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The pricing review – Electricity pricing for a consumer-driven future (Ref: EPR0097)

The Clean Energy Council (CEC) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) Draft Report for the Pricing Review.

The CEC supports reform that will encourage competition between products with more enduring value, that will modernise comparison tools for CER era products, and that will refocus network tariffs onto efficient, dynamic price signals.

The CEC further supports measures to address price discrimination on what are for all practical purposes identical plans, and to upgrade Energy Made Easy (EME) to be fit for the CER era. The CEC also broadly supports further targeting distribution network tariff design to energy service providers, particularly so retailers/aggregators can manage efficient and dynamic pricing to achieve network and system objectives, whilst translating those signals into simple customer offers.

We caution against predominantly fixed network charges for all customers. Instead, we advocate for a balanced structure of modest fixed components, with further capacity and demand elements, and dynamic congestion pricing to be readily available to more engaged CER customers. We conditionally support piloting a competitive franchise for disengaged customers, but not on the basis that it may also incorporate predominantly fixed network charges.

From this consultation on the Draft, the CEC urges the AEMC to develop a final reform package that both strengthens market integrity and maximises the value of CER across the system. The pricing framework should reward genuine innovation and support clear and fair price signals. All customers, whether actively engaged or not, should be able to access the appropriate, confidence building offerings that are essential to maintaining trust during a period of rapid energy transition.

The CEC look forward to continuing to work with the AEMC, industry and governments to refine these reforms so they deliver an efficient, equitable and CER future ready pricing framework that empowers consumers, and accelerates Australia's decarbonisation trajectory.

Question 1: Remove retail loyalty tax

- *Do you consider recommendation 1 would provide a better outcome for market offer customers? If so, why? If not, why not and are there other approaches that would work better?*

CEC Position: Support in principle.

From the CEC's perspective, Recommendation 1 could materially improve outcomes for market offer customers because it directly addresses the structural cause of the "loyalty tax"; retailers charging different prices between new and existing customers on what are, for all practical purposes, the same plan. This practice exploits the well documented tendency for many households to "set and forget" their energy plan over multiple years, as retailers gradually increase the underlying rates.

Under the current framework, retailers have a commercial incentive to attract new customers with possibly unsustainably low introductory prices, and then to increase those customers' prices over time. This produces both price dispersion unrelated to service quality or cost reflective pricing, and a persistent disadvantage for customers who do not switch frequently.

In the CEC view, requiring retailers to charge the same publicly advertised price to all customers on the same plan will reorient competitive offers towards:

- Genuine product differentiation (e.g., export terms, EV charging add ons, CER participation incentives, VPP's, bundled storage),
- Sustained service quality, and
- More long term embedded CER value propositions.

The CEC believes this improves customer outcomes as it rebalances competition away from teaser discounts and towards offers with a more enduring value, such as VPP's or Demand Response offers. This rebalancing strengthens customer confidence and reduces the behavioural penalties being applied to low engagement customers.

Churn driven discounting distorts retail competition and erodes consumer trust. The "loyalty tax" disproportionately impacts customers who do not regularly monitor price changes, who lack the time or digital literacy to switch frequently, or who prioritise their perceptions or experience of stability of service over continuously seeking the lowest price.

By removing price discrimination on identical plans, the draft reform assures these customers that they will not be exploited. It is worth noting that under the current retailer incentive, disengaged customers can effectively subsidise cheaper acquisition offers for highly active switchers. Removing this inequity results in more consistent pricing across customer cohorts. In our view this supports the broader CER transition by reducing friction between customer classes and confusion as to the root cause of the price discrimination, ie; it's not because you're paying for someone else's solar. It's the cost of churn.

In a high CER context, the draft reform is important. As more innovative tariffs emerge or scale up (such as EV tariffs, solar sponge products, or orchestration incentives for example), consumers need confidence that these plans aren't also just a new generation of "bait and switch" products. The 'equal pricing for equal product' approach makes it more likely consumers will adopt CER enabling products because:

- their comparative plan terms are more predictable (such as subscription products),
- the risks of unexpected price drift are reduced,
- price variations in hardware performance differences are *explainable*,
- overall the trust experience with retailers improves.

This aligns well with the AEMC's stated objectives of enabling CER participation.

