

Submission to the AMEC from WATTeVer

on

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

About David Hiley & WATTeVer

David Hiley is the Founder and Director of WATTeVer, an energy price comparison and analytics service supporting households, businesses, and energy retailers to make better decisions.

WATTeVer's comprehensive database and analytics platform includes all publicly-listed retailer residential and small business electricity and gas plans across contestable Australian networks since 2017. WATTeVer works with 16 leading energy retailers, embedded networks and other market participants, and has deep expertise across grid, solar, battery and EV retail energy offers.

Executive Summary

This submission raises views and concerns that the proposed retail electricity market reforms are not supported by sufficient analysis, lack clearly defined success criteria, and do not include a robust framework to measure whether they achieve their stated objectives once implemented. Without these elements, the proposed changes are at risk of becoming a reactive, piecemeal regulatory response rather than part of a coherent strategy to improve long-term market performance.

Lack of Evidence-Based Diagnosis

Across many of the reform themes, the proposals appear to assume the existence, scale, and causes of problems—such as loyalty penalties, inequitable cost allocation, and poor consumer outcomes—without presenting clear, quantitative evidence.

For example, reforms aimed at eliminating the “loyalty tax” or redistributing network costs are proposed without establishing measurable baselines or clearly demonstrating that existing market structures are failing overall. In competitive markets, price dispersion and innovation—including introductory credits, differentiated plans, and targeted offers—are expected features. Intervening without clearly distinguishing between healthy competitive behaviour and genuine market failure risks undermining competition itself.

Similarly, proposals to shift network cost recovery toward fixed charges are framed as equity measures, yet there is no accompanying analysis demonstrating where inequity currently exists, how large it is, or how the proposed changes would improve outcomes without compromising efficiency.

Absence of a Measurement and Monitoring Framework

The most significant gap in the review is the absence of a formal, ongoing measurement system to assess market health and evaluate whether regulatory interventions deliver improved outcomes.

Currently, there is no clearly defined framework that measures:

- Cost efficiency: Are consumers paying prices aligned with efficient supply and network costs?
- Equity: Are costs being shared fairly across the full range of consumer cohorts?
- Competition: Are retailers actively competing through price and innovation?
- Consumer outcomes: Are consumers accessing plans aligned with their needs and preferences?
- Market innovation: Are new technologies and plan types emerging and benefiting consumers?

Without such a framework, it is impossible to determine objectively whether proposed rule changes improve or meaningfully impact the market.

Risk of Reactive, Piecemeal Regulation

In the absence of defined metrics and ongoing monitoring, regulatory changes risk becoming a “whack-a-mole” approach—targeting perceived issues in isolation rather than addressing the overall health and functioning of the market.

This approach creates several risks:

- **Unintended consequences:** Interventions may suppress beneficial competition or innovation
- **Regulatory overreach:** Solutions may address symptoms rather than root causes
- **Policy drift:** Future reforms may be introduced without understanding whether previous changes succeeded or failed
- **Reduced accountability:** There is no objective way to assess whether regulatory actions achieved their intended outcomes

For example, interventions targeting plan pricing structures may be easily circumvented without addressing underlying competitive dynamics, while changes to tariff structures may unintentionally weaken cost-reflective pricing and reduce system efficiency.

Need for a Comprehensive Market Performance Framework

Before implementing further structural reforms, a comprehensive and transparent measurement framework should be established to:

1. Define clear objectives for the retail electricity market
2. Identify quantifiable metrics aligned with those objectives
3. Establish baseline measurements prior to rule changes
4. Monitor these metrics over time following implementation
5. Evaluate whether reforms deliver measurable improvements

Such a framework should assess the market holistically across multiple dimensions, including efficiency, equity, competition, transparency, and consumer outcomes.

Conclusion

The proposed reforms risk introducing significant regulatory change without sufficient analytical foundation or mechanisms to assess success. Rather than continuing with isolated rule changes, priority should be given to establishing a comprehensive, ongoing market measurement and monitoring framework.

Only with clearly defined objectives, baseline data, and performance metrics can policymakers ensure that regulatory interventions will meaningfully improve outcomes for consumers, while preserving the benefits of a competitive market.

Response to Themes

Theme 1: Harness competition to improve outcomes for all consumers

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.

Response:

If the objective is to eliminate price discrimination between customers on the same tariff, this measure is unlikely to succeed.

Retailers can easily create multiple plan names to circumvent rules applying to identical tariff codes. They can also use conditional credits, sign-up incentives, or time-limited benefits to deliver lower effective prices to new customers while existing customers remain on higher effective rates.

If the intention is to prevent disengaged customers from overpaying, a more effective solution, and perhaps the most obvious, would be a market-wide price cap based on the Default Market Offer (DMO) or Victorian Default Offer (VDO), applied to all customers regardless of offer type.

However, such a mechanism must include ongoing monitoring of both published and existing customer rates against agreed usage profiles. For time-of-use tariffs, this would require explicit caps on usage rates and supply charges, similar to the current VDO structure.

Without clear monitoring of retailer offers, compliance and effectiveness cannot be assured.

