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

Public forum

23 April 2026

Australian Energy Market Commission

The AEMC acknowledges and shows respect for the Traditional Custodians of the many different lands across Australia on which we live and work. The AEMC office is located on the land of the Gadigal people of the Eora Nation. We pay respect to all Elders past and present, and the enduring connection of Aboriginal and Torres Strait Islander peoples to Country.

ACKNOWLEDGEMENT OF COUNTRY

Welcome

Context – Our vision for the future energy services market

"A dynamic energy services market that delivers value, meets the preferences of different consumers, and offers choice of energy service provider, while ensuring lowest overall costs and building trust through targeted protections."

Agenda

Item	Time	Lead
Welcome	3:00 - 3:05	Chair, AEMC
Housekeeping	3:05 - 3:10	Executive General Manager, AEMC
Forum context	3:10 - 3:15	Project Lead, AEMC
Discussion of distributional impact modelling results	3:15 - 3:45	Economics Director, AEMC
Q&A	3:45 - 4:15	Executive General Manager, AEMC
Discussion of consumer protections to support network tariff reform	4:15 - 4:35	Partner, HoustonKemp Economists
Q&A	4:35 - 4:55	Executive General Manager, AEMC
Close	4:55 - 5:00	Chair, AEMC

Context

Background and context

We initiated a review to look at electricity pricing

In the context of this review, electricity pricing refers to network and retail tariffs, how these interact, and how they can operate together to facilitate the design and offering of electricity products and services for consumers.

- ***November 2024*** – we published a final ToR and consultation paper
- ***June 2025 –*** Published discussion paper
- ***December 2025 –*** Published draft report

The Review is a key part of the AEMC CER work program and broader CER roadmap

The Review has three key focus areas

1. **Market arrangements** that provide for consumer choice between a range of appropriate products, services, and associated pricing structures that suit their preferences
2. **The role of distribution networks** in enabling the right products, services, and incentives for consumers, and the efficient cost and pricing outcomes that result
3. **The role of retailers and energy service** providers in effectively packaging and pricing electricity products and services to match consumer preferences

The Review will not make recommendations on the wholesale energy market or transmission pricing – although we may consider linkages where appropriate

The pricing review intersects with several active streams of retail reform

Consumer protections

DCCEEW BECE review: Consumer protection in the NERL and NERR

AER Payment difficulty review: considering payment difficulty protections in the NERL/NERR

AER Retail guidelines review: update guidelines relating to the consumer – service provider interface e.g. customer hardship, retail pricing information

AEMC Consumer package rule changes: consumer protections and retail contracts.
AEMC Accelerating smart meters deployment rule change.

Jurisdictions implementation of flat tariff requirements for smart meter customers

Victoria **CER consumer protections review**

Information and retail contracts

AEMC's The pricing review: potential reforms to the pricing framework for network and retail tariffs

DCCEEW CER taskforce: CER communications, markets and data sharing

ESC Reviewing the Energy Retail Code of Practice

Price regulation and market efficiency

DCCEEW DMO review: calculation of the DMO and retail tariff structures

AER retail performance monitoring

ACCC Inquiry into the NEM: consumer outcomes and the health of competition

DCEEW Review into the effectiveness of the Prohibiting Energy Market Misconduct (PEMM): recommends the AER adopt the ACCC's role.

Retail-network interactions

DCCEEW National CER roadmap: Redefine roles for market and power system operations