- *What further implementation and market impacts would need to be considered?*

While the CEC supports the intent of Recommendation 1, it is complex to implement in practice. Its effectiveness depends on carefully designed implementation rules that can prevent circumvention and ensure transparency. We suggest the following be considered as part of any guidance to the market:

Clear guidance to "meaningfully different" plans.

Near identical plans with trivial differences may be used to circumvent the rule. Therefore, the AER should develop criteria such as:

- materially different time of use windows,
- different export arrangements or eligibility settings,
- different CER orchestration obligations or incentives,
- different demand/capacity price and limits structures,
- the presence of other value add service features (e.g., EV charging optimisation but not limited to devices only).

These criteria should be:

- principles-based,

- publicly disclosed, and
- supported by periodic AER review.

This will help prevent trivial differentiation and ensure that consumer confidence is upheld.

A transition period is required to allow retailers to adjust hedging and billing systems

A transition period is needed to allow retailers to adjust their hedging and billing systems. Moving from differential to uniform pricing will require changes to hedge books and cost forecasting, customer segmentation approaches, billing system logic, and customer communications.

A 24–36 month glide path would help reduce the risk of abrupt price shocks, give retailers and other stakeholders sufficient time to update systems and processes, limit risk premiums being built into offers, and support smoother implementation for both retailers and customers.

Monitoring unintended impacts such as product withdrawal or reduction in introductory offers.

Removing loyalty based discrimination will discourage aggressive acquisition discounts, and certain forms of promotional bundling. While this is consistent with the policy objective, the AEMC should monitor the following for certainty as to:

- whether some small retailers withdraw from servicing particular customer cohorts,
- whether product variety increases or shrinks,
- the impacts on customer churn rates and switching behaviour.

Whilst the CEC still expects the *overall long term* effect will be positive with more stable prices and more genuine innovation, the reform will constrain competition on its historical metrics and we suggest that this should not come as a surprise in the short term.

Practical benefits

The CEC believes that there are practical benefits for customers and the market in a thoughtful implementation of Recommendation 1. For customers these will be:

- No more hidden penalties for staying with the same retailer.
- More transparent choices between genuinely different products.
- Better access to CER enabling products without risk of mid plan drift.

The CEC also believes there is practical benefit for retailers in:

- A level playing field focused on innovation and customer value, not churn.
- A greater need to differentiate through product design and service quality.
- A reduction in the historical “race to the bottom” associated with acquisition only offers.

And the CEC also believes there is a more broadly shared system benefit that arises from:

- Greater trust in retailer behaviour.
- The potential for improved alignment between CER incentives, network objectives, and desirable retail offerings.
- Greater consumer engagement in CER programs.
- More efficient competition benefiting the entire NEM.

The CEC believes that taken together, these benefits demonstrate that a well-designed implementation of Recommendation 1 has the potential to materially strengthen the functioning of the retail market while supporting the wider energy transition. By removing structural price discrimination and creating clearer, more trustworthy product offerings, customers are better equipped to engage with emerging CER enabled value streams. Retailers, in turn, are encouraged to compete on genuine innovation and service quality, rather than churn driven discounts.

An improved alignment between customer incentives, retailer behaviour and network needs can contribute to the oft vaunted more dynamic and efficient system that has yet to really materialise. The CEC considers that if implemented thoughtfully and with a long term view in mind, Recommendation 1 can be a foundational reform toward delivering enduring value for consumers.

Question 2: Introduce a competitive franchise for the cohort of customers who have not chosen a market offer.

- *Do you consider recommendation 2 would provide a better outcome for standing offer customers? If so, why? If not, why not and are there other approaches that would work better?*
- *What further implementation and market impacts would need to be considered?*

CEC Position: Conditional support for piloting, with safeguard being to retain DMO/VDO during a ‘proof of concept’ period.

The CEC considers that Recommendation 2 has the potential to provide materially better outcomes for customers who do not choose a market offer. This is because the current standing offer arrangements, while providing important consumer protections, also results in many disengaged customers consistently paying higher prices than market offer customers. The competitive franchise model aims to correct this by flipping the competitive dynamic: instead of disengaged customers having to search for a better deal, retailers must compete to serve them.

Auctions could therefore deliver sharper prices for some disengaged cohorts. But for such customers with CER how the auction would work in practice is of concern. How would such offers under recommendation 2 meaningfully consider all the suite of CER products that those CER households may have?

