SACOSS
South Australian Council of Social Service

SACOSS' Submission to the Australian Energy Market Commission's Discussion Paper on the Pricing Review

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Introduction

The South Australian Council of Social Service is the peak non-government representative body for health and community services in South Australia, and has a vision of *Justice, Opportunity and Shared Wealth for all South Australians*. SACOSS does not accept poverty, inequity or injustice. Our mission is to be a powerful and representative voice that leads and supports our community to take actions that achieve our vision, and to hold to account governments, business, and communities for actions that disadvantage vulnerable South Australians.

SACOSS' purpose is to influence public policy in a way that promotes fair and just access to the goods and services required to live a decent life. We undertake policy and advocacy work in areas that specifically affect disadvantaged and low-income consumers in South Australia. With a strong history of community advocacy, SACOSS and its members aim to improve the quality of life for people disadvantaged by the inequities in our society.

SACOSS has a long-standing interest in the delivery of essential services. Our research shows that the cost of basic necessities, like water and electricity, impacts greatly and disproportionately on people experiencing vulnerability and disadvantage.

SACOSS would like to thank the Australian Energy Market Commission (AEMC) for the opportunity to comment on the *Pricing Review: Discussion Paper*, (**the Discussion Paper**), dated June 2025.[1] The AEMC states the purpose of the Discussion Paper is to:

> *'…test and validate with stakeholders what we have heard on the problems identified, why they are occurring, and whether they will persist in the future in the absence of reform.'*

We welcome the AEMC's decision to reflect back what has been heard at this stage of the Review process. We are particularly pleased the AEMC has acknowledged the problem of fixed network cost transfers and have challenged the 'system benefit' assumptions underpinning network tariff design.[2] We consider the Discussion Paper comprehensively covers many of the issues raised by SACOSS and others through this Review process, that were previously unacknowledged or unidentified in the early stages, and we commend the AEMC for listening and responding to our concerns.

That said, SACOSS notes the stated objectives of the review[3] remain focussed on 'the availability of the products and services that consumers want in the future' while also 'delivering a lower cost system for all consumers'. We are concerned the objectives fail to adequately encompass the need to re-examine the structural frameworks underpinning the

[1] AEMC, *Pricing Review: Discussion Paper*, June 2025

[2] AEMC, *Pricing Review: Discussion Paper*, June 2025, pp. 55-56

[3] AEMC, *Pricing Review: Discussion Paper*, June 2025, p.4

inequitable recovery of fixed network costs (both distribution and transmission as well as jurisdictional scheme costs) through consumption tariffs, risking a missed opportunity for much-needed structural energy pricing reform.

Rising energy costs are crippling South Australian households and energy debt has risen to record levels.[4] For the future social and economic health of our society and especially low income households, we need to both reduce the price of electricity as well as allocate system costs more equitably. This Review presents an opportunity to establish a framework where fixed network costs are fairly recovered from all consumers who access network services (large and small). This is particularly important for low-income households and renters, who are less likely to be able to access energy from behind the meter.

This submission will provide a high-level response to some of the questions posed in the Discussion Paper. We would welcome the opportunity to further elaborate on our submissions, if required.

Summary of Submissions

SACOSS' submissions in response to the Discussion Paper are briefly summarised, below:

- To ensure the full diversity of needed products and services, regulatory interventions will still be required to support innovation and accessibility across the spectrum – not just to enable the extremes. This includes designing network tariffs that support fair and efficient pricing, ensuring consumer protections are future-ready, and placing obligations on retailers to serve low-income or vulnerable customers effectively.
- Designing systems around inaccurate assumptions about consumer behaviour risks entrenching both inefficiency and inequity. Consumers should not be expected to act as energy traders or system managers – and policy should reflect that reality.
- Regulatory intervention is necessary to guarantee availability, accessibility, and equity in retail energy products – especially as the system becomes more complex, and risk is increasingly shifted onto consumers.
- This Review must re-think the frameworks and assumptions underpinning the design and approval of network businesses' tariff structure statements.
- This Review should prioritise reforms that will address the problem of fixed network cost transfers.
- Ensuring the fair recovery of transmission and jurisdictional scheme costs (recovered through network tariffs) must form part of the scope of this Review.

