

Submission to the Australian Energy Market Commission (AEMC)

Re: The pricing review: Electricity pricing for a consumer-driven future (Draft Report)

Submitted by: [REDACTED] Date: 9 February 2026

1. Introduction

Thank you for the opportunity to comment on the AEMC's draft report *The pricing review: Electricity pricing for a consumer-driven future*. This submission focuses on four key issues:

1. The misalignment between **peak period definitions** and actual system peaks
2. The expansion of **fixed charges** without recognising consumer investment in distributed energy resources (DER)
3. The structural asymmetry between **consumer network charges** and **generator access arrangements**
4. The need for a modern, two-way pricing framework that reflects the realities of a high-DER, electrified future

The draft report correctly identifies the need for more cost-reflective pricing and improved consumer engagement, but several elements of the proposed reforms risk undermining consumer trust, DER investment, and long-term system efficiency. However, the draft report does not contain detailed modelling to justify and support the proposals being made. They are one sided and do not consider the interest of consumers nor do they analyse and demonstrate the equity of the proposals not only between consumers but between consumers and generators and consumers and grid operators.

2. Peak period definition: misaligned with actual system peaks

The draft report considers demand charges, and these are based on broad peak windows (for example, 3pm–9pm) for time-of-use and demand tariffs. However, AEMO operational data consistently shows that **true system peaks occur in much narrower windows**, typically:

- **Summer:** around 5pm–7pm
- **Winter:** around 6pm–8pm

This discrepancy results in:

- Consumers paying “peak” rates during non-peak hours
- Diluted price signals that do not meaningfully shift load
- A tariff structure that appears driven more by revenue stability than by genuine system needs

Figure 1 shows the actual demand by peak hours

Figure 1. Actual NEM daily demand vs proposed peak window

Time	Actual Demand (Normalised)	Proposed Peak Window
3pm	Medium	Peak (charged)
4pm	Medium	Peak (charged)
5pm	High	Peak (charged)
6pm	Very High	Peak (charged)
7pm	High	Peak (charged)
8pm	Medium	Peak (charged)
9pm	Low	Peak (charged)

Commentary: The proposed 3pm–9pm window captures six hours of consumption, while the true system peak is typically closer to two hours. This over-collection from consumers is difficult to reconcile with the stated objective of sharper, more meaningful price signals.

3. Fixed charges: inequitable treatment of DER households

The draft report supports increasing fixed charges to improve cost-reflectivity. However, this approach:

- Ignores the **significant private investment** households make in solar and batteries
- Fails to recognise **reduced peak demand** from well-operated DER
- Penalises households that actively support decarbonisation
- Disproportionately impacts low-consumption households

Households that invest in solar and batteries:

- Reduce their reliance on the grid
- Reduce wholesale market costs
- Reduce emissions
- Often reduce their contribution to peak demand

Yet they are charged the same fixed fee as households that contribute significantly more to peak load and system stress. Table 1 summarises the impact of the proposed higher fixed charges and the resulting inequity.

Table 1. Impact of fixed charge increases on different household types

Household Type	Grid Use	Peak Demand	DER Investment	Impact of Higher Fixed Charges
Solar + Battery	Very Low	Low	High	Negative (over-charged)
Solar Only	Low	Medium	Medium	Negative

Household Type	Grid Use	Peak Demand	DER Investment	Impact of Higher Fixed Charges
Electrifying Household (EV/HP)	High	Medium	Medium	Positive (lower variable rate)
Low-Income, Low-Consumption	Low	Low	None	Strongly Negative
High-Consumption, High-Peak	High	High	None	Positive

Commentary: The current direction of reform risks sending a signal that consumer investment in DER is not valued, even when it reduces system costs and supports policy objectives.

4. Asymmetry between consumer charges and generator access

Generators currently pay:

- One-off connection charges
- AEMO participant fees
- Some system strength or related charges

But they do **not** pay ongoing network access charges, despite:

- Relying on the transmission network to reach customers
- Contributing to congestion
- Driving augmentation in renewable-rich regions

Consumers, by contrast, pay:

- Fixed network charges
- Variable network charges
- Environmental scheme costs
- Retailer margins
- Market fees

This creates a structural asymmetry in cost allocation that is increasingly untenable in a two-way energy system where consumers are also generators and flexible resources. Figure 2 summarises this inequity in cost allocation.

Figure 2. Cost allocation in the current system

Cost Category	Consumers	Generators
Ongoing Network Cost Recovery	~95%	~5%
Connection Costs	None	Yes

Cost Category	Consumers	Generators
Market Fees	Yes	Yes
Ongoing Access Charges	Yes	No

Commentary: A modern pricing framework should move toward **two-way cost allocation**, recognising that both consumers and generators benefit from, and drive the need for, network infrastructure.

5. Recommendations

5.1 Adopt a true peak pricing framework

- Define peak periods using **actual NEM demand data**
- Use **seasonal** peak windows that reflect different summer and winter patterns
- Consider **dynamic peak pricing** during genuine system stress events rather than broad, static blocks

5.2 Replace higher fixed charges with demand-based tariffs

Demand-based tariffs (based on kW peak demand rather than flat fixed fees) are:

- More equitable, as they reflect each customer's contribution to peak load
- More efficient, as they directly target the main driver of network costs
- Better aligned with DER, batteries, and flexible loads
- More transparent for consumers who invest in managing their demand

5.3 Recognise consumer DER investment

Introduce mechanisms such as:

- Reduced fixed charges for households that demonstrably reduce peak demand
- Credits or incentives for participation in virtual power plants (VPPs) and demand response
- Export rewards aligned with system needs (for example, higher value at times of genuine constraint)
- Optional tariff structures tailored to DER-rich households

5.4 Require generators to contribute to ongoing network costs

Options to address the current asymmetry include:

- Generator access charges
- Locational marginal pricing or congestion-related charges

- Two-way pricing frameworks that allocate network costs to both sides of the market

5.5 Provide consumers with tariff choice

Consumers should be able to choose between:

- High-fixed / low-variable tariffs
- Low-fixed / higher-variable tariffs
- Demand-based tariffs
- Time-of-use tariffs
- DER-optimised tariffs

Choice is a practical way to accommodate diverse consumer circumstances and preferences while still moving toward more cost-reflective pricing.

6. Conclusion

The draft report *The pricing review: Electricity pricing for a consumer-driven future* makes important progress in recognising the need for reform. However, several elements of the proposed approach risk:

- Over-charging consumers, particularly low-consumption and DER-rich households
- Undermining investment in solar, batteries, and flexible demand
- Misaligning price signals with actual system peaks
- Preserving outdated asymmetries between consumers and generators
- Weakening public trust in the energy transition

A modern, fair, and efficient pricing framework should:

- Reflect actual system peaks
- Reward, rather than penalise, consumer investment in DER
- Allocate costs more fairly between generators and consumers
- Support electrification and decarbonisation
- Embrace the two-way nature of the future grid

I strongly encourage the AEMC to review the proposals to better align with these principles.

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