Australian Energy Market Commission

AEMC

Smarter, cleaner, cheaper energy: What network tariff reform means for consumers

Pricing review distributional impact analysis

23 April 2026

This report models the potential impacts of proposed reforms to network pricing

About the AEMC's Pricing Review

The *Pricing Review*:

- examines how electricity pricing, products and services can better support the diverse needs of consumers as the energy system transitions
- focuses on the roles of distribution networks, retailers and other service providers in delivering efficient pricing outcomes, enabling consumer choice, and supporting the uptake of consumer energy resources (CER)
- aims to ensure that system costs are efficient and produce equitable outcomes going forwards.

For further information regarding the Review's scope, see the Terms of Reference.

Background to this report

We are conducting the *Pricing Review* with an open and consultative process, drawing on stakeholder engagement and analysis.

- In December 2025, we published a Draft Report outlining six draft recommendations to make the energy market work better for consumers.
- While the six draft recommendations were designed to work together, we recognised that further analysis of our proposed network pricing reforms would be especially important. Our draft report committed to publishing additional analysis on the benefits and distributional impacts of network pricing reform.
- This report presents that analysis.
- We received mixed stakeholder feedback on the proposed network pricing reforms, with strong views both for and against. Our Final Report will respond to this comprehensively; the analysis in this report can be viewed as an initial response to some of the issues raised.

Scope of this report

This document:

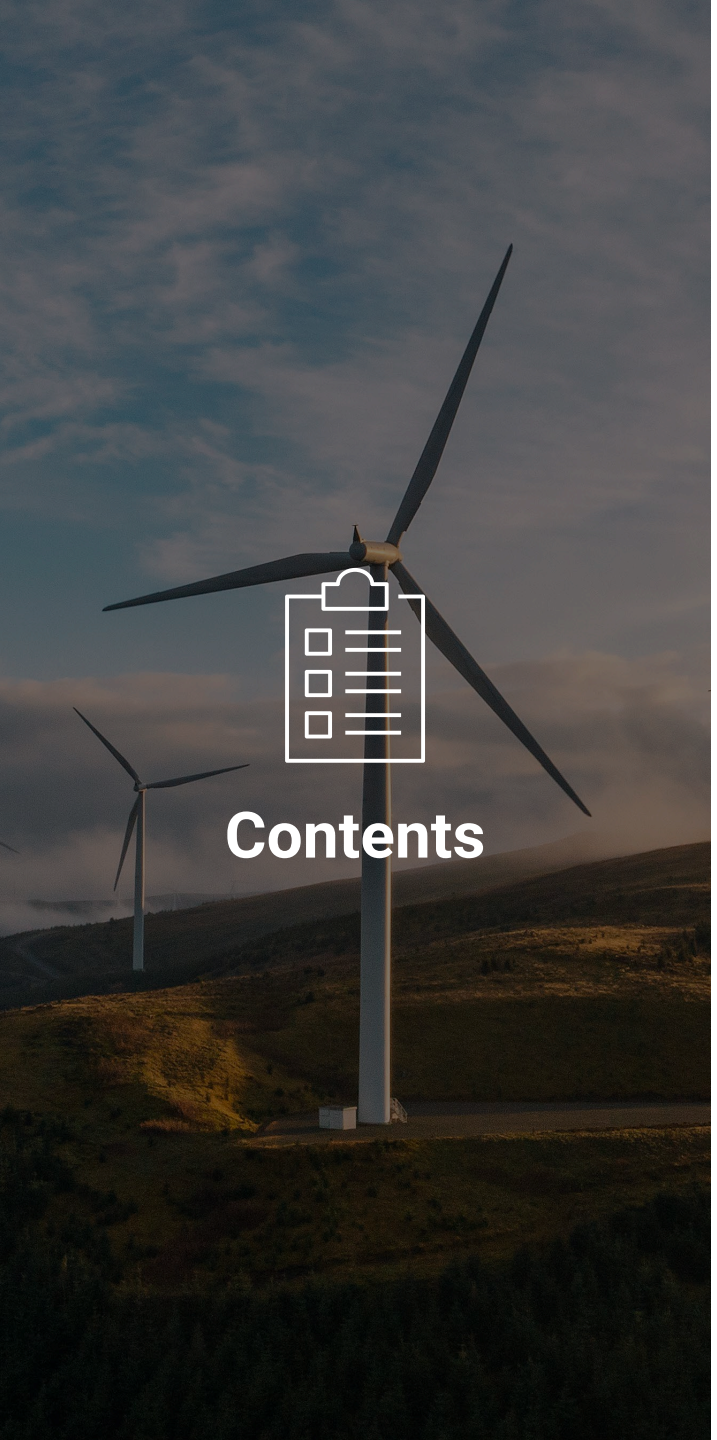
- analyses the benefits and impacts of our proposed reforms to network pricing, over 10-15 years
- projects the potential impacts under a conservative 'reform' case, assuming our proposed reforms proceed, compared to a 'no reform' case where no changes are introduced
- considers the potential impacts for different customer types
- considers network, electricity and energy bill impacts

This document does not model or discuss in detail additional reforms that may be required to protect consumers from any adverse bill impacts. Our consideration of such reforms is ongoing. The accompanying HoustonKemp advice discusses options in this respect.

The modelling is scenario-based – it is not a forecast of future bills. It forms one part of the pricing review, and the Commission's overall consideration of final recommendations. It is not intended as a stand-alone document, and nor will it replace full consideration of stakeholder submissions to the draft report.

Network pricing reforms could save all customers $6bn over 15 years

Our proposed reforms would help get more value from the grid we already have, and harness the full benefits of CER	• Our proposed reforms are expected to improve how distribution networks are used, getting more value from existing infrastructure and avoiding unnecessary future upgrades. • They also better support and integrate consumer energy resources—such as solar, batteries and EVs — reducing the need for new large-scale generation. • Together, this delivers lower electricity bills for all households and small businesses.
If we don't act now, customers could end up paying more, with these costs disproportionately falling on those least able to afford it.	• Our analysis shows electricity bills would be higher if reforms are not implemented. • Without reforms, costs are likely to rise most for households and small businesses unable to invest in consumer energy resources – such as renters, apartment residents, or lower-income households.
Most customers would be better off under our proposed reforms, though some could face higher bills without additional protections.	• Our analysis of potential bill impacts shows most customers would be better off under our proposed reforms. • Around two-thirds of customers without CER are expected to have lower bills under reform compared to no reform. • Our analysis shows that some households and small businesses could face higher bills.
It's critical that any reforms are introduced slowly and carefully, with appropriate protections for customers whose bills could rise.	• For those customers that could face higher bills, there will likely be a need for accompanying protections. • Our analysis helps us understand the impacts so that any measures we introduce are well-designed. • The attached report from Houston Kemp sets out some possible options that could be used to provide protections.



Contents

1 *The energy system has changed, requiring a new approach to pricing*

The pricing review targets reforms to make the energy market work better for consumers

Our collaborative approach

The review covers the offerings of electricity service providers, including retailers, aggregators and other kinds of providers. It also covers network tariffs, which are incorporated into consumer plans.

We have adopted an open and consultative approach throughout the review to inform the scope, issues to address and development of recommendations.

We have engaged widely and gathered a range of stakeholder views. This includes meetings of our key stakeholder groups that were established to support this review:

- An **Advisory Group** which provides strategic input
- A **Stakeholder Reference Group** which provides technical expertise.

Stakeholders have had multiple opportunities to provide formal submissions over the course of the review, most recently our draft recommendations following the release of our Draft report in December 2025. We have also had significant bilateral engagements and meetings with peak energy groups and other interested parties, with these set to continue.

Our draft report

We published a draft report in December 2025.

Our report outlined

1. Our vision for the future energy services market
2. Six draft recommendations to achieve our vision, for stakeholder feedback.
3. That transitional measures would be required to manage the impact on consumers of the proposed changes

We set out that our draft recommendations would contribute to a smarter and fairer electricity pricing framework that meets consumers' needs at lowest cost. These reforms are designed to be long-term in nature ie. implemented over 10-15 years.

As part of our draft report, we committed to publishing the analysis contained in this report on the benefits and distributional impacts of reforms to network pricing arrangements.

Our draft report proposed six draft recommendations for feedback

Our vision	***A dynamic energy services market that delivers value, meets the preferences of different consumers, and offers choice of energy service provider, while ensuring lowest overall costs and building trust through targeted protections.***

We proposed six reforms across three themes to achieve our vision.

Theme 1: Harness competition to improve outcomes for all consumers	*1. Require energy service providers to charge all customers on the same plan the same price, to address the 'loyalty tax' on customers who don't switch and ensure every customer is always on the best price*
	2. Introduce a competitive franchise for the cohort of customers who haven't chosen a market offer, so that all customers are on a competitive plan
	3. Periodically review whether regulations are supporting good consumer outcomes in an evolving market
Theme 2: Make it easier for consumers to compare offers that suit them	*4. Provide the AER with additional funding to upgrade Energy Made Easy so that consumers can easily compare electricity offers, including new and emerging types*
Theme 3: Reward consumers for activities that are valuable in achieving a lowest-cost system, and target a more equitable allocation of shared costs	**5. Amend the rules to focus network tariff design on efficiency, supporting a lowest-cost grid and a fairer sharing of costs among consumers**
	6. Amend the rules to ensure networks design tariffs for energy service providers, rather than directly for customers, to promote more flexible and innovative retail offers
Transitional reforms	**Consider transitional measures to manage the impact on consumers of these changes**

Deep-dive on Recommendation 5

Recommendation 5 proposed several reforms to the current network cost recovery framework:

- Allowing networks to design tariffs that provide both short- and long-term price signals.
- Setting outcome-based objectives for tariff design to improve the efficient use of and investment in networks
- Clarifying how residual costs should be allocated to reduce consumers and energy service providers unnecessarily changing their behaviour in response to poor signals
- Allowing networks to implement more efficient tariffs faster.

These changes are intended to lead to more efficient tariffs. These would support the development of consumer products that better reward behaviours that place downward pressure on costs for all consumers

Deep-dive on transitionals

Network tariff reforms would need to be introduced carefully over time. The attached report from HoustonKemp outlines potential options for protecting customers.

Our draft report committed to quantitative analysis to explore how different customers could be impacted by the proposed reforms

Context

Draft recommendation 5 proposed a transition towards network tariff structures comprising two components:

1. A usage-based component that varies in real time to reflect the network's actual cost of providing import and export network services at a given location, time of day and time of year – rising when and where the network is congested and falling (or disappearing entirely) when network capacity is ample – a so called 'dynamic' tariff component
2. A fixed component for residual cost recovery, designed to recover the network's unavoidable fixed costs from all connected consumers in a way that allows users to benefit from accessing and selling electricity across the network.

The fixed charge component is already commonplace, although it generally makes up a smaller proportion of a customer's network costs relative to variable components.

We received a lot of valuable stakeholder feedback on these proposals (as identified on the next page), which we continue to work through.

Purpose

Our draft report proposed a staged reform spanning approximately 10 years. We recognise changes need to be introduced carefully, with safeguards to address any negative impacts.

This is particularly true for Draft Recommendation 5. As such, in our draft report, we decided we would undertake and publish customer impact analysis of this draft recommendation.

This report analyses the impacts of network tariff reform. It focuses on changes to network tariff structures. Retail tariffs and final bill outcomes will depend on how retailers choose to package and pass through network charges.

Alongside this report, we have published advice prepared by HoustonKemp outlining potential additional protections we are considering to mitigate the negative impacts that could otherwise occur from our proposed reforms.

Next steps

We look forward to hearing stakeholders' views on the findings presented here.

We are hosting a public forum on 23 April 2026, the day of publication of this report. The forum will offer an opportunity for stakeholders to engage with the project team.

We are interested in hearing stakeholder views on how protections can support customers, without losing the benefits of our reforms.

We are trying a different approach to receive feedback that we hope will also reduce the burden on stakeholders of contributing to our reforms. We are using a short questionnaire to capture written feedback from forum attendees.

Our findings, in combination with stakeholder feedback on this report and our draft report, will be used to develop our next steps for this review.

Our final report will set out stakeholder feedback on all recommendations, our thoughts on this feedback and the proposed way forward, including how these recommendations work together as a package.

