

The pricing review: Electricity pricing for a consumer-driven future

ECA Submission to the AEMC on the
Pricing Review Draft Report



Energy Consumers Australia is the national voice for household and small business energy consumers. We advocate for a fair, affordable, and reliable energy system—one that meets everyone’s needs and leaves no one behind on the journey to net zero.

1 Feedback on the Pricing Review draft report

Energy Consumers Australia (ECA) welcomes the opportunity to make a submission to the consultation on the AEMC’s Pricing Review draft report. We continue to support the AEMC’s ambition to ensure electricity pricing frameworks are effective, fair, and fit for purpose as the energy system becomes more dynamic and decentralised.

As highlighted in our earlier submission, the review should provide solutions to ensure that:

- electricity is affordable for all Australians;
- system costs are recovered fairly, noting that cross-subsidies already exist and could grow; and
- retail services are simple and comparable, in the context of an increasingly complex retail electricity market.

The AEMC’s draft report is ambitious in its scope, and we are broadly supportive of and encouraged by the general direction of the reforms. However, we think there is still considerable work to be done in developing, testing and refining the proposals the AEMC has put forward to ensure they will deliver good outcomes for consumers. We have sought to approach the review in a constructive way by providing suggestions on what is needed to make these reforms work and where further evidence and analysis is needed.

On retail pricing, we particularly commend the AEMC on recognising that the ‘loyalty tax’ is leading to poor outcomes for consumers and considering reforms to directly address this. We think further development of reforms to ensure fairer retail pricing outcomes is worthwhile but highlight that this must be done in a way that does not increase market complexity.

On network tariffs, we recognise that recovering most network costs via consumption tariffs is increasingly not fit for purpose. We support the AEMC’s reforms to ensure network tariffs are cost-reflective, efficient and lead to equitable outcomes.

Network tariffs with a meaningfully higher proportion of costs recovered from households via fixed charges would be appropriate and more fit-for-purpose than the status quo. We also agree there are ways to effectively leverage CER flexibility in ways that don’t burden others. However, there are important implementation challenges to work through.

We recommend the AEMC undertake further consultation on how networks should set fixed network tariffs and ensures any transition is done in a gradual, measured way. We are certain that the AEMC (and the sector more broadly) can fairly and efficiently allocate fixed network costs while maintaining a strong safety net for vulnerable households.



Further information is provided in our responses to the questions posed by the consultation paper. If you have any questions, please contact Ashley Bradshaw at ashley.b@energyconsumersaustralia.com.au and Adam Collins at adam.collins@energyconsumersaustralia.com.au.

Your sincerely

A handwritten signature in blue ink that reads "Brendan French".

Dr Brendan French
Chief Executive Officer



2 Responses to Consultation Questions

General comments on retail pricing reforms

ECA welcomes the AEMC's acknowledgement of the need for retail market reforms. It is significant that the AEMC has recognised that the predominant form of competition in this market, in which low-cost acquisition offers are subsidised by longer-term customers paying a 'loyalty tax', is leading to poor outcomes for consumers.

We support further development of potential retail pricing reforms, particularly Recommendation 1 ('same plan, same price') which would directly target loyalty pricing. We think this reform could meaningfully address this issue and contribute to broader qualitative benefits like improved consumer trust and confidence in the energy market. However, the proposal would need to be carefully designed and implemented so that it does not inadvertently add to existing market complexity and consumer confusion.

As well as addressing the loyalty tax, this reform should be explicitly designed with a second objective in mind: to ensure offers are simple and comparable in the context of an increasingly complex retail electricity market. Recent ACCC analysis on the complexity and number of retail offers – more than 145,000 across the NEM – further highlights this need.¹

We recognise there is a potential for Recommendation 2 (competitive franchise auction) to deliver better price outcomes for standing offer customers and welcome the AEMC's attention on outcomes for these consumers. However, we have highlighted significant practical and implementation issues that would need to be overcome for this reform to succeed and not lead to negative experiences for these customers.

We also note recent reforms to the Default Market Offer (DMO) framework (which ECA has supported) are yet to take effect, so it may be premature to consider reforms that would ultimately displace the default offer framework. Still, it is useful to consider the framework that would provide the best outcomes for standing offer customers in the longer-term. We are open to this being something other than a default offer framework if this would lead to better consumer outcomes but are not yet persuaded the proposal as presented would achieve this. Any move away from this framework would need to consider not just price impacts but the consumer experience and any subjective value consumers might place on having an independently determined and regulated price.

To support this submission – and the further analysis we think is required – ECA asked Finncorn Consulting to develop a short report on assessing the impacts of these proposals (**Attachment 1**). The report provides a robust framework for considering the trade-offs and possible outcomes that might arise from these reforms, and how this should influence the design and implementation of any reforms should they be adopted. We recommend the AEMC consider Finncorn's report and the matters raised in our submission in preparing its final report.

While we welcome that the AEMC has initiated the Pricing Review, the number of concurrent reviews affecting retail pricing highlights the need for better coordination of energy pricing reforms. As well as the Pricing Review, major reforms that would impact energy pricing are being considered as part of:

¹ ACCC, [Inquiry into the National Electricity Market - December 2025 Report](#).



- DCCEEW's review of the Prohibiting Energy Market Misconduct provisions, which includes a range of retail pricing reform proposals
- reforms to the DMO and introduction of the SSO on 1 July 2026
- DCCEEW's Better Energy Customer Experiences reforms, which include consideration of a consumer duty for energy. Research commissioned by ECA highlights the potential for a consumer duty to deliver better consumer outcomes including to ensure fair price and value for energy.²

We acknowledge the AEMC has identified some of these interactions but remain concerned that these reforms are being considered in a disjointed way, which may lead to reforms being determined more by process and timing rather than a holistic consideration of all relevant options. We recommend the AEMC engage closely with DCCEEW to ensure appropriate coordination of these reviews.

While we support further development of retail pricing reforms as part of the Pricing Review, we continue to advocate for broader structural reform through the introduction of a consumer duty obliging energy providers to act to deliver good outcomes for consumers. Research commissioned by ECA has highlighted the potential for a consumer duty to address loyalty pricing by requiring retailers to ensure energy plans are suitable for their customers and offer fair price and value, regardless of the age of the contract.³ We encourage the AEMC to ensure the compatibility of any proposed reforms with a potential consumer duty.

Question 1: Remove retail loyalty tax

AEMC Recommendation 1 - Require energy service providers to charge all customers on the same plan the same price, to address the 'loyalty tax' on customers who don't switch and ensure every customer is always on the best price

Do you consider recommendation 1 would provide a better outcome for market offer customers? If so, why? If not, why not and are there other approaches that would work better? What further implementation and market impacts would need to be considered?

The 'loyalty tax' needs to be addressed and retail markets made simpler and fairer

ECA strongly agrees that the 'loyalty tax' needs to be addressed. We have raised through several recent AEMC reviews that the current retail market structure – that requires consumers to constantly 'engage' with the market and switch regularly to avoid paying more – is not delivering good consumer outcomes. We do not think this is appropriate in a market for an essential service and welcome that the AEMC seeks to address this.

Since the release of the draft report, the ACCC has published further analysis that confirms that loyalty penalties persist in the retail electricity market and encourages policymakers to continue to protect customers who do not or cannot regularly switch plans.⁴

² ECA, [Exploring a consumer duty for Australia's energy market | Energy Consumers Australia](#).

³ Paterson, Willis and Bourova, Suitability Analysis for a Consumer Duty in Retail Energy Markets: Report #3.2, available at [Exploring a consumer duty for Australia's energy market | Energy Consumers Australia](#).

⁴ ACCC, [Inquiry into the National Electricity Market - December 2025 Report](#), 2.



While the analysis indicates loyalty penalties have reduced, it concludes this is driven by rising acquisition prices (rather than falling prices for loyal customers).⁵ Customers on older (3+ years) plans still pay on average \$221 more than customers on new plans; residential customers could have saved on average \$291 by switching to the retailer’s best offer, and small business customers could have saved \$490.⁶

The ACCC’s analysis reveals the extraordinary number of retail plans, particularly legacy plans that support segmentation of customer bases and enable price discrimination, highlighting how market complexity contributes directly to poor pricing outcomes for consumers. The ACCC finds there are 145,500 plans across the NEM, with as many as 26,700 in a single distribution zone. Further, the ACCC found customers would be offered up to 233 plans on Energy Made Easy (EME) when switching.⁷ ECA found customers may be presented with more than 300 plans:⁸

Postcode	Number of plans listed on EME (February 2026)
2000	336
4000	312
5000	291

20% of consumers review their energy plan only ‘once every few years’ and 16% ‘less frequently than every 5 years’ or never.⁹ Many consumers who do not review their energy plan regularly say they ‘wouldn’t know where to start’. Of consumers who reported not reviewing their energy plan regularly, 51% of consumers reporting two or more vulnerability indicators stated that a main reason was that they ‘wouldn’t know where to start’ – compared to only 22% of consumers not reporting hardship indicators. This is despite only 18% for consumers with two or more hardship indicators saying they are satisfied with their current plan.¹⁰

As we have noted in our earlier submission to the Pricing Review, requiring consumers to switch to get a fair deal imposes time and grudge costs onto consumers, leading to a poor experience of the energy market. Indeed, because the market is so complex, engaging with the market once (for example, when moving into a new property) may make consumers less likely to want to engage with it in future. While we welcome the AEMC’s acknowledgement of the need to address the loyalty tax it is important that this is done in a way that reduces, rather than increases, the complexity of the energy retail market.

We support Recommendation 1 being further developed but recommend the AEMC undertake further analysis of the likely impacts of the reform proposal

We support the principle that customers on the same plan should pay the same price. We do not consider there is benefit in consumers paying different prices for an identical service. While we recognise that low-priced acquisition offers depend on this form of price discrimination, this leads to a market

⁵ Ibid, 20.

⁶ Ibid, 5, 36.

⁷ Ibid, 34-35.

⁸ Energy Made Easy, accessed 10 February 2026. The following options were selected: ‘Electricity’, ‘Plans for my home’, ‘I’m moving to a new home’, ‘None/Not sure/Not in this list’, ‘Medium’, ‘All plans’.

⁹ ECA, [Consumer Energy Report Card data | Energy Consumers Australia](#).

¹⁰ ECA, [Understanding and measuring energy hardship in Australia](#) (July 2025).



where churn dominates retailers' thinking, expenses and focus, to the detriment of service and sustainable pricing.

We generally agree with the AEMC's view that the proposed reform could lead to better outcomes for consumers, but further analysis is needed to clearly assess and understand the consumer impacts of the reform. This has been highlighted by other commentators.¹¹ A clear understanding of these outcomes, and the trade-offs inherent in the proposed reform, is needed to ensure the proposal is the best option to achieve its intended purpose.

While we recognise the AEMC seeks to use this consultation to elicit information from stakeholders to understand the impacts of the reform, in further developing the proposal the AEMC must itself clearly articulate its hypothesis for how it expects the retail market will work if the proposal is implemented, what the consumer impacts will be, and the evidence supporting this view.

Finncorn's analysis presents a framework for assessing the impacts of the proposal:

- **First order impacts:** what are the impacts on the dispersion of retail prices faced by consumers based on their engagement (and how does this align with a definition of 'equity')?
- **Second order:** what are the impacts on structural costs in retailers?
- **Third order:** what are the impacts on competition and thus retailer profitability / consumer costs?
- **Fourth order:** on what alternate basis would retailers compete under the new framework?