And noting that the auction approach still requires service quality standards, frictionless switching out, a standardised data portability (such as billing history, concessions, DER enrolments), administering multiple tranches of auctions for benchmarking, and still needs simple default options with or without CER.

Why this could generally improve outcomes for customers on the VDO/DMO

Customers have many reasons for being disengaged, or being time-poor, or just overwhelmed by the complexity of an electricity plan in what is a low interest product category. They may often end up on higher priced default arrangements. In a competitive franchise model, retailers would be able to bid to win the right to serve this cohort, injecting competitive tension into what is otherwise a passive segment. It is a “no fault” arrangement that has the potential to secure:

- lower prices than existing price regulated offers,
- possibly products better aligned with the needs of disengaged customers, and
- ongoing franchise service performance obligations.

And it could be argued that currently retailers have little commercial incentive to innovate for customers who do not switch. The franchise model case changes this dynamic: retailers must logically design service offerings tailored to disengaged customers in order to win and retain the franchise. This could also promote:

- preferred simplified tariffs,
- innovative hardship/affordability responses, and
- more accessible digital and non digital support channels.

It can also create an observable service baseline for vulnerable or low engagement groups that allows the regulator to embed better informed service quality floors into the franchise contract that are targeted specifically at the disengaged cohort.

Aligning with long-term reforms to integrate CER

While disengaged customers are typically believed to be less CER active, the increased adoption of rooftop solar, electric vehicles, and emerging orchestration options means that disengagement will not remain static. And if network tariffs shift toward greater dynamics or CER enabling designs, the CEC believes that franchise customers must not be stranded on tariffs that:

- impose avoidable cost risks, or
- misalign with actual system needs.

So as required, the CEC would recommend a simple, default tariff compatible with emerging CER patterns such as a solar soak or an off-peak cost relief structure that could then support longer term alignment with flexibility markets as they emerge.

Whilst in its early development, the competitive franchise framework proposal also needs to consider its role in future CER integration. In this regard Recommendation 2 has significant structural implications and therefore requires a cautious, highly controlled pilot to validate its benefits and avoid unintended consequences.

Avoiding anti-competitive or unintended outcomes – considering the flip side.

The CEC cautions that Recommendation 2 also has the potential to secure higher prices than existing regulated offers, fewer product options, and no discernable change in customer satisfaction. This is because competitive auctions do *not* automatically guarantee lower prices. Depending on market conditions, they may even result in higher winning bids, leading to higher prices for assigned customers. This may occur because:

- Market concentration reduces competitive pressure. Because if only a small number of retailers participate (due to scale, risk appetite, or compliance costs), they may bid conservatively. This shallow bidding field increases the likelihood that winning bids reflect retailers' desire for margin security, and do not reflect the presumed competitive scarcity pricing.
- Retailers factor in risk premiums. And serving disengaged customers as a block carries risks. These are often generalised as a higher customer service cost and a higher credit management burden, and Retailers may therefore build in risk loadings

to their bids, pushing prices above today's regulated standing offer protections where the regulated assumption is for an artificially lower cost to serve.

- The auction clearing price may disproportionately reflect concurrent system wide cost increases (sentiment). That is if wholesale hedging costs are elevated, or networks have recently increased tariffs, the auction will incorporate these higher underlying costs. Thus, potentially resulting in higher prices than the DMO/VDO may have set.

In short, an auction is not a guarantee of cheaper prices; it is a mechanism whose outcomes depend on bidding behaviour and market structure, and those factors may push prices *up*, and not always down. The AEMC previously explicitly considered auctioning the rights to be a RoLR for example, reflecting a similar paradigm, but rejected the idea when it found that an auction based RoLR model would introduce significant risks.

The competitive franchise model may also unintentionally reduce variety in the retail market for disengaged customers. This is a potential impact on CER value to customers. This is because:

- The auctioned product must be standardised to ensure fairness, transparency, and comparability. The regulator would need to specify a *standardised default offer* for the franchise.
- Retailers may simplify their portfolios to reduce compliance costs given that franchise obligations (e.g., mandatory service levels, hardship standards, reporting, data portability) may impose additional fixed costs. By streamlining their overall suite of offers, the plausible outcomes are:
 - fewer variations in tariff structures,
 - fewer CER linked innovations available to default customers, and
 - fewer niche offers targeting specific needs.