Our review is being shaped by an unprecedented level of stakeholder interest

We received 2,712 submissions to our Draft Report

- Engagement with our Draft Report was exceptional.
- We received 2,712 submissions – 83 organisational submissions and 2,629 individual submissions.
- This unprecedented level of interest reflects the importance of the policy issues being examined.
- We appreciate the time taken by stakeholders to respond to our draft recommendations, and value being able to hear directly from individual consumers. The feedback provided helps us address critical questions now, and provides further insights to the distributional analysis presented in this report.
- Due to the level of interest, we have been publishing submissions in tranches to our website.
- We thank households, consumers and organisations for their engagement, as we continue to work through this feedback ahead of our Final Report.
- This report is not intended as a response to this feedback – this will appear in our next publication.
- Instead, it delivers on a promise made in the Draft Report to publish modelling on the distributional impacts of reform.

Examples of what we heard from consumers

Affordability is essential

"As both a pensioner and renter, I already keep power use to a bare minimum just to be able to afford the basic necessity (or the luxury of having it!). […] So any increase (what seems like a penalty or tax for low use of power consumption) will further increase our stress, strain and financial hardship."

Recognition of the need to support less engaged consumers

"I am glad to see that those people who are unable to assess offers and respond accordingly are considered as part of these changes. Not everyone understands how the system works nor consider the disadvantages to themselves if they do nothing, so having systems in place to support them and ensure they get the best outcome is a good move."

Maintain incentives for CER

"I am very concerned about the proposal to increase fixed charges. The supply charge is the largest component of my current bill, and I have no control over it.. I have invested nearly $20,000 in solar panels and timers to manage my electricity costs. I would like to install a battery to reduce my costs for the evening peak but even with the rebate there is no economic advantage for me to make the purchase as the savings would make so little difference to my monthly bill."

2 *We used real data to assess the impacts of our proposed network pricing reform*

Modelling scope and key inputs

We used a variety of data sources to model the benefits and impacts of reforms to network prices. The analysis in this report is scenario-based – it is not intended as a forecast of future bills. It is also a partial analysis – it does not capture all impacts.

SCOPE

Analyse the benefits of reform

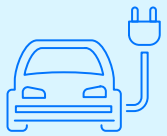
We used recent, published analysis of the benefits of CER integration in reducing network and wholesale costs, together with our own 'bottom-up' analysis, and qualitatively assessed other reform benefits.

Project network bills against a 'no reform' case

We projected what would happen to network bills as CER uptake rises under 'reform' and 'no reform' cases using our Price Trends cost projections, AEMO's ISP Step Change, and networks' 2025-26 tariffs.

Calculate distributional impacts

We used over 400 million data points of real customers' electricity consumption, and exports – helpfully provided by 10 DNSPs – to calculate the impacts of reform for non-CER, solar-only and battery household groups. We thank the networks for providing us with this data.



Calculate electricity and energy costs for key customer types

We used our previous work analysing customer archetypes, and the household electrification model we developed in our Price Trends report, to electricity and energy costs for representative customers.

KEY INPUTS

- Model an uptake of home batteries in line with the Commonwealth Government's 2 million batteries by 2030 goal
- Build three illustrative 'reform' cases with 10-year transitions from current network tariff price structures towards fixed charges, starting in FY30, modelling three network price structures:
  - 50/50 split of fixed to variable network charges
  - 80/20 split of fixed to variable network charges
  - Fully fixed network charges

*Refer to the **modelling appendix** for detailed information about the methods used and assumptions made.*

While our analysis projects key trends, there are benefits we did not model

Our projections are intended to provide a conservative and reasonable assessment, with benefits quantified where publicly available estimates can be directly applied.

There are four key factors we did not capture in this analysis:

1. We did not model a broad range of benefits expected from the reforms, such as emissions reduction, energy security, bill certainty or opportunities for customers to benefit from changing their behaviour, for example, reducing energy use or earning revenue to offset bills through CER.
2. We did not model the impact of the benefits of a faster pace of electrification that is likely as demand for electricity increases.
3. We did not model the benefits that are likely from the increased diversity and innovation in retail products and services where the network tariff reforms provide a better platform for a richer energy services market.
4. We have not incorporated existing consumer protections, or changes in consumer behaviour that could mitigate the impacts of a retailer passing through a change in the network tariff structure directly to consumers.

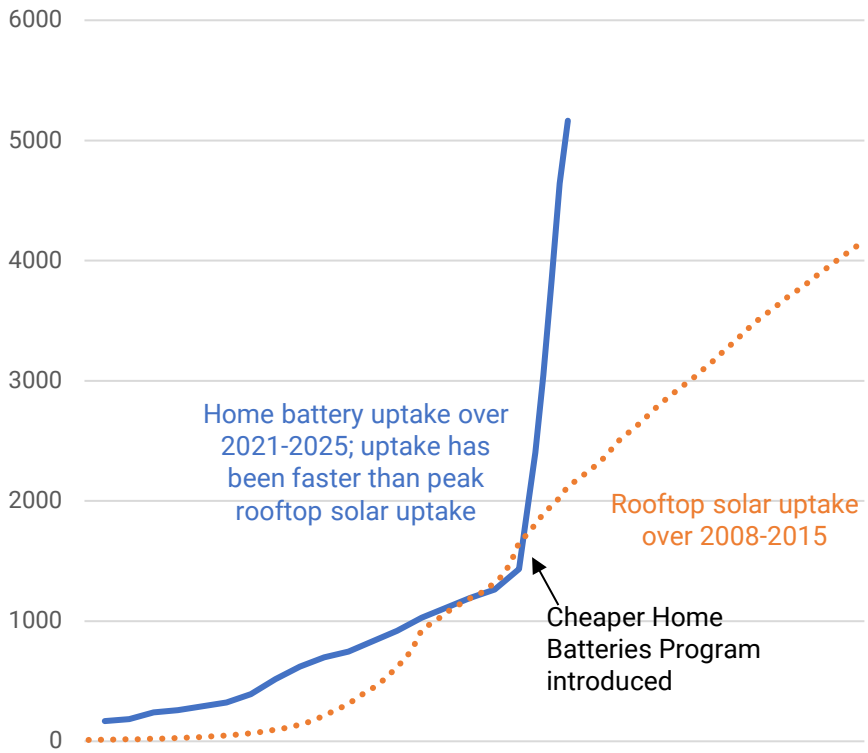
- To accurately present the opportunities for consumers and the economy unlocked by reforms, and measure the growing inequities caused by current network price structures, we needed to project key costs and inputs forward.
- These projections use a range of inputs, and key assumptions, which we have documented in the appendix.
- In reality, the case for CER, and the energy costs faced by households, will also be shaped by other factors – for example, technological innovations that reduce the cost of CER, a rollout of vehicle-to-grid capability, and global commodity price shocks.

*We document important modelling inputs and assumptions in the **Appendix.***

3 *Reforming network pricing supports a lower-cost, more efficient system*

The way people use the system has changed and so the way we charge for use must also change

The pace of Consumer Energy Resources take-up
Installed capacity across NEM regions, MW



Sources: AEMO; Clean Energy Regulator

Consumers' uptake of new energy technologies, such as solar PV, batteries and electric vehicles (EVs), is reshaping how electricity is consumed and produced. The fuel crisis we currently face may accelerate these trends.

Electricity is no longer flowing in one direction from large-scale generators to businesses and homes. Instead, generation is increasingly occurring at customer premises. And for many customers, exporting excess to the grid, or storing their own generation for later use, has become routine. The chart on the left compares the uptake of home batteries compared with that of solar panels – demonstrating the pace and scale of the change occurring.

Given the operation of the network and how people are using the system has changed, we need to change how we charge for use of the distribution network. This includes how customers pay for the network – how they are charged, through their retail bills, for access to and use of the network. We need to set ourselves up to be effective in the future system.

The latter – how customers are charged for the network – is a key area of focus for the Pricing Review, and the subject of the proposed reforms we are exploring in this paper.

Our proposed reforms would capitalise on the opportunities change presents

Opportunities exist to deliver better outcomes for customers

We need to prepare for our future system and start to consider changes now that will set us up for this future. These reforms are necessarily long-term in nature.

Our proposed reforms seek to unlock significant opportunities

1. **By better rewarding CER for its contribution to supporting the grid, we can help avoid unnecessary additional investment in the grid, contributing to downward pressure on customers' bills**
2. **Reforms could better encourage electrification of vehicles and appliances, which can reduce both costs for customers and emissions.**

We want to facilitate these outcomes, helping support consumer trust in the energy system and social licence for the transition.

Our proposed reforms are designed to capitalise on these opportunities

This means shifting our focus from simply minimising use of electricity, to maximising use of low-cost renewables. In such a future, the network provides a services for customers to access to buy and sell electricity. Historically, the use of 'energy' was a proxy for your reliance on the network; that proxy no longer holds as consumption patterns across the network change.

Our proposed reforms would promote more efficient network tariffs to help keep downward pressure on customers' bills:

- lower wholesale costs through increased competition, as more CER is incentivised and rewarded for participation in the market
- lower network costs, as the network is used more efficiently, CER's benefits to the network are appropriately rewarded, and unnecessary extra investment is avoided
- lower retail costs, as less volatility and uncertainty reduces risk
- increased incentives for customers to offset bills from the sale of electricity
- increased incentives to electrify vehicles and appliances, which can reduce both costs and emissions.

The Appendix provides further details on how dynamic network tariffs, a component of our proposed reforms, achieve consumer benefits.

Dynamic prices: pricing that changes with demand for the network

Dynamic network tariffs provide targeted signals when and where the network experiences congestion

We have defined a 'dynamic' tariff component as a usage-based component that varies in real time to reflect the network's actual cost of providing import and export network services. This could include reflecting costs based on location, time of day or year. It would rise and where the network is congested and fall (or disappear entirely) when network capacity is ample.

Under our proposal, dynamic network tariffs would therefore have three key features, with prices:

- **near zero when the network has spare capacity**
- **varying when the network is busy**
- **applying symmetrically to consuming and exporting electricity.**

If the network is experiencing high demand, the dynamic price would reward households who relieve congestion by exporting electricity from solar or batteries, and charge consumers who increase demand.

Conversely, when the network is approaching an excessive level of export (from solar panels or batteries), the dynamic signal starts to charge further exports while paying consumers who increase demand.

Examples of where dynamic pricing also occurs

Compare the electricity network to a hotel. A hotel's biggest costs are also driven by its capacity (analogous to a network), but hotels don't price rooms like electricity is priced today. Instead, hotels:

- charge more when rooms are scarce (busy weekends, events)
- charge less when capacity is plentiful (off-peak, mid-week)
- use pricing to spread demand over time to avoid over-building rooms that are only needed a few nights a year
- invest in new capacity when there is enough revenue earnt across the year to recover costs

Another analogy is parking fees in CBDs. Parking prices are typically set based on demand and available space. For example:

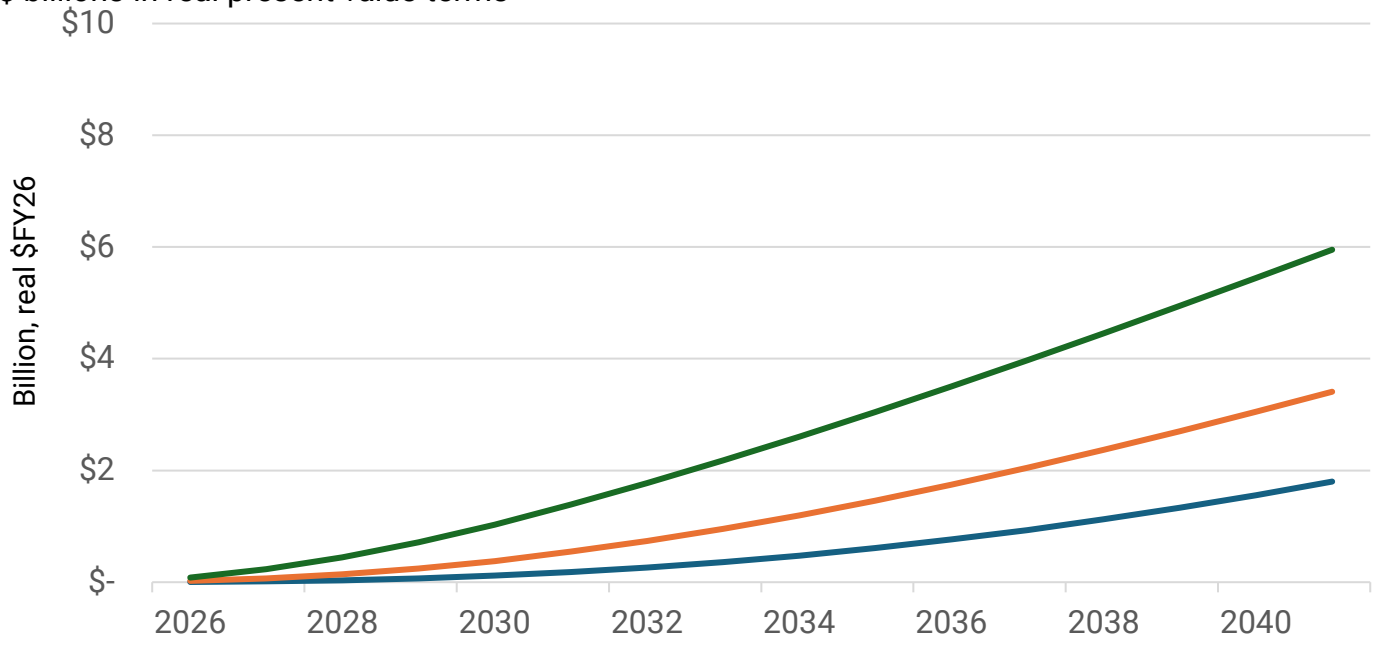
- busier areas tend to charge higher rates that quieter areas
- prices are often lower at night or on weekends, often having free periods during these windows when demand is lower.

