



PO Box 4136
East Richmond VIC 3121
T 131 806
F 1300 661 086
W redenergy.com.au

PO Box 4136
East Richmond VIC 3121
T 1300 115 866
F 1300 136 891
W lumoenergy.com.au



19 February 2026

Ms Anna Collyer
Chair
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2001

Submitted electronically

Dear Ms Collyer,

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

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to respond to the Australian Energy Market Commission's (the Commission's) draft report for the *Electricity pricing for a consumer-driven future* review (the Pricing Review).

The Commission is assessing whether the existing electricity pricing framework—covering retail offers, aggregated services and network tariffs—can satisfy consumer requirements now and in the future. The Commission's central premise is that rapid technological advancement and the proliferation of Consumer Energy Resources (CER) have rendered the current framework obsolete and that major reform is necessary.

We share some of the Commission's concerns about current market outcomes. In particular, we acknowledge that current network pricing allows some consumers, particularly those who have invested in CER, to avoid what other consumers might view as a reasonable contribution to the cost of network services. However, the Commission is recommending significant and profound changes to the current regulatory framework, which are likely to impact consumers in a variety of ways.

For example, the expected shift to recover network costs largely through fixed charges has distributional implications. Furthermore, it could, in some instances, dilute incentives for energy efficiency measures or further investment in CER. More fundamentally, any changes to network pricing must be considered in parallel with a review of networks' incentives (e.g. for capital expenditure and preferences for network investment as an alternative to non-network solutions to manage constraints). This is particularly important given the contribution that networks make to the bills that consumers face.



PO Box 4136
East Richmond VIC 3121
T 131 806
F 1300 661 086
W redenergy.com.au

PO Box 4136
East Richmond VIC 3121
T 1300 115 866
F 1300 136 891
W lumoenergy.com.au



Similarly, this review is occurring in a fluid regulatory environment. Recent and forthcoming regulatory initiatives are seeking to encourage market participation and extend protections to consumers who cannot easily participate in the competitive retail market. For example, retailers are obligated to apply conditional discounts to legacy contracts from 1 July 2026 while the Australian Energy Regulator (AER) will set the Default Market Offer in line with efficient (rather than reasonable) costs. We expect to see a further clustering of retail offers around regulated retail pricing in the coming years, something that the Australian Competition and Consumer Commission is already observing through its regular market monitoring.

The AER has also proposed a series of rule changes to amend the payment difficulty framework in the National Energy Retail Rules to promote greater consistency in support across the sector. It also seeks to encourage retailers to more actively identify payment difficulty and provide appropriate support, including access to the cheapest available retail offers.

In summary, we welcome the Commission's analysis of the current market. However, we encourage the Commission to consider a range of factors before it finalises its recommendations. These include the nature and extent of the problems it is trying to address (particularly in the retail market), how its recommendations align with recent and forthcoming regulatory change, and the full impact of the profound changes it is recommending for network tariff reform.

In particular, we welcome the Commission's commitment to further empirical analysis that explores the customer bill impacts of several alternative network tariff transition strategies. This is a key input to the Commission's final position. We acknowledge that these significant reforms demand thorough evaluation and active input from all market participants, and we fully support the Commission's efforts.

The following is a summary of our position on each of the Commission's draft recommendations, which we discuss in more detail in the remainder of this submission.

- 1. Recommendations 1 and 2 (Oppose, further analysis required):** We recommend further analysis of the extent of the perceived loyalty tax, in light of recent regulatory measures. Moreover, some degree of price dispersion is inevitable in any competitive market and a more proportionate regulatory response might be to identify specific barriers to participation, particularly among financially vulnerable consumers. Otherwise, regulation may simply dilute the benefits available to those who do actively participate and are sensitive to price. The competitive franchise model is likely to produce a poor consumer experience and there are legitimate reasons to be sceptical that periodic auctions for the aggregated standing offer consumers (i.e. competition for a market) will produce superior outcomes to more effective competition within the retail market.