In this scenario smaller retailers may withdraw from competing altogether if the cost of participating in auctions is high. The downside here is a potential contraction in the overall retail product ecosystem. This is bad for competition and innovation.

There may be *no discernible change in customer satisfaction*

Retail customer satisfaction is complex, and influenced by far more than just price, and a competitive franchise might fail to materially improve satisfaction. This is because these customers who are by definition disengaged *will not perceive or interact with the proposed change anyway*. And if they do not actively perceive benefits, their satisfaction will remain unchanged regardless of the model's theoretical advantages.



Disengaged customers also often prioritise familiarity, so if the competitive franchise requires:

- migration to a new retailer,
- new bill formats,
- new customer support channels, or
- new tariff naming conventions.

Then the confusion or disruption may well offset any functional improvements.

Policy makers must therefore recognise that a competitive franchise also carries the risk of producing higher prices than today's regulated offers and fewer product options for disengaged customers. There may be little measurable improvement in satisfaction if competitive pressure is left weaker, if retailer participation is limited, or if customers experience the reform as a change in process rather than a change in value.

Altogether, the CEC is optimistic that a thoughtfully piloted competitive franchise model can provide real and measurable benefits for disengaged customers, retailers, and the broader energy system. By introducing competition into a segment that has historically been underserved, the model has the potential to secure lower prices, simpler products, and strong service obligations for customers who may lack the time or confidence to regularly navigate the market. For retailers, the franchise framework offers an avenue to expand customer reach and innovate in service delivery rather than rely on traditional churn driven acquisition strategies. The model could potentially promote better alignment between consumer incentives, retail behaviour, and network utilisation for the disengaged cohort.

For these reasons, the CEC supports a carefully staged trial of Recommendation 2, underpinned by robust safeguards and the continuation of the DMO/VDO, and monitoring of CER value impacts, until the benefits are demonstrated and stable, and the risks tested and understood.

3) Question 3: Periodically review whether regulations are supporting good consumer outcomes in an evolving market

- *Do you support the AEMC periodically assessing the impact of regulations and interventions on competition?*

CEC Position: Conditional support.

Periodic reviews that shift the focus back onto the AEMC's regulation itself, rather than simply the data they collect from retailers or others, are essential to the AEMC assessing whether any of *its rules* are delivering good outcomes. Otherwise, stakeholders may perceive the regulators actions as simply monitoring retailers and others and calling that a "regulatory review".

The AEMC's current framing to "periodically assess the impact of regulations" using retailer provided data risks conflating market monitoring with the intended regulatory self-assessment. As drafted, the proposal could easily become a process whereby the AEMC reviews how retailers respond to rules, or how customers or networks respond, rather than whether the rules in of themselves are well designed, proportionate, or fit for purpose in a CER enabled market.

To genuinely meet the intent of Question 3 in asking "*are our regulations supporting good consumer outcomes in an evolving market?*" the assessment must be redesigned to primarily evaluate the regulation, and not retailer or consumer or other participant behaviour under regulation.

This is complex, but the AEMC may meaningfully meet this objective by considering the following changes:

1. Make the review explicitly a *regulatory performance audit*, not a retailer performance audit.

Answering questions such as:

- Did the rule achieve the outcome it was designed to achieve?
- Is the rule still proportionate and necessary given CER evolution and penetration, network tariff reforms, and customer participation?
- Did the rule inadvertently create complexity, barriers to innovation, or unintended costs?

This line of questions requires an internal regulatory performance framework, and not just retailer (or others) supplied metrics. Importantly this way goes about distinguishing between *retailer non-compliance* and *regulatory design failure*.

2. Use counterfactual analysis as well as market monitoring data:

Retailer operational metrics (offer data, complaint data, price spreads, switching trends) show what happened; but not whether the rule/s was the cause. Counterfactual modelling considers what would have occurred without the rule, using economic modelling or historical trend baselines. It can also include comparisons to other jurisdictions with similar reforms. Creating this type of additional “pre/post” evaluations with transparent indicators shifts any review from “*what retailers did*” to “*whether regulation improved consumer outcomes.*”

3. Measure the effect of regulation on *innovation*, not just measure compliance.

Because Retailers and other merchant providers tend to innovate around regulation, and not because of it, any regulatory review should logically measure innovation effects and not compliance. This can be based on questions such as:

- How many CER-enabling offers emerged after a rule change?
- Did any retailers shorten the time to market for new tariffs or orchestration products?
- Did DNSPs and retailers coordinate more effectively, or less?
- Are innovative business models (VPPs, subscriptions, orchestration aggregators) emerging, thriving or being constrained?

