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EnergyAustralia Pty Ltd
ABN 99 086 014 968

Level 19
Two Melbourne Quarter
697 Collins Street
Docklands Victoria 3008

Phone +61 3 9060 0000
Facsimile +61 3 9060 0006

enq@energyaustralia.com.au
energyaustralia.com.au

Submitted electronically: https://www.aemc.gov.au/

AEMC Pricing review: Electricity pricing for a consumer-driven future

EnergyAustralia is one of Australia's largest energy companies with around 2.2 million electricity and gas accounts across eastern Australia. We also own, operate and contract a diversified energy generation portfolio across Australia, with control of over 5,000MW of generation capacity.

EnergyAustralia's purpose is to **lead and accelerate the clean energy transformation for all**.

The AEMC's Review of electricity pricing for a consumer-driven future (Review) is proceeding during a crucial intersection with the digitisation, decarbonisation and decentralisation of the energy grid. The Review is well timed, well considered and EnergyAustralia thanks the AEMC for their thorough consultation approach.

EnergyAustralia supports the AEMC's recommendations in relation to network tariff reform. Network companies are guaranteed a certain income, so when some customers, like those with solar panels or batteries, use less electricity from the grid, other customers end up paying more. The proposed changes aim to spread these costs more fairly.

We urge the AEMC, together with governments, market bodies, industry and consumer groups, to maintain a coordinated effort on retailer-focused network tariff reform—reform that has the power to fundamentally reshape Australia's energy market and deliver better outcomes for customers.

We support the AEMC's ambitious plan, but we also highlight how important it is to roll out these reforms in the right order and think carefully about how they will be implemented. It's essential that the AEMC continue to lead and oversee these ideas.

Please email me at sarah.ogilvie@energyaustralia.com.au, if you would like to discuss.

Kind Regards

Sarah Ogilvie

Theme 1: Harness competition to improve outcomes for all consumers

EnergyAustralia encourages the AEMC to wait and observe the retail changes that will occur over the next two years before implementing new retail reforms.

<u>Recommendation 1:</u>

As the AEMC notes, the 'same plan, same price' recommendation is to address the loyalty tax on customers who don't switch. These concerns relating to disengaged customers, or customers having difficulty choosing the best offer for them, are the subject of the upcoming package of reforms intended to materially reshape retail market settings. Once introduced, these reforms are expected to fundamentally alter how prices evolve for existing customers, particularly for those who are disengaged. These measures include:

- limiting the price a customer would pay to the standing offer when their benefit changes or expires (as cited by the AEMC)
- removing unreasonable conditional discounts on older plans, once protected from grandfathering provisions
- restricting retailers to only one price increase every 12 months for both existing and new market contracts
- strengthening requirements to inform customers when prices change and how they will be affected.

We expect that as this package of reforms are implemented from July 2026, and have had time to take effect (we expect this will be observable over the next two years), they will materially reduce the risk of customers paying higher prices due to disengagement.

Customer's protection more broadly will also be strengthened given:

- the consumer-focussed package will prohibit retailers from charging fees to customers experiencing vulnerability[1]
- the consumer-focussed package will ensure where a hardship customer is not on the retailer's lowest cost deemed better offer, the hardship customer will be financially no worse off[2]
- the upcoming changes to the DMO framework in July 2026—moving to an 'efficient' price—will see stronger protections by benchmarking standing offer prices to this new 'efficient' price level.[3]

Sequencing is critical to support regulatory efficiency and to ensuring customer protections are delivered at least cost. Allowing all these reforms outlined above to be introduced and embedded first will support clearer policy sequencing, enable evidence-based assessment of whether any residual issues remain, and better inform whether further structural changes are necessary. By contrast, introducing more structural reform in parallel risks cutting across reforms that are already underway, increasing complexity, and raising overall system costs. It also risks constraining the market's ability to adapt, innovate and deliver value across a full spectrum of products and services.

1 AEMC, *Improving consumer confidence in retail energy plans*, 19 June 2025.
2 AEMC, *Improving consumer confidence in retail energy plans*, 19 June 2025.
3 DCCEEW, *Consultation on reforms to the Default Market Offer*, 18 July 2025.

Recommendation2:

The AEMC have also proposed the introduction of a competitive franchise for customers who receive standing offer contracts (associated with DMO or VDO pricing), under which these customers would be pooled to a retail franchise and auctioned. Similar to the above retail reforms, EnergyAustralia encourages the AEMC to evaluate whether this reform is necessary following recent regulatory changes.

However, if the AEMC is determined to consider this problem now, there may be easier solutions. Specifically, the current requirement for Explicit Informed Consent (EIC) limits retailers to *only* being able to move customers to the DMO and the standing offer. In Victoria the EIC provisions were changed to facilitate customers receiving the VDO being transferred onto the retailers 'better offer', which allows customers who are not actively engaged to access better market pricing. The AEMC would be well placed to pursue similar reforms through reviewing existing regulatory settings.

Secondly for this recommendation, EnergyAustralia queries the expected outcomes of a competitive franchise. Competition is usually desirable, not for competition's sake, but because it's deemed as a way to keep prices as low as possible. This concept would need to compete with Government's favouring to keep prices as low as possible through cost controls in the DMO and VDO.

Recommendation 3:

EnergyAustralia supports the AEMC's recommendation 3,'periodically review whether regulations are supporting good consumer outcomes in an evolving market'. It is good regulatory practice to have a genuine assessment of whether regulations are effective at meeting consumer, government and regulator expectations. A few years after the new retail regulations (as described above) start, the AEMC could check to see if those regulations are working well for consumers.