Energy Charter **#BetterTogether Customer-led tariffs**

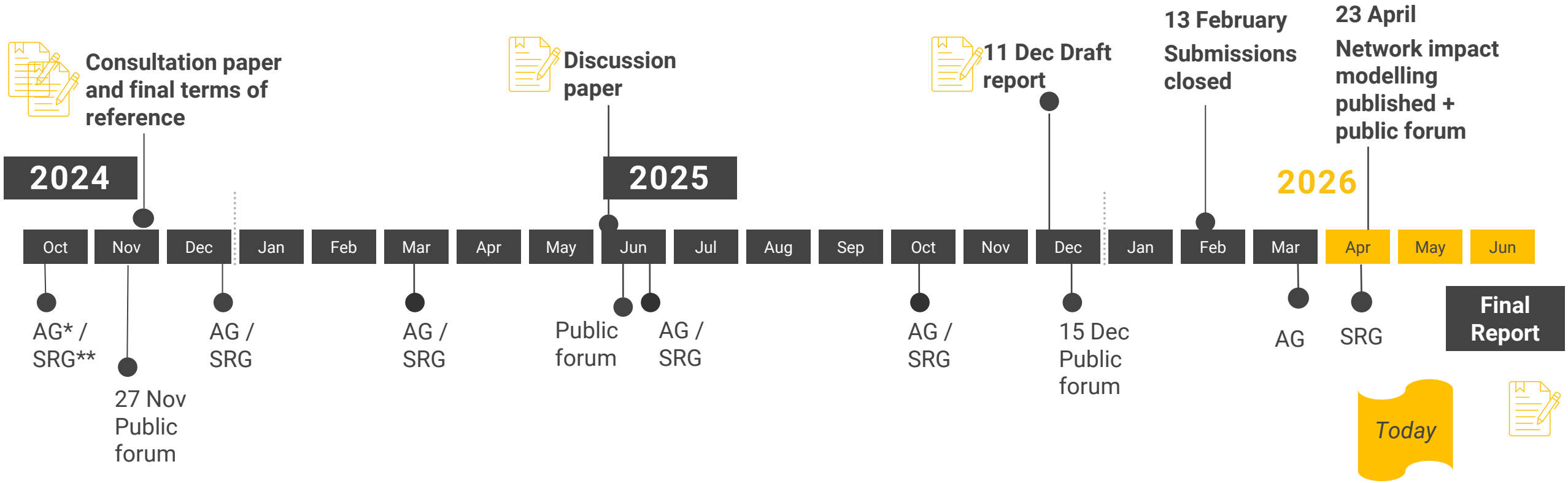
Retail-wholesale market interactions

NEM Expert Panel
NEM wholesale market settings review

Key: Responsible organisation

- **Jurisdiction**
- **AER**
- **AEMC**
- **ACCC**
- **Other**

The journey to where we are now



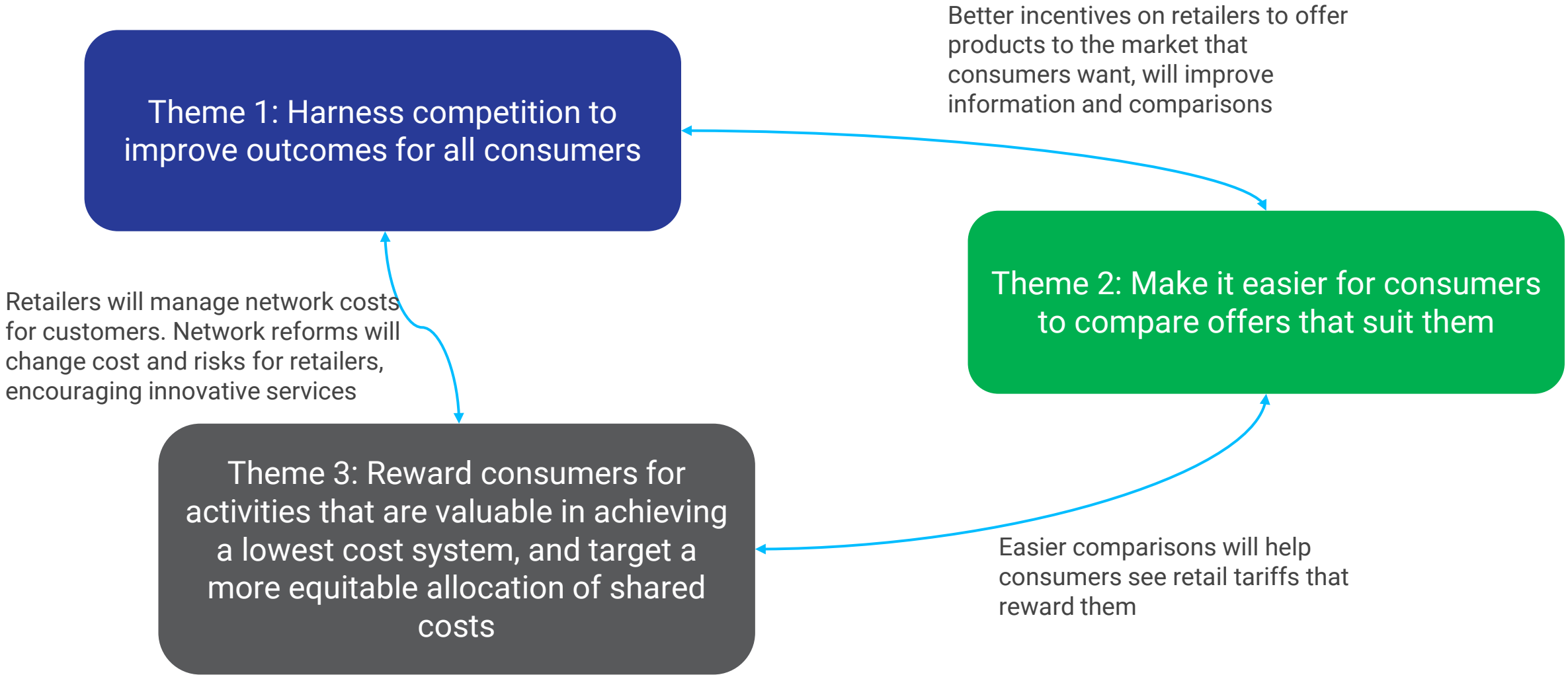
* AG = Advisory Group ** SRG = Stakeholder Reference Group

Our draft report proposed six reforms to achieve better consumer outcomes

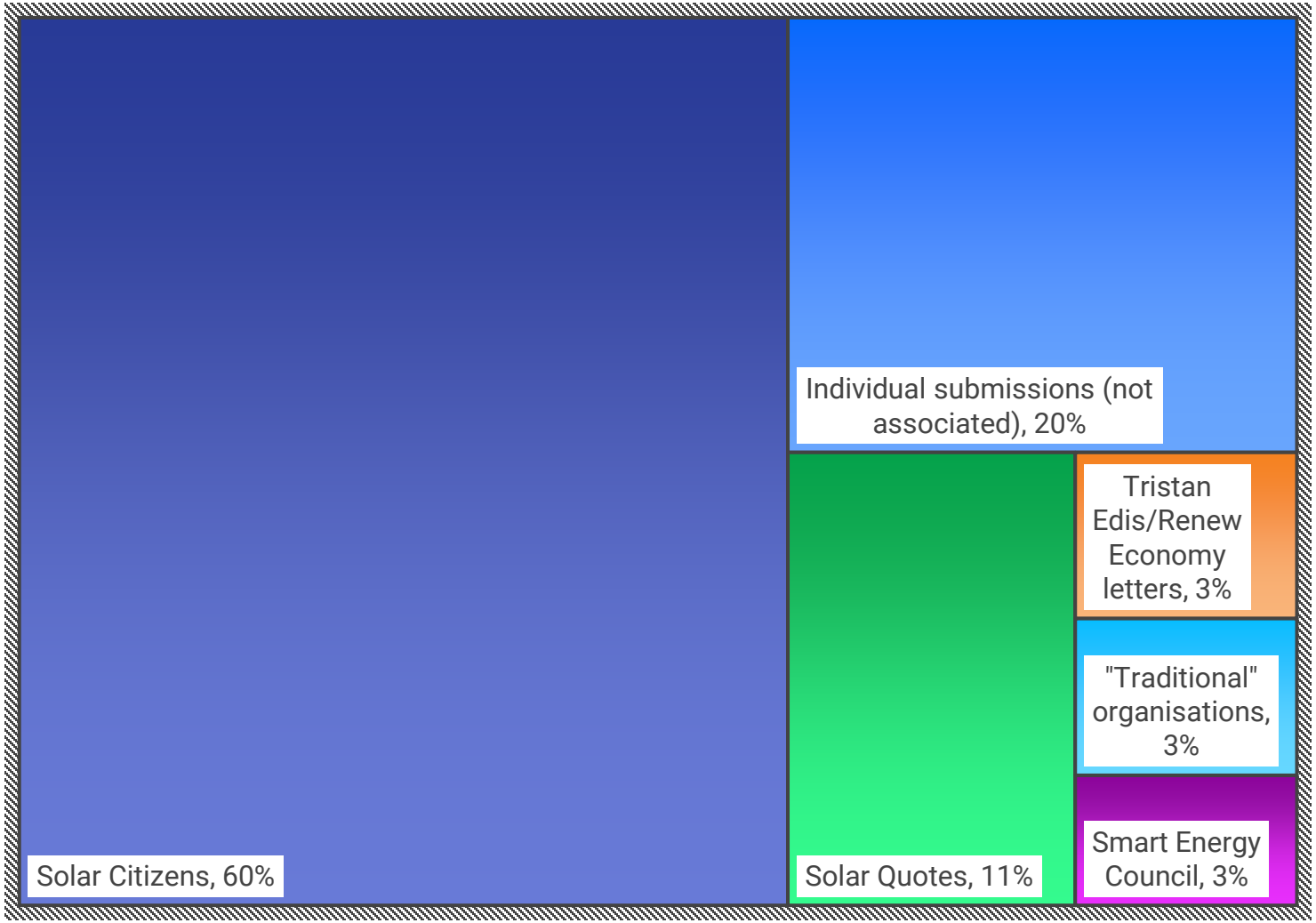
Draft recommendations:

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**
	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
	3. Periodically review whether regulations are supporting good consumer outcomes in an evolving market
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**
Theme 3: Reward consumers for activities that are valuable in achieving a lowest-cost system, and target a more equitable allocation of shared costs	**5. Amend the rules to focus network tariff design on efficiency, supporting a lowest-cost grid and a fairer sharing of costs among consumers**
	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
Transitional reforms	**Consider transitional measures to manage the impact on consumers of these changes**

The six reforms work together to improve consumer outcomes and reduce overall costs



Engagement in response to the Draft Report was strong



What prompted engagement:

- Wide range of issues being discussed
- Extensive debate and commentary online
- Solar Citizens, Solar Quotes, Smart Energy Council, Tristan Edis provided templated wording

Unusually high number of traditional organisation submissions (83)

Strong representation from groups that don't normally engage:

- Individual consumers
- CER providers and service innovators
- Consumer and community groups
- Consultants and academics

**The percentages are estimated based on triage assessment of the content*

The two reports today support discussion of the draft recommendations

Background to the two reports

- While the six draft recommendations were designed to work together, we recognised:
  - Transitioning to higher fixed charges may create winners and losers, as some customers end up paying less than they used to, while others may pay more.
  - It is essential to ensure that the impacts of any tariff changes are manageable for all consumers
  - We outlined several options for transitional measures to manage the impacts on end consumers of a move to more efficient tariffs from networks
  - We invited stakeholder views on this
- We said we would undertake more detailed customer impact analysis to understand how transitioning to recovering more of network tariffs through a fixed charge could be achieved equitably

The reports

Smarter, cleaner, cheaper energy: What network tariff reform means for consumers. Pricing review distributional impact analysis

The modelling analysis is intended to help us and the broader sector understand more about the potential scale and distribution of bill impacts that could occur for customers if the reforms were to be implemented without arrangements designed to smooth the transition.

