Australian Energy Market Commission

AEMC
Australian Energy Market Commission

REVIEW

Final report

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

18 June 2026

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About the AEMC

The AEMC reports to the energy ministers. We have two functions. We make and amend the national electricity, gas and energy retail rules and conduct independent reviews for the energy ministers.

Acknowledgement of Country

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 to the enduring connection of Aboriginal and Torres Strait Islander peoples to Country.

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Summary

1 Consumers consistently report that electricity pricing is too complex, confusing, and hard to manage. Many feel they should not need to be an energy expert to navigate the market, yet the current system often requires ongoing effort to get a reasonable deal. At a time of rising cost of living pressures, energy should be simple and manageable, with clear plans that work in the background and fit into everyday life.

2 At the same time, the energy system is being transformed by consumers themselves. Millions of Australian households are generating, storing and managing electricity through solar panels, batteries and electric vehicles, with many more expected to follow. These changes are reshaping how energy is produced, used and shared across the grid.

3 This creates a significant opportunity. In a system with millions of connected assets and devices, small changes can make a big difference in delivering better outcomes for everyone. When consumers - households and small businesses - use, store or share energy in ways that reduce pressure on the grid, they help lower system costs, avoid unnecessary infrastructure and improve efficiency across the network. Furthermore, they can be rewarded for doing so. And as technology advances, this can be increasingly managed by devices and service providers, with consumers not needing to lift a finger.

4 However, the current pricing framework has not kept pace with this shift. It remains complex and does not consistently support or recognise the value consumers can create through these choices. As a result, we risk missing opportunities to reduce costs and deliver better outcomes at scale.

5 This is why electricity pricing needs to evolve to help enable a system where value can be signalled and shared. Where good value is easier to access, and where pricing supports how people actually use and manage energy.

6 This review sets a clear direction for that future; a simpler, more transparent energy market that unlocks the full potential of a consumer-led system. The review sets out a roadmap to a system where plans are easier to understand, technology works in the background, and everyday energy choices contribute to a more efficient and lower-cost system overall.

7 We need to act now on this roadmap for the next decade and beyond to make pricing work for the energy grid of our present and our future. Some reforms could be implemented soon, while others such as those relating to network tariff reform to make plans simpler will be introduced more gradually. All will require additional design and transition steps before they take effect.

8 Together, the recommendations made in this review aim to simplify how energy is priced and accessed, while enabling the growing role of consumer energy resources (CER) to deliver benefits for all across the grid. While this report concludes the Review, it sets the direction for the next phase of reform, with further design, consultation and collaboration needed to bring this vision into practice.

Figure 1: The final recommendations

Source: AEMC

How to read this final report

9 This final report is structured in three discrete segments to cater to the different audiences interested in our work. It is necessarily technical in parts to allow industry participants to identify and consider how reforms may impact them.

10 This executive summary provides an overview of our entire report.

11 If you require a more in-depth discussion of the reform agenda, including the background and reasons for our draft recommendations:

- Chapter 1 provides context for the final report
- Chapter 2 outlines the case for change
- Chapter 3 offers an overview of the package of our final recommendations
- Chapter 4 details our initial thoughts on how the recommendations could be implemented. It also highlights how further work and consideration could refine these recommendations.
- Chapter 5 discusses how the reforms meet the National Energy Objectives and our assessment framework.

12 If you are interested in an even more detailed discussion of our recommendations, reasons, stakeholder views on these and our responses, these are set out in appendices A - H. Further

information on our draft recommendations can be found in the draft report.[1]

13 If you would like a concise overview of our recommendations, we have also produced a short information sheet to accompany this draft report, which is available on our website.

Energy pricing is too complex and too hard to manage at a time when people need it to be simple

14 Electricity pricing today is widely experienced as complex, confusing and difficult to compare. Many people feel they should not need to be an expert to find a good plan, yet the current system often requires ongoing effort just to avoid paying more than necessary.

15 At the same time, households and small businesses are managing rising cost of living pressures and have limited time and attention to engage with energy offers. When plans are hard to understand or compare, many stay on unsuitable deals or disengage altogether, even when better options exist.

16 The AEMC heard throughout the review that this creates a real burden. Consumers described the need to regularly compare and switch plans as exhausting and time-consuming, with frequent changes requiring constant attention. Many do not feel confident understanding the offers presented, and comparison tools sometimes fail to make decisions easier, particularly for households with solar, electric vehicles or other technologies.

17 There is also a strong sense that the system penalises those who do not shop around. Longstanding customers often pay more simply for staying put. In response, many consumers disengage, sticking with a familiar plan even if they suspect they are overpaying.

Consumers are driving the energy transformation

18 The future electricity system will look different from today's. It will be shaped by rapid technological change, shifting consumer preferences and new patterns of electricity use - including electrification, two-way power flows, digital technologies and greater use of data.

19 Consumers are already investing in these changes at scale:

- Australia already has the highest uptake of rooftop solar PV in the world, and battery adoption is accelerating rapidly encouraged by government subsidies.
- By the early 2030s, the smart meter rollout will be complete, and battery uptake will be more widespread.
- By 2040, around one in two households is expected to have rooftop solar, while one in four homes is expected to have batteries and electric vehicles.[2] Further, there is expected to be a proliferation of home energy management systems and the increasing potential for electric vehicles to participate in vehicle-to-grid arrangements.

20 The rapid uptake of rooftop solar, batteries and electric vehicles reflects strong demand for greater control over energy use and costs, as well as the growing role households and small businesses can play in delivering system-wide benefits. At the same time, advances such as smart meters, real-time data and new retail offers are expanding the range of products and services available, changing how electricity is generated, used and managed.

21 Consumer preferences and circumstances are also changing, in response to the opportunities that

1 AEMC, The pricing review, project page

2 AEMO (Australian Energy Market Operator), *AEMO: 2025 IASR EV workbook* [data set], AEMO website, 31 July 2025, accessed 25 November 2025.

technological and other innovation present. Some households and businesses are seeking greater control over their energy costs and emissions through electrification and investment in new technologies, while others prioritise simplicity, affordability and reliability from traditional grid-supplied services.

22 Consumers are not homogenous, and have a diversity of needs, experiences and preferences. Levels of engagement, ability to invest and appetite to actively manage energy use vary widely across the community. This growing diversity means that the future electricity system must accommodate a far broader range of needs, behaviours and outcomes than in the past.

23 CER such as solar panels, batteries, and electric vehicles enable consumers or their representatives to respond to system needs - for example, by providing power to the grid at time of stress and avoiding the need for investment in more grid capacity. Advancements in digital technologies likewise present opportunities. Real-time consumption data can allow consumer devices to help manage energy use at the customer's premises. These technologies can help consumers to lower their bills, and to access a broader array of energy choices supporting electrification and sustainability.

Without reform, consumers will face increasing complexity and higher costs

24 Under the current framework, as more people generate their own energy, the cost of maintaining the poles and wires network is falling disproportionately on a subset of customers. This is despite the fact that we all still rely on the shared grid. Even consumers with CER who are largely self-reliant still need the grid to sell excess energy and to meet their electricity needs during times of high demand, for instance during prolonged cloudy spells.

25 If the pricing framework remains unchanged, customers will struggle to find suitable plans, innovative consumer offerings may struggle to compete, and electricity prices will be higher than necessary. This is not sustainable and does not deliver lower costs. Customers who can invest in solar, batteries and electric vehicles will increasingly reduce their network costs, while those who cannot access or afford these things will pay increasingly more.

26 Energy service providers will continue to face high costs managing multiple and complex network tariffs, which will be passed through to customers.

27 As energy use patterns change, without corresponding changes to the pricing framework, CER will add less value than it could to the broader system. This is because without changes to how CER is priced, we will likely have increasing grid congestion or 'bottlenecks' that trigger the need for network investment, driving up costs for consumers. Opportunities for consumers to store and sell energy will also be limited if such bottlenecks restrict energy flows, meaning some consumers may be locked out of using CER, and others may find their existing investments returning limited value.

28 To put it simply, without reform, network costs may shift across consumers in ways that ultimately require ad hoc interventions to address.

Pricing is a critical enabler in a system with millions of devices

29 Simple, well-designed pricing changes this. Smart devices and energy services can respond automatically to clear signals, shifting energy use, storing it, or feeding it back into the grid when it is most valuable. Complexity is managed behind the scenes, while consumers experience a system that is easy to navigate and fits into everyday life.

30 The result is a more efficient, lowest-cost and fairer system. Just as importantly, simplicity helps

ensure these benefits are widely shared. Consumers have different levels of time, confidence and ability to invest in new technologies. A simple pricing system allows those who want to take a more active role to benefit from doing so, while ensuring those who prefer a straightforward, reliable service can still access good value. This avoids a system where complexity advantages some consumers over others, and instead supports a more inclusive and accessible energy market.

31 We recognise that pricing is important but it is only one part of the picture. Our upcoming Electricity Network Regulation Review will look at the revenue setting framework for network services, and how these rules determine the costs that networks can recover.

Four recommendations to deliver simpler pricing for a consumer-led, net-zero future

32 The Review sets out a vision for a system where pricing is easy to understand, value is easier to access, and technology works in the background to benefit consumers. Our vision seeks to harness the opportunities created by new technologies and changing patterns of energy use and consumer preferences.

33 Under this vision, proactive energy service providers would offer consumers energy plans that reflect their needs and behaviour and deliver value without requiring expert knowledge or constant engagement. Importantly, all consumers benefit from the market—whether they are highly engaged or passive, and whether or not they have invested in technologies such as solar, batteries or electric vehicles.

34 Our final recommendations seek to deliver on this vision. Together, the recommendations aim to unlock the full value of technologies such as solar, batteries and flexible demand by rewarding actions that lower system costs, improve utilisation of existing and new infrastructure and avoid unnecessary future investment.

35 The reform agenda is broad - reflecting the scope and purpose of this Review, and ambitious - given the scale of the opportunities, stakeholders consistently encouraged us to articulate a bold direction for the future.

36 Our four final recommendations form a coherent package to deliver on our vision from multiple angles—rules, pricing, competition and consumer decision-making. Designed to be mutually reinforcing, the reforms simplify rules and prices, reduce penalties for disengagement, improve information and tools, and reform network pricing to address upstream cost drivers.

A system where good value is not something you have to chase

37 In the future electricity market, people will be able to see clearly whether they are getting good value, and better offers will be available without needing to switch providers. Over time, this shifts the market from one that rewards constant engagement to one that consistently delivers fair outcomes by default.

38 To achieve this our final recommendation 1 is to *Shine a light on energy service provider behaviour that contributes to negative outcomes for loyal customers*.

A market that is easy to navigate and built around real consumer needs

39 In the future electricity market, consumers will be able to quickly and confidently find plans and services that suit them. Trusted, independent comparison tools will present clear, relevant information that reflects how consumers actually use energy, including solar, batteries and electric

vehicles. Choosing an energy plan will feel straightforward and intuitive, not technical or time-consuming. As a result, greater choice will deliver better outcomes, not greater complexity.

40 **To achieve this our final recommendation 2 is to *Make it easier for consumers to find electricity plans and services that suit them*.**

Simple plans, with smart coordination behind the scenes

41 In the future electricity market, energy pricing will be simple for consumers, with the complexity managed in the background by providers and systems that are better equipped to handle it. Consumers will be able to access clear, predictable plans, while smart technologies and services respond automatically to price signals, helping to optimise energy use without constant input.

42 Behind the scenes, pricing will better reflect how the grid is used and support the growing role of CER. This will allow consumers with solar panels, batteries and electric vehicles to create value not just for themselves, but across the system, helping to dampen peak demand, avoid unnecessary investment and keep costs down over time. At the same time, protections will ensure that changes are implemented in a way that supports all consumers.

43 As electricity pricing evolves, delivering good outcomes for low-use consumers and those who have invested in consumer energy resources must be a core design principle. This is not a one-size-fits-all approach—customers won't all pay the same. Instead, design choices should guide networks to recover costs in a way that broadly reflects the benefits different customers receive and provide from being connected to the shared network.

44 Embedding protections and design features that maintain access to value and avoid unintended bill impacts is essential. Consumer protections are embedded across the package and include elements such as:

- a gradual transition, allowing consumers and market participants time to adjust
- a flexible, principles-based framework that preserves the ability of networks and the AER to mitigate adverse bill impacts, including enabling different network tariffs for different consumers rather than applying a uniform charge
- recognition that complementary retail protections may be required to support consumers, particularly where reforms could otherwise lead to more complex or higher bills for some consumers.

45 **To achieve this, our final recommendation 3 is for *Simpler energy plans, with complexity handled behind the scenes, to unlock the full value of a consumer-led energy system for everyone*.**

Pricing that works for consumers

46 The future energy market will not stand still. As technology, consumer needs and market conditions change, pricing and regulation will be regularly reviewed to ensure they continue to deliver value.

