

AEMC electricity pricing reforms

Tech Council of Australia Submission

February 2026



The Tech Council of Australia and the Consumer Energy Technology Alliance thank the Australian Energy Market Commission for the opportunity to respond to its review into electricity pricing for a consumer-driven future.

The TCA is the peak industry body representing Australia's tech sector. The tech sector contributes \$167 billion annually to GDP and supports close to 1 million jobs. This includes direct ICT industries as well as tech workers embedded in other sectors such as retail and agriculture. Collectively, the tech sector is equivalent to Australia's third-largest industry after mining and banking, and ranks as the seventh-largest employing sector in the country.

The TCA is proud to also represent CETA, a voice for Australia's energy technology companies driving our renewable future. This technology-led shift is transforming our energy landscape, with CER projected to account for up to 66% of energy storage capacity by 2050. Our goal is to empower these Australian companies to play a pivotal role in building a distributed, coordinated, and resilient energy system.

Through the TCA, CETA's priorities are to:

1. **Modernise market design for a two-way, distributed grid** so rules, pricing and regulatory settings enable technology-led coordination and competition.
2. **Use consumer energy technology to deliver better outcomes at lower system cost** harnessing software, data and platforms to manage complexity intelligently, rewarding consumers while improving efficiency and reliability.
3. **Scale consumer energy technology as a national growth opportunity** positioning it as core economic infrastructure that supports productivity, investment, and cost-of-living relief.

The TCA supports the AEMC's focus on better targeting fairness and lower costs as the system becomes increasingly consumer-driven. Price settings must evolve as smart meters, rooftop solar, batteries and EVs reshape how households interact with the grid and the services they can provide.

In this submission, we **note Recommendations 1–4** and their intent to strengthen consumer outcomes in the retail market. Our focus is on the draft report's structural pricing reforms that will shape investment and behaviour in a consumer-driven energy system.

We support Recommendation 5 in principle provided the approach does not penalise existing or deter new investment in CER. The draft report has generated significant debate about the role of fixed charges, and there remains uncertainty about how the proposed model would operate in practice. In our interpretation, the proposal can support more efficient and more equitable pricing. It can also make the value proposition for CER clearer by aligning charges and rewards more closely with when and where CER can deliver system benefits.

We also understand the intent of the reform is that most households should be no worse off on average, with flexibility creating at least as much value as under current tariffs. This is

important to maintain confidence and ensure investment continues to flow into CER technologies and the services that enable them.

This submission sets out our view below and explains how the approach aligns with CETA's priorities.

We support Recommendation 6 because it positions energy service providers, including retailers and aggregators, as the counterparty best placed to manage complexity and risk, and to translate it into simple consumer offers. This reduces the need to flatten network tariffs for the sake of customer simplicity, while still enabling consumers to benefit from flexibility. Recommendation 6 will be most effective where tariff structures retain meaningful variable and time-based components that service providers can translate into scalable products.

Recommendation 5: Preserve investable price signals for consumer flexibility

The AEMC is seeking to address a limitation in current tariff structures that rely heavily on volumetric charges. In practice, volumetric network charges bundle two different tasks into a single per-kWh rate. One task is recovering network infrastructure costs. The other is using price signals to influence consumer behaviour. This bundling means the rate charged at any particular time does not reflect either task accurately. It can overstate the cost of an additional kWh when the network has spare capacity. It can also often understate it when and where the network is constrained.

Networks have tried to correct for this through demand charges, critical peak pricing, and combinations of block, seasonal, and time-of-use tariffs. These arrangements can be complex for consumers. They can also provide blunt signals about when to shift consumption, manage exports, or use storage to relieve congestion. This limits consumer responsiveness. It also makes it harder for retailers and aggregators to scale flexible services across diverse customers.

Volumetric recovery also raises equity concerns as CER uptake increases. When households reduce net grid consumption, they reduce what they pay in per-kWh charges. This includes the portion of those charges that funds shared network costs.¹ As CER penetration rises, residual network costs must be recovered over a smaller volume of billed consumption. This can shift a greater share of cost recovery toward customers with less ability to reduce net grid consumption, including renters, apartment residents, and lower-income households.

The TCA considers these issues worthy of addressing through pricing reform. From the perspective of the consumer energy technology sector, clearer and more accurate signals are essential to unlock the full value of CER. They support efficient use of the network. They enable scalable flexibility services. They also help ensure the benefits of a consumer-driven system are shared more fairly across households.

¹ The fixed costs of maintaining the network do not fall in proportion to changes in billed consumption. CER can reduce utilisation, but savings only materialise when it defers or avoids specific augmentation.

The AEMC's proposal

We interpret Recommendation 5 as a proposal to separate two pricing tasks. One task is recovering the largely fixed cost of operating and maintaining the electricity network. The other is pricing network use more accurately across times and locations.

The AEMC proposes a two-part network tariff. A fixed charge would recover a larger share of the costs of operating and maintaining network infrastructure. A separate dynamic charge would reflect local congestion. It would apply only in defined locations and periods when the network is approaching capacity. In those windows, it could increase charges on consumption or export that adds to congestion. It could also provide incentives for behaviour that reduces it.

The TCA agrees that a fixed component paired with targeted dynamic signals could improve pricing efficiency. Done well, this does not have to erode incentives for consumers and service providers to respond to changing network conditions. It could lower baseline usage charges in unconstrained periods. It could also sharpen incentives to shift demand and manage exports when and where the network is constrained.

A well-designed dynamic charge can expand the value available to consumers from flexibility. When congestion is priced directly, consumers and service providers have a clearer incentive to shift load, manage exports, and dispatch storage in the locations and periods where it delivers the greatest network benefit. This creates a larger and more targeted value pool for orchestration, VPPs and demand response. It also enables energy service providers to share benefits with customers through rebates, bill credits, or bundled offers. This is most effective where signals are transparent, consistent, and strong enough to be built into scalable products.

This proposal could strengthen the investment case for storage and smart energy management. The benefit is a lower baseline charge in unconstrained periods and a sharper signal in constrained windows. This can increase the value of batteries, managed EV charging, and coordinated demand response when it matters most. It can also improve utilisation by making it more worthwhile to use flexibility to avoid or relieve constraint events.

From CETA's perspective, this direction aligns with our vision to modernise market design for a two-way, distributed grid and lower system costs through smarter coordination. Consumer energy technology can only play its full role when price signals reflect the conditions that actually drive network costs, including local constraints and peak-driven investment. Accurate signals support innovation and investment in orchestration, storage, and managed charging because value is created through solving issues when and where the network needs it.

We recognise the importance of accelerating CER uptake to build a smarter and cleaner energy system. We also recognise that consumers will have strong incentives to adopt and use CER when it creates value by relieving constraints in the system.

Under current volumetric tariffs, the strongest incentive for consumers is to reduce billed consumption from the grid. This encourages households to maximise self-consumption of their own generation. This can limit incentives to export when and where it relieves

constraints, to charge or discharge storage in response to local congestion, or to shift demand in ways that defer augmentation. A more targeted, constraint-linked signal is better suited to reward CER for providing the services the grid actually needs, rather than simply rewarding consumption avoidance.

Where governments choose to accelerate uptake for equity or transition objectives, more direct levers focused on the technology systems, like the Cheaper Home Batteries scheme, are more transparent and better targeted.