

Pricing review draft report

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About the Justice and Equity Centre

The Justice and Equity Centre is a leading, independent law and policy centre. Established in 1982 as the Public Interest Advocacy Centre (PIAC), we work with people and communities who are marginalised and facing disadvantage.

The Centre tackles injustice and inequality through:

- legal advice and representation, specialising in test cases and strategic casework;
- research, analysis and policy development; and
- advocacy for systems change to deliver social justice.

Energy and Water Justice

Our Energy and Water Justice work improves regulation and policy so all people can access the sustainable, dependable and affordable energy and water they need. We ensure consumer protections improve equity and limit disadvantage and support communities to play a meaningful role in decision-making. We help to accelerate a transition away from fossil fuels that also improves outcomes for people. We work collaboratively with community and consumer groups across the country, and our work receives input from a community-based reference group whose members include:

- Affiliated Residential Park Residents Association NSW;
- Anglicare;
- Combined Pensioners and Superannuants Association of NSW;
- Energy and Water Ombudsman NSW;
- Ethnic Communities Council NSW;
- Financial Counsellors Association of NSW;
- NSW Council of Social Service;
- Physical Disability Council of NSW;
- St Vincent de Paul Society of NSW;
- Salvation Army;
- Tenants Union NSW; and
- The Sydney Alliance.

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Recommendations

Recommendation 1

That the Commission require retailers to charge all customers on the same plan the same price for all offers—not only publicly advertised ones—to prevent retailers shifting price discrimination into restricted plans. This should involve measures to require all offers to be public and for all public offers to be available according to consistent, transparent criteria.

Recommendation 2

That the Commission recommend measures requiring retailers to regularly report to the AER on:

- *The full range of their available retail offers,*
- *The key energy price terms of those offers (including structure, fixed and usage prices), and*
- *How many consumers are on each offer.*

Recommendation 3

That the Commission clearly state its intent for this recommendation to guide AER implementation and adopt a tighter definition of “meaningfully different”, strictly limiting meaningful differences to genuine/material variations in energy-related price structures..

Recommendation 4

That the Commission further consider reforms requiring all market contracts to be fixed-term, thereby preventing loyalty taxes and improving outcomes for a broader set of consumers. This should be considered alongside enhancements to the application of default offers to ensure consumers default to fair, regulated offers where the terms they consented to expire.

Recommendation 5

That the Commission support efforts to strengthen default pricing so that it functions as a widely available, simple, genuine, efficient default.

Recommendation 6

That the purpose of any periodic review be grounded in the lived experiences and needs of consumers, assessing the degree to which the existing regulatory framework meets those needs and provides energy services that are affordable, accessible, equitable, and appropriately stable across all household types and demographics.

Recommendation 7

That the review assesses not only whether the rules are fit for purpose, but whether their implementation aligns with policy intent – actually delivering the intended outcomes - and provide additional prescription or clarification where gaps exist between intent/capability and practice.

Recommendation 8

That retailers be prohibited from artificially limiting access to offers in ways that force consumers to shoulder network-related risk they are not equipped to understand or manage. This should include ensuring all consumers can access a default offer with a flat-price structure.

Recommendation 9

That any material redesign of pricing rules be preceded by a transparent options assessment and bill-impact modelling by usage decile and cohort, to ensure they improve consumer and system outcomes. This should also explicitly address potential future implications of all options for network demand and costs and identify key risks associated with each option.

Recommendation 10

That LRMC-based pricing remain the foundation for default network tariffs and that SRMC-based and locationally dynamic tariffs only be offered to retailers on an opt-in basis.

Recommendation 11

That the Commission clarify the purpose of network tariffs and reject proposals to make energy service providers central to network tariff design. This should include reaffirming that tariffs are designed for the system—to reflect cost drivers at the connection point and allocate costs fairly – and that they are signals to energy service providers rather than ‘designed for them’.

Acronyms list

Acronym	Full name
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
CER	Consumer Energy Resources
DER	Distributed Energy Resources
DMO	Default Market Offer
EWCAP	Energy and Water Consumers' Advocacy Program
LRMC	Long-run marginal cost
NECF	National Energy Customer Framework
SRMC	Short-run marginal cost

1. Introduction

The Justice and Equity Centre (JEC) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) Pricing review draft report (the Report).

We consider the review's key areas of focus both appropriate and timely. However, we see a growing disconnect between these stated focus areas and the recommendations emerging from the draft report.

The Review rightly identifies challenges in affordability, equity, consumer experience, and the role of pricing in an evolving energy system. Yet several recommendations—particularly those relating to network tariff reform—risk moving the regulatory framework further from, rather than closer to, these objectives. We are also concerned that some recommendations seem to reflect an objective to expand competition, or at least an assumption it is inherently superior.

The rules should not be designed to promote competition for its own sake or be based on unfounded assumptions it delivers better outcomes in all circumstances. The rules also cannot be shaped to accommodate the commercial preferences of retailers or networks¹. Competition is a means, not an end; the central question must always be whether a reform can be demonstrated to meaningfully improve, or at least deliver intended outcomes for consumers— especially for those who are most vulnerable to price, risk, and structural disadvantage.

In proposing its recommendations, we are also concerned the Commission is moving prematurely towards untested “solutions” without clearly defining the considerations – such as efficiency, equity and fairness – and transparently assessing alternatives. In the case of tariff reform recommendations, we are concerned the ‘solution’ prioritises network revenue assurance and retailer convenience over intended consumer outcomes. This approach risks embedding a tariff design pathway that has not been fully evaluated, has not been publicly modelled, and is not supported by transparent evidence. A proper process would weigh the consequences of different tariff structures, test them using real-world data, and assess their distributional impacts and risks against the defined criteria – such as efficiency, fairness, equity - before selecting a preferred direction.

