

23 January 2026

Australian Energy Market Commission  
GPO Box 2603  
Sydney, NSW 2001

Submitted via AEMC website

**The Pricing Review – Electricity Pricing for a Consumer-Driven Future**

Congratulations on a thorough piece of work and fulsome draft report. As invited, I would like to provide the submission below for your consideration.

This submission relates only to Reform #1.

Having managed, and advised on, wholesale risk and procurement with numerous retailers, it is my experience that requiring all customers (on the same plan) to have the same price is just not practical and introduces unmanageable risks. This would only make sense where (forward) wholesale prices are stable.

Customers are priced based on the cost of supply (plus a margin) which, in addition to network and other costs, is highly dependent on the wholesale prices at the time. As customers are contracted, the wholesale supply costs are locked in (hedged) through entering forward contracts. Should the forward prices subsequently fall, then future customers may be contracted at a lower price. To require the previous customers to have the benefit of this price fall would require the retailer to take a loss on the hedging contracts prudently entered in good faith. Conversely, if forward contract prices were to rise, later contracted customers would face a higher cost to supply and be priced accordingly. However, under the National Energy Retail Rules, it is not permissible to increase the price of the earlier contracted customers.

This temporal differentiation in pricing is a rational and necessary consequence of managing wholesale market risk. While it may appear inequitable when viewed in isolation, it reflects sound commercial practice and efficient risk allocation. Pricing customers based on the wholesale conditions prevailing at the time they enter a contract is both the fairest and most economically efficient approach. It ensures price certainty for customers while enabling retailers to appropriately hedge the cost of supply.

It is recognised that this is entirely inconsistent with the default pricing mechanisms used. That is so as, pricing newly contracted customers based on historic wholesale prices is counterintuitive, they should be priced on current wholesale prices. However, given that the default mechanisms use this, it has become a standard approach – but that is a whole other conversation.



With respect to the “loyalty tax” issue, I would contend that this should be considered from the opposing perspective, that is, newly contracted customers are offered a discount. This is standard practice in many other industries, e.g. mortgages with lower starting interest rates and/or cash backs, where such promotions are considered quite normal. To imply the existence of deliberate price discrimination against long-standing customers is misleading, and the use of such terminology unhelpful in maintaining considered debate.

Should you wish to discuss the above points further, please feel free to contact me at [darryl.flukes@fvm.com.au](mailto:darryl.flukes@fvm.com.au) or 0419 138828.

Kind Regards

**Darryl S Flukes**