

PORT PHILLIP EMERGENCY CLIMATE ACTION NETWORK

AEMC Review

The Australian Energy Market Commission is reviewing the structure of national energy pricing, with the stated objective of ensuring a fairer pricing system with lower overall costs.

Port Phillip Emergency Climate Action Network (PECAN)

PECAN is an alliance of local environmental groups who aim to create and sustain a strong climate action movement in Port Phillip to address the climate crisis.

Port Phillip is a seaside area and is particularly prone to the impacts of this climate emergency. Its citizens are also amongst Australia's most progressive when it comes to recognising the climate crisis and issues of environmental sustainability.

In recognition of the climate emergency we face and uniting behind the science on climate change, PECAN aims to create and sustain a strong climate action movement in Port Phillip to address the climate crisis.

We are politically non-partisan and we encourage an exchange of views and connections with all the groups that make up the network and with other like-minded groups.

The Review

Recommendations 1 to 4 and 6 appear to improve the ability of customers to access competitive electricity offers.

However:

Recommendation 5

Recommendation 5 is seriously concerning to PECAN.

Recommendation 5 would enable higher network charges by increasing the proportion of energy bills dedicated to the unavoidable daily fees we all pay for poles and wires. This will particularly impact on people who have made great efforts and gone to expense to better manage electricity use by installing solar and batteries.

Once fixed charges are increased, households cannot avoid them through efficiency, demand shifting, or investment in clean energy technologies.

Internationally, regulators are moving in the opposite direction — seeking to preserve bill control, equity and incentives for flexibility by limiting unavoidable fixed charges and strengthening usage-based pricing. Why are we considering going backwards?

In practice, this change would mean:

- higher unavoidable daily charges for everyone,
- lower charges for the amount of grid energy used,
- electricity bills that are less flexible, and discourage energy conservation,
- an immense discouragement to future household investment in renewables.

Not only would this significantly undermine the economics of household solar and battery systems, but act as a disincentive to taking the Government seriously when it speaks of curtailing emissions.

It is disingenuous to describe this as “fairer cost sharing”. What it does is to penalise those who have done the heavy lifting to bring renewables into our energy system.

Who is penalised?

Higher fixed charges hit the people who already use the least electricity or have invested their own money to install rooftop solar and batteries.

In the cities of Port Phillip, Glen Eira and Bayside, this will include:

- people living in energy-efficient homes
- low-income households, who by necessity use less energy
- renters and apartment residents
- retirees and single-person households
- people who have installed solar and battery at significant cost.

Who benefits from higher fixed charges?

While households lose flexibility and control, network service providers will reduce their risks and gain more consistent revenue. These network service providers are regulated monopolies. Increasing fixed charges protects these companies from consumers who choose to decrease their energy consumption even when those changes are lowering system costs, as well as being an environmentally responsible practice.

Increasing fixed network charges is an unintelligent retrograde step — one that disincentivises innovation and financially penalises the innovators at exactly the wrong time.

Conclusion

PECAN strongly opposes Recommendation 5 on the grounds that an increase in the proportion of fixed charges in energy bills will:

- Unfairly penalise low-income households
- Financially impact people who have invested in solar and batteries
- Discourage innovation by energy providers
- Discourage further household investment in renewable energy

- Will work against existing government policy addressing climate change.

We urge the AEMC not to progress the proposal to introduce predominantly fixed network charges and to retain pricing structures that preserve consumer agency, equity and clean energy investment incentives.

PECAN Coordinating Committee

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