SACOSS
South Australian Council of Social Service

SACOSS' Submission to the Australian Energy Market Commission's Draft Report on the Pricing Review

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Introduction

The South Australian Council of Social Service is the peak non-government representative body for health and community services in South Australia, and has a vision of *Justice, Opportunity and Shared Wealth for all South Australians*. SACOSS does not accept poverty, inequity or injustice. Our mission is to be a powerful and representative voice that leads and supports our community to take actions that achieve our vision, and to hold to account governments, business, and communities for actions that disadvantage vulnerable South Australians.

SACOSS' purpose is to influence public policy in a way that promotes fair and just access to the goods and services required to live a decent life. We undertake policy and advocacy work in areas that specifically affect disadvantaged and low-income consumers in South Australia. With a strong history of community advocacy, SACOSS and its members aim to improve the quality of life for people disadvantaged by the inequities in our society.

SACOSS has a long-standing interest in the delivery of essential services. Our research shows that the cost of basic necessities, like water and electricity, impacts greatly and disproportionately on people experiencing vulnerability and disadvantage.

SACOSS would like to thank the Australian Energy Market Commission (AEMC) for the opportunity to comment on the *Pricing Review: Draft Report*, (**the Draft Report**), dated December 2025.[1] SACOSS has provided two previous submissions to this Review in response to the initial Consultation Paper,[2] and the Discussion Paper.[3] SACOSS was also a member of the AEMC's Pricing Review Stakeholder Reference Group.

Throughout this process, SACOSS has consistently called for the AEMC to challenge assumptions underpinning electricity pricing frameworks and to address the increasing inequity in the distribution of electricity system costs. We are extremely pleased the AEMC's Draft Report has shifted from its focus on 'future products and services', and identified the need for reforms to 'target a more equitable allocation of shared costs'.[4]

The purpose of this submission is to support the AEMC in continuing with its network tariff reform agenda through the development of a separate network tariff reform workstream, where further research, data analysis, policy proposals and complementary measures to address inequitable cross subsidies can be explored. SACOSS considers it would be useful for the AEMC's network tariff reform workstream to be linked with the AEMC's Network Regulation Review, [5] but the Regulation Review should not supplant the need for tariff

[1] AEMC, *Pricing Review: Draft Report*, December 2025

[2] SACOSS, Submission to the AEMC on the Pricing Review Consultation Paper, December 2024.

[3] SACOSS, Submission to the AEMC on the Pricing Review Discussion Paper, July 2025

[4] Theme 3, AEMC, *Pricing Review: Draft Report*, December 2025, p. ii

[5] AEMC, Electricity Network Regulation Review

reform –reducing network costs and the fair recovery of those costs must both be addressed.

Summary of submissions

SACOSS repeats our previous overarching submissions to this Review:

- Equity as Core Objective – Energy pricing reform must prioritise fairness, affordability, and consumer risk minimisation, with explicit objectives for social equity and avoiding harm to consumers ill-equipped to understand or manage risks.
- Challenge to Assumptions – Current market design is based on a one-way flow of energy and relies on unrealistic expectations of consumer behaviour (e.g. responding to price signals, engaging in complex markets). Evidence shows low responsiveness, limited benefits from switching, and minimal system gains from cost-reflective tariffs.[6]
- DER & Transition Costs – Benefits of consumer energy resources (solar, batteries, EVs) are concentrated among home-owners / mortgagees.[7] The costs and risks of the transition should not be inequitably shifted onto low-income households and renters via retail/network tariffs. Governments, market bodies, and industry should manage these risks and costs at system level.
- Simplification & Transparency – Pricing structures must be simple, accessible, and comparable. Overly complex retail offers undermine trust and exclude vulnerable consumers.
- Evidence-Based Policy – More research is needed on the actual impacts of network tariff design (including increasing fixed charges and 'cost-reflective' pricing) on different consumer groups. Policy must be grounded in real-world household behaviour, not economic theory.
- Data gathering and impact analysis - should focus on South Australia as the jurisdiction with the highest ratio of rooftop PV generation to operational consumption of all NEM regions.
- Scope of Review – SACOSS urges the AEMC to include transmission and jurisdictional scheme cost recovery within the scope of the Review. It is vitally important that the AEMC examine the apportionment of the different network costs (transmission and distribution) serving small and large customers.
- Progress Reform Agenda - misleading analysis and messaging based on false a dichotomy between fully fixed or volumetric charging should not deter the AMEC

[6] AEMC, *Pricing Review: Discussion Paper*, June 2025

[7] Energy Consumers Australia, Understanding and measuring energy hardship in Australia, 28 July 2025, p. 14

from clearly communicating the inequity of current network cost recovery and pursuing tariff reform.

