Part of Energy Queensland

11 December 2024

Ms Anna Collyer
Chair
Australian Energy Market Commission
Project Reference Code: EPR0097

Dear Ms Collyer

Electricity pricing for a consumer-driven future

Ergon Energy Corporation Limited (Ergon Energy) and Energex Limited (Energex), both distribution network service providers (DNSPs) operating in Queensland, welcome the opportunity to provide a response to the Australian Energy Market Commission (AEMC) on its Electricity pricing for a consumer-driven future consultation.

We support the AEMC's consultation approach that shifts away from a 'propose and respond' approach to one that is more exploratory, recognising that the existing regulatory framework is not fit for purpose.

The AEMC's consultation is ambitious in both scope and desired outcomes. It will require careful balancing of different stakeholder priorities each driven by their own complementary and competing goals and regulatory obligations.

For example, some stakeholders are mandated to promote efficient investment in, and efficient operation and use of electricity services for the long-term interests of consumers,[1] while for others, organisational objectives may be the primary driver.

Through the AEMC's consultation it is evident that there is no one size fits all in terms of how consumers perceive, value, derive, and use electricity. This variability reflects broader consumer priorities, technology innovation, capacity, capability, and willingness to engage in the energy system.

The unprecedented change impacting the energy system, and the extraordinary level of regulatory reform means that it is time for a holistic review of matters that impact pricing and customer outcomes.

[1] National Electricity Objectives (NEO).

Current Regulatory Framework

Consistent with existing regulatory obligations, Ergon Energy and Energex have structured their network tariffs to allow customers to respond to price signals which in turn will support the deferral of network augmentation and the minimisation of network distribution costs.

With the exception of some large customers, network prices are passed through to retailers who 'bundle' them as part of their broader retail offer. We acknowledge that some customers may be unable (or unwilling) to alter their electricity use and where the AEMC identifies detrimental impacts to customers - particularly vulnerable customers - then consideration should be given to specific targeted assistance.

It is critical that DNSPs are able to offer and set cost reflective price signalling tariffs to ensure retailers and customers have the opportunity to respond - recognising that most retailers have flexibility in how they 'bundle' network costs with other bill components when setting retail tariffs.

Given the increasing complexity and integration across the electricity supply chain, it is important that all participants, including customers collaborate to deliver overall system efficiency.

Retailers play a critical role in delivering the messages and benefits of efficient demand pricing. It is also important to recognise that some retailers may operate in jurisdictions that restrict the products and services they can offer, such as Ergon Energy Retail which must offer prices set by the Queensland Competition Authority and whose customers benefit from the Queensland Government's Uniform Tariff Policy.[2]

We understand there may be some uneasiness or resistance to cost reflective network tariffs by some retailers and their customers. The reasons for this are complex and the AEMC should consider system benefits associated with cost reflective network tariffs, and the responsibilities across the energy system (including of retailers) to ensure customers are able to effectively understand and engage with retail tariffs that are available.

Ergon Energy and Energex suggest the AEMC also consider marketing and customer education regarding electricity pricing as part of its review, noting that DNSPs have significant experience engaging with customers on tariffs as part of their regulatory proposals.

We also understand some retailers that operate in competitive markets oppose network demand tariffs because they pose peak period price risk for which they may not be able to pass onto their customers.

However, the basis for this concern is unclear given that retailers already optimise for wholesale energy prices which face significantly greater volatility than network pricing. There are also a range of different retail offers available that address and pass through these risks in the market.

[2] Queensland Competition Authority Electricity FAQs.

Cost reflective tariffs empower customers, giving them the choice to either adapt their use and share the benefits or chose not to alter their usage and pay higher costs.

Notwithstanding the above, the constantly evolving energy industry and governance framework[3] raises questions as to whether a broader review of the existing regulatory regime is required.[4]

Possible Future Regulatory Framework

We believe some foundational structural reforms in a new regulatory framework would lead to better outcomes and more effective balancing of the complex interactions between the goals in the NEO.[5]

Varying levels of regulation apply to generators, network service providers, retailers, and customers in the National Electricity Market (NEM). However, traditional roles are becoming less well defined and increasingly opaque.