We think this is a useful starting point for considering how the proposal might impact retail pricing, offers and competition – and ultimately the outcomes for consumers. We recommend the AEMC undertake further analysis for the Final Report considering these matters. This would make clearer the extent the proposal might address the 'loyalty tax', and the assumptions trade-offs in doing so.

For example, retailers have raised concerns that the benefits for customers who do engage in the market will be removed.¹² We agree that it is likely that low-priced acquisition offers would be removed from the market or would become less prevalent. What is important though is the trade-offs involved and whether the reform would achieve its objectives and lead to a better and fairer market for consumers overall.

This would require understanding (or at least speculating, with evidence): What would the reform mean for prices for loyal customers paying the highest prices now? What would it mean for average prices? How would it impact consumers experiencing hardship or vulnerability? Would it improve customer perceptions of fairness and trust in the market? How would the range and types of offers in the market be affected?

This should include consideration of actual prices paid by customers, not just offered prices, as 'loyalty' prices for older contracts tend to be 'hidden' and are not reported on Energy Made Easy like generally available offers (this in itself contributes to the prevalence of loyalty pricing strategies).

We would also expect the AEMC to examine how retail costs might be impacted under this proposal and how this would affect retail prices faced by consumers. For example, the Finnorn analysis notes that a second order impact of the reform could be to materially reduce industry-wide retailer costs via lower

¹¹ See e.g. Dr Ron Ben-David, [Pricing reform needs stronger foundations | The Energy](#).

¹² Australian Energy Council, [Implications for Competitive Market in Pricing Review](#).



customer acquisition and retention costs. This would be a material benefit that would lead to lower average costs for consumers.

Fairness and trust in the market need to be considered; consumers see loyalty pricing as unfair

Beyond quantitative analysis of price impacts, the AEMC should also consider the qualitative benefits that may arise from the proposal, such as improving consumer confidence and perceptions of fairness and trust in the market. We would expect the proposal will positively impact both – though only if it also reduces market complexity and confusion for consumers.

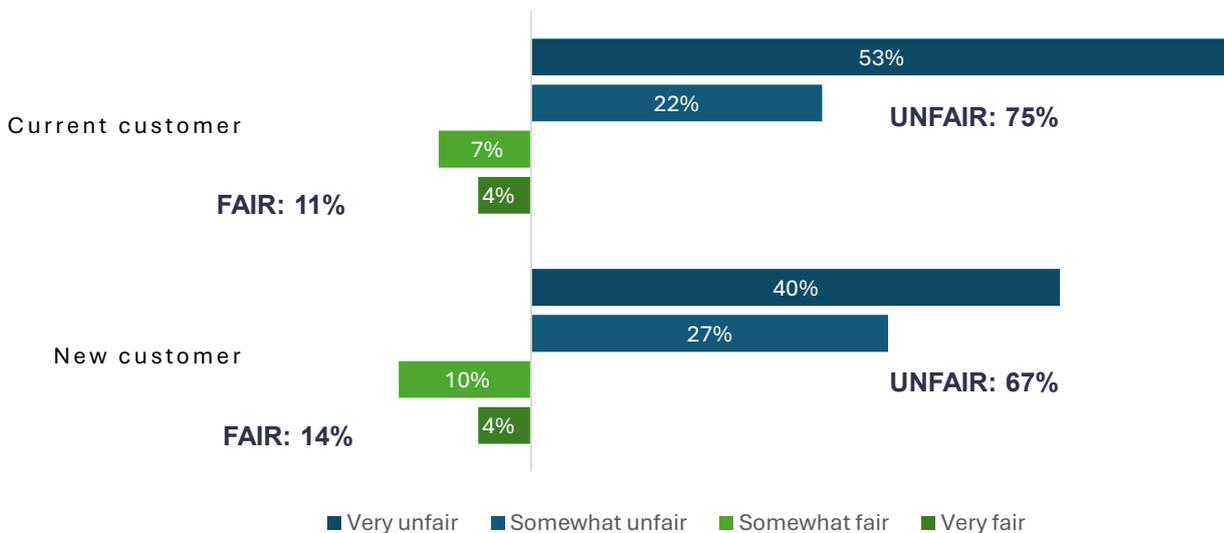
As Finncorn’s analysis notes, improved trust could be a meaningful benefit of the reform, even if there are no changes to retail costs and margins and the average prices faced by consumers.

To understand consumers perceptions of the fairness of ‘loyalty tax’ pricing ECA commissioned a survey of more than 2,000 households. The survey aimed to test whether consumers consider it fair that newer customers are offered cheaper plans for the same service than existing customers on older plans are paying. The survey questions asked this from the perspective of both a ‘loyal’ customer (i.e. a customer on an older plan) and a switching customer seeking a new energy plan.

Consumers overwhelmingly perceive this as unfair regardless of whether they are an existing customer or a switching customer:

- among current (‘loyal’) customers, 75% said this was unfair and 11% said this was fair (remaining respondents answered ‘neither fair nor unfair’)
- among ‘new’ customers, 67% said this was unfair and 14% said this was fair.

Figure 1 - Fairness of new customers being offered cheaper plan



Source: SEC Newgate on behalf of Energy Consumers Australia, February 2026.

Hypothetical ‘current’ customers were asked: Imagine you had been with a particular household energy provider (e.g. gas or electricity) for about two years. You discover that a new customer signing up today is offered a cheaper price for the exact same energy plan that you are on. How fair or unfair do you think this is?



Hypothetical 'new' customers were asked: Imagine you are looking for a new household energy provider (e.g. gas or electricity). You find an energy plan with a cheaper price than what the provider charges its long-term customers for the exact same plan. How fair or unfair do you think this is?

The need to consider both quantitative and qualitative costs and benefits has also been a significant feature of Ofgem's considerations in extending the UK's Ban on Acquisition Tariffs (BAT), which the AEMC has commented on in its draft report.¹³

In its 2024 Decision, Ofgem noted that its analysis of BAT had been 'predominantly focused on quantitative, economic impacts' but that it was 'persuaded by arguments that the qualitative benefits of retaining the BAT, including in terms of consumer trust, should be given more weight'.¹⁴ Ofgem noted that:

'There is a reasonable concern that perceptions of a market with short-lived acquisition tariffs and end-of-contract price rises could reduce trust, which in turn could have adverse effects on effective competition in the medium term.'

Similar observations could be made of Australia's energy retail market.

Surveys in the UK also show that customers overwhelmingly find acquisition-only pricing unfair, even when they are the beneficiary of these prices (as a switching customer).¹⁵ The BAT has been overwhelmingly supported by consumer groups and retailers in the UK.¹⁶ Ofgem data suggests that since the introduction of the BAT there has been an increase in market innovation, consumer trust, switching rates and intention to switch.¹⁷

While the AEMC's proposed reform is not identical to the BAT (AEMC suggests its proposal, 'encompasses the benefits of Ofgem's, but differs from this as customers would not need to switch to maintain a competitive price')¹⁸ we consider it could have similar benefits if designed and implemented well.

The reforms should aim to reduce the complexity of the market

Many consumers find energy offers and contracts complex and confusing. Our Consumer Energy Report Card surveys show that 30% of consumers don't know what type of electricity tariff or plan they have, and 31% of consumers don't know what a tariff is (only 23% 'definitely know' what a tariff is).¹⁹ ACCC data highlights the sheer volume of plans, as well as a 37.7% increase in the number of consumers on complex plans in 2025 alone.²⁰

Confusion about energy plans contributes to apprehension about engaging in the energy market. While we expect fairer and more transparent pricing may improve consumer trust and engagement in the market, it is important this is not offset by increased complexity across other non-price dimensions.

As indicated below consumers report significant difficulty understanding energy plans or contracts, and at higher rates than for mobile phone or internet plans.

¹³ AEMC, Draft report, 64 (Box 6).

¹⁴ Ofgem, [Decision on the Future of the Ban on Acquisition-only Tariffs \(BAT\)](#), 1.8, 3.2.

¹⁵ Which, [How do consumers feel about acquisition-only tariffs? - Which?](#)

¹⁶ Ofgem research, cited in: [Imagine an energy market where loyalty is rewarded | Octopus Energy](#), 11.

¹⁷ Octopus Energy, [Imagine an energy market where loyalty is rewarded | Octopus Energy](#).

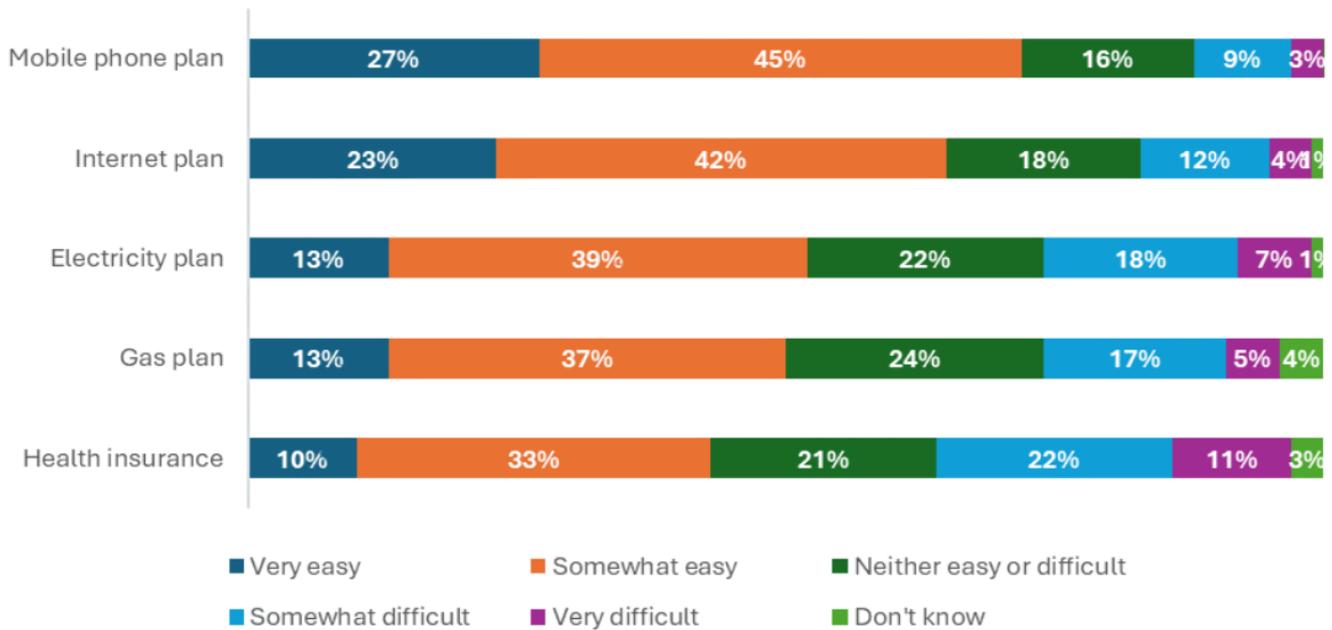
¹⁸ AEMC, Draft report, 64 (Box 6).

¹⁹ ECA, [Consumer Energy Report Card data | Energy Consumers Australia](#)

²⁰ ACCC, ACCC, [Inquiry into the National Electricity Market - December 2025 Report](#), 30.



Figure 2 – How easy or difficult people find it to understand plans or contracts



Source: SEC Newgate on behalf of Energy Consumers Australia, September 2025.

As we noted in our earlier submission, a proliferation of complex products and pricing structures is not indicative of market innovation. Even where products are designed to increase choice for more engaged customers, they should be easy to understand and compare.

