Submission to the Australian Energy Market Commission by [redacted]

Re: Electricity Pricing for a Consumer-Driven Future – Draft Network Pricing Recommendations

Overview

I am an informed residential electricity consumer with rooftop solar storage. I am writing to oppose the draft recommendation to recover a greater share of electricity network costs through higher fixed daily charges.

This submission does not challenge the need for networks to recover efficient costs. It does, however, question whether the proposed approach aligns with:

- the economic drivers of network investment,
- the substantial public and private funds already spent to modernise tariff design,
- and the stated objective of a consumer-driven, efficient electricity system.

The proposal risks trading short-term revenue stability for long-term inefficiency by weakening price signals that manage peak demand and guide consumer investment.

1. Network Costs Are Driven by Peaks, Not Connections

Electricity networks are planned, built, and maintained to meet peak demand. It is those short periods of high usage that determine asset sizing, augmentation schedules, and capital expenditure — not average consumption and not mere connection.

For this reason, network pricing frameworks have progressively incorporated:

- time-based tariffs,
- demand-related charges,
- and incentives to reduce consumption during constrained periods.

Shifting cost recovery toward fixed daily charges diminishes the relevance of peak demand in consumer decision-making. When a larger portion of costs becomes unavoidable, the economic signal that distinguishes peak from off-peak usage is weakened.

This is inconsistent with the cost structure of the network itself.

2. Distributed Energy Lowers System Costs but Is Not Recognised Under Fixed Charges

Households with rooftop solar and battery storage reduce their reliance on the grid during peak periods by design. Batteries in particular discharge during evening peaks, reducing stress on local infrastructure at the most expensive times for the system.

Under a pricing structure dominated by fixed charges:

- these contributions are not reflected,
- consumers who reduce peak demand receive little recognition,
- and households that drive peak demand benefit from lower marginal prices.

The result is a misalignment between cost causation and cost recovery. Consumers who actively reduce system costs are treated similarly to those who increase them.

3. Prior Public Investment Is Being Undermined

Australia has already committed **billions of dollars of taxpayer and consumer funds** to modernising the electricity system. This includes:

- advanced metering rollouts,
- tariff reform programs,
- distributed energy integration,
- and incentives designed to encourage load-shifting, storage, and flexible consumption.

These investments were made to move away from blunt, averaged pricing toward a system that reflects real-world costs and rewards efficient behaviour.

A reform that shifts cost recovery into fixed charges risks neutralising the very tools that this public investment was intended to enable. Flattening price signals after building a responsive pricing framework raises serious questions about regulatory consistency and value for money.

4. Distributional Impacts Are Predictable and Regressive

A higher fixed-charge model disproportionately affects:

- low-consumption households,
- smaller dwellings,
- retirees,
- energy-efficient homes,
- and consumers who have invested their own capital to reduce grid reliance.

Conversely, households with consistently high usage — particularly during peak periods — benefit from reduced marginal prices.

This outcome shifts costs away from peak demand drivers and onto consumers who place less strain on the network. Describing this shift as “fairer” risks obscuring its practical effects.

5. Weakening Price Signals Raises Long-Term Costs

The future electricity system requires flexibility: demand response, storage, and consumption aligned with system conditions. These outcomes depend on clear, meaningful price signals.

Fixed charges dilute those signals. Once incurred, marginal consumption decisions matter less, reducing incentives to:

- avoid peak periods,
- invest in storage,
- or respond to network constraints.

Over time, this increases peak demand and accelerates the need for network expansion. Any short-term improvement in revenue certainty is likely to be offset by higher capital costs in the future.

6. Public Understanding and Policy Coherence

Most consumers do not understand how electricity prices are structured. Network charges are set relative to approved and planned capacity, not the marginal cost of supply. This already creates confusion when renewable generation costs fall but bills remain high.

Pricing reforms that penalise visible consumer investments in solar and batteries risk reinforcing the misconception that renewables are inherently costly, when the real drivers are often regulatory and pricing frameworks.

Policy coherence matters. Reforms that appear to contradict long-standing incentives undermine public confidence in the energy transition.

7. Health and Social Benefits Should Not Be Ignored

Reducing reliance on fossil fuel generation improves air quality and is associated with lower cardiovascular and respiratory disease. These benefits reduce healthcare costs and improve quality of life, delivering value well beyond electricity bills.

Pricing structures that slow the uptake of distributed renewables and storage ignore these broader system benefits, which are squarely within the public interest.

8. Revenue Adequacy Is Not a Sufficient Justification

Declining volumetric consumption does pose challenges for traditional revenue models. However, addressing revenue adequacy by weakening cost-reflective pricing is a blunt solution that risks creating higher system costs over time.

Ensuring revenue recovery should not come at the expense of efficiency, behavioural alignment, and long-term affordability.

9. More Targeted Alternatives Are Available

If reform is required, there are options that preserve both revenue stability and efficient signals, including:

- demand-based network tariffs,
- refined time-of-use pricing,
- critical peak pricing,
- and mechanisms that reward battery discharge and flexible exports during constrained periods.

These approaches align costs with contribution and build on existing system investment.

Conclusion

Australia has already invested heavily in creating a smarter, more responsive electricity system. A shift toward higher fixed network charges risks undermining that investment, weakening consumer incentives, and increasing long-term network costs.

I encourage the AEMC to:

- avoid reforms that materially increase fixed charges,
- preserve time- and demand-based price signals,
- and ensure tariff design continues to reward behaviour that reduces peak demand and system costs.

Network pricing should reflect how costs are created, not average them away.