



# AEMC Pricing Review Discussion Paper

Submission by the Australian Council of Trade Unions in response to the  
AEMC Pricing Review 2025 Discussion Paper

ACTU Submission, 16 July 2025  
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## About the ACTU

Australian Unions have always been at the forefront of winning a fair go. The Australian Council of Trade Unions is the peak body for Australian unions, comprised of 34 affiliated unions that represent over 1.6 million workers. We provide a single representative voice for working people.

The ongoing energy transition represents the most significant structural transformation of Australia's national energy system and economy in decades. To ensure that this transformation delivers genuine benefits to workers and communities, the future electricity system should be planned and built to deliver good-quality jobs and just transition outcomes, alongside generating affordable zero-emission electricity.

## Introduction

The ACTU welcomes the AEMC pricing review's focus on supporting better outcomes for consumers. Decades of radical, market-driven policy experiments applied to Australia's electricity industry have led to escalating energy prices for consumers while creating uncertainty about the security and sustainability of electricity supply<sup>1</sup>. Energy affordability is a significant factor that determines the well-being of low-income Australians – 40% of all households<sup>2</sup>. Australian households and workers have been hardest hit by the rapid escalation in electricity prices evident since the 2000s, which have contributed significantly to the ongoing cost-of-living pressures suffered by millions of Australians<sup>3</sup>.

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<sup>1</sup> The Costs of Market Experiments: Electricity Consumers Pay the Price for Competition, Privatisation, Corporatisation and Marketization. Australia Institute

<sup>2</sup> Chester, L. and Elliot, A. 2019. 'Energy problem representation: The historical and contemporary framing of Australian electricity policy', *Energy Policy*, 128: 102-113

<sup>3</sup> Wood, T., Blowers, D. & Percival, L. 2018. *Mostly working: Australia's wholesale electricity market*. Grattan Institute, July 2018

The 2024 Inquiry into price gouging, led by Professor Allan Fels AO for the ACTU, found that energy retailers' practices are harming working families in Australia<sup>4</sup>. The inquiry highlighted three main market failures: concentrated wholesale markets enabling price gouging, inefficient networks and transmission, and retail price discrimination that limits competition. These structural problems across the electricity market drive up prices and restrict consumer choice. The AEMC pricing review should address recent price shocks and the evidence of price gouging identified by the Inquiry.

This review marks an important opportunity to thoroughly reconsider how energy, an essential public service, is delivered, priced, and overseen, and to evaluate whether core elements like network tariffs, retail charges, and cost recovery are effectively promoting both fairness and efficiency for the lasting benefit of all consumers. To ensure the pricing framework supports future consumer demand while delivering a lower-cost system for all, this submission recommends that the review process consider the following reforms in line with its overarching objectives.

## **Designing an energy system for consumers**

Increased corporatization and privatization of energy markets have created an unproductive and fragmented structure of private competition where the market is highly concentrated between a few generators and retailers, without the leadership or coordination to ensure the system meets two of its most essential goals: providing reliable, low-cost energy for consumers and adherence to net zero by 2050. In principle, this review process should acknowledge the fact that solving the problems created by this system does not require more marketisation and privatization. Instead, it requires a fundamental review of the design and operation of the energy system,

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<sup>4</sup> [Inquiry into price gouging and unfair pricing practices](#)

followed by coordinated and targeted public investment that delivers value for money to energy consumers and creates well-paid, safe, and secure union jobs.

The AEMC pricing review must include an assessment of public ownership and equity stakes as a strategy to improve outcomes for Australian consumers, particularly in terms of cost and reliability. This evaluation should begin with parts of the energy system that are natural monopolies, such as transmission and distribution networks, which currently contribute to higher costs for everyday Australians. Importantly, this exploration of strategic public ownership should complement—not replace—ongoing reforms in the energy market, including the current review.

## **The need for simplified products for consumers**

In the electricity system, there is a clear need to remove the barriers that prevent consumers from having access to basic, simple, easy-to-compare products. Under current settings, the growing complexity and variation in electricity pricing—whether through network tariff reform or exposure to wholesale spot prices and other markets—will make it increasingly difficult for consumers to compare products and choose the one that is right for them. The ACCC has found that almost a quarter of customers receiving 'Better Offer' messages were quoted deals with the same name as their current plan but different prices, showing how retailers deliberately confuse customers<sup>5</sup>. This complexity is not accidental – it's a design feature that allows energy companies to make higher profits while rendering it nearly impossible for ordinary families to find better deals or understand what they're paying for<sup>6</sup>.

