SolarCitizens

A community voice for cleaner energy and transport

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Friday 13 February 2026

Australian Energy Market Commission
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The Pricing Review: Electricity Pricing for a Consumer-Driven Future

Thank you for the opportunity to make a submission to the Draft Report: *The pricing review: Electricity pricing for a consumer-driven future*.

Solar Citizens is an independent charity working to bring down bills and reduce carbon emissions by growing renewable energy and clean transport. Established in 2013, we have grown to have more than 200,000 active supporters, and we represent the 10 million Australians living in homes powered by rooftop solar, or who have adopted clean transport; and the many more who remain locked out of consumer energy resources (CER).

Overall, Solar Citizens supports the Australian Energy Market Commission's (AEMC) stated objective of developing a pricing framework that: strengthens retail competition and engagement; enables consumers and their agents to access and capture the value of flexibility and CER; and reduces total system costs over time.

However we are concerned about the proposal to increase fixed charges for all energy consumers, under Recommendation 5: ***"Amend the rules to focus network tariff design on efficiency, supporting a lowest-cost grid and a fairer sharing of costs among consumers".***

This proposal is outlined on page 36 of the Draft Report under the heading: "*Network tariffs: What does good look like?*" and includes the following detail:

- *"The dynamic charge we envisage in the future would be different from what is common among today's tariffs. The dynamic charges will be zero most of the time."*
- *"We expect the fixed charge will recover more of each network's revenue requirement than it does today."*

- *"We like fixed charges because they have a limited impact on customers' decisions."*
- *"When customers are deciding to heat their home, buy a new television or install solar panels, the fixed charge should not influence their decisions. This helps customers make good decisions."*
- *"Transitioning towards network tariffs that have a larger fixed charge component will help ensure that consumers can make the best use of network infrastructure to power their homes and businesses and to send power back to the grid. In the longer-term this will create the lowest cost electricity system."*

This submission addresses these concerns and answers Question 5 as stated in the Draft Report:

"Do you consider that the proposed reforms would be effective in delivering more efficient network tariffs and better promote the long-term interests of consumers than the existing rules? If not, are there different approaches that would work better?"

Recommendations 5 and 6 are closely linked, with Recommendation 6 setting out how the proposed pricing changes would be put into practice: *"Amend the rules to ensure networks design tariffs for energy service providers, rather than directly for customers, to promote more flexible and innovative retail offers."*

Solar Citizens does not support Draft Recommendations 5 or 6 proceeding. We welcome the opportunity to further discuss any aspect of our submission.

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Winners and Losers

Solar Citizens does not consider the proposed reforms to be in the long-term interests of consumers. Increasing fixed network charges would reduce households' ability to lower their electricity bills through efficient energy use, and would shift costs onto low-income households, and consumers who have invested in rooftop solar and batteries.

High electricity users would benefit from lower network charges, while distribution network businesses would benefit from more predictable cost recovery.

In contrast, low electricity users, and solar and battery households would face higher unavoidable network costs and reduced ability to manage their bills. This raises serious equity concerns and contradicts existing network price signals and disincentivises both consumer participation in the energy grid and private investment in CER including energy efficiency upgrades, rooftop solar and batteries.

Equity risks

While the AEMC frames its Draft Report as promoting a *"smarter, fairer"* pricing framework that ensures all consumers *"share system costs equitably"*, the proposed shift toward higher fixed network charges risks doing the opposite in practice.

The Draft Report emphasises equity and a *"fairer way of sharing costs among consumers",* and commits to detailed customer impact analysis to understand how different pathways affect different households. However the Draft Report does not include any modelling, data or evidence of how the increased fixed charges would benefit consumers or improve equity. Independent modelling by Green Energy Markets[1] shows that the AEMC's proposed reforms would worsen outcomes for low-income households while providing bill savings for high-income households.

