Date: 13 February 2026

Australian Energy Market Commission

Level 15, 60 Castlereagh Street

EPR0097 online submission

Dear Commissioners

Submission by Compliance Quarter to the Australian Energy Market Commission

Compliance Quarter welcomes the opportunity to provide a submission in response to the Australian Energy Market Commission's *Pricing Review: Electricity pricing for a consumer-driven future* Draft Report (**EPR0097**). This submission is made on our own initiative and does not necessarily reflect the views of our clients.

1. Executive Summary

Compliance Quarter welcomes the opportunity to provide this submission in response to the Australian Energy Market Commission's (**AEMC**) Draft Report on the *Pricing Review: Electricity pricing for a consumer-driven future* (**EPR0097**).[1] This submission builds upon our earlier response to an AEMC's Consultation Paper in January 2025 (for project RRC0060).[2]

We broadly support the AEMC's objective of modernising electricity pricing to reflect the transformation underway in the National Electricity Market (**NEM**). However, we hold significant concerns about aspects of the Draft Report's recommendations, particularly the proposed shift toward predominantly fixed network charges. Our key positions are:

1. Any regulatory change must be fit for purpose and should not introduce complexity or inflexibility unless clear, demonstrable consumer benefits result.
2. Network distribution costs remain the largest single component of consumer electricity bills, and the returns earned by network businesses warrant greater scrutiny before structural pricing changes are implemented.
3. Retail tariff flexibility is essential for innovation and competition. The period before 2022=-2023 saw greater competition with new entrant retailers frequently offering the cheapest plans to consumers. Since 2022-2023, we have not seen replacement of those retailers who left the market with an emerging gap in the residential market. Those new retailers

[1] AEMC, 'Pricing Review: Electricity pricing for a consumer-driven future', Draft Report (EPR0097), 11 December 2025. https://www.aemc.gov.au/market-reviews-advice/pricing-review-electricity-pricing-consumer-driven-future

[2] Compliance Quarter, Submission to AEMC Pricing Review Consultation Paper, January 2025. https://www.aemc.gov.au/sites/default/files/2025-01/Compliance%20Quarter.pdf

who have obtained an authorisation are either largely inactive, serve embedded network customers or large customers only.

4. We strongly object to shifting network cost recovery to predominantly fixed charges, which would undermine consumer energy resources (**CER**), disproportionately impact lower income households, and contradict efficient price signalling for network congestion management.

2. About Compliance Quarter

Compliance Quarter is a specialist energy compliance advisory firm dedicated to assisting businesses navigate the complexities of the Australian energy regulatory landscape. We provide expert guidance to a diverse client base, including authorised energy retailers, embedded network proponents, operators, and service providers.

Our team has extensive experience in energy regulation, compliance, and market design. We have made numerous submissions to the Australian Energy Regulator (**AER**), the AEMC, and other market bodies on matters including network determinations, retail authorisation frameworks, exempt selling guidelines, compliance procedures, and consumer protection.[3] We are a regular and active participant in the regulatory process.

This submission is informed by our practical experience assisting energy businesses and consumers across all NEM jurisdictions, our analysis of publicly available market data, and independent research by organisations including the Institute for Energy Economics and Financial Analysis (**IEEFA**), the Australian Competition and Consumer Commission (**ACCC**), and the Clean Energy Council.

[3] For example Compliance Quarter, Submission to AER Issues Paper, Ausgrid 2024-29 Electricity Determination, May 2023. https://www.aer.gov.au/system/files/Compliance%20Quarter%20-%20Submission%20-%202024-29%20Electricity%20Determination%20-%20Ausgrid%20-%20May%202023.pdf

3. Regulatory Changes Must Be Fit for Purpose

Compliance Quarter supports the principle that electricity pricing arrangements should evolve to reflect changing market conditions, particularly the rapid growth in distributed energy resources (**DER**) and smart metering. However, we urge the AEMC to ensure that any regulatory change satisfies a clear 'fit for purpose' test: reforms should not add complexity or inflexibility to the market unless the consumer benefits are demonstrable, well-evidenced, and proportionate to the costs of implementation.