The modelling:

- analyses the potential benefits and impacts of our proposed reforms to network pricing, over 15 years
- considers the potential impacts for different customer types
- considers network, electricity and energy bill impacts

Consumer protections to support network tariff reform

HoustonKemp has provided an assessment of options that could be considered to provide protections against potential bill impacts.

This will not say which particular option or options we may preference – rather it demonstrates that there are viable options available and work would need to be done to firm them up and determine which may be most appropriate – noting it could be a combination.

Australian Energy Market Commission

AEMC

Smarter, cleaner, cheaper energy: What network tariff reform means for consumers

Pricing review distributional impact analysis

23 April 2026

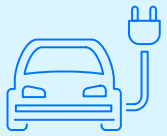
Modelling scope and key inputs

SCOPE

Analyse the benefits of reform through a scenario-based approach

Project network bills against a 'no reform' case

Calculate distributional impacts with over 400 million observations from 10 DNSPs



Calculate electricity and energy costs for key customer types

KEY INPUTS

- Build three illustrative 'reform' cases with 10-year transitions from current network tariff price structures towards fixed charges, starting in FY30, modelling three network price structures:
  - 50/50 split of fixed to variable network charges
  - 80/20 split of fixed to variable network charges
  - Fully fixed network charges

WHAT WE DIDN'T MODEL

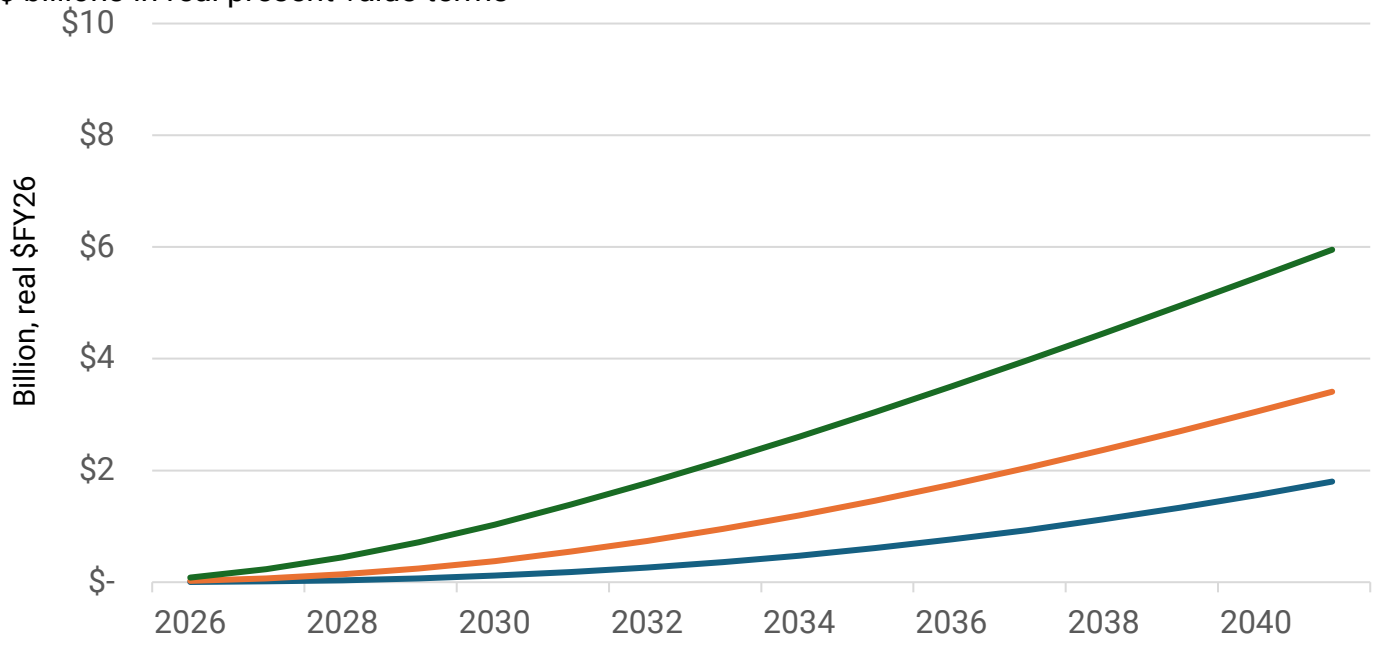
- **Changes in consumer and retailer behaviour in response to reforms**
- **Broader benefits of reform** e.g.
  - reducing emissions
  - supporting energy security
  - increasing bill certainty
- **Potential protections** to manage bill impacts.

The advice from HoustonKemp being discussed later today presents viable options to protect from potential adverse consumer bill impacts.

Reforms could reduce network cost savings by up to $6 billion over the next 15 years

Network cost savings from dynamic network pricing strategies

$ billions in real present value terms



We projected network cost saving benefits under three separate approaches.

**Energeia, Benefit Analysis of Load-Flexibility from Consumer Energy Resources, Final Report, 26 March 2025, p 34.*

Reforms to network pricing would reduce the need for network investment by avoiding costly network augmentation by lowering peak demand.

We estimated the benefits using three approaches, which are shown on the chart. The modelling suggests that over the next 15 years, the cumulative cost savings for customers would be between $2-6 billion dollars, in present value terms.

This corresponds to an annual bill reduction of between $40-80 per customer, by 2040.

More broadly, Energeia's recent study on the benefits of CER found that a single 10 kWh battery in NSW could save the electricity system over $800 in wholesale, network, and ancillary service costs in a year.* This benefit could be spread among all consumers, with battery owners likely to benefit more through rewards for their contributions to lowering costs.

