



Australian Government
Australian Renewable
Energy Agency

ARENA

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[Uploaded to AEMC webpage form]

Submission on Electricity pricing for a consumer-driven future

This submission highlights ARENA's support for and interest in the above review proposed by the AEMC.

ARENA supports the areas of focus and has a particular interest in the role of distribution networks

We support the three areas of focus proposed by the AEMC, which are:

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.

While ARENA has supported projects that provide useful insights in all three areas, our view is that the most common and wide-reaching area of focus most affecting the speed of the transition is the role of networks in providing incentives for consumers to use electricity and their CER.

ARENA has reservations about limiting the review to distribution networks

The second focus area is currently limited to distribution networks. While we understand the AEMC's desire to contain it, this narrower scope overlooks the importance and significance of transmission network tariffs, which can be as much as 8% of consumer bills, and how they appear in bills.

Also, now that consumers can both generate and store electricity, it is imperative the decisions about where to connect in the power grid (transmission, distribution or behind the connection meter) are not biased by inconsistencies in the way network costs are allocated (examples of which we are very happy to share with you). It would be inconsistent with the NEO for this to be the case and we want the review team to have the opportunity to harmonise recommendations for distribution tariff reform by (at least) recognising any associated changes to transmission network tariff regulation, if required.



ARENA has valuable insights that will help inform the review

Over the years, ARENA has supported a variety of projects that have revealed the significant effect network tariffs are having on the spending decisions of both grid-scale and small-scale investors and participants.

We have collected valuable insights in our priority areas that we would like to share to inform this review, for example:

- Our experience suggests community-level batteries will struggle to become a commercial reality in Australia until networks (distribution and transmission) treat network-connected batteries the same way with respect to use of system agreements and charges. Similar questions arise with respect to long duration storage and hydrogen electrolyser projects.
- Charging more for consumption (import) than is earned from electricity exports creates an incentive for self-consumption of electricity when they are of the same value to society in the moment.
- There needs to be more recognition of the value of controllable loads that can soak up solar PV output that would otherwise be curtailed.
- Employing real time pricing signals to help manage network congestion creates a confusing and economically questionable mix of wholesale market (SRMC) and LRMC pricing signals.

ARENA wants to see swift and lasting resolution of network issues

Given the urgency and importance to the transition, we would like to offer our insights and support to work collaboratively with the AEMC to swiftly identify and make final recommendations as the review progresses, rather than wait until after the final report, which is expected in March 2026. This would allow us to get moving on the crucial issues, options and implications that are already well understood, while allowing time to consider issues and options that need the full review period to resolve.

Without such an approach, it would be unrealistic to expect any changes to take effect before 2028, after adding time to process and implement a rule change. Waiting another four years for action is too long, especially since the Commission signalled the importance and willingness to consider the matter in December 2021 in its [final determination of the Integrating Energy Storage Systems rule change](#).¹

Yours faithfully,



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¹ See page vii of the executive summary