This analysis models the immediate, economic impact of higher fixed charges using representative household types, and draws the following conclusions:

- **Low-income, low energy-use households would pay a lot more** - annual electricity bills are estimated to increase by $127 to $217 under the AEMC proposal.

- **Median households would pay more** - the estimated annual bill increases for median households range from $15 to $101 per year.

- **High-income, high energy-use households would pay a lot less** - the winners in this scenario, with annual bill savings of between $791 to $1,401.

[1] *Modelling provided by Green Energy Markets, February 2026*

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Overall, this modelling shows that the proposed pricing changes shift costs away from high electricity users and onto lower-consuming, lower-income households, contrary to the Draft Report's equity framing. This raises serious concerns about fairness, affordability and the long-term interests of consumers.

Risks to solar households

Consumer energy resources reduce network costs by lowering peak demand, reducing reliance on the grid at critical times, and by supplying energy closer to where it is consumed[2]. These outcomes have been enabled by more than $25 billion of private investment by Australian households in rooftop solar to date[3]. Households made (and are continuing to make) these private investments on the reasonable expectation that reducing their reliance on the grid and contributing to lower peak demand would result in lower electricity bills.

Increasing fixed network charges undermines that premise. It extends payback periods, cuts household bill savings, and reduces the return on investment of CER assets. This is not what solar and battery owners signed up, and it's unfair to introduce these changes now.

Green Energy Market's modelling shows that overall, the fixed charges proposal is expected to **reduce the financial benefits of solar and batteries by around 25–33 per cent.** In many cases, this would push solar and battery payback periods beyond the typical 10 years.

This would also put electricity pricing rules at odds with other government programs that aim to encourage CER investment and policies to encourage households to use less energy and shift their demand outside of peak periods. If the proposal was to go ahead, it could hinder progress towards the Federal Government's uptake target of two million batteries by 2030 - a direct contradiction to the Cheaper Home Batteries Program.

Australian households have invested enthusiastically in rooftop solar and battery storage. This has materially reduced reliance on the electricity network at key times of the day and year. The Institute for Energy Economics and Financial Analysis' (IEEFA) analysis[4] shows that during summer months, an 8 kilowatt (kW) solar system paired with 10 kilowatt-hour (kWh) of battery storage can eliminate a typical household's average daily peak demand across all capital cities, while still leaving spare capacity for export.

Solar and battery households also make the network cheaper for everyone. By reducing demand during peak periods and supplying energy closer to where it is consumed, they lower the need for costly network augmentation and additional transmission infrastructure.

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[2] Residential electricity price trends report (2024) AEMC

[3] Small-scale installation postcode data (accessed 2026) Clean Energy Regulator: *Applying typical industry cost figures suggests that households and small businesses have invested over $25 billion of private capital to install 4.2 million solar installations to date.*

[4] A focus on homes, not power plants, could halve energy bills (2025) IEEFA

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Currently solar and battery owners pay the same fixed network charges as other consumers, but pay lower volumetric network charges. Solar Citizens' position is that it is reasonable that these households pay lower network charges overall as they rely less on the network day to day, and are helping to mitigate the need for costly network upgrades.

The AEMC itself has recognised these benefits, noting in its 2024 residential electricity price trends report[5] that "the effective use of CER can lower system costs for all households by reducing the need for additional network investment to meet peak demand, and reducing the risk of spikes in wholesale prices."

The evidence clearly shows that rooftop solar, backed by storage and paired with demand-side flexibility such as energy efficiency and peak demand reduction measures - have the potential to unlock billions of dollars in savings not just for solar owners but for all energy consumers - by helping to avoid the need for costly grid-scale investments and driving down wholesale energy costs.

However, it's solar and battery owners who stand to lose the most from this proposal.

Green Energy Markets' latest modelling illustrates how higher fixed charges would penalise solar and battery households, compared to those without rooftop solar and storage. Their analysis assessed two household types: a 'median' household with electricity use aligned to Australian Competition & Consumer Commission (ACCC) data, and an 'environmentally conscious', fully electric household with an electric vehicle (EV).

