

AEMC Submission

Topic: Australian Energy Market Commission (AEMC) Pricing Review - Enabling Electricity Pricing for a Consumer-Driven Future

Submitted by: The Energy Charter on behalf of #BetterTogether initiative leads for Customer-led Tariffs – EnergyAustralia, Essential Energy and SA Power Networks

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1. The Energy Charter

[The Energy Charter](#) is a cross-sector CEO- collaboration dedicated to embedding customer voice and outcomes into the design and delivery of the energy system. Our 30+ Signatories span across the electricity and gas supply chain, and we collaborate with over 140 consumer and community representatives nationally.

This submission is informed by the [#BetterTogether Customer-Led Tariffs initiative](#) led by EnergyAustralia, SA Power Networks and Essential Energy, with coordination support from The Energy Charter. Our #BetterTogether initiative is exploring how thoughtfully designed network tariffs, paired with innovative retail offerings, can improve affordability, efficiency and customer participation in the energy transition.

2. Overview

We welcome the [AEMC Pricing Review - Enabling Electricity Pricing for a Consumer-Driven Future](#) and support its focus on empowering customers, enabling system flexibility and lowering overall system costs.

This submission responds directly to the questions raised in the AEMC Discussion Paper and is supported by evidence from the #BetterTogether Customer-Led Tariffs initiative modelling discussed below. This shows that:

- ✓ Pricing can unlock value, not just recover costs
- ✓ Simple offers based on network signals can be enabled through collaboration across the market, with retailers well-placed to help bring these to customers
- ✓ Simplicity and fairness must remain core guiding principles

3. #BetterTogether Customer-Led Tariffs initiative

Fairer, smarter pricing for the energy transition

The **Customer-Led Tariffs** initiative is a sector-first collaboration driving smarter, fairer electricity pricing to empower customers and support the energy transition. It brings together industry, government, consumer representatives and community voices to reimagine how energy tariffs and retail offers can deliver better outcomes, not just for the grid, but for all Australians.



Why we're doing this work

Electricity pricing plays a crucial role in shaping how customers use, manage and invest in energy. But too often, pricing is complex, inconsistent, and disconnected from how people actually live. As we shift toward a cleaner, more dynamic energy system, where solar, batteries, and smart devices are becoming more common, we need pricing and offers that are simple to understand, fair in impact, and powerful in enabling participation.

This initiative is about making that vision real. Through practical testing, modelling, and co-design, it explores how customer-led tariff and retail plan combinations can support better bill outcomes, smarter grid use, and greater uptake of customer energy resources (CER). It's not about one-size-fits-all solutions, it's about creating the conditions for a future where everyone can benefit.

CEO-led leadership

This work is championed by the CEOs of **EnergyAustralia**, **Essential Energy** and **SA Power Networks**, who have come together with a shared commitment to deliver pricing reform that puts customers first. Their leadership has created the space for strategic experimentation, open collaboration, and transparent learning across the sector. It's a powerful example of the kind of cross-sector cooperation needed to drive genuine transformation.

Our CEOs endorsed design principles to guide this work and future pricing reform:

Simple - Retail offerings should be easy to understand, explain, and compare. They should reduce complexity for customers.

Universal - Retail offerings should be available to all residential and small business customers. They should be consistent across networks and include an 'obligatory offer' to act as a safeguard.

Fair and equitable - Retail offerings should be affordable and ensure no one is left behind. One customer's choice should not negatively affect others.

Certainty for customers - Retail offerings should be predictable over time, with clear and consistent bill amounts and no surprises.

Supporting customer choice - Retail offerings should support customer agency and enable meaningful choice.

Safeguarding customers - Retail offerings should minimise harm, especially for vulnerable customers.

Global insight, local impact: Partnering with Dr Ahmad Faruqui

Dr. Ahmad Faruqui, a globally recognised energy economist with over 40 years of experience, shared his expertise during one of the workshops, providing valuable insights into equitable and efficient electrification. His extensive international experience in advising utilities, regulators, and policymakers has been instrumental in shaping discussions. There is future consideration to engage with Dr. Faruqui to further explore network tariff design idea with The Energy Charter to help shape the future of equitable and efficient electrification. His recent guest blog, [Promoting Electrification](#)



[Through Technology-Specific Rates](#), outlines how tailored rate design can support decarbonisation while keeping energy affordable for customers.

Collaborative and customer-centric by design

Working through the Energy Charter's #BetterTogether framework, and guided by the Community Outcomes Group including the Energy and Water Ombudsman NSW (EWON), Energy Consumers Australia, individual lived-experience members from customer councils, the Justice and Equity Centre (formerly Public Interest Advocacy Centre), Rheem and St Vincents de Paul Society, this initiative has brought together a broad range of partners, including retailers, distributors, policymakers and consumer representatives, to test, model and evaluate what really works.