We strongly recommend the Commission re-centre this review on equity, fairness, efficiency, and the long-term interests of consumers— starting with setting out a clear definition of what is intended by these terms - and to ensure that any recommended reforms emerge from rigorous analysis, and assessment against alternatives, not assumptions.

2. Same plan, same price

We support the recommendation that all people on the same plan should pay the same publicly advertised price, whether they are new or existing customers.

¹ See [JEC submission to AEMC Pricing Review Discussion Paper](#), pp. 4-6

Price differentiation should, ideally, be a function of differential value, not discrimination. Energy consumers understand retail energy offers to be distinct products with consistent pricing. This understanding – and very reasonable expectation – should be reflected in regulation of the retail energy market. The more underlying values are distorted or obscured – such as through ‘random’ or discriminatory price differentiation in products of the same value – the more consumers capacity to identify and choose the offer they value is undermined.

In any case, consumers should not have to switch plans regularly to keep a competitive price and should not be unknowingly discriminated against according to when they signed up for a particular offer.

Three further aspects of this recommendation warrant attention.

Apply to all public offers

First, the Commission must affirm that this requirement applies to all offers, not just advertised ones. Otherwise, retailers will be able to shift price discrimination into restricted or tailored plans. These plans—available only on request or to selected customers—encourage retailers to withhold their lowest-margin products. As part of this reform, it must be required that all offers are public, with restricted plans prohibited.

Recommendation 1

That the Commission require retailers to charge all customers on the same plan the same price for all offers—not only publicly advertised ones—to prevent retailers shifting price discrimination into restricted plans. This should involve measures to require all offers to be public and for all public offers to be available according to consistent, transparent criteria.

Enhance granularity or retail offer reporting

This reform should be supported by enhanced retail reporting requirements, whereby retailers regularly provide the AER with a comprehensive list of their retail offers, the key terms of these offers – such as structure, fixed and energy usage costs – and how many customers are on each of these offers. This will improve visibility and oversight of the effectiveness of the AEMC’s proposed measure, as well as broadly improve the AER’s capacity to monitor the wholesale and retail energy markets’ performance.

Recommendation 2

That the Commission recommend measures requiring retailers to regularly report to the AER on:

- *The full range of their available retail offers,*
- *The key energy price terms of those offers (including structure, fixed and usage prices), and*
- *How many consumers are on each offer.*

Strengthen the definition of meaningfully different

The proposed definition of “meaningfully different” should be strengthened. The Report suggests that a plan is meaningfully different if it has at least one material difference, such as varied time-of-use periods or added perks like Netflix subscriptions or loyalty points.

This risks encouraging retailers to create a proliferation of near-identical plans differentiated only by trivial changes or marketing add-ons. Such complexity unnecessarily complicates plan comparisons and undermines the intent of the reform. The intent should be to ensure that key ‘energy aspects’ of the deal are directly comparable and consistently applied.

While the report notes that “insignificant differences in time-of-use periods” would not count as meaningful, it does not define “insignificant,” and instead proposes seeking AER guidance.

We welcome the AER’s involvement, but the Commission should set a much tighter interpretive baseline intent before delegating. Meaningful differences should be limited to genuine variations in energy-related price structure. Added perks and aspects not related to the ‘energy offer’ should not qualify. The value of these aspects is subjective in any case, and a focus on making more objectively comparable ‘energy aspects’ more transparent, enables consumers to clearly determine – and value – how much these ‘perks’ are costing.

The rules target energy prices. As such, the energy aspects of an offer should serve as the sole anchor for determining meaningful difference. The AER should be equipped and tasked with enforcing compliance to prevent retailers from developing avoidance strategies.

Recommendation 3

That the Commission clearly state its intent for this recommendation to guide AER implementation and adopt a tighter definition of “meaningfully different”, strictly limiting meaningful differences to genuine/material variations in energy-related price structures.

3. Strengthen default offers instead

We support the goal of ensuring consumers have the guaranteed availability of a simple, fair efficient offer without having to understand and ‘shop around’. We see this role being best filled by a reformed default market offer (DMO) which is both fair, simple and available.

We strongly disagree with the proposed ‘competitive franchise’ model. The model is complex and would be costly to establish, with its regulatory burden likely to outweigh any potential benefits. This is particularly problematic where we see little demonstration that assumed benefits will likely be realised. That is, we are concerned the benefits are founded on an assumption competition of this kind would, simply by its nature, deliver good outcomes, without any robust demonstration this would be the case.

Issues with the model

As the Report notes, the model “would likely involve significant transitional and administrative costs, including introducing new roles and responsibilities for retailers, regulators, and market bodies.”

It is also unclear how the model would operate for people with energy debt, experiencing family or domestic violence, in embedded networks, or in highly concentrated retail markets. Moving customers between retailers without robust consent processes raises further concerns about privacy and the continuity of hardship support.

A franchise based on average usage profiles also risks harming some households. A tariff that suits the “typical” customer will not necessarily suit all customers, whose bills depend on how and when they use electricity. We have already seen how this undermines consumer outcomes and trust in the previous operation of the DMO.

We see more value in further examining the parallel proposal to require market contracts to be fixed term – in conjunction with upgraded default offer application, whereby defaults apply when terms consented to expire. This would prevent retailers from imposing loyalty taxes through ongoing or evergreen offers, and it would extend protections to a wider group of consumers.

Recommendation 4

That the Commission further consider reforms requiring all market contracts to be fixed-term, thereby preventing loyalty taxes and improving outcomes for a broader set of consumers. This should be considered alongside enhancements to the application of default offers to ensure consumers default to fair, regulated offers where the terms they consented to expire.

Competition is not a substitute for default pricing protections

We strongly disagree that a competitive franchise should replace existing default pricing such as the DMO and its jurisdictional equivalents, or that it should be pursued in preference to further reform of these mechanisms.

In the first instance these mechanisms exist to protect standing offer customers. If they are not providing the level of protection consumers expect, they should be strengthened (as has been happening, progressively over recent years)—not abandoned.