Network Tariff Reform

Given the rapidly changing energy system, and the slow pace of reform,[8] we strongly urge the AEMC to not be deterred from its ambition to achieve a fairer allocation of system costs through structural tariff reforms. Pricing reform is increasingly urgent; rising energy costs are crippling South Australian households and energy debt has risen to record levels in this state.[9]

SACOSS is concerned that the public debate around addressing the inequitable recovery of network costs has been framed as a binary choice between fully recovering network costs through fixed charges, or maintaining volumetric charging. This is a false dichotomy. SACOSS acknowledges the AEMC's draft recommendations do not propose full recovery of network costs via fixed charges, however some analysis and stakeholder messaging has focussed on this overly simplistic framing, which can be misleading and results in generating opposition to tariff reform instead of highlighting the important equity issues at stake.

The solutions to addressing the issue of inequitable cost transfers, energy price stability and predictability, as well as emissions reduction and electrification need to be further explored and underpinned by data driven policy. We understand the AEMC is analysing consumption data at a post-code level, however we strongly submit energy consumption and expenditure data must be collected at a household level and include:

- Household income after housing costs
- Housing tenure
- Household composition
- Household behaviours / energy using characteristics
- Household fuel types
- Household access to solar and batteries
- Household energy efficiency measures
- 12 months of household consumption data post the Federal Government's home battery Scheme.

[8] Implementation of reforms could take up to 10 years: AEMC, *Pricing Review: Draft Report*, December 2025, p.iii

[9] AER, Schedule 3 – Retail Performance Data Q1 2025-26 The average amount of energy debt for South Australian hardship households reached a record high of $3,002 in Q1 2025-6, increasing by $818 from 12 months ago - even with the Federal Government's energy bill relief package. This is the highest average hardship energy debt level in the Nation.

SACOSS acknowledges there is currently a lack of meaningful data on household energy use, with the last *Household Energy Consumption Survey* conducted by the ABS in 2012.[10] We also note DNSPs are no longer required to report on energy consumption. We are calling for the AEMC to support our request for the re-introduction of publicly reported granular network consumption data[11] and a national survey to provide a simultaneous collection of information from households about their disposable income, housing circumstances, household composition, energy consumption, energy expenditure, and energy using characteristics.

Importantly, misleading analysis and messaging based on false a dichotomy between fully fixed or volumetric charging should not deter the AMEC from clearly communicating the inequity of current network cost recovery and pursuing tariff reform. SACOSS acknowledges there will not be a perfect or fully equitable solution to the problem of network cost recovery, however, failing to acknowledge the current problem and investigate solutions coupled with targeted complementary measures will lead to an exacerbation of the energy affordability crisis, and will increase the growing energy divide between those who can access technologies (homeowners), [12] and those who cannot.

Network Costs in South Australia

Network costs currently represent around 42% of a household's electricity bill in South Australia.[13] The Australian Energy Regulator (AER) has allowed SA Power Networks to recover $5.2 billion from South Australian energy consumers over the 2025-30 period. ElectraNet was allowed to recover $2.2 billion over the 2023-28 period, and is currently undertaking early works for a new transmission line to the mid-north of the State known as Project NTx (potentially increasing future costs). Around 90% of ElectraNet's revenue is recovered through SAPN. The costs of the following jurisdictional schemes are also recovered through network tariffs:

- Premium solar PV feed-in-tariff scheme
- Small claims compensation scheme

[10] ABS, Household Energy Consumption, 2012, see also The Australia Institute, How low income households use electricity, January 2028

[11] SACOSS, Submission to the AER on SAPN's 2025-30 Revised Regulatory Proposal, January 2025, SACOSS, The South Australian context Submission to the AEMC on Consumption Benchmarks Rule Change, July 2023

[12] Energy Consumers Australia, Understanding and measuring energy hardship in Australia, 28 July 2025, p. 14

[13] Unfortunately the ACCC did not undertake a bill stack analysis using actual retail bills as part of its December 2025 Inquiry into the National Electricity Market Report. Previous analysis by the ACCC found the network percentage of the bill stack in SA was above 40%.