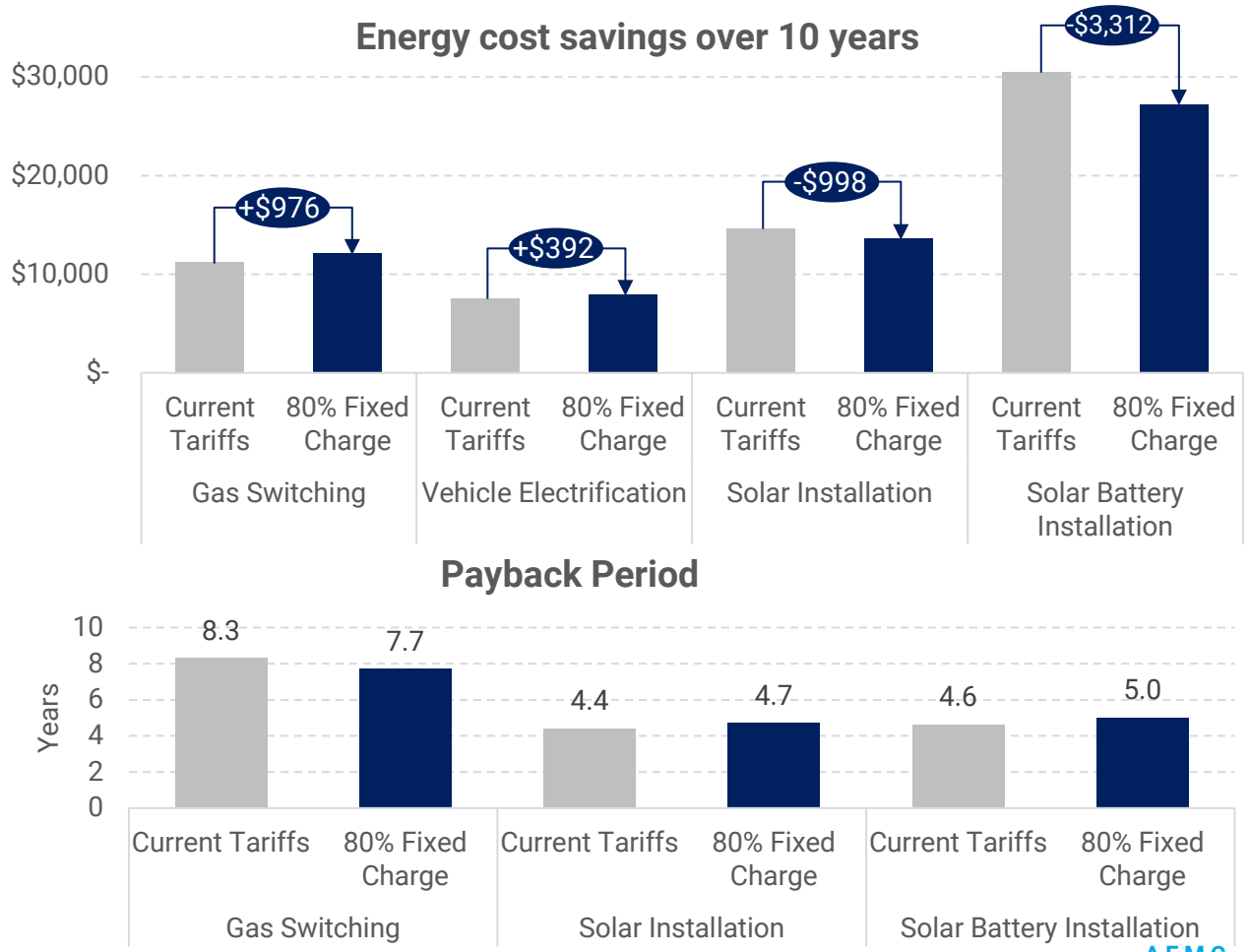
Previous analysis, which also included wholesale market and other benefits, found that the total benefits of CER flexibility could be about $30 billion over this period.

The benefits for customers to invest in solar and batteries would remain significant

And the benefits of electrifying vehicles and appliances would increase

Energy cost savings and electrification payback periods over 10 years excluding impact of dynamic pricing

FY26 $AU; 5% discount rate; NEM average; 3-person dwelling with a 3-star energy rating; Solar and battery installation occurs after appliance and vehicle electrification; Actions taken on 1/7/2030



A transition towards higher fixed network charges would negligibly impact decisions to electrify and install solar and battery systems.

We modelled what would happen to the paybacks for different electrification actions made at the start of such a transition. The top panel to the left shows that, for an average household across NEM capital cities, the cumulative energy savings under a 10-year transition towards 80% fixed network charges would maintain large energy cost savings for electrification.

Indeed, reforms would support energy security by increasing the benefits of gas and vehicle switching.

The bottom panel to the left shows that the payback period under this reform would not be materially impacted by introducing reforms gradually – even before considering grandfathering arrangements.

The payback periods, and benefits modelled, in this chart exclude the potential additional revenues that owners of CER could enjoy in responding to dynamic price signals.

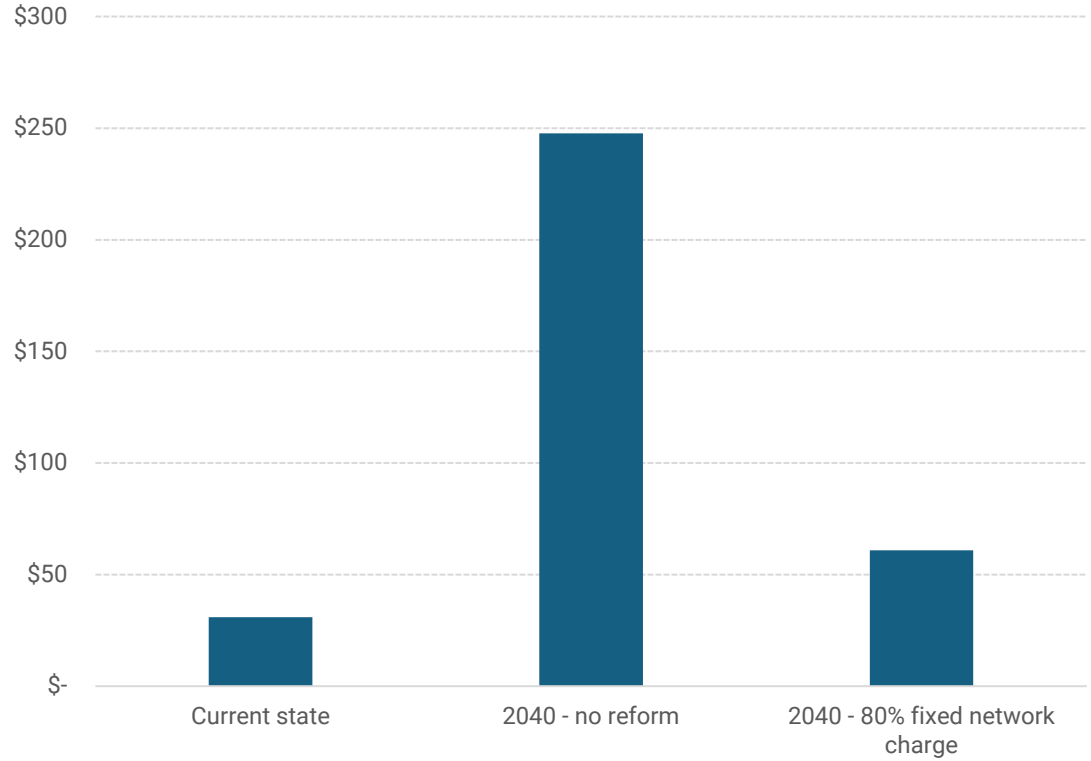
After all benefits are accounted for, we consider that for many households the investment case for all forms of electrification could be enhanced with reforms to network pricing.

For more information about how we modelled these benefits and paybacks, please refer to our Price Trends Methodology report.

Beyond achieving cost savings, our proposed reforms would also promote equity

Average additional network costs for non-CER households

Mean increase in annual network bill for non-CER households over time compared to efficient network tariffs, real $FY26 dollars*



*Note: this chart compares the annual bill impacts under an instant move to efficient network tariffs, compared to current tariff structures

Most network costs are for sunk investments. Under current 'volumetric' network tariffs, customers pay for these investments based on how much electricity they consume.

This means that customers with batteries can reduce their electricity consumption and therefore their network charges, even when these actions do not reduce current or future network costs (e.g. because they are mainly reducing imports in 'off-peak' periods), and despite maintaining the same level of access to the grid.

