

22 August 2024

Mr Mitchell Potts
Senior Advisor
Australian Energy Market Commission

Submitted via online portal

Draft AEMC Terms of Reference – Electricity pricing for a consumer-driven future

Dear Mr Potts,

Energy Networks Australia (**ENA**) appreciates the opportunity to respond to the Australian Energy Market Commission's (**the Commission**) draft Terms of Reference for its review into *Electricity pricing for a consumer-driven future*.

ENA is the national industry body representing Australia's electricity transmission and distribution and gas distribution networks. Our members provide more than 16 million electricity and gas connections to almost every home and business across Australia.

Energy network businesses support the undertaking of the review and the Commissions' intent of the review being centred around efficiently and effectively delivering on the needs and preferences of current and future customers. We appreciate the opportunities provided to date to discuss issues around this review with the Commission.

ENA supports the review taking a broad and future focused perspective on pricing and tariff issues, however, as outlined below we consider highlighting several key questions the review will aim to resolve will help provide a useful focus to anticipated stakeholder inputs and the Commission's own initial considerations.

The Commission's draft terms of reference identify three major focus areas:

- 1. Market arrangements that provide for consumer choice between a range of appropriate products, services, and associated prices that suit their needs and preferences*
- 2. The role of distribution networks in enabling the right products, services, and incentives for consumers, and the efficient cost and pricing outcomes that result*
- 3. The role of retailers and energy service providers in effectively packaging and pricing electricity products and services to match consumer preferences.*

In addition, the draft terms of reference identify the interface between these three areas, and the support provided to third-party energy service providers and innovators now and in the future to play roles in improving choices and outcomes for consumers to engage with network opportunities, as further considerations.

ENA observes that the scope of possible issues under review would appear to be extremely broad based on the above draft guidance. Stakeholder engagement in the Commission's recent public forum clearly indicated the breadth and range of potential issues that the review may be asked or expected to address.

There may be substantial benefit in the Commission openly identifying more specific examples of priority areas for detailed focus in the review, given the breadth of issues potentially in scope. Energy network businesses consider this may allow participants to better understand the higher priority public policy issues that the review might be expected to address, and those issues which may be examined, but which may not at this stage be expected to be resolved as an outcome of the review. Arriving at a resolution of several critical issues relating to pricing and tariffs will provide the best basis for ensuring clarity and alignment between all stakeholders.

ENA consider three initial priority areas for focus should be:

- **The target and intent of network tariff signals** – reinforcing that the primary function of network tariffs are to promote efficient investment in, and use of, the shared network for the long-term interests of consumers by providing clear cost-reflective signals, and confirming alignment around the intended recipients of network tariff signals.
- **Consideration of reform of the Tariffs Structure Statement process** – following its design around a decade ago for a much more stable technology and pricing environment featuring lower levels of CER, examining where aspects of the process may no longer be fit for purpose.
- **Better visibility on the breakdown of network tariffs** – this will enable better transparency and more informed customers/stakeholders. Ultimately, we should seek to avoid jurisdictional scheme charges/policy costs being non-transparently bundled into network tariffs in a way that is distortionary, regressive and lowers accountability.

As part of the above, it will be important for the AEMC to consider how distribution networks can best price their services to customers, given the evolving nature of the two-way grid, where increasingly for some customers the nature of the primary service might change, resulting in follow on changes to the type of pricing that is most appropriate.

ENA and its members look forward to continuing to engage closely with the Commission throughout the review, given the key implications of pricing issues for ensuring networks are best able to efficiently and effectively meet changing customers' needs and expectations through the energy transition.

Please feel free to reach out to myself or Ms Lucy Moon, Head of Regulation and Strategy
[REDACTED] if you would like to discuss any of these matters further.

Yours sincerely,



Garth Crawford
General Manager, Economic Regulation