



Brotherhood of St. Laurence
Working for an Australia free of poverty

Electricity pricing review

Submission to the Australian Energy Market Commission (AEMC)

Brotherhood of St. Laurence

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Summary

The Brotherhood of St. Laurence (BSL) is a social justice organisation working towards an Australia free of poverty. Our purpose is to advance a fair Australia through our leadership on policy reform, our partnerships with communities and the quality of our services. Our approach is informed directly by people experiencing disadvantage and uses evidence drawn from our research, together with insights from our programs and services, to develop practical solutions that work.

This submission responds to a draft report from the Australian Energy Market Commission (AEMC) that examines electricity pricing (AEMC 2025). The draft report proposes six reforms against three themes. This submission presents BSL responses to AEMC questions related to recommendations 2 (introduce a competitive franchise); 5 (amend rules to focus tariff design on efficiency); and 6 (amend the rules to ensure networks design tariffs for energy service providers).

BSL's recommendations to the AEMC's Pricing Review for electricity

1. An auction scheme should only be introduced if it benefits customers – particularly customers experiencing disadvantage. Accordingly, customers should be moved to auctioned offers only if it is materially cheaper than the default offer.
2. AEMC should resolve key implementation questions before proceeding with an auction scheme – including informed consent, continuity of customer and hardship arrangements, customer debts and credits, and standing offers. If these issues cannot be resolved, BSL considers the auction system should not proceed.
3. Auctioned offers should complement, and not replace, regulated default offers.
4. The AEMC should examine scope to put further downward pressure on default offers.
5. The AEMC should not increase fixed charges, as this is likely to be regressive and disincentivise household climate action.
6. Efforts to enable new technologies or pricing structures must not come at the expense of customer protections or simple plans.
7. The AEMC should not remove 'customer impact' and 'customer understanding' from network tariff processes.
8. Final transition supports should include an explicit focus on managing transition impacts for customers – particularly customers experiencing disadvantage.
9. The AEMC should examine additional options for managing impacts on customers – particularly customers facing disadvantage – including targeted energy concessions, increases in income support payments and pricing reforms applied in other jurisdictions.
10. The AEMC should conduct detailed modelling of the distributional impacts of proposed pricing changes – with a focus on impacts for customers experiencing disadvantage.

1 Introduction

BSL welcomes this opportunity to comment on the AEMC's Pricing Review for electricity. Energy affordability is a challenge for many households – especially those facing disadvantage. Comments on selected inquiry questions are presented below.

2 Comments on selected inquiry questions

AEMC draft recommendation 2: ‘Introduce a competitive franchise for the cohort of customers who haven’t chosen a market offer, so that all customers are on a competitive plan’

AEMC Question 2: Do you consider recommendation 2 would provide a better outcome for standing offer customers? If so, why? If not, why not and are there other approaches that would work better? What further implementation and market impacts would need to be considered?

BSL considers an auction scheme should only be introduced if it benefits customers – particularly customers experiencing disadvantage – and should not replace default offers. Rather, customers should be moved to the auctioned offer only if it is materially cheaper than the default offer.

BSL notes that default offers were implemented seven years ago because competition was failing to deliver reasonable prices for standing offer customers. Given this history, reintroducing competition to standing offers – without additional consumer safeguards – should be treated with caution. BSL notes the AEMC finding that ‘Retail market competition alone cannot be relied upon to deliver good outcomes for all consumers. Protections have been and are still required to achieve desired outcomes’ (AEMC 2025, p. 58). Accordingly, safety net pricing will remain an essential component of the regulatory framework.

The AEMC (2025, p. 69) ‘views safety net pricing as a transitional measure’ that should be ‘superseded’ over time by improvements in retail pricing frameworks and the evolution of consumer protections. However, BSL considers that customers – particularly customers facing disadvantage – will continue to need a safety net for an essential service, especially in the face of evolving technology and business models.