47 This means removing rules that add cost or complexity without delivering benefits, strengthening protections where needed, and ensuring decisions are based on clear evidence about consumer outcomes. The result is a system that is as simple as possible, relevant and focused on delivering value over time.

48 **To achieve this final recommendation 4 is to *Regularly review customer outcomes to refine regulations and eliminate unnecessary red tape***

49 Details of how we achieve all of these recommendations are included in a table at the end.

Stakeholder insights shaped our recommendations

50 These reforms have been shaped through extensive engagement with consumers, industry and government. Stakeholder input across consultations, modelling, public forums, advisory groups and nearly 200 bilateral meetings directly informed the Commission's final recommendations.

51 Engagement on the draft report was unprecedented. More than 2,700 submissions were received, alongside targeted feedback through public forums attended by over 300 stakeholders, stakeholder groups, additional modelling, and consumer-focused analysis published in April 2026. Together, this input strengthened the focus of the recommendations on outcomes, simplicity and accessibility, and ensured the reforms are both ambitious and grounded in how they will work in practice.

52 This level of engagement will remain critical as the reforms move into implementation. Ongoing collaboration with consumer representatives, market bodies, industry, and governments will be essential to translate these recommendations into changes that deliver real value for households.

A roadmap to simpler pricing for a consumer-led future

53 The recommendations set out a clear, staged roadmap to a simpler, more flexible energy system. The early focus is on improving the consumer experience where it matters most - reducing the effort required to get a good deal, improving transparency, and making better offers easier to access. These steps help more households access good value without needing to constantly engage, while rebuilding trust and reducing complexity at the point consumers feel it most.

54 As the market evolves, the focus shifts to ensuring that greater choice does not mean greater confusion. Stronger information, better comparison tools and more relevant offers make it easier to find and compare plans that reflect how households actually use energy, supporting a market where providers compete on value and service rather than complexity.

55 A gradual, coordinated approach is essential to manage transition risks, protect consumers and deliver lasting benefits.

56 Some reforms could be implemented soon, while others such as network tariff reform to make plans simpler will need to be introduced gradually over approximately ten years. Network pricing reforms to have simpler plans would be implemented in stages following any successful rule change process. All recommendations will require additional design and transition steps before they take effect, including coordination across relevant regulatory processes, and industry transition periods.

57 By sequencing reforms, the Commission seeks to balance timely progress with the need for appropriate protections that support consumers through the transition.

58 Gradual implementation also supports sector readiness. It allows networks and energy service providers to invest in new technologies, processes and capabilities, and to adapt to changing roles and responsibilities in managing pricing risks and engaging with consumers.

59 Reforms will be delivered through multiple pathways, reflecting the diversity of recommendations. Some can be progressed directly by the AEMC, while others depend on external processes such as rule changes, network tariff reset cycles, or complementary government initiatives. Where required, reforms will be supported by existing regulatory frameworks and safeguards, including consultation requirements and oversight by the Australian Energy Regulator (AER), to ensure consumer protections are maintained and impacts appropriately managed.

Our recommendations will benefit all consumers

60 The recommendations are likely to contribute to the achievement of the National Electricity Objective (NEO) and the National Energy Retail Objective (NERO).[3] They promote the long-term interests of electricity consumers by improving competition and innovation, supporting efficient investment in and use of network assets, and ensuring the benefits of the energy transition are shared more broadly. The recommendations are expected to:

- make energy plans easier to understand and compare, helping more consumers access competitive prices
- support innovation and CER, so new technologies can deliver greater value to consumers
- remove barriers and clarify roles, helping the market respond better to changing consumer preferences and the transition to net zero
- deliver system-wide savings over time by improving price signals, reducing congestion, avoiding unnecessary network investment, and increasing competition from low-cost, low-emissions energy
- lower costs and complexity for energy service providers through simpler, more consistent network pricing, with the savings passed through to consumers
- encourage providers to offer simpler, more suitable products while reducing pricing risk and complexity
- encourage energy service providers to proactively support customers and make it easier for customers to choose a suitable plan
- improve regulation of network tariffs to better support energy service providers to compete and provide appropriate consumer protections
- build on existing regulatory frameworks, minimising implementation costs, and including an ongoing review to keep the rules fit for purpose.

Pricing is one piece of the puzzle

61 The pricing review is progressing alongside a number of other reviews and reform workstreams across the energy sector, some of which intersect with matters considered in this review. The Commission has developed its recommendations with these parallel reforms in mind, recognising that change across the sector must be coordinated to achieve the desired outcomes.

62 We will continue to engage with related reviews to share insights, minimise duplication and support alignment across reform agendas. Insights from this review are expected to inform, and be informed by, other ongoing workstreams.

63 In particular, there are important interactions with:

- **Electricity Network Regulation Review (ENRR) (AEMC)**[4] The ENRR is assessing whether changes to the revenue setting framework for regulated services are needed to ensure the total costs networks recover are efficient, complementing The pricing review's focus on how network costs are allocated and recovered across consumers.
- The **National Consumer Energy Resources (CER) Roadmap** and Implementation Plan, published in July 2024 and the 2025 update.[5] The National CER Roadmap identifies priority

3 Section 7 of the National Electricity Law (NEL) and Section 13 of the National Energy Retail Law (NERL).
4 AEMC, Electricity Network Regulation Review, project page.
5 DCCEEW, *CER Roadmap*, DCCEEW website, 19 July 2024, accessed 4 November 2025.

reforms to unlock the benefits of CER and sets out a pathway for reform across four workstreams: consumers, technology, markets and power system operations.

- The Department of Climate Change, Energy, the Environment and Water (DCCEEW) is reviewing the **Prohibiting Energy Market Misconduct (PEMM)** Act, including consideration to protect consumers in both periods of cost increases and cost decreases. This is seeking to address anti-competitive and unfair behaviour in Australia's electricity market, particularly where that behaviour leads to higher prices or poorer outcomes for consumers.[6]
- **Default Market Offer (DMO) reforms**, led by DCCEEW, which set the maximum price for standing offer customers and have recently been reviewed to strengthen consumer protections.
- **The Distribution System Market Operator (DSMO) workstream** of the National CER Roadmap, which is defining roles and responsibilities for distribution-level market operation and power system operation in a high-CER environment, with a focus on aligning incentives for CER integration.
- **DCCEEW's 2025 review of consumer protections (Better Energy Customer Experiences or BECE)**, which is assessing whether existing protections remain suitable and effective as consumer energy use and market participation continues to evolve.

Summary of final recommendations

Recommendation 1: Shine a light on retailer behaviour that contributes to negative outcomes for loyal customers

Under our recommended approach, energy service providers would be required to:

- Notify customers who have been on the same plan for four years (and annually thereafter) of the total amount they could have saved if they had switched to a better offer over that period.
- Report to the AER on how many customers are affected by a loyalty tax, and the total amount those customers paid over the better offer. These outcomes will be published to reveal treatment of customers who remain on the same plan, incentivising better behaviour by energy service providers.
- Make new market offers available to both new and existing customers, allowing existing customers to access the best prices.

Recommendation 2: Make it easier for consumers to find electricity plans and services that suit them

Under our recommendation:

- The Commission will collaborate with relevant organisations to assess what a fit-for-purpose customer-facing comparison tool could look like in the future.
- We will consider the scope and quality of information necessary, the insights required and functionality that could be important to allow consumers to confidently and easily compare

6 DCCEEW, *Strengthening the Prohibiting Energy Market Misconduct provisions in the Competition and Consumer Act 2010* - Consultation Paper, December 2025, p 36.

and select a plan or service, including the need for information to be independently provided and from a credible source.

- We will also consider appropriate funding mechanisms that could support the best possible tool for consumers.

Recommendation 3: Simpler energy plans, with complexity handled behind the scenes, to unlock the full value of a consumer-led energy system for everyone

Under our recommended approach:

- Complexity would be shifted away from households and onto energy service providers, who are better placed to handle it behind the scenes. This would help turn complex pricing into simple, clear plans that work for different households and businesses.
- The rules would ensure a clearer, more sustainable approach to pricing access to the grid that better reflects the cost of using the system. This would make it easier for customers to benefit from simple choices, like when they use energy or how their devices are set up. It will also help keep overall costs down over time.
- Network service providers will have greater flexibility in how they design prices, but will be expected to show that these approaches recognise energy service providers' ability to respond and contribute to lowering overall system costs over time.
- Protections would be integral to networks' pricing approaches, making sure the impacts of change on customers are managed.

Recommendation 4: Regularly review customer outcomes to refine regulations and eliminate unnecessary red tape

Under our recommended approach:

- We would undertake a regular review of customer outcomes over time, building on data and analysis from other bodies, to identify where regulations can be strengthened, and where existing regulations may be adding unnecessary cost or complexity without delivering benefits.
- These reviews will provide an opportunity to assess whether the framework is delivering outcomes that best serve consumers, and identify any remaining gaps.
- Where data is lacking, we will identify where opportunities may exist to support evidence-based decision making.

Contents

Tables

Figures

1 The Commission has made final recommendations to reform the pricing framework

1.1 We initiated this review into how future pricing arrangements can meet the needs of all consumers and the system

The Australian Energy Market Commission (AEMC or Commission) self-initiated this broad, forward-looking review (the review) to consider future electricity products and services, and their associated price structures.

Our terms of reference, developed with input from stakeholders, provide the overall guidance for this piece of work.[7]

The review's key areas of focus are:

- facilitating consumer choice through market arrangements that provide for a range of appropriate pricing structures, products and services that suit consumers' needs and preferences
- the role of distribution networks in enabling the right incentives, products and services for consumers, and the efficient cost and pricing outcomes that result
- the role of energy service providers (that includes retailers and aggregators) in effectively packaging and pricing electricity products and services to match consumer preferences.

The interface and interactions between these areas have been key considerations for the review.[8]

1.2 This report sets out our final recommendations

The purpose of this report is to set out our final recommendations, which together contribute to a smarter and fairer electricity pricing framework that meets consumers' needs at lowest cost.

Given the future-focused nature of this review, the breadth of its scope and the scale of its ambition, this final report is different to a typical AEMC final determination or report. It does not contain detailed rule drafting, and further development of the recommendations with stakeholders will be required. Instead, this report is intended to set direction, articulate key concepts, and act as a springboard for future reform processes — many of which will involve further consultation and detailed design work.

Chapter 3 provides a description of the final recommendations, with further detail on how we have responded to stakeholder feedback in the Appendices.

1.3 Stakeholder insights have shaped our thinking

Stakeholder views expressed throughout this review—across the terms of reference, consultation and discussion papers, draft report, modelling reports, public forums, and bilateral meetings—have directly shaped the Commission's final recommendations.

We have also engaged regularly with two key stakeholder groups we established to support us in the review:

7 AEMC (Australian Energy Market Commission), *Terms of Reference: The pricing review: Electricity pricing for a consumer-driven future*, AEMC, 7 November 2024. Some project dates have changed since publication of our final Terms of Reference.

8 For further details about the scope of our review see: AEMC, *Terms of Reference: The pricing review: Electricity pricing for a consumer-driven future*, p 3.

1. **The Advisory Group**, to engage, collaborate and discuss issues with consumer, market and industry leaders. The Advisory Group met on five occasions (10 October 2024, 24 February 2025, 3 June 2025, 20 October 2025 and 23 March 2026).
2. **The Stakeholder Reference Group**, to seek ongoing input and expertise from a broad range of relevant stakeholder groups. This includes stakeholders with a commercial interest in the matters this review is considering, stakeholders that represent the lived experience of consumers, stakeholders involved in developing innovative new ideas, and others. The stakeholder reference group met on five occasions (5 December 2024, 13 March 2025, 12 June 2025, 9 October 2025 and 16 April 2026).

Stakeholders consistently emphasised the importance of ensuring electricity pricing frameworks are fit for purpose for a future energy market across all stages of consultation.

Feedback from stakeholders on our draft recommendations was particularly important in informing our final recommendations.

The level of engagement on our draft report was exceptional. In total, we received 2,724 submissions, representing an unprecedented level of stakeholder interest for an AEMC review.[9]

We held nearly 200 bilateral meetings with participants across the electricity sector. We thank stakeholders for the time, expertise and constructive input they provided throughout the review.

In response to issues raised in submissions to the draft report, the Commission undertook additional consultation and analysis to inform final recommendations. On 23 April 2026, the Commission published two further reports:

- **Smarter, cleaner, cheaper energy: What network tariff reform means for consumers**, which presents modelling on the benefits and distributional impacts of network pricing reform.[10]
- **Consumer protections to support network tariff reform**, a report we commissioned from HoustonKemp, which assesses options to mitigate potential bill impacts for some customers.[11]

We held an online public forum on 23 April 2026 to present these reports, attended by more than 300 stakeholders. We also received 23 responses to a targeted questionnaire following publication of the reports, which informed the final set of consumer protections and our conclusions in this report.