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

Response:

We are not aware of any competitive Australian market where disengaged customers are automatically shopped between providers. Similar markets such as telecommunications, insurance, and banking, do not operate this way.

Retailers could easily comply in form but not in substance, by transferring customers to nominal “market offers” with identical pricing.

This approach also presents significant consumer risks. Disengaged customers would be automatically switched without assurance of better outcomes. To avoid legitimate consumer complaints, any replacement plan would need to be cheaper across all components — usage rates, supply charges, fees and feed-in tariffs — which is highly complex except for the simplest single rate tariffs.

There is also a risk that auction outcomes favour lowest-cost servicing models, such as digital-only support, which may not meet the needs of vulnerable or disengaged consumers.

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

Response:

There is currently no formal, comprehensive framework to measure consumer outcomes in the Australian retail energy market.

Establishing such a framework is essential.

Current policy discussions focus heavily on poor outcomes for disengaged or vulnerable consumers, but the market must be assessed across all segments. Many consumers already access highly competitive and innovative offers, including loss-leading plans.

Without clearly defining:

- What constitutes a “good consumer outcome”
- Which consumers are being assessed
- And how outcomes are measured

it is impossible to determine whether regulatory changes are achieving their objectives.

WATTeVer’s Pricing Analytics platform already tracks:

- Market competitiveness
- Offer availability and coverage
- Pricing trends and accuracy
- Innovation and feature development

We also run surveys to collect consumer sentiment and preference data, particularly relating to solar, EV, and battery offers.

A robust measurement framework should combine market offer data and consumer outcome data to enable objective assessment of regulatory effectiveness. We would welcome a conversation with the Australian Energy Market Commission to support development of such a framework along with ongoing real-time market monitoring tools.

Theme 2: Make it easier for consumers to compare offers that suit them

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

Response:

WATTeVer has provided advanced comparison functionality for over five years, including dedicated tools for:

- Battery and VPP plans
- EV-specific offers
- Solar and solar sponge plans
- Free energy period plans

These features allow comparison aligned with each consumer's energy assets and usage profile.

Implementing similar capabilities within Energy Made Easy and Victorian Energy Compare would assist consumer decision-making.

Theme 3: Reward efficient behaviour and ensure equitable cost allocation

5. Amend the rules to focus network tariff design on efficiency, supporting a lowest-cost grid and a fairer sharing of costs among consumers.

Response:

It is unclear what evidence supports proposals to shift network cost recovery toward higher fixed charges.

Increasing fixed charges reduces cost-reflectivity by weakening the link between network usage and network cost recovery. How would it be equitable for a low user of a network service to pay the same rate as a high user of a network service? This undermines efficient price signals and removes incentives for consumers to reduce peak demand or adopt technologies that lower system costs.

Equity concerns must be clearly defined and quantified before structural tariff changes are made.

There are many possible definitions of equity, including:

- Usage-based equity
- Income-based equity
- Geographic equity
- DER ownership equity

Without defined metrics, reforms risk solving undefined or overstated problems.

The cost-reflectivity built into the Power of Choice isn't a failure because the objective is wrong. Rather, challenges have arisen from poor tariff design, inappropriate tariff assignment, and insufficient consumer understanding. It's a case in point about the need for active monitoring and management of policy to ensure success.

Demand tariffs — often the most complex tariff type — are frequently assigned as default tariffs, despite most consumers lacking the capacity to respond effectively.

Our view is that:

- Less than 10% of consumers actively respond to complex price signals
- A further 20-30% will respond to simpler time-of-use tariffs

Tariff design and assignment should reflect these behavioural realities, rather than abandoning cost-reflective principles. We would also encourage consideration that consumers be provided with greater flexibility to enable choice of tariff.



Most importantly, any reforms must include clear metrics and monitoring to assess both efficiency and equity impacts over time.

6. Require networks to design tariffs for retailers rather than customers

Response:

It is unclear how tariffs designed for retailers rather than customers would operate in practice.

If cost-reflectivity is preserved at a portfolio level, there may be merit. However, there is a significant risk that retailer aggregation weakens underlying price signals.

We already observe examples where retailers offer flat tariffs to customers despite facing flexible network tariffs, removing efficient price signals. And 2-way tariffs have been largely obscured as the tariff design is not sufficient enough for retailer to need to provide a price signal.

This proposal also appears inconsistent with the objective of improving consumer outcomes. It assumes retailers will optimise outcomes despite being constrained by network tariff structures. WATTevery consistently monitor retailers proviso of tariff to customers and see that smaller retailers pricing matches the underlying network tariff structures to manage financial exposure. Smaller retailers, in particular, have limited capacity to absorb network tariff risk.

Removing transparency and alignment between network tariffs and consumer pricing risks reducing competition and weakening efficient market signals.

Closing Summary

Across all proposed reforms, the central concern is the absence of:

- Clear problem definition
- Quantitative supporting analysis
- Defined success metrics
- Ongoing monitoring frameworks

Without these, reforms risk becoming reactive interventions that undermine competition and efficiency without delivering measurable consumer benefit.

Before implementing structural market changes, priority should be given to establishing a comprehensive, ongoing market measurement framework to objectively assess competition, efficiency, equity, and consumer outcomes.