Charging in this way encourages parking at less busy times and for innovative parking solutions e.g. sub-lets for car parks in busier areas.

Reforms could reduce network cost savings by up to $6 billion over the next 15 years

Network cost savings from dynamic network pricing strategies

$ billions in real present value terms



We projected network cost saving benefits under three separate approaches, explained more on slide 33.

**Energeia, Benefit Analysis of Load-Flexibility from Consumer Energy Resources, Final Report, 26 March 2025, p 34.*

Reforms to network pricing would reduce the need for network investment by avoiding costly network augmentation by lowering peak demand.

We estimated the benefits using three approaches, which are shown on the chart and described in slide 33. The modelling suggests that over the next 15 years, the cumulative cost savings for customers would be between $2-6 billion dollars, in present value terms.

This corresponds to an annual bill reduction of between $40-80 per customer, by 2040.

More broadly, Energeia's recent study on the benefits of CER found that a single 10 kWh battery in NSW could save the electricity system over $800 in wholesale, network, and ancillary service costs in a year.* This benefit could be spread among all consumers, with battery owners likely to benefit more through rewards for their contributions to lowering costs.

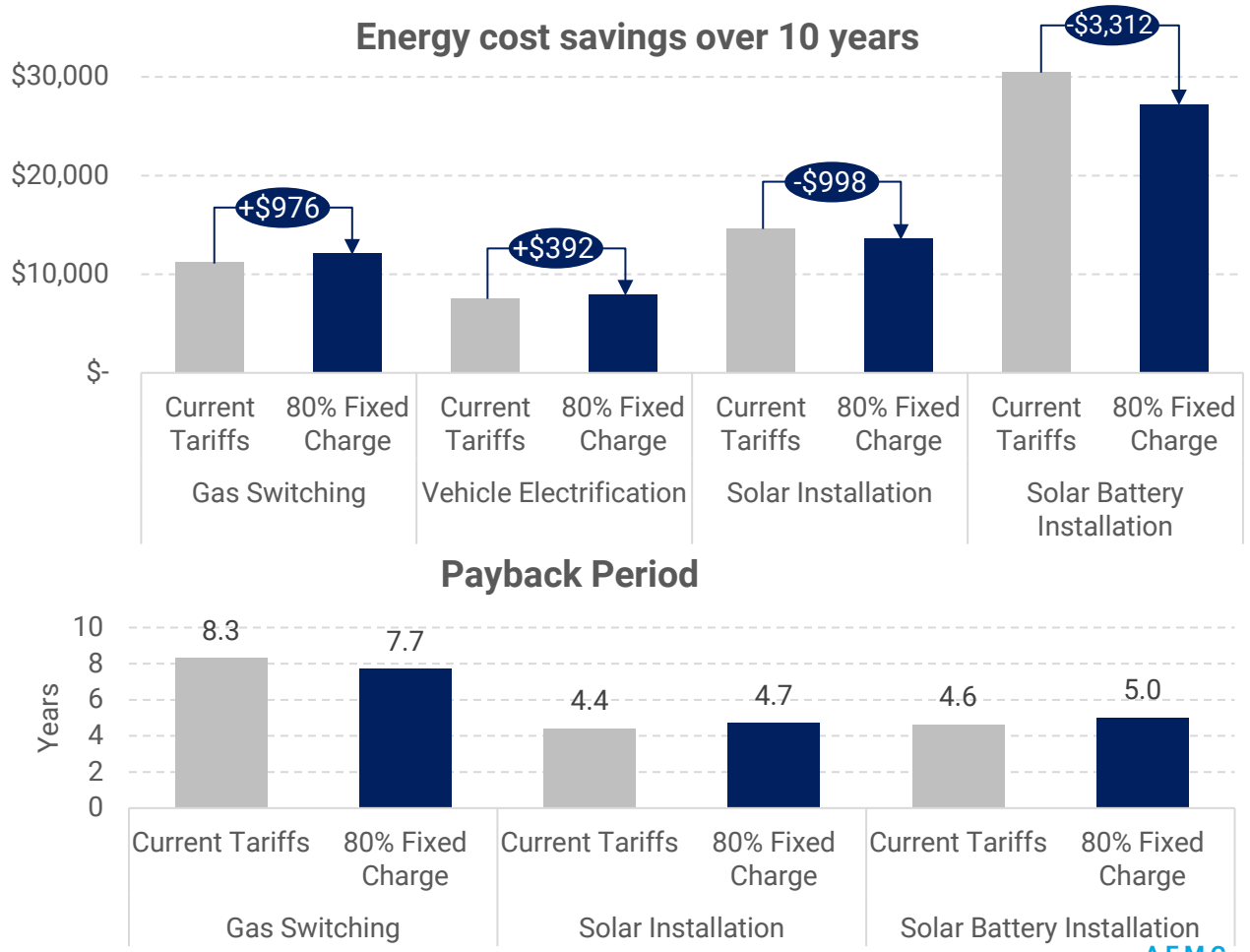
Previous analysis, which also included wholesale market and other benefits, found that the total benefits of CER flexibility could be about $30 billion over this period.

The benefits for customers to invest in solar and batteries would remain significant

And the benefits of electrifying vehicles and appliances would increase

Energy cost savings and electrification payback periods over 10 years excluding impact of dynamic pricing

FY26 $AU; 5% discount rate; NEM average; 3-person dwelling with a 3-star energy rating; Solar and battery installation occurs after appliance and vehicle electrification; Actions taken on 1/7/2030



A transition towards higher fixed network charges would negligibly impact decisions to electrify and install solar and battery systems.

We modelled what would happen to the paybacks for different electrification actions made at the start of such a transition. The top panel to the left shows that, for an average household across NEM capital cities, the cumulative energy savings under a 10-year transition towards 80% fixed network charges would maintain large energy cost savings for electrification.

Indeed, reforms would support energy security by increasing the benefits of gas and vehicle switching.

The bottom panel to the left shows that the payback period under this reform would not be materially impacted by introducing reforms gradually – even before considering grandfathering arrangements.

The payback periods, and benefits modelled, in this chart exclude the potential additional revenues that owners of CER could enjoy in responding to dynamic price signals.

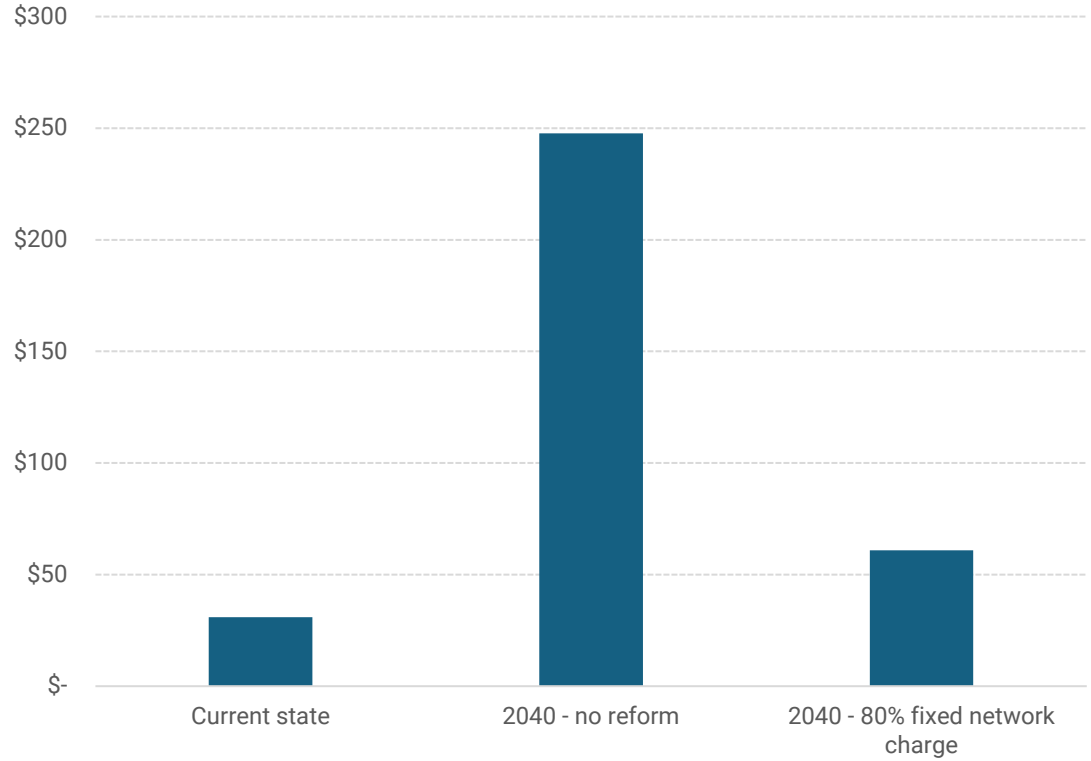
After all benefits are accounted for, we consider that for many households the investment case for all forms of electrification could be enhanced with reforms to network pricing.

For more information about how we modelled these benefits and paybacks, please refer to our Price Trends Methodology report.

Beyond achieving cost savings, our proposed reforms would also promote equity

Average additional network costs for non-CER households

Mean increase in annual network bill for non-CER households over time compared to efficient network tariffs, real $FY26 dollars*



*Note: this chart compares the annual bill impacts under an instant move to efficient network tariffs, compared to current tariff structures

Most network costs are for sunk investments. Under current 'volumetric' network tariffs, customers pay for these investments based on how much electricity they consume.

This means that customers with batteries can reduce their electricity consumption and therefore their network charges, even when these actions do not reduce current or future network costs (e.g. because they are mainly reducing imports in 'off-peak' periods), and despite maintaining the same level of access to the grid.

Looking forwards, this means that customers who cannot install CER (renters, those in apartments or on low incomes) may bear an increasing share of network costs, because:

1. Networks would need to recover a higher share of these 'sunk costs' from these customers through higher volumetric charges.
2. Those with CER would have the capacity to avoid these charges
3. Customers with CER would not be fully rewarded for sharing their excess energy with other customers or in ways that could reduce network costs, leading to potential network overinvestment.

Our analysis suggests that network bills for an average non-CER household could be $250 per year higher in 15 years' time, if networks' current pricing structures are maintained. We consider this to be an inequitable outcome. All customers, including those with CER, rely on access to the network, notwithstanding differences in individual levels of import and export.

Our reforms provide the opportunity to address this issue, so that those customers unable to access CER do not unfairly face materially higher costs to access the network we all rely on.

The reforms significantly reduce those additional costs compared to the "no reform" future—though they don't eliminate them entirely.

4 *Customer impacts vary depending on usage, electrification and CER*

We modelled electricity bill and energy cost impacts for representative customers

We developed 6 customer 'cameos' to illustrate how different customer types may experience network pricing reform, building on the customer archetypes we developed in this review. This helps provide us with insights on what protections may be needed and how they should be designed. We note that impacts will be specific to individual households. These cameos exclude the impacts of dynamic pricing.

