

## Submission in Opposition to Proposed Increases to Fixed Electricity Charges (EPR0097)

I oppose the proposed increase to fixed electricity charges under EPR0097 on the grounds that it would reduce allocative efficiency, undermine equity, weaken investment signals for distributed energy resources (DER), and create material long-term risks for network cost recovery and system stability.

Increasing the fixed component of retail electricity bills shifts cost recovery away from consumption-based price signals and toward unavoidable charges. This approach disproportionately impacts low-consumption households, including those that have invested in rooftop solar and battery systems, despite the fact that these customers generally impose lower marginal costs on the network. The AEMC has previously recognised that efficient pricing should, where practicable, reflect cost causation and promote efficient use of, and investment in, electricity services (AEMC, *Distribution Network Pricing Arrangements*, final rule determination).

From an economic efficiency perspective, higher fixed charges weaken price signals that encourage demand-side participation and efficient consumption. Usage-based pricing better supports allocative efficiency by rewarding consumers who reduce demand, particularly at times of system stress. The AER has repeatedly identified that efficient price signals—especially those linked to consumption and peak demand—can reduce long-term network costs by deferring or avoiding network augmentation (AER, *Better Bills, Better Networks*; AER, *State of the Energy Market* reports).

Increasing fixed charges reduces the marginal benefit of energy efficiency, rooftop solar, and battery storage, thereby dampening incentives for ongoing DER investment. This is inconsistent with the AEMC's own assessment that distributed energy resources can deliver system-wide benefits, including reduced peak demand, improved utilisation of existing network assets, and lower wholesale prices (AEMC, *Integrating Distributed Energy Resources for the Future; Renewable Integration Study*).

The proposed shift toward higher fixed charges also raises significant equity concerns. Fixed charges are inherently regressive, as they comprise a higher proportion of total bills for low-income and low-usage households. The ACCC has previously noted that increases in unavoidable charges reduce consumers' ability to manage energy costs through behavioural change or efficiency measures, worsening affordability outcomes for vulnerable consumers (ACCC, *Retail Electricity Pricing Inquiry – Final Report*).

Pensioners, renters, apartment dwellers, and smaller households are particularly exposed, as they often have limited capacity to reduce fixed costs regardless of consumption behaviour. This outcome conflicts with long-standing regulatory objectives to promote consumer participation and protect vulnerable customers.

There are also material long-term system risks associated with increasing fixed charges. As unavoidable costs rise, higher-income households with access to capital are more likely to invest in solar, batteries, and backup systems to further minimise grid reliance. The AEMC has acknowledged that poorly designed pricing structures can accelerate inefficient grid

defection, increasing cost recovery pressures on remaining consumers (AEMC, *Strategic Priorities for Energy Consumers; Distribution Network Pricing Review*).

As the customer base funding shared network costs contracts, remaining consumers—often those least able to invest in alternatives—face increasing prices. This feedback loop threatens the sustainability of regulated network revenue recovery and risks entrenching a two-tier electricity system, a concern also highlighted by the ACCC in its assessment of long-term electricity affordability and market outcomes (ACCC, *Retail Electricity Pricing Inquiry*).

Electricity networks are regulated natural monopolies providing an essential service. Public confidence in pricing outcomes is already fragile, particularly in jurisdictions with privatised network assets. The ACCC has raised concerns that privatised electricity markets have not consistently delivered lower prices or improved efficiency for consumers or the broader economy (ACCC, *Electricity Market Monitoring and Retail Pricing Inquiry*). Pricing reforms should therefore reinforce confidence in the regulatory framework rather than weaken it.

At a system level, the role of distributed generation has fundamentally changed. Rooftop solar now represents a material share of Australia's electricity supply and contributes to reduced daytime demand, lower wholesale prices, and deferred network investment. The AER and AEMC have both recognised that DER is no longer peripheral and must be actively integrated into system planning and pricing frameworks (AER, *State of the Energy Market*; AEMC, *DER Integration Work Program*).

In the context of delays to large-scale generation and transmission infrastructure, DER provides resilience and flexibility that benefits the entire system. Regulatory and pricing frameworks should reflect this reality by supporting efficient participation rather than discouraging it through blunt increases to fixed charges.

I therefore urge the AEMC to retain a strong emphasis on usage-based pricing that reflects cost causation, supports efficient investment signals, and promotes equitable outcomes for consumers, consistent with the National Electricity Objective.

The proposed increases to fixed charges should be rejected, as they undermine economic efficiency, exacerbate inequity, and increase long-term risks to the sustainability and social legitimacy of the electricity system.