer Understanding Principle,
- the Consumer Impact Principle, and
- the tariff side constraints (e.g., constraints that limit how much tariffs can change between periods).

These provisions can slow the transition to efficient tariffs and keep the focus on the ability of the end-customer to understand a tariff structure that they may not face, rather than efficient tariff design and the ability of the ESP to incorporate the tariff in their retailer offerings to consumers.

We consider consumer impacts should be handled through:

- transition design and glide paths (see further our response to question 7 below); and
- fit-for-purpose consumer protection reform programs (which the Draft Report recognises are progressing elsewhere), rather than embedding permanent "dilution" of efficiency signals into network pricing principles.

The TSS should be a strategic document, not a compliance artifact

We strongly support reframing the Tariff Structure Statement (TSS) as a strategic document (a multi-year roadmap for tariff evolution and implementation), rather than a predominantly compliance-driven artefact.

A strategic TSS should:

- articulate the network's intended end-state and why;
- set a sequenced transition pathway with milestones, triggers, and clear lead times for ESP implementation; and
- prioritise the ability to implement tariff structures (billing/data interfaces, standardisation, change cadence) to support ESP innovation and reduce unnecessary compliance cost.

We note the Draft Report explicitly recognises the compliance burden and rigidity created by repeated participation across network resets and the need to reduce ESP costs and support innovation via timing/flexibility changes to the TSS framework.

Resource intensity and engagement quality

The Draft Report proposes making ESPs central to consultation and better considering ESP billing/IT impacts.

While we support this in principle, we note the likely operational constraints:

- one-on-one consultation between networks and ESPs is resource intensive, particularly given the number of retailers, the number of DNSPs, and the frequency of resets or variations. This has direct cost implications for all parties; and

- in our experience, group consultation settings under the TSS process can be of limited value, particularly as there are commercial and competitive sensitivities that naturally constrain candid discussion in a group forum.

To improve the consultation process, we recommend that the AEMC consider:

- bilateral engagement only for material tariff structure changes; and
- a standards-based approach where practical and appropriate (for example, tariff definitions, consultation timing, transition principles etc) to reduce the need for repeated bespoke engagement.

We oppose a greater role for the AER in price setting beyond the creation of guidelines

We acknowledge that the AEMC's draft report refers to *"empower[ing] the AER to take a more active role"* as a transitional option, rather than as a necessary precondition for reform. In light of that, we agree that the AER's involvement in network price setting ought not extend beyond the provision of clear guidelines for networks to operate within. In particular, we recognise the risks associated with augmenting the AER's role such that it becomes quasi-determinative or facilitative of tariff outcomes, including increased cost, delay, and blurred accountability.

Question 7: Transitional measures to manage the impacts of reforms

Do you consider the proposed transitional supports would manage the transition effectively and fairly? … How can the distributional impacts of a move to predominantly fixed charges be assessed and managed?

We support transitional measures that:

- maintain momentum toward the efficient end-state;
- manage distributional impacts of higher fixed charges; and
- limit implementation complexity or perpetual transitional arrangements.

In principle, transitional measures should:

- preserve a "basic" pathway while capability develops;
- enable innovation and system value without being overly prescriptive on what constitutes an efficient tariff; and
- be guided by transparent monitoring of impacts and outcomes.

As noted above, rather than expanding AER involvement in tariff setting beyond guidance, we consider a preferable outcome would be having clear pricing principle guidelines and more strategic TSSs.

Question 8: Implementation schedule balancing speed, cost and risk

Could reforms be implemented using current processes? Or is accelerated implementation warranted? Other considerations?

Most reforms can, and should, be capable of implementation through existing mechanisms (i.e., network resets and TSS processes). We consider that this view is consistent with the Draft Report's acknowledgement that progress toward desired outcomes is possible under existing rules and supported by:

- AER guidance notes on interpretation of pricing principles (not expanded price setting powers); and
- targeted transitional tools, where needed, to accelerate urgent reforms.

We note the ENA's recent rule change proposal to improve TSS flexibility. If accepted by the AEMC, this proposal would lower the threshold for reopening a TSS and introduce a new amendment pathway for minor TSS changes.

Incentive mechanisms

We support incentive schemes in principle as a regulatory tool to encourage tariff reform and continual improvement, but only in circumstances where the network has direct control over the incentive metric.

We note the Draft Report highlights potential incentive mechanisms, and also explicitly notes that the Small Scale Incentive Scheme (SSIS) is flexible and could be used to introduce incentive mechanisms temporarily.

Consistent with good incentive design, we recommend:

- using the SSIS to incentivise tariff reform only when the end-state and metric are clearly defined and measurable, and networks can reasonably control the outcome; and
- avoiding incentive metrics heavily driven by retailer decisions, customer uptake, government policy settings, or technology adoption (which would create windfalls or penalties unrelated to network performance).