Recommendation 3 of the Draft Report proposes that retailers be required to make a 'simple and comparable offer' available to all consumers.[4] While we acknowledge the intent behind this recommendation, we are concerned that prescriptive offer structures may constrain the very innovation that has historically delivered better outcomes for consumers. As we discuss in Section 5 below, the period of greatest retail innovation and competition in the NEM coincided with a relatively light-handed regulatory approach to tariff design at the retail level.

We submit that the AEMC should adopt an outcomes-based approach to reform, setting clear objectives (such as simplicity, comparability, and consumer protection) while allowing market participants the flexibility to determine how those objectives are best achieved. Overly prescriptive rules risk entrenching incumbent advantages and discouraging the entry of innovative new retailers.

[4] AEMC Draft Report (EPR0097), Recommendation 3, p.58.

4. Network Distribution Costs and Shareholder Returns

Before any significant restructuring of how network costs are recovered from consumers, Compliance Quarter submits that the AEMC and policymakers should give greater attention to the *quantum* of those costs. Network distribution charges represent the single largest component of consumer electricity bills, comprising between 35% and 50% of total costs depending on jurisdiction.[5]

4.1 Supernormal Profits in Network Businesses

Research by the Institute for Energy Economics and Financial Analysis (**IEEFA**) has documented that electricity network businesses in the NEM have earned cumulative supernormal profits of approximately $15 billion between 2014 and 2023, on top of allowed normal profits of $17.6 billion.[6] Overall, actual profits were on average 1.7 times the normal profit level permitted by the regulatory framework.[7]

In the 2023 regulatory year alone, we understand that IEEFA estimated supernormal profits of $4.35 billion across NEM networks, with average returns on equity exceeding 13%.[8] Endeavour Energy in New South Wales was the most extreme example, with equity holders receiving a 34% return in that year.[9] The per-customer cost of these excess returns was estimated at between $80 and $400 per year depending on the network area.[10]

We acknowledge that the AER has responded to IEEFA's analysis by stating that the ability of businesses to outperform the regulated rate of return is 'the incentive-based framework working as intended under the legislation'.[11] However, we submit that when the cumulative scale of outperformance reaches $15 billion over a decade, serious questions arise about whether the regulatory framework is calibrated appropriately, and whether consumers are genuinely benefiting from the incentive mechanisms in place. The same concerns flow through

---

[5] AEMC Draft Report (EPR0097), Appendix E, p.112.

[6] IEEFA, 'Taming Electricity Price Inflation Starts with Addressing Network Supernormal Profits', 2024. https://ieefa.org/resources/taming-electricity-price-inflation-starts-addressing-network-supernormal-profits

[7] IEEFA, 'Fact Sheet: Electricity Networks Have Been Receiving Billions in Supernormal Profits'. https://ieefa.org/resources/fact-sheet-electricity-networks-have-been-receiving-billions-supernormal-profits

[8] IEEFA, 'Taming Electricity Price Inflation Starts with Addressing Network Supernormal Profits', 2024. https://ieefa.org/resources/taming-electricity-price-inflation-starts-addressing-network-supernormal-profits

[9] IEEFA, 'Fact Sheet: Electricity Networks Have Been Receiving Billions in Supernormal Profits'. https://ieefa.org/resources/fact-sheet-electricity-networks-have-been-receiving-billions-supernormal-profits

[10] RenewEconomy, 'Network super profits cost consumers up to $400 a year and slow the shift to renewables', 2024. https://reneweconomy.com.au/network-super-profits-cost-consumers-up-to-400-a-year-and-slow-the-shift-to-renewables/

[11] AER, 'AER Statement on Institute for Energy Economics and Financial Analysis Report on Electricity Network Profits'. https://www.aer.gov.au/news/articles/news-releases/aer-statement-institute-energy-economics-and-financial-analysis-report-electricity-network-profits

to the assumptions behind the recommendations in the AEMC's report. The first question that needs to be answered is why we need to charge consumer more, not how.