Further detail on stakeholder feedback and how the Commission's recommendations evolved from draft to final is provided in chapter 3 and the accompanying appendices.

1.4 Our recommendations are part of larger reforms in the retail sector, as we move towards a consumer-focussed net-zero energy system

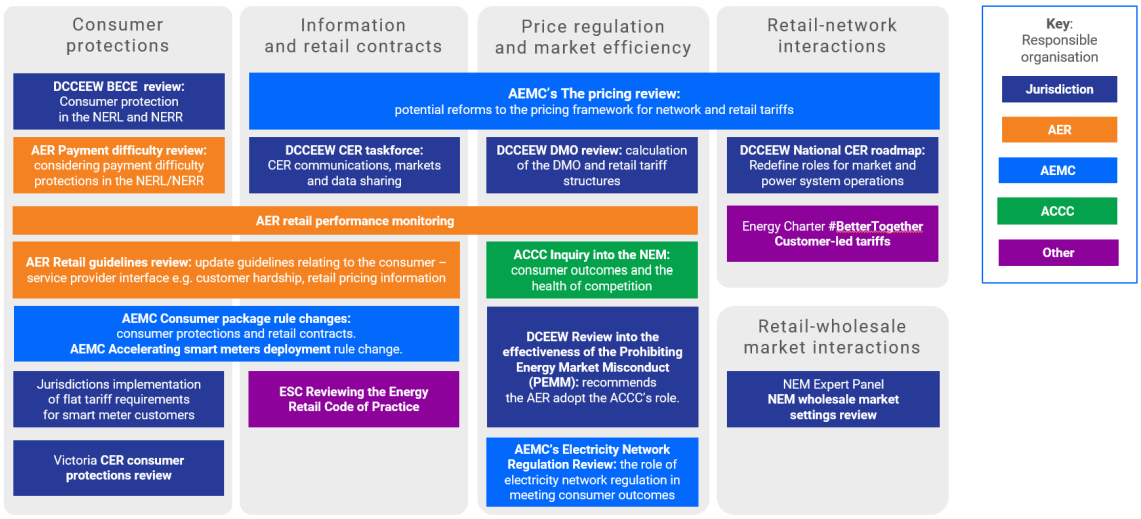
Our pricing review intersects with and complements several active streams of retail reform (see Figure 1.1 below). These related work programs provide important context and insights that inform our approach. They also allow this review to remain focused on the key priority areas identified, with other initiatives progressing complementary aspects of the retail framework.

Importantly, these reforms are interrelated and will need to work together to achieve the intended outcomes. We also need to avoid duplication of work, and competing reforms that end up in inefficiencies and/or unintended consequences.

9 AEMC, *The Pricing Review: Electricity pricing for a consumer-driven future.* May 2026.
10 AEMC, *The pricing review. Smarter, cleaner, cheaper energy: What network tariff reform means for consumers,* 23 April 2026.
11 AEMC, The pricing review, Consumer protections to support network tariff reform, 23 April 2026.

We discuss these workstreams and their interaction with this review in further detail in appendix G.

Figure 1.1: Interacting reforms



1.5 Our next steps

While this final report concludes The pricing review, it establishes a direction for future reform processes required to deliver on the outcomes sought by the review.

The next steps are different for each recommendation. Some, for example, will require proponents to lodge rule change requests with the AEMC to proceed with relevant rule change processes. Others can be progressed by the AEMC, absent a rule change request.

Chapter 4 on implementation, indicates the next steps for each element of the reform agenda.

2 Changing market dynamics present opportunities to deliver better consumer outcomes

2.1 Technological innovation and changing consumer preferences are transforming the electricity system

Innovation is expanding the range of products, services and choices available to consumers, while also increasing the diversity of how electricity is generated, used and managed. Consumer energy resources (CER) sit at the centre of this transformation. The rapid uptake of CER reflects both strong consumer demand for greater control over electricity use and costs, and the growing potential for household and small business level technologies to play a more active role in delivering system-wide benefits.

The electricity system has seen significant change in recent years, driven by innovation in digital and CER technologies, as well as changing consumer preferences. The rollout of smart meters [12], improved access to real-time consumption information[13] and ongoing innovation, by networks and energy service providers, is expanding the range of products and services available to consumers.[14] Consumers' preferences have changed as a result of this technological innovation - new technology has created new opportunities for many consumers to electrify appliances, reduce their carbon footprint, and gain more control over their energy costs.

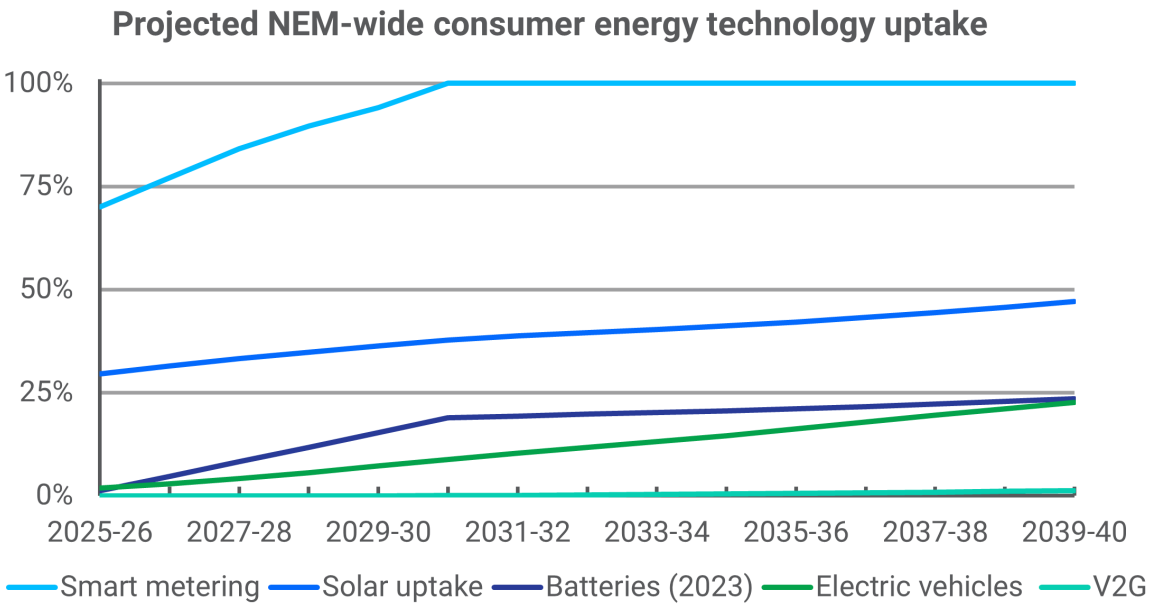
2.1.1 Consumer energy resources uptake has been strong, and is projected to continue

CER is an important feature of the evolving electricity system:

- Australian households and small businesses are adopting rooftop solar, batteries and electric vehicles at scale, see Figure 2.1. Australia now has the highest uptake of rooftop solar in the world per capita, more than three million customers already have rooftop solar.[15]
- battery adoption is increasing even faster following recent government incentives, supported by falling technology costs, policy commitments to emissions reduction and a desire for lower energy bills and greater control, see Figure 2.2.[16]
- electric vehicle uptake is expected to grow strongly over the coming decades, with improvements to allow vehicle to grid.[17]

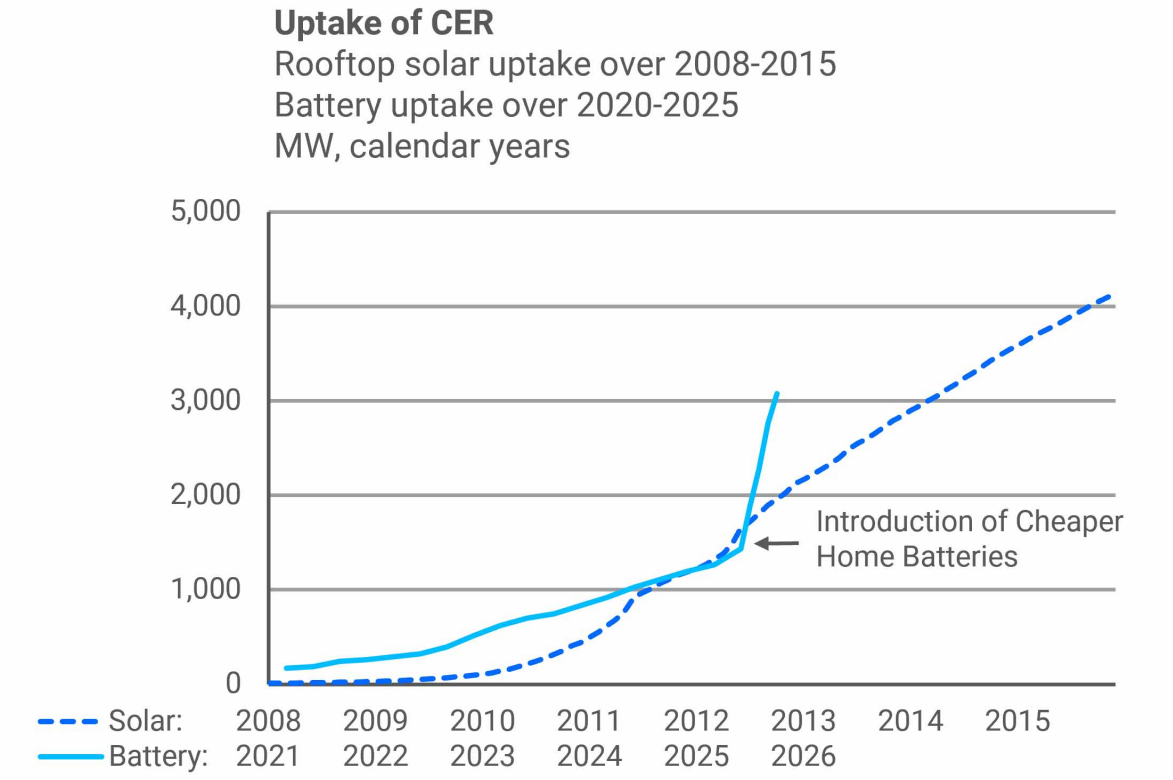
12 AEMC, *Accelerating smart meter deployment*, AEMC website, n.d., accessed 7 December 2025.
13 AEMC, *Real-time data for consumers*, AEMC website, n.d., accessed 7 December 2025.
14 For example, offers with free hours during the day or products that provide more rewards to consumers
15 Clean Energy Regulator, *Small-scale installation postcode data*, Clean Energy Regulator website, accessed 8 May 2026.
16 Clean Energy Council, Rooftop Solar and Storage Report, July - December 2025.
17 AEMO, *AEMO: 2025 IASR EV workbook* [data set], AEMO website, 31 July 2025, accessed 25 November 2025.

Figure 2.1: Projected NEM-wide consumer energy technology uptake



Source: AEMC analysis of AEMO, *2025 Inputs Assumptions and Scenarios Report* [data set], AEMO website, accessed 8 December 2025; AEMO, 2023 – 24 inputs, assumptions and scenarios [data set], AEMO website, accessed 8 December 2025; AEMC, *Accelerating Smart Meter Deployment, Rule determination*, AEMC, 28 November 2024.

Figure 2.2: Uptake of consumer energy resources, installed capacity across NEM regions, MW



Source: AEMC analysis of AEMO, *DER Data downloads*, AEMO website, accessed 8 December 2025; Clean Energy Regulator, *Small-scale installation postcode data*, Clean Energy Regulator website, 1 December 2025, accessed 8 December 2025.

2.2 These changes contribute to increasing complexity

Driven by technological change, the way consumers use, manage and pay for electricity is different than it used to be. Increasingly, we are seeing:

- consumers who both consume and produce electricity
- energy use that is increasingly flexible and responsive, rather than passive, inflexible and unresponsive to price signals and network conditions
- greater choice in how, when and from whom consumers purchase energy services.

The complexity of the system is likewise growing:

- The number of active participants is increasing significantly. What was once a centrally managed system is becoming a highly distributed, multi-actor environment, with millions of households, businesses and service providers interacting with the grid in different ways.
- Supply and demand are becoming more variable and less predictable, requiring more active, real-time coordination across the system. Managing these interactions increasingly relies on data, automation and coordination across a wide range of actors.
- The use of and demands on the network are becoming more complex. Congestion is emerging in some areas, including at quite a localised level, while the grid remains underutilised in others.
- As electrification grows across the economy, electricity is becoming a more valuable and essential service underpinning modern society.

These changes are disrupting how energy is produced, used and managed — and how value is created across the power system. Consumers' electricity consumption and exports are now better able to respond dynamically to system conditions—unlocking opportunities to lower costs and integrate new technologies more efficiently. For example, products and services such as VPPs can provide rewards to a consumer in response for them adjusting their behaviour to consume or generate electricity, based on what would offer more value to the system at a particular time.