For example, many retailers operating in the NEM are and have been for many years, vertically integrated as they are both a generator and retailer (i.e., gentailers). Consumer energy resources, which can either be bought directly by customers or sourced through electricity retailers,[6] can be included in virtual power plants, effectively making customers generators (and displacing coal fired generation). Furthermore, retailers have further expanded their customer offerings to now include electric vehicles (EV)[7] chargers and related offerings.

These initiatives provide customers greater choice and control over their electricity use as well as aligning to the NEO's and National Energy Retail Objective's (NERO) price, security of supply and greenhouse gas reduction objectives.

In contrast, highly regulated DNSPs are restricted in their ability to offer innovative products and services to customers, unless a ringfencing waiver is sought and approved (by the Australian Energy Regulator).

The AEMC's consultation paper identified potential scenarios and services involving a Distribution System Operator but it is unclear how a DNSP would be able to provide those services under the existing framework.

Historical market structures and restrictions were designed to strike an appropriate balance to deliver on the NEO, the energy system, and market and customer expectations. However, these are now changing, and the framework needs to evolve also.

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[3] Including to the NEO and NERO to include greenhouse gas reductions. Final determination - Harmonising the rules with the updated objectives (aemc.gov.au).
[4] This is consistent with the Department of Climate Change, Energy, the Environment and Water's National Electricity Market wholesale market settings review currently underway.
[5] With respect to price, quality, safety, reliability, security of supply and greenhouse gas emission reductions.
[6] An example is AGL's solar battery bundles.
[7] An example is EV subscriptions and novated leases offered by Origin Energy. Some households/ businesses electricity bills may go up, but total energy bills including gas/liquid fuels will drop due to electrification and use of EVs etc.

Legislative restrictions have the result of at worst, stifling innovation and at best, delaying its introduction to the detriment of customers.

The traditional role of DNSPs and their governance framework should be reassessed as there are several initiatives that Ergon Energy and Energex have been keen to pursue but are prevented from doing so because of the framework in which they are bound.

It is critical that the regulatory framework is reformed so that it keeps pace with and fosters innovation and technology and does not restrict stakeholders from doing what is best for consumers.

The key to any reforms will be to minimise the cost of electricity supply and the equitable allocation of these costs that doesn't result in the cross-subsidisation between customer types. These reforms must be:

- based on a more collaborative approach between energy supply stakeholders and customers and reflect costs and value that may be captured across the system;
- measured and continue to be largely based on sound economic theory; and
- proportionately driven/weighted to reflect the number of consumers in each consumer archetype, so that no one archetype disproportionately benefits at the expense of others.

Ergon Energy and Energex are committed to delivering safe, reliable, and affordable electricity to Queenslanders. Our Local Renewable Energy Zones (LREZ) pilot projects in Townsville and Caloundra provide an example of how we are testing alternative frameworks to ensure all customers can benefit from the energy transition, not just those who are able to install their own rooftop solar and batteries.

LREZ are centred around local communities with customers, retailers, aggregators, and networks working together - enabled by technology and cooperation. A key part of these projects will be testing new business and regulatory models. That is, they provide an important proving ground to deliver customer outcomes - that are consistent with those desired by the AEMC in this review. We encourage the AEMC to actively engage as part of its review so that the potential and learnings from the LREZ project can be maximised.

As a final comment we believe that transmission network service providers' (TNSP) pricing and costs should be included in future stages of this consultation given that customers experience the 'building blocks' of costs which includes the pricing mechanisms (and costs) as applied by multiple parties including TNSPs.

Ergon Energy's and Energex's responses to the questions posed in the AEMC's consultation paper are included in the enclosed comments. Neither this letter nor our enclosed comments contain confidential information and may be published.

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Should you require additional information or wish to discuss any aspect of this submission, please do not hesitate to contact me or Lindsay Chin on 0459 642 052.

