



# INFORMATION

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## The pricing review: Electricity pricing for a consumer-driven future

### We have published a consultation paper outlining our proposed approach to the Review

On 25 July 2024, the Australian Energy Market Commission (AEMC or Commission) self-initiated a broad, forward-looking review to consider future electricity pricing. In this context, electricity pricing refers to network and retail tariffs, how these interact, and how they can operate together to facilitate the design and offering of electricity products and services for customers.

As the next step in this review, we have published a consultation paper to invite stakeholder feedback.

### Our energy system is rapidly changing with the uptake of CER and other technologies

Millions of Australian households and businesses are embracing consumer energy resources (CER), from solar panels, to batteries, home and business energy management systems and electric vehicles. Alongside CER, distributed energy resources (DER), such as neighbourhood batteries and Virtual Power Plants (VPPs), are a growing part of the power system.

Widespread government commitments to achieve net zero emissions by 2050 are further accelerating changes to the power system, and CER and DER are required to play a critically important and significantly larger role in Australia's energy transformation. In addition, broader technological developments are opening up new ways of providing electricity services, and understanding, valuing, and pricing the different parts of the electricity supply chain.

### The review will consider the important role that electricity pricing, products, and services will play in supporting future customers

This review recognises the important role that electricity pricing will play in enabling future electricity offerings that support the diverse needs of customers, including delivering the consumer energy resources (CER) necessary for the energy transition.

The current arrangements governing electricity pricing were primarily conceived at a time when electricity flowed in one direction, and consumers' energy use was largely inflexible. With the pace and scale of change occurring, it is not clear that these legacy arrangements will have the right essential features to serve the consumers of the future.

Our review will re-examine these arrangements to ensure that they enable the types of offerings customers may want and need in the future. This also presents the opportunity to more comprehensively consider the interaction between network and retail pricing to better recognise the customer's perspective.

Under the Final Terms of Reference (ToR), the review will have three key focus areas<sup>1</sup>:

1. **market arrangements** that provide for consumer choice between a range of appropriate pricing structures, products and services that suit their needs and preferences

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<sup>1</sup> The final ToRs were published on 7 November 2024 alongside the consultation paper, and can be found on the project webpage: <https://www.aemc.gov.au/market-reviews-advice/electricity-pricing-consumer-driven-future>. The final ToRs were informed by stakeholder feedback to the draft ToRs, which were published on 25 July 2024.

2. **the role of distribution networks** in enabling the right incentives, products and services 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.

### **The consultation paper seeks feedback on our proposed approach for the review**

We have proposed a future-focused approach to this work. A methodology that seeks only to patch existing issues risks missing the big opportunities that the future presents. Instead, we must continue to challenge our thinking to avoid being constrained by the way things are done now.

The purpose of this consultation paper is to:

- detail our intended approach for the review
- detail our outlook on what the future energy system could look like
- seek stakeholder feedback on what we have detailed and described.

### **Next steps**

We are seeking stakeholder feedback on our Consultation Paper. Written submissions responding to this Consultation paper must be lodged with the Commission by **12 December 2024**.

To make a submission, go to the Commission's website, [www.aemc.gov.au](http://www.aemc.gov.au), find the "lodge a submission" function under the "Contact Us" tab, and select the project reference code **EPR0097**.

We will also host a public forum on **27 November 2024** with further details available closer to that date on the project webpage.

Stakeholder feedback will be an important input in informing the Review directions paper, to be published in April 2025. The directions paper will build on the consultation paper by:

- considering different types of potential future electricity offerings and associated pricing structures that could meet the diverse needs of future consumers
- identifying any barriers to implementing these
- developing, assessing, and seeking stakeholder input on potential solutions to address the barriers and seize the opportunities the future presents.

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