[4] AER, Schedule 3 – Retail Performance Data Q3 2024-25 The average amount of energy debt for South Australian households reached a record high of $1,825 in Q3 2024-25, even with the Federal Government's energy bill relief package. This is the highest average energy debt level in the Nation, and $410 above the National average.

- The costs, risks and behaviour change burden linked to facilitating CER penetration, orchestration and increased network utilisation should not be placed on all individual households via network tariff 'price signals' (passed on by retailers).
- The responsibility for delivering system benefits should fall on governments, market bodies, networks, BESS operators and retailers working together at a market design and system planning level, as they are best placed to deal with the challenges.
- Analysis of the overall costs and benefits of imposing behaviour change on individuals through tariff design should be weighed against wholesale cost reductions which could more easily be realised through reduction in the Market Price Cap (MPC),[5] or putting an end to re-bidding behaviour.
- A fixed price to recover the majority of fixed network costs is a more equitable method of network cost recovery than a 'price signal' linked to grid consumption.

Question 1: Range of products and services

Question 1:

If we focus on enabling bookend products (from basic to sophisticated), is this sufficient to enable the range of products and services that will meet consumer preferences and lower system costs?

Enabling bookend products – from the simplest, most predictable offerings to the most sophisticated, dynamic ones – is a useful and necessary step, but not sufficient on its own to ensure the full diversity of products and services consumers need, or to achieve lower system costs equitably.

The AEMC discussion paper presents a model in which enabling both ends of the product spectrum should allow for a broad range of offerings 'in between,' theoretically supporting diverse consumer preferences and system cost efficiency. However, this relies on the assumption that retailers will fill the gap between these bookends with meaningful, accessible, and affordable offerings.

In practice, there are several reasons this may not materialise:

1. Structural and regulatory barriers – The paper itself acknowledges that offerings suited to consumer preferences 'are not available at scale, or to all customers[6],' often due to current market and regulatory settings.
2. Consumer capability and equity – The model assumes that all consumers can navigate complex offerings or that intermediaries will protect their interests. In reality, vulnerable consumers – those with fewer resources, less digital access, or

[5] Dan Lee, Is the price right? A historical exploration into the NEM's Price Cap, 7 May 2025

[6] AEMC, 2025, *Pricing Review Discussion Paper*, p. 5

less market literacy – are often excluded from the benefits of innovative or cost-saving services. Ensuring access to bookend products doesn't automatically guarantee equity, as equity of access is not the same as equity of outcomes.

3. Retailer incentives and business models – Retailers may have limited motivation to develop or promote intermediate products if basic or sophisticated offerings (especially those targeting high-value customers or leveraging CER assets) are more profitable. History shows that without strong consumer protections and requirements, the retail market has not delivered on affordability or innovation for all consumer segments.
4. Network-retailer interface constraints – Many innovative offerings depend on how network tariffs interact with retail pricing. If these are not well-aligned or are too complex, even theoretically viable products may not be offered at scale.

To ensure the full diversity of needed products and services, regulatory interventions will still be required to support innovation and accessibility across the spectrum – not just enable the extremes. This includes designing network tariffs that support fair and efficient pricing, ensuring consumer protections are future-ready, and placing obligations on retailers to serve low-income or vulnerable customers effectively.

Question 2: Retail competition

Question 2:

Can we rely on competition in the retail market to deliver the mix of products and services that customers value?

- How should this review address issues in the retail market to ensure the products and services needed will be available, recognising work already underway?

It is SACOSS' view that we cannot rely on competition in the retail market alone to deliver the products and services that all customers value. This is strongly supported by both historical evidence and the AEMC's own findings in the discussion paper.

There has been a consistent pattern of retail competition failing to deliver lower prices or improved service quality, particularly for residential households[7]. As noted in the Discussion Paper, in 2018 the ACCC called the situation 'unacceptable and unsustainable,' citing that the overall approach to competition had not worked well for consumers[8]. Frankly, the energy affordability crisis has worsened significantly since that time, with the ACCC's December 2024 Report showing South Australian households are now paying the highest

[7] Grattan Institute, 2017, *Price shock: is the retail electricity market failing consumers?*

[8] ACCC, 2018, *Restoring electricity affordability and Australia's competitive advantage*

price per unit of electricity in 10 years in 2023/24, with the entire cost stack increasing by 24% on 2022/23 levels (see Figure 1, below).