Looking forwards, this means that customers who cannot install CER (renters, those in apartments or on low incomes) may bear an increasing share of network costs, because:

1. Networks would need to recover a higher share of these 'sunk costs' from these customers through higher volumetric charges.
2. Those with CER would have the capacity to avoid these charges
3. Customers with CER would not be fully rewarded for sharing their excess energy with other customers or in ways that could reduce network costs, leading to potential network overinvestment.

Our analysis suggests that network bills for an average non-CER household could be $250 per year higher in 15 years' time, if networks' current pricing structures are maintained. We consider this to be an inequitable outcome. All customers, including those with CER, rely on access to the network, notwithstanding differences in individual levels of import and export.

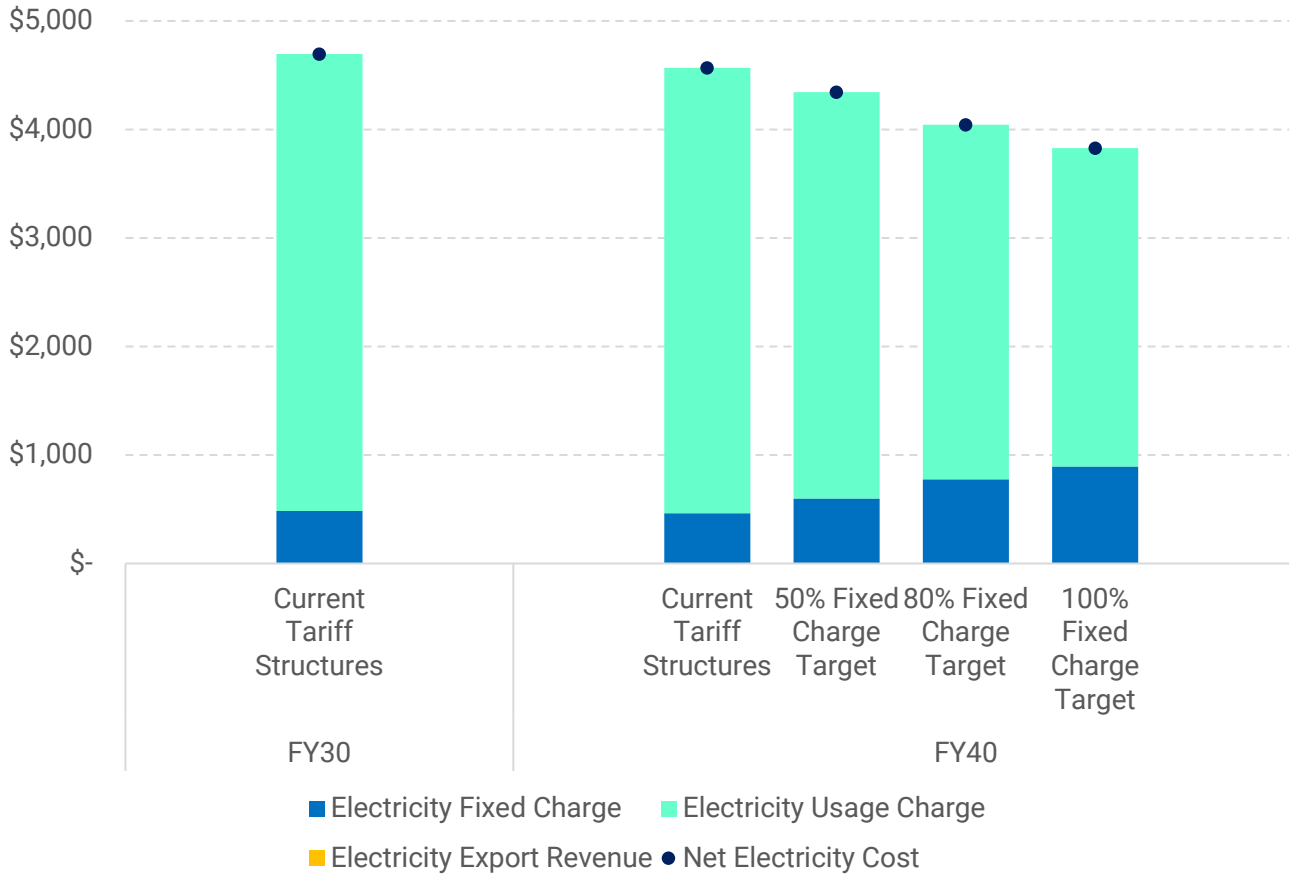
Our reforms provide the opportunity to address this issue, so that those customers unable to access CER do not unfairly face materially higher costs to access the network we all rely on.

The reforms significantly reduce those additional costs compared to the "no reform" future—though they don't eliminate them entirely.

Cameo Customer 1: Manouri and Sean would be better off

Annual retail electricity bill for a household with large electricity consumption excluding dynamic pricing

FY26 $AU; Includes GST; 10-year transition towards target fixed charge from FY30



Manouri and Sean live in a three-bedroom rental home in Wollongong with their two teenagers, Suraj and Mira. The home has no central heating, so the family relies on energy-hungry plug-in heating to get through the winter. With a couple of teenagers at home, the electric hot water system also uses a lot of energy.

Manouri and Sean's household is electricity-hungry – and their bill shows it.

Our proposed reforms would help high-consumption households like Manouri and Sean's by shifting some network costs away from usage charges toward fixed network charges. It shows why reform can support lower energy costs as the economy moves to low-cost renewable power.

For Manouri and Sean, that's a direct saving. In FY40, the family's electricity bill is $220–$740 lower than it would be in the absence of reform, depending on the reform scenario.

