

**To:** The Australian Energy Market Commission (AEMC)

**Subject:** Submission to the *Electricity Pricing for a Consumer-Driven Future* Review (Draft Report – February 2026)

**Attention:** Anna Collyer, Chair

## 1. Executive Summary: From Barriers to Enablers

This submission advocates for a structural shift in how Australian Distribution Network Service Providers (DNSPs) and retailers are regulated and remunerated. Currently, the National Electricity Market (NEM) suffers from an **"Asset Utilisation Gap,"** with network utilisation often hovering near 40%—an inefficiency that is the primary driver of high retail bills.

To overcome this, we propose the **Dynamic Capacity & Equity (DCE) Model**. This model transitions networks from gatekeepers of a "one-way pipe" into **market enablers** of a two-way, software-defined grid. By shifting the burden of grid optimisation from the household to the professional provider via a **statutory Duty of Care**, we can restore consumer trust and transform the grid into an enabler of clean, local energy.

---

## 2. The Dynamic Capacity & Equity (DCE) Model

The DCE Model moves away from volumetric (per-kWh) network charging, which punishes electrification and obscures the actual cost of grid maintenance. Instead, we propose **Capacity-Based Tiers** linked to a robust social floor.

### Tiered Access Bands & Mandatory Retail Alignment

To eliminate the "loyalty tax" and the complexity of choice, retail offers must be strictly linked to the **DCE Access Bands**. This ensures that the retail plan matches the customer's life, not the retailer's margin.

| Band                      | Target Group                               | Service Focus   | DOE Linkage & Technical Floor   |
|---------------------------|--|---|---|
| <b>Band 1: Essential</b>  | <b>Safety Net</b><br>(Concessions/Renters) | <b>Protection:</b> A "Safe Harbour" from market-linked volatility.  | <b>Static Access:</b> Regulated social floor with low, flat monthly fees for basic needs (e.g., 4kW limit). |
| <b>Band 2: Standard</b>   | <b>The Local Loop</b><br>(Suburban Homes)  | <b>Efficiency:</b> Maximizing street-level asset utilization.   | <b>Utilization-Driven:</b> Credits for "filling the pipe" during solar soak and "shaving" the evening peak. |
| <b>Band 3: Prosumer</b>   | <b>CER Owners</b><br>(Solar/EV/Battery)    | <b>Performance:</b> Ensuring returns on household energy resource investments.  | <b>The 95/95 Floor:</b> Regulated minimum DOE of 2.5kW; must provide 95% capacity for 95% of the year.      |
| <b>Band 4: Industrial</b> | <b>Virtual Sharers</b> (C&I & VPPs)        | <b>Enabling:</b> Turning C&I excess generation (eg: <13c/kWh based on the business case for the commercial assets) into community benefits. | <b>Real-Time Market:</b> Full exposure to dynamic network pricing to incentivize massive load-shifting.     |

### 3. Retail Reform: Statutory "Duty of Care"

The current retail market is founded on a flawed "active consumer" model. Research shows Australians do not shop around, not due to laziness, but because the market is intentionally opaque and platforms like *Energy Made Easy* have become labyrinths of complexity.

I challenge anyone in this industry to watch their neighbour, father or mother try and work out the best deal (with no leading and no help), the majority of people are not capable to either start, or complete this process due to information asymmetry, technical understanding or the time to follow it through to the end. The industry has created the most difficult web or barriers that prohibit best customer outcomes when looking for the best price.

If you start at a retailer site, the customer moves back and forth between the retailer and Energy Made Easy website, in a very dysfunctional manner that drives people crazy. Why should people have to go through this non-sense in the hope that they find a good deal.

As a person who has been in the industry for 30 years, the churn process is draining. Quite often the best deal is obtained when you threaten your current Retailer that you're leaving.

- **Automated "Best Deal" Placement:** The burden of finding lower prices must shift to the retailer. Retailers must be legally required to **automatically transition** customers to their lowest-cost plan based on the previous 3 months of consumption data. No "opt-in" should be required; this must be proactive under a statutory Duty of Care.
- **The "Transfer Penalty":** If a retailer fails to move a customer to a better deal, they should be heavily fined by the AER. Upon a second failure, the customer must be **automatically moved** to the "Best Plan" of a competing retailer to force prioritisation of customer savings.
- **The "Pure Pass-Through" Rule:** To ensure price integrity, retailers are strictly prohibited from adding any margin or service fee to any network charge. Bills must clearly separate **Network Costs (The Pipe)** from **Energy Costs (The Electrons)**. Retailers should not modify the networks fixed charge, as they are hiding their costs behind the networks.
- **Automated "Best Deal" auctions:** The above items would enable the government to run a mass auction for all the people in social housing.

