

I would strongly urge the AEMC to abandon its proposal to shift network charges, which have already grown substantially over recent years, away from being tied to power demand to instead become largely fixed.

This should be abandoned for the following reasons:

- It will hurt lower income households who on average tend to consume less energy than high income householders.
- It will also hurt the many Australians who have invested their own money into solar and battery systems, energy efficient appliances and home energy management systems as their contribution to reducing greenhouse gas emissions, stress on the network and their energy bills. For these customers, rising network charges have made these the highest cost component of their electricity bills already.
- It will undermine future efforts to cost-effectively decarbonise our energy system (which is contrary to an energy market objective which the AEMC is obliged to address) by substantially reducing the financial incentive for consumers to adopt new energy efficiency measures as well as solar and batteries.
- It creates the risk of requiring substantial extra, unnecessary, costly investment in new supply capacity in both generation and networks.
- It removes the (admittedly very small incentive) for network operators to reduce their costs and charges or to optimise use of their existing assets.
- Decarbonisation of the energy system will require increased reliance on renewable energy and electrification of household heating loads and transport. The increased reliance on renewable energy (particularly solar) when it intersects with increased reliance on electricity for heat poses challenges for ensuring reliable winter supply of electricity at reasonable cost. This makes it very important that electrification involves using highly energy efficient options and sensible timing of their use. Your proposal will send completely the wrong signal to householders about undertaking electrification in an energy efficient manner. In addition, electric vehicle charging represents a very large new electricity load. Households need to see a clear and long-lived incentive to undertake charging outside the evening peak, otherwise it will lead to a blow out in network costs.
- It will do nothing to address renters lack of access to the financial benefits of electrification, energy efficiency and solar and batteries which is a product of the split- incentive problem afflicting the Tenant-Landlord relationship. Your implied suggestion that electricity retailers will roll-out these technologies to renters via subscription models illustrates a lack of understanding of the credit risks involved in rolling out long-lived fixed equipment to renters who are non-permanent residents of a residential premise. Retailers have had decades to find solutions to this issue and have not done so. Regulators have not helped.

- Lastly your suggestion that we introduce highly variable dynamic network tariffs only once a network area is close to its capacity limits fails to appreciate the nature of household energy usage behaviours and a naïve understanding of how electricity networks respond to financial incentives within the regulatory framework.

Networks will likely only introduce these tariffs just before the network needs upgrading because they have little incentive to want to avoid upgrades. They would prefer to grow their asset base, as this is how they maintain their large profits via the consistently generous weighted average cost of capital allowances that the AER repeatedly grant them.

These dynamic tariffs will almost undoubtedly come too late for households to effectively change their energy-using equipment and learn new behaviours. Household energy usage is a product of often long-lived energy using equipment and embedded behaviours that can take quite some time and sustained incentives to change.

A sudden and highly geographically isolated introduction of dynamic tariffs will likely lead many households to be taken by surprise such that they end up with a rude shock when they get their electricity bills. This could be especially bad for the vulnerable households. This is exactly what happened when Time of Use and then Demand Charge tariffs were introduced.

It is easy to conclude that the AEMC is not at all interested in Australia's electricity customers, but only in facilitating profit making by the incumbent large industry players.

Yours Sincerely

