

22 August 2024

Australian Energy Market Commission  
Level 15, 60 Castlereagh Street  
Sydney NSW 2000

Submitted at: [aemc@aemc.gov.au](mailto:aemc@aemc.gov.au)

EPR0097

Dear Sir/Madam,

### **Draft Terms of Reference - Electricity pricing for a consumer-driven future**

The Australian Energy Council (AEC) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) Draft Terms of Reference - Electricity pricing for a consumer-driven future (the Draft).

The Australian Energy Council is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. Our members collectively generate the overwhelming majority of electricity in Australia, sell gas and electricity to millions of homes and businesses, and are major investors in renewable energy generation. The AEC supports reaching net-zero by 2050 as well as a 55 percent emissions reduction target by 2035 and is part of the Australian Climate Roundtable promoting climate ambition.

### **Broad approach to the Market Review**

The AEC welcomes this review that seeks to address the role of electricity pricing, products and services in meeting the diverse needs of customers as the energy transition continues. The AEC is broadly supportive of the Draft Terms of Reference as outlined by the AEMC. There are three areas where additional focus may be warranted:

- 1. Market arrangements that provide for consumer choice between a range of appropriate products, services, and associated prices that suit their needs and preferences.**

The Draft places a full review of the consumer protection framework out of scope, but the Draft is not clear as to what extent it is prepared to contemplate a partial review. In considering the safeguards required for consumers both under the rules and other regulatory arrangements, the Draft suggests that further safeguards may be required, but is silent on the extent to which existing regulations that are no longer fit for purpose could be removed, or no longer be required to apply universally.

- 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.**

In using the term "effective" the Draft notes that effective means "designed with the end user and ability to implement in mind to have the most effective impact". Effective should also include a more explicit meaning, of having a measurable and material impact on the network condition that the distribution network tariff was designed to remedy. The implied efficient cost outcome from these complex arrangements is rarely realised in practice.

### **3. The role of retailers and energy service providers in effectively packaging and pricing electricity products and services to match consumer preferences.**

The consumer preference principles will be developed by reference to existing analyses of consumer preferences around energy prices, products, services, and CER. Whilst studying the buying and product-using habits of existing customers is a good starting point to anticipate the needs of *current customers*, what future preferences are like is more important in the context of this review. As the Draft notes, the current arrangements for electricity network and retail pricing may not deliver the best future for consumers. The AEC welcomes the Commission's signal that it may supplement its analysis with customer research.

Please contact David Markham, Regulatory Manager at [David.Markham@energycouncil.com.au](mailto:David.Markham@energycouncil.com.au) should you wish to discuss.

Yours sincerely,

***Jo De Silva***

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Australian Energy Council