We expect the proposal would, at least, reduce the large number of legacy plans that differ from new plans only by being at a different (usually higher) price. However, one concern we have with the AEMC’s proposal is that it may incentivise a proliferation of offers with superficial differences or meaningless and potentially costly add-ons or ‘perks’ that obfuscate prices. While we recognise the AEMC aims for plans to be ‘meaningfully different’, we have concerns about how this standard would be understood and applied, and some of the examples provided do not appear to meet this standard.

For example, the AEMC suggest plans with insignificant differences in time of use periods would not be meaningfully different. However, the AEMC also states, ‘an energy service provider could have multiple plans with different prices at different times, such as a family plan with cheap hours after school, a plan aimed at retirees with cheap daytime hours’.²¹

This suggests that a different time of use window of a few hours might be ‘meaningfully different’, but a shorter period might not. Where would the line be drawn – would a one-hour difference be ‘meaningful’? Two? We appreciate that the point of a principles-based obligation is to not require prescriptive rules, but more clarity is needed to understand how the AEMC expects this will operate.

²¹ AEMC, Draft report, 66.



We are also unsure as to why the draft report indicates that ‘minor differences in prices’ would not be meaningfully different – we agree with this, but this implies that the AEMC considers that a ‘major’ difference in prices might be meaningfully different. This is precisely the issue that the proposal is seeking to address, i.e. differently priced energy plans for the exact same service.

A related practical matter the AEMC should consider, and address in its final report, is how sign-up bonuses or similar financial incentives would be treated under the reform. We do not think it would be an effective outcome if acquisition tariff pricing is simply diverted to greater or more common sign-up bonuses.

These issues require further consideration.

Energy plans with bundled non-energy products are not ‘meaningfully different’ and introduce risks to consumers

The draft report also states the proposal would allow plans with ‘added perks, such as Netflix subscriptions, Qantas’.²² If these are considered ‘meaningfully different’ plans we have concerns that the proposal may lead to a proliferation of offers with arbitrary ‘perks’ that do not have any relation to a consumer’s energy needs. These offers might instead obfuscate prices and comparability, contributing to complexity and consumer confusion – a concern that has been previously raised by consumer advocates.²³

The AEMC should consider whether energy plans bundled with other service are worth the hassle. While they may appear to create valuable offers for consumers, they also include a lot of risk. Bundled contracts can limit consumers’ ability to assess value, compare offers or determine whether a product is fit for purpose, and we consider this has the potential to contribute to consumer harm. Product bundling has attracted significant regulatory scrutiny in other sectors (such as financial services) and its increasing prevalence in the energy sector should be treated with caution. There may also be unique risks arising from the bundling of an essential service with non-essential products or services.

We do not think that simply adding non-energy products and services onto an energy plan should be considered a ‘meaningful difference’ that justifies differential pricing. We do not object in principle with energy plans being offered along with other services (e.g. internet plans) but the costs for the non-energy service or product should not be paid through a customer’s energy bill. What is relevant for consumers to transparently compare plans and prices is the cost of the underlying energy service.

For example, we are aware that some retailers offer Netflix plans where the Netflix service is paid through a higher daily supply charge compared to the equivalent non-Netflix plan. We do not think this should be encouraged (or perhaps even allowed) as the Netflix plan is unrelated to the costs of supplying electricity and should be billed separately.

An outcomes-based obligation – like a consumer duty – could address these risks

While we support the proposal in principle, we recommend that it also explicitly aims to address market complexity and is designed and implemented accordingly. Equally, we recognise that overly prescriptive requirements may have negative impacts. For example, previous retail market reforms in the UK that

²² Ibid.

²³ E.g. CHOICE, [Energy plans bundled with extras might not add up to a good deal](#).



limited retailers to offering only four tariffs were subsequently removed due to their impacts on competition and innovation and were replaced by enforceable principles rather than detailed rules.²⁴

As the AEMC is aware, DCCEEW is separately considering introduction of an energy consumer duty. We have commissioned research highlighting the potential of a duty to address loyalty pricing and billing confusion in the retail energy market.²⁵ This could be achieved in part by specifying consumer outcomes that oblige retailers to ensure energy services are suitable for consumers' needs and offer fair value.²⁶

The AEMC should consider an outcomes-based approach, similar to a consumer duty obligation like that being considered through the BECE process. An outcomes-based approach to energy plans could require retailers to ensure they are suitable and offer fair value (that would be compatible with a consumer duty if one were to be introduced). We consider this might act as an appropriate restraint on retailers' ability to offer plans that with arbitrary or low-value differences or perks, even without a 'meaningfully different' requirement.

A design and distribution obligation (similar to Part 7.8A of the Corporations Act) could also form part of such a duty. For example, regulatory guidance on the financial services product design and distribution obligations addresses how they apply in respect of bundled products.²⁷

Question 2: Introduce a competitive franchise for the cohort of customers who have not chosen a market offer

AEMC Recommendation 2 - Introduce a competitive franchise for the cohort of customers who have not chosen a market offer, so that all customers are on a competitive plan

Do you consider recommendation 2 would provide a better outcome for standing offer customers? If so, why? If not, why not and are there other approaches that would work better? What further implementation and market impacts would need to be considered?

We welcome that the AEMC is actively considering how to deliver better outcomes for standing offer customers.

ECA has generally been supportive of the role of default offers but we have also previously raised concerns where they have not been working effectively to protect consumers.²⁸ We were pleased to see many of these concerns recognised as part of the recent review of the DMO and are broadly supportive of the outcomes of that review.²⁹ However, we do not discount the possibility of there being other, potentially better, ways to meet the needs of standing offer customers in the longer term. Indeed, the Finncorn report suggests that the best way to assess Recommendation 2 may be as a planned replacement of the DMO and VDO. These are broader policy questions that would need detailed consideration by policymakers and Energy Ministers.

²⁴ Ofgem, [Modification of electricity and gas supply licences to remove certain RMR Simpler Tariff Choices rules](#) | Ofgem; [Final Decision: Enabling consumers to make informed choices](#) | Ofgem.

²⁵ Paterson, Willis and Bourova, [Suitability Analysis for a Consumer Duty in Retail Energy Markets: Report #3.2](#), available at [Exploring a consumer duty for Australia's energy market](#) | Energy Consumers Australia.

²⁶ Paterson, Willis and Bourova, [Models for a Consumer Duty in the Retail Energy Market](#), available at [Exploring a consumer duty for Australia's energy market](#) | Energy Consumers Australia, 3.

²⁷ Australian Securities and Investments Commission, [Regulatory Guide RG 274 Product design and distribution obligations](#), 41-42.

²⁸ E.g. ECA, [Energy Consumers Australia response to DMO 2025-26 Final Decision](#) | Energy Consumers Australia.

²⁹ DCCEEW, [Default Market Offer - DCCEEW](#).



We do think it is a plausible scenario that an auction process could result in better pricing outcomes for standing offer consumers. The Finncorn report highlights the proposal could also improve retail competition (which we think is worthwhile if it leads to better outcomes for consumers) by providing an opportunity for smaller retailers to grow at much lower costs than through organic acquisition costs. As the Finncorn analysis highlights though, there are risks to a pro-competitive outcome, primarily arising from the cost advantages of larger retailers but also from the limited capacity for smaller retailers to take on new customers at the scale an auction process would require.

However, there are also very significant practical concerns, and risks of poor consumer outcomes arising from mandatory assignment of consumers to new retailers. The draft report does not provide sufficient detail to understand if or how these might be addressed. On balance, we think it is unlikely these issues would be able to be overcome in the short or medium term without exposing consumers unnecessarily to these risks.

That said, we have sought to take a constructive approach to engaging with this recommendation by highlighting how it could be made to work in a way that would, at least in part, address some of these issues. Again, we recommend the AEMC also consider the issues raised in the Finncorn report.

The proposal should be considered in the context of the existing standing offer framework

Following the DMO review the AER is currently in the process of determining the price for the next DMO to take effect from 1 July 2026, in accordance with updated regulations that are yet to be made. Given this it may be premature to consider a reform that would ultimately be a replacement to the DMO, without observing consumer outcomes under the revised DMO framework.

A further and arguably more significant reform also arising from the review of the DMO is the proposed introduction of the Solar Sharer Offer (SSO) from 1 July 2026. While the draft report contemplates that the auction could include a tariff similar to the SSO,³⁰ again it is difficult in the short term to consider how an auction could interact with or replace the SSO given it has yet to commence.

In the longer term, while default offers continue to have an important consumer protection role it is reasonable to consider what framework will achieve the best outcomes for standing offer customers. If this reform is further considered we think the longer-term is the more appropriate context to consider it in (we note the AEMC suggests a 2030+ implementation timeframe). Recommendation 1 may also help in this regard: if it improves consumer trust and confidence in engaging in the market it may well reduce reliance on default offers over time, making alternatives more plausible.

There are practical barriers to a fully competitive auction process

The AEMC states its view that the reform will deliver better outcomes for consumers by, 'channel[ling] competition into offering the standing offer customers the lowest sustainable prices set by the market'.³¹

We agree it is plausible, though not certain, that an outcome could deliver better pricing outcomes for standing offer consumers than default offers, though we would welcome the AEMC undertaking its own analysis or modelling to this effect as part of the final report if it proceeds with this proposal. As Finncorn notes there is also potential for the proposal to improve retail competition, enabling smaller retailers to

³⁰ AEMC, Draft report, 70.

³¹ AEMC, Draft report, 70.



compete for a highly concentrated consumer cohort (around 90% of standing offer customers are with 'Big 3' retailers).

However, the Finncorn report notes the risks to a pro-competitive outcome, primarily arising from advantages of larger retailers in their cost to serve. Vertically integrated retailers or gentailers have a natural wholesale cost advantage over other retailers. Larger retailers also have lower operating costs due to economies of scale – the ACCC has identified that 'Big 3' retailers costs to serve are 36% lower than other retailers.³²

Larger retailers may simply be able to outbid smaller retailers, further entrenching market share. Finncorn notes though this would not necessarily mean worse pricing outcomes for consumers provided competition among the Big 3 was adequate to reveal efficient costs. Finncorn suggests this risk could be mitigated by auction design, for example through:

- Exclusion of dominant bidders – perhaps the top [2] retailers by market share, or any retailer with a market share already exceeding [20%] in the relevant region or DNSP area.
- Pre-qualification based on retailer's capacity to integrate and serve a large cohort (to eliminate the least-capable bidders, including very small / inexperienced retailers).
- Pre-arrangement of a hedge position, to be novated across to the winner.
- Splitting the cohorts – with a guarantee of more than one winner per auction.
- No auction without [4] prequalified bidders.

Finncorn notes there would be a need to balance overtly pro-competitive market design (to encourage healthy long-term competition) at the expense of the cheapest possible price on the day for the standing offer customer (the short-term competitive outcome).

Auction design would also need to mitigate risks to consumers. We agree in particular that pre-qualification (with the regulator requiring financial and operational assurances) would be necessary, as there are significant risks to consumers if a retailer either doesn't effectively manage on-boarding and customer experience,³³ or fails altogether triggering retailer of last resort requirements.

There are currently more than half a million customers on the DMO (and a similar amount on the VDO). Depending on the design of the auction, a winning retailer would need to take on tens or hundreds of thousands of standing offer customers.³⁴ There are few retailers (i.e. larger ones) who are likely to be able to effectively manage this process at the scale an auction would require. Limiting the cohort of qualified bidders would therefore appear necessary, but this would also limit the competitiveness of an auction by reducing the number of potential bidders.