2.3 Orderly reform is needed to prevent increasing complexity being passed through to consumers

2.3.1 Complexity is flowing through to the customer experience

The changes described above are introducing greater complexity for consumers. The range of retail offers is expanding, with new tariff types, such as free hours or technology specific (e.g. EV plans) and bundled products, such as energy bundled with telecommunications and other services becoming available.

Consumers who are willing and able to take on this complexity - and engage actively and regularly with available products and services - are frequently able to access plans with good features that are competitively priced.

Consumers who are unwilling or unable to regularly dedicate time and effort to engaging with the market do not always do so well. For instance, the Australian Competition and Consumer Commission (ACCC) has found that loyal customers often pay more than newer customers - they pay a 'loyalty tax'.[18]

Part of the challenge is that increasing complexity renders simple comparisons more difficult. Consumers consistently report dissatisfaction with the complexity of electricity market offers.[19] Many consumers find it difficult to compare alternative offers and decide whether to switch offers and/or energy service providers.

Further, the price of energy is no longer the main point of comparison or value to some consumers. Instead, consumers wish to compare different services e.g. VPPs, or no bill/cost type services. However, existing product and service comparison tools are largely focused on price comparison only.

These issues create a growing risk of decision fatigue for consumers in the energy market. Consumers are required to compare plans, understand plan structures and regularly switch to access better prices, but many find this difficult in practice. As a result, some consumers disengage from the market or remain on plans that are expensive or do not suit them, paying more than necessary. The increased complexity makes it harder, and therefore people less willing, to engage in the market. This makes the consumer outcomes from the loyalty tax even more corrosive. Furthermore, the complexity actually means that people understand less about the opportunities they have to save money through better choices about how they consume, such as electrifying.

18 ACCC, *Inquiry into the National Electricity Market - December 2024 Report*, Dec 2024, p 22; ACCC, *Inquiry into the National Electricity Market Report*, Dec 2025, p 30.

19 AER, *Towards energy equity*, October 2022, p 19.

2.3.2 The current pricing framework contributes to further complexity on consumers

The electricity pricing framework governs how the costs of the poles and wires network are shared amongst consumers, and attempts to use prices to shape how energy is used and supplied across the system.

The existing pricing framework has served us well since its introduction in 2014. The changes that are currently cascading through the system have, however, exposed some limitations of the current framework that are contributing to negative consumer outcomes.

The framework has promoted increasingly complex network tariff structures to change consumer behaviour in an effort to limit growth in the costs of the grid. It is important to note that network revenues are determined through separate regulatory processes, which set the total amount networks recover. Pricing does not change this amount. Instead, pricing frameworks determine how those approved revenues are recovered from consumers and businesses. Under revenue cap regulation, networks recover the same allowed revenue regardless of tariff structures, meaning changes to pricing cannot increase or decrease the total amount networks earn in that regulatory period. To limit future growth in revenues tariff structures have broadcast signals to indicate where future network investment could be needed if demand grows. There is evidence that there has been some success in current tariff structures limiting future growth in the costs on the grid, with peak demand growth reducing in recent years.

While increasingly complex compared to the past, the pricing signals embedded in current network tariffs do not always reflect actual network conditions, meaning consumers can face costs without delivering benefits to the system, or miss opportunities to be rewarded for behaviour that would reduce overall costs.

Furthermore, most network tariffs are designed to be understood by consumers, even though they are actually faced by energy service providers (as one of many input costs that are packaged up into retail plans). This has limited network tariffs' effectiveness and contributed to the complexity that many consumers experience on their retail plan.

Current tariff structures are relatively static and cannot readily adapt to changing network conditions, limiting their ability to support efficient use of the system as demand patterns and technologies evolve. The rules also limit the speed at which tariff reform proceeds. In practice, pricing signals are often too indirect or difficult for consumers to interpret, weakening the link between network needs and consumer behaviour. The effectiveness of network pricing also depends on how tariffs are translated into retail offers, which can dilute or distort underlying signals and lead to inconsistent consumer outcomes.

However, the current network tariff structures are typically passed through directly to consumers in retail electricity plans. While many consumers have benefited from these structures, for instance by avoiding using energy at more expensive times, and using more at other times, for other customers these approaches have caused confusion, frustration and, for some, bill shock. Many of these consumers are unable to change their electricity usage patters or are unsure about how the tariff impacts their bills. This can result in increased bills despite no change in their energy usage.[20]

They are also contributing to growing imbalances and inefficiencies. Consumers with solar, batteries or other CER can reduce their contribution to network charges, meaning others - such as renters, apartment-dwellers and lower-income or lower-wealth households - must pay more.

20 Energy and Water Ombudsman, submission to the Accelerating Smart Meter Deployment Draft Rule determination, 28 May 2024, p 3.

Together, these issues point to the need for reform to ensure network tariffs are more efficient better aligned with how the system now operates and fairer.

As change proceeds, the consequences of outdated pricing frameworks become more pronounced for everyone involved. Modernising the pricing framework will deliver a system where all consumers are better off—through lower system costs over time, clearer, more usable price signals and fairer distribution of costs. By improving how tariffs reflect actual network cost and ensuring consumers can understand and respond to them, the framework will support better outcomes for both individual households and the system as a whole.

2.3.3 The growing complexity creates opportunities and risks

This growing complexity creates both opportunity and risk. Without change, the current pricing framework will struggle to support the next phase of the energy transition.

If we continue with the current arrangements, we may see:

- higher costs for consumers, as inefficient price signals drive unnecessary network investment and fail to make best use of existing capacity
- consumers face increased complexity, as energy service providers and networks adapt to outdated pricing structures through increasingly complex pricing and product design
- consumers who have already invested in CER may be unable to realise the expected value of those investments
- higher costs for energy service providers in managing network tariff complexity
- more congestion in the grid, limiting consumers' ability to install and use CER to help with their energy costs, and limiting consumers' ability to capture the full benefits of their CER investments
- growing inequities between consumers who can invest in new technologies and those who cannot.

This review presents an opportunity to make it easier for consumers to find the best, cheapest energy plan for them – one that reflects how they use energy, and for those who do - also how they generate and store it.

Consumers seek pricing approaches that are simpler and more transparent. Importantly, pricing should also ensure that the value households create, both for themselves and for the wider grid, is properly recognised.

The AEMC is inviting the energy industry and stakeholders to work together to simplify energy pricing and deliver better outcomes for everyone.

We need to act now on a roadmap for the next decade and beyond to make pricing work for the energy grid of our present and our future. Planning these changes together, today, will mean a smooth transition to a future of energy where all Australians can benefit, recognising that such changes will take time to implement.

We want any reforms to be implemented in a planned, staged and coordinated way. This will support a smoother transition for consumers and industry, avoid more disruptive changes later, and enable new technologies to be integrated more efficiently as they scale.

Importantly, reform is not just about changing prices for consumers - it is about making the system easier to use. As the number of available choices increase, there is a growing risk of decision fatigue, where consumers disengage because options are too complex. Well-designed

pricing frameworks can reduce this complexity by enabling clearer, more consistent offers that are easier to understand and act on.

Additionally, reform provides the opportunity to place responsibility for managing complexity and risk on the parties best able to manage it, energy service providers. This includes energy service providers taking greater accountability for the prices and products they offer. Over time, this is how trust is built. Trust is not driven by messaging alone—it is earned when consumers can see that the system is fair, that prices make sense, and that they can access better outcomes without needing to constantly engage.

With the right pricing frameworks, new technologies, data and services can reduce network costs, improve reliability, and provide consumers with greater choice and confidence. Network tariff reforms aim to reward behaviour that reduces network costs, while energy prices should reward behaviour that reduces energy costs. Together, better alignment of local supply and demand reduces total system costs by deferring new network and generation investment.

This supports simpler, more transparent offerings from proactive energy service providers, encourages efficient behaviour, and reduces the need for blunt interventions such as usage limits over time.

3 Consumers benefit from the lowest-cost system. Our final recommendations target that outcome

This chapter sets out our vision for the future energy services market and explains how our final recommendations work together to deliver a simpler consumer-focused system. Taken as a package, the reforms move the market away from complexity and blunt incentives, towards clearer processes and pricing signals that better reflect underlying system costs.

3.1 Our vision for the future energy services market

We set ourselves the challenge of developing a vision for the energy services market - one that is ambitious, consumer-centric and capable of harnessing the opportunities created by new technologies and changing patterns of energy use and consumer preferences. Stakeholder feedback has helped us refine the vision.

Under our vision, consumers can access electricity plans that are easy to understand, reflect their needs and behaviour, and deliver value for consumers without requiring expert knowledge. Consumers benefit from the market regardless of whether or not they are:

- highly engaged or largely passive
- invested in technologies such as rooftop solar, batteries or electric vehicles or are unable to.

Achieving this vision requires reshaping the electricity market to deliver greater value and a better consumer experience. Market and regulatory frameworks need to evolve to keep pace with changing consumer needs and to better harness consumer investment in energy technologies to deliver bill savings for everyone - including those with and without CER.

Box 1: Our vision for the energy services market

Our vision is an electricity services market that places consumers at its core—simple, transparent and easy to navigate. Proactive energy service providers would offer consumers energy plans that reflect their needs and behaviour and deliver fair outcomes, without requiring expert knowledge. Consumers will also have clear and meaningful choices, including opportunities to earn rewards for actions that support the energy system, delivering benefits for both individual customers and the broader community.

Under this vision:

- **All consumers benefit** from easy-to-understand, customer-centric plans.
- **Energy service providers compete on value, innovation and service quality**. Providers are proactive in ensuring customers have access to appropriate products and are not disadvantaged by remaining on older plans.
- **Consumers who support the system are rewarded**. This includes those who use CER to reduce demand, shift consumption or provide energy at times and locations that lower system costs. Importantly, consumers without access to CER also benefit, because better use of these resources places downward pressure on overall system costs and, ultimately, on bills.
- **Network costs are recovered in a way that recognises differences between consumers**, including their impact on the network, rather than applying a uniform approach to all customers.

- **Smart technologies are used to amplify consumer responses**, allowing energy service providers and networks to aggregate individual actions into meaningful system-wide outcomes. This enables more efficient use of existing infrastructure and avoids unnecessary investment in poles, wires and large-scale generation.

3.2 A package of reforms to deliver the vision

We have made a suite of final recommendations to give effect to the vision outlined above. The reforms are deliberately designed as a mutually reinforcing package, where change in one part of the system enables and supports change in others, rather than relying on any single reform to deliver outcomes on its own.

Figure 3.1: The Final Recommendations

Source: AEMC

Together, the recommendations address high costs and poor consumer outcomes from multiple angles, including rules, pricing, competition and consumer decision-making. Taken as a package, they replace blunt and poorly targeted incentives with updated approaches and clearer pricing signals. This should make it simpler and easier for consumers to benefit from the energy system without needing to understand all of its complexity.

By improving how costs and benefits are signalled throughout the value chain, the reforms help align incentives across the system - making it easier for consumers to engage where they choose to, while ensuring the benefits of lower system costs are shared more broadly.

Retail reforms play a central role in this package by strengthening the framework for energy service providers to offer products that better reflect consumer needs and preferences. Improving the quality, accessibility and comparability of information about retail offers enables consumers to navigate the market and identify options that suit them, without requiring expert knowledge. This supports simpler, better-value outcomes for consumers who want predictability, while preserving space for innovation in products and services.

At the same time, reforming network tariff arrangements so that energy service providers manage network cost risks on behalf of their customers supports innovation in retail product design. For example, this allows greater focus on the types of products that would meet customer needs, rather than those that best align with different network tariff structures. This supports more flexible, integrated offers that combine pricing, technology and services in ways that better reflect consumer preferences and system conditions, and that enable consumer investments to contribute to lower system costs.

While the recommendations are not specifically formulated to address the immediate causes of individual vulnerability or hardship, we recognise that aspects of market design can create and entrench structural inequities over time. By addressing these structural issues, the reform package is expected to reduce future vulnerabilities and support all consumers to access and benefit from the energy market - regardless of whether or not they are able to invest in and use CER. Built-in protections as key design elements of our recommended reforms ensure that any changes are implemented smoothly, fairly and in a way that maintains confidence in the market.

3.2.1 Stakeholder observations shaped the Commission's recommendations

The Commission received and carefully considered a large number of submissions. The unprecedented level of interest highlights the significance of the policy issues under consideration. We value the time and effort stakeholders took to respond to our draft recommendations, and previous consultation submissions, particularly the insights provided by individual consumers. Although not all individual submissions are cited, the issues raised and themes identified have informed the Commission's thinking and the development of the final recommendations where appropriate.

Several recurring themes in stakeholder feedback were particularly influential in shaping the final recommendations.

Scale and pace of change

Stakeholders expressed concern about the scale and pace of reform, emphasising the importance of introducing changes gradually and carefully.