5. Retail Competition and New Entrants

Compliance Quarter supports the AEMC's focus on retail competition in Recommendations 1 and 2 of the Draft Report.[12] Effective retail competition is the primary mechanism through which consumers benefit from energy market reform. We are concerned that the state of retail competition has deteriorated significantly since 2022, and that the Draft Report's recommendations may not go far enough to reverse this trend.

5.1 The Pre-2022 Competitive Landscape

Prior to the energy crisis of 2022-2023, the NEM's retail market was characterised by a more dynamic competitive environment. New entrant retailers regularly entered the market and frequently offered the most competitive plans available to residential consumers. These entrants brought innovation in tariff design, customer service, and technology-enabled offerings that drove better outcomes for consumers.

The ACCC's inquiries into the NEM have consistently found that smaller retailers and new entrants played a vital role in disciplining incumbent pricing. The competitive tension created by new entrants was a key driver of lower prices and improved service.

5.2 The 2022 Crisis and Its Aftermath

The wholesale price crisis of 2022-2023 resulted in the exit of a number of retailers from the NEM in a single year, more than ever before.[13] Retailers including Weston Energy, Pooled Energy, Enova Energy, and Power Club were forced to exit, with their customers transferred to retailers of last resort. Other retailers such as Reamped also stopped marketing. The ACCC identified the cumulative effects of high and volatile wholesale prices, limited access to hedging contracts, and constraints on cost pass-through as the key drivers.[14]

Since 2022-2023, to our knowledge, there have been only two or three new entrant retailers who propose to retail to residential customers however based on the AER's performance data few if any are actively retailing. While the ACCC's December 2025 report indicates that market concentration (measured by HHI) has declined slightly in 2024-25 for residential customers, and that the HHI in New South Wales fell below 2,000 for the first time in more than seven

[12] AEMC Draft Report (EPR0097), Recommendations 1 and 2, pp.33-48.

[13] ACCC, 'Electricity retailers under pressure as contract markets tighten and prices rise further', Media Release, 2022. https://www.accc.gov.au/media-release/electricity-retailers-under-pressure-as-contract-markets-tighten-and-prices-rise-further

[14] ACCC, Inquiry into the National Electricity Market, Report No. 18, December 2025. https://www.accc.gov.au/about-us/publications/serial-publications/inquiry-into-the-national-electricity-market-2018-26-reports/inquiry-into-the-national-electricity-market-report-december-2025

years,[15] this improvement appears to be driven primarily by existing retailers recovering market share rather than new competitive entry. The actual effect of a substantial lessening in the number of new entrants is also yet to be fully felt in terms of competition and consumer outcomes.

The reason for the lack of new entrant retailers seeking to serve residential customers is clear. The regulatory framework is unwelcoming to new entrants and existing smaller retailers. Smaller retailers typically operate with less portfolio diversification, more limited access to capital, and reduced ability to absorb cost volatility or invest in complex systems. As a result, reforms that materially increase retailer risk and operational complexity risk disproportionately impacting smaller retailers and accelerating market concentration, contrary to the objective of promoting effective competition.

CHOICE's super complaint to the ACCC highlighted that consumers who remain on standing offers or fail to switch retailers regularly pay an average 'loyalty tax' of approximately $430 per year.[16] This underscores the importance of a genuinely competitive retail market with active new entrants driving down prices. Any pricing reform that reduces the scope for retail differentiation or increases the complexity of market entry risks exacerbating this loyalty tax problem.

The market remains dominated by the three largest retailers: AGL, EnergyAustralia, and Origin Energy. The ACCC has warned that 'if we lose retail competition everyone will pay more for electricity over the long term'.[17] We submit that the AEMC's pricing reform should prioritise reducing barriers to entry for new retailers, not creating additional complexity that favours, larger, more established players.