Mandatory assignment to a new retailer may lead to poor consumer experiences

An auction process that involves consumers being mandatorily transferred to the winning retailer may result in a poor experience for consumers.

³² ACCC, [Inquiry into the National Electricity Market report - December 2024](#), 59.

³³ See e.g. [Greater Western Water billing issues | EWOV](#) for an example of the impacts of widespread billing issues in an essential services context.

³⁴ For example, a separate auction could be held for each DMO region. Further dividing regions into separate auctions would likely increase administration and monitoring costs.



Many consumers may find being assigned to an entirely different retailer in itself a confusing experience that takes away their agency. Beyond that, it is likely to create a range of other issues. Say a consumer is told they will be transferring from Retailer 1 to Retailer 2 following an auction:

- **billing** – how will billing preferences and arrangements, such as a consumer’s direct debit arrangement with Retailer 1 be handled?
- **hardship and payment difficulties** – if a consumer is enrolled in a hardship program with Retailer 1 will they need to transfer to Retailer 2’s program? How would any existing debt a retailer has with Retailer 1 be treated?
- **life support** – how will life support registration details be transferred between retailers?
- **concessions** – will concessions information transfer between retailers or will consumers be expected to advise their new retailer of their concessions?
- **customer service and support** – consumers will need to familiarise themselves with Retailer 2’s processes. The status of any outstanding issues or disputes with Retailer 1 may be unclear
- **gas bills** – if a consumer also has a gas plan with Retailer 1, moving their electricity plan to Retailer 2 will mean they now have two separate energy retailer relationships to manage which may not meet their preferences.

We expect many of these matters would be highly complex to resolve, requiring changes to the National Energy Laws or Rules. We think these should be addressed in the final report, at least in a preliminary way, if the AEMC proceeds with the proposal.

Additionally, the proposal appears to consider retailers are fundamentally the same and standing offer consumers would be indifferent between retailers except as to price. However, retailers can vary in important ways.

For example, the [Rank the Energy Retailer 2025](#) report highlights significant differences in the quality of hardship responses by different retailers. A retailer taking on a large number of new customers without effective hardship supports in place would present a significant risk to those customers as well as the retailer’s existing customers (this may also need to be a pre-qualification condition). Retailers may also vary across a range of other dimensions that may be meaningful to customers, such as general customer service and support.

There would be material costs associated with an auction

We agree with the AEMC’s observation that the proposal would entail significant transitional and administrative costs.³⁵ If the proposal is to be further considered these costs should be clearly outlined.

The proposal would require significant investment from government and regulators, for example to:

- design the auction process
- establish the preconditions for participating in the auction (e.g. financial viability)
- assess retailers’ eligibility to participate in the auction
- manage the auction
- monitor and ensure compliance with the auction process and competition laws
- manage post-auction processes.

³⁵ AEMC, Draft report, 71.



Retailers would incur costs in establishing compliance with the auction process and eligibility requirements, preparing bids, managing compliance and managing transfer of customers post-auction. Incumbent retailers would also incur costs in transferring customers to the winning retailers. We anticipate retailers would ultimately pass any costs they incur onto consumers.

Costs to governments and retailers may also increase depending on how many separate auctions are run (we anticipate several separate auctions would be needed to mitigate the risks associated with auctioning a large number of customers).

International examples may be of limited relevance

The report highlights auctions undertaken in Italy and the US. These auctions differ from the AEMC's proposal in notable ways so may be of limited value in assessing the proposal.

For example, in Italy, the auction was a one-off event as part of a transition from regulated pricing to market offers. After the 3-year transition period ends in 2027 the customers will be moved to a market offer with their current retailer.³⁶ This means that issues associated with transferring retailer each auction period don't arise as the transfer was a once-off event only. Additionally, the ongoing competition impacts of the auction mechanism don't need to be considered.

Question 3: Periodically review whether regulations are supporting good consumer outcomes in an evolving market

AEMC Recommendation 3: Periodically review whether regulations are supporting good consumer outcomes in an evolving market

- Do you support the AEMC periodically assessing the impact of regulations and interventions on competition?

We support the principle of periodic reviews to assess whether regulatory settings are delivering good consumer outcomes for consumers in a changing energy market. We consider it appropriate as standard practice for the AEMC to review whether rules it has made are delivering the expected outcomes for consumers and are not having unintended consequences.

We do not support framing the review (as suggested in the consultation question) primarily around the impact of regulations 'on competition'. Competition is a means to an end, not the end itself. The primary focus of any review should be whether regulatory settings are delivering good consumer outcomes in practice. Responsibility for determining and reviewing 'good consumer outcomes' also needs to be considered in the context of BECE and the potential development of an energy consumer duty.

While the draft report and Appendix B mention consumer outcomes, the proposed assessment framework in Box 11 largely treats competition as the central lens, relying on indicators such as switching rates, market entry and the range of products and services on offer.³⁷

While these measures may provide useful market signals, they are not reliable indicators of good consumer outcomes on their own. In an essential service like energy, higher switching rates, greater product proliferation or increased "innovation" do not necessarily translate into better outcomes for consumers, particularly in a market characterised by complexity, disengagement and uneven capacity to

³⁶ ARERA, [Arera: the gradual protection service; Arera: How long will the gradual protection service be provided?](#) (translated).

³⁷ AEMC, Draft report, pp 78-79.



participate. For many consumers, a growing range of products increases decision-making burden rather than value.³⁸

Beyond the rules for which the AEMC itself is responsible, the energy consumer framework comprises a range of other energy laws and general competition and consumer protection laws. The appropriate review framework needs to be considered in this wider context, noting other bodies like ACCC, AER, ECMC, DCCEEW and state and territory energy departments also have relevant roles, powers and responsibilities. For example:

- the ACCC has current powers to inquire into the prices, profits and margins in the supply of electricity in the national electricity market (NEM Inquiry); the AER will undertake this going forward
- the draft report suggests that the AEMC could assess the implementation and impact of the BECE reforms. These are a potentially broad suite of reforms that sit within a wider framework, so appropriate responsibility for their monitoring and review should be determined by ECMC.

An appropriate immediate step may be for ECMC to task officials with mapping these roles and responsibilities under energy and general consumer protection legislation and considering the appropriate role and scope for the AEMC's review function, and those of other bodies, within that context.

Question 4: Make it easier for consumers to compare offers

AEMC Recommendation 4: Provide the AER with additional funding to upgrade Energy Made Easy so that consumers can easily compare electricity offers, including new and emerging types.

- What information should be gathered from energy service providers, as the AER considers its review of the retail guidelines?
- Do you have any suggestions regarding potential improvements to Energy Made Easy to facilitate consumers' ability to compare offers?
- How else can consumers be supported to compare offers in the market?

We support improvements and additional funding to Energy Made Easy (EME) but recommend this is done with the explicit aim of moving beyond a simple offer comparison site and delivering a true 'one-stop-shop' for energy information and advice consumers can trust. Our surveys show that while nearly all households are interested in learning more about managing their energy use and costs, there is a lack of trusted information and advice to support consumers and provide them with the certainty they need to make the right decisions for their circumstances.³⁹

Our Household Energy Consumer Information Research found that 50% of household energy consumers had not begun looking for information on energy, and among those who had searched, 43% did not find it easy to find the right information.⁴⁰ Recent research from DCCEEW also found that consumers are most receptive to energy information when it is provided at key decision points, such as

³⁸ Multiple sources including ACCC Retail Electricity Pricing Inquiry p. 269, AER State of the energy market 2025 p.233, ECA submission on Retail Guidelines Review 2025 p.5.

³⁹ See e.g. ECA, [Australians need a one-stop-shop for trusted energy information | Energy Consumers Australia](#).

⁴⁰ ECA, 2023, [Household Energy Consumer Information Research | Energy Consumers Australia](#).



moving house, replacing appliances, or responding to bill increases, rather than through ongoing or proactive engagement.⁴¹

This evidence underpins our two core points. First, while we support efforts to make it easier for consumers to compare energy retail offers and continued investment in EME, comparison tools alone have inherent limits. Therefore, we encourage the AEMC, along with the AER, to consider how an EME can be a trusted, independent one-stop shop that supports real consumer decision-making across a growing range of energy choices.

Second, the AEMC should reconsider and challenge the assumption that increasing retail product complexity is inevitable as a market outcome. Although products that target specific consumer segments may be attractive to retailers, complexity increases confusion, disengagement and mistrust rather than improving outcomes for the majority of consumers.

Energy Made Easy must expand beyond plan comparison to a one-stop shop to support consumer decision-making

Our recent CERC shows that only 12% of consumers report having used Energy Made Easy.⁴² Those who do tend to be more engaged with the energy system overall in ways including that they already have rooftop solar, and have higher levels of education and energy knowledge, such as knowing their retail tariff or the units used on their electricity bill. They are also more likely to want an active relationship with the energy system.

This could suggest that improvements to EME are likely to benefit consumers who are already better placed to engage. Others rely on alternative comparison tools retailers directly or do not use comparison sites at all. CERC findings indicate that the most commonly cited methods for finding information about energy (such as plans and energy efficiency) are general Google searches (47%), online comparison sites (39%), energy retailers (36%), and recommendations from friends and family (31%). Some consumers also face barriers including digital literacy or limited access that constrain their ability to engage with online comparison tools like EME.

This illustrates the limits of relying on comparison sites alone to support consumer decision-making in an increasingly complex market. EME provides an estimate of likely future costs using the information a consumer provides and, where available, historical data linked to their National Metering Identifier (NMI). However, even personalised estimates remain forecasts and can differ from actual outcomes where households have variable or constrained usage, limited ability to shift demand, or where circumstances change.⁴³ In addition, the comparison experience can still feel generic because it cannot capture all factors that shape a consumer's real options and costs, including eligibility settings and household constraints.

As energy decisions extend beyond retail pricing to include electrification, energy efficiency, consumer energy resources and other emerging services, consumers are required to navigate a growing web of markets, programs, providers and decisions.⁴⁴ Expecting consumers to independently piece this together for what they see as an essential service is unrealistic.

⁴¹ DCCEEW, 2025, [Reimagining how we engage Australians with Consumer Energy Resources information - Insights and Opportunities Report](#), p.25-26

⁴² ECA, 2025, [Consumer Energy Report Card data | Energy Consumers Australia](#)

⁴³ [How the Energy Made Easy plan search works | Energy Made Easy](#)

⁴⁴ ECA, 2025, [2024–25 Pre-Budget submissions - Pre-Budget Submissions - Consult hub](#), p.6



In this context, the EME must continue to improve and expand its functionality to support better consumer outcomes and beyond retail plan comparison. ECA supports the AER's efforts to position EME as the primary source of independent, government-backed consumer energy information and advice. EME has the potential to operate as a trusted one-stop entry point where households and small businesses can understand their options and receive consistent, plain-language guidance across the full range of energy decisions they now face, complementing its existing comparison functionality.

The AEMC and AER should consider ASIC's MoneySmart initiative as an example of how this transition could be achieved. ASIC was able to successfully transition from a focus on supporting financial literacy and product comparison sites towards a one-stop shop for financial queries. For example, MoneySmart included content designed to help people navigate the system, avoid scams, understand product details, compare offers, understand their rights, and direct people to the ombudsman services. ASIC reports 1 in 2 Australians visited the site in the 2022/23 financial year – significantly more than the 12% of consumers visiting EME.⁴⁵

The AEMC should challenge the assumption that retail product complexity is inevitable

We also encourage the AEMC to challenge the report's assumption that retail products will inevitably become more complex, including suggestions that the market should support a proliferation of highly differentiated and time-specific plans targeted at different consumer cohorts. While such products may offer value to some consumers, feedback from advocates consistently highlights that complexity itself is a major driver of confusion, disengagement and mistrust in the retail market.⁴⁶ CERC data shows that 58% of consumers want a basic or low-engagement relationship with the energy system, rather than needing to actively manage usage patterns or conditional pricing to secure fair outcomes.⁴⁷ This review presents an important opportunity to push back against complexity at the source for the majority of people who want simplicity, rather than building tools around the problem.