We agree and there are four key ways that we have considered this feedback:

- **How the recommendations are designed**. The final recommendations are structured as a staged reform program. Some reforms could be implemented soon, while others such as network tariff reform to make plans simpler will need to be introduced gradually over approximately ten years. Network pricing reforms to have simpler plans would be implemented in stages following any successful rule change process, with clear sequencing to give consumers, industry and institutions time to adapt. This approach seeks to balance timely progress with the need for appropriate protections that support consumers through the transition.
- **How further consultation will support implementation**. We recognise that the final recommendations require further iteration and detailed consideration before implementation.

Further design work will be progressed through subsequent consultation processes, including subsequent rule change processes. This provides further opportunity to consider the details of the reforms.

- **Ensuring appropriate consumer protections are built in.** The Commission has considered appropriate protections in light of the protections that currently exist, such as payment difficulty and hardship protections, and additional protections that will come into effect soon.[21] Further protections are considered vital. These protections are embedded as an integral part of the reform package to help ensure consumers are set up for success. For further details on implementation, see chapter 4.
- **How our recommendations interact with other reforms across the sector.** Stakeholders also highlighted the range of concurrent reviews and reform workstreams across the energy sector, some of which intersect with matters considered in this review. The Commission has developed its recommendations with these parallel reforms in mind, recognising that change across the sector must be coordinated to achieve the intended outcomes. We will continue to engage with related reviews to share insights, minimise duplication and support alignment across reform agendas. For further information on interacting reforms, see appendix G.

Retail market reforms, implementation complexity and proportionality

Stakeholders raised concerns about the complexity and cost of implementing retail market reforms. The Commission agrees that there are potential challenges in implementing the draft recommendation to address the loyalty tax, including the risk of increased regulatory burden without clear evidence of customer harm. We consider that a more targeted approach may be preferable.

In response, the Commission has refined its recommended approach to the loyalty tax to more proportionately address the issue while taking account of implementation challenges. These measures are intended to improve long-term consumer outcomes by increasing transparency, strengthening energy service provider incentives, and supporting effective competition. The revised recommended approach better balances retailer costs while addressing consumer harm and providing better information to consumers. Our final recommendation will complement other measures to improve outcomes for consumers. Further details on this can be found in appendix A.

We do not recommend progressing the competitive franchise auction (Draft Recommendation 2) at this time

Stakeholders raised concerns about the complexity and cost of implementing the competitive franchise auction. In response, the Commission does not recommend introducing a competitive franchise for standing offer customers at this time. While such a mechanism may support competitive price and service outcomes, it would face significant implementation challenges.

We also note that the Default Market Offer plays an influential and evolving role in the market as we transition, including as a reference price and as a vehicle for introducing new tariff structures. While these functions can support consumer confidence in the transition, they may also constrain innovation by requiring new offers to be benchmarked against a regulated reference and by effectively mandating tariff design. In a well-functioning market, we would expect retailers to develop and offer new tariffs themselves, and for consumers to be able to compare and choose

21 The AEMC's *Improving consumer confidence in retail energy plans* which limits price changes for retail plans to once per year, and restricts prices on plans with benefits that expire, and *Assisting hardship customers* which ensures hardship customers do not pay more than their retailer's deemed better offer.

between them easily. Over time, improvements in tariff simplicity, comparability and trusted information should reduce the need for these regulatory mechanisms.

In this context, the Commission supports allowing recent DMO reforms to take effect and will monitor outcomes, with the option to reconsider more intrusive measures if standing offer customers continue to face persistently poorer outcomes.

Potential impacts of network pricing reform on different customer groups

Stakeholders agreed with the views expressed in our draft report that network pricing reforms could affect customers differently, and that it would be critical to ensure consumers' interests are respected in implementing any changes. Stakeholders highlighted a range of situations in which customers could be adversely impacted by network pricing reform (such as low usage customers). In response, the Commission has built a range of protections as key design features into its recommendations to support customers as change proceeds. Our analysis in April 2026 indicated where these protections would be most needed.[22] These protections focus on making sure costs are shared fairly and changes happen in a way everyone can manage. For example, we recommend that when networks set prices, they consider the benefits different customers get from the network. Further information on the protections integrated into the design of the recommendation can be found section 3.5. This helps avoid situations where some customers end up unfairly paying more.

We have also set out key principles to guide how these changes are introduced:

- **There is no single fix:** Managing bill impacts will require a mix of measures, including short-term support and longer-term protections across both network pricing and retail offers.
- **Protect existing investments:** Customers who have made decisions under current pricing (for example, installing batteries) should be given time to adjust. How this is done will depend on the timing and scale of the reforms.
- **Take account of local conditions:** The right approach may differ depending on the state of each network when changes are introduced.
- **Use targeted support:** Governments may need to adjust concessions and rebates to help customers through the transition.

Overall, these measures are designed to ensure that pricing reforms are gradual, manageable, and fair—so customers are supported, not disadvantaged, as the energy system changes, consumers with CER can continue to be able to receive and sell energy, and the benefits flow to all consumers, not just some. Further details can be found in appendix D.

Tariff prescription and incentives for CER and demand response

Some stakeholders were concerned that these reforms might force all customers onto the same type of network pricing. This is not the case.

The reforms do not set a single tariff or pricing model. Instead, they provide guidance on how network tariff structures should be designed, promoting improved consumer outcomes over time. Decisions about specific tariffs will continue to be made by networks and the AER through existing processes, taking into account local conditions and energy service provider capability. The final report clarifies that the reforms focus on strengthening the principles underpinning network tariff design, rather than prescribing tariffs.

22 AEMC, *The pricing review. Smarter, cleaner, cheaper energy: What network tariff reform means for consumers*, 23 April 2026.

In addition, stakeholders raised concerns that the direction could reduce incentives for energy efficiency, demand response and CER uptake. Our analysis shows that even without integrated protections, this is unlikely.[23] For example, even under a reform model where no protections are introduced (which is not what we are proposing):

- the payback period for rooftop solar increases only slightly—by around three months
- for solar combined with a battery, the payback period increases modestly by around four months
- for households switching from gas to electricity, payback periods actually improve, meaning customers can recover their investment sooner if reforms are introduced.

With our proposed rewards for better leveraging these CER assets this should further improve incentives for these consumers. Overall, this suggests customers can still benefit from investing in solar, batteries and electrification, while the pricing reforms help ensure the system remains fair and efficient for everyone. Protections designed to respect consumers' investments in CER would reinforce this, and are an integral element of the network pricing reform agenda we propose in this report.

3.3 Recommendation 1: Shine a light on energy service provider behaviour that contributes to negative outcomes for loyal customers

Box 2: Recommendation 1

Consumers who stay on the same energy plan for long periods often pay higher prices than those who regularly switch offers, as shown in recent analysis by the ACCC and the ESC. The Commission considers this "loyalty tax" negatively impacts consumers, and should be addressed.

Improving transparency and increasing scrutiny of the loyalty tax will encourage energy service providers to better serve loyal customers.

Under our recommended approach, energy service providers would be required to:

- Notify customers who have been on the same plan for four years (and annually thereafter) of the total amount they could have saved if they had switched to a better offer over that period.
- Report to the AER on how many customers are affected by a loyalty tax, and the total amount those customers paid over the better offer. These outcomes will be published to reveal treatment of customers who remain on the same plan, incentivising better behaviour by energy service providers.
- Make new market offers available to both new and existing customers, allowing existing customers to access the best prices.

The ACCC has found that energy service providers typically set different prices for new and existing customers on comparable market offers.[24] ACCC data indicate customers on plans more

23 AEMC, *The pricing review. Smarter, cleaner, cheaper energy: What network tariff reform means for consumers*, 23 April 2026.
24 ACCC, *Inquiry into the National Electricity Market - December 2024 Report*, Dec 2024, p 1.

than three years old pay the highest prices.[25] This includes 24.1% of customers (or 1.1 million customers) on flat rate plans who are on plans that are 3 or more years old, meaning that this penalty impacts a material group of the population.[26]

The draft report recommended changes to require energy service providers to charge all customers on the same plan, the same prices. The recommendation sought to address the 'loyalty tax', so that customers do not need to regularly switch plans to maintain access to a competitive price. In addition, the recommendation intended to change the dynamics of competition and focus it on areas that would deliver meaningful value for consumers.

Stakeholders were split in response to the proposed draft recommendation 1, '*same plan, same price*'. While there was broad acceptance that the loyalty tax occurs in practice, i.e. that loyal customers pay more than those who switch regularly, there was disagreement on the degree of market failure and harm caused. Across submissions, there was concern about how this recommendation could be implemented, that it could negatively impact competition and would reduce consumers need to engage with the market.

The Commission's view is that loyalty taxes are likely to create material consumer detriment, including poor outcomes and higher prices for customers on older offers, potentially including customers experiencing vulnerability. It is also unlikely that the loyalty tax will dissipate without additional measures to encourage it to do so.

The Commission therefore still recommends addressing the loyalty tax. However, in response to stakeholder feedback and further analysis, we have evolved our recommendation, as outlined in the box above, to reflect a more targeted obligation, which balances competition benefits with improved retailer incentives and transparency to protect consumers from high prices on older market offers. We consider that any stronger measure than this at this time would be complicated to implement as it could could be considered akin to price regulation and would have to be designed in such a way that wouldn't reduce incentives to switch.

Our final recommendation will complement other measures to improve outcomes for consumers. These include Make finding plans easier, recommendation 2 and Make plans simpler, recommendation 3, and yet to be implemented retail rule changes (The AEMC's Improving consumer confidence in retail energy plans, and Assisting hardship customers, described in appendix A). We note Energy Ministers have submitted a rule change request requiring energy service providers and distributors to deliver support more tailored to a customer's individual needs, including cultural, language, and access requirements.[27]

Our regular review, recommendation 4, will assess consumer outcomes. Monitoring and reporting is important as transparency can encourage competition by reputation. This can provide further insights into the size and extent of the loyalty tax, the types of consumers impacted and whether further intervention is needed, such as requiring retailers to ensure that customers on older plans are receiving reasonable prices. This review could consider whether any stronger changes are required in future to address the loyalty tax, such as requiring retailers to proactively move customers who are experiencing the loyalty tax onto better plans.

This recommendation interacts with the Commonwealth DCCEEW's ongoing PEMM review, which is also considering options to address the loyalty tax. DCCEEW is yet to release its final report on

25 ACCC, *Inquiry into the National Electricity Market - December 2025 Report, Dec 2025*, p 32.
26 ACCC, *Inquiry into the National Electricity Market - December 2025 Report*, Dec 2025, p 33.
27 AEMC, Requiring retailers and distributors to engage with customers in a way that meets their needs, 10 June 2026.

strengthening the PEMM Act. DCCEEW will be positioned to consider our final recommendations in its review.

Rule changes would be required to give effect to this recommendation in relevant jurisdictions. We intend to work with interested stakeholders to submit such a rule change request to us.

For further information on this recommendation, see appendix A.

3.4 Recommendation 2: Make it easier for consumers to find electricity plans and services that suit them

Box 3: Recommendation 2

Technological change is expanding the range of electricity offerings available to consumers. However, consumers consistently report difficulty comparing plans. Consumers now need to consider a broader array of information when selecting an energy plan or service, and that complexity will continue to increase into the future as technological innovation continues to disrupt the energy market.

Submissions and our own analysis have highlighted that further work could help to ensure that product and service comparison tools fully address consumers' information requirements and support meaningful and simple comparisons in an evolving electricity market.

The Commission will explore opportunities to make it easier for consumers to find electricity plans and services that suit them:

- The Commission will collaborate with relevant organisations to assess what a fit-for-purpose customer-facing comparison tool could look like in the future.
- We will consider the scope and quality of information necessary, the insights required and functionality that could be important to allow consumers to confidently and easily compare and select a plan or service, including the need for information to be independently provided and from a credible source
- We will also consider appropriate funding mechanisms that could support the best possible tool for consumers.

Many consumers find it difficult to compare alternative offers and decide whether to switch offers and/or energy service providers. ECA reports that over a quarter of consumers who tried to switch energy plans but did not, found that:

- they could not find a product that suited them, or
- the process was either:[28]
  - too complicated
  - too confusing
  - too time-consuming.

28 ECA, Sentiment Survey, June 2024, Topline Data [data set]. Survey participants could select multiple options (28% could not find a product that suited them, 25% thought it was too complicated, 27% thought it was too confusing, 25% thought it was too time-consuming).

Energy Made Easy and Victorian Energy Compare do an excellent job of comparing all generally available retail offers by price. However, stakeholders highlighted that the market has evolved and needs a fit-for-purpose comparison tool, noting that 'price' may not be the only plan or service component in which consumers are interested. Stakeholders noted that existing comparison websites do not facilitate comparison of more innovative offering types or consumer decisions, such as:

- offerings that pass wholesale energy market prices fully or largely directly on to customers
- innovative plans that work with customers' CER to deliver a specific price or bill outcome, such as no-bill services
- whether or not a consumer may wish to electrify appliances or invest in new technologies to access or benefit from a given service.

