

13 February 2026

Anna Collyer
Chair
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2000

Submitted via: <https://www.aemc.gov.au/contact-us/lodge-submission> (EPR0097)

Dear Ms Collyer,

The pricing review: Electricity pricing for a consumer-driven future: Draft Report

Erne Energy has struggled to provide a constructive submission to the AEMC's draft report on their self-initiated review of electricity pricing for a consumer-driven future.

Even though the AEMC acknowledges that the electricity power system is changing and that market and the rules and regulations need to reflect the shift to a decentralised system, the AEMC has delivered broad recommendations that have been delivered many times before (more choice, more information, more clarity for customers) that have demonstrably failed over the lifetime of the National Electricity Market (NEM).

Only the proposed franchise model, the shift to a greater component of network charges being "fixed" and the proposal for Distribution Network Service Providers (DNSPs) to design their tariffs for Energy Service Providers (ESPs) rather than customers, are relatively new.

Broadly the recommendations can be seen to be the result of working with "industry" to explore electricity pricing rather than customers. It is disappointing that the members of the Industry Reference Group have not been identified publicly and as a result it means stakeholders can not know whether their voice was represented when developing the draft recommendations.

The Review has been industry-led for industry benefit. Customer voices and customer needs have been subsumed by the needs of industry, who do not benefit from informed and empowered customers. If the AEMC wants approaches that will work for "real" customers, then this Review needs to be based on the inputs of a group that is fully populated with customers, not "industry".

The continued focus on "choice" and "shopping around" to resolve the issue of customers not being on the best electricity supply contract for them and paying too much does not recognise how real customers behave, have behaved and will continue to behave. The AEMC needs to dig deeper to address the issue of why retailers continue treat their customers poorly, rather than suggest that if only customers would "shop around" they would have better outcomes.

This submission addresses the six recommendations, but at this point there is insufficient evidence to support the recommendations as delivering on the Review aims:

Recommendation 1: Require energy service providers to charge all customers on the same plan the same price, to address the 'loyalty tax' on customers who don't switch and ensure every customer is always on the best price

ESPs will find a way around "same plan = same price". ESPs are required by their shareholders to maximise profits. It is difficult to see how that desire to increase profits can be married with treating customers fairly.

If the recommendation was for the ESP to *always offer the customer the lowest cost everyday regardless of their current plan*, this would support customers to be on the best plan that minimises their electricity costs. However, minimising customer costs wouldn't increase the ESPs profits or enhance competition.

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.

Recommendation 2 appears to have been developed to address the fact that Recommendation 1 will inevitably fail because ESPs will find a way to work around the requirement for "same plan = same price". If Recommendation 1 worked, then a competitive franchise would not be needed to protect customers on market offers.

Any franchise would be complex to operate and would likely incorporate a cohort of customers that are already "difficult" in that they don't "wish to" "shop around" (and are also possibly vulnerable), so it is hard to see why an ESP would bid for the franchise given the likely complexities associated with these customers. It is not clear how attractive customers in regional and rural Australia would be for a franchisee.

If ESP competition in the NEM genuinely worked both recommendation 1 and 2 would not be required.

Recommendation 3: Periodically review whether regulations are supporting good consumer outcomes in an evolving market.

This Review has not resolved many of the key issues for electricity customers. It is not clear why more reviews by the AEMC, in addition to current Market Reviews by the AER, will result in positive outcomes for customers.

Recommendation 4: Provide the AER with additional funding to upgrade Energy Made Easy so that consumers can easily compare electricity offers, including new and emerging types.

Getting customers to make that first decision to "shop around" is the problem, rather than providing even more information and even more choice. When is the AEMC going to recognise that the last 20 years of trying to get customers to "shop around" and providing more and clearer information has failed to address the failure of competition in the energy retail sector and address the real issues – ESPs naturally and primarily acting in their best interests to grow profits for their shareholders?

And in a context of low or no trust in ESPs, what's the point in "shopping around" if the ESPs always hit customers with higher prices?

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.

Perhaps fixed DNSP tariffs are the answer, but the Draft Report offers a very weak examination of the impact of increasing the fixed component of network tariffs on different customer types. That network tariff design needs significant work is not in doubt, but the AEMC deciding on the basis of engaging with industry (presumably DNSPs and ESPs) that increasing the fixed component of a network tariff will resolve "equity issues" is missing.

There is no analysis presented by the AEMC of the relative balance of a "fixed" price element to recover network costs and a dynamic price element to drive customer responsiveness (or, as

below, retailer responsiveness). The AEMC is expecting multiple and complex “price” elements to deliver a wide range of outcomes.

In the absence of quality analysis by the AEMC, stakeholders are left to undertake their own analysis or rely on others¹.

There is a concern that DNSPs continue to use addressing “equity” issues between those who do have Consumer Energy Resources (CER) and those who don’t as a driver to increase network profits². It is about time that the AEMC explored distribution network utilisation. DNSPs need to be encouraged to maximise the use of their existing assets, which will need DNSPs to work with stakeholders (customers and ESPs)³. Utilisation rates are typically 40 %, which means for the greater part of time the network asset is idle. If the network isn’t being used, then customers shouldn’t be paying for it. It would be fantastic to see genuine innovation in network tariffs that reflect how a broad range customers use the network today and in the future (e.g., an “insurance” for when the sun isn’t shining locally, block, connection capacity etc.).

The AEMC needs to undertake additional work to develop this analysis so that stakeholders can see the evidence that fixed network charges will deliver the “equity” that the AEMC has assumed. This analysis needs to be publicly available prior to any publication of a Final Report. As a first step the AEMC should provide a table with each customer archetype, their current annual bill and how that might change with higher fixed network charges.

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.

Potentially a good idea. However, DNSP tariffs will still have an impact on customer bills but will now be opaquer to customers and subject to all the problems that Recommendation 1 and Recommendation 2 hope to resolve. Further, it bundles DNSPs, who might have a better (trusted) relationship with their customers, with ESPs who certainly aren’t trusted by customers. This approach requires customers to place significantly more trust in the ESPs than currently. Noting that a lack of trust in industry is one of the reasons, along with rising electricity bills, driving customers to invest in CER. Increasing distrust will inevitably drive CER uptake exacerbating the “equity” problem the Review hopes to resolve.

While the Review was shaped around the future system and future customers, the AEMC has not articulated how today’s customers will transition to tomorrow’s customers. It is not even clear what the end state for future customers is. As a result, it is not possible to identify whether the six recommendations will support the hoped for customer transition. Further, the AEMC suggests there will need to be a transitional framework, delivered over ten years. This is very slow change being delivered in a system that is changing at pace and means that the recommendations will be rapidly outdated, compounding the Review’s irrelevance in genuinely resolving electricity costs for customers.

Many thanks for the opportunity to provide a submission to the Draft Report for the Pricing Review. Please contact me if you need further information.

Yours Sincerely



Dr. Jill Cainey MBE

¹ See here for the sort of analysis that would have helped stakeholders better understand the implications of the AEMC’s draft proposal for fixed network tariffs: <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/>

² See ERC0311 as another example of addressing “equity”: <https://www.aemc.gov.au/rule-changes/access-pricing-and-incentive-arrangements-distributed-energy-resources>

³ https://utsd8.prod.acquia-sites.com/sites/default/files/2025-01/UTS_Network-Utilisation-Metrics_Final-Report_v1.2.pdf