Question 5: Implement reforms such that network tariff design is focused on efficiency

AEMC 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

- 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?

Currently, most electricity distribution network costs are recovered through grid consumption charges. While this approach is familiar and publicly acceptable, it is increasingly not efficient or fit for purpose.

Current network consumption tariffs for households appear commonly set above marginal costs and often designed to change consumer behaviour. This has led to a shift towards daily time-of-use tariff structures. While well-intentioned, this approach relies on several assumptions – notably that retailers

⁴⁵ ASIC, [ASIC's Moneysmart is a trusted source for 1 in 2 adult Australians | ASIC](#).

⁴⁶ E.g., [CHOICE, Justice and Equity Centre](#).

⁴⁷ In our survey, we presented respondents with two types of energy-system relationships and asked which they preferred. The first was a **basic relationship**, focused on receiving a good price and a reliable electricity supply. The second was an **active relationship**, involving choosing between different tariffs, monitoring energy use, managing imports and exports, and selecting clean-energy options.



would pass on these signals in retail prices and behavioural response will reduce network costs in a big enough way to offset the costs imposed on consumers.

At the same time, the current tariff approach sends the same pricing signals to all customers every day, even though network constraints are highly locational and occur only for limited hours each year. While the current tariff approach may increase the value proposition for consumers with very flexible loads (particularly household batteries and electric vehicles), most of the time, in most of the network, that value proposition is not rooted in the economic reality of the network. Further, these blunt signals can lead to unintended consequences.

As technology increasingly responds autonomously to price signals, there is an opportunity to design sharper, more targeted signals that reflect real network needs. In other words, customers with flexibility can still be encouraged to do so, but in a way that doesn't distort the behaviour of others.

In practice, there are multiple ways to ensure the flexible benefits of batteries, electric vehicle charging and other CER reduce total network costs. One could broadly group these as "pricing" approaches and "engineering" approaches – network tariffs are one approach to "pricing" approaches, though there are dozens of variations on tariffs, as well as other economic "price-based" approaches under which networks could, for example, contract directly with a CER household (or their agent) for services from that specific battery in that specific location. "Engineering" approaches would include existing CER standards, like AS4777 and dynamic operating envelopes, which mandate particular behaviour from CER without compensating the household (and indeed sometimes at a cost to the CER household). Among all of these options for enabling CERs to leverage their flexibility to reduce network costs, postage-stamp type network tariffs are likely the least efficient and effective.

The growing ability of many customers to materially avoid consumption charges means that consumption pricing is likely no longer an equitable or sustainable basis for cost recovery in a high-CER future. Even if customers import less electricity from the grid, they will continue to rely on the network. Moreover, many will reduce imports but increase exports, which still requires use of the network.

Recovering more costs through access charges, while traditionally viewed as regressive, may ultimately provide a more robust and equitable foundation for network revenue. **However, any shift from consumption-based to more fixed charges must be done carefully and ensure vulnerable consumers are not disadvantaged.**

"Fairness" is an inherently contested concept, and stakeholders will hold differing views. That said, we caution anyone arguing that reducing network consumption tariffs and increasing fixed network tariffs is less "fair" than the status quo.

Appendix 1 provides an exploration of the potential impacts of a move from consumption-based network tariffs towards more fixed network tariffs. Our analysis shows that while many vulnerable customers may benefit, others may face immediate detriment. For example:

- Energy-related financial hardship is correlated with high consumption⁴⁸ and therefore a shift to higher fixed charges will seemingly benefit many of these households.
- However, many low-income, low-consumption households are likely to experience bill increases.

⁴⁸ See for example ECA, Understanding and measuring energy hardship in Australia (2025) & Nelson, McCracken-Hewson, Sundstrom & Hawthorne, The drivers of energy-related financial hardship in Australia – understanding the role of income, consumption and housing, Energy Policy, Volume 124, 2019.



This highlights that reforms to improve outcomes for many consumers may simultaneously have some unintended consequences. To manage these distributional consequences, the AEMC must articulate how it interprets “fairness” and “equity” and ensure appropriate guardrails are in place to protect consumers for whom higher bills would not be viewed as “fair”.

We conclude that it will be challenging (if not impossible) for networks alone to set fixed charges that are universally considered “fair”. We maintain our view that there is a need for broader reform to ensure that electricity prices lead to fair outcomes as we continue the transition. For example, even if networks raise fixed charges, there is no guarantee that retailers will pass these on to customers in the way the AEMC expects (as retailers will continue to have discretion over their pricing structures). As such, truly achieving fairness will require a bigger exploration of the appropriate way to allocate fixed network costs from the community.

A central question that can also mitigate these impacts is how networks should set fixed network tariffs. At this stage, we do not have strong recommendations on the “right” approach, as each method carries trade-offs. Instead, we recommend further analysis and consultation to fully understand these options and their impacts. Instead, we recommend further analysis and consultation to fully understand these options and their impacts.

The AEMC should:

- Clearly define “fairness”, “efficiency” and “equity” in the next paper and explain how the reforms achieve those goals.
- Consult further on how networks should set fixed network charges and allocate residual costs.
- Set clear rules on how retailers should or should not pass through network costs.
- Make any shift from network consumption tariffs be gradual.
- Review how networks allocate costs across customer classes (residential, SME and industrial) to ensure these practices support fair outcomes.

The remainder of this chapter has two sections. The first section provides further evidence to support these central recommendations. The second section provides responses to the specific reform options proposed in the report.

Ensuring network tariffs are “fair”

Fairness, equity and efficiency need clearer definitions

The Draft Report argues that higher fixed network tariffs (with a dynamic component) are more equitable, fairer and more efficient.⁴⁹ However, these terms are not adequately defined. This limits the ability for stakeholders to interpret the intent and likely impacts of the reforms.

In previous work for ECA, Dragoman Consulting distinguished between *equity* and *fairness* in network cost recovery (see report attached at **Attachment 2**). “Equity” was framed as the appropriate allocation of costs and benefits among consumers based on how they impact the network. In contrast, “fairness” concerned a customer’s ability to pay and broader economic inequalities.⁵⁰

Stakeholders will inevitably have their own interpretations of these terms, which likely means that the AEMC’s proposed reforms will be understood differently across the sector. For this reason, we

⁴⁹ AEMC, Draft Report, 2025, p. 38

⁵⁰ Dragoman, Network Equity, 2025. Access [here](#).



recommend that the AEMC provide clear and explicit definitions of “fairness”, “equity” and “efficiency” in its final decision. While stakeholders may still disagree, a common set of definitions will improve clarity and reduce misunderstanding.

More consultation is required to determine how fixed network charges should be set

Currently, networks generally apply the same fixed charge to all residential customers. A shift toward materially higher fixed charges naturally raises two central questions: (1) how much of a network’s revenue should be recovered from fixed charges and (2) whether applying the same fixed charge to each customer remains appropriate.

We do not have a firm view on the optimal method for determining and setting fixed charges. However, we do not think it will be publicly acceptable for all residential customers to face the same fixed charge under a significantly more fixed price heavy structure. As noted above, more analysis is needed to assess the impacts and feasibility of different approaches.

We recognise that there will be some adversely affected by a change to higher fixed charges. Of those, some are currently paying an inequitably lower amount and some in low-wealth, low-consumption homes will see bill increases. Notwithstanding the clear need to support the latter, the former should not continue to receive an undue advantage – especially as this cohort may grow quickly, placing an undue burden on others.

International experience can provide some suggested reform pathways to limit unintended impacts. For example, many European countries use some type of capacity charge to recover network charges from households.⁵¹ Dutch network tariffs are exclusively capacity-based for small users.⁵² In essence, these tariffs recover costs based on how much energy they could import or export. These approaches aim to ensure that smaller and lower consuming households pay less than larger households.

In contrast, the Californian Public Utilities Commission has adopted fixed charges that vary based on household income.⁵³ Dragoman Consulting has proposed a similar concept, where fixed network costs would be recovered via council rates, charging homeowners directly with charges in proportion to land value. These two approaches share a common aim – ensure that households with a higher capacity to pay contribute more than others.

All approaches have advantages and disadvantages – in terms of distributional impacts and feasibility. We suggest the AEMC puts forward as many potential options and discusses the pros and cons of each approach.

The AEMC will need to ensure that a shift towards higher fixed network charges remains “fair”

Some have criticised the proposed reforms out of concerns of the impacts on low-income households.⁵⁴ As we outline in **Appendix A**, these concerns are valid but requires further nuance.

If the system moves away from consumption-based pricing and towards higher fixed charges, the AEMC will need to advise governments on the distributional risks to ensure adequate safeguards are implemented. Higher fixed charges also provide the opportunity to reconsider how rebates or concessions apply. For example, if there is concern that higher fixed network charges would

⁵¹ A capacity charge sets fixed prices based on the connection capacity.

⁵² Eurelectric, The missing piece – Powering the energy transition with efficient network tariffs. Accessed [here](#)

⁵³ See [here](#) for more information.

⁵⁴ See for example Sydney Morning Herald, The power bill change that will sting low-earners \$200 more, 2026. Accessed [here](#).



disadvantage concession customers, then applying financial supports directly to fixed charges would help ensure continued fair access to essential energy services.

The AEMC should set clear rules on how retailers should or should not pass through network costs

Consumers ultimately pay retail electricity prices, not network tariffs. While some retailers pass network charges directly through to customers, many do not.⁵⁵ Retailers will blend network, wholesale, environmental and retail costs into simplified tariffs and many choose not to reflect underlying network tariffs structures in full.

The AEMC appears to expect that its proposed reforms will result in some residential customers paying more and others paying less than under the status quo. However, this outcome relies on retailers directly passing through the new network cost structures to individual customers.

If retailers do not adjust their prices (or only adjust them partially), the reforms will not deliver the distributional outcomes the AEMC intends. In practice, the effects of tariff reform could be muted, inconsistent across retailers, or overridden entirely by retail pricing strategies.

Given this risk, the AEMC may need to consider whether the National Energy Retail Rules should include greater prescription or guidance on how retailers should (or should not) pass through changing network cost structures. This would provide greater certainty that the pricing impacts assumed in the AEMC's analysis will materialise in practice and be experienced consistently by consumers.

Any shift from away from network consumption prices to fixed prices should be measured

As outlined in **Appendix A**, some customers may experience significant bill increases if consumption charges fall and fixed charges rise. However, as discussed above, the scale of these impacts will depend on:

- how networks set fixed charges, and
- how retailers choose to pass through underlying cost structures.

Regardless of the equity or fairness rationale for the reforms, we recommend a measured, gradual transition. This will allow stakeholders to assess the impacts of changes as they occur and respond to unintended consequences before they become entrenched.

