

22 August 2024

Ms Anna Collyer
Chair
Australian Energy Market Commission
Sydney NSW 2000

By online submission

Dear Ms Collyer,

Submission: Electricity pricing for a consumer-driven future draft Terms of Reference

AEMO welcomes the opportunity to provide a submission to the Australian Energy Market Commission's (AEMC's) Terms of Reference for their review titled Electricity pricing for a consumer-driven future.

AEMO agrees that there is a clear and pressing need for this review, particularly given the rapidly evolving energy market. This review provides a timely opportunity to critically examine how electricity pricing structures can be optimised to meet future challenges and opportunities, and to ensure the market transitions in a customer-centric way. It is essential to define the scope and objectives of this review carefully to ensure it effectively addresses the complex issues at hand and interacts cohesively with ongoing reforms and initiatives.

It is important to allocate sufficient time to clearly define the problems this review seeks to address given the complexity of the energy transition. This process should include an assessment of how this review can and will interact with other significant reforms currently underway, ensuring a coordinated approach across the energy sector.

The review must remain cognisant of the ongoing work regarding the roles and responsibilities of Distribution Network Service Providers and traders as outlined by the National Consumer Energy Resources (CER) Roadmap. The CER Roadmap Implementation Plan identifies the intent for the CER Taskforce to complete work associated with defining the roles for market and power system operation in 2025; this review should consider and leverage those outcomes. It is important that this review remains aligned with the National CER Roadmap, identifying opportunities to utilise the authorising pathways established through the CER Working Group and through to Energy Ministers. This alignment will help ensure that the review contributes to a coherent and integrated energy policy framework.

AEMO understands that this review is expected to focus on end user perspectives and interactions with the market. The effectiveness of the network tariff and retail structures is central to this interaction. The review should explore how these structures can be evolved to better serve end users, ensuring that pricing mechanisms are transparent, accessible, and facilitate end user engagement and empowerment.

Recent reforms have highlighted some of the unresolved issues that continue to hamper the evolution of our electricity market. Existing network tariff structures prevent the full benefits of reforms such as Unlocking CER benefits through flexible trading, Integrating price responsive resources (IPRR) and Accelerating smart meter

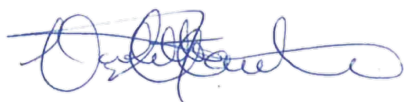
deployment from being extended to all parties in the Rules or create barriers in their implementation, particularly for small customers.

For example, within the small customer category in the NER and NERR, the treatment of end user arrangements and connections at residential premises can overlap with small business connections, including “street furniture” connections such as kerbside EV chargers and telecommunications exchanges. AEMO considers that identifying these differences and formulating proportionate treatments within the Rules framework will be important for the success of the review and future application of the outcomes.

Network tariffs need to be structured in a manner that supports the diverse choices and roles consumers will have in the future energy market. Consumers are increasingly investing in consumer energy resources and engaging in market offers for aggregation and provision of services such as contingency frequency control ancillary services. In IPRR, they will have the opportunity, through an agent, to participate in market scheduling and dispatch processes, providing an important role in the reliability and security of the power system. Tariff structures can support these investments, especially where market participants can translate these to consumers, and further enable access to the associated benefits.

AEMO looks forward to continuing to work collaboratively with the AEMC and interested parties on this review. Should you wish to discuss any of the matters raised in this submission, please contact Kate Reid, Manager DER and Retail Reform at kate.reid@aemo.com.au.

Yours sincerely,



Violette Mouchaileh
Executive General Manager, Reform Delivery