The modelling then looked at the potential bill savings if each household type added an 8 kW solar system and a 20 kWh battery - and what the impact of higher fixed charges would be on each household (median, environmentally conscious, solar and battery vs no solar and battery). These impacts were calculated for the following networks: Ausgrid, Endeavour, Energex, United, Powercor, and South Australia Power Networks (SAPN).

For an electrified, environmentally conscious household on the SAPN network, under current tariffs, installing solar and a battery reduces the annual electricity bill from $3,614 to $250. Under the AEMC proposal, the same household would instead face an annual bill of $929, leaving it $679 worse off than under the current tariff rules.

Notably, the same household without solar and batteries would also see its bill **increase** by $572, demonstrating that the reform disadvantages both solar and non-solar moderate users.

[5] See 2

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Risks to future CER investment

Reduced financial returns for existing solar and battery owners will inevitably slow future uptake of CER. This has implications not only for household investment decisions, but for emissions reduction and system costs more broadly.

Impact on households: CER provide households with a key pathway to lower energy bills. With the right incentives and tariff settings, households who install rooftop solar can save up to around $1,400 per year on electricity costs[6], and more with batteries, virtual power plants and energy efficiency upgrades. Weakening price signals through higher fixed charges would reduce these savings, lengthen payback periods and slow uptake, limiting households' ability to reduce their energy costs.

Impact on the grid and system costs: Slower CER uptake would also represent a missed opportunity to reduce network and wholesale costs. The Australian Energy Market Operator's (AEMO) Draft Integrated System Plan (ISP)[7] estimates that coordinated CER, particularly flexible EV charging, could reduce system costs by $7.2 billion, while continued support for energy efficiency could deliver a further $12 billion in savings. IEEFA estimates that effective integration of distributed energy resources (DER) could deliver more than $19 billion in net economic benefits by 2040, including $10 billion in wholesale market savings for consumers[8]. Reduced uptake would place these benefits at risk.

Impact on emissions: CER are also critical to achieving emissions reduction targets. AEMO's 2026 ISP indicates that to keep warming within 1.5 degrees, rooftop solar uptake will need to roughly double over the next decade. Policies that weaken investment signals for solar, batteries and flexible demand risk slowing this transition and increasing reliance on higher-cost, higher-emissions alternatives.

Proposed alternative approaches

Households are already helping deliver a cheaper, cleaner and more reliable electricity system. Tariff reform should reward households for investing, shifting demand and supporting the grid, encouraging participation, instead of punishing it.

Investigate all options

Before endorsing higher fixed network charges, the AEMC should fully investigate all available pricing options and clearly demonstrate why fixed charges are preferable to alternatives. At present, that case has not been made.

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[6] Solar PV | NSW Climate and Energy Action (accessed 2025) NSW Government
[7] 2026 Draft Integrated System Plan (2025) AEMO
[8] DER could provide $19 billion economic boost by 2040 (2024) IEEFA

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The Draft Report does not include household-level bill modelling, distributional analysis across income groups or housing types, or assessment of long-term equity impacts. Without this analysis, it is not possible to conclude that higher fixed charges are the best or fairest option.

As a first priority, the AEMC should model a range of tariff scenarios, including predominantly fixed charges, predominantly volumetric charges, and hybrid approaches. This modelling should clearly show bill impacts for different household types and explain why one approach performs better than others.

Modelling should also assess alternatives that can reduce network costs without relying on blunt, unavoidable charges.

Alternative approaches include **dynamic operating envelopes** (DOE's) and **flexible export tariffs**, which allow households with solar and batteries to access spare network capacity when it is available, while limiting exports only when the network is constrained. Distributed Network Service Providers (DNSPs) such as Endeavour Energy are already demonstrating how more flexible, dynamic approaches can unlock existing capacity and reduce the need for costly network upgrades.