In the draft report, we identified a need to make it easier for consumers to compare electricity products and services. In the May 2026 Federal budget, additional funding was allocated to the AER to improve the functionality of Energy Made Easy.[29] The AER intends to add functionality to the platform to allow consumers to compare different VPP offers. This is planned to occur by June 2027. These upgrades will be valuable for consumers.

Given the feedback, we have refined our recommendation. We will explore opportunities to make it easier for consumers to find electricity plans and services that suit them, by examining:

- what a fit-for-purpose comparison service looks like in a changing electricity retail market where price is not the only component on which comparisons are made
- whether a trusted comparison site should be complemented by other tools to help consumers with their energy choices
- the funding approach that could best support such a service into the future.

We consider that, subject to the eventual delivery of such a tool, consumers can benefit from simplified interactions, and the market would work more effectively - supporting innovation and competition, and lower prices for consumers.

For further information on this recommendation, see appendix B.

3.5 Recommendation 3: Simpler energy plans, with complexity handled behind the scenes, to unlock the full value of a consumer-led energy system for everyone

Box 4: Recommendation 3

3 **Simpler energy plans, with complexity handled behind the scenes, to unlock the full value of a consumer-led energy system for everyone**

Energy pricing will be simple for consumers, with the complexity managed in the background by providers and systems that are better equipped to handle it. Better harnessing CER provides better consumer rewards, and lower costs over time for everyone.

The existing electricity pricing framework, which determines how network costs are shared and how prices influence how energy is used and supplied across the system:

29 The Commonwealth of Australia, *Budget Papers number 2*, 12 May 2026, pg 60,

- largely charges consumers for using the network based on how much electricity they consume from the grid
- sends the same price signals to all consumers, regardless of prevailing local network conditions.

This approach has been in place for many years and is familiar and publicly acceptable, though in an environment of increasing adoption of CER it faces three critical challenges, in that it.

1. **Imposes unnecessary complexity on consumers** by requiring networks to design their tariffs for end-use consumers, which often results in these consumers being exposed to complex retail plan structures they struggle to understand, manage and benefit from.
2. **Can negatively impact consumers' quality of life, and their bills** by sending the same pricing signals to all customers, even though network constraints are local and arise only for limited hours each year. This can discourage consumers from using electricity when it would be costless to the network if they did. It also risks unnecessarily overbuilding the network and failing to fully harness the benefits of CER, costing consumers money.
3. **Contributes to increasing inequities** by providing a means for consumers with CER to largely avoid paying for the network, even though they still rely on it to buy and sell energy and to meet their electricity needs during times of high demand, for instance during long cloudy spells. This means that over time, the costs of the network will increasingly be borne by those consumers unable to invest in CER - renters, apartment dwellers, and those with low wealth and/or low incomes.

Under our recommended approach:

- Complexity would be shifted away from households and onto energy service providers, who are better placed to handle it behind the scenes. This would help turn complex pricing into simple, clear plans that work for different households and businesses.
- The rules would ensure a clearer, more sustainable approach to pricing access to the grid that better reflects the cost of using the system. This would make it easier for customers to benefit from simple choices, like when they use energy or how their devices are set up. It will also help keep overall costs down over time.
- Network service providers will have greater flexibility in how they design prices, but will be expected to show that these approaches recognise energy service providers' ability to respond and contribute to lowering overall system costs over time.
- Protections would be integral to networks' pricing approaches, making sure the impacts of change on customers are managed.

The electricity distribution network plays a critical role in delivering electricity from where it's generated to households and businesses. It also increasingly provides a means for consumers with solar panels, batteries and other CER to export electricity back to the grid - helping to lower their own energy costs and those of other consumers, and also reducing emissions.

The distribution network is shared infrastructure that we all rely on. This is true for consumers without CER who meet all of their electricity needs through grid consumption. It is also true for households and small business with solar, batteries, and other CER. While these consumers can reduce their consumption from the grid - benefiting themselves and others - they remain dependent on access to the network to meet their electricity needs during times of high demand,

for instance during long cloudy spells. It follows that all consumers, not just those without CER, should contribute to the costs of building and maintaining the distribution network.

It is important to note that network revenues are determined through separate regulatory processes, which set the total amount networks are allowed to recover. Pricing reforms do not change this total. Instead, they focus on how those approved revenues are recovered from consumers and businesses. Under revenue cap regulation, networks recover the same allowed revenue regardless of tariff structure, meaning changes to pricing cannot increase or decrease the total amount networks earn.

Current network prices are complex and don't always reflect how the energy system is used today. The current tariff setting framework was designed in 2014 to better reflect the cost of using the electricity network.[30] At that time, consumers were more homogenous, with limited ways to respond to prices -mainly through long-term investments or by shifting usage away from peak periods. Given consumers were homogenous, the framework didn't need to accommodate the diversity of costs, benefits and technology choices that exist today.

Since that time, the energy system has since changed significantly. Electricity now flows both ways, with more households generating and exporting energy while still relying on the grid for reliability and access. In this context, charging mostly based on how much electricity a customer uses is no longer a fair or sustainable way to recover the costs of a shared network.

The current approach is creating growing imbalances and inefficiencies. Consumers with solar, batteries or other CER can reduce their contribution to network costs, while others - such as renters and lower-income households - may pay more. At the same time, current pricing signals do not always reflect actual network conditions, meaning consumers can face costs without delivering benefits to the system, or miss opportunities to be rewarded for behaviour that would reduce overall costs. Together, these issues point to the need for reform to ensure tariffs are fairer, more efficient, and better aligned with how the system now operates.

In the draft report, we recommended updating the rules to refocus network tariff design on efficient use of the network and a fair sharing of costs. This was intended to give networks greater flexibility to introduce more dynamic and targeted tariffs, while ensuring shared costs are allocated in a fairer way.

Stakeholder feedback played a key role in shaping the final recommendation. We heard strong concerns about how the reforms could affect different customer groups (such as low usage households), as well as the risk of increased complexity and reduced incentives to invest in solar, batteries and electrification. See appendix C for a discussion of the draft recommendation and submission feedback received.

In response, we are recommending changes that lead by protecting consumers; including recognising through the sharing of costs the different benefits customers receive from the network, supporting a gradual transition, and protecting existing investments. We also clarified that the recommendation would not prescribe a single tariff or pricing model, but instead strengthen the principles guiding tariff design, allowing solutions to reflect local conditions and customer needs.

We propose changing how network tariffs are designed to better reflects how consumers use and benefit from the electricity network, while making energy plans simpler for households and small businesses. We would require energy service providers to manage network tariffs, shifting the

30 AEMC 2014, *Distribution Network Pricing Arrangements*, Rule Determination, 27 November 2014, Sydney.

complexity away from households and small businesses, as they are better placed to manage it behind the scenes and convert complex pricing into simple, meaningful products for consumers.

Our final recommendation proposes targeted changes to the rules framework, including a new objective and supporting rule reforms.

At the centre of our proposed network tariff reforms is a clearer purpose for how tariffs should be designed, a shift in the role of energy service providers (ESPs), and strong protections to help manage any negative impacts on consumers.

Consumer protections are embedded across the package and include elements such as:

- a gradual transition, allowing consumers and market participants time to adjust
- a flexible, principles-based framework that preserves the ability of networks and the AER to mitigate adverse bill impacts, including enabling different network tariffs for different consumers rather than applying a uniform charge
- recognition that complementary retail protections may be required to support consumers, particularly where reforms could otherwise lead to more complex or higher bills for some consumers.

This recommendation has four key components. Component 1 introduces a new tariff objective that seeks to:

- support clearer and more sustainable pricing for network use as technology and consumer energy resources grow
- better reflect the cost of using the system, including removing signals that can lead to poor outcomes for consumers
- help keep overall system costs lower over time, including by rewarding consumers who help reduce network costs

Component 2 builds on this by supporting better use of consumer energy resources (CER), like rooftop solar and batteries. It would enable tariffs that:

- better capture the value of these resources
- reward consumers for using them in ways that benefit the system
- avoid pricing signals that lead to inefficient or unintended behaviour

These changes would give networks more flexibility to design tariffs that encourage better use of the existing network and more efficient investment over time. We also set out a long-term direction for pricing, to guide implementation without requiring all networks to follow the same path.

Component 3 focuses on improving how shared network costs are allocated. It aims to deliver more efficient and fair outcomes by addressing limitations in current pricing approaches, while maintaining community trust. This includes allowing pricing to better reflect the benefits different users receive from the network, alongside protections to manage any negative impacts. Importantly, pricing must still support sensible consumer behaviour and avoid encouraging unnecessary reductions in energy use or disconnection from the grid.

The reforms would also respect investments consumers have already made. Stakeholders emphasised that protections are essential, and we have reflected this by embedding them as core design features to help manage the impacts of change.

Component 4 reinforces the shift to ESPs by creating a stronger role for them in managing tariff complexity. Networks would design tariffs that ESPs can manage efficiently, and ESPs would be

expected—potentially supported by new protections—to translate these into simple, meaningful products for consumers. This would create opportunities for providers that adopt new technologies and approaches to deliver better outcomes for consumers while helping reduce system costs.

Finally, the reforms should be implemented in a steady, well-paced approach that gives consumers time to adjust, supports those who may face higher bills, and allows systems and behaviours to evolve. The aim is to ensure reforms are delivered at a pace that maximises benefits without causing unnecessary disruption or cost. These changes would be introduced gradually over approximately ten years. For further information on implementation see chapter 4.

See appendix D for a more detailed discussion of our final recommendation.

This recommendation works with the other recommendations to support more innovative, simpler offers for consumers. This recommendation also interacts with our upcoming Electricity Network Regulation Review (ENRR). This review will initiate in mid-2026 and will consider the important role of electricity network regulation in providing consumers with a reliable supply of electricity at least cost, as the NEM transitions to a net-zero system. Network charges make up the largest component of power bills so ensuring the regulatory framework remains fit for purpose into the future is critical to achieving outcomes in the long term interest for consumers. For further information on this review see appendix G.4.

3.5.1 Analysis undertaken to understand network tariff pricing reform

By reducing unnecessary complexity, improving the alignment between prices and system costs, and enabling more efficient responses to system needs, the reforms support lower overall costs, better use of existing infrastructure and a more resilient electricity system. In doing so, the reforms help ensure that the benefits of technological change and consumer participation are shared across the community, rather than accruing only to those best placed to navigate the market.

In April 2026, we released further analysis to inform the design of protections, not to predict actual outcomes under the reforms.[31] In particular, our proposed reforms to network pricing are expected to reduce overall network costs by improving how the distribution network is used and avoiding unnecessary future upgrades. In aggregate, our analysis indicates that reforms could deliver $2-$6 billion in cumulative customer savings over the next 15 years (present value terms). This translates into an average annual bill reduction of around $40-$80 per customer by 2040.

These savings arise because more efficient price signals can reduce network congestion and peak demand, by sending signals that reward less use when congested, which are key drivers of augmentation and investment costs. In practical terms, reform is expected to help 'get more value' from existing infrastructure, lowering the need to build (and pay for) additional network capacity that is only required for those rare occasions where demand on the grid peaks.

Reform also better supports the integration of CER such as solar, batteries and EVs, allowing these assets to contribute more effectively to system efficiency. By improving incentives for when electricity is imported or exported, reform can reduce costs across the supply chain, including by reducing the need for new large-scale generation and supporting a lower-cost, more efficient grid.

The modelling presented a set of stylised scenarios designed to test the outer bounds of potential outcomes under deliberately simplified and extreme assumptions—specifically:

31 AEMC, *The pricing review. Smarter, cleaner, cheaper energy: What network tariff reform means for consumers*, 23 April 2026.

- no consumer protections
- full (100%) pass-through of network tariffs by energy service providers
- uniform fixed charges across all consumers

These assumptions do not reflect the proposed reforms. Rather, the analysis is a thought exercise to illustrate where risks could arise in the absence of appropriate safeguards. It is used to identify:

- which consumer groups could be exposed to adverse outcomes
- the types of pricing structures that could create those risks
- where protections and transitional arrangements will be most important

Under the recommended approach:

- consumer protections are integral, not optional
- energy service providers are expected to translate network signals into consumer-appropriate products, not pass through complexity
- tariff design will continue to be subject to regulatory oversight and consultation
- implementation will be phased to manage impacts, particularly for vulnerable consumers

Accordingly, the scenarios presented should be interpreted as highlighting why protections are necessary, rather than as evidence of the outcomes the reforms are expected to deliver.

3.6 Recommendation 4: Regularly review customer outcomes to refine regulations and eliminate unnecessary red tape

Box 5: Recommendation 4

4 **Regularly review customer outcomes to refine regulations and eliminate unnecessary red tape**

This means removing rules that add cost or complexity without delivering benefits, and strengthening protections where needed. The result is a system that stays simple, relevant and focused on delivering consumer value.