BSL also considers there is scope for government and regulators to apply increased downward pressure on standing offers. The AEMC (2025, p. 68) reports that market offers are below standing offers in a number of jurisdictions (NSW, SA, SE Queensland and Victoria), suggesting there is scope to further reduce standing offers.

A number of implementation issues need to be addressed before proceeding:

Moving consumers between retailers

- Currently changes of retailer require informed consent from customers. It will be important to consider what happens to customers who do not consent to change retailer.
- If consumers change retailer, issues to be managed include ensuring continuity of customers’ payment plans, concessions, family violence arrangements and other hardship arrangements. Confidentiality requirements may constrain retailers from sharing sensitive information (e.g. about family violence). Conversely, there are serious risks if a customer is moved without this information being shared with their new retailer.

- It will be necessary that the policy to switch customers includes protections for customers in debt. Changing retailers could remove their protections – with customers no longer being judgement-proof¹ or their debt being sent to a debt collector.
- It will also be necessary to manage customers in credit. Most retailers require customers to apply for refunds rather than processing them automatically, and have minimum balances of up to \$100² (Chirgwin 2020). Some low-income households prepay their energy accounts as a budgeting strategy. If they were unable to reclaim a credit of up to \$99, this could offset the saving from switching.

The role of standing offers

- Currently every retailer is required to make available a standing offer to customers. Under the proposed changes, it is not clear whether this requirement will continue, or if the requirement to provide standing offers applies only to the provider successful through the proposed auction process. If the supply of standing offers is reduced, BSL is concerned this may reduce options available to customers (including those who end up on their retailer's standing offer because they are unable to comply with the terms of a market offer, such as failing a credit check).
- It is not clear what would happen to the Retailer of Last Resort scheme. Currently, customers of a failed retailer are moved to the standing offer of one of several other retailers, depending on their area. If standing offers are replaced or reduced by an auction scheme, and the successful provider is required to take customers from a hypothetical failed retailer, providers will likely price this risk into bids. This could raise costs and further lock out retailers from winning the auctions – particularly smaller retailers (who could not take on the risk of a retailer larger than themselves failing).
- BSL recommends the AEMC provide further clarity on the proposed treatment of standing offers.

BSL recommendations on draft recommendation 2

1. An auction scheme should only be introduced if it benefits customers – particularly customers experiencing disadvantage. Accordingly, customers should be moved to auctioned offers only if it is materially cheaper than the default offer.
2. The AEMC should resolve key implementation questions before proceeding with an auction scheme – including informed consent, continuity of customer and hardship arrangements, customer debts and credits, and standing offers. If these issues cannot be resolved, BSL considers the auction system should not proceed.
3. Auctioned offers should complement, not replace, regulated default offers.

¹ Being judgement-proof is a legal status – see <https://consumeraction.org.au/request-a-waiver-because-you-are-judgment-proof/>

² For example, see <https://www.powershop.com.au/help-centre/electricity-gas-plans> and <https://www.dodo.com/sites/dodo/files/2019-01/vic-feed-in-terms-08-14.pdf>

4. The AEMC should examine scope to put further downward pressure on default offers.

AEMC draft recommendation 5: ‘Amend the rules to focus network tariff design on efficiency, supporting a lowest-cost grid and a fairer sharing of costs among consumers’

AEMC Question 5: Do you consider that the proposed reforms would be effective in delivering more efficient network tariffs and better promote the long-term interests of consumers than the existing rules? If not, are there different approaches that would work better?

BSL welcomes simpler pricing and reducing incentives for low-income households to ration energy. However, raising fixed charges and easing requirements for network tariffs to be simple for consumers are unlikely to achieve these aims.