- The Firm Energy Reliability Mechanism (recovered through ElectraNet).[14]

These total revenue requirements and underlying costs over this period will not grow or shrink as a result of changes to tariff design,[15] the same amount will need to be recovered. Tariffs are the mechanism by which these costs are distributed / allocated (how you 'slice the pie'). Currently, the majority of network costs are recovered through volumetric charges, the more electricity you consumer from the network, the more you pay for system costs. Further, when overall grid consumption declines, network charges (on a unit basis) increase to recover the same amount of revenue. These calculations are set out in Annual Pricing Proposals prepared by the DNSPs.

Notably, modelling undertaken by Dragoman[16] (commissioned by Energy Consumers Australia) provides some telling analysis on '*Equity and Fairness in Network Pricing*'. The Report shows non-CER households in South Australia on a flat tariff pay over $1,500 in network costs (including jurisdictional schemes and transmission costs), whereas households with 10kv solar and 5kW battery pay less than half that amount (see left hand columns in Figure 1, below).

[14] SACOSS understands $44m will be recovered from SA energy consumers through SAPN's network tariffs to cover the costs of the Firm Energy Reliability Mechanism in 2026/27, with the future costs of the Scheme yet to be determined.

[15] Some argue that tariff design can send price signals to change behaviour that will impact the need for future network augmentation expenditure, providing enough 'system benefits' to outweigh the cost shift. This was examined in the AEMC's Discussion Paper where Network costs savings were found to only be 11% of total system benefits.

[16] Dragoman, Equity and Fairness in Network Pricing, 10 July 2025

Part 9: An alternative: fixed Basic Access Charge plus CER tariff

Endeavour's N95 tariff clusters outcomes because it has a relatively high fixed daily charge component of $1.43, some 3.3x higher than Ausgrid's 40c/day.

To illustrate how a fixed annual charge approach would work, we created a variation to the SAPN RSELE 'electrify' tariff. We removed all ToU import charges and increased the daily charge from $0.64 to $2.62. The two-way charges and credits for PV exports remain unchanged.

