

Submission to: Australian Energy Market Commission

The pricing review - Electricity pricing for a consumer-driven future

Reference: EPR0097

Recommendation 5: Amend the rules to focus network tariff design on efficiency, supporting a lowest-cost grid and a fairer sharing of costs among consumers.

As I understand it the proposal is to eliminate or greatly reduce the per kWh component of retail bills in favour of a fixed cost bill reflecting infrastructure costs. The intention would be to spread the burden of supporting network maintenance more fairly among everyone who is connected to the network.

I recognise the fixed cost component of the bill (infrastructure maintenance) needs to be funded fairly, but eliminating or greatly reducing the per kWh charges in retail billing will have perverse secondary outcomes that may outweigh any benefits:

1. The households that use the most power would be the main beneficiaries of this change, not least the wealthiest households.
2. Removal of the per kWh charge would encourage customers to wastefully use power, thereby increasing demand on the grid, driving the need for more infrastructure expenditure, and potentially increasing the overall costs that must be charged to users.
3. Some households with solar would likely buy additional batteries and disconnect from the network entirely, thereby throwing more fixed costs back onto those who remain.
4. Recommendation 5 reads like it was written for a world in which CO₂-induced climate change does not exist. Many households invested in rooftop solar and batteries because they wanted to do their bit to reduce our collective dependence upon fossil fuel-generated power (not just to save money). Recommendation 5 would undermine such private investment, based upon vague economic arguments that are not clearly spelt out.
5. The issue of equity for households that cannot install solar and batteries could be addressed by means-tested rebates without grossly distorting the retail electricity market by making power 'free' for anyone who has paid their fixed connection charge.

I accept that maintenance and enhancement of delivery infrastructure are necessary and they must be funded by end users. My own household bill includes a service charge. Maybe that charge should increase, but to remove the per kWh component of retail bills seems to me to be a surprisingly bad idea.

General comment: I am a retail energy consumer, not an industry insider. I appreciate that the electricity supply market is very complex, but if AEMC really wants feedback from all stakeholders (and greater public trust), more effort should be put into trying to

first briefly explain for people like me (in very general terms) the structure of the industry and the problem that you are trying to solve. As it is, the report was very wordy, yet the proposals remained strangely vague. The case is not made. The report reads like a first draft, and one written only for industry insiders.

The recommendations related to clarifying retail deals for consumers seem worthy but could perhaps be explained better.