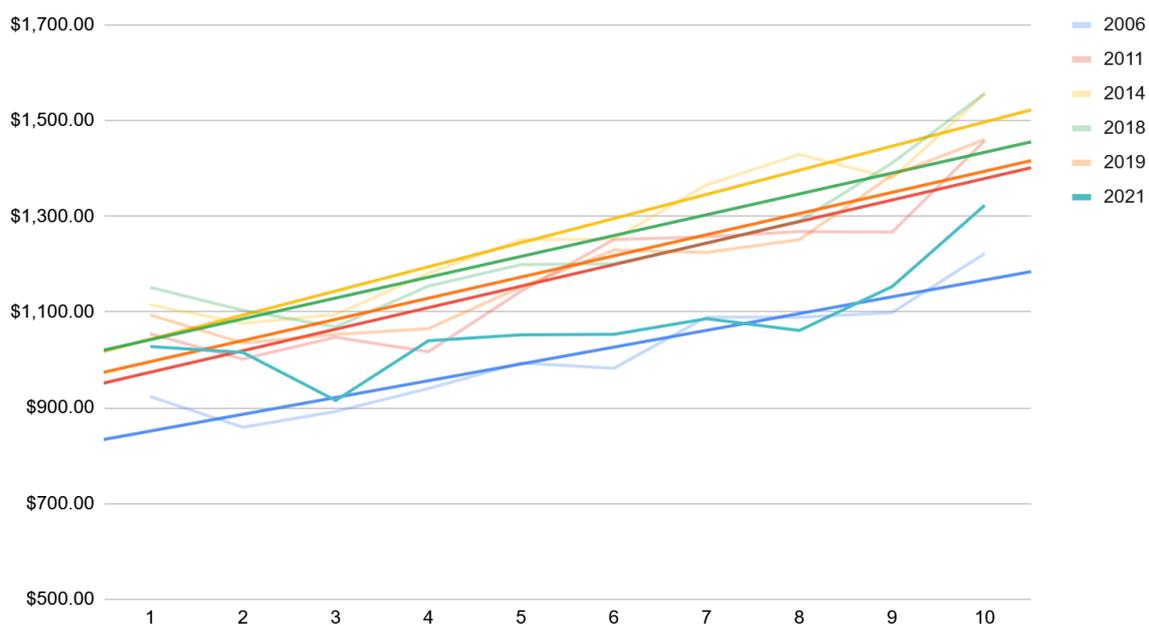
The paper focuses on the apparent inequities of solar and battery uptake while focusing far less on other, potentially larger inequities. As a result of this narrow focus, the AEMC proposes a solution (higher fixed charges) that we believe would make the market more regressive – undermining its own objective.

Higher fixed charges will cost low-income households the most

BSL does not support increasing fixed charges because it is likely to be regressive, as well as reducing incentives for energy efficiency and solar – technologies needed to limit climate change.

Energy use tends to scale with income, meaning low-income households use less energy on average. That is the finding of every Australian study we have reviewed (ABS 2012; Best & Burke 2022; Fan, MacGill & Sproul 2015; ECA 2023; Saddler 2018), as well as BSL’s own research (Azpitarte, Johnson & Sullivan 2015; Bryant et al. 2022). The ABS (2012) also found the same correlation for wealth.

The graph below presents equivalised energy spending per year by income decile (1 is lowest income) and shows that the correlation has remained similar over 15 years: lower-income households use less energy than richer ones despite increasing solar/battery uptake. Note uptake of solar is fairly even across incomes within the same tenure, and the current federal battery scheme is most popular in relatively low-income outer suburbs (Mountain 2021; Bowen 2026).

Figure 1: Equivalised energy spending by income decile (BSL analysis of HILDA data)

Notes: equivalisation adjusts costs for number of occupants, hence figures are lower than annual bills; also includes telephone bills due to limitations of underlying data. Darker lines are trendlines.

Hardship customers have high usage, but this is not an sufficient indicator of disadvantage

BSL notes an Australian Competition and Consumer Commission (ACCC) finding that customers on hardship programs and payment plans have higher-than-average usage (2024, p. 47), and may therefore benefit from a shift to higher fixed charges.