Yours sincerely

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Enc: - Ergon Energy's and Energex's detailed feedback on the AEMC's consultation.

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AEMC – Electricity pricing for a consumer-driven future

AEMC Consultation (reference number EPR0097). Submitted 11 December 2024.

Questions	Ergon Energy's and Energex's commentary
Question 1: Do you consider that we should make any changes to our proposed approach to this review?	In the context of the aspirations of this AEMC initiative, noting that it headlines electricity pricing we would make the following observations: • The overall scope and outcomes being progressed are a lot broader than electricity pricing, (future state, market structure, consumer protections, role of energy supply businesses etc) while the consideration of electricity prices is partial and narrow (constrained to retail tariffs and network tariffs). The scope omits significant supply chain/ value chain building blocks and their associated importance and impact on retail prices. The approach appears to lean towards conflating retail and network prices and perhaps invites thinking how network prices feed through to the retail price product in isolation from the other retail building blocks and the practice of retailers to package these holistically to retail customers. It would be useful to unpack the role of the retailer and retail pricing (intermediation of multiple supply chain inputs and risk management) and where network pricing sits as just one of a number of inputs intermediated by retailers to retail customers, with network pricing an input that is already subject to targeted, principles based, stakeholder and customer based, regulatory oversight. • We note the emphasis on approaching future electricity pricing from a customer perspective, based on the future state, yet framing network pricing and retail pricing together reflects the current paradigm which has evolved from default framing in terms of the physical supply chain. In markets where there are no jurisdictional arrangements,[1] it is a retailer's choice whether they pass through network charges directly to customers or package these. As stated by the Australian Energy Regulator (AER):

[1] An example jurisdictional arrangement is electricity retail in regional Queensland which faces a range of jurisdictional restrictions and also incorporates the uniform tariff policy.

Questions	Ergon Energy's and Energex's commentary
	"*…it is the retailer's role to develop and communicate retail tariffs that are appealing and understandable, appropriate to their customers' circumstances and incentivise customer behaviour to support efficient use of the network*".[2] This pass-through idea cascades electricity through the generators, transmission, and distribution networks to the customer i.e. it aligns with the physical aspect. This is quite different to a competitive commercial aspect at the retail level which integrates internal and external costs, risk management, economic moats, service levels, brand, target market, and product offering to compete in the market. Whilst we acknowledge the need for regulatory oversight of networks, given their monopoly positions, we caution against seeing networks as key or the determinative driver of customer or retail outcomes. • The future regulatory framework should have regard for the roles of existing electricity supply stakeholders but also, in the case of network service providers (NSP) and retailers, their related capabilities and capacity to deliver for customers and the achievement of National Electricity Objective (NEO) and National Energy Retail Objective (NERO) obligations - which extends beyond pricing. • Transmission Network Service Providers' (TNSP) pricing and costs should also be in scope of the AEMC's consultation, given TNSPs are one of the major stakeholders in the electricity supply chain.
Question 2: What are your views on our proposed Consumer Preference Principles? • Are you aware of additional existing research that could help us refine the CPPs? • How might the CPPs help us in assessing whether our decisions	We support the AEMC's proposed Consumer Preference Principles (CPP) as these align to the themes raised in Ergon Energy's and Energex's own customer engagement. However, adding another layer of assessment has the potential to conflict with what is already in place in terms of network and retail oversight.[3] Careful consideration should be given to where CPPs are relevant and that they are applied to the parties that are best placed to influence them. We would suggest that in the case of networks and network tariffs, that the Value for Money; Availability and Meaningful options CPPs, as they relate to DNSPs, are all addressed within the existing AER Regulatory Reset and associated Tariff Structure Statement (TSS) submission and approval process.

[2] Draft Decision Ergon Energy and Energex Electricity Distribution Determinations 2025 to 2030 (1 July 2025 to 30 June 2030) Attachment 19 Tariff Structure Statement, September 2024, p30.

[3] Existing oversight includes the NEO and NERO and the specific pricing principles embedded in the AER's TSS approval of network pricing.