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<sup>5</sup> [The pricing review discussion paper](#)

<sup>6</sup> [AER Submission: Electricity Pricing for a Consumer Driven Future](#)

While poor information availability about products can be a barrier, arguably the biggest barrier is the high complexity of decisions and the numerous factors to consider for an individual consumer. Consumer product choices must be simplified and made more transparent to enable easier decision-making. Highly tailored and trusted advice will be critical, especially for emerging CER products. While AEMC's ongoing consumer protection reforms currently target pricing complexity and consumer confusion through measures like price increase restrictions and loyalty penalty protection, these improvements need significant expansion<sup>7</sup>. Drawing from proven international approaches, the current review should explore implementing mandatory standardization of electricity products to eliminate the deliberate confusion-based pricing strategies that energy companies use<sup>8</sup>.

This reform pathway could include establishing Basic Service Options - standardized electricity plans offering simple, flat-rate pricing without complicated discount structures or conditional terms<sup>9</sup>. Retailers should be required to offer opt-in services that automatically switch customers to the cheapest plan based on their demand curve every six months, with automatic enrollment for those in hardship programs or behind on payments. These basic options would function as competitive benchmarks, forcing traditional retailers to demonstrate genuine value through actual service improvements rather than pricing manipulation<sup>10</sup>.

Additionally, energy products should be organized into clear categories: Basic (simple pricing), Standard (moderate complexity), and Advanced (sophisticated options for engaged consumers), like many global electricity markets<sup>11</sup>. This tiered approach aligns with the AEMC's developing framework that recognizes consumers want "products on a spectrum" - from basic options providing "price predictability and reasonable

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<sup>7</sup> [New rule changes set to make energy bills fairer for all | Ministers](#)

<sup>8</sup> [The pricing review discussion paper](#)

<sup>9</sup> [General supply tariffs - Ergon Energy](#)

<sup>10</sup> [Submission - EPR0097 Consultation paper - Justice and Equity Centre - 20241217.PDF](#)

<sup>11</sup> [Tiered pricing | Hydro Ottawa](#)

understanding" to more complex offerings for those who actively engage with the energy market<sup>12</sup>.

Regulating the functioning of Virtual Power Plants (VPPs) is critical for lowering consumer power prices in an evolving energy grid. VPPs currently operate without sufficient oversight, creating market failures that prevent consumers from accessing fair pricing. Since VPPs are predominantly operated by profit-maximizing companies, often with foreign ownership, they have no inherent obligation to prioritize grid stability, community benefits, or consumer welfare over profit margins<sup>13</sup>.

## Redesigning network tariffs

Network tariff reform represents a fundamental opportunity to align consumer interests with system efficiency while delivering substantial cost reductions for all electricity users. Current cost-reflective tariffs often fail to achieve their intended outcomes and can penalise vulnerable households who cannot easily adjust their energy usage during extreme weather events<sup>14</sup>. The evidence from successful international implementations demonstrates that well-designed pricing structures can reduce consumer bills by 10-40% while improving system reliability and accelerating renewable energy integration<sup>15</sup>. Research also shows that properly designed network tariffs could reduce overall system costs by \$2-4 billion annually while ensuring fair cost allocation across all consumer groups<sup>16</sup>.

The review should look at the most effective approaches for tariff reform, including allowing smart devices, batteries, and electric vehicles to respond automatically to network constraints without requiring consumers to manually manage their usage.

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<sup>12</sup> [The pricing review discussion paper](#)

<sup>13</sup> [Virtual power plants will fail without an industry overhaul that puts consumers first - One Step Off The Grid](#)

<sup>14</sup> [Complex network tariffs: How do we best manage the risk?](#)

<sup>15</sup> [Why Dynamic Pricing is Smart Pricing - Guest Editorial](#)

<sup>16</sup> [Cost-Reflective Tariffs: The Disconnect Between Theory and Reality](#)

Such systems could reduce peak demand by 15-25%, significantly lowering infrastructure costs, which would further increase affordability for all consumers<sup>17</sup>. One time-of-use tariff that the review should particularly explore expanding is the “solar sponge” tariff, which gives households access to low-cost or free electricity during the middle of the day, incentivising shifts in time-of-use and taking pressure off the grid during times of peak demand. Additionally, homes that have a battery, supported by the government’s cheaper home batteries program and several home battery subsidy schemes, can charge the battery during the cheap/free period and discharge into their remaining electricity usage. With an investment in smart meters for a certain portion of low-income households, the Commonwealth government could give the Australians who need it most access to zero-cost electricity, promote grid stability, and obviate the need for retailers to sell electricity, often at negative prices, during periods of lowest demand. This would also have the impact of allowing renters to benefit from the government-subsidised uptake of solar and battery technologies by homeowners<sup>18</sup>.