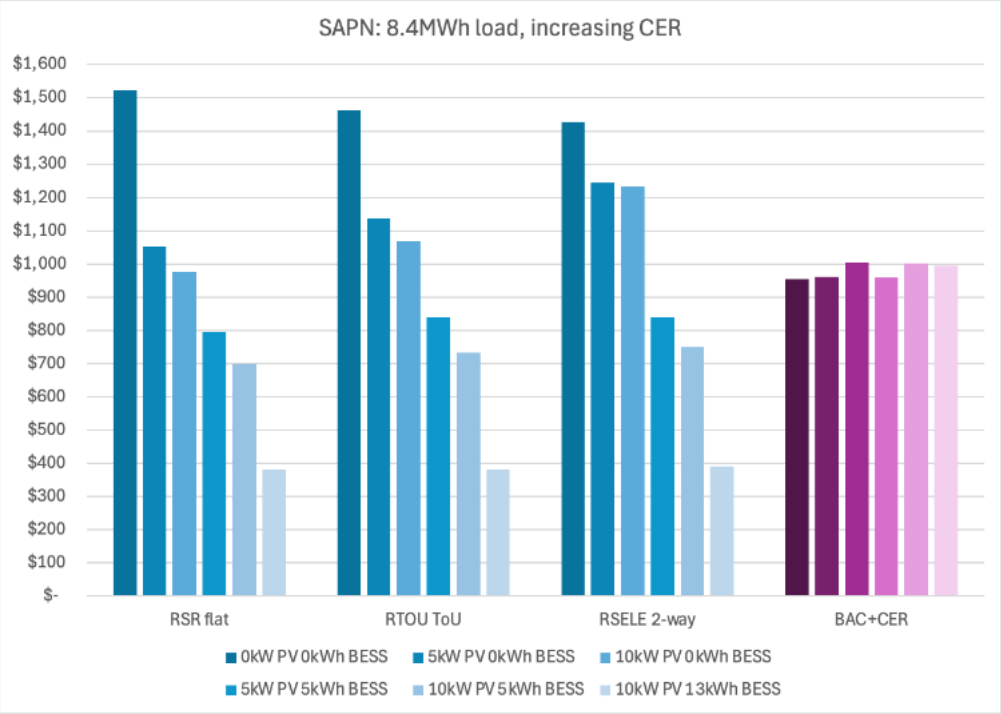

Figure 1: SAPN network cost recovery. Source: Dragoman, July 2025[17]

As outlined further below, this inequity in network cost recovery will worsen with the roll-out of the Federal Government's '*Cheaper Home Batteries Program*' (which is only available to home-owners with solar), and will be further exacerbated by the growth of Virtual Power Plants (VPPs) and increasing distribution and transmission costs.[18] The ACCC's July 2025 Report highlights the reduced grid usage (and bills) of households with solar and batteries participating in VPPs:[19]

> *Customers with combined solar and battery systems have lower bills than other customers, including those who only have solar. Combined solar and battery systems allow customers to reduce their electricity usage from the grid, both overall and during peak times. Customers who are also participating in virtual power plants have even lower bills, as they have even lower grid usage and also receive credits for virtual power plant participation.*

[17] Dragoman, Equity and Fairness in Network Pricing, 10 July 2025, pp. 82-83

[18] SAPN has increased its capital and operating expenditure by 20% for 2025-30, and ElectraNet is proposing to construct transmission lines in north of the State.

[19] ACCC, Inquiry into the National Electricity Market Report, July 2025, p. 46

To inform policy development and undertake necessary reforms, it is vital that market bodies, consumers, industry and governments understand and acknowledge how existing methods of energy cost recovery and the resultant cross subsidies are exacerbating the energy affordability crisis, and the growing energy divide.

The South Australian context

SACOSS is firmly of the view that with our rapidly changing energy system, the current method of recovering the majority of fixed network costs (distribution and transmission) as well as jurisdictional scheme costs via volumetric tariffs is inequitable and no longer fit for purpose in South Australia. Notably, higher volumetric charges also act as a disincentive to electrification for households looking to get off gas appliances, but who cannot access the benefits of solar or batteries.

As outlined above, the introduction of the Federal Government's home battery Scheme has and will increase the inequity in fixed network cost recovery, noting 13% of all battery installations under the Scheme have been in South Australia. Currently 79 installations are occurring each day, with SAPN indicating 15,877 new residential batteries have been installed since the start of the Scheme in July 2025. This has increased storage capacity by 360MWh, and has reduced grid consumption levels (likely increasing c/kWh network charges for 2026/27). As at 30 June 2025, South Australia had an estimated 435 MW of embedded battery systems (from over 66,000 units), which represented a 22% share of the NEM's CER battery capacity. Installed capacity has now nearly doubled from AEMO's forecasts for 2025-26 in the South Australian Electricity Report, from 435MWh in mid-2025 to 760MWh in Feb 2026: [20]

Figure 8 Behind-the-meter battery capacity forecasts for South Australia, 2024-25 to 2034-35

