The Pricing Review: Electricity Pricing for a Consumer-Driven Future

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MASTER ELECTRICIANS AUSTRALIA

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The rapid rise of Consumer Energy Resources (CER) demands a sustainable, consumer-focused overhaul of Australia's energy pricing structure to unlock the full financial benefits of electrification. It is crucial to balance protecting vulnerable groups with limited CER access from disproportionate energy costs as they continue to rely on grid-supplied energy while rewarding those who have transitioned to electrification.

Time-of-Use (ToU) tariffs with split fixed and flexible components through secondary settlement points offer the most equitable and effective solution for pricing reform. To support adoption, a national awareness campaign is essential to educate households and businesses on leveraging ToU tariffs to reduce energy costs. We also need non-punitive measures to manage solar exports when not needed – consumers should not pay to export solar.

MEA also reiterates its support for enabling small customers to engage multiple Financially Responsible Market Players (FRMPs) on premises through secondary settlement points. This approach would drive market competition, encouraging retailers to offer more innovative and consumer-centric energy products.

Now is the time to establish a pricing framework that empowers all households and businesses to minimise energy costs and maximise CER benefits.

Future Products, Services and Pricing Structures

Stakeholder Feedback for Making Recommendations to Support Consumers

Q4: 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?*
- *What types of pricing structures might align well with the proposed Consumer Preference Principles?*

Amber Energy is a limited example of the retail services that need to be available to consumers. With their battery plan, consumers can charge up their Battery Energy Storage System (BESS) during off-peak periods when prices are low leaving them the option to utilise, store or export the stored surplus energy back to the grid during on-peak time when prices are high. MEA seek a future of more retailers providing such services and plans.[1]

[1] "Battery" *Amber Energy* < Solar and Battery | Amber>

Q5. How could electricity products, services, and pricing structures be presented to serve future consumers?

In the recent *Unlocking CER Benefits through Flexible Trading* consultation, MEA advocated for allowing multiple FRMPs at small customers' premises through a secondary settlement point ('FTM2 model').

In particular, MEA made the following argument –

> [For retailers] there is an obvious incentive to sell more power and to charge more for it, that is directly at odds with stated public policy. It is believed that multiple FRMPs at a single premises is a way to resolve this. However, if the Commission is rejecting the AEMO's proposal for multiple FRMPs, then MEA urges the Commission to amend AEMO rules to a version that promotes increased consumer choice for their flexible energy. This is essential for unlocking the full benefits of CER, efficiently using the wasted rooftop PV in the system, and reducing the need for investment in expensive publicly funded transmission infrastructure.

MEA maintains this position. We advocate for further consideration of multiple FRMPs operating at small consumers' premises through the secondary settlement point. However, in the absence of this decision, there needs to be regulatory incentive to encourage greater market competition amongst retailers to produce improved innovative products which allow consumers to maximise the benefits of their CER and reduce energy prices.

Q6. How could consumer protections be balanced to enable further innovation in a future retail electricity market?

- *Multiple FRMP Trials* - MEA recommends sandbox trials of multiple FRMPs for small consumers to evaluate the feasibility of this rule change, anticipating it will enhance CER benefits by fostering greater market competition.
- *Equitable Safeguards* – A consumer-focused regulatory approach must safeguard vulnerable households (such as low-income earners, renters, and high-rise residents) from negative impacts or exclusion during the transition to advanced retail pricing models designed to facilitate electrification.
- *Consumer Education and Awareness* – It is crucial to ensure consumers (a) can *choose* to switch to a ToU tariff and (b) are given adequate notice of the transition. The pricing structure should avoid being overly complex to assist consumers in understanding how ToU works and its benefits. Additionally, educating those reluctant to switch from a fixed-rate tariff will help them recognise the advantages and build confidence to transition their pricing plan.
- *Data Protection* – It is vital that consumer energy data is secure and protected when accessed by third parties for personalised energy solutions.
- *Dispute Resolution Process* – Electrification and its associated pricing structures are new and evolving, vulnerable to confusing consumers and/or taking advantage of their limited understanding of CER pricing structures. It is essential to have effective dispute resolution processes in place as innovative pricing products emerge, particularly during the initial 'teething' phase.