As we have outlined elsewhere², effective default pricing such as the DMO should be the simple, fair and efficient default and ‘basic’ offer envisaged throughout this process. The overarching purpose of default pricing should be to contribute to fair outcomes for all consumers, both by offering direct pricing protection and by ensuring consumer choice is a genuine choice – by enabling consumers to ‘choose to choose’ from a position of confidence - not a requirement and attempt to avert losses.

We disagree with the Commission’s characterisation of default pricing as a ‘safety net’, and its view that this pricing is a “transitional measure” that can be superseded by “extending the benefits of competition to customers that do not regularly choose a new plan.” As we have noted earlier, we contend this makes unfounded assumptions regarding the ‘inherent’ benefits and superiority of competition and seeks to promote it without any meaningful demonstration it will actually lead to the good consumer outcomes assumed.

It also overlooks that the retail electricity market has structural features that limit how well pure competition works for all consumers. The market is dominated by a small number of large incumbents, shaped by barriers to entry, and influenced by opaque brand loyalty, trust effects, consumer assumptions and inertia.

² See [JEC joint submission to DCCEEW 2025 Reforms to the DMO](#), pp. 6-14.

Retailers, as rational, profit-maximising, risk-minimising firms, can and do exploit these features at consumers' expense. Competition is only effective where the dynamics of the market are sufficient to curtail or discipline this tendency. We see no meaningful demonstration that the AEMC's proposal will be capable of doing this.

As an essential service, consumers must engage with the electricity market. In doing so, they face a high degree of information asymmetry and complexity. Phasing out safety net pricing for another form of competition does not address these issues and may even exacerbate them, as consumers must simply trust that the offer which results from any tender process is 'efficient and fair' simply because it is technically the result of a competitive process.

Better outcomes for consumers who do not regularly engage in the market should be secured through strengthening mechanisms that already exist to fulfil that purpose such as the DMO.

Recommendation 5

That the Commission support efforts to strengthen default pricing so that it functions as a widely available, simple, genuine, efficient default.

Regulation and competition are not mutually exclusive

The Commission has acknowledged throughout this review that competition has not and cannot work for everyone. This is an important finding which should have significant implications for the design of pricing protections and the approach to market regulation.

If competitive markets will inevitably leave some consumers exposed, pricing regulation must be structured to provide a reliable protection for efficiency and fairness, that does not rely on consumers' capacity to search, switch, or negotiate. In doing so, regulation serves to anchor and shape competitive outcomes in the wider market. In other words, default pricing must be designed not just as a backstop for the disengaged but as a core component of a fair market architecture and recognised for its critical role in guiding competition that delivers services and offers consumers can understand and value – through comparison to the simple, fair default.

As other submissions to this process point out, “the consumer electricity market is a ‘designer market’ where every consumer outcome is enabled, permitted and encouraged by the market’s rules and regulations. It’s the rules—and only the rules—that mean ill-equipped consumers are exposed to risks that have detrimental consequences for them.”³

We are concerned that the Report, in its stated preference for market-based solutions, remains wedded to an unhelpful binary that misconstrues the fundamental role of regulation in creating and maintaining effective markets.

We urge the Commission to move beyond this apparent binary framing in its consideration of further retail pricing reform. All markets require rules; the question is what outcomes we want those markets to deliver, and how regulation can ensure they do.

³ [Ron-Ben David submission to AEMC Pricing Review Discussion Paper](#), p. 16.

4. Evaluating whether the rules are working for consumers

We support the recommendation for a periodic review of whether regulations are supporting good consumer outcomes on the condition that the outcomes examined are revised to better reflect actual consumer experiences and the issues they value, rather than more abstract measures of economic competition that assume good consumer outcomes.

A review of this nature should begin with the lived realities of the consumers the market is intended to serve. It should consider whether the market is shaped according to their expectations and needs in relation to an essential service, and whether it is delivering affordable, accessible, and equitable energy services within and across all consumer groups. In doing so, it will be critical to consult on and determine shared understanding of what concepts such as affordable, accessible and equitable mean in this context.

Only by anchoring the review in these tangible outcomes can there be a meaningful assessment of whether the regulatory framework is performing in the long-term interests of consumers.

We support such a review being undertaken every three years and serving as a complement to the AER's ongoing monitoring of prices, profits, and margins in the NEM. This alignment would strengthen the evidence base for regulatory action and ensure that policy responses follow directly from observed impacts on consumers, rather than theoretical expectations about how competition should function.

It may be worth considering whether such a review would be better conducted by another entity, such as the Australian Competition and Consumer Commission (ACCC) - as a regulator with a broader capability to assess consumer outcomes - or a specifically tasked independent panel. This would help ensure the review is not unnecessarily confined by focus on an assessment of the 'rules' or shaped by established institutional practice and process, but more widely tasked to examine the outcomes being delivered to consumers.

Embed genuine consumer outcomes in the review

The Report states “the AEMC review would consider the issues from the perspective of whether the rules-based framework needs modification, that is whether the regulations and interventions in the rules still support competition.”

We are very concerned that this frames competition as the core policy objective rather than more appropriately as a means of achieving good consumer outcomes. Competition may improve outcomes in some contexts, but the Commission's own findings throughout this process acknowledge that it has not and *cannot* work for everyone or in every application.

A review that centres on competition itself risks reinforcing this limitation rather than addressing it.

The Commission outlines three areas of inquiry—market choice, innovation, and consumer outcomes—which are intended to indicate whether competition is working effectively. While the questions relating to consumer outcomes and experience are welcome, they remain insufficiently focused on what actually matters most to consumers.

Switching rates and the diversity of business models reveal little about whether services are meeting consumer expectations and needs, whether fair value in essential energy services is consistently being delivered, whether households can afford their bills, whether hardship is being effectively prevented, or whether price discrimination is producing inequitable outcomes across demographics and regions.