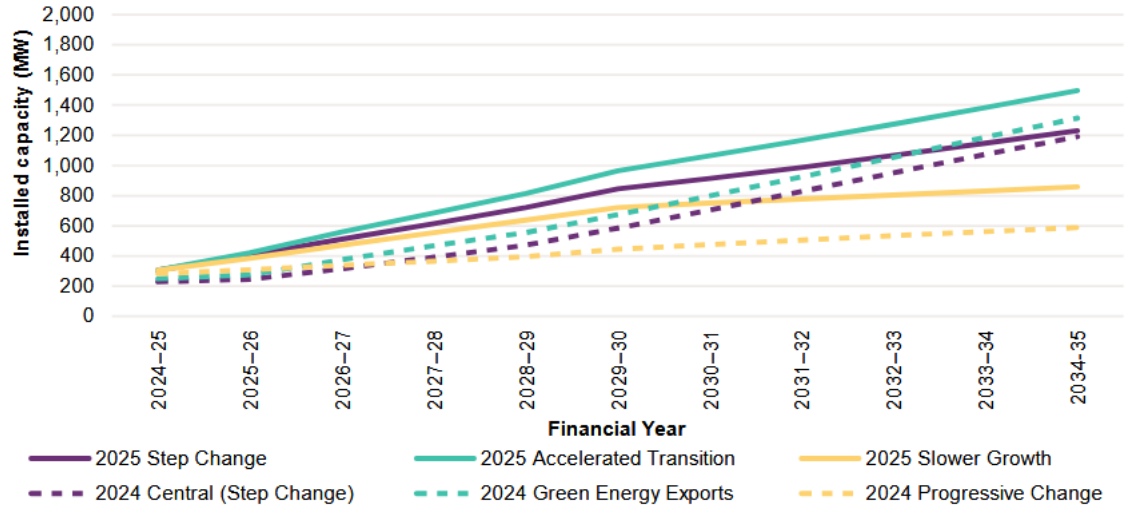

Figure 2: Behind the meter battery forecasts for SA. source: AEMO, 2025

[20] AEMO, South Australian Electricity Report, November 2025, p.18

Relevantly, AEMO states that: [21]

> *'Behind-the-meter residential and commercial battery systems have the potential to materially impact the future demand profile in South Australia, particularly maximum and minimum operational demand', and*
>
> *'Over the next 10 years, South Australia is projected to have the highest ratio of rooftop PV generation to operational consumption of all NEM regions (28%).'*

The impact of PV and batteries in South Australia is demonstrated in the following graph which shows declining delivered (through transmission) residential electricity consumption, with the majority of electricity supplied by PV: [22]

Figure 11 Breakdown of residential sector electricity forecasts for South Australia, *Step Change* scenario, 2025-26 to 2034-35 (GWh)