By including additional explicit CER outcome metrics tied to regulatory design, this forces any future review to test whether regulatory settings supported CER uptake. This guards against assessments that reverse the proper test and simply examine whether retailers or others are “doing enough” to make the regulation “work”.

4. Require independent evaluation.

Regulatory self-assessment outcomes, like any self-assessment, follow a widely confirmed bias to naturally skew toward confirming the status quo. Independent evaluation strengthens objectivity and again shifts the lens from “did retailers comply?” to “did the rule/regulation work?”

Overall, the CEC believes this is a step in the right direction and provides its conditional support to the current draft. That is, the CEC supports periodic reviews only if they become

genuine evaluations of the performance and necessity of the rules themselves, not simply monitoring of retailer behaviour under those rules.

The AEMC could therefore establish a regulatory performance framework incorporating the measures above; counterfactual evaluation, measuring innovation impacts, and including independent review, to ensure the regulatory framework stays proportionate and CER ready.

Question 4: Make it easier for consumers to compare offers

- *What information should be gathered from energy service providers, as the AER considers its review of the retail guidelines?*
- *Do you have any suggestions regarding potential improvements to Energy Made Easy to facilitate consumers' ability to compare offers?*
- *How else can consumers be supported to compare offers in the market?*

CEC Position: Strong support for making comparisons easy, with the caveat that reforms must tackle the causes of comparison complexity and not simply compel participants to provide more data.

1. What information should be gathered from energy service providers?

The CEC believes that consumers can only meaningfully compare plans if the underlying attributes of those plans are expressed in ways that are consistent, machine-readable, and interpretable. The CEC therefore supports the AER collecting stronger, standardised tariff and product data. But this support is conditional to a broader shift away from retailer and network and other participant complexity and toward a more coherent, rules based plan architecture.

Consumers increasingly face products with combinations of:

- time of use windows,
- demand or capacity charges,
- solar sponge periods,
- controlled load parameters, and
- subscription-style components (e.g. unlimited EV charging periods).

Currently, these differences are published in inconsistent formats across retailers. Standardising allows for like for like comparison across retailers, making it easier to identify genuinely different offers. The representation of solar and storage export rates, eligibility rules, and dynamic export arrangements varies widely. Publishing standards enables solar and CER households to compare net value, not just import rates, helping understand modelling of payback periods and bill impacts.

More transparency over dynamic export curtailment conditions, and dynamic event rules (for demand response / CER orchestration). Is required. Dynamic products (e.g. peak events, flexible export limits, VPP participation) are inherently hard to compare because they rely on probabilistic or behavioural assumptions. Publishing:

- event frequency caps,
- notice periods,
- maximum duration, and
- expected compensation

Allows consumers and comparison tools to calculate realistic bill scenarios.

Consumers also need clarity on CER orchestration participation requirements and compensation, such as control rights (what the retailer/aggregator may turn on/off), any minimum battery reserve, where bill credits apply vs export pricing, any data sharing permissions, and how orchestration interacts with tariffs. Standardised disclosures here reduce confusion and build trust in CER programs.

Complex subscription and product bundles (like solar+ battery+ VPP, or EV subscription products) must also publish/disclose:

- what is included,
- what expires,
- what is conditional, and
- what happens on early exit.

This information is essential to avoiding “accidental lock-in” for customers who later want to switch.

And finally, API ready data requires that all the above must be machine-readable to enable all parties to generate automated recommendations.

2. Do you have any suggestions regarding potential improvements to Energy Made Easy to facilitate consumers’ ability to compare offers?

Requiring retailers to supply more data will not make comparison easier unless EME evolves to interpret, model, and present that data in ways consumers can understand. But introducing more personalised consumer “profiles” rather than one size fits all comparisons, based on consumer profiles for:

- solar and battery households,
- EV vs non-EV households,
- Controlled load customers,
- High-daytime / high-evening usage differences.

will allow EME to better recommend plans aligned with typical CER enabled behaviours.