A reformed process should require explicit consultation with energy consumer advocates alongside smaller-scale retailers, to ensure, rather than assume, that tariffs will be passed on to consumers<sup>19</sup>. This recognises that network tariffs are primarily wholesale instruments that retailers should use to develop appropriate consumer products and not a device to penalise consumers. The process should also mandate three-year consent periods for any tariff changes following smart meter installation, giving consumers genuine choice and control<sup>20</sup>. Network businesses should be required to transparently demonstrate how their tariff proposals serve consumer interests and provide alternative options for different consumer segments<sup>21</sup>. This includes offering simplified tariff structures and ensuring that any transition to cost-reflective pricing includes protections for vulnerable households.

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<sup>17</sup> [Analysis: Cost-reflective network tariffs aren't very cost-reflective | Energy Consumers Australia](#)

<sup>18</sup> [Incentivising within-day shifting of household electricity use](#)

<sup>19</sup> [Complex network tariffs: How do we best manage the risk?](#)

<sup>20</sup> [AEMC proposes stronger consumer safeguards for smart meter rollout | AEMC](#)

<sup>21</sup> [ap744-consumer-outcomes-and-principles-for-cost-reflective-network-pricing.pdf](#)

Such reforms could ensure that the benefits of smarter pricing - estimated at \$12-16 billion in avoided infrastructure costs - are shared equitably across all consumers<sup>22</sup>.

## **Guardrails on retail competition to end price discrimination**

Current retail competition in the electricity sector is fundamentally failing consumers and cannot be relied upon without significant structural reforms. The evidence demonstrates that despite increased retailer numbers, the market remains dominated by a few vertically integrated players who engage in systematic price discrimination<sup>23</sup>. As highlighted by the ACTU's *Inquiry into price gouging and unfair pricing practices*, consumers continue to bear the costs of market power in electricity generation and retail, enabling retailers to engage in price discrimination<sup>24</sup>.

Real competition requires breaking up the vertical integration between generation and retail operations, as this creates inherent conflicts of interest that enable market manipulation<sup>25</sup>. The market also needs stronger regulation of retail margins and mandatory transparency in pricing structures. Research shows that competitive electricity markets reduce costs by 25-45% compared to monopoly structures, but only when proper safeguards prevent market abuse<sup>26</sup>.

The pricing review should also implement critical reforms, including implementing standardised product offerings that enable genuine price comparison, removing conditional discounts that trap vulnerable customers, and establishing independent retail services that compete purely on customer service

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<sup>22</sup> CSIRO & Energy Networks Australia, *Electricity Network Transformation Roadmap: Final Report* (2017).

<sup>23</sup> [Microsoft Word - P1752 Retail electricity and gas rip offs AGL and Origin \[Word\].docx](#)

<sup>24</sup> [Inquiry into price gouging and unfair pricing practices](#)

<sup>25</sup> [WattClarity | Commentary and analysis of Australia's NEM](#)

<sup>26</sup> [NEW STUDY: Competitive Markets Reduce Electricity Costs, Improve Reliability, Lower Emissions - Pacific Research Institute](#)



rather than generating profits<sup>27</sup>. The review should also explore introducing a Basic Electricity Service, which would eliminate retail markups by giving consumers direct access to wholesale prices and only essential costs, like billing and customer service<sup>28</sup>.

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<sup>27</sup> [AEMC delivers enhanced consumer protections to help customers find better energy deals | AEMC](#)

<sup>28</sup> [Why do we need electricity retailers?; or, can you get it cheaper wholesale?](#)

**Address**

ACTU  
Level 4 / 365 Queen Street  
Melbourne VIC 3000

**Phone**

1300 486 466

**Web**

[actu.org.au](http://actu.org.au)  
[australianunions.org.au](http://australianunions.org.au)

