

10 July 2025

Anna Collyer
Chair
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2000

Lodged electronically

Dear Ms Collyer,

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

Nexa Advisory welcomes the opportunity to respond to the AEMC's *Pricing Review* Discussion Paper (EPR0097). As outlined in our previous submission¹ and our recent report, *Empowering Consumer Energy*², we advocate for comprehensive and consumer-centric reforms to enable a flexible, efficient, and competitive energy market.

Nexa is an advisory firm with an unwavering focus to accelerate the clean energy transition in a way that provides secure, reliable, and affordable power for consumers of all types. Nexa Advisory is a team of experienced specialists in the energy market, policy and regulation design, stakeholder engagement, and advocacy. We work with public and private clients including renewable energy developers, investors and climate impact philanthropists to help them get Australia's clean energy transition done.

We broadly support the scope of the Review, which is long overdue³, and support the key focus areas outlined by the AEMC:

1. market arrangements that provide for consumer choice between a range of appropriate products, services, and associated prices that suit their needs and preferences
2. the role of distribution networks in enabling the right products, services, and incentives for consumers, and the efficient cost and pricing outcomes that result; and
3. the role of retailers and energy service providers in effectively packaging and pricing electricity products and services to match consumer preferences.

There are structural governance and regulatory barriers across these areas which are impeding genuine competition and efficient investment in Consumer Energy Resources (CER) by consumers. Critically, these barriers preventing service innovation are not new. The critical need for necessary regulatory reform has been known since last decade⁴.

Yet, these challenges continue to persist and have not been coherently addressed, despite being raised with market bodies across several consultations and processes, such as:

¹ Nexa Advisory, [Nexa Advisory Submission – AEMC Electricity pricing for a consumer-driven future review](#), 27 August 2024

² Nexa Advisory, [Empowering Consumer Energy](#), 23 June 2025

³ Nexa Advisory, [Putting the Power in People's Hands](#), October 2023

⁴ Sioshansi F., *Consumer, Prosumer, Prosumer: How service innovations will disrupt the utility business model*, 2019

- the AEMC's CER workstreams including *Accelerating smart meter deployment*⁵, *Real-time data for consumers*⁶, and *Unlocking CER benefits through flexible trading*⁷;
- the Energy Consumers Australia's *Integrated distribution system planning* rule change request (ongoing);
- the AER's *Policy-led sandboxing approach*, *Low-voltage Network Visibility Project*, and *Review of consumer protections for future energy services*;
- AEMO's *DER Program*, *CER Data Exchange*⁸, and recent changes to incorporate distribution network development into system planning⁹; and
- The National Electricity Market (NEM) Wholesale Market Settings Review¹⁰, which acknowledges the role of CER and the barriers preventing its effective participation in the wholesale market – including network and retail tariffs.

We agree with the AEMC that greater competition in the retail and CER markets must be enabled through:

- competitive neutrality between incumbent Distribution Network Service Providers (DNSPs), their customers and third-party energy service providers (i.e., by strengthening and upholding ring-fencing of DNSPs, ensuring network data transparency, and streamlined grid connection processes); and
- fit-for-purpose retail and network tariff setting.

However, while the AEMC's current 'bookend' approach is useful for conceptualising tariff reform, this framing alone does not adequately address the deeper structural governance and regulatory challenges inherent in current market arrangements. By focusing on enabling a defined range of retail products, the discussion paper risks overlooking fundamental barriers – such as the monopoly power of incumbent DNSPs and the impact this has on connections, tariff governance, weakening of ring-fencing provisions, and network data transparency. Together, these threaten the uptake of CER and consumer energy services. More importantly, these will stifle innovation, competition and consumer choice in what are consumer technologies and services.

The Pricing Review presents a rare opportunity to move beyond incremental adjustments and deliver genuine reform which addresses the challenges currently impeding competitive delivery of CER and consumer energy products and services.

Key recommendations

Without addressing the governance and incentive structures that shape DNSP behaviour, the review may reinforce the status quo rather than unlock meaningful reform. As such, Nexa Advisory recommends that as part of this Review, the AEMC focus on practical actions to support competition and enable – rather than define – innovative consumer energy products and services. The AEMC should:

1. **Review and streamline the National Energy Customer Framework (NECF)** to address retail competition barriers and provide an equal playing field for new entrants, including third-party aggregators and service providers.