Questions	Ergon Energy's and Energex's commentary
will lead to good consumer outcomes?	CPPs have the potential to conflict with network tariff obligations and this also causes confusion around who is the customer for the network and in terms of prices. It is reasonable to expect network tariffs provide retailers as many efficient levers in its prices as possible and for retailers to work through how they want to offer that to customers in the context of delivering on any CPPs that apply.
Question 3: What are your views on our proposed Consumer Archetypes? For the purposes of this review: • Do the Consumer Archetypes capture the diversity of future energy consumers? • Do you agree that engagement is the primary axis of differentiation among electricity customers?	The measurement of engagement can be challenging, is nuanced in terms of underlying engagement purpose or driver and how a customer's engagement can be a function of an electricity service provider's approach to engagement. Our experience in network tariff engagement with stakeholders and regulators has been to develop segments that capture customer cohorts of interest on identifiable measurable characteristics. For example, with respect to exploring consumer energy resources (CER) we have found it particularly insightful to segment in terms of photovoltaic (PV) ownership to understand impacts and outcomes for those with and without PV. We haven't utilised engagement as a differentiator, though there are some customers that are more willing and able to engage in the energy system than others which may reflect preference or structural challenges. In our experience, participation, and benefit of CER is more strongly correlated with PV ownership for example, than engagement. The AEMC could consider whether engagement should be the primary segmentation or a variable within a segment (reflecting that engagement may vary between different customer groups). Segmentation based on the following circumstances/ characteristics may be useful to explore: • owners versus renters • multi-dwelling versus standalone • battery versus no battery • income • stage of life, and • socio economic status.

Questions	Ergon Energy's and Energex's commentary
	Our experience has found that early and continued engagement is an important factor to gain customers' support for initiatives we have championed. We also consider that trust - whether for DNSPs, retailers or other service providers - is also vital in ensuring that engagement is retained. Efforts to develop reforms should appropriately be weighted based on the proportion of customers in each Consumer Archetype.
Question 4: We want stakeholders to help us imagine the widest range of possible future products, services, and pricing structures. How might they look in the future? For example, you might consider: • How have products and services evolved in similar markets that were disrupted by new technologies, for example, in telecommunications and point-to-point transport? • What new innovations are we starting to see in current offerings? • What electricity products and services are available internationally that aren't available here? • Which technological trends may impact the electricity market, beyond those already discussed in this paper?	The energy supply industry is not immune to disruption and there are risks where value/ cost is allocated between participants and this does not result in greater benefits for customers overall. It is critical to avoid this scenario and look for areas to drive greater benefits and value (which should flow through to customers). That is, change for change's sake and competition for competition's sake, should not be progressed. Instead, reforms need to be value adding/ cost reducing. The level of disruption will continue with technological advancements, product innovation, regulatory reform and policy intervention. For example, the CSIRO and Essential Energy are currently undertaking a trial on bidirectional electricity flow, by enabling electric vehicle (EV) car batteries to capture excess rooftop solar generation to run households and export excess energy into the grid. A successful trial and continued significant growth in the uptake of EVs will result in a step change in the contribution of CER exports to the grid. Disruptive technologies present enormous potential to deliver customer benefits. However, it is important to ensure that the technical, system, security, equity, and regulatory impacts of these are carefully considered to ensure these continue to promote the NEO. Any framework/ changes proposed by the AEMC should include sufficient flexibility to evolve as markets, technologies, policies, and customer priorities evolve. That is, there should not be a fixation on specific solutions that may require further reforms in the future. In this context we think it is important to review the current framework considering whether the fundamentals are still fit for purpose and if these provide the right foundation for ongoing developments. We consider that a principles-based approach is best, particularly in a more uncertain environment. We note in the AEMC's paper discusses the current regime in a time of one-way flows. While that is not strictly correct, we think it is particularly important to recognise that the recent introduction of two-way