---

[15] ACCC, Inquiry into the National Electricity Market, Report No. 18, December 2025. https://www.accc.gov.au/about-us/publications/serial-publications/inquiry-into-the-national-electricity-market-2018-26-reports/inquiry-into-the-national-electricity-market-report-december-2025

[16] CHOICE, Super Complaint to the ACCC: Loyalty Tax in Essential Services, 2024.

[17] ACCC, 'Electricity retailers under pressure as contract markets tighten and prices rise further', Media Release, 2022. https://www.accc.gov.au/media-release/electricity-retailers-under-pressure-as-contract-markets-tighten-and-prices-rise-further

6. Objection to Shifting Network Costs to Fixed Charges

Compliance Quarter strongly objects to the Draft Report's framework that would see network cost recovery shift toward predominantly fixed, unavoidable daily charges. The Draft Report's description of 'what good network tariffs look like' in Box 3 and Box 14 envisages a tariff structure where the fixed charge recovers most network revenue, with a dynamic charge that is zero most of the time.[1819] We submit that this approach would be harmful to consumers, inequitable in its distributional effects, counterproductive to efficient network utilisation, and damaging to Australia's energy transition.

6.1 Impact on Consumer Energy Resources

Australia's consumers have made an extraordinary investment in behind-the-meter energy resources. As of early 2026, total installed rooftop solar capacity has reached 28.3 GW, now exceeding Australia's entire fleet of coal-fired generators (22.5 GW).[20] Over 4.3 million households have invested in rooftop solar systems.[21] In 2025, home battery installations surged dramatically, with 454,753 total units installed by year's end. The second half of 2025 alone saw a record 183,245 battery units installed, representing a four-fold increase compared to the same period in 2024.[22]

The Smart Energy Council has modelled that under a predominantly fixed-charge network tariff structure, a household with an existing solar and battery system (8 kW solar, 20 kWh battery) would see their electricity bill increase by $400 to $700 per year.[23] This represents a direct erosion of the value proposition that drove these consumers to invest in clean energy technology, and it undermines the business case for future investments in rooftop solar and batteries.

Shifting to fixed charges effectively socialises network costs across all consumers regardless of their contribution to network demand, removing the price signal that currently rewards

---

[18] AEMC Draft Report (EPR0097), Box 3 ('What good network tariffs look like'), p.27.

[19] AEMC Draft Report (EPR0097), Box 14 ('What good network tariffs look like'), p.83.

[20] PV Magazine Australia, 'Rooftop solar hits 28.3 GW as home battery uptake straps on a rocket', 4 February 2026. https://www.pv-magazine-australia.com/2026/02/04/rooftop-solar-hits-28-3-gw-as-home-battery-uptake-straps-on-a-rocket/

[21] Clean Energy Council, 'Rooftop Solar and Storage Report: January to June 2025'. https://cleanenergycouncil.org.au/news-resources/rooftop-solar-and-storage-report-january-to-june-2025

[22] PV Magazine Australia, 'Rooftop solar hits 28.3 GW as home battery uptake straps on a rocket', 4 February 2026. https://www.pv-magazine-australia.com/2026/02/04/rooftop-solar-hits-28-3-gw-as-home-battery-uptake-straps-on-a-rocket/

[23] Smart Energy Council, 'Smart Energy Council Strongly Opposes AEMC Proposal to Shift Households to Fixed Electricity Network Charges', 2025. https://smartenergy.org.au/smart-energy-council-strongly-opposes-aemc-proposal-to-shift-households-to-fixed-electricity-network-charges/

consumers for reducing their grid dependence. This is contrary to the AEMC's stated objective of facilitating the energy transition and supporting a consumer-driven future.

6.2 Disproportionate Impact on Lower Income Households

A shift to predominantly fixed network charges would have a regressive distributional impact. The South Australian Council of Social Service (**SACOSS**) has emphasised that the cost of basic necessities like electricity 'impacts greatly and disproportionately on people experiencing vulnerability and disadvantage'.[24]

IEEFA and RenewEconomy have noted that modelling consistently shows low-consumption and lower-income households are worse off under a fixed-charge-dominant model, while high-consumption households benefit.[25][26] These impacts have been described as 'structural and ongoing, not transitional', meaning that any assumed adjustment period would not resolve the fundamental inequity.[27]

Compliance Quarter submits that any tariff reform must be accompanied by a rigorous distributional impact analysis, and that pricing structures which systematically disadvantage lower income and vulnerable consumers should not be adopted.