Similarly, the presence of “innovative” products tells us little about whether those innovations deliver value to consumers, and consumers can realistically access them or whether they simply increase complexity and cognitive burden on already stretched households.

We recommend that the Commission explicitly reorient the intent of this review toward evaluating whether the regulatory framework is delivering the following consumer outcomes:

- Services and products which broadly meet consumer needs and expectations;
- prices that are fair, affordable, and appropriately stable over time – this includes price dispersion and differentiation which is firmly connected to value, rather than discrimination;
- universal access to efficiently priced essential energy services;
- equitable outcomes across socioeconomic, geographic, and digital divides;
- transparency and simplicity in offers and billing;
- protection from unfair practices, excessive risk exposure, and unnecessary complexity;
- genuine optionality, where choosing not to engage is not penalised

This shift would provide a clearer and more constructive basis for a holistic determining of whether the current mix of market-based approaches remain appropriate or whether more direct regulatory interventions are required to provide more direction and ensure desired outcomes.

We encourage the Commission to use this review as an opportunity to test—not entrench—its assumptions about the role of competition in essential service markets. Market mechanisms can and should play an important role, but they should not constrain the Commission’s ability to identify and recommend the regulatory settings most likely to deliver good outcomes for all consumers regardless of the degree to which they rely on market mechanisms.

Recommendation 6

That the purpose of any periodic review be grounded in the lived experiences and needs of consumers, assessing the degree to which the existing regulatory framework meets those needs and provides energy services that are affordable, accessible, equitable, and appropriately stable across all household types and demographics.

Review implementation gaps, not just the rules themselves

We also encourage the review to consider not only whether the rules are fit for purpose, but whether their implementation aligns with the policy intent. Put differently, the regulatory framework may be broadly appropriate to facilitate desired outcomes, while simultaneously failing to produce those outcomes.

For example, we disagree with the assertion that the current pricing rules are inherently ill-equipped to drive good outcomes for consumers and the energy system. The issue is less the

capability of the rules, and more the manner in which they have been interpreted, applied, or stretched beyond their intended scope.

Where there is a material gap between what the rules are capable of facilitating and how they are being operationalised, the market bodies should provide additional prescription and clarification to close this gap. We outline recommendations to this effect in Sections 6 and 7.

Recommendation 7

That the review assess not only whether the rules are fit for purpose, but whether their implementation aligns with policy intent – actually delivering the intended outcomes - and provide additional prescription or clarification where gaps exist between intent/capability and practice.

5. Simple, fair comparisons

We support the recommendation to improve Energy Made Easy so that consumers can more easily compare electricity offers, including new and emerging types. We also welcome proposals to expand the AER's capability to gather information from energy service providers that currently fall outside the NECF⁴, and to better integrate DER register data into Energy Made Easy's functionality.⁵ We also reiterate our recommendations requiring all offers to be listed and for enhanced retail reporting of all offers to the AER. We consider these critical to enabling EME to realise its intended potential.

However, these enhancements primarily stand to benefit a subset of highly engaged consumers, mostly with greater flexibility and access to CER. This is not without merit, particularly where reforms ensure consumers without such capabilities or resources receive a fair share of the systemic benefits. However, it does little to address the broader structural barriers that most consumers face.

Comparator sites should reflect that consumers broadly do not shop around for electricity, but for a pricing structure that reflects their actual or anticipated usage profile⁶. That is, for the most part shopping around for an energy contract has little to do with utility maximisation or consumer preferences.

Rather than recognising this reality, recent changes to Energy Made Easy work in the opposite direction. By providing visibility of limitations to plan access based on meter type or underlying network tariff, these changes simply reinforce the idea that retailers are justified in discriminating among customers on this basis (as well as many other, more opaque bases).

Such changes perpetuate the misapprehension that comparison shopping is anything other than an exercise in managing financial risk. Instead of limiting retailers' ability to discriminate amongst

⁴ The AER can only collect plan data from retailers authorised in the National Energy Consumer Framework, and only for products that involve the sale of electricity from the grid to consumers. This may exclude providers and offers that focus on demand management services.

⁵ For more detail on possible reforms to the NECF to cover new and emerging energy services see [Submission to the AER's Review of consumer protections for future energy services: Options for reform of the National Energy Customer Framework](#) (2023).

⁶ [Ron-Ben David submission to AEMC Pricing Review Discussion Paper](#), pp. 11-12.

consumers to manage their own risk exposure, these changes shift the burden onto consumers—who are ill-equipped to understand, manage, or price these risks appropriately.

If the Commission aims to make offer comparison easier and more meaningful, it should begin by curbing retailers' ability to artificially limit access to offers and discriminate among consumers to effectively limit real consumer 'choice'.

Recommendation 8

That retailers be prohibited from artificially limiting access to offers in ways that force consumers to shoulder network-related risk they are not equipped to understand or manage. This should include ensuring all consumers can access a default offer with a flat-price structure.

To this end, market bodies should work with jurisdictions to advance complementary measures such as requiring retailers to maintain access to simple pricing structures such as flat-rate offers⁷ and ensuring that default pricing reforms provide a fair and efficient default consumers can access.

Moreover, any improvements to Energy Made Easy will be undermined without corresponding enhancements to compliance obligations. As it stands, Energy Made Easy often serves merely as an indication of available retail offers, with many retailers directing consumers to their own websites for accurate comparisons rather than relying on the platform. All offers must be listed on EME and all offers on EME must be available according to reasonable, transparent and consistent terms.

6. Aligning tariffs with network cost drivers

We support the intent of the recommendation to focus network tariff design on efficiency but disagree that this is best achieved by networks recovering their costs primarily through fixed charges.