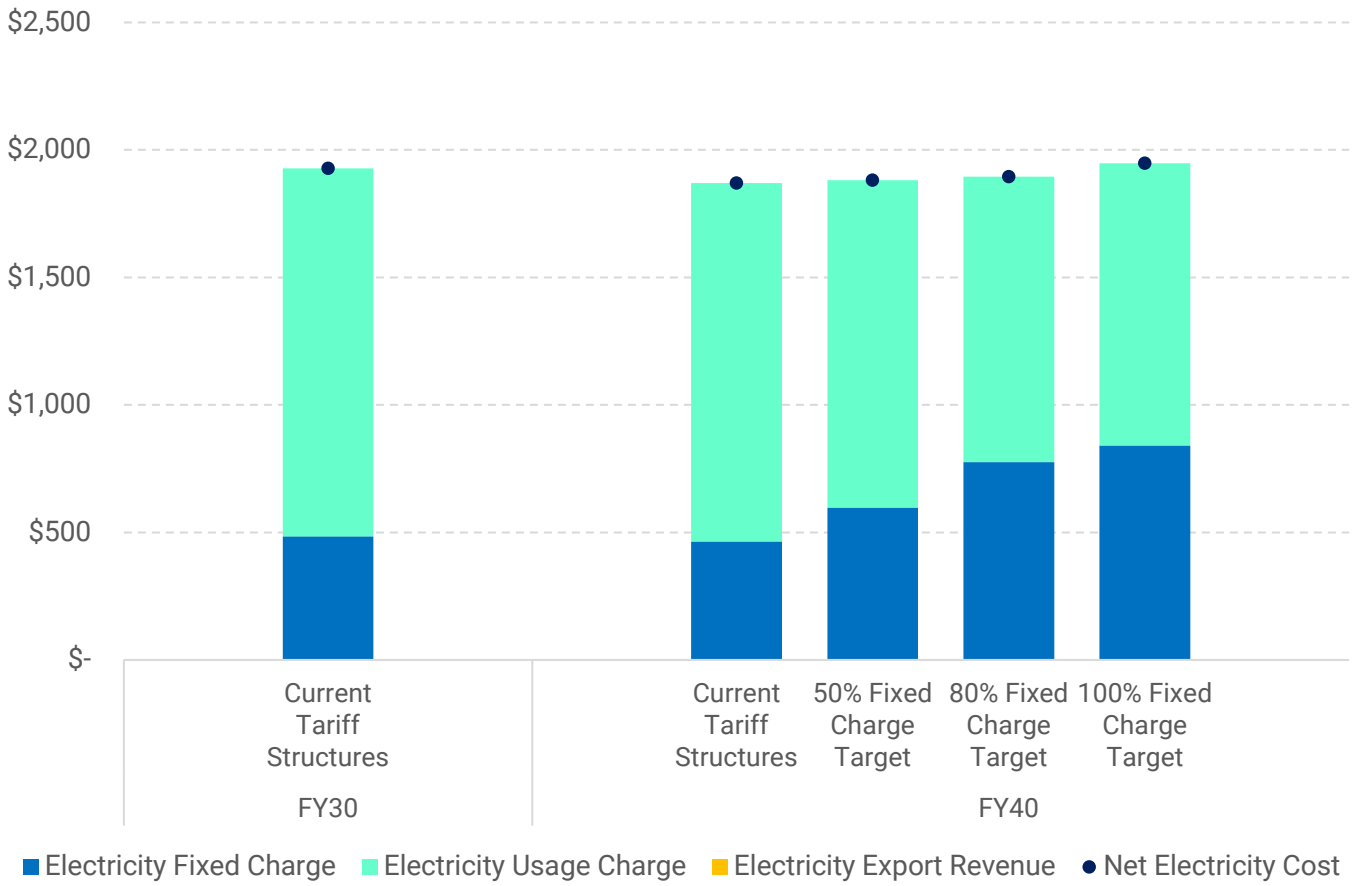
Annual import from grid: 11.6MWh

Sources: AEMC Residential Energy Consumer Model.

Cameo Customer 3: Margaret's bill would be broadly stable, though additional protections may be warranted

Annual retail electricity bill for a small household with a thermally inefficient dwelling excluding dynamic pricing

FY26 $AU; Includes GST; NEM average; 10-year transition towards target fixed charge from FY30



Margaret rents an older apartment with poor insulation by herself. She doesn't use much electricity overall, but her home leaks warmth in summer, pushing up her cooling needs. She hasn't been able to afford to electrify or install solar or battery systems.

Under the reform scenarios, she pays between $10 and $80 more in FY40 compared to no reform.

Margaret's story highlights that customers in vulnerable circumstances, such as Margaret, are more likely to require targeted protections to ensure network pricing reform delivers acceptable outcomes.

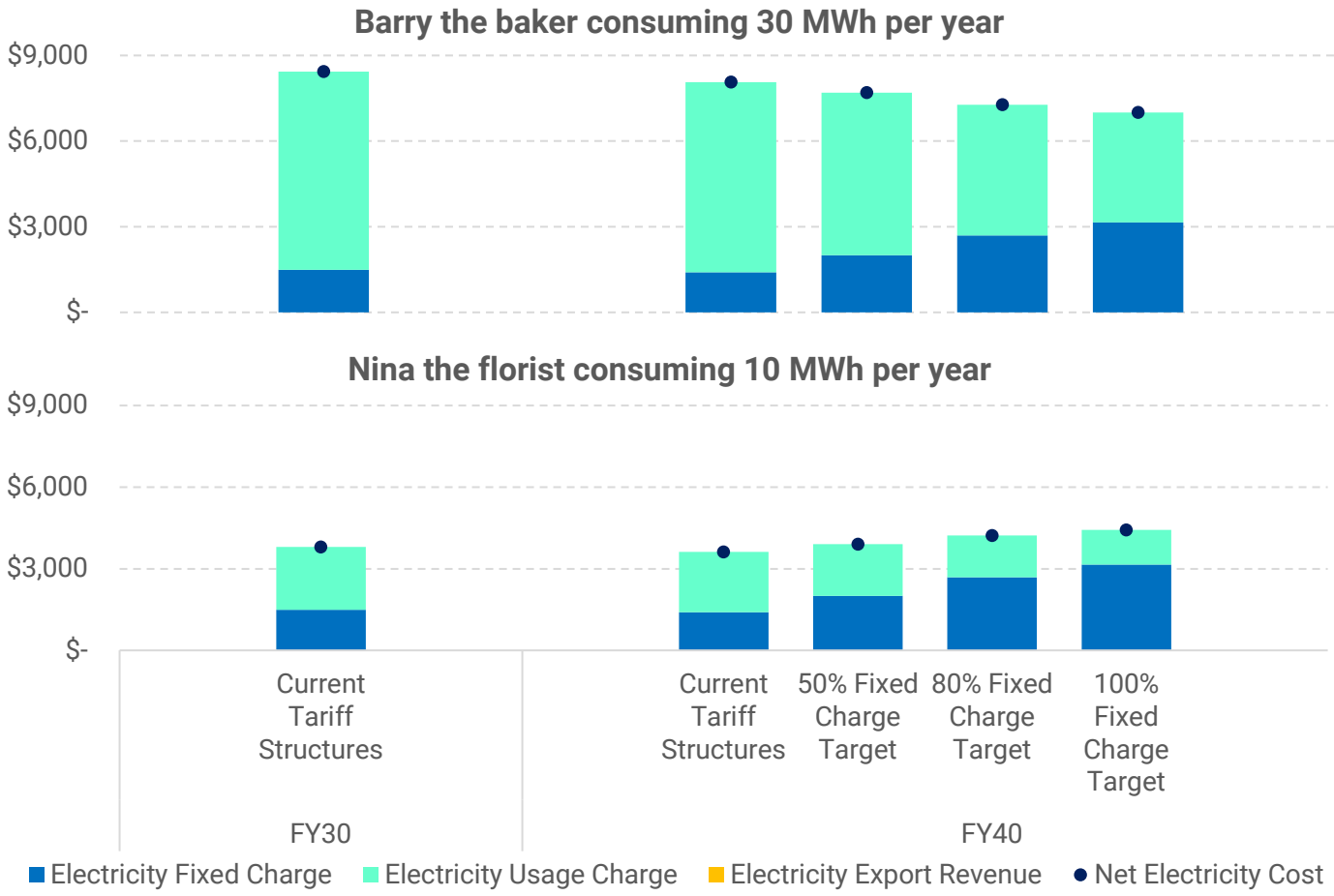
Annual import from grid: 4.0MWh

Sources: AEMC Residential Energy Consumer Model; Domain Sustainability in Property Report 2024.

Cameo Customers 5 and 6: Barry the Baker and Nina the Florist

Annual retail electricity bill for a small business in Sydney, by consumption level excluding dynamic pricing

FY26 $AU; Includes GST; 10-year transition towards target fixed charge from FY30



Sources: AEMC analysis.

Barry runs a suburban bakery in Sydney. His ovens, fridges, and early-morning baking schedule mean electricity is a major cost. He uses a lot of power every day, but his usage is steady and predictable.

Barry benefits from the shift toward higher fixed network charges and lower usage rates. Under the reform, his annual electricity bill falls by $350 to over $1,000 in FY40 compared his bill in the absence of reform, depending on how far fixed charges increase.