Q7. 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?

- *Vulnerable Groups* - As aforementioned, vulnerable groups with limited ability to directly benefit from electrification and its pricing structure include:
    - *Low-income households* – difficulty affording the purchase and installation of CER assets.
    - *Renters* – substantial capital cost for landlords without benefit.
    - *High-Rise Unit Residents* – Shared common areas governed by a body corporate, shared embedded network, and limited roof space.

  Pricing structures must ensure network maintenance costs do not unfairly burden consumers solely relying on grid supply, avoiding making energy more expensive for these cohorts.
- *Limited Education and Awareness* – All energy consumers, both willing and unwilling to transition to ToU tariffs, must be educated on the benefits of CER pricing and how to maximise energy savings. Consumer resistance will arise from those averse to change or lacking confidence due to limited understanding of the pricing structure's advantages.
- *Single FRMPs* – Restricting small consumers from engaging with multiple FRMPs limits market competition, reducing the incentive to offer optimal and innovative products that maximise CER benefits.
- *Export Charges* – Charging consumers for exporting excess solar energy to the grid during peak periods undermines consumer confidence in electrification and unfairly penalises households and businesses who have electrified.

Network Tariffs Fundamental Element of Pricing Structures Consumers Face

Q8. What should network tariffs look like in the future? What are the key choices and trade-offs we should consider when answering this question?

Time-of-Use (ToU) Tariffs

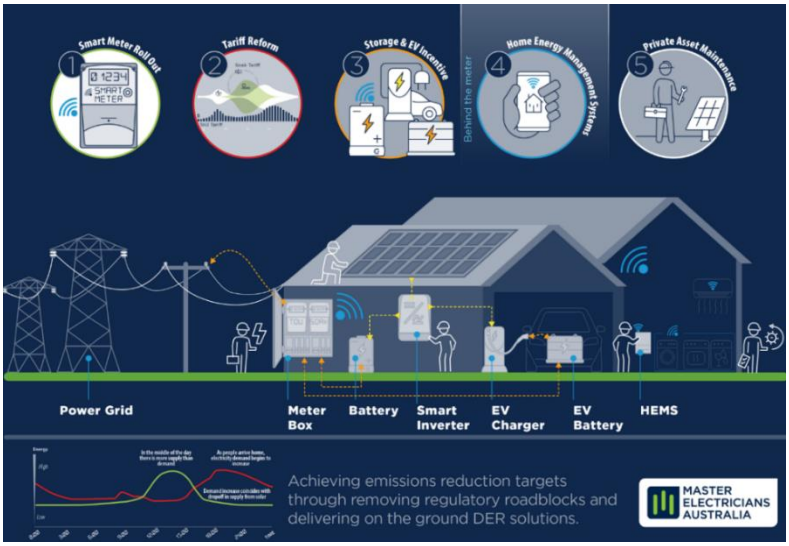
MEA supports ToU tariffs as a tool to reward consumers for leveraging CER through price signals that encourage efficient solar energy use during peak demand periods. Midday represents a minimum demand window when solar generation is at its peak, while 4 PM–9 PM typically marks a peak demand window when solar output declines.

ToU tariffs incentivise households to use stored energy from home batteries or send excess energy to the grid at strategic times. Reduced feed-in tariffs and grid energy prices during the midday minimum demand period discourages oversupply to the grid by encouraging solar energy storage within households. Conversely, higher feed-in tariffs and higher energy prices during peak demand periods reward households for exporting excess energy and/or encourage households to utilise stored excess energy to support grid stability and balance supply with demand.

Such tariffs will be the primary driver in altering consumer behaviour towards saving, utilising, and supplying energy. Well-designed ToU tariffs can alter consumer behaviour in response to price signals, encouraging users to dispatch stored solar energy earlier in the morning, freeing up battery capacity for later in the day. MEA proposes that fixed network charges should not be charged at the same price on a secondary settlement point as the primary NMI settlement. FRMPs should split the fixed network costs equitably in their consumer billing arrangements and charge the consumer a component for the administrative costs of providing their service. This will ensure vulnerable groups in the electrification transition are not disadvantaged with

higher energy prices during peak demand when they are most likely to be utilising energy from the grid.