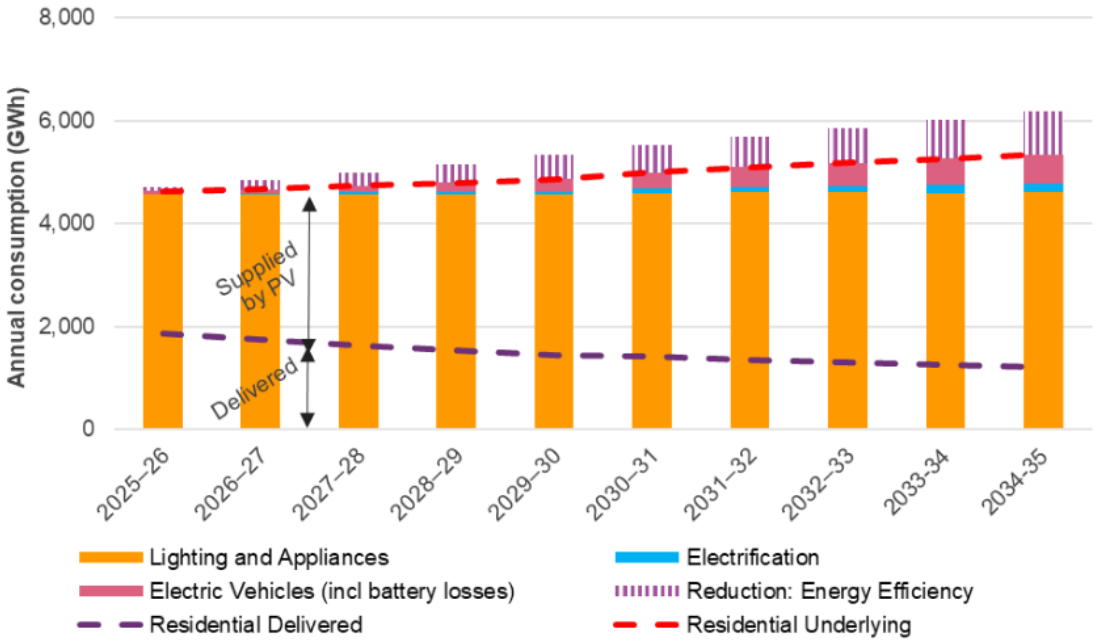

Figure 3: Residential electricity forecasts for SA. Source: AEMO, 2025

Broadly, residential energy consumption remains relatively flat, even with electrification. SACOSS considers it is vitally important that the AEMC examine the apportionment of the different network costs of serving small and large customers. The majority of transmission costs driven by increasing industrial demand should **not** be predominantly recovered from residential consumers where residential consumption of delivered electricity (through transmission) is declining (see Figure 3, above).

[21] AEMO, South Australian Electricity Report, November 2025

[22] AEMO, South Australian Electricity Report, November 2025

South Australia and California are facing similar solar penetration and energy affordability challenges, and SACOSS is seeking the AEMC look to the work undertaken by UCLA School of Law and Berkeley Haas Institute,[23] as part of this Review and the future work program.

As referenced in previous submissions, SACOSS refers the AEMC to the Californian example of income graduated fixed charges, introduced into law in 2022 (and implemented in 2026). The law required that any new fixed charges meet three criteria: [24]

- *Reasonably reflect* ***an appropriate portion of the different costs of serving small and large customers***
- *Not unreasonably impair incentives for conservation, energy efficiency, and beneficial electrification and greenhouse gas emissions reduction*
- *Be set at levels that do* ***not overburden low-income custo****mers.*

As was the case in California, there has been significant opposition to the AEMC's proposal to examine increases in fixed charges, pointing to higher income households having higher average electricity use than lower income households. As outlined above, SACOSS is concerned this overly simplistic analysis fails to acknowledge the existence or extent of the current regressive cross subsidy resulting from volumetric charging for fixed costs, and the various complexities of the debate.

Importantly, an evaluation of how regressive the network cross subsidy is depends on the make-up of the group *from whom* the costs are shifted, and the make-up of the group *to whom* the costs are shifted; the question is not the proportion of high income/wealth households that have solar / battery, but rather what proportion of solar / battery households are high wealth (higher income / own their own home) as compared to the wealth of non-solar / battery households (lower / average income or renters). From SACOSS' perspective, the question is: are solar / battery households disproportionately wealthy relative to the rest of South Australia's energy consumers?

Also, when looking at the impact of increasing fixed charges, an examination of income alone is also too simplistic, we can't simply assume that income and wealth go hand-in-hand. The last ABS data, shows that just under a third (32%) of low-income households also had low wealth, but 23% had moderate wealth (probably owning their own home), while 11% of low-income households had high wealth.

A concrete example of this wealth-income divergence emerges from the government's data on age pensioners. The data for the September Quarter 2025 shows that 72% of pensioners own their own home, and around two-thirds of those homeowner pensioners have more than $100,000 in financial assets beyond their home. These pensioners have low-moderate incomes (otherwise they would not be eligible for the pension), but substantial enough

[23] Berkley HAAS Institute, Designing Electricity rates for an equitable transition, February 2021

[24] UCLA School of Law, Highly Charged: An explainer on California's Income-Graduated Fixed Charge Debate, April 2024, p. 18-19

capital to be protected against poverty and to have a better standard of living than many renters on higher incomes.

In short, low income does not necessarily mean low wealth or low purchasing power, and an income spectrum based solely on income figures misleads as to who is likely to be struggling. It is clear that a distributional analysis of energy costs based on a simple income spectrum would be misleading in terms of both ability to pay (income) and access to energy-saving technology (cost).[25]

As outlined above, any analysis of cost impacts of increasing fixed charges undertaken by the AEMC must consider income after housing costs at a minimum. This analysis would be necessary to ensure the complementary measures to assist low income / low wealth households facing increased costs, are properly targeted.

Household composition must also be part of the analysis to ensure complementary measures including concessions are applied more broadly than the current eligibility criteria. SACOSS' Report on low-income workers and energy stress[26] found key a demographic difference in the overrepresentation of 'family formation' households (couples with children and single parents) among waged poor and low-wage households. These households are not eligible for energy concessions or rebates in South Australia.