The work is unfolding over four stages.

Stage 1: Building Customer-Centric Tariffs (Complete)

Stage 1 built a strong foundation through engagement with the COG and consumers with lived experience on concerns with how electricity is priced to help inform the development of future energy tariffs that are customer-focused, support the energy transition, and enable better outcomes for both customers and the energy system.

What happened in Stage 1.

- Deep customer engagement: Over 20 diverse customer voices were involved across three jurisdictions (NSW, VIC, QLD), including vulnerable customers, First Nations people, and small businesses.
- Co-design workshops: These helped unpack how different customer segments view energy pricing and choice.
- Development of design principles: Key principles emerged from this engagement (such as simplicity, fairness, safeguarding vulnerable customers), shaping what “good” looks like in future tariffs.
- Shared understanding: The process helped build a common language between networks, retailers, advocates, and regulators.

Key outcomes

- Strong support for a customer-first approach to tariff reform.
- Agreement on the need for choice, simplicity, and safeguards.
- Recognition that tariff reform must be grounded in real customer experience and led with empathy.

[Read the Stage 1 Update](#)

Stage 2: Modelling the Endgame Economics (In Progress)

Building on the customer insights from Stage 1, Stage 2 focuses on a proof-of-concept model where network tariffs, retail offers, and customer energy resource (CER) orchestration work seamlessly to deliver long-term value for both customers and the energy system.



To support this next phase, we've engaged [Endgame Economics](#), a specialist energy economics and modelling consultancy known for its rigorous, real-world analysis of future-facing market design. Endgame brings deep expertise in network tariff reform, cost-reflective pricing, and the dynamic role of CER in electricity markets. Their independent, evidence-led approach ensures the modelling is grounded, practical, and focused on outcomes that can be implemented in the real world.

Through the **Flying Duck modelling** (named for the well-known demand curve shape), Endgame is testing how different tariff structures perform when:

- Subscription-based retail models are introduced
- Solar and battery storage are actively coordinated through orchestration
- Retail cost stacks are optimised to deliver shared customer and system benefits
- Peak demand is reduced — and new challenges like midday solar peaks are managed

Endgame trialled six innovative network tariffs paired with two types of retail plans, a basic subscription and an advanced plan with CER orchestration, to understand their impacts on customer outcomes, system performance and retailer cost stacks.

Tariffs Tested:

Capacity Tariff - Fixed Recovery with Contractual Incentives - Network costs are fully recovered through a fixed capacity charge, offering cost certainty, simplifying forecasting and creation of subscription-style retail offers, and providing a reward signal for addressing network constraints, while marking a shift from traditional cost-reflective tariffs.

Capacity Tariff – Demand Reduction Incentives - 70% of network costs are recovered through fixed charges and 30% via demand signals, balancing cost reflectivity, retailer predictability, and incentives for demand reduction and CER uptake.

Maximum Demand / EE Tariff - Charges are based on maximum demand at each node or zone substation, with no energy usage component, incentivising retailers to manage demand through coordinated customer CER use, with the inclusion of minimum demand in the future.

Retailer Portfolio Tariff - Shifts from NMI pricing to retailer portfolio level charging, enabling innovative retail plans, incentivising load management, and aligning retailer flexibility with network cost-reflectivity.

Residential Electrify Tariff - Supports all-electric homes and the net-zero transition by encouraging off-peak usage and export rewards, rewarding flexible high-usage customers with lower off-peak rates, and enabling tailored retailer plans to lower bills and improve network efficiency.

Key Findings:

- Tariffs paired with advanced retail plans delivered the strongest customer and system outcomes
- Retailers reduced cost stacks and passed through real savings to customers
- Most tariffs supported greater CER uptake and improved grid performance
- Well-designed retail offers were critical to unlocking the full benefits



This work is laying the foundation for a pricing model that is not only technically sound but also customer-ready and commercially viable and sets the stage for trial and scaling in the next phases.

Stage 3 and 4: Trial, Learn and Scale (Upcoming)

Depending on the outcomes of stage 2, stages 3 & 4 are broadly outlined below and will require CEO endorsement before delivery.

Stage 3 – Prototype and Test: Co-design and test prototype tariffs with customers and stakeholders to ensure they are understandable, appealing, and effective. These tariffs would look to be trialled by the collaborators with consumers.

Stage 4 – Scale and Embed: Look to work with networks, retailers, and regulators to implement successful tariff models, that may be embedded into business practices, that can support widespread adoption.

Shaping the future, together

The Customer-Led Tariffs initiative is setting the pace for pricing reform that's grounded in reality, driven by evidence, and led by the people it's meant to serve. It shows what's possible when leaders come together, not just to talk about putting customers first, but to actually build the systems that make it happen.