The AEMC should review how networks allocate costs across customers classes

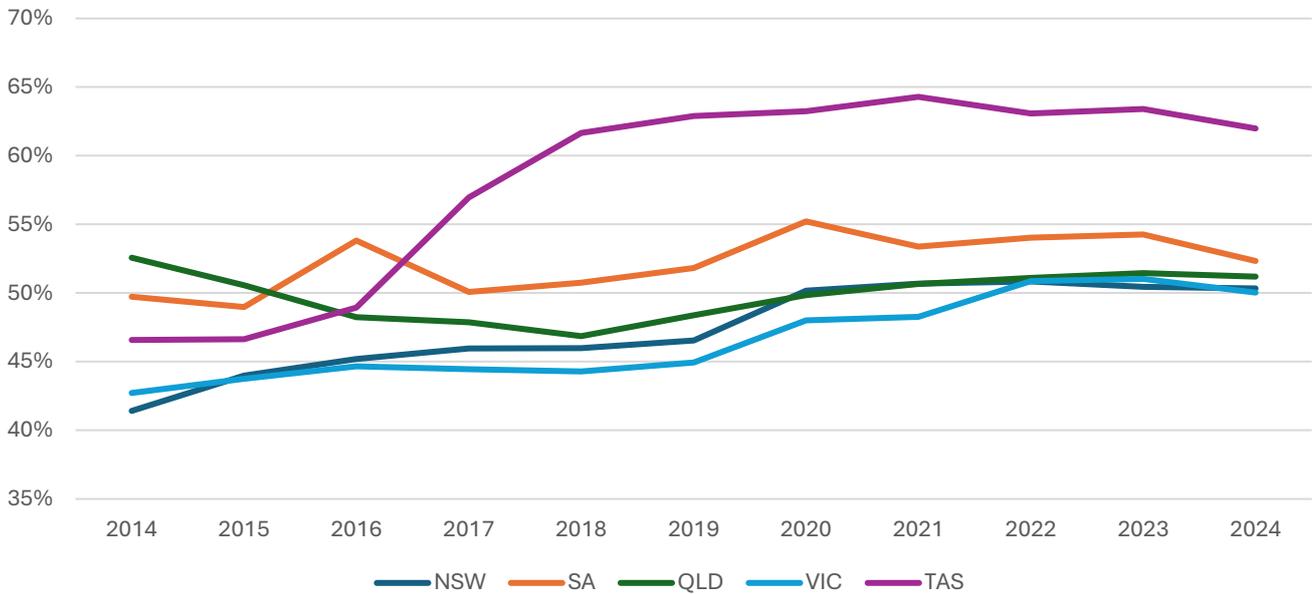
To date, this review has focused on how to “split the pie” amongst households. However, an equally important question is how large that pie should be in the first place.

In 2023–24, distribution networks recovered around 51% of standard control services revenue from residential customers. As shown in Figure 3, many networks have increased the proportion of revenue recovered from households over time. It is unclear to us whether this outcome is appropriate or not. This is because the methods networks use to set and allocate costs between customer classes lack transparency.

⁵⁵ ECA, Industry perspectives on electricity tariffs and retail pricing, 2022.



Figure 3 – Proportion of network standard control services revenue recovered from households in financial year 2014 to 2024



Source: Analysis of distribution network Economic Benchmarking RINs.

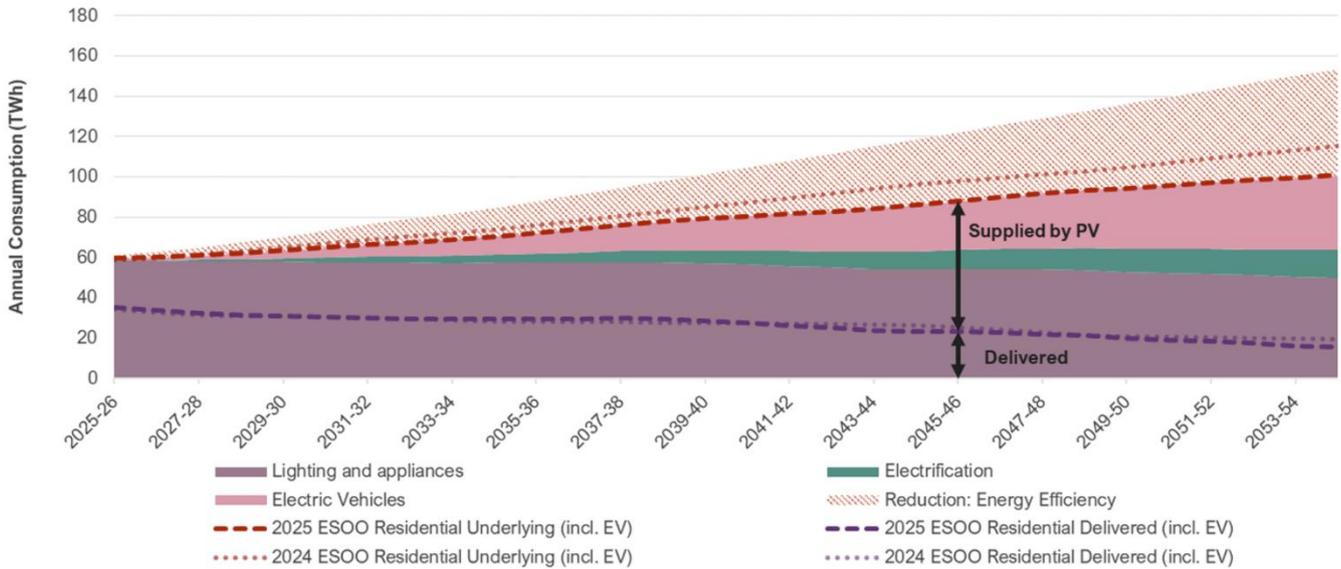
This issue will be pertinent considering future trends. Looking forward, the Australian Energy Market Operator’s 2025 NEM Electricity Statement of Opportunities forecasts that residential consumption from the transmission system will continue to fall. Under the Step Change scenario, electricity delivered from the transmission system to households is projected to decline by 43% over the next 20 years.⁵⁶ This is primarily driven by continued growth in distributed generation, as illustrated in Figure 4.

This reduction in residential consumption raises an important policy question: to what extent should households be expected to fund upcoming transmission investments when they are forecast to consume significantly less energy from the transmission network? Greater scrutiny of the cost allocation frameworks will be necessary to ensure that charges remain efficient and equitable across customer classes.

⁵⁶ AEMO, 2025 ESOO, p. 18



Figure 4 - Components of residential consumption forecast, Step Change scenario, 2025-26 to 2054-55



Note: 'Lighting and appliances' includes residential battery losses.

Source: AEMO, 2025 ESoo, p. 18

Feedback on the specific recommendations

We understand that the AEMC has recommended several reforms to deliver 'good' network tariffs:

- Removing the requirement to set tariffs to just reflect long-run marginal cost, but also for short-run marginal cost (e.g. targeted congestion pricing).
- Setting outcome-based objectives for tariff design to clarify the AER and networks should focus on efficiency.
- Changes to the pricing principles to clarify how residual costs should be allocated.
- Removing the requirement for tariffs to not change significantly between periods.

In addition, the AEMC is testing whether any additional obligations, financial rewards or penalties are necessary to help networks design efficient tariffs through the transition.

As we understand the AEMC's intentions of the reforms, fixed charges have a different intent to dynamic charges:

- **Fixed charges** recover each customer's contribution to shared, fixed or residual network costs. These are direct cost allocation mechanisms.
- **Dynamic charges** act more like wholesale market signals—they indicate when and where the network is under stress and seek to allocate supply or demand-response. They are not primarily mechanisms for allocating fixed costs and do not need to be passed through directly to individual customers.

We broadly agree with the proposed reforms, with some caveats, as outlined below.



Any location-based congestion pricing should be introduced carefully

As we understand the proposal, dynamic consumption or export charges would generally be zero, rising only during periods of network congestion. Because congestion is geographically specific, this may result in location-based network pricing.

While this may be efficient from a technical perspective, it raises difficult fairness and equity questions. It would create the potential for many consumers to face price signals they have no ability to respond to. For this reason, we recommend that any location-based congestion pricing be opt-in only (at least initially). This would allow more engaged or CER enabled customers to provide network services without imposing inequitable, unavoidable charges on others.

Simple, stable and standardised approaches to network tariff design remain in the best interests of consumers

Dynamic congestion pricing introduces significant implementation complexity. Retailers vary substantially in capability, and many currently pass through network tariffs directly to consumers.

In practice, simple, standardised, and predictable tariff structures will often deliver better consumer outcomes than theoretically optimal but highly complex alternatives. We encourage the AEMC to continue to prioritise simplicity and transparency in tariff design.

For similar reasons, we also have some concerns with the proposals to allow network tariffs to change frequently.

Retailers may need guidance on how to allocate dynamic network charges

We believe the intention of dynamic network charges is not for them to operate as a major cost-recovery mechanism for individual customers. However, it is reasonable to assume that many customers—particularly those with CER who seek greater returns on their investment (e.g., Project Edith participants)—may opt in to being directly exposed to these charges.

While the AEMC has indicated these dynamic charges are expected to be relatively small, there is a risk that they could become a significant component of total network costs for a *retailer*. In such cases, retailers may need clear guidance on how these costs should be allocated across their customer base. For example, should retailers allocate congestion-related charges:

- only to customers who opt-in to them (e.g. customers with batteries and EVs)
- only customers in areas of congestion
- across all customers proportionally, or
- according to a regulated or standardised methodology?

Providing guidance would reduce ambiguity and support consistent approaches across the market.

We do not support financial rewards or penalties for network tariff design

We believe the AER can ensure that networks design appropriate network tariffs.



Question 6: Ensure that network tariffs are developed and designed for energy service providers

AEMC Recommendation 6: 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

- Do you consider that removing or amending the customer impact and customer understanding principles, as outlined, would make energy service providers central to network tariff design? If so, why and what would the preferred option be? If not, are there different approaches that would work better?
- Do you consider that the tariff structure statement timing can be amended to reduce energy service provider compliance costs and support energy service provider innovation? If so, why and what would be the preferred option? If not, are there different approaches that would work better?

As we understand it, the AEMC has proposed:

- removing the ‘customer impact’ and ‘customer understanding’ principles to make energy services provider consultation more central to network tariff design.
- giving networks more flexibility as to how they set tariffs, notably allowing networks to change tariffs within the period.

We agree strongly with the need for networks to design network tariffs for retailers, not customers. Customers do not pay network tariffs, they pay retail prices. While some retailers pass on network tariff structures to customers, some don't.

We have concerns with some of the potential implications of the proposals. We are also not convinced the proposed reforms will achieve the outcomes AEMC intends. We recommend that the:

- customer impact principle is maintained in the rules.
- AER maintains having a key role in regulating network tariff design.
- AEMC looks to align approaches to network tariff design across networks, where possible.
- AEMC considers implementing guidance in the rules for how retailers should incorporate network tariffs into retail prices.

We explain why below.

Fully removing the customer impact principle does not seem feasible in practice

The AEMC has stated that networks should set fixed charges such that:⁵⁷

- they are not so low that other customers pay more when a customer disconnects, and
- they are not so high that customers are better off disconnecting entirely (stand-alone cost test).

These tests are inherently customer-impact assessments, and it is difficult to see how they can be met if customer impact principles are removed.

⁵⁷ AEMC, Draft Report, 2025, p. 92.



We do, however, consider that customer understanding principles could be relaxed for dynamic charges, assuming these are not a major component of bills and are designed for end customers. This may help networks move away from designing tariffs for behaviour change by customers.

Retailers may not translate signals or negotiate tariffs in ways that benefit consumers

We have reservations about:

- expecting retailers to advocate for tariffs that reflect the long-term interests of consumers, and
- expecting retailers to accurately and transparently translate network incentives into retail or service offerings.