We encourage the AEMC to use data that is already currently collected by a range of entities. The trick to success here will be knowing how to interpret the data and getting agreement on what are 'good consumer outcomes'.

Theme 2: Make it easier for consumers to compare offers that suit them

EnergyAustralia encourages the Energy Made Easy comparison tool to be fit for purpose, but there needs to be practical expectations around how effective it will be at comparing innovative offers for the future.

Recommendation 4:

The AEMC recommends providing additional funding to the AER to upgrade Energy Made Easy (EME), so that consumers can easily compare electricity offers, including new and emerging types. We also understand that the AER will need to upgrade EME because of the new government obligations associated with the SSO and DMO changes. EME should be fit for purpose as part of the AER's standard operations and the AER should prioritise its funding accordingly.

We consider EME provides consumers with a tool to gather information and make choices which align with their specific needs. However, we do not consider EME expressly provides consumers with protections, nor should it be perceived as such.

The AER's comparator tool should ensure it doesn't stifle innovation in value as the market evolves. In an evolving retail market, consumer demand and generation will become more variable in response to price signals. As such an investment in EME by the AER should be guided to ensure the tool doesn't inadvertently force energy service providers into a narrow set of yesterday's value structures, and enable the flexibility to accept that not every plan will neatly fit into EME.

Theme 3: Reward consumers for their participation in achieving a low-cost system and provide for a more equitable distribution of shared costs

EnergyAustralia agrees with the broad direction of recommendation 5 and 6. If networks keep being regulated through a revenue cap and more customer energy resources (like solar and batteries) are added, then it makes sense for more network costs to be recovered through fixed charges, with some charges depending on usage. However, more work is needed to understand how this would be put in place.

<u>Recommendation 5:</u>

We agree with the AEMC's discussion around inequitable outcomes between CER and non-CER customers. We believe this type of inequity is at risk of intensifying if the uptake of household battery storage grows without reform of network cost recovery methodologies.

However, the AEMC does not lay out how much of the cost recovery should be allocated to fixed charges, and over what timeframe. We appreciate this will be different for different networks, but there is still some benefit in the AEMC considering how this price path toward more fixed charges could be worked through in a manner that will enable retailers and consumers to manage the changes. We encourage the AEMC to share some cost benefit analysis and some scenario planning to get a feel for how fast this transition should, or could, take place. To achieve the AEMC's intention regarding efficiency, should 90% of cost recovery charges be in place by 2040? Or what would happen if networks went straight to 90% fixed by 2030? This sort of analysis and discussion would be helpful.

The implementation path to moving toward more fixed charges needs to be timely and realistic. To help manage the inevitable cost allocation impacts of moving to more fixed charges, the AEMC could consider more nuanced cost recovery ideas.

Specifically, we encourage the AEMC to explore different ways fixed tariffs can be structured during this review and how they could be increased in a targeted and gradual manner. There are ways to structure fixed charges differently for different customers, or differently for different technologies. This could be increased now and before the significant uptake of more batteries, chipping away at increasing the overall level of fixed charge cost recovery.

For example, the AEMC could work with networks and the AER to increase fixed charges through a minimum supply charge. This could be a fixed charge that relates to capacity to supply essential, or minimum energy usage only. The level of this charge and how it could be ratcheted up over time could be worked through a broad consultation and agreed upon in the Rules.

The AEMC also needs to consider the expectations around how retailers will pass these fixed charges on to customers. If retailers are expected to bear the price risks and innovate as consumers reject having more fixed charges, this will need time to work through.

The increase in fixed charges should be married with an increase in dynamic or congestion type charges – as the AEMC has recommended. Such congestion-based pricing elements could reward CER, especially batteries, for *genuinely* reducing the future network augmentation costs – which will help everyone reap the rewards of CER integration over time. Network trials, including Project Edith and the new tariffs being developed for Community battery projects have proved that batteries receive the immediate benefits from these sorts of dynamic tariffs.

Implementation of the more dynamic price signals should be in consultation with energy service providers and they should leverage the numerous network innovative tariffs that have already been trialled, including the work ARENA and AEMO are doing on dynamic operating envelopes. There should be a requirement for networks to work together and take a uniform approach to the methodology or structure of those dynamic tariffs. This will maximise a retailer's opportunity to hedge the volumetric risks and provide innovative, simple products for customers in a variety of NEM regions.

Introducing this fair and genuinely cost-reducing price structure now will position the system to remain the lowest-cost option as the transition progresses.

<u>Recommendation 6:</u>

A key step in establishing an energy-as-a-service framework that truly meets customer needs is to reshape network tariff design so that tariffs are structured for energy service providers instead of individual consumers.

We agree retailers can help customers manage price signals and package plans, including CER plans, to help minimise costs for customers and the system as a whole in the long run.

Designing network tariffs specifically for retailers could support the development of fixed or subscription-style energy bills. For many customers, this added certainty and predictability may become a valuable point of differentiation. Others, however, may prefer to keep volumetric pricing—particularly if it enables them to engage more actively with their energy use and technologies to unlock additional benefits from energy-as-a-service offerings.

Whether recommendation 6 is a success will depend on how the market evolves after recent retail regulatory changes, as noted above. Retailers are also required to present new standing offer obligations, such as standing offer flat tariffs in some states, the new SSO and TOU DMO 8. All these new regulatory requirements will interplay with market led offerings.

We urge the AEMC, together with governments, market bodies, industry and consumer groups, to maintain a coordinated effort on retailer-focused network tariff reform—reform that has the power to fundamentally reshape Australia's energy market and deliver better outcomes for customers.