



Media release

For immediate release

Loyalty tax inaction: A massive missed opportunity, consumer and small business groups say

Leading consumer and small business groups have expressed dismay at the Australian Energy Market Commission's (AEMC) failure to address the 'loyalty tax' harming households and small business.

This follows today's release of the AEMC's Pricing Review final report. While the AEMC's draft report proposed a promising reform - recommending that retailers charge all customers on the same plan the same price - the final report has backtracked.

Instead, the AEMC opted for disclosure-based recommendations that keep the burden on households and small business stuck on older, expensive plans to navigate a complex market in order to seek out a fair price. The AEMC's final recommendation would require retailers to tell consumers how much more they are paying – instead of requiring retailers to give consumers a fair deal in the first place.

Quotes attributable to Dr Brendan French, Chief Executive Officer, Energy Consumers Australia

"This is a massive missed opportunity. The loyalty tax is a trap that households, small business, and even retailers find themselves in. Just to keep their market share, retailers will offer unrealistic low prices - which they then need to hike up, often by 20% or more, within a year. What's worse, they fund these low prices by charging loyal customers more. In reality, it's a Catch-22 because no retailer can really afford to step out of this cycle. This is why we all hoped that the AEMC, as the system rule maker, would step in.

"The reality of the loyalty tax is perverse. The ACCC has found that households and small businesses who've stayed with a retailer for a couple of years are often paying hundreds of dollars more per year simply for their loyalty.

"And, in the end, all energy consumers end up paying the price. We are all footing the bill for retailers to spend tens of millions marketing unsustainable prices to new customers, only for the customers to then move on to other retailers when they find out the savings weren't going to last.

"This means the energy market often becomes a race to the bottom, forcing retailers to rely on consumer confusion and a loyalty tax just to stay competitive. This reinforces churn, not service, as the engine driving the retail market.

"It's really a question about what kind of world we want to live in. We cannot allow more than a million households — who are often lower-income or otherwise disadvantaged, as the AEMC acknowledges — to fund short-term benefits for those with the time and resources to repeatedly switch retailers. Instead of spending money on marketing and customer churn, this should be invested in better products, services, and fairer, more sustainable pricing for everyone.

"The AEMC's recommendation to "shine a light" on the loyalty tax simply won't address the issue. It fails to address the structural market failure because no retailer can realistically act alone to fix this.

"The failure to tackle the loyalty tax in a substantive way is yet another example of how broken the current energy market is for consumers. It perpetuates a model in which the entire obligation for getting a fair deal falls on households and small businesses. Today's announcement underlines yet again the critical need for a consumer duty — which would ensure business models like the loyalty tax are tested against standards of fairness and suitability. We welcome Energy Ministers' commitment to consult on this important reform, but in light of today's disappointing decision, they must now fast-track this critical work.

"While we are deeply disappointed by the failure to address the loyalty tax, ECA strongly welcomes the AEMC's other recommendation on network tariffs, another area in which current pricing leads to inequitable outcomes. The AEMC's work in addressing this situation is to be congratulated, though it does make us wonder why they couldn't do the same for retail pricing."

Quote attributable to Erin Turner, Chief Executive Officer, Consumer Policy Research Centre

"Making consumers jump through hoops to get a better price for the same power from the same retailer is deeply unfair. Consumers don't need more information; they need a fair deal."

Quote attributable to Eleanor Doran, Assistant Director, Policy and Campaigns, Consumer Action Law Centre:

"A loyalty tax, penalising long-term customers, makes a mockery of 'loyalty' and is profoundly unfair. Callers to our frontlines are suffering in this cost-of-living crisis where every dollar in their paycheck has to be accounted for. People deserve the best deal today regardless of when they signed up to their plan."

Quote attributable to Dr Dominique Meyrick, Chief Executive Officer, Financial Counselling Australia:

"Many of the clients financial counsellors see are struggling with power bills. A system which penalises those who remain loyal to one plan only makes things worse for those who are already in hardship – it's simply unfair."

Quote attributable to Zyl Hovenga-Wauchope, Chief Executive Officer, FCVic:

"A stronger national approach to the loyalty tax would reinforce the principle that consumers should be rewarded for loyalty, not penalised for it. Fair pricing should be standard practice across Australia."

Quote attributable to Patricia Sparrow, Chief Executive Officer, COTA Australia:

"Many older Australians are already stretching every dollar to cover rising costs. They're less likely to switch energy plans, which means they're more likely to be punished for their loyalty with higher bills.

"When you're living on a fixed income, like the pension, paying hundreds of dollars more for the same service is unsustainable."

Quote attributable to Skye Cappuccio, Chief Executive Officer, Council of Small Business Organisations Australia (COSBOA):

"Electricity loyalty pricing is not good for small business because it rewards inaction and penalises busy operators. Small businesses should not have to constantly monitor the market just to avoid being overcharged."

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Editor's notes:

In December 2025, the [ACCC found that households](#) that have been on the same electricity plan for more than three years are paying on average \$221 per year more than customers on new plans.

ECA's submission to the [draft report](#) recommended that the AEMC address loyalty tax issues in the National Energy Market.

The Pricing Review final report said: "The Commission's view is that loyalty taxes are likely to create material consumer detriment, including higher prices for customers on older offers, potentially including customers experiencing vulnerability. It is also unlikely that the loyalty tax will dissipate without additional measures to encourage it to do so."

[ECA's February 2026 research](#) found that when Australians were asked how fair it is for new customers to be offered a cheaper price than long-term customers for the exact same energy plan, the results were striking:

- 75% said it is unfair from the perspective of a loyal customer
- 67% said it is unfair from the perspective of a new customer benefiting from the lower price.

A consumer duty is an overarching, proactive obligation on energy providers to deliver fair outcomes to consumers by default. Read more at: [Exploring a consumer duty for Australia's energy market | Energy Consumers Australia](#)

[Read Energy Consumers Australia's media release on the network tariffs recommendations of the AEMC Pricing Review here.](#)