PO Box 4136
East Richmond VIC 3121
T 131 806
F 1300 661 086
W redenergy.com.au

PO Box 4136
East Richmond VIC 3121
T 1300 115 866
F 1300 136 891
W lumoenergy.com.au



2. **Recommendations 3 and 4 (Support):** Periodic ex post reviews are an essential element of good regulatory practice. They allow regulators and policymakers to assess the effectiveness of regulatory change, to determine whether they meet policy objectives and to identify further reform opportunities as the nature and extent of problems in the energy market evolves. Energy Made Easy is an important tool that supports retail competition. However, there are limits to the value it can offer for more complex retail products, particularly those that incorporate demand response or active use of CER.
3. **Recommendations 5 and 6 (Conditional support)** There is a strong case for network tariff reform because the current framework produces significant cross subsidies between consumers, particularly between those with and without CER. However, the Commission should undertake further analysis of the full impact of different pathways for reform. This is necessary to minimise potential risks and ultimately avoid unintended negative consequences for energy consumers. We strongly support a requirement for networks to develop efficient tariffs with retailers in mind. This will produce a more practical and consumer friendly outcome that encourages more efficient network utilisation. This has not been the case to this point. The customer impact principle in the current framework has not delivered good outcomes for consumers or for retailers so we see little harm in its removal. Furthermore, the Commission should also consider tariff reform in conjunction with other elements of the regulatory framework, including incentives for capital expenditure and consideration of non-network alternatives.

In terms of the pace of reform, there are immediate measures that will improve outcomes. An example is a simplification of network pricing with a single tariff per customer class, for example, that unwinds some of the current cross subsidies. The Commission can then design an appropriate shift towards more efficient pricing, informed by the further analysis it plans to undertake.

Consumers and retailers will need sufficient time to understand and adjust to the reforms and to maintain social licence. While the Commission is looking to the future, we also note that the energy transition is still at an early stage and that the precise form, scale and timing of more active market participation is highly uncertain, particularly among residential consumers. In our experience, few consumers are willing to face sharper price signals or actively participate in real time.

We are committed to collaborating with the Commission on the Pricing Review. Our goal is to provide evidence-based input to establish a durable and sustainable pricing framework that secures consumers' long-term interests throughout the energy transition. We intend to continue our constructive engagement with the Commission and stakeholders, offering specific input to ensure the successful implementation of reform. Below, we provide our specific views on each recommendation.



PO Box 4136
East Richmond VIC 3121
T 131 806
F 1300 661 086
W redenergy.com.au

PO Box 4136
East Richmond VIC 3121
T 1300 115 866
F 1300 136 891
W lumoenergy.com.au



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

Some energy market stakeholders view the complexity of the electricity market for some consumers—with its numerous plans, price variations, and occasional jargon—as a significant obstacle to customers effectively comparing contracts. The view is that this penalises inaction. Improving the customer experience and resolving this complexity has become a high priority.

Some degree of dispersion in outcomes is inevitable in a competitive market, whether this takes the form of price, credits or non price benefits. This indicates healthy competition. This in turn, is a result of differences in the degree of engagement and participation across the sector. However, we acknowledge that some consumers find it difficult to understand the opportunities available to them in a competitive market and that this may warrant a regulatory response.

The Commission’s proposed reform is to mandate uniform pricing for all consumers on the same plan, targeting the perceived loyalty tax. In our view, the Commission should undertake further analysis to quantify the extent of price dispersion across the market and whether it will change substantially in light of recent and forthcoming regulatory changes. It should also consider the characteristics of those consumers who are currently best placed to access the cheapest offers in the market. We note, for example, that the proportion of consumers on the best offer is higher among hardship consumers than is the case for other segments and that payment difficulty frameworks emphasise the importance of ensuring vulnerable consumers access the cheapest offers.