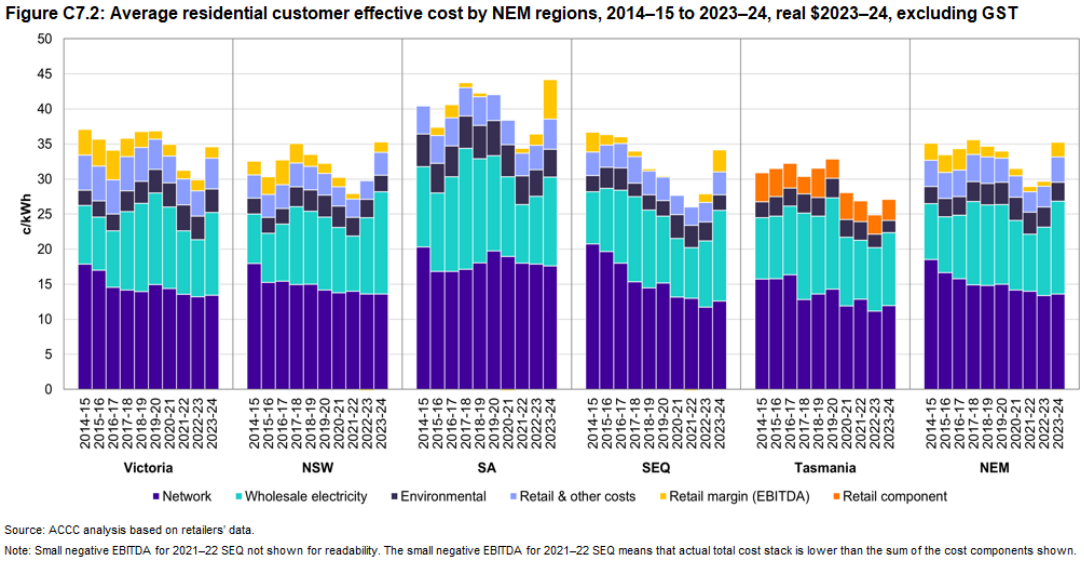

Figure 1: Average residential customer effective cost. Source: ACCC, December 2024[9]

South Australian households also paid the highest retail margin in the Nation in 2023/24, comprising 12% of the price stack, or $240 per customer - up by 238% on the 2022/23 retail margin of $71 per customer. The ACCC suggests a possible reason for this is that most retailers increased retail prices to recover high wholesale costs, which could have allowed retailers that avoided high wholesale costs to set consumer prices with high margins.[10]

The continued failure of retail competition to deliver real benefits for customers is further highlighted in the example set out below of a retailer's communication of charges recently sent to a South Australian customer and viewed by SACOSS, where the customer was advised their electricity price would be 120% above the reference price as of 1 July 2025 (see Figure 2, below):

[9] ACCC, Appendix C – Supplementary Spreadsheet Inquiry into the National Electricity Market Report, December 2024

[10] ACCC, Inquiry into the National Electricity Market Report, December 2024, p. 7.

Changes to your electricity charges.

Tariffs	Current charges	New Charges effective 1 August 2025
Supply Charge	1.4457300 $/day	1.6047900 $/day
Peak First 10 kWh per day	0.8955100 $/kWh	1.0136500 $/kWh
Peak Remaining Usage per day	0.9852700 $/kWh	1.1034100 $/kWh
Ancillary If Applicable	0.7038900 $/kWh	0.7390900 $/kWh

All rates are GST inclusive. kWh = kilowatt-hour. Ancillary/Controlled Load (if applicable): relevant to fixed high energy use appliances, including (but not limited to) things like an electric hot water heater, pool pump, or underfloor heating.

Changes to your gas charges.

Tariffs	Current charges	New Charges effective 1 August 2025
Supply Charge	0.8448000 $/day	1.0103500 $/day
First 28 MJ per day	0.1019700 $/MJ	0.1219900 $/MJ
Next 22 MJ per day	0.0649000 $/MJ	0.0776600 $/MJ
Remaining Usage per day	0.0446600 $/MJ	0.0534600 $/MJ

All rates are GST inclusive. MJ = megajoule.

How your new electricity prices compare to the regulated reference price.