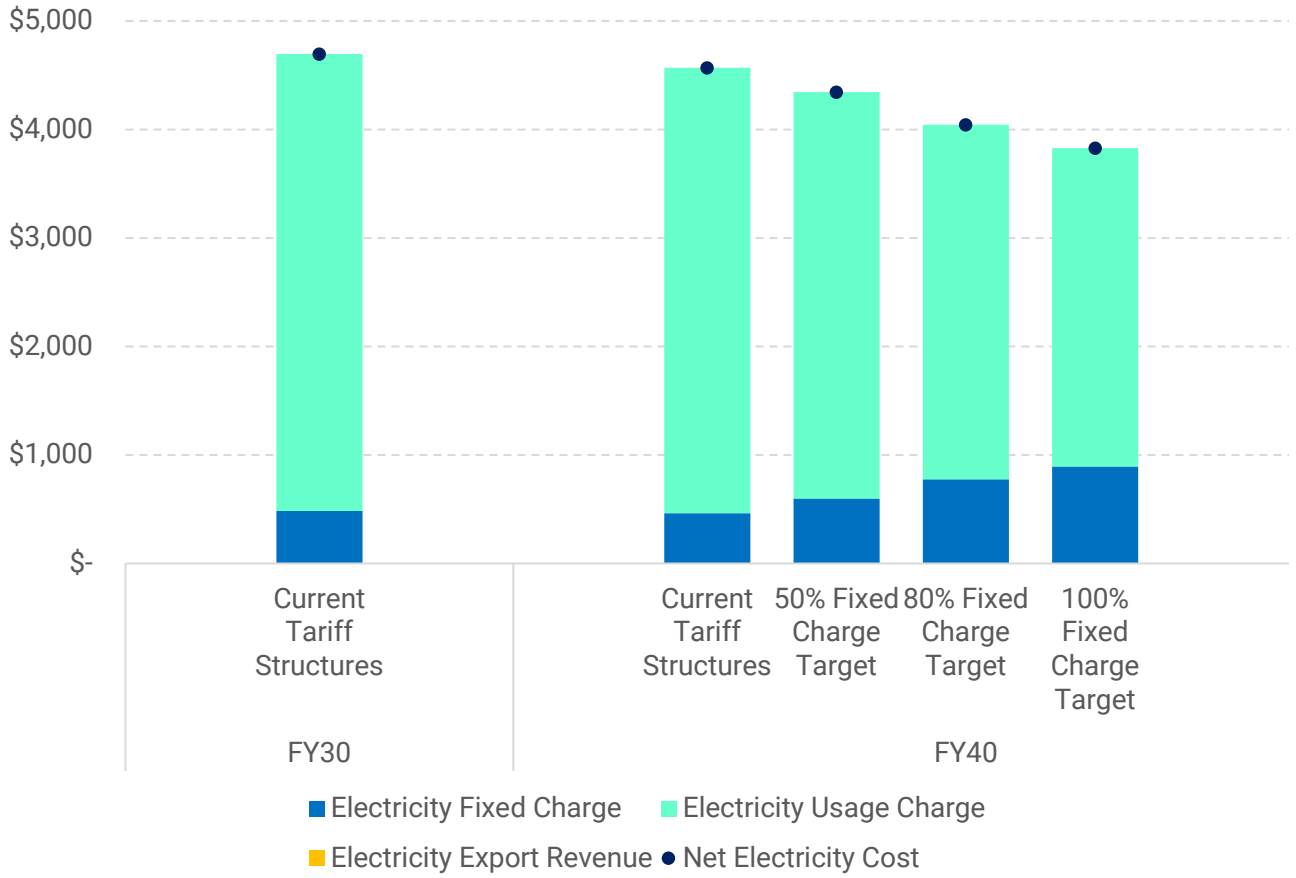
		Customer	Description
Residential	1	Manouri and Sean would be better off	A 4-person household renting a fully-electric house with a 2-star thermal rating that does not have rooftop solar or a battery.
	2	Simon and Belinda's bill would be broadly stable, and additional rewards could help reduce it	A 3-person household on a ToU retail that has electrified its appliances and vehicle and has installed a 10kW rooftop solar system and a 20kWh battery system.
	3	Margaret's bill would be broadly stable, though additional protections may be warranted	A 1-person household on a ToU retail plan in a dwelling with a low thermal efficiency (1 NatHERS star) that has not electrified appliances or vehicles, and has not installed solar or battery systems.
	4	Liam and Priya could see lower bills and new opportunities for rewards	A 3-person Melbourne-based household on a ToU retail plan that has electrified its appliances, but not its vehicle, and has not installed solar or battery systems.
Small business	5	Barry the Baker would be better off	A Sydney-based small business on a single-rate retail plan with high (30 MWh p.a.) consumption.
	6	Nina the florist could see an increase in costs and protections may be needed	A Sydney-based small business on a single-rate retail plan with low-moderate (10 MWh p.a.) consumption.

Note: These cameos are illustrative and assume full retail pass-through of network tariffs. Actual bill outcomes will depend on retailer offerings and customer behaviour.

Cameo Customer 1: Manouri and Sean would be better off

Annual retail electricity bill for a household with large electricity consumption excluding dynamic pricing

FY26 $AU; Includes GST; 10-year transition towards target fixed charge from FY30



Manouri and Sean live in a three-bedroom rental home in Wollongong with their two teenagers, Suraj and Mira. The home has no central heating, so the family relies on energy-hungry plug-in heating to get through the winter. With a couple of teenagers at home, the electric hot water system also uses a lot of energy.

Manouri and Sean's household is electricity-hungry – and their bill shows it.

Our proposed reforms would help high-consumption households like Manouri and Sean's by shifting some network costs away from usage charges toward fixed network charges. It shows why reform can support lower energy costs as the economy moves to low-cost renewable power.

For Manouri and Sean, that's a direct saving. In FY40, the family's electricity bill is $220–$740 lower than it would be in the absence of reform, depending on the reform scenario.

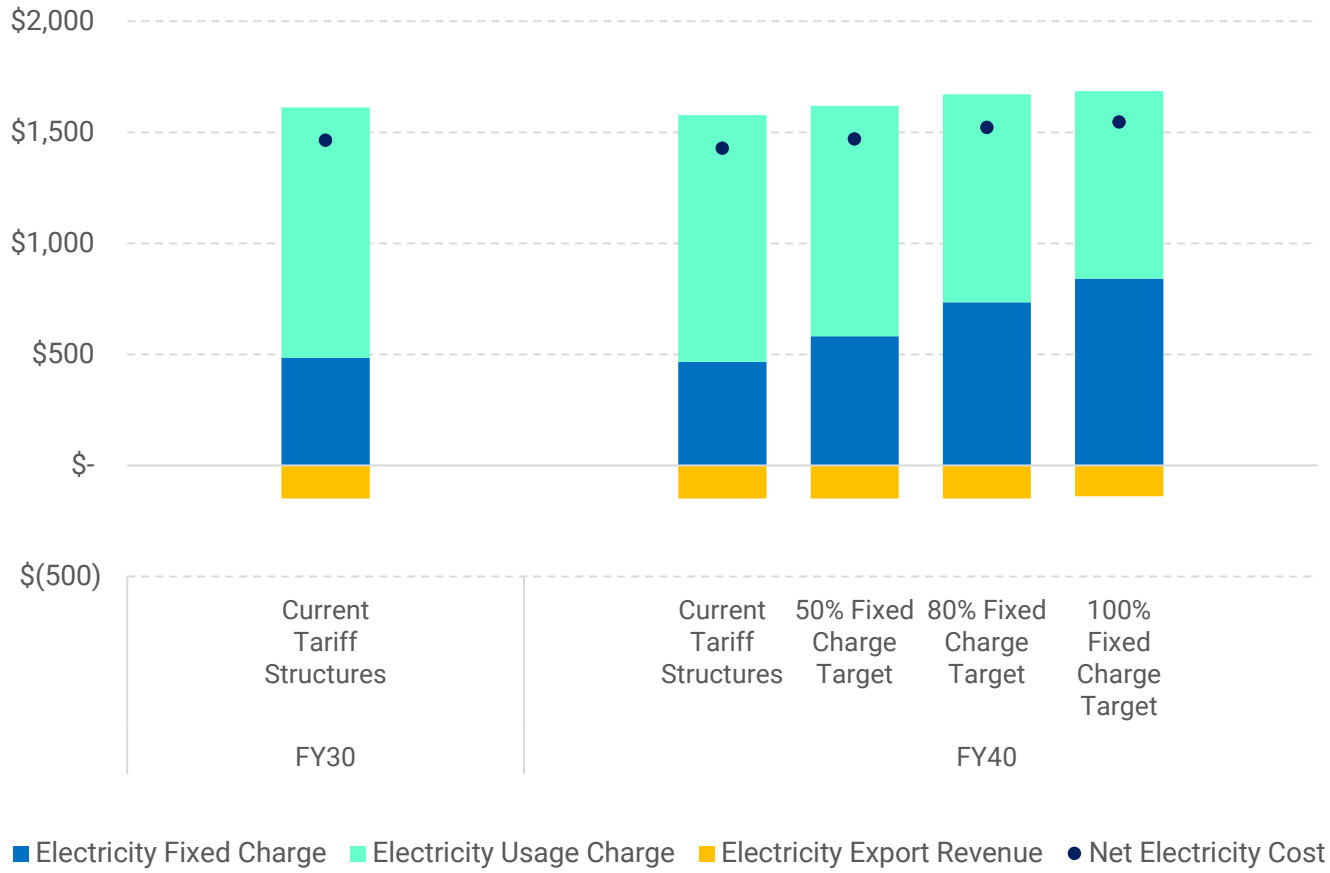
Annual import from grid: 11.6MWh

Sources: AEMC Residential Energy Consumer Model.

Cameo Customer 2: Simon and Belinda's bill would be broadly stable, and additional rewards could help reduce it

Annual retail electricity bill for a large consumer with solar and battery excluding dynamic pricing

FY26 $AU; Includes GST; NEM average; 10-year transition towards target fixed charge from FY30



Simon and Belinda live in an inner-city house with their one kid. They drive an EV, have electrified their appliances, and invested early in rooftop solar with a sizeable home battery. Their household uses a lot of electricity, some of which they source from their solar battery.

Under reform, Simon and Belinda's total electricity bill stays broadly stable even as fixed network charges rise. Because they still import a significant amount of electricity, they benefit from reduced variable network costs. In FY40, they'd pay roughly $40-$120 more per year, depending on how far fixed charges increase.

This cameo shows that households that electrify and install a solar battery aren't heavily penalised by reform. It reinforces the message that higher fixed charges don't automatically mean bill shocks for all households with CER.

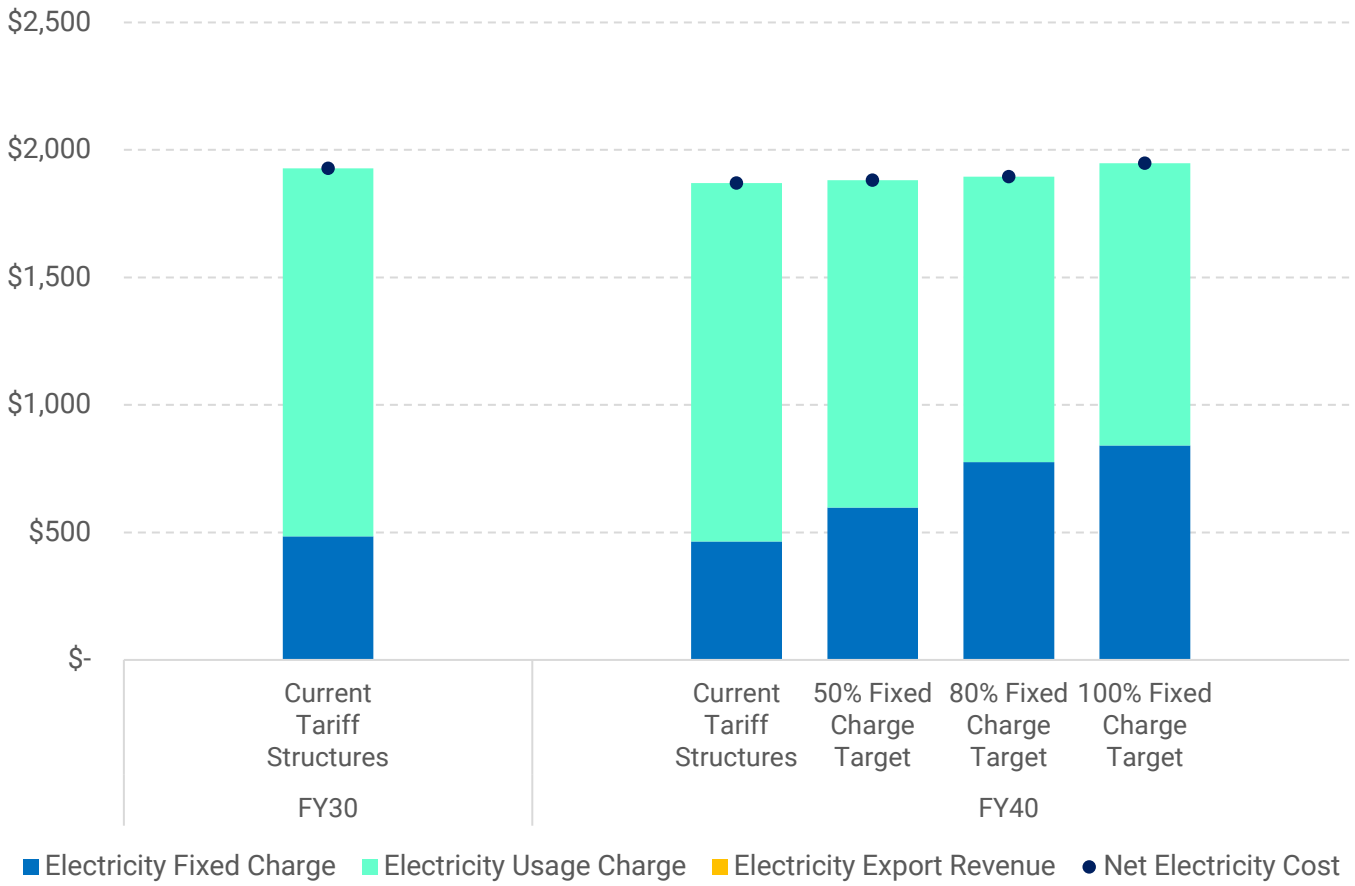
Annual import from grid: 3.9MWh

Sources: AEMC Residential Energy Consumer Model.