Dynamic incentives should also be modelled as an alternative or complement to fixed charges. These incentives encourage households to use electricity, export solar or charge and discharge batteries at times that support the system, such as increasing consumption during high solar periods or reducing demand during evening peaks. When well designed, dynamic incentives can lower network and wholesale costs while preserving strong price signals for efficient behaviour.

System-wide solutions - such **Urban Renewable Energy Zones** informed by **spatial mapping data** made available to local governments and other trusted stakeholders - should also be considered. An Urban Renewable Energy Zone (UREZ) is defined as a designated urban area that supports high levels of small- and medium-scale renewable energy. UREZs focus on coordinating generation, storage and demand within existing suburbs and town centres, rather than relying solely on large, remote renewable projects. For example installing rooftop solar and batteries on large commercial, industrial and public buildings, to enable this energy to be shared locally to nearby homes and apartments through the distribution network.

Recommendation:
Before any rule changes are made, the AEMC should publish detailed modelling that compares different tariff options and their impacts on real household bills, including low-income households, renters, average households, and solar and battery owners. This modelling should be made publicly available well in advance of any decisions, to allow proper scrutiny and stakeholder input. The assessment should identify which options deliver:

a) the greatest bill savings across all household types
b) the largest reduction in network and wholesale costs

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c) the strongest support for consumer energy resources, and
d) the greatest emissions reductions.

Reward demand-shifting behaviours

Households are not passive energy users. They already change when and how they use electricity, and they invest their own money in order to do so. Electricity demand rises in the morning and especially in the evening. Many households now reduce pressure on the grid during these peaks by using rooftop solar, batteries, smart appliances and EVs.

Higher fixed charges remove the incentives that currently encourage households to shift or reduce their grid consumption during peak periods. When more of the bill is fixed and unavoidable, households see less benefit from using less electricity, exporting solar, storing energy, or changing when they use power — even though these actions help reduce network costs for everyone. **This would put electricity pricing rules at odds with other government programs that aim to encourage peak demand shifting behaviour.**

For example, the Australian Government's **Solar Sharer Offer** (SSO) which will require retailers in Default Market Offer (DMO) regions to offer households at least three hours of free daytime electricity from July 2026. This is a good example of a retail energy market reform that will provide immediate bill savings to households and help to bring down energy costs system-wide, by better harnessing Australia's abundant solar energy and incentivising households to shift their demand in response.

AEMO's Draft 2026 ISP shows that consumers are already reshaping the electricity system through their daily decisions and investments. Electricity demand is not static: it rises during morning and evening peaks, and households are already responding to these signals by:

- installing rooftop solar and batteries to soak up surplus daytime solar and discharge during evening peaks,
- charging EVs outside peak periods, increasingly during peak solar hours,
- using smart home energy management systems to control hot water systems and appliances to avoid peak demand, and
- participating in aggregation through Virtual Power Plants (VPPs) and other coordinated services.

The proposal to increase fixed charges does not take into account the fact that many households are already reducing or shifting their electricity use in ways that support the grid. This proposal is not conducive to the global agreement made at COP28 in Dubai to triple renewables and double energy efficiency.

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Recommendation: The AEMC should ensure electricity pricing reflects the fact that households are willing to, and are already engaging with pricing signals and are shifting their peak demand and energy use according to this. These consumers should be rewarded for doing the right thing.

The Consumers' Grid

The lowest-cost electricity system is one that makes full use of CER, not one that sidelines them. Rooftop solar, batteries, EVs and energy efficiency reduce the need for expensive new generation, transmission and distribution infrastructure. They also lower wholesale prices, which benefits all consumers, not just those who own the assets.

AEMO[9] finds that relatively small investments in distribution networks, such as better voltage management, could unlock an extra 3.5 gigawatts (GW) of export capacity from existing CER. This avoids much larger and more expensive grid-scale investments. AEMO also finds that coordinating CER, particularly EVs, would reduce total system costs by $7.2 billion.