Regulation can also support dynamic tariffs and wholesale market price linked plans better. At present EME is built largely around static retailer tariffs and it cannot accurately model:

- wholesale pass through products,
- peak events,
- dynamic export pricing, or
- demand caps.

Because consumers do not always (or often) understand capacity tariffs, VPPs, dynamic export limits, feed-in adjustment mechanisms, bill credit structures and the like, EME does need to address more. EME could at best incorporate probabilistic bill modelling for these type of product/s, but at minimum could provide scenario ranges such as “best-case / expected / worst case” that would still assist consumers.

Finally, EME could get more “real world” and integrate non-price factors in consumer decisions. In reality, most energy decisions involve considerations of stability, customer service, brand preferences, environmental preferences, and how and whether the retailer or aggregator can integrate the customers CER assets. In this way EME could become a broader decision support tool than just a price calculator.

Taken together, these improvements would move offer comparison from a narrow, price-driven calculation toward a genuinely informative, CER-aware, value-focused decision process. By standardising core product attributes, modernising Energy Made Easy to handle dynamic and CER enabling tariff structures the retail market could become significantly more navigable for all consumers, including those with low engagement today.

The CEC therefore strongly supports reforms to improve comparability, provided they address the structural causes of confusion.

5) Question 5: Implement reforms such that network tariff design is focused on efficiency

- *Do you consider that the proposed reforms would be effective in delivering more efficient network tariffs and better promote the long-term interests of consumers than the existing rules? If not, are there different approaches that would work better?*

CEC Position: Support for efficiency focus; do not support predominantly fixed charges

The CEC agrees that the current network tariff framework is still not delivering efficient price signals and that further reform is needed. As has been the historical case, the effectiveness of the AEMC’s proposed reforms will depend heavily on how the efficiency objective is interpreted and how the principles are applied in practice.

In the CEC view efficient tariffs must do more than continue along the regulatory priority to allocate costs accurately. They must elicit the right outcomes, support the CER transition, and maintain broad equity across customer (network tariff) types.

Under this lens, the CEC considers that the proposed reforms could be effective, but only if they avoid defaulting toward predominantly fixed charges. The CEC believes that such a change may reduce incentives for responsiveness, which would undermine CER integration, and ultimately slow both integration and electrification.



The current tariff framework is not aligned with impending CER era needs

In the future, advanced metering, flexible demand, small scale batteries, VPP aggregators, EV charging and V2G, and dynamic exports mean that household and small business demand is increasingly flexible. However currently most network tariffs do not reflect at any granular level:

- Their local network constraints,
- The actual peak driven cost drivers,
- Dynamic low cost periods, or
- Any value of orchestrated CER.

An efficiency aligned network tariff framework must therefore have incentives to respond to congestion, to align retail actions to network peak signals, and to enable and incentivise aggregators and retailers to actively participate in network balancing. This is required because the avoided or deferred network augmentation is one of the strongest system wide benefits available through CER responsive tariffs, and the tariffs that reward these behaviours directly reduce the long term costs passed through to all consumers.

Efficient signals promote innovation and competition

Efficient network price signals can play a central role in stimulating innovation and healthy competition across both the retail and CER ecosystems. When those price signals are clear, predictable and fiscally meaningful, they give retailers, aggregators and technology providers a foundation on which to build new or better value propositions for consumers. Clear signals help shape the timing and structure of CER enabled products, encourage the development of smarter household devices, and support the future commercial viability of innovation to even more sophisticated automation and optimisation services.

In this environment, providers are able to design products such as solar soak charging, controlled battery discharge programs as bundled CER offerings and real time optimisation services that can genuinely respond as machines to system conditions. These offerings shift the competitive dynamic away from the simple and largely static price based differentiation of today toward a model where retailers compete by delivering customer value that creates the further dividend of efficiency and flexibility. By enabling new business models such as



“efficiency as a service,” efficient network signals ultimately support a more dynamic, innovative and consumer centred market.