In South Australia, the energy regulator sets a 'reference price' each year, which is their estimate of your electricity cost for the year. Your reference price is $2824 (GST incl.). This is based on the consumption of an average-sized residential customer in your electricity distribution network (SA Power Networks) on the same electricity tariff type as you. We estimate your new electricity rates will cost you $6223 (GST incl.) over 12 months, using the same assumptions. This means that after your new prices become effective, we estimate your electricity prices will be 120% above the reference price, as of 1 July 2025. Please note, this is an estimate only and your electricity costs will depend on your actual usage.

Figure 2: Extract from a change to electricity charge notification from a retailer in in South Australia, dated 24 June 2025

It is clear that in the absence of bold market reform, the energy affordability crisis will continue to be 'unacceptable and unsustainable'. This could be, if not is already, disastrous for low-income households trying to afford access to essential supply.

The AEMC Discussion Paper recognises that retail market outcomes are highly uneven. Some consumers benefit from competition and innovative offers, but many do not. A significant proportion of customers remain on higher-cost offers because they find the market complex and confusing. This results in a form of 'price discrimination,' where active consumers get discounts while inactive ones are penalised.

Barriers to innovation and participation must also be considered. Research and stakeholder feedback point to limited innovation[11], especially in delivering new offerings for consumers who aren't tech-savvy or who can't afford CER technologies. Market entrants often struggle to compete with incumbents, and regulatory inconsistencies across jurisdictions impose high compliance costs that discourage retail innovation.

Further, as SACOSS has raised across multiple submissions, the ongoing reliance on consumer switching behaviour needs to be addressed. The market heavily depends on consumers actively switching plans to keep prices in check. Yet many consumers do not switch – often the ones most in need of affordable offers. As we emphasised in our original submission, it is neither reasonable nor realistic to expect that most consumers will be – or want to be – highly engaged in the energy market. There is little evidence that high levels of

[11] Defeuilley, 2009, *Retail competition in electricity markets*

engagement consistently lead to better outcomes for consumers. In fact, even when consumers respond to offers that initially appear cheaper or more appealing, the benefits often diminish over time, leaving them no better off despite doing everything 'right'.[12]

Most people are not interested in, nor equipped for, the complexities of actively participating in the energy market or optimising their energy use. The assumption that consumers want deeper engagement misinterprets their actual needs and preferences, which tend to centre on simplicity, affordability, predictability, and reliability. As Dr Ron Ben-David has pointed out, designing systems around inaccurate assumptions about consumer behaviour risks entrenching both inefficiency and inequity. Consumers should not be expected to act as energy traders or system managers – and policy should reflect that reality.[13]

Given this evidence, the review should not assume that enhancing competition will, by itself, address these challenges. Instead, it must:

- Place enforceable obligations on retailers to provide basic, affordable, and fit-for-purpose products – especially for vulnerable and low-income customers.
- Ensure consistent and future-proof consumer protections, particularly as new products emerge around DER, flexible demand, or automation.
- Coordinate with other reviews and reforms, including the AER's Payment Difficulty Framework and the DCCEEW's Better Energy Customer Experiences workstream, while ensuring this review adds value and does not defer critical decisions.

Ultimately, regulatory intervention is necessary to guarantee availability, accessibility, and equity in retail energy products – especially as the system becomes more complex and risk is increasingly shifted onto consumers.

[12] ACCC (2023), *Inquiry into the National Electricity Market*

[13] Ben-David (2024), *What if the consumer energy market were based on reality rather than assumptions?*

Questions 3 and 4: Retail and network tariffs

Question 3:

How can better outcomes for consumers be enabled through network tariff-setting processes?

- What can be improved at the retail and network interface that would contribute to better outcomes for consumers?
- How can arrangements governing retailers and networks be improved to support better product and service offerings?
- Who should receive the network price signal to make it more effective?
- Should network tariffs be designed for retailers or consumers? If retailers, how much weight should networks put on the recommendations and views of retailers?
- Should any or all of the following be key design features of network tariffs: support competition in the retail market, avoid imposing unnecessary additional costs, and deliver lower overall costs over time?