Rather than a broad prohibition on acquisition discounting, the Commission could consider alternatives that directly address barriers to market participation, particularly for consumers who are experiencing payment difficulty. This might involve changes to the payment difficulty framework under the NERR (as proposed by the AER, for example) that identify potential vulnerability at an early stage or on some objective basis and reduce barriers to hardship and other customers accessing the cheapest offers in market. Otherwise, this reform could result in a transfer from consumers who are sensitive to price to those who are less sensitive to price or may dilute incentives for retailers to actively compete to win new customers and retain existing customers. This incentive drives efficiencies and innovation within retail businesses and supports efficient investment in generation as retailers seek to manage their retail load.

Alternatively, the market may respond to this prohibition by shifting more substantially to other forms of inducement, such as sign on credits and non-financial benefits.



PO Box 4136
East Richmond VIC 3121
T 131 806
F 1300 661 086
W redenergy.com.au

PO Box 4136
East Richmond VIC 3121
T 1300 115 866
F 1300 136 891
W lumoenery.com.au



The other issue we recommend the Commission consider in more detail is the broader context for this proposal. More specifically, we note the various regulatory measures designed to facilitate market engagement and access to cheaper offers. The Commission will be aware that the Australian Competition and Consumer Commission concluded that a greater proportion of consumers have taken up their retailer's best offer and that there is a broader clustering of offers around regulated retail prices. We expect this to continue, noting measures such as the Commission's final determination on *Improving consumer confidence in retail energy plans* (RRC0058) and changes to the *Better Bills Guideline* to clarify that offers with the same name may have different pricing.

Looking ahead, the Commission will be aware of forthcoming changes to the Default Market Offer and the (expected) extension of the *Prohibiting Energy Market Misconduct Act* to capture price increases, the effect of which would be to ensure retailers only pass through significant and sustained increases in the cost of procuring energy to all customers, rather than selectively.

We put forward these potential issues, including the potential redundancy of the proposal, as propositions for the Commission to consider as it finalises its recommendations.

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.

The Commission proposes a competitive mechanism to determine standing offer prices through an auction process. This approach is intended to extend the benefits of competition to customers who have not actively chosen a market offer. By having energy service providers compete for these customers, the Commission aims to achieve a competitive outcome without requiring customers to make an explicit choice. This can be described as establishing competition for a market, as opposed to active competition within a market.

While we acknowledge the Commission's commendable objective in proposing a competitive franchise model, we are sceptical that it will deliver better outcomes for standing offer customers or for energy consumers more generally. We see high potential for a poor customer experience as they are shifted to a retailer they did not actively select and of whom they might have little knowledge.

Compulsory switching through the auction mechanism risks forcing customers, especially vulnerable cohorts (like those on life support or registered for Family Violence protections), to change retailers against their will. This lack of consent could cause negative reactions, confusion, and distress, potentially disrupting essential services, tailored support, or privacy protections provided by their stable, trusted current retailer. Forcing this fundamental decision undermines consumer autonomy and market trust.



PO Box 4136
East Richmond VIC 3121
T 131 806
F 1300 661 086
W redenergy.com.au

PO Box 4136
East Richmond VIC 3121
T 1300 115 866
F 1300 136 891
W lumoenergy.com.au



Further to this, we note standing offer customers have not revealed any dissatisfaction with their current retailer even if they have not opted for a market offer. For example, a retailer whose value proposition is excellent customer service with onshore support may not choose to price in line with the cheapest market offers. This might mean sacrificing quality of service, particularly for certain consumer segments. There is also an implicit assumption that standing offer customers are disengaged and do not consider switching offers or retailers. We do not agree this is the case with all standing offer customers, some of whom may have reached the end of a market contract or will seek out a market offer in the future.

We also question whether the auction process would deliver a better outcome for these consumers than the status quo where they can elect to remain on a regulated retail price and / or select a market offer with their current retailer or some other service provider. This is because of the impending changes to the Default Market Offer and uncertainty of the outcome of the auction.

It is reasonable to predict that only a few retailers would choose to participate because of that uncertainty. Both successful and unsuccessful retailers will need to manage their expected retail load and there is also doubt about how long the winning retailer would retain these consumers. We expect that only the largest, vertically integrated retailers would be willing to accept this risk and compete for this cohort of consumers. It is expected that the "big three" vertically integrated retailers, due to their large upstream generation capacity, are best positioned to attract these departing customers. Consequently, customers currently on standing offers are highly likely to move to these major vertically integrated retailers.