### 4. Networks as Enablers: Performance Standards

Dynamic Operating Envelopes (DOEs) must not be used to mask poor maintenance or lack of investment. (Note: These reforms have already been enabled in law in several European Countries, with the view to enable local sharing of energy)

- **The "95/95" Rule:** Networks must be regulated to provide a minimum DOE size of **2.5kW** and a performance measure of **95% capacity for 95% of the year**.
- **The "Enabler" Mandate:** Dropping below this floor must be classified as a **Network Constraint Failure**, triggering automatic penalties and prioritised grid reinforcement. This ensures businesses households achieve their expected CER returns, and to ensure that the CER capacity is made available to meet ISP objectives.

- **Local Sharing & LUoS Credits:** When a neighbour consumes power exported by another neighbour, the network charge must be discounted by **80%**, as now HV and MV network assets are utilised. Regulations should further enable businesses to "virtually share" excess generation with local businesses employees and customers at this discounted rate.

## 5. Virtual Energy Sharing

Virtual energy sharing must be included as a core regulatory feature to transform Commercial and Industrial (C&I) entities from passive solar owners into active community enablers. Many C&I businesses possess massive rooftop solar and battery assets that generate energy at a levelized cost of less than 13 cents (Retail) per kilowatt-hour, yet current "postage stamp" pricing and rigid retail structures prevent them from effectively distributing this excess to their employees or social entities like sporting clubs.

This could be further enhanced with a **Local Use of System (LUoS)** framework that provides an 80% discount on network charges for local transfers (no HV and MV assets used, these businesses can "virtually share" their surplus green energy with local parties.

This creates a high-value corporate benefit that bypasses the traditional, opaque retail market where prices are often inflated by retailer margins and complex infrastructure fees.

Implementing this sharing model serves the dual purpose of increasing grid utilisation while providing immediate cost-of-living relief to employees. When a business "fills the pipe" during daytime peaks and their employees act as the "sink" to consume that power, the overall unit cost of grid maintenance drops for everyone due to higher throughput on existing assets. This structure removes the "loyalty tax" and the "complexity barrier" for employees, as they are transitioned to a specialised, low-cost "Local Loop" band that utilises their employer's generation. Under a statutory **Duty of Care**, retailers would be forced to facilitate these transfers transparently, ensuring that the 13c green energy generated at the workplace directly lowers the household bills of the workforce without being "masked" by intermediary markups.

## 6. Whole-of-System Accountability (Carrot & Stick)

To drive performance beyond passive "cost recovery," we propose strict accountability mechanisms:

- **The Utilisation Forecast:** Each DNSP must submit a yearly "Baseline Utilisation" forecast (e.g., aiming to move from 40% to 45% in Year 1).
- **Utilisation Performance Penalties:** DNSPs must forecast a **Utilisation Growth Target**. Failure to hit this increase utilisation target, results in revenue being **clawed back** and redistributed as a "Grid Inefficiency Rebate" directly to customers at the end of each financial year.
- **The "Deliver or Refund" Rule:** If a DNSP does not complete a forecast project or has budget overruns >10% (IT Projects, pole replacements, etc.) within the regulatory year, the associated costs overruns must be **immediately refunded** to customers at the end of the financial year, and not spread over into the remaining regulatory time frames.

- **Retailer Pass-Through:** Retailers must be legally required to pass through 100% of **Local Loop Discounts** and **Solar Soak** signals. Masking these signals to maximise margins should attract ACCC-level fines.

## 7. Resilience: Managing the "3-Day Heatwave"

To prevent systemic blackouts, we advocate for **Automated Non-Essential Curtailment** via DOEs.

- **"Pause not Power-off":** During critical peaks, DOEs should automatically pause non-essential loads like pool pumps and under-utilised chargers rather than cutting power to the entire household.
- **Thermal Pre-Cooling:** Pricing must incentivise running AC systems early in the day when the grid is under-utilised to reduce the 6 PM peak.

## 8. Conclusion

The path to a lowest-cost energy system is through **Asset Utilisation**, not asset expansion. By removing the need for humans to "shop" and forcing retailers and networks to act as professional service agents, we solve the exhaustion of the consumer. Adopting the DCE Model and the "95/95" DOE standard will transform the grid into an equitable enabler of clean, local energy.

**Signed,** Peter Newland