6.3 Contrary to Efficient Price Signalling for Congestion Management

Fixed network charges provide no locational or temporal signal to consumers about the actual costs they impose on the network. A consumer who draws heavily from the network during peak congestion periods imposes materially different costs than a consumer with a flat or off-peak demand profile. A predominantly fixed charge treats both identically, removing any incentive for consumers to shift consumption away from congested periods or to invest in technologies (such as batteries or smart appliances) that could reduce network stress.

This is particularly concerning given the AEMC's own recognition in the Draft Report that the NEM faces significant network congestion challenges as the energy transition progresses. Efficient price signals are essential for managing network congestion without costly network augmentation. A shift to fixed charges would blunt these signals at precisely the time they are most needed.

---

[24] SACOSS, Submission to AEMC Pricing Review Consultation Paper, December 2024. https://sacoss.org.au/wp-content/uploads/2024/12/241216_SACOSS_AEMC-Pricing-Review_sub_merged.pdf

[25] RenewEconomy, 'Plan to increase fixed network costs will take from the poor, give to the rich, and slash returns on PV and batteries', 2025. https://reneweconomy.com.au/plan-to-increase-fixed-network-costs-will-take-from-the-poor-give-to-the-rich-and-slash-returns-on-pv-and-batteries/

[26] IEEFA, 'Don't Rush to Raise Fixed Network Charges', 2025. https://ieefa.org/resources/dont-rush-raise-fixed-network-charges

[27] RenewEconomy, 'Plan to increase fixed network costs will take from the poor, give to the rich, and slash returns on PV and batteries', 2025. https://reneweconomy.com.au/plan-to-increase-fixed-network-costs-will-take-from-the-poor-give-to-the-rich-and-slash-returns-on-pv-and-batteries/

6.4 Reduced Uptake of Consumer Energy Resources

The Solar Citizens campaign against increased fixed charges has highlighted the direct link between network pricing structures and the economic viability of consumer solar and battery investments.[28] The Smart Energy Council has warned that fixed charges 'undermine the economics of solar and batteries and threaten industry viability', with lower uptake threatening Australia's renewable energy targets and emissions reduction goals.[29]

Rooftop solar already provides a notable percentage of total electricity generation in the NEM,[30] and this contribution is growing. Consumer energy resources, including batteries, represent a critical component of the future energy system. Pricing structures that discourage investment in these resources are fundamentally at odds with the national energy policy framework and the objectives of the National Electricity Law.

[28] Solar Citizens, 'The Threat of Increased Fixed Electricity Charges'. https://www.solarcitizens.org.au/threat_of_increased_fixed_electricity_charges

[29] Smart Energy Council, 'Smart Energy Council Strongly Opposes AEMC Proposal to Shift Households to Fixed Electricity Network Charges', 2025. https://smartenergy.org.au/smart-energy-council-strongly-opposes-aemc-proposal-to-shift-households-to-fixed-electricity-network-charges/

[30] Clean Energy Council, 'Rooftop Solar and Storage Report: January to June 2025'. https://cleanenergycouncil.org.au/news-resources/rooftop-solar-and-storage-report-january-to-june-2025

7. Network Tariffs for Energy Service Providers

Compliance Quarter supports Recommendation 6 of the Draft Report, which addresses the development of network tariffs that facilitate the participation of energy service providers.[31] As the market evolves to include more aggregators, virtual power plant operators, and community energy providers, it is essential that network tariff structures do not create unnecessary barriers to their participation.

