

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

### Introduction

I am writing as an informed residential electricity consumer with rooftop solar and battery storage to express strong opposition to the proposal to recover a greater proportion of electricity network costs through higher fixed daily charges.

This submission accepts that network costs must be recovered. However, it questions whether the proposed mechanism reflects either the economic reality of how network costs are incurred or the substantial public investment already made to modernise the electricity system.

Australia has spent — and continues to spend — **many billions of dollars of taxpayer and consumer funds** to transition the electricity system toward a more flexible, decentralised, and demand-responsive model. A pricing reform that deliberately flattens behavioural signals and shifts costs away from peak drivers risks rendering much of that investment ineffective.

### 1. A Blunt Pricing Reform Risks Squandering Prior Public Investment

Over the past decade, governments, regulators, and consumers have jointly funded a major transformation of the electricity system. This includes investment in:

- advanced metering infrastructure,
- time-of-use and demand-based tariffs,
- distributed energy integration frameworks,
- incentive programs for rooftop solar, batteries, and demand response,
- and regulatory reform intended to align consumer behaviour with system costs.

These investments were not incidental. They were made deliberately to move away from crude, averaged pricing toward a system where *when* and *how* electricity is used matters.

Shifting network cost recovery into largely unavoidable fixed charges effectively **dumbs down the pricing framework** that this investment was designed to enable. It weakens the signals that advanced meters, flexible tariffs, and distributed energy systems were built to support.

This raises a legitimate question of public accountability:

Why invest billions of dollars to create a responsive, consumer-driven system, only to

neutralise it with a pricing structure that treats all consumers as if their behaviour is identical?

## **2. Fixed Charges Sever the Link Between Behaviour and Cost**

Electricity networks are sized and built to meet peak demand, not average consumption. Peak usage remains the primary driver of:

- network augmentation,
- asset replacement,
- and long-term capital expenditure.

Usage- and time-based tariffs reflect this reality by signalling that electricity consumed during constrained periods is more expensive to supply.

A shift toward higher fixed charges breaks this relationship. Consumers who place minimal demand on the network at peak times would pay essentially the same network charge as those who consistently drive peak demand.

This is not cost-reflective pricing. It is cost socialisation: and it undermines the economic logic that restrains unnecessary network expansion.

## **3. Distributed Energy Reduces Network Costs — and Is Being Penalised**

Households with rooftop solar and batteries reduce their reliance on the grid during peak periods by design. Battery systems in particular discharge during evening peaks, easing pressure on local infrastructure when it matters most.

Under a tariff dominated by fixed charges:

- these benefits are no longer recognised,
- the financial case for batteries weakens,
- future investment slows,
- and peak demand is higher than it otherwise would be.

The result is perverse: consumers who reduce network stress subsidise those who do not, while the system becomes more expensive to maintain over time.

## **4. The Proposal Shifts Costs Away from Peak Drivers**

The proposed reform would have predictable distributional effects:

- low-consumption households pay more overall,
- energy-efficient and self-reliant households lose price recognition,
- high-usage households benefit from reduced peak charges.

This outcome cannot reasonably be described as “fairer”. It shifts costs away from the very behaviour that necessitates expensive infrastructure and onto those who actively avoid it.

Consumers who have invested their own capital to reduce emissions, manage demand, and support system efficiency are not seeking subsidies. But neither should they be required to underwrite their neighbours’ peak usage through blunt pricing reform.

## **5. Weak Price Signals Increase Long-Term System Costs**

Australia’s future grid relies on flexibility, not just generation. Price signals that reflect time, demand, and constraint encourage:

- load shifting,
- efficient battery use,
- consumption aligned with renewable availability,
- and avoidance of peak-driven over-investment.

Fixed charges make marginal decisions less relevant. Once the daily charge is incurred, the incentive to respond to system conditions diminishes.

This does not lower costs. It increases them because it encourages behaviour that inflates peak demand and accelerates network expansion.

## **6. Public Understanding and Misplaced Blame**

Most consumers do not understand how electricity pricing works. Network charges are based on approved and planned capacity, not on the marginal cost of supplying power. This creates a persistent disconnect between falling renewable generation costs and rising bills.

When pricing reforms penalise visible consumer investments in solar and batteries, it reinforces the false narrative that renewables themselves are expensive or problematic. In reality, it is often pricing and regulatory structures — not clean energy — that drive costs.

This misattribution damages public confidence in the energy transition and undermines policy coherence.

## **7. Health and Social Benefits Are Being Ignored**

The transition away from fossil fuel generation has well-documented public health benefits, including improved air quality and reduced cardiovascular and respiratory disease. These benefits translate into lower healthcare costs and improved quality of life.

Policies that slow or devalue consumer-led renewable adoption ignore these broader system benefits. While not always captured in tariff models, they are very much part of the public interest the electricity system is meant to serve.

### **8. Revenue Adequacy Should Not Trump Efficient Design**

It is understandable that declining volumetric consumption challenges traditional revenue models. However, addressing revenue adequacy by weakening efficient price signals is a short-term fix that risks long-term cost escalation.

There is a critical difference between ensuring networks recover costs and ensuring they recover costs *in a way that preserves system efficiency*.

### **9. Better Options Are Available**

If reform is required, there are alternatives that maintain both revenue stability and behavioural signals, including:

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

These approaches align costs with contribution without discarding the tools the system has already paid for.

### **Conclusion and Recommendations**

Australia has already invested billions of dollars—both publicly and privately—to build a smarter, more flexible electricity system. A move toward higher fixed network charges risks devaluing that investment, weakening consumer incentives, and increasing long-term costs.

I urge the AEMC to:

1. Reject reforms that materially increase fixed network charges
2. Preserve cost-reflective, time- and demand-based pricing signals
3. Recognise and reward behaviour that reduces peak demand
4. Ensure future reforms build on — rather than undo — existing public investment

Tariff reform should enhance system intelligence and fairness, not flatten it.