Barry's story shows that energy-intensive small businesses can benefit materially from reform. Lower variable charges reward businesses that rely on electricity to operate – especially as more commercial activity electrifies.

On the other hand, Nina owns a small florist. Her shop uses electricity for lighting, refrigeration, and EFTPOS, but overall consumption is low.

For Nina, higher fixed charges outweigh the savings from lower usage rates. Under the reform scenarios, she pays $280 to $810 more in FY40 than what she would pay in the absence of reform.

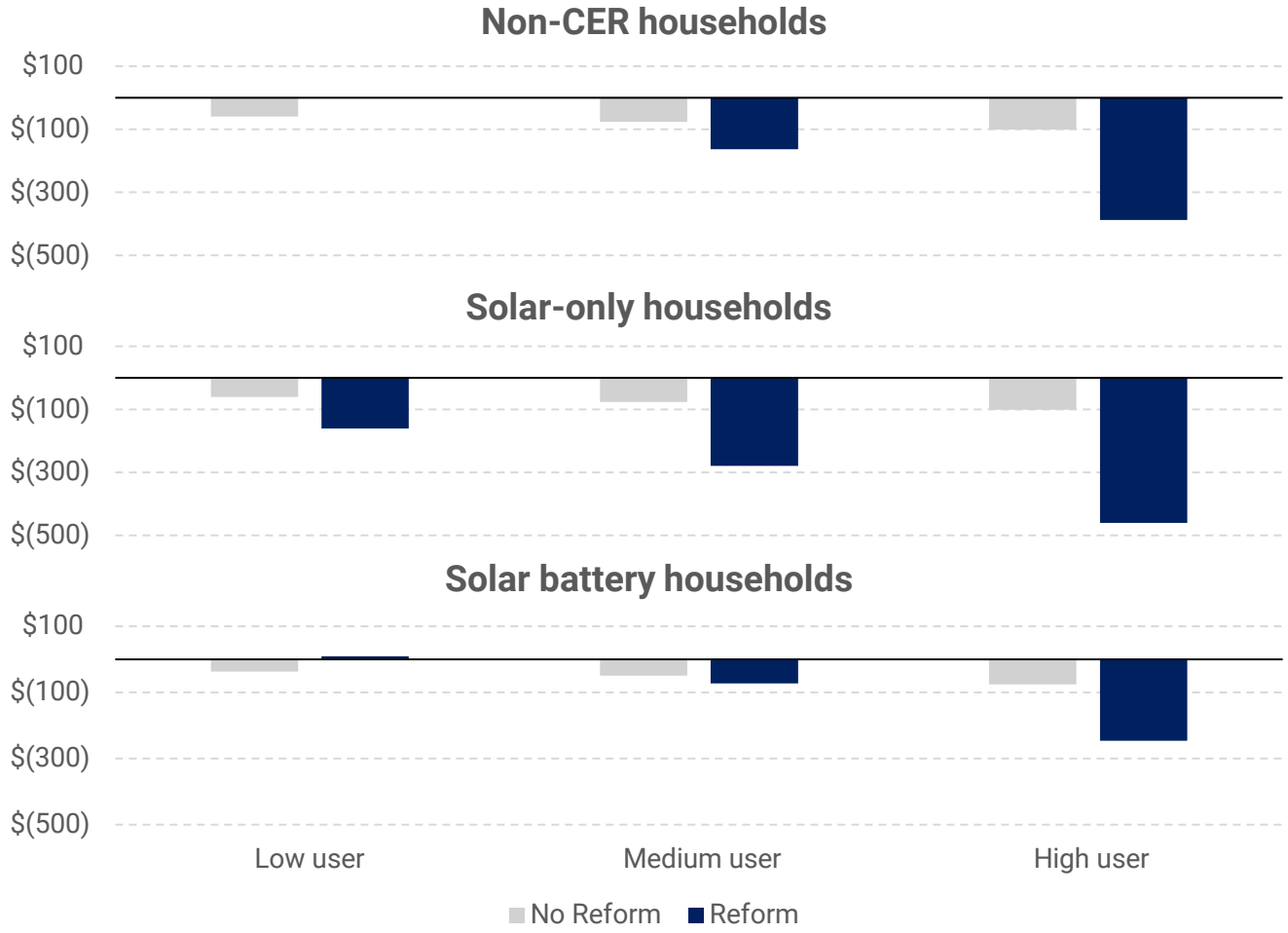
Nina's cameo highlights helps identify where targeted protections are needed, given it is clearly unacceptable for reform to result in such a sharp bill increase.

As highlighted by the Houston Kemp report, there are many strategies that can be tailored to avoid this outcome.

Reform could lower network charges for most households

Projected change in annual network charge under reform vs non-reform for key customer types

FY26 $AU; Excludes GST; Reform refers to dynamic pricing and a 10-year transition towards 80% fixed network charges from 2030; Low, medium and high usage levels correspond to 25th, 50th and 75th percentiles of grid imports in the samples provided by 10 DNSPs; Includes efficiency gains from dynamic pricing



Sources: Customer interval samples over FY25 provided to AEMC by DNSPs; AEMC analysis.

Using residential customer interval data provided by DNSPs and modelled network tariff projections that account for efficiency gains from dynamic pricing, we estimated network charges experienced by different types of customers in FY40 (under reform and no reform; and for non-CER, solar-only and solar and battery households) and compared these charges to those experienced today.

The charts show that reform will impact different households in different ways:

- Among households without CER, small electricity users experience virtually the same annual network charge as they experience today, while medium and large users will experience lower annual network charges by around $100-400.
- Among households with solar only, small, medium and large users would experience lower annual network charges compared to today, by around $150-450.
- Among households with a solar battery, small users will experience a slightly higher annual network charge ($9) while medium and large users will experience lower network charges ($73 - $246). For these customers, we could seek to put in place protections for them. The attached HoustonKemp report provides details on what this could look like.

Our network bill projections are indicative. Actual bills for individual networks may be different to the average across the 10 DNSPs we modelled. Appendix slides 35 to 37 plot the impacts of reform across a full distribution of households.

Q&A: 30 minutes

- Reminder: Please use the Q&A function to submit questions.
- We will prioritise questions with the most ‘upvotes’ first. You can also comment on someone else’s question if you would like to add specifics to that question.
- You may be asked to speak to the question you have submitted – we will invite you to come off mute, then you will need to unmute yourself.

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Economists

Consumer protections to support network tariff reform

A report for the Australian Energy Market Commission

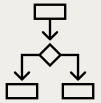
APRIL 2026

Network tariff reform could adversely affect some consumers

Risks for retailers

- Dynamic tariff components **increase input cost volatility**, requiring more sophisticated risk management.
- Higher fixed network charges **reduce input cost volatility** but do not reduce overall retailer risk.
- Fixed network obligations **may create a mismatch between what retailers pay networks and what consumers expect or are willing to pay**.
- Retailers unable to manage this mismatch may face margin compression, particularly where competitive dynamics limit their ability to pass through structural changes.
- **Smaller retailers**, with less diversified consumer bases and limited hedging options, **may be disproportionately affected.**

How retailers may respond



- Retailers have a range of options for managing the risks arising from network tariff reform.
- Some may **absorb the complexity** of reformed tariffs and repackage them into simpler retail products – as some already do today.
- Others may **develop new product offerings** that give consumers a choice between different tariff structures.
- Retailers may also **invest in demand response**, community batteries or virtual power plant capabilities to manage dynamic cost exposure across their consumer base.
- Some retailers may **pass through** some or all of the network tariff structure changes directly to consumers.
- The approach each retailer adopts will depend on its commercial strategy, consumer base and capability, and responses are likely to evolve as the market develops.

