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Energex Determination 2025-30 (AER213703), Ergon Energy Determination 2025-30 (AER213702)

Thank you for the opportunity to make a submission in response to the Australian Energy Regulator (AER) draft decision and revised proposal from Energex and Ergon Energy relating to regulatory proposals for 2025-2030. Please note that given the similarities between the proposals of both Energex and Ergon, along with the fact they are both owned by Energy Queensland, we intend for this submission to apply to both distributors.

National Seniors Australia (NSA) is the leading advocacy organisation for older Australians. Through our research and advocacy activities, NSA works to improve the wellbeing of all older Australians, including pensioners, part-pensioners, self-funded retirees, veterans, and carers.

This submission responds specifically to network tariffs and the proposed changes to network tariffs.

In setting network tariff structures, the Australian Energy Regulator (AER) should be cognisant of the impact of cost-reflective tariffs on retail customers. Network tariffs will, in our view, have a material impact on the types of tariffs offered to residential customers by retailers.

Our position is that flat tariffs should be the default tariff for consumers and always an option open to them when choosing an electricity plan. Network tariffs should not undermine a retailer's capacity to offer a flat tariff to a residential customer. Our concern is that the proposal to set a Time of Use (TOU) energy tariff as default will result in residential customers being moved to plans they cannot manage, resulting in higher electricity bills.

We do not support the use of demand tariffs at the distributor-retailer or the retailer-consumer levels and welcome the AER's decision to reject the TOU demand tariff as the default tariff for residential customers on smart meters. Demand tariffs are confusing and do not encourage behavioural change, serving only as cost recovery tools which increase household energy bills.

The AER should not approve network tariffs that will undoubtedly result in complicated cost-reflective tariffs being passed on to consumers - unless there are adequate protections in place for customers. In this regard, we believe the protections recently proposed by the Australian Energy Market Commission (AEMC), as part of the accelerated roll out of smart meters, are not adequate.

If the energy sector is serious about encouraging households to adopt behaviours and technologies that reduce peak demand and smooth out energy demand, they should be supporting a hybrid/dual tariff option that only charges customers for the lessor of either a flat or TOU tariff. This innovation would give customers protection from bill shock and information about how they could achieve a cheaper bill via a TOU tariff, rather than simply punishing customers for not changing their behaviour.

Further detail of our feedback and recommendations are provided overleaf.

Yours Sincerely

[redacted]

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Substantive Feedback

Background for energy consumers

To provide some context for this submission to consumers, the AER is one of the national energy regulators. Its role is economic regulation and rules. As part of this, it conducts regular 'network revenue determinations', which set how much electricity businesses can collect in revenue over a five-year period. This determination relates to the electricity distribution businesses of Energex and Ergon in Queensland for 2025-2030. This relates to how retailers are charged by network operators. While this does not set the tariffs offered to residential customers, as our submission argues, network tariffs will likely have significant impact on end consumers and these impacts must be fully considered when making network revenue determinations.

Impact of cost-reflective tariffs on consumers

Given current cost-of-living pressures and ongoing concern about the price of electricity, we are deeply concerned by electricity industry moves towards cost-reflective tariffs, such as time-of-use (TOU) and demand tariffs, which are being enabled by the rollout of smart meters.

There is a fundamental injustice in the move to cost-reflective tariffs where there are inadequate protections for households who do not have the means to shift their energy use away from more expensive energy prices during peak times. Shifting energy use away from peak times, such as between five and nine pm in a household setting is not simple. Managing household energy use requires time, skills and resources, which many households may not possess.

Energy Consumers Australia (ECA) recently found that while some households are able to move the time they use some low-usage appliances, such as dishwashers and washing machines, they are less able to shift high-usage appliances, such as heating and cooling, which have far greater impact on energy use and energy bills[1].

While it may be true that wealthier households have the means to avoid the higher costs charged during peak demand times because they can afford technologies, such as solar and batteries, less affluent households who lack the capacity to adapt may be worse off under cost-reflective tariffs.

The move to cost-reflective pricing raises an important question for the energy sector. Why should the cost of stabilising the electricity network be placed on those least able to afford it? Someone on

[1] Time of use tariffs yet to work for many consumers, new report shows - ECA

the Age Pension is unlikely to be able to afford solar and battery systems or may not be able to limit use in peak times when faced with weather extremes, yet they will face a punitive bill if, for example, they turn their air conditioning on during a heatwave and are on a cost-reflective tariff.

We support the position of ECA that we should be rewarding households who can transition their energy use to reduce peak demand[2], rather than punishing households who cannot by imposing higher charges to force behavioural change.

Position of consumers not adequately considered

We are concerned that the AER, Energex, and Ergon, in formulating and debating the regulatory proposals, have not adequately considered the position of the end residential consumers in this process. The AER states that "cost reflective network tariffs should not inhibit consumer choice over retail tariff structures" and "retail tariffs are not required to reflect the structure of the underlying network tariffs"[3].