We welcome the Commission outlining its view on what it considers an “efficient” network tariff. The report states that:

Efficient tariffs are those that raised required network revenues by: charging marginal costs when and where usage imposes congestion; and allocating the remaining amount (or residual) in a manner that minimises the distortion of tariff recipient behaviour.

While this definition may be reasonable for more dynamic, opt-in, network tariffs based on SRMC, we do not consider it appropriate for default network tariffs. We are particularly concerned with the definition's focus on congestion. That is, not all usage of the network imposes congestion, but all usage contributes to it. An efficient network tariff should reflect this reality and these costs.

⁷ For clarity, we use 'flat rate' to refer to a pricing structure where a consumer pays a single, fixed price per unit of electricity regardless of the time of day, season, or their usage level.

A singular focus on congestion-based SRMC signals, or the assumption that network costs are “sunk” - and therefore best recovered through fixed charges - is an incomplete basis for efficient tariff design and increases material risk of consequences to future demand and costs.

Efficient tariffs must reflect not only congestion at specific points in time, but the broader cost drivers of the system, including the cumulative and coincident impacts of usage that shape long-term network investment. This means recognising that all consumers contribute to future network costs through their patterns of use, even when they do not directly trigger congestion in real time.

While we accept that any framing is imperfect, we regard a more appropriate framing of an efficient tariff as being one that allocates costs in proportion to the impact the demand at a connection point has on the network—over both short and long horizons. This avoids conflating unavoidable infrastructure costs for networks with unavoidable usage. It also acknowledges that demand is not perfectly inelastic; demand does respond (if inconsistently and ‘irrationally’) to price signals, and these responses matter for long-term system planning and affordability.

Current network tariffs do fall short of this ideal. They sometimes fail to provide sufficiently granular signals to retailers, and their design is constrained by principles and processes which confuse their target and purposes, and that prioritise comprehensibility over cost causation. But these shortcomings can be addressed through improvements within the existing cost-reflective framework such as clearer guidance to networks, stronger alignment across regulators, and better-designed default and opt-in structures—rather than by shifting predominantly to fixed charges.

For these reasons, we agree there is a need to move beyond volumetric tariffs, but we do not accept that loading network costs into a high fixed charge is the logical or efficient next step. A more nuanced approach based on well-designed demand-based signals—can achieve the objectives of efficiency and fairness without the adverse consequences associated with predominantly fixed charges.

Importantly, these changes at a tariff level must be accompanied by the retail reforms we have outlined, to clearly delineate the purposes of network tariffs from retail offers, and insulate consumers from any unfair impacts.

Shortcomings with the design of current network tariffs

At their core, network tariffs are intended to achieve two objectives. First, they should provide retailers with signals that reflect the cost of usage at a connection point, creating incentives that enable them to help minimise overall network costs. Second, they should allocate costs within and across connection or ‘customer’ classes in a way that ensures each connection pays in proportion to the costs they impose on the network. In short, network tariffs should support efficient network operation while promoting ‘fair’ cost recovery at the connection level.

We agree that the current tariff framework could be improved to better meet these objectives. The existing rules are broadly grounded in sound economic principles and have delivered some benefits since the move to cost-reflective pricing in 2014, including helping to disincentivise costly behaviours and encouraging some load-shifting. However, several shortcomings remain.

One common criticism is that tariffs do not sufficiently signal congestion costs—either because they lack real-time granularity or because they reflect broad, system-wide averages rather than local constraints. These limitations are genuine, but they can be addressed through more targeted tariff design rather than shifting toward predominantly fixed charges.

Another key issue is that signals intended for retailers are confused and frequently passed through directly to consumers, exposing households to risks they are not equipped to understand or manage and resulting in unfair and unaffordable outcomes in the delivery of an essential service. This is not a failure of cost-reflective pricing itself but of its implementation. A straightforward solution is to more robustly require retailers to manage network price risk. This may be achieved in variety of ways. One of which would be aligned with default retail pricing reforms we have outlined, requiring retailers to offer a simple (regulated) flat rate offer to consumers with underlying default network tariff assignments.

Further challenges arise from the “customer understanding” principle and the absence of obligations on retailers to manage tariff risk. Together, these factors make it difficult for networks to move beyond flat volumetric charges, even though these charges increasingly conflict with the ‘user-pays’ principle.

Consumers who can minimise their grid consumption—especially households with rooftop solar and batteries—can significantly reduce their underlying volumetric charges while still relying on the network during peak periods when system costs are highest. This effectively results in the inequities identified in this process, with some users avoiding their fair contribution to the shared infrastructure they benefit from (including through enabling their export).

This reflects a deeper structural issue: network costs are driven not by total energy consumed but by the timing and magnitude of coincident energy flows. As more energy is used or produced at the same time, the network must be augmented, increasing long-term costs. Flat volumetric tariffs therefore fail to align charges with cost causation.

However, shifting substantial or residual network costs into a high fixed charge is not the answer. Although this may appear a ‘simple’ solution to resolve the shortcomings of volumetric charging, it risks creating new and more severe problems, particularly in the long term. Fixed charges do not differentiate between users who impose substantial peak-related costs and those who do not. They weaken price signals, exacerbate inequities, and undermine incentives to create retail products enabling demand-side participation and efficient use of the grid. As a result, they are more likely to entrench inefficiencies (and create new ones) than address them.

There is a clear case for improving current network tariff design, but the solution lies in strengthening and refining cost-reflective approaches—not replacing them with fixed-dominant structures that would move the system further away from fairness, efficiency, and long-term affordability.

The case for fixed network tariffs is unsubstantiated

The Report signals a long-term move toward predominantly fixed network tariffs on the basis that this would enhance efficiency, lower total system costs, and share costs more fairly⁸. That conclusion is not supported by sufficiently transparent analysis, and it departs from the Review's earlier consultation settings that focused on defining problems rather than pre-selecting solutions.

The Report does not publish the underlying datasets, modelling assumptions, or distributional analysis that would allow stakeholders to test whether higher fixed charges actually deliver the claimed efficiency or equity benefits and how these are understood.