We submit that network tariffs for energy service providers should be designed to reflect the genuine value that these providers can deliver to the network, including reduced peak demand, improved voltage management, and deferred network augmentation. Tariff structures that simply impose fixed charges on these providers, without recognising the services they provide, would undermine the development of this important sector.

8. Upgrading Energy Made Easy

Compliance Quarter supports Recommendation 4, which calls for improvements to the Energy Made Easy price comparison platform.[32] Effective price comparison tools are essential for empowering consumers to make informed choices and for promoting retail competition. However, we note that the value of an improved comparison platform is significantly diminished if the underlying market lacks the competitive tension provided by a diverse range of retailers, including active new entrants.

We note the current limitations of Energy Made Easy for example when it comes to retail tariffs that are designed to follow the wholesale price of electricity and the inability of Energy Made Easy to meaningfully consider the financial impact of solar generation and Feed in Tariffs on a consumer's annual bill.

We submit that the upgrade of Energy Made Easy should be complemented by measures to actively reduce barriers to entry for new retailers and to support the development of innovative energy products and services that genuinely differentiate themselves in the market.

9. Transitional Measures and Consumer Protections

If the AEMC proceeds with any form of network tariff restructuring, Compliance Quarter submits that robust transitional measures and consumer protections must be implemented. In particular:

1. Any transition to new tariff structures must be gradual, with clearly defined timelines and milestones, allowing consumers and industry participants adequate time to adjust.

[31] AEMC Draft Report (EPR0097), Recommendation 6, p.96.

[32] AEMC Draft Report (EPR0097), Recommendation 4, p.70.

2. Consumer bill impact modelling must be published for each jurisdiction, disaggregated by income level, CER ownership status, and dwelling type.
3. Hardship protections must be strengthened to ensure that vulnerable consumers are not adversely affected during any transition.
4. Existing CER investments must be protected through grandfathering provisions or equivalent mechanisms that preserve the economic assumptions under which those investments were made.

10. Conclusion

Compliance Quarter appreciates the opportunity to contribute to the AEMC's Pricing Review. The energy transition presents genuine challenges for pricing design, and we recognise the AEMC's efforts to address these challenges through this review. However, we urge the Commission to proceed with caution and to prioritise the following principles:

1. Regulatory reforms must be fit for purpose and should not introduce unnecessary complexity or inflexibility.
2. The quantum of network costs, including the documented supernormal profits of network businesses,[33] must be addressed alongside any structural changes to cost recovery mechanisms.
3. Retail competition must be actively supported, with barriers to new entrant retailers reduced rather than increased.
4. The proposal to shift network cost recovery to predominantly fixed charges should not be adopted. It would undermine CER investment, disproportionately impact lower income households,[34][35] weaken price signals for congestion management, and reduce the uptake of consumer energy resources.[36]
5. Transitional protections and consumer safeguards must be central to any reform implementation.

We remain committed to engaging constructively with the AEMC throughout this review process and welcome any further consultation on these matters.

Compliance Quarter

www.compliancequarter.com.au

13 February 2026

---

[33] IEEFA, 'Taming Electricity Price Inflation Starts with Addressing Network Supernormal Profits', 2024. https://ieefa.org/resources/taming-electricity-price-inflation-starts-addressing-network-supernormal-profits

[34] SACOSS, Submission to AEMC Pricing Review Consultation Paper, December 2024. https://sacoss.org.au/wp-content/uploads/2024/12/241216_SACOSS_AEMC-Pricing-Review_sub_merged.pdf

[35] RenewEconomy, 'Plan to increase fixed network costs will take from the poor, give to the rich, and slash returns on PV and batteries', 2025. https://reneweconomy.com.au/plan-to-increase-fixed-network-costs-will-take-from-the-poor-give-to-the-rich-and-slash-returns-on-pv-and-batteries/

[36] Smart Energy Council, 'Smart Energy Council Strongly Opposes AEMC Proposal to Shift Households to Fixed Electricity Network Charges', 2025. https://smartenergy.org.au/smart-energy-council-strongly-opposes-aemc-proposal-to-shift-households-to-fixed-electricity-network-charges/