Resulting risks for consumers (if network structures passed through)

- Higher fixed charges **may create adverse bill impacts for low-usage consumers**, including those who are socially disadvantaged or least engaged with the market.
- Dynamic tariff components introduce **greater bill volatility** that consumers may find difficult to anticipate or manage.
- **Unfamiliar dynamic tariff structures** make it harder for consumers to compare offers and manage their consumption effectively.
- **Reduced bill predictability** may affect household budgeting, particularly for lower income consumers.
- Consumers who have invested in solar, batteries or other **consumer energy resources** may find the **expected payback on those investments affected**.

The key question is whether existing protections taken together, are sufficient to manage these risks

Relevant examples of existing consumer protections

Protection	What it does	Key limitation in the context of network tariff
Default Market Offer (DMO)	Caps prices for standing offer consumers. From July 2026, will specify both fixed and variable charge components.	Practical protection for low-usage households depends on how the AER apportions costs between components.
Explicit informed consent (EIC)	Prevents retailers changing a consumer's tariff structure without agreement.	Does not limit price levels within the existing structure.
Standing offer obligations	Guarantees all consumers access to a default offer.	Does not prevent structural changes or price increases flowing through to bills.
Once per year price change rule (ICCIREP)	Limits retailers to one repricing per year for existing consumers (effective July 2026).	Limits frequency but not magnitude of price changes.
ICCIREP benefit period protections	Caps charges at the standing offer price if a market offer benefit expires early.	Applies only to consumers whose offer contains a benefit that changes or expires.
Hardship protections (AEMC reform, effective December 2026)	Ensures hardship consumers are kept on a competitive offer.	Covers approximately 1.5% of consumers. May exclude a retailer's best value plans.
Customer impact principle (TSS process)	Requires networks to consider consumer impacts when designing tariff structures.	Operates indirectly. Proposed for removal under Draft Recommendation 6.
Better Offer prompts (STABO, effective Dec 2026)	Requires retailers to include their better offer on all consumer correspondence.	Relies on consumers actively engaging with that information.

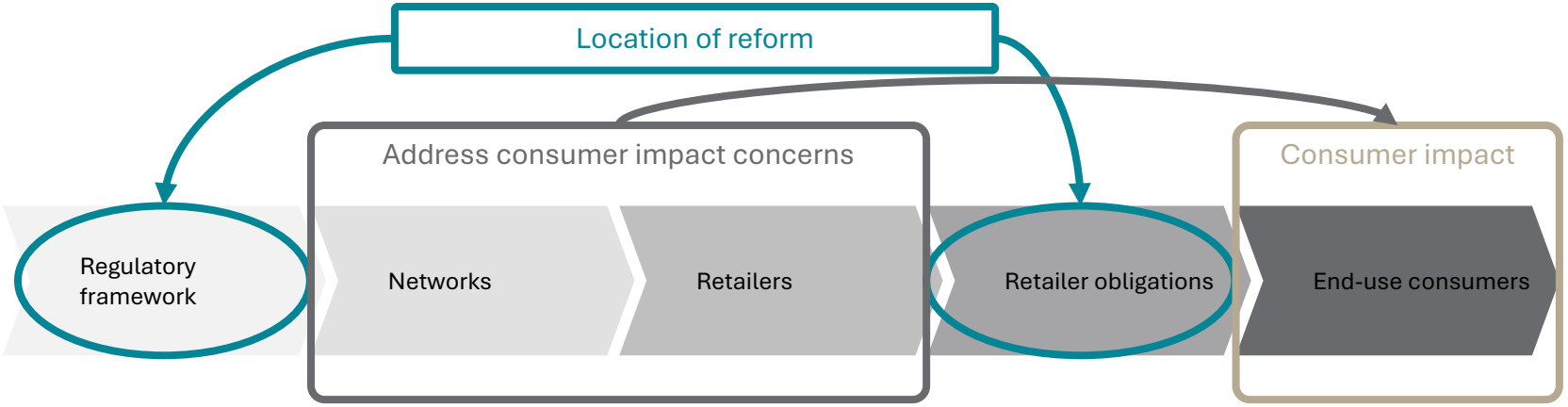
Consumer protection options sit at two points in the electricity supply chain

Network level

Options at the network level shape how costs are allocated before they reach retailers, reducing the pressure to pass structural changes directly through to consumers. Because these remain decisions for individual networks, they tend to be less prescriptive than retail-level options.

Retail level

Options at the retail level directly address the bill risks consumers face, operating closer to the point at which consumers experience price changes. These tend to be more targeted in their effects on consumer bills, but carry a greater risk of constraining competition if not carefully designed.



A role for government policy?

The electricity regulatory and market framework can only do so much. Where reform creates adverse impacts for vulnerable consumers, targeted government intervention may serve as a further complement to regulatory measures – for example through concession frameworks or direct bill assistance delivered through social policy channels. Such measures sit outside the scope of this paper but may form part of a comprehensive consumer protection response.

Viable consumer protection options exist to support the transition to efficient network tariffs

NETWORK OPTIONS | National Electricity Rules

N1 Rate-of-change constraint

Caps the year-on-year change in fixed charges (or total residual cost recovery) applied to a tariff component within a tariff class.

NER rule change required

N2 Consumption/capacity-based allocation

Allocates residual costs based on each consumer's historical consumption (kWh) or peak demand/capacity (kW).

NER clarification may strengthen incentives

N3 Characteristic-based allocation

Allocates residual costs based on connection characteristics — such as presence of a CER, property value or meter size — reflecting differences in benefit and cost-causation.

NER clarification may strengthen incentives

RETAIL OPTIONS | National Energy Retail Rules and Law

R1 Mandatory lower fixed charge tariff

Requires retailers to offer at least one tariff with a lower fixed charge, offset by higher variable charges — drawing on the approach being piloted by Ofgem in Great Britain.

NERR rule change or NERL legislative change

R2 Extending explicit informed consent

Prohibits retailers from making material changes to a consumer's retail tariff structure without first obtaining that consumer's explicit informed consent.

NERL legislative change required

R3 Regulated fixed charges in the DMO

AER regulation of the maximum allowable fixed charge in the Default Market Offer, or the maximum annual rate of change of that component. The retail-level equivalent of Option N1.

Amendments to the DMO framework required

HOUSTONKEMP
Economists

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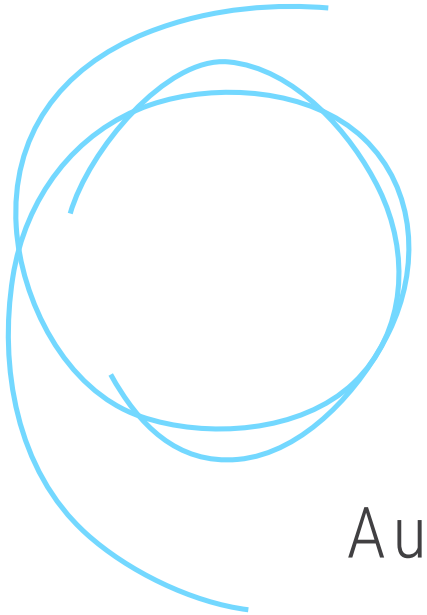

AEMC

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