Without access to this data, it is impossible to verify impacts or understand how cost allocation changes under the proposed approach. Stakeholders have raised concerns that predominantly fixed network tariffs disadvantage low-consumption customers and those who have invested in CER and energy efficiency, yet the Commission has not released analysis that addresses these concerns⁹, or assess the proposed option against possible alternatives.

Given the strong distributional and equity impacts of any major tariff redesign – as well as the impact on scope to enable flexible and innovative offers at a retail level - it is unreasonable for the Commission to advance a preferred solution without releasing the data needed for scrutiny, including distributional analysis, consumption profiles, and DNSP-provided datasets on actual system demand and assessment of potential future implications of different options.

At earlier stages of the Review, the Commission explicitly limited consultation to problem definition. Stakeholders were told that options development would follow. It is therefore not a reflection of good regulatory practice to now converge on a preferred solution without a transparent options assessment process or clear testing of alternatives against agreed criteria.

At minimum, the Commission should undertake a bill impact analysis of predominantly fixed network tariff cost recovery. This analysis should avoid relying on averages or binary divisions between CER and non-CER consumers¹⁰.

The Commission should also publish an options assessment of alternative approaches to network cost recovery. The AEMC would need to define the criteria – such as equity and fairness – used in order to undertake such a comparative assessment, before expressing any policy preference.

Recommendation 9

That any material redesign of pricing rules be preceded by a transparent options assessment and bill-impact modelling by usage decile and cohort, to ensure they improve consumer and system

⁸ 'Fairness' in this context is not clearly defined. Alongside 'equity', 'fairness' and 'affordability' should be clearly defined so that they may be effectively and transparently assessed as considerations for this reform, as well as any alternative.

⁹ See [What price fairness? Move for fixed charges sparks equity debate](#)

¹⁰ We recommend using a decile-based analysis to consider impacts on consumers across the spectrum of energy use.

outcomes. This should also explicitly address potential future implications of all options for network demand and costs and identify key risks associated with each option.

Fixed network tariffs represent a backward step for consumers and the energy transition

Some fixed charging for energy networks is appropriate and standard practice. However, shifting most (or all) network charges to fixed is unfair, weakens the economic foundations for energy efficiency, and undermines scope to enable more efficient network utilisation.

Fixed charges for an essential service are inherently regressive, even before consideration of energy use. Every household pays the same amount regardless of income or circumstance or how much electricity they use. Because low-income households also typically consume less energy, they end up paying far more per kilowatt-hour than wealthier, higher-consumption households. Even were this not the case, in simple terms low-income households pay more for shared network assets than higher income households. This increases energy stress and undermines efforts by low-income consumers – and consumers more broadly - to manage their bills through energy efficiency, conservation or modest CER uptake.

Increasing the fixed component of network charges also shrinks the effective value of rooftop solar, batteries, and energy-efficient appliances. When a larger share of costs cannot be reduced by using less electricity or generating renewable energy at home, households face weaker incentives to invest in CER, improve efficiency or to shift or lower their usage. This slows the uptake of CER, delays progress toward a cleaner, more flexible grid, and penalises households trying to save energy and reduce their environmental footprint. This risks fundamentally undermining moves to improve household energy efficiency, flexibility and the overall efficiency of the energy system.

High fixed charges disconnect retailers, and via them household behaviour - from the real drivers of network costs such as peak demand and local network constraints. As electrification increases, unmanaged peak load will increasingly trigger expensive network augmentations. Cost-reflective tariffs encourage provide a foundation for retailers to create products and services enabling consumers to shift or reduce energy use at critical times, supporting more efficient use of the grid and helping avoid unnecessary capital expenditure. While price signals cannot (and arguably should not, in relation to an essential service) achieve such changes on their own they are a critical enabler and contributor. Moving to predominantly fixed tariffs removes these enabling signals, increasing the risk of over-investment and higher long-term network charges for all customers.

Getting cost-reflective network tariffs right

We support the intent of Recommendation 5 for network tariff design to focus on efficiency, supporting a lowest-cost grid and a fairer sharing of costs among consumers. These principles are already at the heart of existing tariff-design rules, even if some aspects need strengthening to improve their practical application.

Fundamentally, network tariffs should ensure that infrastructure costs are shared fairly while providing a planform which enables the reward of behaviour which reduces network strain or

mitigates and defers the need augmentation. These objectives are best achieved through genuinely cost-reflective tariffs, not through an increased reliance on fixed charges.

The limitations of the current framework can be addressed through clearer and more consistent regulatory guidance. Network tariffs should be understood as signals directed at retailers which *enable* behaviour change, not mechanisms that must directly influence individual consumer behaviour to be justified. Their primary purpose is to allocate costs more accurately between connections, removing unintentional or undesirable cross-subsidies, and protecting consumers from unfairly bearing the costs associated with the usage and generation of others. At present, inconsistent messaging from the AER and AEMC on this point creates uncertainty for networks and contributes to fragmented and less coherent tariff design.

Greater prescription is particularly warranted for the structure of default vs. opt-in tariffs. Each Tariff Structure Statement process should not begin from a blank slate. A consistent set of default tariff elements and standard tariff shapes—aligned, to the greatest extent practicable, within regions and across networks—would improve clarity, predictability, and comparability. It would also help retailers in their risk-management responsibility.

Introducing incentives for networks to design “more efficient” tariffs is unnecessary. Under a revenue-cap framework, networks are already guaranteed cost recovery and are obliged to design tariffs that reflect the underlying cost of providing the service. What is needed is not more incentives, but clearer expectations and consistent regulatory guidance about what constitutes efficient, cost-reflective design and what it is intended to achieve.