However, hardship customers are only a subset of customers experiencing disadvantage. The same ACCC dataset indicates the lowest energy-consuming group is concession card holders without protections. Increased fixed charges would hit concession households hardest, and this group is much larger than hardship customers and also includes many people facing disadvantage.

Hardship programs serve many people facing disadvantage, but they are not an sufficient indicator of all disadvantaged households. Hardship programs may have an element of self-selection – customers with higher usage are more likely to enter them, while households who ration energy and do not miss bills are less likely to be in hardship programs, even if they are experiencing equal (or more) disadvantage.

Why focus on penalising households with solar or batteries?

The AEMC proposes to increase the proportion of costs recovered from fixed charges partly because ‘customers with rooftop solar and a battery contribute less to network costs than customers with the same electricity consumption who only use grid power’ (p. ix). BSL does not consider this to be an adequate rationale for greater fixed costs as: a) even if it reduces or resolves one cross subsidy, raising fixed charges may create a larger inequity due to its regressive nature; b) it does not seem to consider the economic benefits that solar and batteries bring, such as lower wholesale costs, which

may outweigh the cost solar imposes on other users (Mountain, Percy & Burns 2020); and c) this is only one cross subsidy among others – such as those between industry and households, and does not recognise or seek to address other significant challenges such as network super-profits (IEEFA 2023). More comprehensive pricing reform would consider all forms of inefficient pricing and associated equity impacts.

BSL notes the AEMC is also required to contribute to emissions reductions in the National Electricity Objective,³ and disincentivising solar and batteries works against this.

BSL recommendation on draft recommendation 5

5. BSL does not support increasing fixed charges as it is likely to be regressive and disincentivise household climate action.

AEMC draft recommendation 6: ‘Amend the rules to ensure networks design tariffs for energy service providers, rather than directly for customers, to promote more flexible and innovative retail offers’

AEMC Question 6: Do you consider that removing or amending the customer impact and customer understanding principles, as outlined, would make energy service providers central to network tariff design? If so, why and what would the preferred option be? If not, are there different approaches that would work better?

The AEMC’s proposes removing the ‘customer impact’ and ‘customer understanding’ principles that shape network tariff processes, in order to allow retailers to innovate and offer lower-cost offers to customers.

BSL does not support removal of these customer safeguards for these reasons:

- Over time, it may allow retailers to create increasingly complex and opaque offers that reduce customers’ ability to understand or compare offers. This would erode competition, potentially raise margins and work against consumer interests. Consumers with limited time and resources to allocate to ‘deciphering’ complex offers are likely to be most heavily disadvantaged by this outcome.
- There is a clash between the objectives of a) simplicity and b) creating price signals in line with the network’s needs. If a retailer offers a subscription-style plan as the AEMC has suggested, this creates no price signals. The paper seems to assume retailers will do complex automation that turns complex prices into simple plans, but this may not happen – especially if there is no requirement. Indeed, recent examples of retail innovation mostly involve the opposite: retailers

³ <https://www.aemc.gov.au/regulation/neo>

passing on costs *more* directly than a standard offer (e.g. ‘wholesale’ pricing from some retailers⁴, free-solar-period offers).

BSL recommendation on draft recommendation 6:

6. Efforts to enable new technologies or pricing structures must not come at the expense of customer protections or simple plans.
7. BSL does not support the removal of ‘customer impact’ and ‘customer understanding’ from network tariff processes.

AEMC Question 7a: Do you consider the proposed transitional supports would manage the transition effectively and fairly? Are there other options that we have not considered?

BSL notes the AEMC (2025, p. 42) is considering transitional measures to manage the impacts of reforms and has indicated it will outline these in the final report.

BSL also notes the AEMC (2025, p. 42) has outlined three potential transitional reform options, but not yet recommended them. BSL observes these options appear to be focused on energy networks and service providers, but do not explicitly address transition impacts for customers. BSL recommends that managing transition impacts for customers – particularly customers experiencing disadvantage – should be an explicit component of final transitional supports that are recommended.

