Submission to the Australian Energy Market Commission by [redacted]

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

Introduction

I am writing as an informed residential electricity consumer with rooftop solar and battery storage to oppose the proposal to shift a greater share of electricity network costs into higher fixed daily charges.

While the stated objective of the draft recommendation is to "share network costs more fairly" in a changing energy system, the practical effect of this proposal would be to weaken essential price signals, penalise consumers who reduce peak demand, and undermine investment in technologies that actively lower long-term system costs.

This submission does not dispute that network costs must be recovered. Rather, it argues that *how* those costs are recovered matters deeply. Pricing structures shape behaviour, investment decisions, and ultimately the size and cost of the grid itself. Moving costs away from usage- and time-based signals and into unavoidable fixed charges risks producing outcomes directly at odds with the efficient, consumer-driven energy system the AEMC seeks to support.

1. Fixed Charges Break the Link Between Cost and Contribution

Electricity networks are not built to serve average demand; they are built to withstand short, high-demand periods. Peak demand remains the dominant driver of network investment, augmentation, and long-term cost.

Under the current framework, higher peak tariffs reflect this reality. They send an imperfect yet important signal that consumption during constrained periods is more expensive to serve.

Shifting a larger proportion of network costs into fixed daily charges weakens that relationship. Households that place little or no demand on the network at peak times would pay broadly the same network charge as households that routinely drive peak demand. In effect, the tariff would cease to distinguish between consumers who contribute heavily to network stress and those who actively reduce it.

That is not cost-reflective pricing. It is cost-averaging. That cost-averaging erodes the behavioural signals that prevent unnecessary network expansion.

2. Solar and Batteries Reduce the Very Costs Networks Exist to Manage

My household has invested in a typical residential rooftop solar system paired with battery storage, designed specifically to reduce reliance on the grid during peak periods.

This is not incidental behaviour; it is deliberate load-shifting that reduces strain on local infrastructure at precisely the times networks are most constrained.

These systems:

- store excess generation during low-cost periods, and
- discharge during evening peaks when demand, and network stress, are highest.

Under a tariff structure dominated by fixed charges, these benefits are no longer recognised. Regardless of how little peak demand a household places on the grid, the network charge becomes largely unavoidable.

This has predictable consequences:

- the economic case for batteries weakens,
- future uptake slows,
- peak demand is higher than it otherwise would be,
- and networks face greater pressure to invest in new capacity.

In other words, a pricing reform intended to stabilise network revenue risks increasing long-term network costs by discouraging technologies that defer capital expenditure.

3. The Proposal Penalises Efficiency and Self-Reliance

A higher fixed-charge model is inherently regressive in its impact, even if unintentionally so.

Low-consumption households pay more per unit of electricity overall. This includes:

- retirees,
- smaller households,
- apartment dwellers,
- energy-efficient homes,
- and consumers who have invested their own capital in solar and storage.

These households are not “free-riders”. They are reducing emissions, lowering wholesale prices, and easing peak demand. These are all outcomes that benefit the entire system.

Requiring them to pay a larger, unavoidable share of network costs while simultaneously reducing peak price signals shifts costs away from those who drive network investment and onto those who do not. That is difficult to reconcile with any reasonable definition of fairness.

4. Weakening Price Signals Undermines Grid Flexibility

Australia's future grid depends on flexibility: demand shifting, storage, responsive consumption, and efficient use of infrastructure.

Time-based and usage-based tariffs — while imperfect — encourage:

- charging batteries when renewable supply is abundant,
- shifting discretionary loads out of peak periods,
- reducing consumption during network constraints.

Fixed charges do the opposite. They make it financially irrelevant *when* electricity is used. Once the daily charge is incurred, marginal consumption decisions matter less.

This dulling of price signals is inconsistent with a system that must increasingly rely on consumer behaviour and distributed energy resources to manage variability and avoid costly over-build.

5. A Broader Context: Pricing Structures Shape Public Perception

There is also a wider issue of public understanding and trust.

Most consumers do not understand how electricity prices are structured or why bills remain high even as the cost of renewable generation falls. Network charges are set based on approved and planned capacity, not on the marginal cost of delivering electricity. This creates a persistent disconnect between falling generation costs and rising bills.

When pricing structures are changed in ways that penalise visible, consumer-led renewable investments, it reinforces the misleading perception that renewables themselves are "expensive" — when in reality, it is often legacy regulatory and pricing frameworks that drive costs.

This matters not only economically, but socially and politically. Misattributing costs erodes confidence in the energy transition and fuels resistance to changes that are otherwise beneficial.

6. Health and System Benefits Are Being Overlooked

Reducing reliance on fossil fuel generation has benefits that extend well beyond electricity pricing. Improved air quality is associated with lower rates of cardiovascular and respiratory disease, reduced healthcare costs, and improved quality of life. These are outcomes already observed in less polluted regions.

Policies that slow the uptake of distributed renewables and storage ignore these broader system benefits. While they may sit outside narrow tariff design, they are very much part of the public interest the energy system exists to serve.

7. Revenue Adequacy Should Not Override Efficient Signals

It is understandable that declining volumetric consumption presents revenue challenges for networks. However, solving a revenue problem by weakening efficient price signals risks creating a larger cost problem in the future.

There is a difference between *recovering costs* and *recovering them well*.

A reform that stabilises revenue in the short term but increases peak demand, discourages efficient investment, and accelerates network expansion is not consumer-driven; it is consumption-agnostic.

8. Better, More Targeted Alternatives Exist

If the objective is to improve cost recovery while supporting an efficient, flexible grid, there are better options than broad increases in fixed charges, including:

- demand-based network tariffs that reflect actual peak contribution,
- refined time-of-use network pricing,
- critical peak pricing during constrained periods,
- incentives for battery discharge and flexible exports when networks are stressed.

These approaches preserve the link between behaviour and cost while allowing networks to recover efficient expenditure.

Conclusion and Recommendations

Households that invest in solar, batteries, and demand management are reducing peak demand, lowering system costs, and supporting the energy transition. All these effects are often at significant personal expense.

A move toward higher fixed network charges would:

- penalise these investments,
- weaken incentives for future adoption,
- and risk increasing long-term network costs.

I urge the AEMC to:

1. Reject reforms that substantially increase fixed network charges
2. Preserve strong usage- and time-based pricing signals
3. Ensure tariff reform rewards behaviour that reduces peak demand and defers network investment
4. Avoid framing cost-shifting measures as “fairness” where outcomes clearly disadvantage low-impact consumers

Network pricing should encourage responsibility, efficiency, and flexibility — not dilute them.