However, MEA opposes the reported practice of energy supply businesses automatically switching households to ToU tariffs, as many consumers lack awareness of the pricing transition, an understanding of how to use ToU tariffs effectively, and/or access to assets like batteries to benefit from the pricing structure without added costs. While these changes stem from the smart meter transition, they are inequitable and unaffordable for those unable to adapt, unfairly penalising households that cannot take advantage of such pricing mechanisms. MEA urges the Commission to protect vulnerable energy consumers by ensuring households have the option to choose between a flat-rate tariff or a ToU tariff.



Solar Export Charge Tariffs

There is rising concern over the AEMO's recent decision to allow power companies to charge Australian solar consumers for exporting electricity back to the grid [2] to which NSW has actioned.[3]

Increasingly referred to as sun-tax, MEA claims a two-way tariff "punishes consumers for doing the right thing, strips away incentives to invest in solar, and risks giving renewable energy a bad name at a time when we must roll out more rooftop solar"[4]. Two-Way Time-of-Use (TWToU) tariffs disincentivises rooftop solar installations as it is seen as a punishment for following Government encouragement to install and utilise Solar PV. Imposing TWToU tariffs is a step backward during Australia's energy transition. We should strengthen incentives for solar investment, not weaken them, to support grid contributions from households and businesses.

MEA urges the Commission to reconsider and recommend revoking the rule allowing power companies to charge consumers who export electricity. MEA advocates for greater investment in private battery installations to address hosting capacity constraints (which are often cited to justify export charges). Additionally, states like Victoria and South Australia have implemented emergency backstop mechanisms to avoid such charges. With valid alternatives

[2] Alina Eacott "Electricity companies get green light to charge rooftop solar owners for exporting power to the grid" *ABC News* [12 August 2021] <Electricity companies get green light to charge rooftop solar owners for exporting power to grid - ABC News>
[3] Nina Hendy "Homeowners rush to buy batteries to avoid 'sun tax'" *Australian Financial Review* [03 September 2024] <Clean energy: Homeowners are buying batteries to avoid fees for excess solar energy (afr.com)>
[4] Kate Raymond "Sun tax to put further heat on households" Master Electricians Australia [27 June 2024].

available, charging consumers unnecessarily penalises those who lack understanding or the ability to avoid these fees.

Q9. How should the role of energy supply businesses evolve to meet customer and energy system needs in the future?
Energy supply businesses must be incentivised to innovate their product offerings. Currently, the lack of incentives for profit-driven businesses to provide potentially less profitable options limits market innovation. Policy should address this, ensuring consumers have opportunities to maximise the financial benefits of CER.

Energy supply businesses no longer operate in the traditional one-way network supply. With consumers gaining greater control over their energy use and costs, the role of energy supply businesses must adapt accordingly.

Q10. What changes might be required in the future to the interfaces between different energy supply businesses?
Please refer to questions 8 and 9.

Conclusion

The widespread adoption of CER is transforming Australia's energy system from a traditional one-way supply network into a dynamic, multi-directional model where consumers act as both users and suppliers. To ensure all households and businesses benefit from CER, Australia's energy pricing framework must be sustainable, equitable, and forward-looking.

Policy decisions must prioritise support for vulnerable households, including those with financial or logistical barriers to CER access. Pricing structures should avoid disproportionately burdening these groups, who often rely solely on grid-supplied energy, with excessive network maintenance costs.

MEA advocates for optional Time-of-Use (ToU) tariffs with split fixed and flexible components through secondary settlement points. To drive adoption, we recommend a national campaign to educate consumers on ToU tariff benefits and operations. Additionally, we call for the Commission to recommend revoking the AEMO's ruling on consumer export charges during peak periods, as these charges unfairly penalise those responding to government electrification initiatives. Viable alternatives exist to address hosting capacity constraints without punishing consumers.

While the Commission has previously ruled out allowing small customers to engage multiple FRMPs on premises, MEA urges reconsideration, at least through sandbox trials, to explore its potential for fostering competition and delivering diverse, consumer-focused energy solutions.

MEA looks forward to the outcome of this consultation and are available for further discussion.