These benefits only happen if households are encouraged to keep investing and participating.

In contrast, higher fixed charges do not create a more efficient system. They would lock in business-as-usual spending on poles and wires and shift risk away from networks and onto consumers.

Recommendation: AEMC should consult with stakeholders including AEMO, IEEFA, DCCEEW and others, and investigate the lowest-cost pathway to reducing network costs, including any upgrades required to capitalise on the 4.2 million small scale solar installations and 1,000 home batteries being installed every day[10].

Consumer protections must come first

Households have invested billions of dollars of private capital in CER, and these assets now play a central role in the operation, reliability and decarbonisation of the electricity system. As CER becomes increasingly relied upon to deliver system benefits, it is essential that regulatory settings protect household investments and provide confidence for continued uptake.

Before making changes to network pricing that could affect the value of rooftop solar, batteries and other CER, the AEMC must address the lack of long-term support, protections and governance for CER owners.

At present, there are significant gaps in consumer protection for CER owners, particularly in relation to VPPs. Participation in VPPs is being actively encouraged through government programs, including the Federal Cheaper Home Batteries Rebate and state incentive schemes,

[9] 2026 Draft Integrated System Plan (2025) AEMO
[10] 200,000 bill-busting batteries installed in just 6 months. Media Release, Minister Bowen

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yet there are no national minimum consumer protections to guarantee transparency, autonomy or fair sharing of value. This creates risks for consumers and undermines long-term confidence in CER participation.

The AEMC should develop and implement national minimum consumer protections for VPPs as a priority. These protections should ensure clear and accessible information, fair contract terms, meaningful consumer control and appropriate safeguards for both residential and commercial participants.

Strong consumer protections will increase confidence among solar and battery owners to participate in VPPs, enabling greater utilisation of CER and allowing the broader community, including non-solar households, to share in the system and cost benefits these resources deliver. This is an example of how, with the right policy and market regulation settings in place, CER can play a central role in delivering a cheaper, cleaner and fairer electricity system.

More broadly, Australia lacks a clearly mandated national technical authority for distributed energy resources. The absence of such an authority creates risks for DER integration, system utilisation and fair consumer outcomes, particularly as pricing reforms increase households' exposure to network and market signals. Solar Citizens is actively advocating for a national DER technical regulator to oversee technical standards, data and interoperability requirements, and coordination across market bodies and network businesses.

Network pricing reform should not proceed before this governance framework and consumer protections are in place. This is necessary to ensure that CER owners are not exposed to additional risks and that household investment in clean energy is supported, rather than discouraged, over the long term.

Recommendations:

- The AEMC should develop and implement national minimum consumer protections for virtual power plants, including requirements for transparency, consumer control, fair sharing of value and clear consumer rights.
- The AEMC should not proceed with network pricing reforms until a national DER technical regulator has been established to ensure that solar and battery owners are not exposed to additional risks and that household investment in clean energy is supported, not discouraged, over the long term.

Conclusion

When fixed charges rise, the portion of the electricity bill that households can control shrinks. This weakens the business case for solar, batteries and energy efficiency upgrades, lengthens payback periods, and reduces the reward for shifting demand to times that benefit the system.

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Over time, fewer households will choose to invest in CER, and those that already have will have less incentive to actively participate through demand response or flexible exports. The result is slower uptake of low-cost, low-emissions solutions, higher long-term network and wholesale costs, and poorer outcomes for consumers overall.

For these reasons, Solar Citizens does not support Draft Recommendation 5 or 6 proceeding.

The proposed shift toward higher fixed network charges has not been supported by sufficient modelling or evidence to demonstrate that it would promote the long-term interests of consumers, and available analysis suggests it would worsen outcomes for many households.

Before pursuing pricing reforms of this scale, the AEMC should undertake further investigation, including detailed household-level and distributional modelling, and assess alternative approaches that better preserve price signals, support CER, and deliver lower system costs.

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