The emergence of “efficiency as a service,” where retailers, aggregators or technology providers deliver ongoing bill savings and load flexibility outcomes to customers rather than selling individual devices or one off products, has stalled in the continuing absence of an enabling regulatory and price regulation regime. The service model sees the provider install, manage and optimise the CER assets using automated control to respond to price signals on the customer’s behalf. Customers can actually respond to network signals even if they never read a tariff fact sheet, and they receive predictable savings or fixed subscription pricing, while the system benefits from reliable, scalable flexibility. Customers cannot respond in the same way to fixed charges.

For network tariffs directly accessible to small customers, putting it into practice the CEC recommends a structure with the following components:

- modest fixed charges (lightly reflective of system fixed costs, but not dominant),
- capacity/demand components (customer friendly not excessively punitive),
- dynamic congestion events (to be retailer translated), and
- low off-peak and solar-soak periods to support CER and system utilisation.

This combination aligns incentives with system needs while preserving trust and fairness.

Efficiency is not a substitute for fairness.

Understanding consumer impact guardrail is essential because efficiency is not a substitute for fairness. Any network tariff reform must work for all customers and not only those with the means or flexibility to respond. This requires careful modelling of bill impacts across all customers to prevent them from being exposed to disproportionate cost shifts. Consideration is required to ensure that more efficient network tariffs do not unintentionally become inequitable or erode trust in the transition.

Taken altogether, the CEC supports the AEMC’s intent to refocus network tariffs on efficiency, provided that the reforms do not drift toward predominantly fixed charges that would undermine CER participation, orchestration and integration, or electrification. A balanced tariff framework incorporates direct customer participation opportunity by combining modest fixed components, capacity or demand elements, and dynamic congestion signals the offers a pathway to enabling innovative CER based retail products. In the future, to

achieve efficient outcomes at scale, tariff design must equally centre on energy service providers that translate network signals into simple customer experiences. This should be underpinned by harmonised national constructs. With these conditions met, tariff reform can readily support a more dynamic, affordable, and CER ready electricity system that delivers enduring benefits to consumers and the NEM as a whole.

Question 6: Ensure that network tariffs are developed and designed for energy service providers

- *Do you consider that removing or amending the customer impact and customer understanding principles, as outlined, would make energy service providers central to network tariff design? If so, why and what would the preferred option be? If not, are there different approaches that would work better?*
- *Do you consider that the tariff structure statement timing can be amended to reduce energy service provider compliance costs and support energy service provider innovation? If so, why and what would be the preferred option? If not, are there different approaches that would work better?*

Establishing common national “building blocks” for dynamic tariffs facing retailers/aggregators – making energy service providers equally central to network tariff design.

Retailers and aggregators cannot design consistent, scalable CER products while each DNSP applies different event rules, measurement windows, thresholds and notification requirements. These inconsistencies create friction for energy service providers attempting to translate network signals into retail products that operate nationally or even across multiple distribution zones. When every DNSP defines its own version of a peak event or congestion response, product developers must rebuild their logic for each jurisdiction, increasing cost and slowing the development of CER-enabled services.

We believe that nationally harmonised tariff constructs such as common definitions for a “dynamic peak event,” a “solar-soak period,” or a “capacity threshold” would substantially reduce this complexity and enable providers to design future products that can be deployed at scale, improving innovation and lowering costs.

In the CEC view, this is also why future network tariff design must also be centred on energy service providers as well as households. Direct household participation is desirable to many, but equally other consumers should not be expected to interpret or react to complex network signals directly, especially when this expectation creates confusion, reduces participation and undermines the benefits of dynamic tariffs. By contrast, retailers and aggregators are well placed to translate those signals into simple retail offers, efficiency as a service offering, automated CER responses using software and device integration, and managing dynamic events in ways that optimise outcomes for both customers and the network. On this approach the complexity of network tariff design remains behind the scenes, while consumers experience clear, stable products that make sense for their needs.

To augment this DNSPs may need the ability to vary or add tariff structures within regulatory periods as CER adoption, EV uptake, local constraint patterns and battery economics all evolve. The rigid five year tariff cycle cannot keep pace with the speed of technological and behavioural change, nor with the operational learnings that emerge once dynamic tariffs reach scale. The recent example being the uptake of the Cheaper Home Batteries Scheme rebate. Our view is that allowing measured, AER monitored adjustments within the regulatory cycle would give DNSPs the flexibility to refine their event parameters, improve their price signals and align the tariff framework with any emerging CER patterns. This could be achieved without undermining predictability for consumers.