As previously submitted, SACOSS continues to challenge the assumptions and rationale underpinning complex 'cost reflective' network tariffs, and we once again question the costs versus the benefits of mandatorily applying those tariff structures at a retail level to all smart meter households in this State (as has been the approach of top tier retailers). We are calling on this Review to ensure South Australian smart meter households are able to access a range of retail tariffs, including a flat rate market offer. We are also calling for the AEMC and the AER to review and re-think the frameworks underpinning the approval of network businesses' tariff structure statements. We refer the AEMC to our submission to the AER on SA Power Networks' Revised Proposal,[14] and repeat the following points, many of which have been reflected in the Discussion Paper:

- cost reflective or Time of Use (TOU) tariffs are not actually reflective of the costs of the network, which are largely fixed
- TOU retail tariff peak periods can be unavoidable and punitive for low-income households
- Low-income households are at risk of heating and cooling energy rationing behaviour, leading to adverse health outcomes[15]
- the intention of TOU network tariffs is that they *are* implemented at a retail level as a signal to shift household usage patterns, and therefore to say '*retail tariffs are not required to reflect the structure of the underlying network tariff*' is unhelpful
- network tariff policy has led to the removal of tariff choice at a retail level
- there is **no** evidence that TOU price signals have resulted in load shifting, changing demand profiles or reduced network costs for consumers

[14] SACOSS, Submission to the AER on SAPN's 2025-30 Revised Regulatory Proposal, pp. 31-39

[15] ECA, Consumer knowledge of electricity pricing and responsiveness to price signals: Consumer Energy Report Card, January 2025, p. 9

- there is no evidence that TOU tariffs have resulted in lower prices for all consumers, conversely network expenditure is increasing in 2025-30
- TOU tariffs place an unreasonable burden and additional complexity on all residential consumers, and should be opt-in
- peak and minimum demand are not driving the majority of network expenditure in SAPN's Revised Proposal, and SAPN is operating at under 50% network utilisation
- the issues TOU tariffs are aiming to address (weather driven network constraints and minimum supply issues) should not be the responsibility of residential consumers, as they are ill-equipped to manage the risks.

In terms of designing network tariffs, we consider the most equitable outcome will be achieved if fixed network costs are recovered through fixed network charges recovered separately, not complex tariffs linked to grid consumption. Under this arrangement, the majority of the interface between network and retail tariffs would be removed. We are calling on the AEMC to further investigate the possibility of fixed network charges as part of this Review.

Question 4:

- What role can network tariffs play in meeting customer preferences while also efficiently and effectively contributing to lower overall costs?

As mentioned in our previous submission to this process, SACOSS' primary concern is the inequitable transfer of fixed network costs from solar and battery households, to non-solar households. This is occurring because network cost recovery frameworks (including network tariff setting processes) are no longer fit for purpose in our transforming energy system. SACOSS strongly submits that largely fixed network costs should no longer be recovered from consumers via network tariffs linked to grid consumption.

Not only will the inequitable recovery of fixed network costs persist in the absence of reform, it will get exponentially worse. In 2023-24, 38% of South Australian customers were using export services, 11% of those customers had a battery and 21% of all energy delivered to South Australian households was from solar PV exports (the highest percentage in the Nation).[16] In South Australia, 40% of households currently have rooftop solar and SAPN is predicting that will increase to more than 60% by 2030[17] (in five years' time). Nationally,

[16] AER, Insights into Australia's growing two-way energy system – Export Services network performance report 2024 December 2024

[17] SA Power Networks 2025-30 Regulatory Proposal Overview, January 2024, p. 50

AEMO forecasts that by 2034 over half of all detached homes will have rooftop solar, rising to 79% in 2050.

Battery ownership is also forecast to grow strongly this decade,[18] and the Federal Governments' '*Cheaper Home Batteries Program*' for homeowners with solar (coupled with record high energy prices) will significantly increase that growth trajectory. We understand from some high-level analysis of SA Power Networks' network tariffs that non-solar households currently pay around 60% more than solar and battery households in fixed network costs. A recent Report by the Institute for Energy Economics and Financial Analysis found that adding a 10 kilowatt-hour (kWh) battery to a home with efficient electric appliances and rooftop solar could cut a further $359-$986 from the remaining energy bill, and that '*on an average day in many months of the year,* ***households in many regions may have no need to draw electricity from the grid at all***'.[19] With a higher uptake of batteries due to the Federal Government's subsidy, coupled with increasing distribution, transmission and jurisdictional scheme costs, overall cost transfers (cross-subsidies) will become greater, further exacerbating the growing energy divide.

The future is now, and we need to prioritise reforms that will address the problem of fixed network cost transfers. It is also essential that the recovery of transmission and jurisdictional scheme costs (recovered through network tariffs) are considered as part of this Review. Transmission and jurisdictional scheme costs are increasing and will continue to increase into the future[20] . The cost-transfer and pricing issues associated with those costs are integral to this Review and we therefore strongly submit the recovery of those costs should not be excluded from its scope.