Cameo Customer 3: Margaret's bill would be broadly stable, though additional protections may be warranted

Annual retail electricity bill for a small household with a thermally inefficient dwelling excluding dynamic pricing

FY26 $AU; Includes GST; NEM average; 10-year transition towards target fixed charge from FY30



Margaret rents an older apartment with poor insulation by herself. She doesn't use much electricity overall, but her home leaks warmth in summer, pushing up her cooling needs. She hasn't been able to afford to electrify or install solar or battery systems.

Under the reform scenarios, she pays between $10 and $80 more in FY40 compared to no reform.

Margaret's story highlights that customers in vulnerable circumstances, such as Margaret, are more likely to require targeted protections to ensure network pricing reform delivers acceptable outcomes.

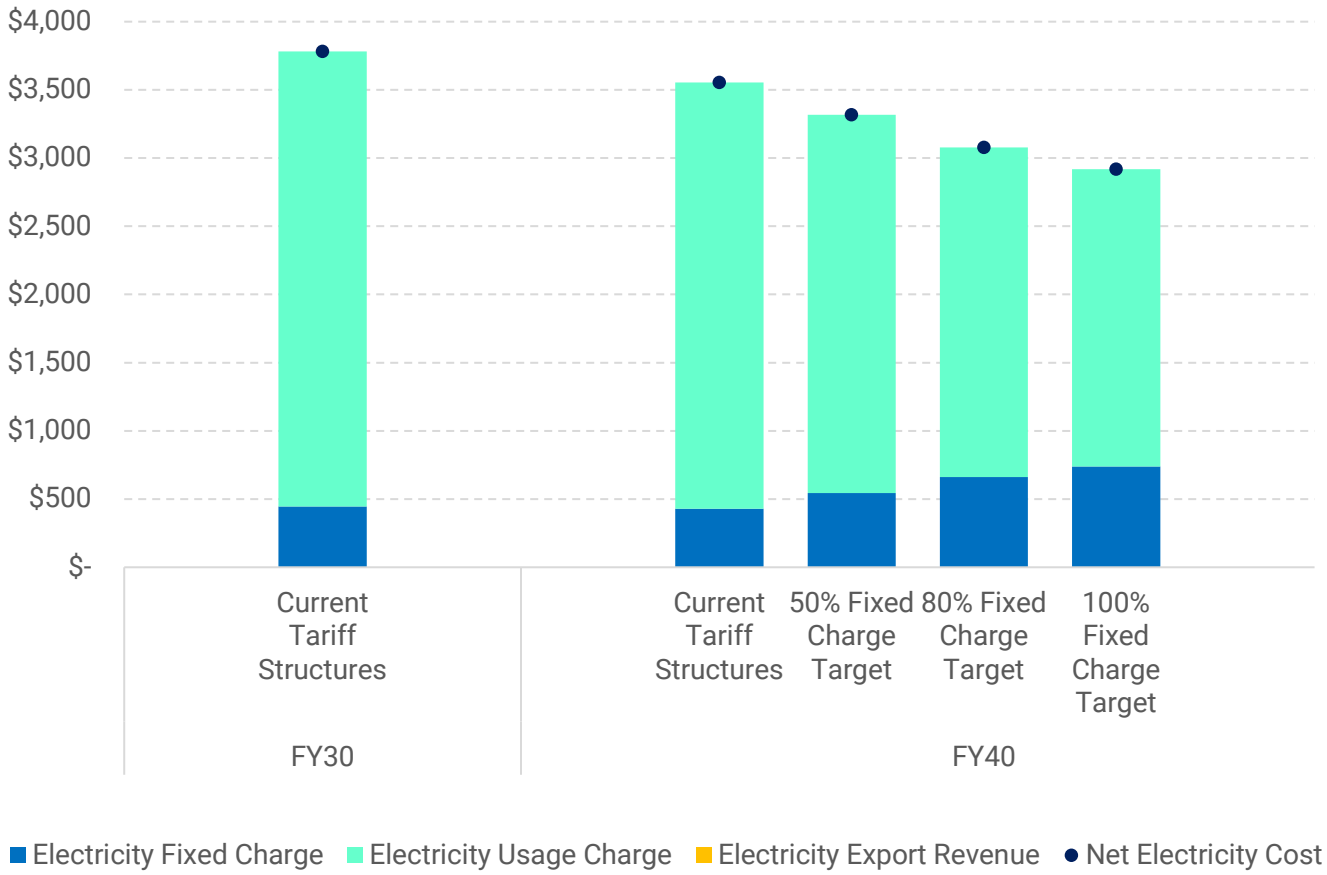
Annual import from grid: 4.0MWh

Sources: AEMC Residential Energy Consumer Model; Domain Sustainability in Property Report 2024.

Cameo Customer 4: Liam and Priya could see lower bills and new opportunities for rewards

Annual retail electricity bill for a Melbourne household after switching off gas excluding dynamic pricing

FY26 $AU; Includes GST; 10-year transition towards target fixed charge from FY30



Liam and Priya live in Melbourne with their child and decide to switch off gas entirely – replacing their heater, hot water system, cooktop and oven with efficient electric alternatives. Their electricity use rises, but their gas bill disappears.

Network pricing reform works strongly in their favor. Because they consume more electricity, lower usage charges more than offset higher fixed network charges. In FY40, their electricity bill is $200–$600 lower than it would be in the absence of reform, depending on the reform scenario.

This cameo clearly shows how reform supports electrification. It aligns network prices with policy goals – making it cheaper, not more expensive, to switch off gas.

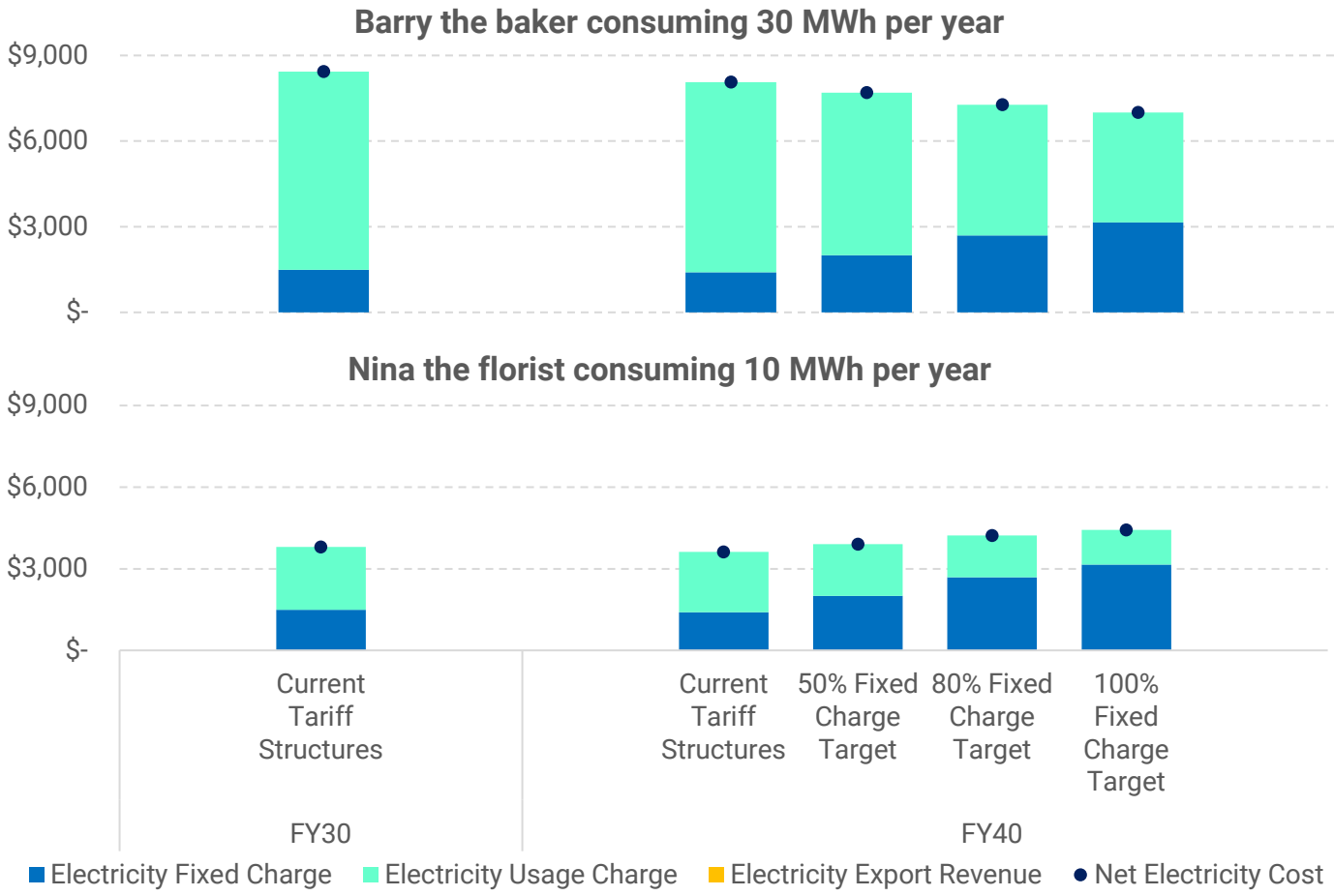
Annual import from grid: 11.5MWh

Sources: AEMC Residential Energy Consumer Model.

Cameo Customers 5 and 6: Barry the Baker and Nina the Florist

Annual retail electricity bill for a small business in Sydney, by consumption level excluding dynamic pricing

FY26 $AU; Includes GST; 10-year transition towards target fixed charge from FY30



Sources: AEMC analysis.

Barry runs a suburban bakery in Sydney. His ovens, fridges, and early-morning baking schedule mean electricity is a major cost. He uses a lot of power every day, but his usage is steady and predictable.

Barry benefits from the shift toward higher fixed network charges and lower usage rates. Under the reform, his annual electricity bill falls by $350 to over $1,000 in FY40 compared his bill in the absence of reform, depending on how far fixed charges increase.

Barry's story shows that energy-intensive small businesses can benefit materially from reform. Lower variable charges reward businesses that rely on electricity to operate – especially as more commercial activity electrifies.

On the other hand, Nina owns a small florist. Her shop uses electricity for lighting, refrigeration, and EFTPOS, but overall consumption is low.

For Nina, higher fixed charges outweigh the savings from lower usage rates. Under the reform scenarios, she pays $280 to $810 more in FY40 than what she would pay in the absence of reform.

Nina's cameo highlights helps identify where targeted protections are needed, given it is clearly unacceptable for reform to result in such a sharp bill increase.