We consider LRMC-based tariffs the appropriate foundation for default network tariffs. While LRMC signals can be higher than ‘ideal’ during periods of spare capacity—and lower than ‘ideal’ during congestion—this relative stability is appropriate and even a strength. LRMC-based tariffs provide the relative predictability for retailers which underpins scope for predictability for consumers. This supports product development and effective risk management for retailers and enables the longer-term planning and investment decisions at a household level which are both more durable and effective than ‘reactive’ behaviour change. Volatile SRMC-based pricing is valuable, but it belongs squarely in opt-in tariffs where customers (via retailers) can choose to engage with dynamic or locational underlying signals as part of their choice to engage in more innovative and dynamic retail energy services¹¹.

Default tariffs should therefore include:

- a fixed component;
- an export charge linked to LRMC; and
- a demand-based usage charge linked to LRMC.

SRMC-based and dynamic locational tariffs should be reserved for opt-in arrangements. These tariffs can incorporate real-time or near-real-time congestion signals, critical-peak tariffs, or variable peak charges. Retailers may pass these structures through directly or choose to manage part of the risk on behalf of customers – noting that retail reforms should definitively assert that

¹¹ We are referring to ‘retail services’ to describe the level of service. These services and products may be offered by new entrants other than existing legacy retail service providers.

retailers cannot require a consumer to face such signals at a retail level (through guaranteed options for simple flat defaults).

Recommendation 10

That LRMC-based pricing remain the foundation for default network tariffs and that SRMC-based and locationally dynamic tariffs only be offered to retailers on an opt-in basis.

Residual costs should not be recovered solely through the fixed component. While doing so might technically be regarded as economically ‘efficient’, it introduces other risks and impacts which should be avoided. In any case, the AEMC should transparently identify and assess these implications as part of considering how to best recover residual costs.

We consider a balanced approach—allocating some residual to export and demand-based charges— best supports both fairness and efficiency. Default tariffs may warrant a somewhat higher fixed proportion, but opt-in tariffs should maintain stronger variable signals, given their greater social benefit when they enable end consumers to respond to them.

Demand-based network tariffs provide a more equitable basis for recovering network costs from connections with CER. Peak-demand tariffs, capacity charges, critical-peak tariffs, and variable peak tariffs are all established tools that align costs with actual strain on the network. Crucially, this approach ensures connections with rooftop solar and batteries contribute fairly while still enabling retail products where consumers can benefit from optimising their systems—such as orienting panels westward or managing demand during critical periods.

Export charges should also be recovered on a capacity basis rather than a volumetric one, as capacity better reflects the actual impact of export flows on the network. A capacity-based approach aligns charges with the network’s ability to accommodate exports, which would mean that in most networks—and for most of the year—the appropriate charge would be zero, reflecting ample hosting capacity.

As export-driven constraints emerge or intensify, these charges could be gradually increased to signal the long-run costs of augmenting the network to support additional export flows. This approach would maintain incentives for efficient CER optimisation while avoiding unnecessary penalties during periods when export capacity is plentiful.

Implementing these options—rather than shifting toward predominantly fixed charges—provides networks with certainty of full cost recovery, reduces cross-subsidies, preserves meaningful price signals, and provides a basis to enable retail products offering genuine consumer choice – as opposed to requirement - about how actively they engage.

7. Network tariff design focussed on purpose

We do not support the proposal to have networks design tariffs for energy service providers. At the very least this is ambiguous. If the intent is to assert that network tariffs are intended as signals to retailers and energy service providers – rather than consumers – this should be clearly stated.

To be clear network tariffs should be designed *for the system*: to reflect cost drivers at the connection point and to allocate costs fairly.

Nothing currently prevents retailers from developing products that translate network signals into simple, useful offers for households. Suggesting retailers are “unable” to do so sustains a narrative that further accommodating retailers will unlock innovation. In reality, retailers have not created such products because they are not required to manage network price risk and understandably prefer not to carry it. That is – they require greater incentive through *requirement* to appropriately manage risk, not greater accommodation in the hope they will do so voluntarily.

This can be addressed by requiring retailers to manage network tariff risk on behalf of their customers. Tariffs should remain signals to retailers; retailers should package those signals into comprehensible retail offers. Here, choice becomes an exercise in trying to find and demonstrate value to consumers, not one of consumers hopelessly trying to mitigate the losses they face through opaque and inefficient retail charges.

Retailers should have no substantive role in the design of network tariffs beyond consulting on what risks they may require a retailer to manage and what product options they may enable. This is particularly important for the development of more bespoke tariff options.

Tariff design processes should be informed by consumers needs and reflect social preferences about the trade-offs between fairness and efficiency. Assignment to a consistent default network tariff for all retailers should be mandatory, with the option to opt in to more dynamic structures—such as SRMC-based or locational designs—where retailers choose to engage with them in order to enable more innovative retail product options for their customers.

Households never see network tariffs directly; they see an aggregated retail price. The current “customer understanding” principle therefore constrain cost-reflective tariff design without having any positive impact on the clarity on bills. We support removing this principle and addressing consumer comprehension at the retail layer through retail obligations, default pricing and product disclosure and design.

Framing tariffs to “support energy service providers to offer products customers want” risks blunting the very cost signals that drive efficient behaviour. Tariffs should send efficient LRMC-based default signals which provide retailers with an incentive to manage these costs across their portfolio of customers.

Recommendation 11

That the Commission clarify the purpose of network tariffs and reject proposals to make energy service providers central to network tariff design. This should include reaffirming that tariffs are designed for the system—to reflect cost drivers at the connection point and allocate costs fairly – and that they are signals to energy service providers rather than ‘designed for them’.

8. Continued engagement

We welcome the opportunity to meet with the AEMC project team and other stakeholders to discuss these issues in more depth. Please contact Jan Kucic-Riker at jkucicriker@jec.org.au regarding any further inquiries.