⁵ Nexa Advisory, [AEMC Accelerating Smart Meter Deployment submission](#), July 2024

⁶ Nexa Advisory, [AEMC Real-time data for consumers submission](#), November 2024

⁷ Nexa Advisory, [AEMC Flexible Trading Arrangements submission](#), April 2024

⁸ Nexa Advisory, [AEMO CER Data Exchange submission](#), November 2024

⁹ Nexa Advisory, [AEMO Draft ISP Methodology submission](#), April 2025

¹⁰ Nexa Advisory, [NEM Wholesale Market Settings Review submission](#), February 2025

2. **Reintroduce a structured, collaborative review process similar to the Electricity Network Economic Regulatory Framework (ENERF) Review** - to provide an ongoing mechanism to evaluate whether the regulatory framework remains fit for purpose, and whether alternative network economic frameworks and models are needed to deliver efficient network development and consumer value. This includes whether tariff structures are delivering efficient outcomes, whether ring-fencing waivers are distorting competition and whether consumer protections are keeping pace with market innovation.
3. **Strengthen the existing ring-fencing provisions** – and better reflect the risks to competition posed by continued erosion of ring-fencing provisions – such as through ongoing waivers being granted by the AER for DNSPs. This should inform the case for upholding and reinforcing ring-fencing obligations to prevent regulated DNSPs from owning assets such as EV charging infrastructure (EVCI) and community batteries that can be competitively delivered and are directly relevant to the scope of the energy products and services being considered by this Review.
4. **Address other barriers to facilitate CER uptake** – including by:
 - **Strengthening data transparency obligations for DNSPs**, unlocking access to critical network operations and planning data such as hosting capacity and network constraints;
 - **Streamlining grid connections and reducing costs**, through standardised Service Level Agreement negotiating processes for connecting parties; and
 - **Developing tariff structures that recognise smart infrastructure and value consumer contributions into grid services**, including for residential and small business customers, as well as larger commercial and industrial connections (which are currently omitted in this review).

Enhancing competition and innovation in retail and CER markets

CER poses challenges to the business models of incumbent energy market participants, encompassing electricity distribution and transmission networks, retailers, and large-scale generators. It disrupts established retail markets and necessitates the development of new, innovative business models to accommodate its flexibility and potential. The NECF was designed for traditional energy models. The rise of solar, batteries and EVs challenges its relevance and adaptability.

Further, while smaller energy service providers have entered the market, many have struggled to thrive within the existing retail ecosystem. The recent energy crisis witnessed numerous newer retailers exiting the market, highlighting the challenges faced by smaller retailers¹¹.

There is already a vibrant - though nascent - ecosystem of innovative retailers, energy service providers and aggregators which already competitively deliver products and services across the 'spectrum of offerings' outlined by the AEMC. For example:

- Powershop, Amber Electric, and Flow Power – which bundle wholesale-linked pricing with real-time digital engagement tools. Flow Power in particular uses demand-response signals which rewards customers for shifting load.
- Virtual Power Plant (VPPs) operators and aggregators – including Tesla Energy, AGL, EnergyAustralia and Reposit Power, which have developed platforms for orchestration

¹¹ ACCC, [Inquiry into the NEM](#), 2023

(which will require transparent network data and market signals to ensure they are responsively dispatched)

- EV charging infrastructure (EVCI) providers such as Evie Networks, EVX and AGL – which lead in the competitive rollout of public EVCI.

Together these examples demonstrate that product innovation is not the missing ingredient; rather, market and regulatory challenges are impeding growth of these businesses.

Consumer protections are central to this Review and should not impede competition

The NECF is central to this Review and must provide appropriate customer protection to customers when and where needed. However, it is no longer fit for purpose and has become a huge regulatory burden for new entrants and innovation. It was introduced in 2012 for a retail landscape of vertically integrated retailers selling simple, flat-rate energy. While the retail market has evolved, the same framework now imposes a regulatory burden of authorisations, exemptions and reporting obligations that falls on small retailers, VPP aggregators, peer-to-peer platforms and EVCI providers.

