

Cover email text: Individual submission as a retail residential consumer on the apparent logical tension between the review's consumer-driven aspiration and the draft recommendation to increase the fixed component of network charges without assurances that retail marginal price incentives are assured / enhanced.

**Australian Energy Market Commission
Submission on “Electricity pricing for a consumer-driven future” – Draft Report**

To whom it may concern,

I welcome the opportunity to comment on the AEMC's draft report “Electricity pricing for a consumer-driven future” and support the stated objective to “make the energy market work better for consumers” in a way that delivers value, respects consumer preferences, and minimises total system costs over time.

As a retail residential electricity consumer, some say at the level of a so-called prosumer that has invested in CER equipment over more than a decade, my submission focuses on an apparent tension between this consumer-centric vision and the proposal that “network tariffs ... would likely have a higher fixed component” to improve equity and cost recovery.

1. Consumer-driven vision and role of price signals

The draft report sets out a vision of a “dynamic energy services market that delivers value, meets the preferences of different consumers, and offers choice ... while ensuring lowest overall costs”. [page:iii] It also emphasises that tariffs should “reward consumers for activities that are valuable in achieving a lowest-cost system” and should enable energy service providers to offer “opportunities for consumers to lower their own bills and place downwards pressure on total system costs for all”. [page:ii][page:ix]

This framing inherently recognises the importance of transparent, meaningful price signals in allowing consumers (directly or via intermediaries) to shape their consumption, exports and flexibility in ways that support efficient operation and investment in the grid. [page:viii][page:ix] A genuinely “consumer-driven” future depends not only on cost-reflective tariffs at the network level, but also on the preservation of credible and understandable incentives at the retail interface.

2. Increased fixed network components and existing fixed retail charges

Under Theme 3, the draft notes that “network costs are recovered on a volumetric basis, which means the costs of infrastructure are not shared fairly among electricity consumers”, especially between customers with and without CER. [page:ix] It then proposes that more efficient tariffs“ are intended to lead to more efficient tariffs that are predominantly fixed, but with a dynamic element designed to reward consumers for avoiding grid consumption that increases network investment costs”. [page:ix]

At the same time, the report recognises that network tariffs are “designed for energy service providers, rather than directly for customers”, and that it is retailers and other service providers who translate those tariffs into end-user offers. [page:x] In practice, many consumers already face substantial fixed daily

supply charges in their retail contracts, regardless of whether the underlying network tariff is highly fixed or not. Retail offers often combine:

- a fixed daily supply charge; and
- time-varying or tiered volumetric rates and sometimes demand or critical peak elements.

From the consumer’s perspective, their bill already includes a significant fixed component that is not directly controllable, alongside variable elements that provide some scope for behavioural response. Increasing the fixed share of network tariffs therefore primarily alters the allocation and structure of cost recovery between networks and retailers. It does not automatically improve the clarity of consumer price signals, and it may—depending on how retailers respond—reduce the relative weight of the components that consumers can respond to in practice. [page:ix][page:x]

3. Equity and cost recovery vs consumer-centricity

The draft report makes a strong case that reliance on volumetric recovery of largely fixed network costs can lead to distributional outcomes where “those customers that benefit the most from the use of the network pay the least for it”, particularly where CER owners reduce net imports while still depending on the network for exports and backup. [page:viii][page:ix] Rebalancing tariffs so that more residual revenue is recovered through fixed charges is presented as a way to improve equity and reduce distortions in how sunk costs are allocated. [page:viii][page:ix]

This objective is understandable. However, the same design choice has implications for the consumer-driven aspirations of the review:

- As more of the allowed network revenue is recovered via fixed charges, a smaller portion is available to be expressed through marginal (dynamic) components that vary with time, location, or capacity usage.
- If retailers simplify or smooth those dynamic components when packaging retail offers, the effective marginal price signal seen by consumers may become weaker, less frequent, or less transparent, even though the underlying network tariffs are “cost reflective” in an economic sense. [page:ix][page:x]

In other words, the recommended increase in fixed network components advances equity and fixed-cost recovery objectives, but can be in tension with the goal of empowering consumers to actively shape consumption and investment outcomes. The draft acknowledges a desire to avoid “unnecessary rationing” and to “reward consumers” for contributions to lowering network costs, but it does not fully explore how

larger fixed components might, in practice, narrow the space in which consumers perceive a meaningful link between their behaviour and their bill. [page:viii][page:ix]

4. Logical tension in a “consumer-driven future”

The draft report proposes to remove “customer impact” and “customer understanding” principles from the network pricing principles, on the basis that tariffs should be designed for energy service providers, who then translate them into customer-facing products. [page:x] This creates a two-step model of consumer-driven outcomes:

- At the network level, tariffs are optimised for efficient and equitable cost recovery, with a predominantly fixed structure and a dynamic element that reflects LRMC/SRMC and congestion.
- At the retail level, energy service providers are expected to harness these inputs to create offers that give consumers choice and opportunities to reduce bills and system costs. [page:ii][page:ix][page:x]

Within this framework, a higher fixed network component is not strictly logically inconsistent: in principle, retailers could still design highly dynamic, consumer-friendly products on top of a largely fixed network charge, by overlaying their own incentives or by passing through the dynamic elements in amplified or rebundled form. [page:ix][page:x]

However, from a consumer’s vantage point, the more of their total bill that is locked into fixed charges (network plus any retail-level fixed recovery), the weaker and less salient the direct link between behaviour and cost becomes. This creates a tension with a narrative of a “consumer-driven future”, where households and small businesses are meant to be active participants using price signals to inform investment in CER, flexible loads and behavioural response.

The draft does not provide assurance that:

- the dynamic component of network tariffs will be sufficiently material relative to the fixed component; and
- retailers will be expected or incentivised to preserve and clearly expose those dynamic signals in retail offers, rather than smoothing them away for simplicity.

In the absence of such safeguards or expectations, there is a real risk that the practical outcome of higher fixed network components will be:

- more robust cost recovery and improved equity across customer types; but
- weaker, less visible incentives at the retail interface for consumers to engage with and support efficient grid operations and investment deferral.

This is the core logical disparity: a design choice that is sound from a fixed-cost allocation perspective can, if not carefully implemented and mediated, undermine the very consumer-centric engagement that the review seeks to promote.

5. Suggested clarifications in the final report

Without advocating a specific alternative tariff structure, I suggest that the final report could strengthen internal consistency between its consumer-centric aspirations and its recommendations on fixed network components by:

- Explicitly acknowledging that many consumers already face significant fixed daily charges in retail offers, and explaining how a higher fixed network component is expected to interact with those existing retail structures.
- Clarifying how the balance between fixed and dynamic components at the network level will be assessed, so that the dynamic element remains meaningful in size and frequency rather than residual.
- Articulating expectations (or at least strong guidance) that energy service providers will preserve and clearly communicate the dynamic signals in retail products, so that consumers continue to see credible opportunities to influence both their bills and broader system outcomes.
- Describing, at a high level, how the proposed framework will be monitored to ensure that the shift toward higher fixed network recovery does not, in practice, lead to a reduction in effective consumer agency in managing demand, exports and flexibility.

These clarifications would help reconcile the necessary focus on equitable and efficient fixed-cost recovery with the equally important goal of a genuinely “consumer-driven future” in which households and small businesses remain active, engaged participants in the transition.

Thank you for the opportunity to comment.

Yours sincerely,

[Redacted signature block]

13th February 2026