Also, South Australia currently has a fixed concession scheme, as opposed to a percentage-based concession (as is the case in Victoria). In South Australia, eligible households receive a fixed amount of up to $281.78 per year in 2025/26. In 2021 SACOSS (and Alviss Consulting) analysed the the value of the concession between different households, showing that in jurisdictions with fixed concessions schemes, concession card holders with solar are on average getting an effective discount of between 30% and 100% off their annual bills.[27]

[25] https://gregogle.online/affordability-and-income/

[26] SACOSS, Working to make ends meet: Low income workers and energy bill stress, 2019

[27] Alviss Consulting, SACOSS, Assessing impacts of changes to Australian Energy Concessions: Final Report, May 2022, p17

CHART 1 | The relative value of the **current concession** (excl GST) for **pensioners, Health Care Card holders, other card holders and concession recipients with solar** based on average market offer as of October 2020, single rate, inclusive of guaranteed and pay on time discounts11

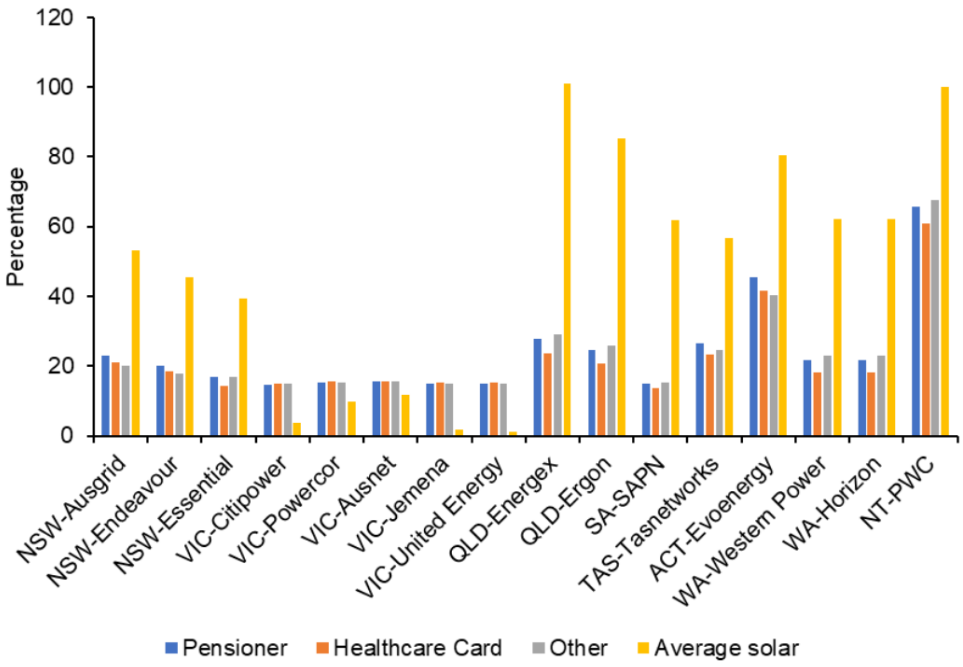

Figure 1: Relative value of concessions. Source: Alviss, SACOSS 2021

In terms of complementary measures to address an increase in the fixed charge component of bills, SACOSS considers a fixed concession attached to a fixed charge would be a more equitable support than a fixed concession that doesn't account for unavoidable grid consumption.

Conclusion

SACOSS does not consider the Final Report needs to provide solutions to the challenging question of equitable tariff design. Rather, we are calling for the Final Report to clearly and unequivocally explain the existing cost shift, to commit to establishing the principles of equitable tariff design and to identify the further work required to collect and analyse household data to support policy development.

Thank you for the opportunity to provide feedback in relation to the Draft Report. We welcome further discussion on these issues and look forward to contributing to the development of a more equitable and affordable energy market.

If you have any questions in relation to this submission or require any further information or clarification, please do not hesitate to contact Georgina Morris on 8305 4214 Georgina@sacoss.org.au.