There are several recent and ongoing reform programs focused on retail protections, including the Better Energy Customer Experiences (BECE)¹² and the package of retail consumer protection rule changes put forward by the Energy and Climate Change Ministerial Council in early 2025¹³. The AEMC should review and streamline the NECF, modernising the protection regime to ensure an equal playing field for new entrant providers of consumer energy products and services. This should consider whether a principle-based approach to customer protections is a better way forward to enable innovation and deliver real benefits for consumers.

In the context of this Review, the AEMC should focus their efforts on ensuring energy consumer energy products and services best meet the needs of customers, while ensuring this framework supports competitive neutrality. A key focus should be to ensure the licence and exemption framework enables innovative models – including through aggregation services, VPPs and EVCI.

This would see the AEMC take a facilitatory role - ensuring that consumer protections are appropriate – while allowing the competitive market to develop innovative and consumer-centric products and services, rather than prescribing how these products and services should be designed within the protection framework.

Competitive markets can deliver innovative products and service which align with consumer protection frameworks

Nexa Advisory identified in our *Putting the Power in People's Hands* report¹⁴ that DNSP tariffs are a critical area to support the uptake of CER.

Competition and innovation are essential for fostering a decentralised energy future and supporting the flexibility offered by CER. Addressing market power imbalances in the retail and CER markets is crucial to ensure that customers have access to a diverse range of innovative services and solutions.

¹² Australian Government, Department of Climate Change, Energy, the Environment and Water, [Better Energy Customer Experiences](#), March 2025

¹³ AEMC, [AEMC delivers enhanced consumer protections to help customers find better energy deals](#), June 2025

¹⁴ Nexa Advisory, [Putting the Power in People's Hands](#), October 2023

There is a clear gap left from the ENERF Review

Prior to the AEMC's cessation of the annual Electricity Network Economic Regulatory Framework (ENERF) Review in 2020¹⁵, there was a regular opportunity for industry and stakeholders to address any issues with DNSP tariffs.

The annual ENERF Review was requested in 2016, by the then COAG Energy Council in response to the growth in CER¹⁶. The ENERF review was an important tool for the federal government and state energy ministers to monitor and direct work on key distribution issues. The absence of the ENERF review over past five years, and in a CER context that is changing more rapidly than in 2016, has resulted in outcomes that are detrimental to consumers. This has included export tariffs and emergency backstops¹⁷.

A follow-up Nexa Report in May 2024¹⁸, further demonstrated the lack of innovation in network tariffs and the absence of attention to consumers' expectations regarding the treatment of CER.

The AEMC should reintroduce a structured, collaborative review process to provide an ongoing mechanism to evaluate whether tariff structures are delivering efficient outcomes, whether ring-fencing waivers are distorting competition and whether consumer protections are keeping pace with market innovation. Critically, this would allow the AEMC to track unintended consequences over time, support continuous improvement and strengthen public trust in market reforms.

DNSP behaviour and network tariff setting processes are a key barrier to competitive, consumer-centric energy products and services

Network charges are already the single largest cost line on an electricity bill, averaging about 38 per cent of the Default Market Offer on average across distribution businesses, and climbing as high as 46 per cent in some regions¹⁹. Because these network costs are socialised, every customer – whether they own CER or not – stands to benefit from smarter, more flexible networks. We have recently discussed that CER could avoid around \$8 billion in future generation and storage investment and a further \$11 billion in network outlays by 2040, savings that would flow directly into lower network tariffs and bills for all consumers²⁰.

The current regulatory framework, incentives and network tariffs setting process for DNSPs have given rise to Regulated Asset Base (RAB) growth rather than with customers in mind. To address this and ensure competitive outcomes which cater to broad consumer needs, the regulatory framework must uphold ring-fencing and remove information asymmetry which currently exists due to lacking network data transparency. This must happen before the tariff setting process is reformed.

Ring-fencing must be strengthened and upheld

DNSPs favour capital investment solutions that enhance the Regulated Asset Base and revenue, rather than non-network solutions, such as purchasing a service (operational cost), which are likely to be lower cost and are more flexible in a dynamic CER-driven future.