BSL notes that many recommendations advanced in this submission would assist to manage transition for customers – particularly customers experiencing disadvantage, including:

- customers should be moved to auction offers only if they are materially lower than default offers
- auction offers should complement, not replace, default offers
- the AEMC should examine opportunities to place further downward pressure on default offers
- implementation issues should be resolved before proceeding – including preserving informed consent, ensuring continuity of customer and hardship arrangements, and managing customer debts and credits
- ‘customer impact’ and ‘customer understanding’ protections must be retained.

Additional options for the AEMC to examine for managing transition for customers include:

- increasing concessions (or other rebates) to compensate for energy price increases resulting from reforms (and/or increases to income support payments through the social security system), targeted at customers experiencing disadvantage.

⁴ <https://www.afr.com/technology/bill-shock-hits-energy-disruptor-amber-electric-s-customers-20220616-p5au87>

- evaluation of electricity pricing changes and transition measures introduced in other countries/jurisdictions. For example, California has recently introduced pricing that combines a fixed monthly fee that is graduated by income of customers, and a (lower) usage fee (per kWh) (Christopher 2024). This does not increase (or decrease) the total amount of revenue collected by electricity providers or put downward pressure on system-wide energy costs, rather it reallocates how costs are allocated across – and collected from – customers.
- Implementation of progressive fixed charges. California presents an example. The likely impact of pricing changes in California on low-income customers is indicated in the table below, which shows that monthly bills are estimated to fall for three different electricity providers (PG&E, SoCal Edison and SDG&E) for low-income customers (with incomes below USD 49.7K), with different levels of energy use (low, moderate and high).⁵ The use of income graduation may offset the otherwise regressive impacts of increased fixed charges, however, it may add administrative cost and privacy hurdles as it would require access to customer income information by energy providers.

BSL recommendation on draft recommendation 7a:

8. Final transition supports should include an explicit focus on managing transition impacts for customers – particularly customers experiencing disadvantage.
9. The AEMC should examine additional options for managing impacts on customers – particularly customers facing disadvantage – including targeted energy concessions, increases in income support payments and pricing reforms applied in other jurisdictions.

⁵ [Reining in California's Runaway Electricity Rates – Energy Institute Blog](#)

Figure 2: California bill changes for low-income households (Christopher 2024)