Crucially, the lack of clarity and transparency surrounding the associated administrative costs makes it impossible to accurately assess the potential net benefit for consumers and the market.

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

Ex post evaluations of the effectiveness and efficiency of regulatory initiatives are a core element of good regulatory practice. Therefore, we support this proposal. Given the potential for rapid technological and behavioral changes, regulations can quickly become obsolete. The nature and extent of problems can change over time and this might reflect other factors such as the maturation of a market, shifts in community expectation or other applicable regulation (such as market conduct provisions). Outdated rules risk burdening both retailers and consumers with unnecessary costs without providing equivalent advantages.



PO Box 4136
East Richmond VIC 3121
T 131 806
F 1300 661 086
W redenergy.com.au

PO Box 4136
East Richmond VIC 3121
T 1300 115 866
F 1300 136 891
W lumoenergy.com.au



The Commission should ensure, however, that these reviews complement rather than duplicate other reviews. These include regular market monitoring by the Australian Competition and Consumer Commission and the AER. These roles include collection and analysis of extensive data on prices, profits, and margins across the NEM so the additional review the Commission is considering should explicitly consider how regulation influences these outcomes. Otherwise, an additional process would be inefficient and create unnecessary regulatory duplication.

Therefore, the Commission must first ensure the proposal offers a net benefit to consumers before implementation. An alternative approach would be to allow regulations to sunset after some defined period, as is the case for many jurisdictional regulations. This means regulators must reconsider the nature and extent of any market failure, identify and evaluate options for addressing that failure and selecting that which will generate the greatest net benefit.

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

The Commission proposes increased funding for the AER to ensure EME continues to meet the needs of energy consumers. This reflects the growing complexity of retail energy products and services, driven by technological disruption in the market and changes in consumer preferences.

We agree that EME is a useful tool for many consumers and there is merit in ensuring it continues to support them as the energy market becomes more complex. There is also merit in reassessing the mechanisms through which consumers access EME, noting changes in how consumers are using technology.

While EME will continue to provide clarity about terms and conditions, there may be some instances where the value for individual consumers is less clear. This will be the case where consumers are active participants (in wholesale or FCAS markets or through network support and demand response) and draw heavily on their CER. Outcomes for many of these more complex retail products are hard to predict and will depend on individual needs and preferences, the level of flexibility in their consumption profile and the specific asset they own. In these instances, EME becomes less useful in itself but instead complements other protections and regulations (such as Australian Consumer Law) and the commercial incentives on service providers to ensure customers receive the support and advice they need. We also note the Consumer Data Right is a further source of information about retail products.



PO Box 4136
East Richmond VIC 3121
T 131 806
F 1300 661 086
W redenergy.com.au

PO Box 4136
East Richmond VIC 3121
T 1300 115 866
F 1300 136 891
W lumoenergy.com.au



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.

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.

There is a strong case for reforming how networks develop tariffs so we support recommendation 6. We expect this will deliver more practical and consumer-friendly pricing that better supports the energy transition. It would explicitly account for retailers' operations, processes and billing systems but also reflect their broader understanding of the needs and preferences of the full range of retail consumers. This includes how consumers might respond to pricing signals through demand response, load shifting or with CER. Network costs are the most material component of retailers' cost stack so it is important they have some input to the structure of tariffs, particularly as pass through is the most effective way for many of them to manage this cost.

We note the more collaborative nature of the Victorian network tariff and revenue determination process. The networks have worked more closely with retailers to develop stable and relatively simple tariffs that we can more easily capture in retail offers. Our preference for future determinations is a simple and stable approach such as a single tariff structure per customer class that is (ideally) consistent across networks.