Question 7: We are considering transitional measures to manage the impacts of reforms, and will outline these in the final report

- *Do you consider the proposed transitional supports would manage the transition effectively and fairly? Are there other options that we have not considered?*
- *How can the distributional impacts of a move to predominantly fixed charges be assessed and managed so that consumers are transitioned fairly and risks are appropriately managed?*

The CEC agrees that transitional measures are essential to managing the shift toward more efficient network tariffs, particularly where consumers may face material bill changes or where dynamic network tariffs are being introduced at scale for the first time. A fair transition requires interventions that recognise the diversity of customers' circumstances, including their ability, or inability, to engage with CER enabled pricing.

This must include modelling under different CER adoption pathways, different DR appliance profiles, and varying levels of retailer orchestration, rather than relying on static consumption assumptions. Transitional support could also easily fund low-cost CER enablement measures such as hot water load control devices, basic home climate control automation tools or low complexity demand response programs so that customers with limited resources can still respond to price signals and share in the benefits of the transition. We would like to see a minimised risk of widening the gap between customers with access to CER technology and those without.

Distributional impacts of a move to predominantly fixed charges

Our central concern is with the distributional impact of any shift toward more fixed charge dominant tariffs. As noted earlier in our response, high fixed charges blunt behavioural incentives, thereby reducing the value of CER participation.

Finally, transitional measures will only succeed if supported by clear, practical and accessible communication. With these safeguards in place transitional measures can manage equity risks effectively and maintain trust as efficient network tariffs and other changes are introduced.

Question 8: An implementation schedule that achieves necessary reform quickly while balancing cost and risk

- *Do you consider the reforms could be implemented using current processes outlined above (eg, network reset processes)? Or do you consider that different processes, such as an accelerated implementation approach, would be warranted?*
- *Are there other considerations that we need to be aware of in implementing these reforms?*



The CEC considers that many of the reforms outlined in the Draft Report can be implemented through existing regulatory processes, particularly network reset cycles, TSS processes, and scheduled AER updates to tariff guidelines. However, the existing framework was not designed with CER era dynamics in mind, and certain elements of the reform package may require accelerated or parallel processes to ensure that tariff design, consumer protections and retail comparability reforms progress in a coordinated fashion.

For example, any reforms to Energy Made Easy, retail pricing guidelines and tariff approvals must be sequenced so that retailers can translate network signals into coherent consumer facing products ensuring that the system (and not the consumer unless they explicitly choose to) absorbs the complexity of implementation when new network tariffs commence.

As per our earlier point in this submission, the CEC acknowledges that DNSPs cannot be expected to anticipate all CER adoption patterns within a five-year tariff cycle, especially as EV uptake, home battery economics and flexible export settings change more rapidly than historic regulatory cycles can accommodate. This argues for a measured degree of AER monitored 'in period' flexibility, enabling DNSPs to refine dynamic event parameters or introduce modest tariff variations where clear system benefits can be demonstrated. Such flexibility should not undermine stability for retailers or customers but rather support the iterative development of dynamic tariffs as operational data accumulates. An accelerated approach may therefore be warranted for specific aspects of tariff design where delay would entrench inefficiencies or limit early CER integration.

A further implementation consideration is that sequencing must account for the cumulative impact of other major reforms such as the competitive franchise pilot, EME retail comparability improvements, and updates to the DMO/VDO reference price. If these reforms proceed on divergent timelines, retailers may face overlapping system changes, conflated customer communication requirements, and severely compressed implementation windows. The AEMC should therefore develop a coordinated roadmap, with staged implementation that researches and recognises capacity constraints across DNSPs, retailers, related vendors and market bodies. Timelines can then incorporate these constraints.

Finally, in implementing the reforms, the AEMC should remain mindful that complexity must sit with market bodies and service providers and not with consumers. A well designed schedule will therefore include sufficient time for the thorough testing of systems and communications, forums for cross industry coordination, and transitional measures for customer cohorts facing material bill impacts especially if higher fixed costs are adopted. With a sequenced, evidence based implementation plan that uses existing processes where appropriate and allows a targeted acceleration where needed, the reform package can be



introduced efficiently while still preserving consumer trust during a period of substantial structural change.

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