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Dear Ms Shrimpton

Ausgrid submission to Draft Terms of Reference to the "Electricity pricing for a consumer driven future" review

Ausgrid is pleased to provide this submission to the Australian Energy Market Commission (**AEMC**) in response to its Draft Terms of Reference (**TOR**) for the "Electricity pricing for a consumer-driven future" review.

Ausgrid operates a shared electricity network that powers the homes and businesses of more than 4 million Australians living and working in an area that covers over 22,000 square kilometres from the Sydney CBD to the Upper Hunter.

Consumer Energy Resources (**CER**) will play an increasing role in the future energy system as existing coal-based electricity generators retire. The AEMC's electricity pricing review is timely and will help release benefits for all customers by ensuring distribution networks are used to their full potential in enabling CER.

Ausgrid recently undertook an extensive consultation on our tariff structures and proposed several changes for the 2024-29 regulatory period. Our approved Tariff Structure Statement (**TSS**) delivers tariff reform that supports CER uptake and continues the transition to cost reflective pricing structures. We have recently introduced community storage tariffs, small customer two-way pricing, and removed "shoulder" daytime energy charges in our time-of-use tariffs. These CER enabling reforms were developed as a result of extended engagement with a range of consumer stakeholders. It is in this context that we provide the following comments for this review.

It is important to consider how efficient network pricing signals are managed

We support the AEMC's recent recommendations providing greater tariff options for small customers, via new obligations for retailers.[1] Customers should be able decide on the best tariff for their needs, noting that it is not necessary for the underlying network pricing structure to be passed through to all customers directly. Retailers are best placed to manage the network price signals they receive in a similar manner to wholesale market prices, for example by offering virtual power plant products to customers that aggregate their behind the meter batteries. Without the effective coordination of CER through solutions such as virtual power plants, around $4.1 billion of additional grid-scale investment will be needed. [2]

In cases where Ausgrid's network price structures are passed through to customers by their retailer, the tariffs are designed to ensure that customers without CER do not on average pay more than customers with CER. Energy affordability should remain a priority as the sector

[1] AEMC, Accelerating smart meter deployment consultation paper, 15 August 2024
[2] Australian Energy Market Operator Integrated System Plan 2024, 26 June 2024

transforms. Our continued migration of small customers with smart meters to cost reflective network tariffs (with demand and time of use options) achieves this balance between technology flexibility, fairness, and the efficient use of the network. These principles were used by Ausgrid in our recent TSS consultation process, and they may help inform the AEMC as it develops the consumer preference principles for this pricing review.

We agree that the draft TOR should include the role that distribution networks have in enabling products, services, and incentives for consumers, and the efficient cost and pricing outcomes that result. Additionally, the draft TOR could provide further clarity on the areas of network pricing that will be considered in the review. Ausgrid supports changes to the five-year process that will enable greater flexibility in setting tariff charging components, specifically allowing distribution networks to amend these structures more frequently where there is limited impact to other stakeholders.

TSS flexibility is becoming increasingly important

Greater flexibility will enable a quicker response to a rapidly changing energy system and ensure distribution network pricing is able to play an important part in this transition. In the two years since our TSS for the 2024-29 period was prepared, the energy market has already changed. For example, Ausgrid has recently received interest from hybrid solar/storage project proponents for connections to our network. Our TSS for the 2024-29 period prevents these customers accessing our storage tariffs. Without greater flexibility in the TSS process, we may not be able to accommodate these customers until mid-2029.

Reconsider excluding transmission pricing from TOR

We recommend that transmission pricing is included in the scope of the AEMC's review. Stakeholders have told us that the current regulatory framework does not provide a level-playing field between transmission and distribution pricing for large scale storage facilities. An AER commissioned paper also identified the lack of competitive neutrality that exists between transmission and distribution storage connections. [3] Transmission networks can offer a negotiated service with reduced prices for a non-standard service level while distribution networks are required to pass through a fully cost reflective transmission price. The location of connection of these storage facilities should not be determined by anomalies in the regulatory framework.

Transmission networks are also exempt from passing through NSW jurisdictional schemes, which increases the commercial disadvantage storage projects face when connecting to distribution networks. We note that the NSW Government has indicated support for the recovery of the Electricity Infrastructure Roadmap scheme from transmission connected businesses.[4] While jurisdictional schemes are not in AEMC's remit, they do contribute to inefficient outcomes associated with placement of grid scale storage and should be considered when assessing overall network pricing.

Load control co-ordination could be improved

The AEMC's TOR should include a review of existing load control options for customers, and how they can be effectively coordinated across the priorities of retailers and networks. In addition to cost reflective price signals, Ausgrid considers load control as an important way of managing future demand growth from EVs. We already allow EV customers to choose whether they charge their vehicles on a secondary load-controlled circuit, or through an uncontrolled

[3] Argle Consulting and Endgame Economics, Network tariffs for the distributed energy future, June 2022
[4] NSW Government Response - Electricity Supply and Reliability Check Up, September 2023

main circuit. Ausgrid also recently amended its controlled load switching times to allow all customers with smart meters to heat their hot water in the middle of the day while remaining on a low cost controlled load tariff. These measures support further CER take up by delivering a lower cost network.

Sub-threshold (trial) tariffs are a vital tool

Another consideration for the draft TOR is to review and develop the sub-threshold tariff framework. To continue getting better outcomes for customers, sub-threshold tariffs should be included in the AEMC's TOR, to ensure the current revenue thresholds are permanent, and not a transitional part of the NER. It may also be timely to review other aspects of the sub-threshold framework given the rapid change we are seeing in the sector. Ausgrid currently has several trial network tariffs on offer that test innovative ways to encourage CER take up via cost reflective price signals. We are very supportive of the trial tariff framework (known in the National Electricity Rules (**NER**) as sub-threshold tariffs) and how it can be used to encourage innovation and test new ideas relating to network pricing. For example, we recently called our first critical peak price event which triggered a demand response from several pole mounted EV charging stations. We also recently launched our energy storage as a service product (**ESaaS**), where residential customers located near a community battery can now receive local use of system (**LUOS**) benefits.

Accessible customer information is critical

Energy consumers can also benefit from greater clarity on where to find information on electricity pricing, ways to manage their energy costs and where they can find help on these matters. Customers will likely need help in understanding and comparing new electricity products and services and without this support the benefits of reforms in pricing may not be realised. The AER's Energy Made Easy website and initiatives such as Ausgrid's website materials on "Ways to save on your energy bill" are steps in the right direction. A review of how these and other tools could address the information gap for customers, including customer research on what they need and clear roles and responsibilities for industry and government, should be considered as part of the review.

Please contact Fiona McAnally on 0479100519 or fiona.mcanally@ausgrid.com.au if you would like to discuss this submission.

Regards

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