Questions	Ergon Energy's and Energex's commentary
• What types of pricing structures might align well with the proposed Consumer Preference Principles?	network pricing demonstrates the capacity of the current framework to both evolve and make step-changes in response to significant system and market developments. The above example demonstrates that the current principles-based network tariff framework is fundamentally sound and performs in terms of delivery of efficient network tariffs that support lower future network costs. Thus, when considering integrated solutions we need to be careful not to discard what is working and we should build upon these and focus on matters in the current framework which are no longer working as initially intended. With regards to future opportunities, the report produced by Energy Networks Australia (ENA) and L.E.K. Consulting titled: "The Time is Now Getting smarter with the grid" modelled the levers to pull for the distribution grid to support the decarbonisation of the electricity system and provide cleaner and cheaper energy solutions for all customers. The implementation of changes recommended in their report could save customers around $160 per year and avoid $7 billion in overall system costs in 2030 alone. These changes include increasing local grid generation and storage and plugging in more EV infrastructure directly to existing electricity assets like power poles.
Question 5: How could electricity products, services, and pricing structures be presented to serve future consumers?	As far as practical, products, services and pricing structures should cater for all customers so that no customer demographic is severely disadvantaged. However, those customers who are able and willing to alter their consumption behaviour to support efficient, full utilisation of electricity supply assets that leads to the minimisation of supply costs, should be incentivised, and rewarded. Regulation governing these should be principles based, with as little prescription as possible to enable flexibility in their evolvement. There is also a need to manage the potential for difference between rule changes and intent and any AER guidelines which may require or impose an interpretation that could be at odds with the AEMC's original aspirations.

Questions	Ergon Energy's and Energex's commentary
Question 6: How could consumer protections be balanced to enable further innovation in a future retail electricity market?	Substantive macro-level consumer protections are already embedded in DNSPs' regulatory framework that are focussed on determining efficient costs and a transition to efficient tariffs. We consider a very important consumer protection is offering cost reflective network prices to retailers as this presents opportunities for choice and control for retailers and reduces network costs for customers. Any decision that moves away from cost reflective network tariffs denies customers the opportunity and pathway to make decisions which are beneficial to themselves and the network via lower supply costs. We recognise the significance of delinking network pricing regulation with consumer protections or specific tariff outcomes. Network regulation exists to countervail monopoly power, not to make market decisions or pre-empt market outcomes. The temptation to see failures in other parts of the supply chain or more fundamental systemic inequality should be resisted. Any material changes to existing consumer protection frameworks (e.g. the National Energy Customer Framework should have a clear problem statement(s) definition, clarity on the impact and the alternative. It is also important to be clear why an energy specific change is required given that businesses are also subject to other regulatory frameworks (such as the Australian Consumer Law) that provide consumer protections. Any change would need to carefully balance consumer outcomes, cost, and potential impact on innovation to deal with the broader reforms the AEMC appears to be pursing.
Question 7: What barriers will need to be addressed to deliver future consumers a meaningful and beneficial range of products, services, and pricing structures? How might we consider addressing those barriers? • Consider the changes that are happening in the system now - what barriers might either endure or emerge post 2035?	The issue of energy bills and how they relate to smart meters and network tariffs have been a topic for media, political, and regulatory scrutiny for some time. For example, in: • August 2024: o The Queensland government introduced protections to ensure customers in South East Queensland were protected from unknowingly being placed on a time variant tariff. o A report by Energy Consumers Australia (ECA) titled: "Cost reflective network tariffs aren't very cost-reflective" questioned the relevance and effectiveness of network cost reflective tariffs applied to retailers. The report claims that because network tariff structures cannot fully reflect the true cost of the network, they won't lead to lower energy network costs for customers. Therefore, the paper argues that time variant network tariffs to retailers should