¹⁵ AEMC, [ENERF Review Final Report](#), 2020

¹⁶ Ibid

¹⁷ Nexa Advisory, [Empowering Consumer Energy](#), 23 June 2025

¹⁸ Nexa Advisory, [Accelerating Consumer Energy](#), April 2024

¹⁹ AER, [2025-26 Default Market Offer Final Determination](#), May 2025

²⁰ Nexa Advisory, [Empowering Consumer Energy](#), 23 June 2025

Properly designed tariffs, coupled with effective competition, can significantly mitigate the need for extensive future network investments. Currently, network utilisation stands at approximately 47 per cent, highlighting an urgent need for reform to enhance asset productivity and manage escalating consumer costs²¹.

Currently, only the DNSPs have access to and are aware of the constraints and capacity of their networks operationally. Network tariffs must be designed to enable price signals and customised products to value customer load flexibility and enable innovation in services, rather than pure price pass through of capital investment in the network.

We have recently discussed that regulatory decisions have blurred the boundary between regulated and competitive delivery of CER and will threaten innovative and consumer-centric solutions if regulations – in particular, ring-fencing arrangements – are not upheld²².

The AEMC should improve the transparency of network costs

Without transparent access to DNSP network data, it is not possible to identify where non-DNSP-led solutions – including consumer-owned CER – could offer value. This is enabling DNSPs to pursue anticipatory network expansion, ahead of need, even while declaring networks under-utilised.

We note the market reforms currently addressing this – including the Energy Consumers Australia’s *Integrated distribution system planning* rule change request (ongoing) and recent changes to incorporate distribution network development into system planning²³. These changes are welcome, given existing processes – such as the Distribution Annual Planning Report (DAPR) – are not fit-for-purpose to provide the necessary data to help new energy services providers and other third-parties locate investment.

This is a core issue which must be addressed by this Review.

Tariff setting directly impacts the ability for competitive energy products and services to meet consumer needs

Whether a consumer is price responsive or not is a choice for the consumer to make through the selection of a retail tariff which suits their needs. This must be enabled through a more flexible approach to network tariff settings and structures. Larger consumers may have a direct relationship with their DNSP and may be exposed to specific network tariffs, but typically the DNSP-customer relationship is mediated via the retailer and other third-party service providers.

We propose that the design of network tariffs should be an open and transparent process, overseen by an independent body. This change in governance will ensure that networks as the operator and planner of the electricity network are at arms-length.

Transitioning residual cost recovery mechanisms toward dynamic charges will effectively incentivise flexible CER. As highlighted in the recent NEM Review²⁴, aligning network tariff signals carefully with wholesale market incentives is necessary to prevent conflicting signals – making ‘invisible’ consumers visible to the market and maximising overall market efficiency.

²¹ Ibid

²² Nexa Advisory, [AER CitiPower, Powercor and United Energy Ring-fencing Waiver Application submission](#), June 2025

²³ Nexa Advisory, [AEMO Draft ISP Methodology submission](#), April 2025

²⁴ Nexa Advisory, [NEM Wholesale Market Settings Review submission](#), February 2025

Changing the tariff setting process may address the natural incentive for capital investment by incumbent DNSPs

We are concerned by the continued threat to competition posed by incumbent DNSPs encroaching on existing CER markets – including through ‘community batteries’ and EVCI. Without proper regulatory safeguards, DNSP involvement in contestable markets such as EVCI risks distorting competition and reducing innovation²⁵. If allowed to progress unchecked and without clear evidence of market failure, this risks the expansion of DNSP-owned EVCI and overinvestment in charging points that impose unnecessary costs on energy consumers.

We suggest that an alternative ‘totex’ model could address the existing capital expenditure bias and reduce the ability to recover the costs of associated over-investment through network tariffs²⁶.

Thank you for the opportunity to provide input into the Discussion Paper. We welcome the opportunity to further discuss any aspect of our submission - please contact either myself or Jordan Ferrari, Director - Policy and Analysis, jordanferrari@nexaadvisory.com.au.

Yours Sincerely

Stephanie Bashir
CEO and Principal
Nexa Advisory

²⁵ Nexa Advisory, [CitiPower, Powercor and United Energy Ring-fencing Waiver Application for Kerbside EV Charging Infrastructure submission](#), June 2025

²⁶ Nexa Advisory, [Empowering Consumer Energy](#), 23 June 2025