As highlighted by the Houston Kemp report, there are many strategies that can be tailored to avoid this outcome.

5 *Reform improves fairness but targeted measures may be required*

Our reforms would leave most consumers with lower bills, with options available to protect those whose bills may increase

We estimated the impacts of reform using real meter data

The following slide illustrates the difference in annual network bills under a 'reform' case, compared to the 'no reform' case.

We used meter-level consumption data for 25,000 real customers across 10 DNSPs, totalling over 400 million data points.

We projected their network bills under two scenarios:

1. No reform to network pricing
2. Reforms to network pricing with the lower system cost benefits of reform realised.

The slide presents the network bill impacts of reform by comparing the difference in network bills under scenario 1 less the bills under scenario 2, and rank the bill impacts from largest to smallest.

The data underlying this analysis is for the entire 2024-25 year, capturing seasonal and geographic variation in electricity use.

We modelled impacts for different household types

We calculated bills under the scenarios for three important customer segments:

- Non-CER households. These households do not have solar or a battery. They incorporate a representative mix of consumers in houses and apartments, and consumers with low and high usage.
- Solar-only households. The data separately identifies the customers who have solar panels, as well as their level of imports and exports from the grid.
- Battery households. Because a relatively small share of households had a battery in 2024-25, we used the solar-only households and imputed their demand if they installed a 20kW battery, to illustrate the impacts.

The analysis shows that, while the experiences of individual customers will depend on their circumstances, the impacts are expected to be small compared to the potential benefits in most cases.

Additional protections may be needed for some customers

The analysis highlights a risk of bill increases for some customers. For these customers:

- attached advice from HoustonKemp shows there are number of different ways these impacts can be managed at the network or retail level
- measures can be combined in different ways to suit the local conditions of each network's customer base
- a gradual implementation of network pricing reform is essential

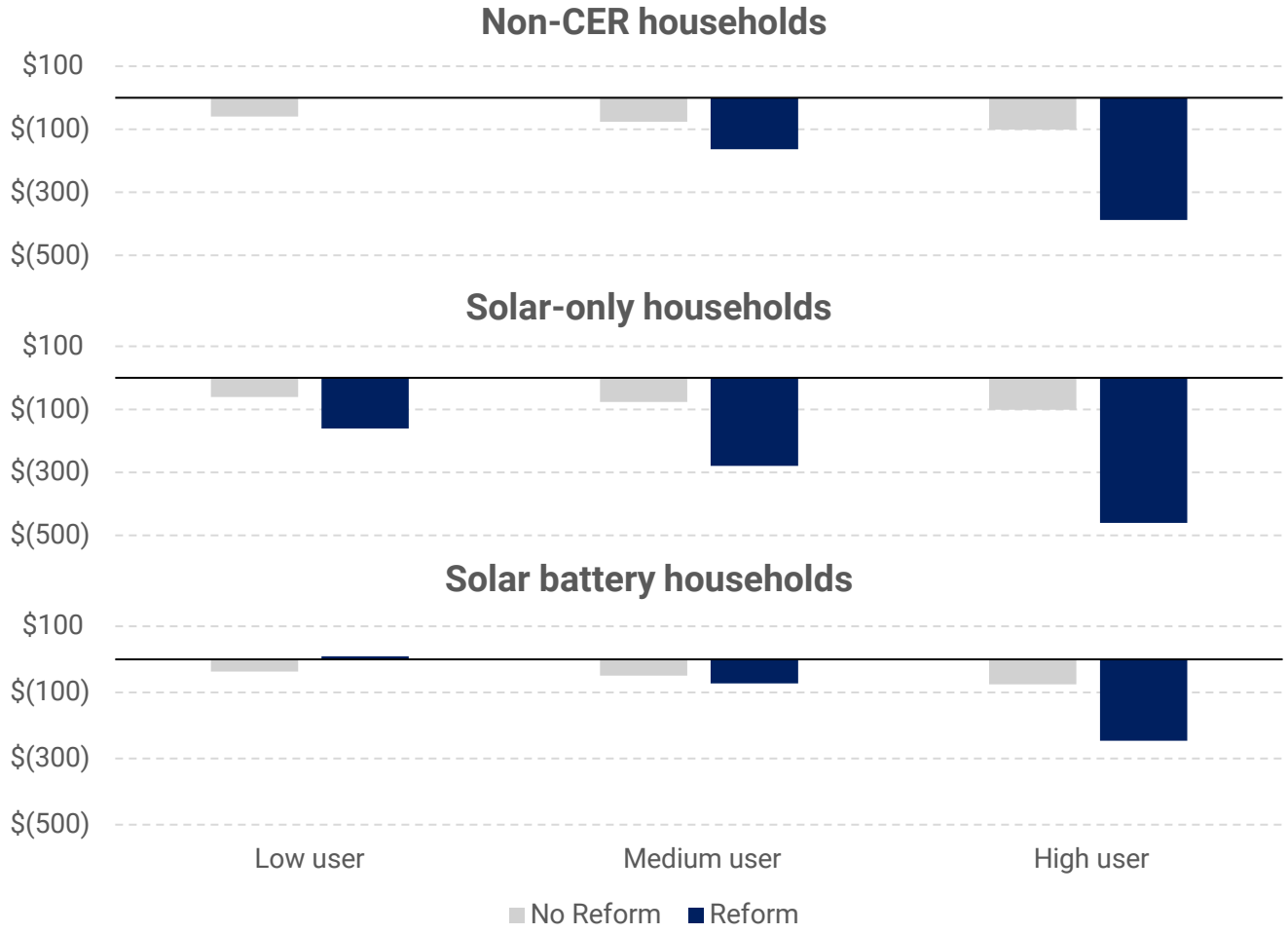
The analysis in this report does not model the impacts of protections for customers, and so, it projects a 'worst case' estimate.

A gradual transition away from variable charges, and a faster move to dynamic prices for the customers who can respond, would ensure the benefits are realized more quickly, align with the introduction of technical standards for CER, and help avoid bill shock for those customers whose bills may increase.

Reform could lower network charges for most households

Projected change in annual network charge under reform vs non-reform for key customer types

FY26 $AU; Excludes GST; Reform refers to dynamic pricing and a 10-year transition towards 80% fixed network charges from 2030; Low, medium and high usage levels correspond to 25th, 50th and 75th percentiles of grid imports in the samples provided by 10 DNSPs; Includes efficiency gains from dynamic pricing



Sources: Customer interval samples over FY25 provided to AEMC by DNSPs; AEMC analysis.

Using residential customer interval data provided by DNSPs and modelled network tariff projections that account for efficiency gains from dynamic pricing, we estimated network charges experienced by different types of customers in FY40 (under reform and no reform; and for non-CER, solar-only and solar and battery households) and compared these charges to those experienced today.

The charts show that reform will impact different households in different ways:

- Among households without CER, small electricity users experience virtually the same annual network charge as they experience today, while medium and large users will experience lower annual network charges by around $100-400.
- Among households with solar only, small, medium and large users would experience lower annual network charges compared to today, by around $150-450.
- Among households with a solar battery, small users will experience a slightly higher annual network charge ($9) while medium and large users will experience lower network charges ($73 - $246). For these customers, we could seek to put in place protections for them. The attached HoustonKemp report provides details on what this could look like.

Our network bill projections are indicative. Actual bills for individual networks may be different to the average across the 10 DNSPs we modelled. Appendix slides 35 to 37 plot the impacts of reform across a full distribution of households.

6 *The analysis supports reform with careful implementation and safeguards*

Our next steps will incorporate what we are hearing from consumers and stakeholders

We have released this modelling report, and while it fulfils a promise we made in our Draft Report, it hopefully also sheds light on why we have proposed reforms to network tariffs and allays some key concerns raised about the potential impacts of reform

We look forward to hearing stakeholders' views on this report at a public forum on 23 April 2026.

We are using a short questionnaire to capture written feedback from forum attendees, providing a simpler and less burdensome way for stakeholders to share their views.

We recognise that there is uncertainty about what our proposed reforms would do and we welcome and value stakeholder interaction as we work through these matters.

Our findings, in combination with stakeholder input on this report and our draft report, will inform our Final Report. This report will set out and respond to stakeholder feedback on all recommendations, and explain how our Final recommendations would work together as a package.

Key milestones and next steps

We committed to additional modelling of the distributional impacts of network pricing reforms

Consumers were concerned about the risk of unfair impacts, and weakened incentives for CER uptake

We have also published advice from HoustonKemp about additional consumer protections

We are holding a public Forum on **23 April 2026**

We will incorporate what we have heard in our Final Report, which we intend to release later in the year

Appendix

Key modelling inputs

We built on previous analysis to model the benefits of reform

Our draft network tariff reforms aim to improve efficiency, lower future costs, and address inequities as they:

1. Reduce the need for network investment
2. Maximise the consumption of low cost renewable power and lower wholesale costs
3. Provide more efficient signals for household electrification of gas and vehicles, supporting lower household energy costs
4. Lower emissions
5. Support a more reliable grid, to avoid reliability risks from high- and low-demand, and
6. Support less volatile bills for households without CER

We quantitively analysed the first three benefits. We:

- Applied recent estimates published by Ausgrid on their Project Edith trial on the benefits of dynamic prices in lowering network costs (benefit 1) and increasing access to wholesale markets (benefit 2)
- Applied analysis conducted by Energia for the AEMC on the benefits of unlocking CER flexibility in reducing the need for network investment (benefit 1), and lowering wholesale costs (benefit 2)
- Built a bottom-up estimate of how dynamic prices could reduce the need for network augmentation investment (benefit 1; see box)
- Used the household electrification model we developed in our Price Trends model to analyse how reforms to network tariffs could impact energy costs (benefit 3), assuming full pass-through of network tariffs to retail prices

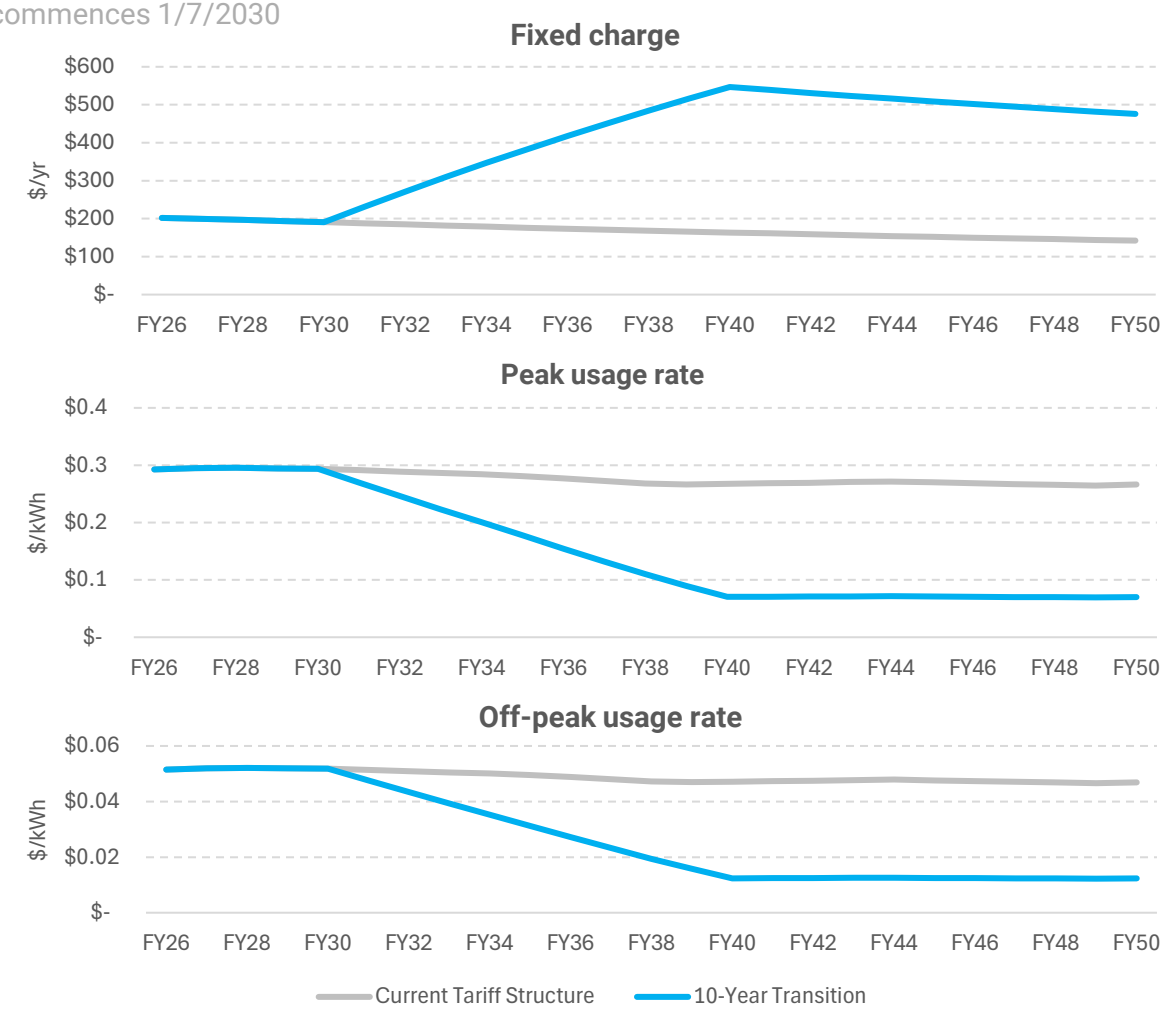
To estimate how dynamic prices could reduce the need for network investment, we:

- Collated data on peak network utilisation provided to the AER as part of networks' Regulatory Information Notices (RINs)
- Applied the estimates, from Ausgrid's Project Edith trial, on how much dynamic prices can reduce peak demand for battery households
- We estimated what proportion of the network augmentation capex could be avoided, taking our battery uptake profile which was based on meeting the Government's 2030 target of 2 million home batteries, and projecting the proportion of the network where dynamic prices could delay the need for augmentation. This proportion is initially small (3% of augmentation investment could be avoided at the beginning of the outlook), but increases over time as battery uptake is projected to rise.
- We estimated the value of avoided capital expenditure, based on the 5-year average of networks' augmentation capital expenditure

We used data provided by networks and the ISP Step Change to project network bill components against a 'no reform' case

Projected network bill components, by scenario

FY26 $AU; Excludes GST; Ausgrid residential ToU; Transition towards 80% fixed charge commences 1/7/2030



Standard Control Services pricing model and ISP assumptions

We projected each DNSP's annual revenue requirement using Price Trends projections.

We projected residential grid consumption by adding the lighting and appliances, electrification, and electric vehicles components (which account for energy efficiency) of the 2025 ESOO's residential underlying consumption projection (Step Change scenario), and subtracted 50% of the ESOO's rooftop PV generation projection (the proportion assumed to be self-consumed).

We used FY26 network tariffs, network customer numbers and grid consumption estimates for each DNSPs' 2025-26 Standard Control Services (SCS) pricing model:

- To project charges under the 'no reform' scenario, we held the share of revenue for fixed, variable and export charges (not shown) constant.
- Under 'reform', we modelled a 10-year glidepath for charges to the three 'target' price structures we selected, as described on slide 11.

The figure to the left shows tariff projections for Ausgrid's residential ToU customers under 'no reform' and reform scenarios. Note that even in the absence of reform, these tariffs trend downwards due to rising customer numbers and grid consumption.

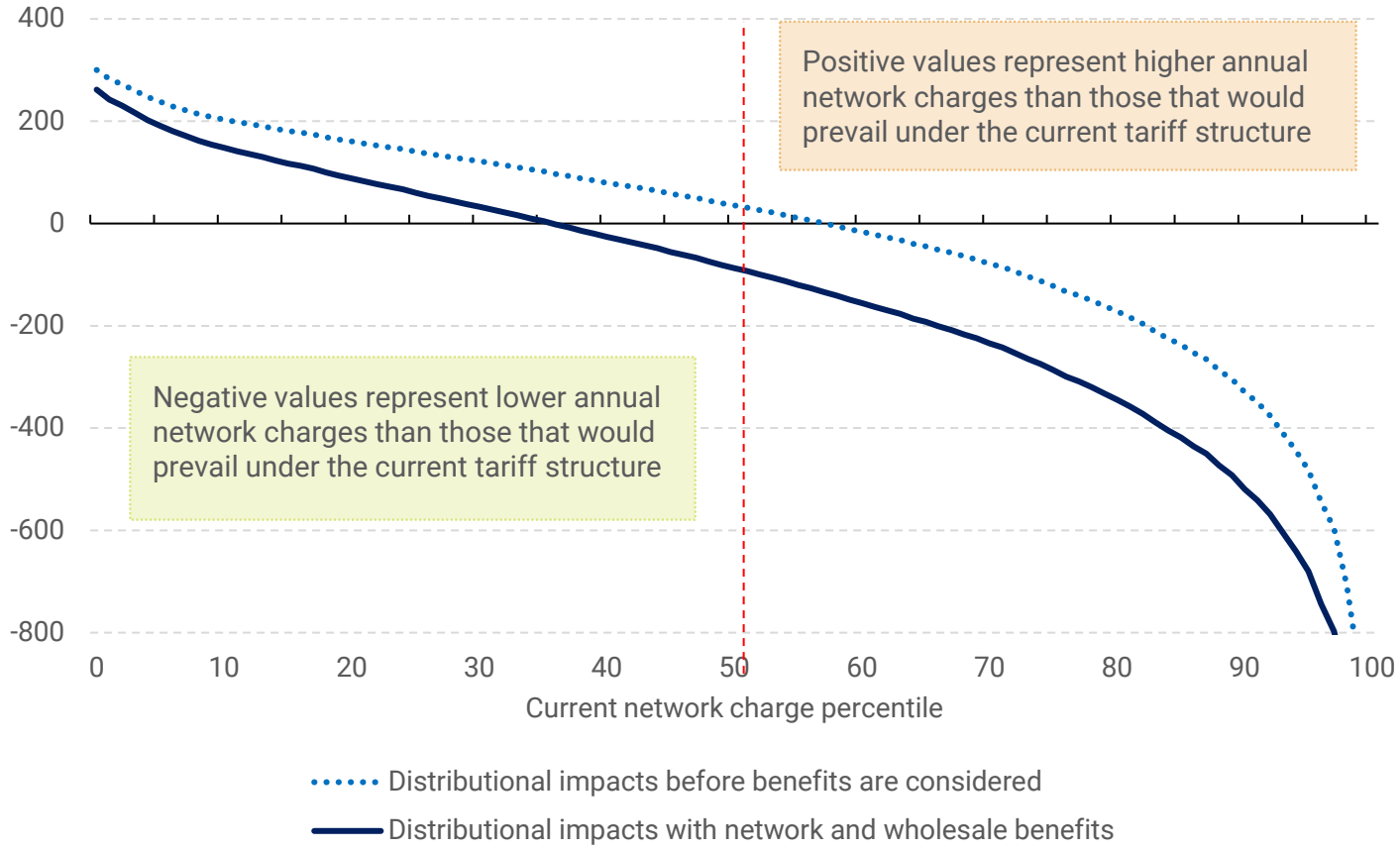
Takeaway

We modelled network tariffs as a function of customer numbers and grid consumption. Rising customer numbers and grid consumption place downwards pressure on tariffs under both 'reform' and 'no reform' scenarios.

Around two thirds of customers without CER would be better off under reform

Non-CER Households: the projected distribution of network bill impacts compared to no reform

FY26 $AU; Excludes GST; Average across 10 DNSPs; Residential ToU customers; 80% fixed network charge in FY40 compared to current tariff structures in FY40; Network benefits are based on the most conservative reductions we modelled; Wholesale benefits are based on a 5% reduction in wholesale costs



Around two-thirds of non-CER customers could see a bill reduction under reform.

The maximum per year bill impacts, over a 10-year transition, would be about $25, before also considering that:

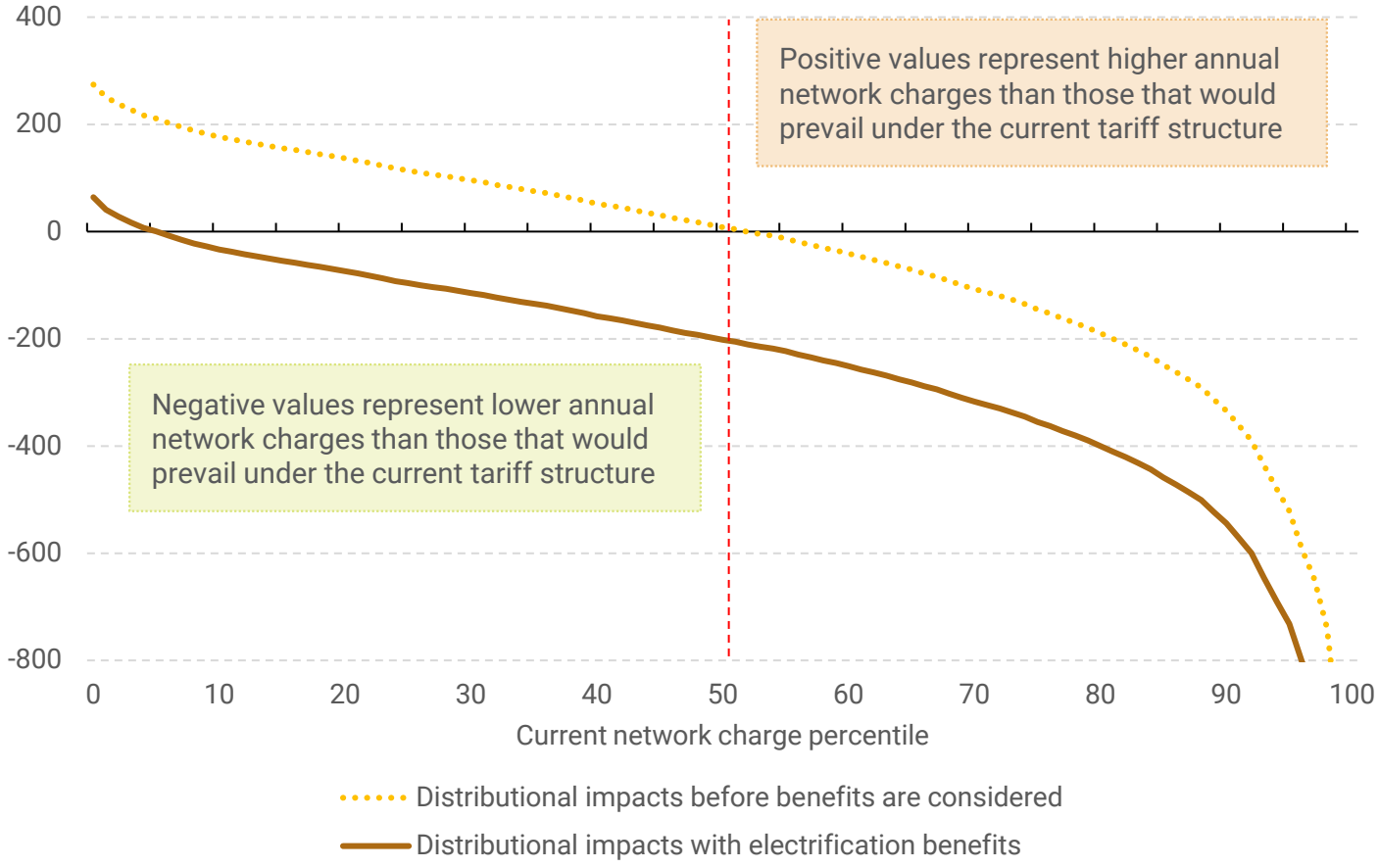
- Reforms would also support electrification decisions by non-CER households. Over the next 15 years, AEMO projects that residential electricity demand from EV charging and electrification would add about 3,000 kWh/year for the average household. Because households without CER would be more reliant on the grid for this demand growth, reforms to network pricing is essential to support these households' as they electrify.
- We can apply protections to households who might otherwise be worse off. These controls would be applied at the network or retail level, be temporary or more enduring. Targeted advice from HoustonKemp on these potential protections is attached.

Sources: Customer interval samples over FY25 provided to AEMC by DNSPs; AEMC analysis.

Our reforms help unlock the benefits of electrifying for households with solar

Solar-only Households: the projected distribution of network bill impacts compared to no reform

FY26 $AU; Excludes GST; Average across 10 DNSPs; Residential ToU customers; 80% fixed network charge in FY40 compared to current tariff structures; Additional electrification benefits are modelled as the net incremental savings of EV switching under tariff reform



Our reforms would ensure that network tariffs continue to support smart investment in rooftop solar.

The projected bill impacts for solar households are similar to households without CER. This is because households with solar typically consume roughly the same amount from the grid – because these houses tend to be larger.