Recommendation 6 would also ensure that networks and the AER account for any relevant consumer protections. More specifically, the AER should consider how regulations influence retailers' ability to manage network costs. Examples include the requirements to obtain explicit informed consent prior changing pricing structures (even when reassignment occurs automatically at the network level under approved assignment policies) and to offer a flat rate standing offer in SA, Queensland, the ACT (and most likely, also in NSW).

The Commission notes the current framework includes a customer impact principle. Consumers in aggregate are not well placed to actively participate in current processes, while those who do (including their representatives) may have narrower interests and perspectives. We agree with much of the Commission's discussion of the challenges that distribution networks and the AER have faced when deciding what the customer impact should mean in practice.

We also note that the current framework has delivered complex tariffs (e.g. maximum demand) that few consumers understand and which prompted a public backlash and regulatory response. Network tariffs have also changed frequently over time and within regulatory periods, which has caused confusion for consumers and operational challenges for retailers. As such, we see little risk in shifting from a customer impact principle to retailer impact principle, particularly as the AER will continue to make determinations that account for the long term interests of consumers.



PO Box 4136
East Richmond VIC 3121
T 131 806
F 1300 661 086
W redenergy.com.au

PO Box 4136
East Richmond VIC 3121
T 1300 115 866
F 1300 136 891
W lumoenergy.com.au



Efficiency of network pricing

There is a clear need to reconsider the structure of network tariffs, noting the ability for some consumers to avoid a significant proportion of network costs even when they are largely fixed in many areas in the short terms. Unwinding the current cross subsidy while maintaining some incentives for energy efficiency and CER use and investment should be the immediate reform priority.

However, it is less clear that this warrants a shift away from setting tariffs with respect to Long Run Marginal Cost or that this means networks should recover a far greater proportion of their costs through fixed charges. This raises other distributional challenges, which many stakeholders have discussed in response to the Commission's draft report. We welcome the Commission's decision to undertake further consultation. Tariffs should also retain some incentives for behavioural change and CER use and investment over the longer term that encourage efficient network investment. The AER is well placed to determine the appropriate balance between these (potentially) competing factors, with input from retailers. As noted, the more important consideration for retailers is that they face network pricing that they can easily administer, capture in retail products and explain to their customers.

We also share the view of the Australian Energy Council (AEC) that there are options for managing short term locational or seasonal network constraints that reduce congestion and defer network investment. These do not necessarily involve complex dynamic charges on top of largely fixed network tariffs. As the AEC notes, networks could rely on Dynamic Operating Envelopes or network support payments that are ancillary to tariffs and which create value opportunities for consumers with and without CER.

We welcome the Commission's commitment to further empirical analysis that explores the customer bill impacts of several alternative network tariff strategies. This is a key input to the Commission's final position on the basis for network tariffs and for any transition away from the current arrangements. Hasty implementation of complex tariffs risks consumer confusion, bill shock and public distrust, especially among vulnerable households, undermining intended demand response benefits. A successful transition requires a deliberate, transparent, and educational approach, prioritising consumer protection.

As a final point, we note the Commission's intention to review the broader framework for distribution network regulation. This is a priority due to the close link between network tariff design and the incentives for networks to undertake capital expenditure and / or to consider non-network alternatives to the augmentation and replacement of existing network assets. Broad rules about the efficiency of tariffs may have little impact on the overall cost of network services if there are biases in favour of specific solutions.



PO Box 4136
East Richmond VIC 3121
T 131 806
F 1300 661 086
W redenergy.com.au

PO Box 4136
East Richmond VIC 3121
T 1300 115 866
F 1300 136 891
W lumoenergy.com.au



About Red and Lumo

We are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail gas and electricity in Victoria, New South Wales, Queensland and South Australia and the ACT to over 1.5 million customers. Should you wish to discuss aspects or have any further enquiries regarding this submission, please call Con Noutso, Regulatory Manager, on 0481 013 988.

Yours sincerely

A handwritten signature in black ink, appearing to read "G Hargreaves".

Geoff Hargreaves
Manager - Regulatory Affairs
Red Energy Pty Ltd
Lumo Energy (Australia) Pty Ltd