Regulations such as information provisions and dispute resolution provide valuable protections for consumers. However, some regulations may become unnecessary or redundant as the market evolves and transitions. If this is the case, continuing on with these regulations would add costs to doing business, particularly for energy service providers, and these costs would be ultimately borne by consumers.

Under our recommended approach:

- We would undertake a regular review of customer outcomes over time, building on data and analysis from other bodies, to identify where regulations can be strengthened, and where existing regulations may be adding unnecessary cost or complexity without delivering benefits.
- These reviews will provide an opportunity to assess whether the framework is delivering outcomes that best serve consumers, and identify any remaining gaps.
- Where data is lacking, we will identify where opportunities may exist to support evidence-based decision making.

Regularly reviewing how well competition is working is important. It can help lower costs and strengthen competitive pressure that benefits consumers.

Our draft recommendation was for the AEMC to undertake a regular review of the retail regulations to:

1. provide confidence that regulatory arrangements support good consumer outcomes and
2. identify when regulations do not support competition or are no longer necessary and so could potentially be removed.

Stakeholders broadly supported the intent of the review and the outcomes it sought to achieve, provided that our review did not seek to duplicate other work in the market. Others wanted more clarity on what we would propose to consider in the review.

Reflecting on the feedback received, we still consider that this review is necessary to address the purpose identified. Furthermore, we consider that it will support the effective implementation of the other reforms proposed in this review. Therefore, our final recommendation is for the Commission to conduct a regular review to:

1. analyse whether consumers are receiving good outcomes in the energy market
2. act to refine regulations and remove unnecessary red tape.

We will analyse whether the regulations underpinning outcomes in the following areas remain appropriate:

1. **Prices are competitive**
    a. Prices trend towards the efficient cost of supplying electricity, with limited unjustified dispersion.
    b. Energy service providers proactively provide innovative offers to existing customers
2. **Consumers get what they sign up for**
    a. Providers deliver on what they promise their customers, and those that do not lose customers or face consequences.
3. **Offers are simply presented and easy to compare**
    a. Consumers have genuine choices—supported by simple, transparent offers that are easy to understand and compare.
4. **Competition drives value and innovation**
    a. Market entry, exit and innovation drive value for consumers over time.

This review will not seek to replicate the data gathering or competition assessment of the market that is undertaken by the ACCC (potentially in the future the AER) or other market bodies. Instead, the review will use this data as an input to inform our review of regulations. The review may also assess the pace and scale of CER technology uptake and associated consumer expectations over time.

We aim to start this review in 2029-30. In response to stakeholder feedback, we have clarified the scope of the review by reinforcing the outcomes the review seeks to achieve. We have also clarified that our approach to the review is a strategic, forward-looking mechanism to keep regulations fit for purpose, not a market monitoring report. The review will consider whether the rules-based framework needs modification, that is, whether rules and related interventions continue to support competition. We can consider multiple objectives to this end and will leverage findings from the AER and/or ACCC.

Through The pricing review, the Commission has identified several data gaps that limit the evidence available to inform policy choices. We will work with market bodies and other relevant organisations to address these data gaps. Future reviews will consider whether additional data is needed to support effective decision-making.

For further information on this recommendation, see appendix E.

4 Implementing the recommendations

4.1 We recommend a gradual, coordinated implementation to manage the impacts of change

Our reform agenda is broad to address the challenges identified in chapter 2. The changes we propose could be disruptive to customers and industry participants if implemented in an uncoordinated way. Likewise, moving too quickly could be risky - imposing significant adjustment costs on industry and customers before benefits are realised. We consider now is the time to start to consider these issues and potential reforms, before existing issues worsen and we foreclose opportunities to get ahead of future negative customer impacts before they arise.

Stakeholders consistently emphasised the risks associated with a poorly considered implementation approach. Many argued that a measured and consultative implementation approach would be critical to good consumer outcomes.[32]

We agree and consider that a *gradual* implementation approach is required to:

- **Protect consumers from harm by avoiding abrupt changes and ensuring safeguards are built into reforms from the outset.** Our analysis indicates that network pricing reforms should be implemented with inbuilt safeguards as key design elements to address potential consumer harms and minimise the adverse effects of abrupt change.
- **Allow time for capability development and system readiness across the sector.** Some recommendations rely on energy service providers taking a more active role in managing pricing risks and engaging with both networks and consumers. The Commission recognises that this represents a significant cultural and capability shift for the sector, and that levels of readiness vary across energy service providers. Likewise, innovation in network pricing approaches may in many cases require networks to invest in new technologies, processes and capabilities. Networks will require time to consider the costs of any investments against the benefits for energy service providers.
- **Provide confidence to stakeholders.** A slower, considered implementation allows time to observe and measure the impacts of change and avoids the risk of adverse outcomes. Stakeholders have rightly emphasised the need to manage risks through implementation, and we consider that a gradual implementation approach can help mitigate such concerns as reform proceeds.
- **Allow reforms to build on each other over time.** The reform implementation program should be staged to account for dependencies within and across the recommendations, as well as broader reforms across the sector, such as the incoming retail rule changes, our upcoming Network Regulation Review and our review of consumer outcomes.

4.2 Implementation of our recommendations would occur across several different pathways

Implementation of our recommendations would occur across several different pathways, reflecting the diversity of the reforms and the various processes required to give them effect. Some recommendations could be progressed by the AEMC, while others depend on external processes, such as rule changes or network tariff reset cycles. These rely in part on actions of other organisations, such as the AER, and can occur on predetermined timeframes.

32 Submissions to the draft report; ECA, p 23.

We propose a high-level, staged implementation approach to deliver the core reform agenda set out in this final report. The recommendation to protect loyal customers, recommendation 1, requires a rule change request, and could be implemented following this process. Therefore, it could be implemented within a few years.

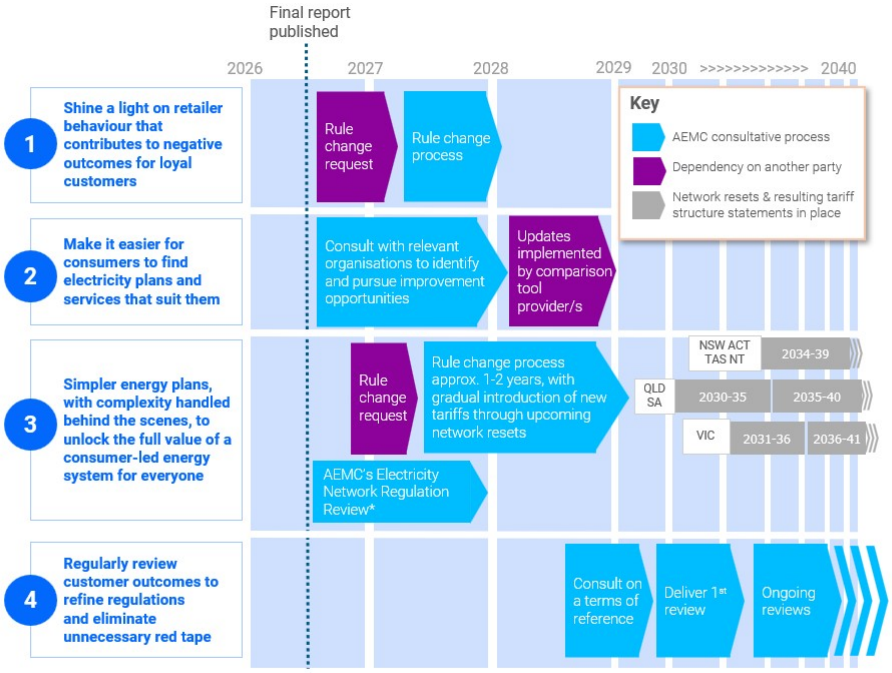
The recommendation to make finding plans easier, recommendation 2, would require us working with different bodies to consider. Depending on this process subsequent processes may be required to implement the reforms.

The recommendation to regularly review consumer outcomes, recommendation 4, does not require others to initiate the implementation process. We do not propose to commence that until 2029.

The recommendation to make plans simpler, recommendation 3, linked to network pricing and tariff structures, would take longer to implement as there are multiple steps that need to occur before implementation. Firstly a rule change would need to be considered. If a rule is made, the related procedures and guidelines would need to be considered. Following this consideration the changes would be implemented through the five-yearly regulatory processes. These require further consideration and are outside the AEMC's direct control.

Reflecting these differences, we envisage an initial implementation phase of a few years for most reforms. A longer implementation pathway of approximately 10 years would occur for recommendation 3, recognising both the importance of a more gradual, staged approach for these changes and the dependencies on relevant regulatory processes, such as network resets. Figure 4.1 provides an indicative implementation schedule.

Figure 4.1: Potential implementation schedule



*The Electricity Network Regulation Review (ENRR) is separate from the Pricing Review. It will consider the important role of electricity network regulation in providing consumers with a low cost, reliable supply of electricity as the NEM transitions to a net-zero system. See more here https://www.aemc.gov.au/market-reviews-advice/electricity-network-regulation-review

Source: AEMC

In addition to AEMC-led processes, other government initiatives may provide complementary pathways for implementation. The Australian Government, through the CER Taskforce, aims to ensure that Australians can harness the full potential of CER. An in-depth review of the National CER Roadmap Implementation Plan is planned for 2027 and will consider CER-related findings from this Review, including implementation of relevant endorsed reforms and outcomes.[33]

4.3 The implementation pathway for each recommendation

4.3.1 Shine a light on energy service provider behaviour that contributes to negative outcomes for loyal customers

A rule change would need to be submitted to the AEMC for this recommendation to be progressed. As the AEMC cannot initiate rule changes itself, the timing of any implementation depends on when a proponent brings forward a request and the scope of the request.

A rule change request would be assessed under the AEMC's rule change process. This process includes an initial assessment, public consultation, consideration of stakeholder feedback, and a final determination, consistent with the National Energy Retail Law and Rules. The duration of this process depends on the complexity of the proposal and the issues raised through consultation.

We do not consider that changes to primary legislation (e.g. the National Electricity Law or National Energy Retail Law) would be required to implement this recommendation.

Subject to a rule change request being submitted and progressed, an indicative timeframe is that customers could begin to benefit from this reform from around 2028. Implementation of the reform package would also be coordinated with other related reforms already underway to ensure alignment and avoid duplication. This includes coordination with any recommendations arising from the PEMM review. This coordinated approach supports coherent policy outcomes, promotes regulatory predictability, and minimises unnecessary or overlapping regulatory obligations for market participants.

4.3.2 Make it easier for consumers to find electricity plans and services that suit them

We welcome the AER receiving additional funding in May 2026 to support improvements to Energy Made Easy.[34] The AER intends to add functionality to the platform to allow consumers to compare different VPP offers. This is planned to occur by June 2027. These upgrades will be valuable for consumers.

Implementing our final recommendation builds on this, through efforts to improve the quality and utility of information and tools available to consumers to find suitable electricity plans and services. We note that the outcomes of this further work may result in further modifications to Energy Made Easy or the build of an entirely new platform. The timing of any recommended changes will depend on the scope of change needed.

We will work collaboratively with other market bodies, consumer groups and industry participants, such as ESPs, CER businesses and other innovators to identify opportunities to strengthen existing information, address gaps, and improve how tools support consumer understanding and decision-making. This work would build on existing processes rather than requiring formal rule or legislative changes.

33 DCCEEW, *National Consumer Energy Resources Roadmap: Implementation Plan Update*, p 26.

34 The Commonwealth of Australia, *Budget Papers number 2*, 12 May 2026, here pg 60,

However, through this process changes identified may require rule or legislative reform, including expanding the scope of comparison tools beyond price. This will be considered and consulted on through the next stages of the recommendation consideration.

Through these discussions, we expect to influence the design and operation of information and comparison processes over the medium term. An indicative timeframe is that improvements could begin to be embedded in market processes within the next three years, allowing consumers to progressively benefit as changes are developed, tested and implemented.

4.3.3 Simpler energy plans, with complexity handled behind the scenes, to unlock the full value of a consumer-led energy system for everyone

Implementation of this recommendation would require one or more rule change requests to be submitted to the AEMC. As the AEMC cannot initiate rule changes itself, the timing of implementation will depend on when a proponent lodges a request and the scope of the issues raised.

Once submitted, the request would be assessed through the AEMC's rule change process, including initial assessment, public consultation, consideration of stakeholder feedback, and a final determination, consistent with the National Electricity Law, National Energy Retail Law, and associated rules. The duration of this process will depend on the complexity of the proposal and the issues raised through consultation.

Following any rule change, implementation is likely to require updates to guidelines, procedures, and market processes. In the first instance, a rule change would need to be considered. If a rule is made, associated procedures and guidelines would then need to be updated. Implementation would subsequently occur through established regulatory processes, including five-yearly cycles, These would need to be developed, consulted on where appropriate, and implemented by relevant parties, which will take time.