We welcome the AEMC's modelling of system benefits due to CER orchestration by value stream.[21] This work highlights the relatively minimal network system cost savings to be gained from complex 'cost reflective' network tariff pricing structures aimed at incentivising load flexibility (11% of total future system benefits). In fact, the analysis points to circumstances where complex network tariff pricing signals reflected in retail tariffs, like South Australia's time of use tariff structure, may actually work against the wholesale market benefits of CER orchestration (comprising 88% of the future benefit).[22]

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[18] AEMO, 2024 Integrated System Plan, p. 50

[19] Institute for Energy Economics and Financial Analysis, A focus on homes, not power plants, could halve energy bills, July 2025, p. 13

[20] Noting the Australian Energy Market Operator's Integrated System Plan and South Australia's Firm Energy Reliability Mechanism.

[21] AEMC, *Pricing Review: Discussion Paper,* June 2025

[22] Relevantly, SACOSS questions whether the analysis into wholesale cost reductions undertaken by the AEMC considered market liquidity and the wholesale contract costs (including hedging costs) paid by households, or simply the wholesale spot price. Often wholesale benefits are overstated as there is little to no consideration of retailers' hedging costs and liquidity.

In SACOSS' view, Question 4 posed in the Discussion Paper, shouldn't be focussed on how network tariffs can contribute to lower overall costs, but rather how network costs can be more fairly recovered / allocated, as the purpose of network tariffs is to recover the largely fixed costs of the network. As outlined earlier, SACOSS considers a fixed price to recover the majority of fixed network costs is a more equitable method of network cost recovery than a 'price signal' linked to grid consumption. Where the costs of the network are fixed, there is little need for a time varied price signal to reflect peak demand network cost drivers. The fixed network charge component could be recovered separately from retailers, largely removing the interface between network and retail tariffs.

In terms of promoting wholesale market benefits, the workings and design of the wholesale market are currently being considered in separate processes, and we expect the challenges posed by an increasingly peaky load and low liquidity will form part of those considerations, allowing for greater CER orchestration to deliver wholesale market benefits to households outside of the network tariff pricing process.[23]

SACOSS strongly submits that the costs, risks and behaviour change burden linked to facilitating CER penetration, orchestration and increased network utilisation should not be placed on all individual households via network tariff 'price signals' (passed on by retailers). This responsibility should fall on governments, market bodies, networks, BESS operators and retailers working together at a market and system planning level, as they have access to all the information and are best placed to deal with the challenges. Further, analysis of the overall costs and benefits of imposing behaviour change on individuals through tariff design should be weighed against wholesale cost reductions which could more easily be realised through reduction in the Market Price Cap (MPC),[24] or putting an end to re-bidding behaviour.[25]

Energy Consumers Australia's Rule Change proposal for a Distribution Integrated System Plan will also be critical in gaining the required insights through relevant network data to address these issues at a systemic level, allowing for the benefits of CER orchestration to be pursued without unnecessarily burdening every individual household with complex price signals and behaviour change (whether they have access to CER, or not).

Once again, SACOSS challenges the assumptions underpinning the role of network tariffs in driving system benefits. Network cost reductions are likely to be minimal, and wholesale market benefits could be better achieved through alternative pathways.

Leaving aside the question of CER orchestration and future system benefits, the central question remains - how can the fixed bucket of allowed network revenue be fairly

[23] Currently South Australian households are not seeing the wholesale cost benefits of increased rooftop solar exports due to the low liquidity market, peaky load and hedging practices of retailers.

[24] Dan Lee, Is the price right? A historical exploration into the NEM's Price Cap, 7 May 2025

[25] Lynne Chester, Australia's NEM: Bidding rules, market power and wholesale electricity prices, January 2024

recovered over five-year cycles from all households that access network services, in circumstances where a growing number of households are largely able to avoid or reduce consuming energy from the grid? This remains and is the question we would like the AEMC to answer.

Conclusion

Thank you for the opportunity to provide feedback in relation to the Discussion Paper. We welcome further discussion on these issues and look forward to contributing to the development of a more equitable and affordable energy market.

If you have any questions in relation to this submission or require any further information or clarification, please do not hesitate to contact either:

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