This ignores the significant commercial incentives retailers face to align the calculation of their revenue with their costs. As the Australian Competition and Consumer Commission (ACCC) has clearly stated, electricity retailers have an incentive to reduce the financial risk from a mismatch of revenue and costs by putting customers onto plans that are similar to the network tariffs[4].

Our concern is that without adequate consumer protections for households, many consumers will be worse off if they are forced to shift to cost-reflective pricing as is likely the case if TOU network tariffs are passed on to end customers. The move by the AEMC to approve the accelerated roll out of smart meters with limited protections for consumers means that households will eventually be switched to cost-reflective tariffs without their consent, even if they cannot manage these tariffs.

We are calling for a flat tariff to be the default tariff at the consumer level. We are concerned to see the proposed reassignment of customers who are switched to smart meters by the retailer is to move them from a flat tariff to a TOU tariff after twelve months.[5] While this is the charge to the retailer, this will create an incentive for customers to be moved away from flat tariffs. We do not see why this determination is set at a lower level of consumer protections than even the limited two-year protections proposed by the AEMC, though in our view this protection should be indefinite. This

[2] Time of use tariffs yet to work for many consumers, new report shows - ECA
[3] Draft Decision Energex Electricity Distribution Determination 2025 to 2030 Overview September 2024 - AER
[4] Inquiry into the National Electricity Market report: December 2024 - ACCC
[5] Tariff Structure Statement, Compliance Statement, November 2024 - Energex

is important as the relevant States have yet to implement the full consumer protections from the AEMC rule setting process.

Why TOU and demand tariffs are inappropriate at the consumer level

We have made several submissions to the Australian Energy Market Commission (AEMC) arguing that complicated tariffs are problematic and have no place in the consumer market without further protections and education[6,7,8,9]. In our latest submission we made it clear that the consumer protections proposed by the AEMC are wholly inadequate. We believe no smart meter customer should be put on to a cost-reflective tariff without prior consent. There should be much stronger protections in place before the accelerated roll out is allowed to proceed further and before network charges are altered.

Given the AER's role in ensuring "that consumers pay no more than is necessary for an energy system that delivers safe, reliable, secure energy…"[10] we would encourage the AER to consider the findings from the NSW Independent Pricing and Regulatory Tribunal (IPART) that flat tariffs result in the lowest retail consumer bills for any of the non-transitional electricity tariffs and their acknowledgement that households will find cost-reflective tariffs difficult to manage[11]. TOU plans are complicated in part due to the difficulties in shifting energy usage, but also the design of the plans, some of which can include multiple rates throughout the day, which can also change during the week and by the season.

We are encouraged by the AER recognising the negative impact of demand tariffs on consumers, especially so when the transitional tariffs expire, and tariff rates are increased. As the ACCC has said in its most recent National Electricity Market report[12], "demand charges have a substantial impact on customer prices". This is something that should not be supported during a cost-of-living crisis or ever. While acknowledging that the Default Market Offer (DMO) protections do not apply to demand tariff plans, the ACCC analysis found that approximately 51% of customers with demand charges were paying more than the DMO prices in 2024. It also found that flat rate plans without demand charges were 13.7% cheaper than those with demand charges.

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[6] The pricing review: Electricity pricing for a consumer-driven future submission - NSA
[7] Accelerated smart meter deployment submission - NSA
[8] Directions paper, National Electricity Amendment (Accelerating smart meter submission) - NSA
[9] Proposed rule change: Real-time data for consumers submission - NSA
[10] Our Role - AER
[11] Monitoring the NSW retail energy markets 2023-24 - NSW IPART
[12] Inquiry into the National Electricity Market report: December 2024 - ACCC

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Additionally, we also strongly oppose the future introduction of shoulder and off-peak demand tariffs without adequate protections, which Energex has proposed from 2027/28 (though with no charge for off-peak demand); as Energex said this is about extracting "residual revenue"[13].

Potential solution: hybrid/dual tariff

National Seniors Australia is not opposed to smart meter technology or to TOU tariffs if consumers choose this and are well informed when doing so. Reducing peak demand is critical to network stability. Some consumers would have the capacity to take advantage and respond to these tariffs and they should be free to choose those options.

We are, instead, strongly opposed to customers being forced to change to complicated tariffs they don't understand and have limited capacity to react to. The end result will be higher bills and higher revenues for the energy sector.

We believe if the energy sector was serious about reducing demand in peak times and not solely focused on revenue generation it would support the implementation of a hybrid/dual tariff at the retail level combining a flat tariff and TOU tariff. Under this model, consumers would receive a bill that shows the bill outcome for both tariffs but only be billed for the lower of either the flat tariff or the TOU tariff. As part of the bill, information could be provided showing what behavioural changes would be required to obtain a lower bill under the TOU tariff. This would provide consumers with protection from bill shock, while educating them about potential savings they could achieve from changing their behaviour (but only if they have the capacity to do so).

We urge the AER and others to consider the merits of this model, as it would both educate and protect end consumers. We do not support network tariffs that lead to the imposition of cost-reflective tariffs on households unless there are bill protection and education innovations like this in place.

[13] Tariff Structure Statement, Compliance Statement, November 2024 - Energex

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