Questions	Ergon Energy's and Energex's commentary
	be disbanded or limited. Instead non-price initiatives and higher fixed charges are proposed as a worthy alternative. o The Australian Broadcasting Corporation (ABC) suggested time-variant tariffs are "all pain, no gain" to the current smart meter rollout suggesting complex tariffs that charge customers at peak times don't work and only hurt average people. • September 2024: o An article on complex network tariffs by the Australian Energy Council (AEC) argued that "complex pricing has been conflated with the smart meter rollout" and because of this retailers are left to manage price volatility and risk left by network charges if they are not able to directly pass these charges through to customers. o In the AER's Draft Determination for Ergon Energy's and Energex's Tariff Structure Statements, our proposed default tariff for small smart meter customers was rejected on the basis that customers who are transferred from flat tariffs to retail tariffs may not be equipped to understand demand-based tariffs or have capacity to mitigate their impact. Their conclusions are on the basis that "retailers are concerned about demand tariffs being too complex for small customers". • October 2024: o An article by the ABC suggests the industry is going to war with itself over the issue of how prices are set. The report cites claims by the AEC that "incredibly perverse" network charges are leaving many with complex prices and higher bills. • November 2024: o The AEMC published its final decision on the Accelerating smart meter deployment rule change which included new customer safeguards for a two-year period following the installation of a smart meter, where a customer cannot be moved to a new tariff without giving explicit informed consent. Unbundling all the issues raised in the above can be complex even for those working in the industry. Unfortunately the variety of viewpoints and well-intentioned opinion can often be supported by less informed or mischaracterised analysis which is what we see in the above August 2024 ECA article. A solution to the fear/ perception of network prices being too complicated could be to simplify these but this would diminish their efficiency/ effectiveness and lead to higher costs and inefficient investment.

Questions	Ergon Energy's and Energex's commentary
	In the current pricing of network tariffs there is lack of a clear consensus in terms of whether these are developed for retailers or retailers' customers. How network prices are passed through to customers is a commercial decision for retailers to make and within this framework the approach to setting network tariffs becomes the focus for providing retailers the most cost-effective efficient price signals possible to: • maximise the opportunity for response to network tariffs to drive efficient use of the network; or • allow individual retailers to trade-off between the value of those signals and other considerations in developing their customer offer. We advocate for strong cost reflective signals to retailers that do not pre-empt the retail function of how they intermediate between the cost of network services and the customer. The translation and intermediation of network tariffs to retail customers (along with all other services they bundle) is a core business competency of retailers.[4] Ergon Energy and Energex consider that flexibility in setting tariffs may become more important in future, as technology changes. For example, with wide-spread use of flexible import and exports, DNSPs may offer those customers favourable tariff arrangements. The current TSS process, while offering certainty, also limits DNSPs' ability to respond to changing customer desires, technology use, and usage profiles. There may need to be a broader rethink of the roles, services, functions, and mechanisms by which customers access products, services, and pricing structures and this is being assessed as part of our Local Renewable Energy Zones project where new business and regulatory models will be trialled to address some of the issues flagged by the AEMC in its consultation paper.
Question 8: What should network tariffs look like in the future? • What are the key choices and trade-offs we should consider when answering this question?	Network tariff reform complements other key initiatives aimed at ensuring our customers can navigate to a smarter, renewables enabled network, while driving efficient cost outcomes and fair prices for all our customers. Electricity pricing is a critical consideration in achieving both efficiency and fairness for all customers. While distribution costs represent less than a third of the average residential bill, network tariff reform - in terms of structure and allocation - is seen by customers, regulators, and policy makers alike as a change agent to delivering on efficiency and fairness outcomes.

[4] In markets that are not subject to jurisdictional arrangements.