Appendix A: Response to consultation questions

Question 1: Remove retail loyalty tax

- **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?**

We support Recommendation 1 and consider that it would improve outcomes for market-offer customers. We refer to section 2 of this submission for a detailed discussion of the issues and responses.

Requiring retailers to charge all customers on the same plan the same publicly advertised price terms reduces the scope for retailers to impose a “loyalty tax” on existing customers. It also lessens the expectation that customers must continually re-engage with the market simply to maintain access to a fair price.

The recommendation would be strengthened through the refinements and additions outlined in section 2. two refinements.

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

- **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 do not support Recommendation 2. We refer to section 3 of this submission for a detailed discussion of the issues, responses and our alternative recommendations.

While we support the goal of improving protections consumers, a competitive franchise model is unlikely to deliver the intended benefits. It is complex, administratively costly, and creates uncertainty about how vulnerable consumers—such as those experiencing payment difficulty, family violence, or living in embedded networks—would be treated.

Moving customers between retailers without robust consent frameworks also raises concerns about privacy, service continuity, and the maintenance of hardship support.

A franchise structured around “average” usage profiles risks disadvantaging households whose consumption patterns differ from the norm. More importantly, the proposal assumes competition can substitute for strong pricing safety nets, despite clear evidence that competition does not—and cannot—work effectively for all consumers in essential service markets.

A more effective approach is to strengthen existing default pricing and ensure these mechanisms are implemented as intended. To complement these changes the Commission should adopt the proposal to prohibit evergreen market contracts. This would curb loyalty taxes and extend pricing safety net protections more broadly.

Question 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 conditionally support a periodic review, provided it is reframed to assess whether regulations and interventions are delivering genuine consumer outcomes, not just their effects on competition. We refer to section 4 of this submission for a detailed discussion of the issues and responses.

Any review must prioritise whether consumers experience affordable, accessible, equitable energy services, and employ a clear distributional lens (e.g., hardship, regional and digital exclusion).

We also recommend the review explicitly consider implementation quality, not only whether the rules are technically capable of facilitating desired outcomes.

Where there is a gap between the intent and real-world delivery, market bodies should provide additional prescription and guidance to close that gap (e.g., clarifying obligations, tightening standards, or issuing enforceable guidelines) and secure fair consumer outcomes.

Question 4: Make it easier for consumers to compare offers

- **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 refer to section 5 of this submission for a detailed discussion of the issues and responses.

To improve offer comparability, the AER should prioritise reducing unnecessary complexity by curbing retailers' ability to artificially restrict access to offers or discriminate among consumers on the basis of metering or tariff class. Comparator tools are only useful when the range of offers is genuinely available and understandable.

Energy Made Easy could be further improved by advancing complementary measures such as requiring retailers to preserve access to simple price structures such as flat rate offers and ensuring that safety net pricing represents a fair and efficient default.

Consumers can also be better supported through stronger compliance obligations that ensure Energy Made Easy reflects the actual plans retailers make available. Support must also include

addressing the structural drivers of complexity, rather than shifting the burden of risk assessment onto households.

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

- **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?**

We refer to section 6 of this submission for a detailed discussion of the issues and responses.

We do not consider the proposed reforms will deliver more efficient tariffs or better promote consumers' long-term interests than the existing rules. High fixed charges are blunt and regressive; they weaken incentives for efficiency and flexible demand; and decouple bills from the timing and magnitude of usage that actually drives network costs.

Rather than pre-selecting a fixed-dominant end state, the Commission should strengthen cost-reflective tariffs within the current framework. This would include maintain LRMC-based default tariffs comprising a modest fixed component, an LRMC-linked export charge, and an LRMC-linked demand charge. SRMC-based tariffs, including those with more dynamic and locational signals, should be reserved for opt-in tariffs.

Retailers should be required to manage network price risk. This could be achieved by requiring retailers to offer customers on default network tariffs a simple flat rate price – linked to DMO reforms. Strengthening obligations on retailers would protect consumers from complexity while preserving efficiency.

Finally, the Commission should publish transparent bill-impact modelling across usage deciles and consumer cohorts, and establish greater consistency in default tariff structures across networks. This approach would enhance efficiency, support fairness, and better serve consumers over the long term than the proposed reforms.

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

- **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?**

We refer to section 7 of this submission for a detailed discussion of the issues and responses.

We consider this ambiguous, with scope for unintended scope to give retailers ‘veto’ over network tariff design. We do not support making energy service providers central to network tariff design in this way. Network tariffs should be designed for the system—to reflect cost drivers at the connection point and allocate costs fairly—not to suit retailer preferences. Retailers should have no direct role in shaping tariff structures; these processes should be informed by consumer needs and grounded in societal judgements about the appropriate balance between fairness and efficiency.

Because households never see network tariffs directly, the “customer understanding” principle unnecessarily constrains cost-reflective network tariffs without improving bill clarity. We support removing it and addressing consumer comprehension at the retail level through stronger default pricing, simpler product design and disclosure.

A more effective approach is mandatory assignment to a consistent, LRMC-based default network tariff for all retailers, with opt-in access to more dynamic SRMC-based or locational tariffs where retailers choose to engage. For TSS timing, greater standardisation of default structures across periods—rather than redesigning tariffs from a blank slate—would provide predictability without weakening cost signals.

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?**
- **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?**

We do not support outlining transitional measures at this stage. Any consideration of supports should be deferred until the Commission completes a transparent options assessment and publishes robust impact modelling.

The Draft Report signals a long-term move toward predominantly fixed network tariffs on the premise of higher efficiency, lower system costs, and fairer cost-sharing; yet the analysis underpinning these claims has not been made public.

Without underlying datasets, modelling assumptions, or distributional results, stakeholders cannot test whether higher fixed charges deliver the stated benefits or assess who pays more or less under the proposal. Advancing transitional measures before this evidence is available risks normalising a preferred solution that has not been properly scrutinised.

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 (e.g. 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?**

Refer to above response.