The chart shows how the 'net incremental savings' from electrification unlocked by reforms are significant – and could largely offset network bill impacts for these households.

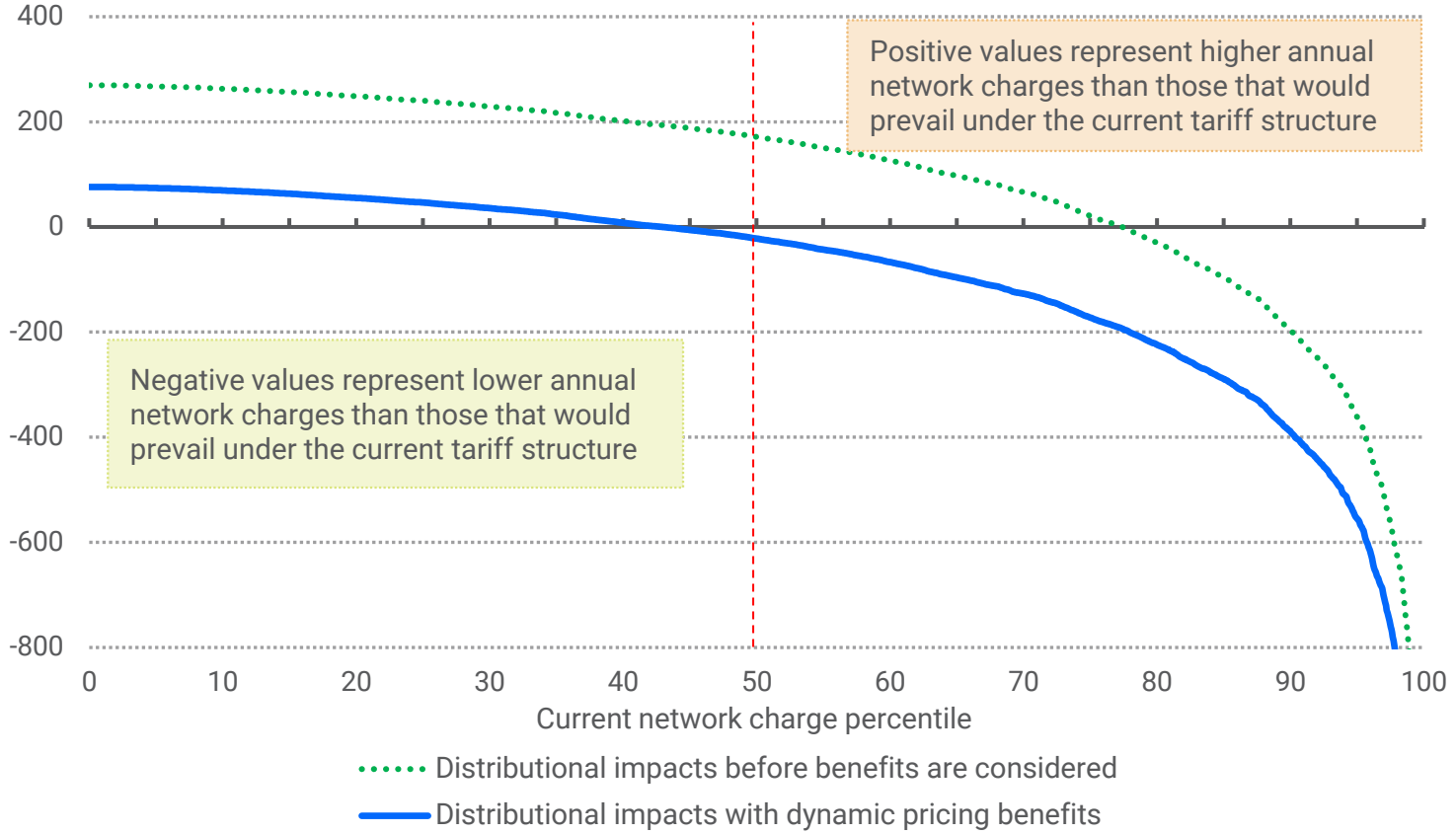
Rather than undermine the investment case for solar, our reforms would help support households get the full value of solar over time, for households who are unable to invest in batteries, particularly if they can pair their investments with other electrification actions.

Sources: Customer interval samples over FY25 provided to AEMC by DNSPs; AEMC analysis.

Dynamic pricing can offset the direct impacts of higher fixed network charges for households with batteries

Battery Households: the projected distribution of network bill impacts compared to no reform

FY26 $AU; Excludes GST; Average across 10 DNSPs; Residential ToU customers; 80% fixed network charge in FY40 compared to current tariff structures; Dynamic pricing benefits are modelled using 50% of the realised benefits from Ausgrid's Project Edith trial



Sources: Customer interval samples over FY25 provided to AEMC by DNSPs; Ausgrid; AEMC analysis.

**Ausgrid, Project Edith Stage 3 Insights Report: Unlocking more value for and from consumer energy resources by evolving the services that distribution networks offer, 12 December 2025.*

The benefits of dynamic prices, which signal the value that batteries, and flexible demand, can provide to the grid in responding to high- or low-demand conditions, can offset the direct impact of a higher fixed charge component.

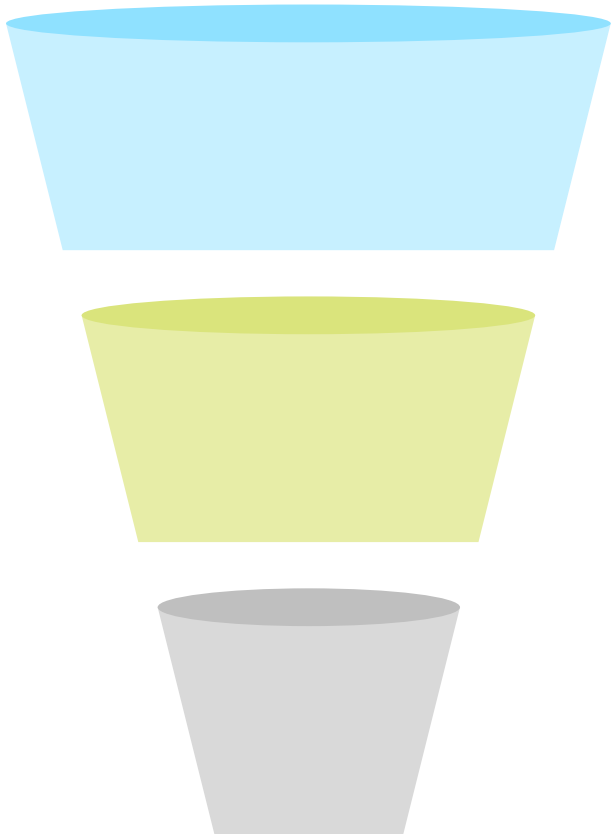
In this chart, we projected that even if only half of the benefits delivered by Ausgrid's dynamic price trial applied at scale, most households could benefit from reform, and maximum per year bill impacts would be less than $10 for households with batteries.*

In addition, we have assumed the benefits accrue equally to all battery households. In practice, the benefits of dynamic prices could be largest for battery households:

- that have lower-than-average levels of consumption – which are the households that would otherwise experience the smallest benefits from reform.
- install larger batteries – as the value that smarter use of these resources can provide to the grid is greater.

We used meter-level data for 25,000 residential customers to empirically estimate distributional impacts

Steps taken to empirically estimate distributional impacts of reform



1 **Receive data**

2 **Clean data**

3 **Calculate usage and charges**

We performed the following actions

1. **Receive data:** We received one year of half-hourly meter data for over 25,000 residential customers across 10 DNSPs' single-rate, time-of-use, and demand tariffs. This data which we received from DNSPs, captured usage over FY25, included customers without solar or battery systems, with solar only, and with both solar and battery systems. We thank the networks for providing us with this data.
2. **Clean data:** We reformatted raw data files and removed erroneous data values.
3. **Calculate usage and charges:** We calculated annual imports and network charges under various scenarios for each valid customer.

Given the low number of battery owners in our sample, and our assumption that the proportion of customers with batteries will be much larger in the future, we modelled future distributions of customers by assigning a proportion of them 20kWh batteries, and assuming they operate them according to a 'solar soaking' pattern.

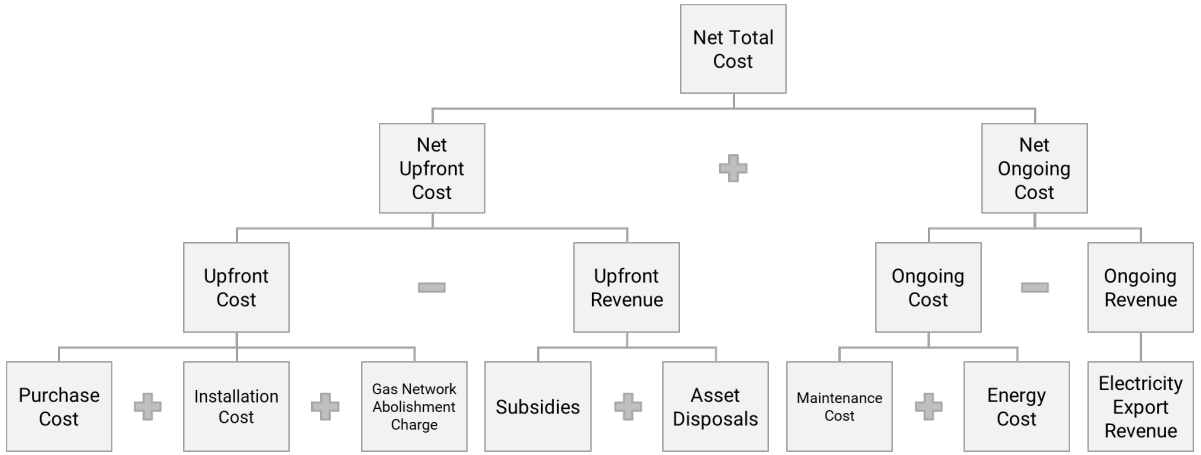
Takeaway

Using sample data provided by 10 DNSPs, we determined the bill impacts that real-world electricity users would experience if networks transition to higher fixed charges.

We used the Price Trends household electrification model when calculating energy cost impacts and payback periods

Household electrification model structure and scope

For a given technology



In scope	Currently out of scope
NEM capital cities	Regional and rural locations
Detached dwellings	Apartments
Number of occupants	Insulation retrofits
House energy star rating	Asset removal and remediation costs
Years in which electrification actions occur	Electricity supply upgrades
Household emissions	VPP subsidies

Measuring impacts experienced by different types of customers

We escalated retail electricity prices by our network tariff projections under 'no reform' and reform scenarios, and fed these prices into our household electrification model to estimate the impact of reform on various household types. Details about this model can be found here.

Using this model, we were able to define household types in terms of the following attributes:

- Location
- Number of occupants
- Dwelling thermal rating (NatHERS stars)
- Technologies electrified, and CER installed.

Takeaway

We modelled the impact of reform on various types of households using our household electrification model, previously used in our Price Trends 2025 report.

Information

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About the AEMC
The AEMC reports to the energy ministers. We have two functions. We make and amend the national electricity, gas and energy retail rules and conduct independent reviews for the energy ministers.

Acknowledgement of Country
The AEMC acknowledges and shows respect for the Traditional Custodians of the many different lands across Australia on which we live and work. The AEMC office is located on the land of the Gadigal people of the Eora nation. We pay respect to all Elders past and present, and to the enduring connection of Aboriginal and Torres Strait Islander peoples to Country.

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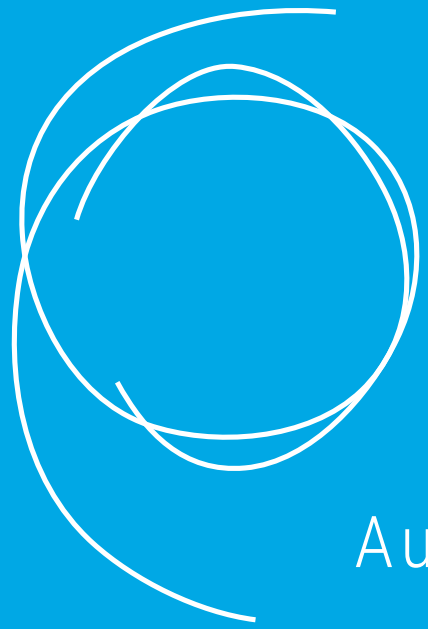

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Australian Energy Market Commission

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