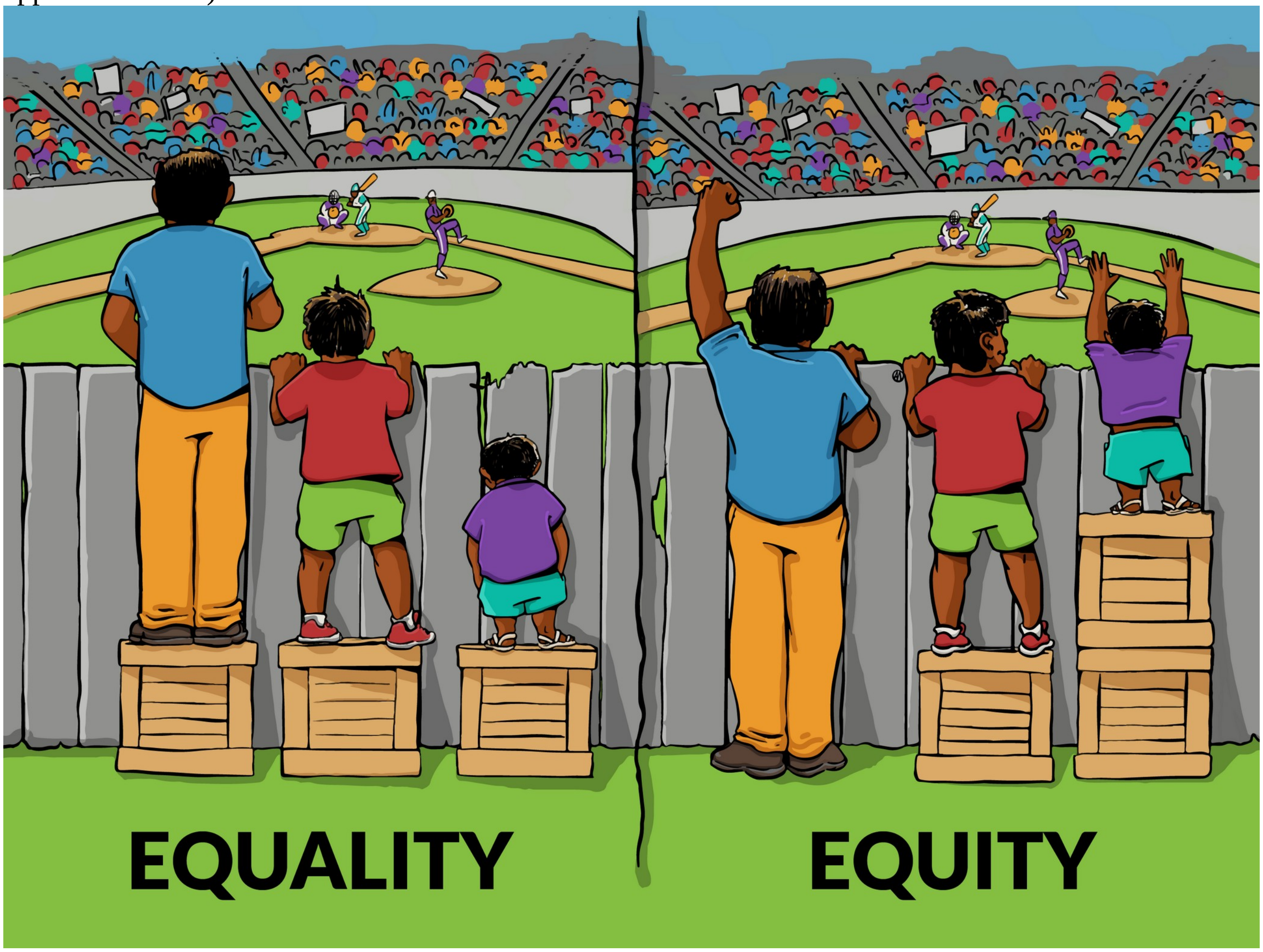
The views expressed in this submission are solely my own and do not necessarily reflect the views of my employer.

Some parts of the following submission are modified from Tristan Edis' public template submission.

I would strongly urge the AEMC to abandon its proposal to shift network charges away from being tied to power demand to instead become largely fixed.

In the report it states: "Theme 3: Reward consumers for activities that are valuable in achieving a lowest-cost system, and target a more **equitable** allocation of shared costs" (The word "**equitable"** appears 30 times).



Much higher fixed charges are **equality** which as seen in the above image is not **equity** (ie. not "**equitable"**). The oxford definition of equitable is: "fair and just, especially in a way that takes account of and seeks to **address existing inequalities**" (eg. allowing low income households to pay less towards network costs). <u>This may seem like only semantics but it is representative of one of the core flaws in the AEMC's argument.</u> As the AEMC report states, we should strive for equitable outcomes (ie. equity) but this won't be achieved by making fixed charges much higher.

"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."

There is no clear concept of ‘fair’ when it comes to who pays for the cost of the electricity network: there is a large amount of cross-subsidisation that already happens between residential consumers. For example, the electrical connection to apartments are on average more cost efficient than standalone houses – would it be ‘fairer’ if they received a lower network tariff? Another example is new vs old parts of the distribution network and the differing levels of current investment required. Instead of aiming for “fairer”, maybe more useful questions are:

- Who can afford to pay more for the costs of the network
- What are the tariff mechanisms that reduce overall cost (ie. require the least amount of new investment) and make progress on decarbonisation

Higher fixed costs will hurt lower income households who on average tend to consume less energy than high income householders. In my opinion retailers (‘energy service providers’) have every incentive to pass the fixed cost through:

- Makes risk management easier
- Retailers probably aren’t making much profit on the customers that are using a small amount of energy on average and hence won’t be concerned about those customers leaving

In particular it could be a shock to consumers that have tried very hard to reduce their electricity bill by consuming less power. I think there should at least be a path for low-income households to maintain their electricity bill at current levels and keep the same kWh consumption (even if their behaviour has to change).

Higher fixed costs will do nothing to address renters lack of access to the financial benefits of electrification, energy efficiency and solar and batteries which is a product of the split-incentive problem afflicting the tenant - landlord relationship. The suggestion that electricity retailers will roll-out these technologies to renters via subscription models seems overly optimistic.

Lastly any suggestion that introducing highly variable dynamic network tariffs only once a network area is close to its capacity limits fails to appreciate the nature of household energy usage behaviours and a naive understanding of how electricity networks respond to financial incentives within the regulatory framework.

Network service providers may only introduce these tariffs at a ‘minute to midnight’ before the network needs upgrading because because there isn’t a financial incentive from them to avoid upgrades.

These dynamic tariffs will likely come too late for households to effectively change their energy-using equipment and learn new behaviours. Household energy usage is a product of often long-lived energy using equipment and embedded behaviours that can take quite some time and sustained incentives to change.