Retailers are profit-maximising and risk-minimising entities operating in a market with significant volatility and substantial information asymmetry relative to consumers. Retailers have different business models and desired customers. Many retailers already appear to struggle managing network tariffs and the potential for more complex tariffs could worsen this. There is also a material risk that inconsistent retailer interpretations of tariff structures and inconsistent passthrough approaches will lead to customer confusion.

In essence, while the AEMC appears to intend that the proposal will shift price risk from customers to retailers, the opposite outcome is possible. Retailers may instead seek tariffs that minimise their own exposure to price risk, pushing volatility back onto customers.

As such, we consider there is merit to having some retailer pricing principles, or other principles-based obligations in the rules that guide how retailers incorporate network tariffs into the rules. A consumer duty framework may be an appropriate solution to address these concerns.

Research undertaken by Professor Jeannie Paterson of the University of Melbourne (commissioned by ECA) highlights how a consumer duty could require retailers to deliver suitable products and services to consumers, having regard to their needs, characteristics and objectives.⁵⁸ A design and distribution obligation (similar to Part 7.8A of the Corporations Act) could be one way in which retailers are required to meet a product suitability outcome. This would require retailers to actively think about their target market and design and market products accordingly (including how to appropriately translate network tariffs into retail offers that are suitable for consumers), without requiring prescriptive rules that could be gamed by retailers and potentially stifle innovation.

It is unclear how retailers and a network could “work together” to design tariffs in practice

In many jurisdictions, more than twenty retailers operate. It is difficult to see how networks could meaningfully engage with all of them in tariff design. Ultimately, an independent arbitrator - the AER will be needed to set tariffs or adjudicate disagreements.

Question 7: We are considering transitional measures to manage the impacts of reforms, and will outline these in the final report

- Do you consider the proposed transitional supports would manage the transition effectively and fairly? Are there other options that we have not considered?

⁵⁸ Paterson, Willis and Bourova, Models for a Consumer Duty in the Energy Retail Market, 3, 9.



- How can the distributional impacts of a move to predominantly fixed charges be assessed and managed so that consumers are transitioned fairly and risks are appropriately managed?

See generally our comments in response to earlier questions.

We recognise and support the AEMC's intention to consider transitional measures as an important part of considering any reform that may significantly change how network costs are recovered from consumers. We also agree that a shift of this kind will create both winners and losers, as outlined in greater detail earlier in this submission. Given this uncertainty, our view is that any transition toward higher fixed charges should occur in a gradual, measured way.

We therefore encourage the AEMC to ensure that any transitional measures are underpinned by a clear and shared understanding of what "targeted support" should mean in practice. We also encourage the AEMC to clearly communicate to Ministers and policymakers the types of households likely to be affected, the nature of the risks they face, and the kinds of supports that may be required to manage those risks during transition.

Our Consumer Energy Report Card research shows that energy hardship is widespread and highly diverse, with nearly one in five households vulnerable to or experiencing hardship, often for very different reasons.⁵⁹ Importantly, many households experiencing hardship are not accessing existing support mechanisms, including retailer hardship programs or government assistance. This highlights a key risk that transitional measures cannot be effectively managed through blunt or opt-in approaches alone. Targeted support must be informed by multiple indicators of vulnerability, minimise reliance on consumer awareness or action and be capable of adjustment as impacts become clearer over time.

While the proposed options may reduce implementations risks, they do not in themselves manage the distributional impacts of higher fixed charges on consumers. AEMC should provide this more clearly and consider what consumer-facing transitional measures will be required.

Question 8: An implementation schedule that achieves necessary reform quickly while balancing cost and risk

- Do you consider the reforms could be implemented using current processes outlined above (eg, network reset processes)? Or do you consider that different processes, such as an accelerated implementation approach, would be warranted?
- Are there other considerations that we need to be aware of in implementing these reforms?

See generally our comments in response to earlier questions. As highlighted in this submission we think there is considerable work still to be done in refining the proposals to ensure they will deliver good outcomes for consumers and will be broadly acceptable to stakeholders.

We note the dependency of many of the changes on rule change requests (which require a submission from another party) and law changes (which require the agreement of Ministers). Implementation pathways and timing might therefore be more appropriately considered by Energy Ministers once preferred options have been broadly agreed. We recommend the AEMC prioritise the further analysis and evidence needed to refine and test the proposals and build a degree of consensus around preferred options.

⁵⁹ ECA, 2025, [Consumer Energy Report Card: Understanding and measuring energy hardship in Australia](#) | Energy Consumers Australia.



Appendix A – Understanding the distributional impacts of a transition away from network consumption tariffs

Overall, it is difficult to understand the true distributional impacts of the proposed reforms. This is for three key reasons:

- It is unclear how networks would set fixed network charges
- It is unclear how the proposed dynamic tariffs would impact bills
- It is unclear how retailers would reflect underlying cost changes in their offers.⁶⁰

An additional issue is how concession and other financial support programs may change to mitigate some impacts.

That said, it can broadly be assumed that the proposed reforms would result in retailers reducing consumption prices, while increasing fixed charges. Such an approach would suggest that:

- High grid consumption households would see a bill reduction.
- Low grid consumption households would see a bill increase.

Below we provide some analysis to highlight variation in residential grid electricity consumption and indicate who these high or low consuming households are. Overall, our analysis suggests it is hard to draw any strong conclusions, given the large variation in residential electricity consumption. That said, we observe that:

- Low-income households do tend to have lower grid consumption and therefore some may see a bill increase.
- Many customers experiencing energy-related financial hardship have high grid consumption and may see a bill decrease.

These findings reiterate that it is difficult for networks to set truly “fair” prices and there will be a need for broader reform to ensure distributional fairness.

There is no “typical electricity consumer”

In 2023-24, the median residential electricity customer across the NEM consumed 4,257 kWh of grid electricity a year (around 12 kWh a day, on average). However:

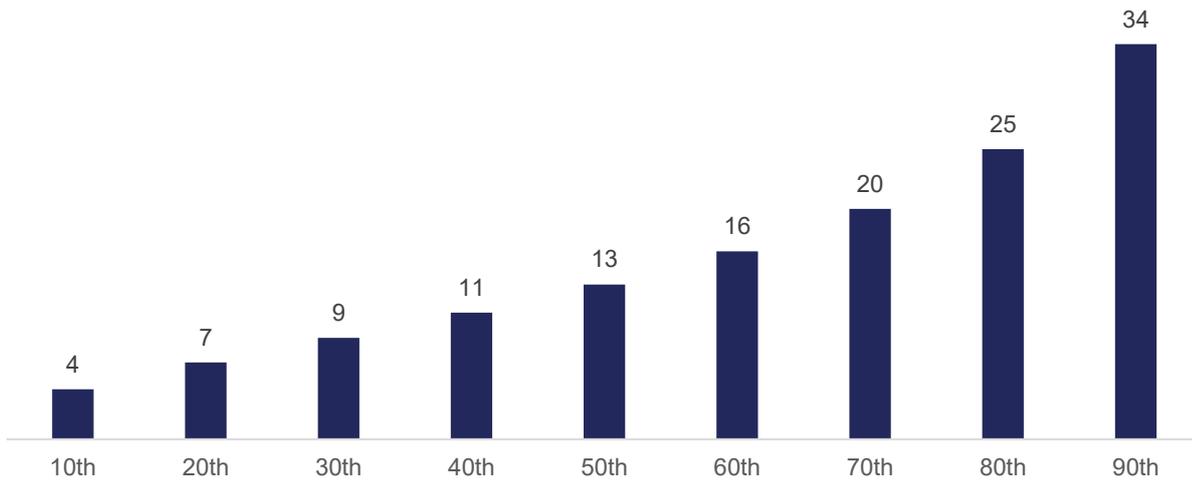
- 25% of customers consumed less than 2,681 kWh over the year (7 kWh a day, on average).
- 25% of customers consumed more than 6,654 kWh over the year (18 kWh a day, on average).

Figure 1 shows residential grid consumption deciles for households in the Energex network to further highlight how diverse households are. Notably, the findings suggest that more than 1% of Energex residential customers consume more than 50 kWh of grid electricity a day, on average. Conversely, more than 1% of Energex households appear to consume under 1 kWh of grid electricity a day on average.

⁶⁰ This is an important distinction now that the AEMC intends for networks to price for retailers, not customers directly.



Figure 1 – 10th to 90th percentile average daily grid consumption by households in Energex network

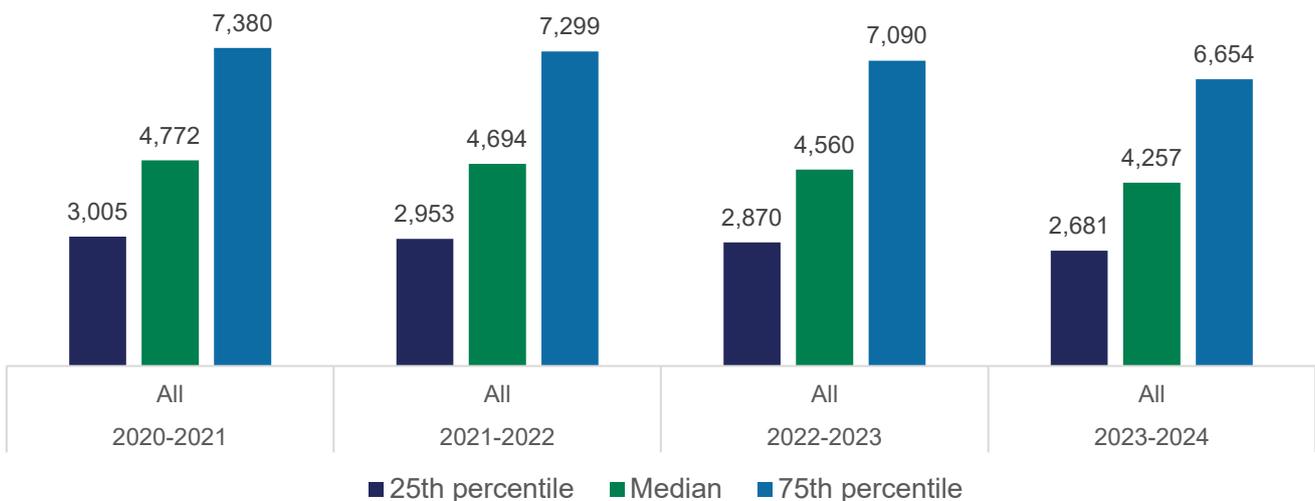


Source: ECA, UQ and EQ Collaboration Grant.

Households are consuming less electricity from the grid than they used to

Figure 2 shows that over the last four years, residential grid electricity consumption has fallen across the median, 25th and 75th percentiles. AER analysis shows that since 2006, average residential grid consumption has fallen 23%.⁶¹

Figure 2 - 25th percentile, median and 75th percentile annual household electricity consumption in the NEM (kWh)



Source: ACCC, Retail Electricity Pricing Inquiry (2025).

⁶¹ AER, State of the Energy Market 2025, 2025, p. 113-114.



Figure 4 shows that AEMO forecasts this trend is likely to continue. Growth in behind the meter consumption due to electrification of gas and transport will be offset by growth in behind the meter generation, storage, and energy efficiency improvements.

Households with solar don’t consume less grid electricity than households without it. Battery customers do though.