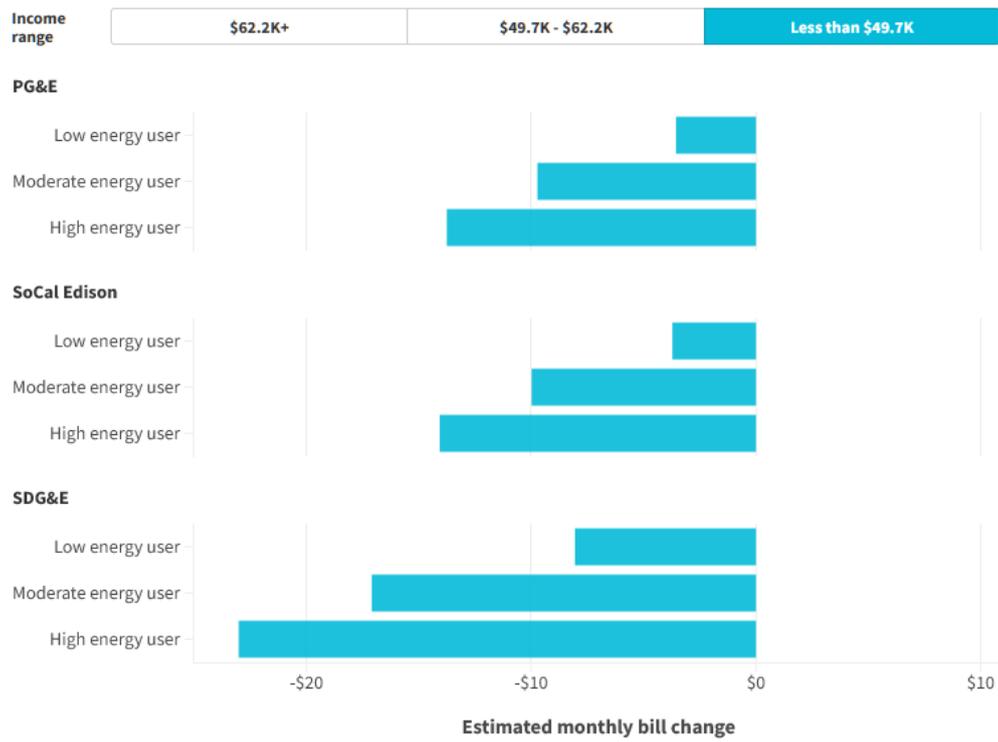
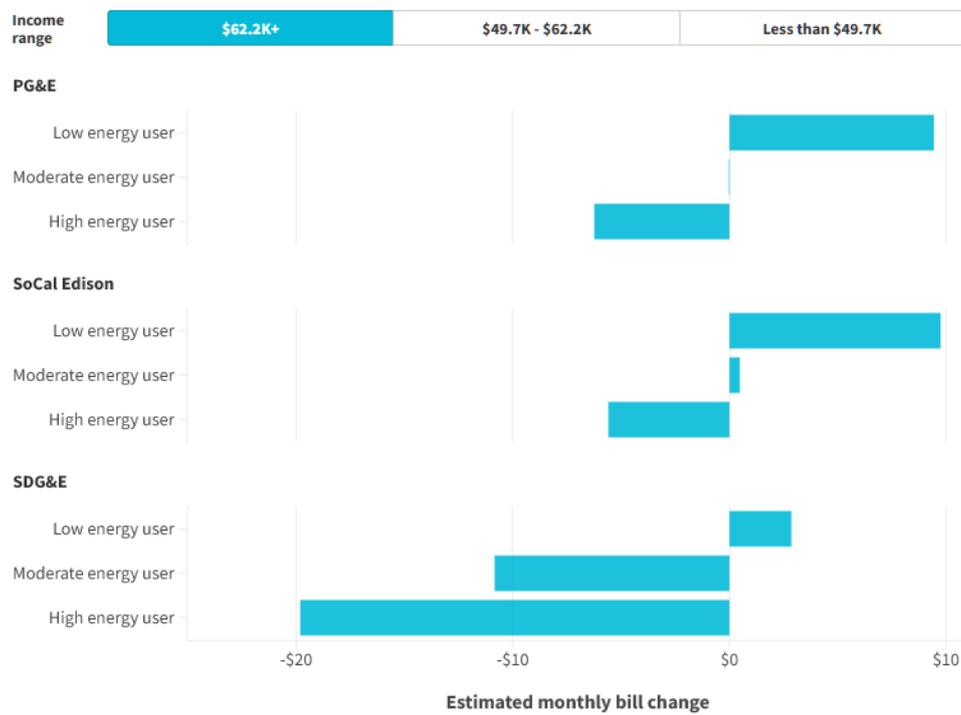


Figure 1: California bill changes for higher-income households (Christopher 2024)



AEMC Question 7b: How can the distributional impacts of a move to predominantly fixed charges be assessed and managed so that consumers are transitioned fairly and risks are appropriately managed?

BSL recommends the AEMC conducts detailed modelling of the distributional impacts of proposed pricing changes.

During the consultation process for this review, the AEMC indicated it has electricity usage data at the postcode level, but does not have further demographic information. This limits any distributional analysis of proposed changes – particularly for households experiencing disadvantage. BSL recommends that analysis include consideration of usage, location, income and wealth to inform a fuller understanding of likely impacts.

BSL recommendation on draft recommendation 7b:

10. The AEMC should conduct detailed modelling of the distributional impacts of proposed pricing changes – with a focus on impacts for customers experiencing disadvantage.

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