Questions	Ergon Energy's and Energex's commentary
	More efficient tariff designs seek to align higher charges for using network capacity in the periods most likely to result in additional investment. This ensures that the recovery of future investment is allocated more to customers who use the network at peak times. If more customers, in response to higher charges choose to use less energy at peak times to save money, this is likely to defer the need for future investment, keeping network costs lower for all customers. Given that network revenues are capped, prices set higher to recover more revenue in peak periods must be offset by lower prices in other periods, providing even stronger pricing signals for customers to move energy use outside of peak periods. More recently, the AER and ECA identified low network utilisation as a source of concern. The AER has noted a clear preference for network businesses to concentrate on ways to facilitate greater utilisation of their networks prior to seeking approval for augmentation expenditure.[5] The ECA have suggested that low utilisation is evidence that networks no longer need to augment the network for peak demand in the long term, thereby making time variant tariffs redundant.[6] Tariff reform introduced in 2020 was designed to improve price signals and as a result encourage behaviour to improve network utilisation over the longer term. In the absence of any "signal" to influence consumer behaviour, there will be no equitable allocation to those who will contribute more to future costs. This is good news for customers who use more energy in peak periods who get the benefit of using more at peak times. Conversely, it is not very equitable for customers who choose to use less at those times but must contribute to greater costs. Efficient pricing is more about recovering current network costs in a way that ensures those contributing most to future network costs pay proportionately more for those costs, meaning that prices at other times are lower. Ergon Energy and Energex engaged Dynamic Analysis to model long term expenditure outputs that result from different scenarios of price responsiveness and dynamic load control. Their analysis suggested that tariff reform: • provides more equitable outcomes as changes in behaviour reward both the customer in terms of lower prices and the network in terms of less pressure on peak demand; and • has benefit for all customers over the long term, compared to no change especially when incorporated with dynamic control and load flexibility.

[5] AER, Q&A with the AER (linkedin.com).
[6] Energy Consumers Australia, report-cost-reflective-network-tariffs-arent-cost-reflective-5.pdfhttps://energyconsumersaustralia.com.au/wp-content/uploads/report-cost-reflective-network-tariffs-arent-cost-reflective-5.pdf.

Questions	Ergon Energy's and Energex's commentary
Question 9: How should the role of energy supply businesses evolve to meet customer and energy system needs in the future?	We expect that the traditional energy supply businesses versus customer relationship will experience, to some extent, a role reversal where it will be customers, through innovative technological advancements, that will drive energy businesses' product and service offerings. However, for regulated NSPs, the extent and pace of their evolvement will be limited by their overriding regulatory/ legislative obligations - some of which need to evolve. The AEMC may also want to consider the extent to which energy supply businesses should be incentivised and enabled to support customers to improve flexibility (e.g. through technology adoption), and equity of the energy transition (e.g. by providing support for vulnerable or disengaged customers). This is already a policy priority identified in the Commonwealth CER roadmap but is at the intersection of policy and regulation. Also, it is likely that over the next 10 years there will be a pivot to a new phase in electricity tariff adoption, where the proportion of customers who will be able to receive and respond to more efficient pricing structures (through the rollout of smart meters) will move from the minority to the majority. This change removes important barriers that for some time has slowed the pace of network pricing reform relative to other changes in the sector over the last decade. A rapidly changing environment, mostly driven by technological advancements, raises doubts on the continued suitability of parts of the current regulatory framework. Restrictions, such as ring-fencing, placed on DNSPs to prevent misuse of their market power are increasingly becoming barriers to innovation that could benefit consumers in the long run. This is particularly the case where there is a lack of an existing competitive market for the provision of innovative products and services, such as areas of regional Queensland. DNSPs must comply with existing competition and consumer laws and regulations, which, in our view, provide adequate consumer protections. Ring-fencing requirements may therefore be duplicative of existing regulatory frameworks. Removing these restrictions would provide customers greater choice in product and service offerings and suppliers at the lowest cost and allow greater utilisation of DNSPs' network assets and labour resources.
Question 10: What changes might be required in the future to the	DNSPs have a social and regulatory responsibility to service all customers equally regardless of their geographic location/ remoteness and cost to serve. Thus, any changes to the interfaces with other energy supply stakeholders must consider these responsibilities.

Questions	Ergon Energy's and Energex's commentary
interfaces between different energy supply businesses?	Also DNSPs' tariffs are economically efficient as these are designed to provide price signals to promote 24 hour utilisation of their networks and defer network augmentation until necessary. This part of DNSPs' mandate should remain untouched in any change to the interface with other energy supply stakeholders.
Question 11: Do you have any feedback on our proposed assessment criteria?	Ergon Energy and Energex support the proposed assessment criteria.