Find out more at: www.theenergycharter.com.au/customer-led-tariffs

4. Response to Key AEMC Questions

1. What should electricity pricing achieve in the future system?

Based on our engagement with customer and community representatives in our Customer Outcomes Group, electricity pricing can better support a customer-centric, efficient and dynamic energy system by:

- ✓ Reflecting both system costs and value
- ✓ Supporting investment in and orchestration of Consumer Energy Resources (CER)
- ✓ Encouraging load flexibility and demand shaping
- ✓ Enabling simple and meaningful retail offers
- ✓ Ensuring fair access to benefits for all customers.

In a system increasingly built around customers, pricing can act as a platform for service innovation, not just a cost recovery tool. Modelling in the #BetterTogether initiative confirmed that when designed with intent, network tariffs can reduce system peaks, defer augmentation and improve customer economics, all without increasing complexity for the customer.

2. Who should network tariffs be designed for?

Network tariffs can be designed for retailers, not directly for end-customers.

This distinction is critical as this is a shift from a commodity market to a service market. The network tariff is not the product being sold to consumers, it is the underlying signal that enables retailers to build front-facing offers that deliver value, simplicity and actionability.



Our #BetterTogether initiative learnings confirm that retailers can:

- ✓ Translate tariffs into intuitive, customer-focused offers
- ✓ Bundle CER, pricing and digital tools into subscription models, rebates or flat rates
- ✓ Understand customer preferences and risk tolerances given their role and relationships in the energy market.

The opportunity is for network signals must be reliable, stable and designed with retail interpretation in mind.

3. Should the AEMC take a more active role in guiding pricing reform?

We support a more active role for the AEMC in coordinating and enabling pricing reform. In particular, we see an opportunity for the AEMC to help foster greater consistency, clarity and confidence across the sector — from the design of network tariffs through to the development of innovative customer solutions.

The #BetterTogether initiative highlights that while there is broad alignment on intent, the path to delivery often requires stronger coordination, clearer guidance and more supportive regulatory settings to help scale what works for customers.

4. Are current consumer protections sufficient, or do they constrain innovation?

We encourage consumer protections to transition towards:

- ✓ Outcomes-based protections, focused on affordability, agency and improved trust
- ✓ Enabling controlled pilots with built-in safeguards that can be scaled
- ✓ Supporting customer-informed design through data, testing and appropriate segmentation.

Importantly, our Community Outcomes Group and individual Customer Representatives have suggested that simplicity is not only a valuable form of protection, but also a way to improve comparability and predictability for customers. When billing and services are easy to understand, customers are better able to make informed choices, anticipate costs, and trust that they are being treated fairly. Therefore, energy retail plans built on complex tariff signals must still be easy to understand, predictable and fair for customers.

5. How can we ensure pricing reform supports fair outcomes for all customers?

The aim of pricing reform is to deliver fair and inclusive outcomes. In particular:

- ✓ Ensuring value is shared, not concentrated among specific consumer segments such as the tech-savvy or high-income groups
- ✓ Supporting access to benefit even for customers without CER
- ✓ Monitoring for unintended cost transfers
- ✓ Providing simple, scalable offers that work across residential household and small business types.

We also acknowledge a key insight: that according to Energy Consumers Australia, the average household spends just 7 minutes per year thinking about energy. That's all we get to engage customers, so pricing must be invisible by design unless something goes wrong. Simple, value-rich retail plans are the best pathway to customer benefit.



6. What additional tools or information are needed to support implementation?

We see value in a general uplift in the tools, information and guidance available to support innovation and effective implementation. Broadly, this could include resources that assist stakeholders in exploring, evaluating and scaling new ideas, while ensuring customer insights and experiences are central throughout. Support from the AEMC in facilitating access to consistent, transparent, and practical information would help create the right conditions for approaches like this to be tested, refined, and ultimately delivered in a way that works for customers.

5. Conclusion

In summary, the AEMC Pricing Review is not only timely, but also essential! As our Community Outcomes Group have reinforced, the future of network pricing is retailer-facing, customer-serving and system-beneficial.

Our #BetterTogether initiative reminds us that:

- ✓ There is an emerging need for better network tariff design
- ✓ Cost reflectivity is working, but consumers aren't yet enabled to respond — tangible outcomes are needed
- ✓ Network tariffs are levers, not products
- ✓ Simplicity and fairness are non-negotiable for consumers
- ✓ Collaboration, guidance and tools will enable reform at scale.

We encourage the AEMC to guide implementation actively, support sector-wide learning and maintain a sharp focus on real outcomes for real people.

6. Contact

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