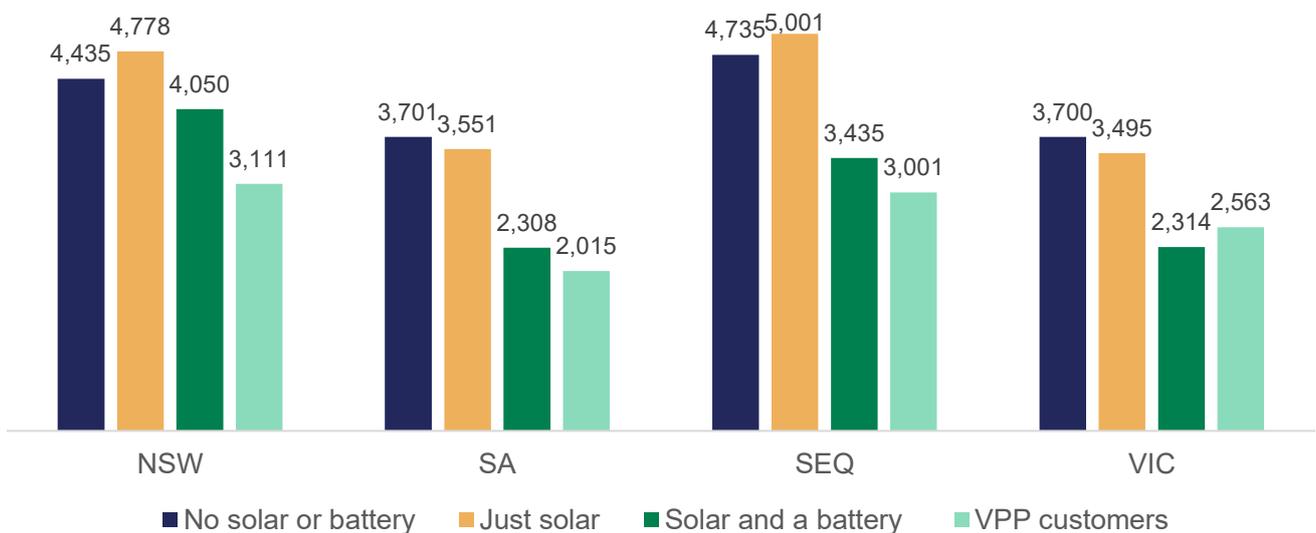
Figure 3 shows median grid electricity consumption by households over the four quarters from 2023 Q3 to 2024 Q2. It breaks households into four groups – households without solar or batteries, households just with solar, and households with solar and batteries, and households enrolled in a VPP.

Figure 3 shows:

- Households with solar tend to consume similar amounts of grid electricity as households without it. This is because households with solar tend to have higher behind the meter consumption as they are larger (e.g. a large proportion of households without solar are apartments).
- Households with batteries do tend to consume around 33% less grid electricity than households with solar – and households without solar.

Data from Figure 3 was collected before the Federal Government’s Battery subsidy was announced. Battery adoption has increased materially in the second half of 2025 and installation sizes have also increased.⁶² As such, this chart may overstate typical grid consumption levels for battery customers. In saying this, we re-iterate that medians and averages are misleading, and individual circumstances will differ.

Figure 3 - Median grid electricity consumption 2023 Q3 to 2024 Q2 (kWh)



Source: ACCC, Retail Electricity Pricing Inquiry, 2025.

⁶² Tristan Edis, Home battery installations will match the scale of Snowy Hydro scheme – in a single year, Renew Economy, 2026.



Energy consumption is correlated with income, but it's complicated.

There are numerous varied, interrelated and complex drivers of household electricity consumption. This includes local climate, household demographics, household behaviour, building stock and the type and number of appliances.⁶³ A notable driver is the type of heating and cooling used in the home, given that a large driver of electricity consumption is heating and cooling.

Figure 4 shows, using ECA Consumer Energy Report Card data, estimated median monthly energy expenses across households across late 2024 to late 2025. We have broken the results by household income (reported in four bands, with around 25% of the population in each band) and whether the occupants own their home or rent it.

Figure 4 illustrates the positive relationship between income and electricity expenditure. This suggests that as a rule, lower-income households do consume less electricity. However, the results do illustrate that renters of a similar income as homeowner households tend to pay more – highlighting the complexity of household electricity consumption.

When interpreting these results, we make a couple of key points:

- Averages and medians can be misleading as they do not illustrate the underlying variation in the actual lived experience of individual households.
- Income is different to wealth and ability to pay. For example, renters are more likely to say they are under financial difficulty, than homeowners of a similar income. Higher income households also tend to have more people living in them, and therefore have higher running expenses.⁶⁴
- As energy costs as a proportion of income are much higher for low-income households, lower-income households are more sensitive to electricity consumption prices and are more likely to be cutting back on energy consumption.⁶⁵

⁶³ Fan, MacGill & Sproul, Statistical analysis of driving factors of residential energy demand in the greater Sydney region, Australia

⁶⁴ ECA, Consumer Energy Report Card.

⁶⁵ ECA, Consumer knowledge of electricity pricing and responsiveness to price signals, 2025.

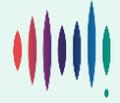
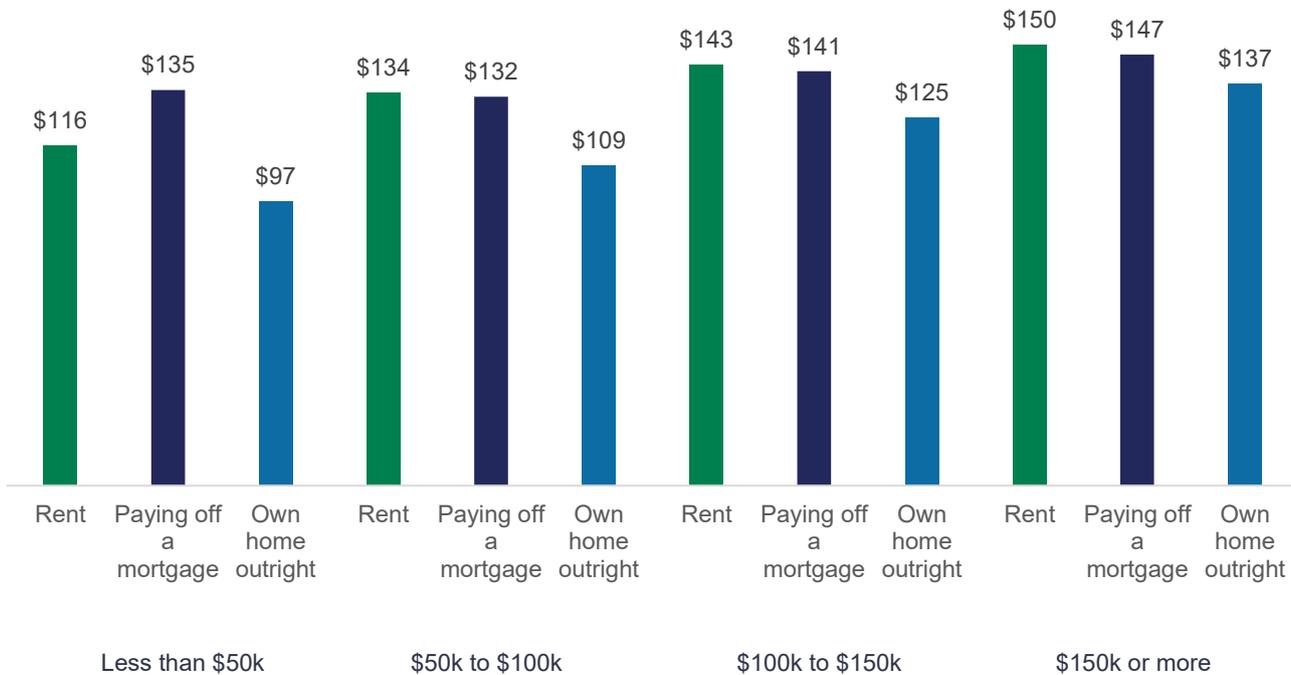


Figure 4 - Estimated median monthly electricity expenditure by household income and homeownership



Source: ECA, Consumer Energy Report Card. Note: Data was sourced in October 2024, April 2025 and October 2025.

Energy-related financial hardship is correlated with high grid electricity consumption

ACCC data finds that customers enrolled in retailer hardship programs or on a payment plan consume more grid electricity than other households. For example, the median hardship customer consumed around 7,500 kWh of electricity in 2023-34. This was around 80% more than the median “general” customer (not on a concession, payment plan, or hardship program).

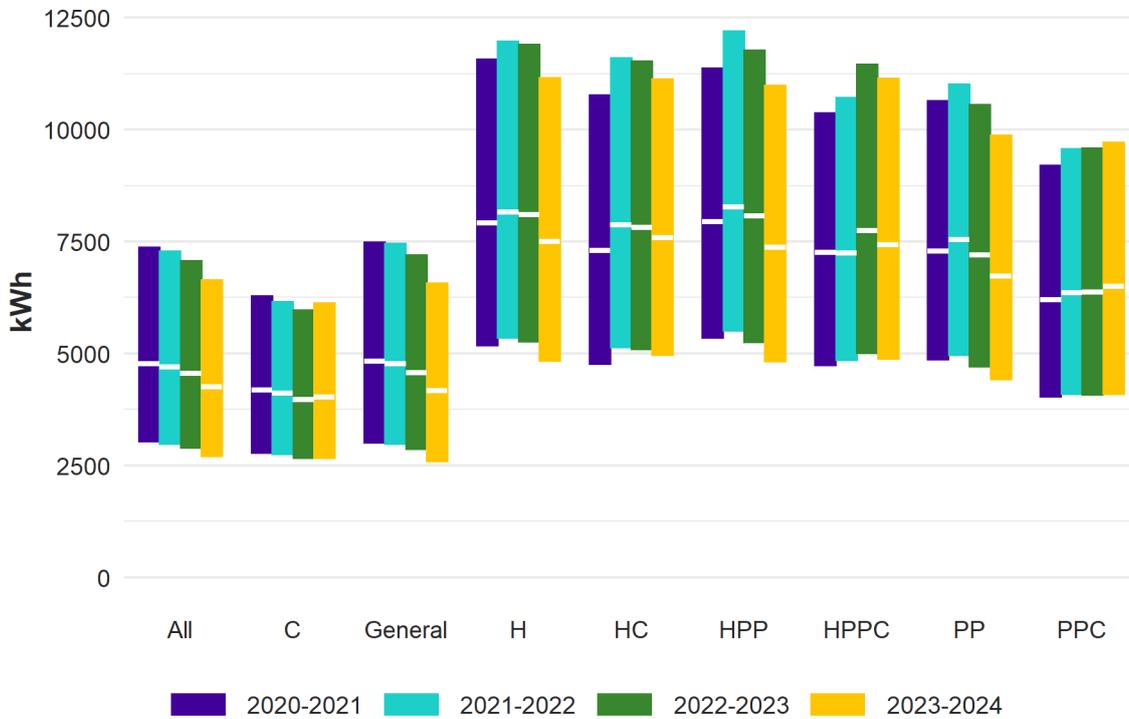
ECA research estimated that around 1 in 5 households are experiencing or vulnerable to energy hardship. The research also found that these households tend to have higher-than-average energy bills: about half reported energy expenditures in the top quartile of all bills in the sample.⁶⁶

Our results also found that most of these households had low incomes. So while low-income households tend to consume less electricity than others, this high-level trend can mask a form of hidden vulnerability: the combination of low incomes and high electricity expenditure.

⁶⁶ ECA, Understanding and measuring energy hardship in Australia, 2025.



Figure 5 – Annual grid consumption by residential customer groups in the NEM



Source: ACCC, Retail Electricity Pricing Inquiry, 2025. Note: C is concession, H is hardship program and PP is payment plan.



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