This recommendation does not prescribe specific tariff structures or mandate particular pricing outcomes. Instead, it provides clarity to the principles and frameworks guiding network tariff design, while allowing networks to reform tariffs at a pace and scale that benefit their consumers. Responsibility for developing compliant tariffs would remain with networks, subject to AER oversight through the tariff structure statement (TSS) process. The existing TSS framework, alongside our recommendation to introduce an Energy Service Provider Impact Principle, provides safeguards against inappropriate or abrupt implementation.

As a result, any implementation of this recommendation would be gradual and staged over an extended period, rather than occurring all at once. The earliest elements of the reform package would not be expected to take effect for several years, with full implementation across network service providers likely to extend over a decade. This approach will allow time for necessary operational changes, industry readiness, and the key design elements such as consumer protections (which are described in more detail in appendix D) to be put in place, while providing predictability as reforms are introduced.

4.3.4 Regularly review customer outcomes to refine regulations and eliminate unnecessary red tape

This recommendation will be implemented by periodically initiating a targeted review of consumer outcomes and existing regulatory settings, initiated by the Commission under section 90 of the National Electricity Law. No rule change request or amendments to existing processes are required for this recommendation to proceed.

We intend to commence these reviews from 2029-30. Prior to commencing a review, the Commission will consider whether the timing is appropriate, including whether there is benefit in allowing other reforms to be implemented, and corresponding outcomes observed, before undertaking further regulatory change (for example, to assess outcomes under the recommendation to protect loyal customers).

Where a review is initiated, the Commission will develop and consult publicly on terms of reference that sets out the proposed review scope and approach. In developing the terms of reference, we will engage early with organisations responsible for monitoring, data collection and analysis to ensure the review is well-targeted and informed by the latest available evidence.

These reviews will not replicate the market monitoring or competition assessment undertaken by the ACCC (and potentially the AER in the future). Instead, we will draw on this existing data and analysis to assess the effectiveness of regulatory settings and the implementation of reforms from this review, with a focus on improving consumer outcomes and removing unnecessary regulatory burden.

5 The recommendations would contribute to the energy objectives

5.1 The Commission must act in the long-term interests of energy consumers

In conducting reviews, the Commission must have regard to the relevant energy objectives.[35] For this review, the relevant energy objectives are the National Electricity Objective (NEO) and National Energy Retail Objective (NERO):

The NEO is:[36]

> to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to—
>
> (a) price, quality, safety, reliability and security of supply of electricity; and
>
> (b) the reliability, safety and security of the national electricity system; and
>
> (c) the achievement of targets set by a participating jurisdiction—
>
> (i) for reducing Australia's greenhouse gas emissions; or
>
> (ii) that are likely to contribute to reducing Australia's greenhouse gas emissions.

The NERO is:[37]

> to promote efficient investment in, and efficient operation and use of, energy services for the long term interests of consumers of energy with respect to—
>
> (a) price, safety, reliability and security of supply of energy; and
>
> (b) the achievement of targets set by a participating jurisdiction—
>
> (i) for reducing Australia's greenhouse gas emissions; or
>
> (ii) that are likely to contribute to reducing Australia's greenhouse gas emissions.

The targets statement, available on the AEMC website, lists the emissions reduction targets to be considered, as a minimum, in having regard to the NEO and NERO.[38]

5.2 Our recommendations are designed to deliver better consumer outcomes

The Commission is satisfied that The pricing review final recommendations would, or are likely to, contribute to achieving the NEO and the NERO. Collectively, the recommendations are designed to achieve better consumer outcomes at the lowest overall system cost by:

- promoting competition and innovation
- supporting more efficient use of network assets

35 Section 32 of the NEL and 224 of the NERL.
36 Section 7 of the NEL.
37 Section 13 of the NERL.
38 Section 32A(5) of the NEL and Section 224A(5) of the NERL.

- reducing emissions by enabling more efficient investment and use of low-emissions resources
- extending the benefits of competition to all households and small businesses
- increasing reliability and security by having more available energy when and where is needed, reducing congestion.

Our recommendations seek to ensure that pricing frameworks are robust to future changes, support a diverse range of products and services and provide consumers with meaningful choice.

5.3 How we have applied the national electricity and national energy retail objectives to our recommendations

We identified the following assessment criteria to help assess the recommendations against the NEO and NERO, with these set out in more detail in earlier papers:

- Outcomes for consumers
- Principles of good regulatory practice
- Principles of market efficiency
- Innovation and flexibility
- Implementation considerations.[39]

These criteria capture the key costs, benefits and impacts relevant to the issues examined in this review. They also provide a structured framework for assessing the recommendations against the NEO and NERO. The Commission has evaluated a range of policy options against these criteria, with the findings discussed in this chapter and in more detail in the policy appendices.

5.3.1 Improving outcomes for all consumers

We consider that the proposed suite of reforms would improve outcomes and opportunities for consumers. The package of reforms has been explicitly designed to meet consumer needs, as captured by the Consumer Preference Principles, and for a broad and diverse range of households and small businesses, as expressed through the Consumer Archetypes. We consulted on these in earlier phases of the review.[40]

Consumer Preference Principles

Box 6: Consumer Preference Principles

We identified five Consumer Preference Principles that define the outcomes that energy consumers expect now and in the future from their energy offerings:

- value for money – consumers want affordability and value for their energy services
- availability – consumers want electricity to be available when they need it
- meaningful options – consumers want options from a range of products that meet their needs
- simple engagement – consumers want accurate and accessible information from interactions with their service providers and
- appropriate protections – consumers want to be protected against adverse product and service outcomes.

39 AEMC, *Consultation paper, The pricing review: Electricity pricing for a consumer-driven future*, AEMC, 7 November 2024, p 26.
40 AEMC, *Consultation paper, The pricing review: Electricity pricing for a consumer-driven future*, pp 29-31.

Source: AEMC analysis

The Consumer Preference Principles capture consumers' consistent top priorities as demonstrated by publicly available customer research and have been informed by stakeholder feedback. For each Consumer Preference Principle, we have assessed how the reforms collectively respond to that preference. On balance for each preference, the recommendations would support and enhance consumers in expressing each preference.

A key outcome of the reforms would be increased consumer confidence that the market would deliver good outcomes. The reforms are intended for *all* consumers to benefit from better value and more consumer-centric product offerings with appropriate protections. The reforms achieve these outcomes by improving the operation of the pricing frameworks, strengthening competition and addressing structural sources of poor outcomes.

How the Consumer Preference Principles have been applied to the recommendations is discussed further in appendix H.

Consumer Archetypes

Box 7: Consumer Archetypes

We developed four consumer archetypes following stakeholder feedback:

- Behind barriers - low opportunity, medium-high interest to engage
- Embracers - high opportunity and interest to engage
- Not to be left behind - low opportunity and interest to engage
- Full of potential - high opportunity, low-medium interest to engage

Source: AEMC analysis

The Consumer Archetypes were used to stress-test the reforms across consumers with different levels of engagement and opportunity, highlighting how the package is designed to improve outcomes for a wide range of consumers and to support more equitable outcomes over time. They represent household and small business personas that have differing levels of interest in and opportunity to engage with the energy market. They recognise that no two consumers are the same.

The recommended reforms are designed to deliver greater rewards and improved value where consumers choose to engage, while also ensuring that consumers who do not actively participate are protected from systematically poorer outcomes.

How the Consumer Archetypes have been applied to the recommendations is discussed further in appendix H.

5.3.2 Improving outcomes in line with the principles of regulatory practice

The recommendations seek to promote predictability and stability in the pricing framework. Several recommendations individually promote this:

- our proposed regular review, recommendation 4, would ensure that consumers receive good outcomes from the market by understanding if rules and regulations remain fit for purpose as the market evolves. The AEMC would identify and remove redundant or outdated regulations, consistent with principles of good regulatory practice and minimise unnecessary costs for consumers.

- our proposed network tariff reforms to make plans simpler,recommendation 3, would strengthen network pricing principles and tariff-setting processes to provide clarity, predictability and stability in the pricing frameworks.

The reforms are designed to complement other reforms underway and to support a coherent and forward-looking pricing framework.

5.3.3 Creating consumer value by increasing market efficiency

The final recommendations support market efficiency across a number of dimensions:

- **Retail** - strengthening retail competition by raising awareness and evidence of the loyalty tax, recommendation 1, and increasing scrutiny of how energy service providers treat longer standing customers. This incentives energy service providers to better demonstrate the value they offer to loyal customers.
- **Consumer participation** - reducing complexity and improving information and incentives available to consumers, so they can more easily engage with the market and make effective choices between offers and providers, to support effective competition
- **Network** - promoting more efficient network utilisation and investment, recommendation 3, ensures that network services are provided at lowest cost and used when they provide benefit to consumers. The reforms also place clear responsibility on energy service providers to manage network risks, as they are best placed to do so and to design products that reflect consumer needs.
- **System efficiency** - removing unnecessary barriers, such as network signals, to consumers participating in other markets, including the wholesale electricity market. Under our proposed Make plans simpler, recommendation 3, broadcast volumetric network signals that do not reflect underlying costs would be removed. This would allow more meaningful signals—such as wholesale price signals—to come through, improving overall system efficiency.

5.3.4 Promoting innovation and flexibility

The final recommendations support innovation and flexibility in a future energy market by strengthening tariff design principles and enabling more dynamic pricing signals where appropriate. Make plans simpler, recommendation 3, allows energy service providers and networks to develop more innovative products and services that better align with consumer preferences and system needs and makes better use of information and technology.

The Commission considers that the final recommendations support pricing frameworks that are robust and adaptable to future changes in technology, consumer preferences and market conditions.

The package is designed to be robust to future changes in technology, policy and market conditions, including a high-CER future, while ensuring that consumers can benefit from innovation without being exposed to unnecessary complexity or risk.

5.3.5 Practical and expedient implementation that would balance shorter-term consumer impacts with longer-term benefits

While specific implementation details would be developed in further detail where appropriate through subsequent processes, the final recommended approach seeks to comprise a gradual and orderly transition to balance near-term consumer impacts with longer-term benefits. We recognise that more work is required to iterate and refine the policy direction before finalising implementation.

The recommendations build on existing processes where possible, which seek to reduce implementation costs for market participants and minimising flow-on costs to consumers. The Commission will work closely with other reform processes already in train to ensure alignment and sequencing. This coordination would remove duplication, support coherent regulatory outcomes, and ensure reforms are implemented efficiently and at least cost.

A Recommendation 1: Shine a light on retailer behaviour that contributes to negative outcomes for loyal customers

Box 8: Shine a light on retailer behaviour that contributes to negative outcomes for loyal customers

Consumers who stay on the same energy plan for long periods often pay higher prices than those who regularly switch offers, as shown in recent analysis by the ACCC and the ESC. The Commission considers this "loyalty tax" negatively impacts consumers, and should be addressed.

The draft report recommended changes to address the loyalty tax by requiring energy service providers to charge all customers on the same plan, the same prices. In addition, we sought to change the dynamics of competition and focus it on areas that would deliver meaningful value for consumers.

Following submissions and further analysis, while we still consider that it is important that we address the loyalty tax, we consider the approach proposed in our draft report would introduce costs that are not outweighed by the benefits.

To more proportionately address the loyalty tax and support competition, the Commission recommends amending the rules to require energy service providers to:

- Notify customers who have been on the same plan for four years (and annually thereafter) of the total amount they could have saved if they had switched to a better offer over that period:
  - this notification would be issued annually, and would be in addition to any notifications required to satisfy existing Better Bills requirements, under which retailers must regularly notify all customers how much they could potentially save by switching.
- Report to the AER on how many customers are affected by a loyalty penalty, including:
  - the number of customers on plans older than four years, and the age of those plans
  - the prices paid by these customers relative to a benchmark, including the total amount extra paid by these customers in aggregate, as well as the average price paid
  - how many customers that were previously reported on have changed offer or switched energy service provider in the last year
- Make new market offers available to both new and existing customers, allowing existing customers to access the best prices.

The AER would report loyalty tax information for each energy service provider across the NEM. By making these outcomes visible to the regulator and comparable across energy service providers, the final recommendation will improve transparency and increase scrutiny of energy service providers, encouraging them to better serve loyal customers. It will also complement other measures, including those in the *Switching to a better offer* rule change, which include information in bill communications to inform small customers if they could save by switching plans, supporting informed decision making and promoting retail competition and innovation that benefits all customers.

Making offers available to all customers would support existing customers to benefit from new innovative products and services from their provider, noting existing customers would need to switch offers to benefit from this requirement, and that plans may have other access requirements, such as ownership of a battery.

Regular AER reporting will indicate the outcomes of our final recommendation and other reforms, including if there is a measurable decrease in the loyalty tax. Our regular review, recommendation 4, will consider whether further intervention is required, potentially including a requirement to move customers on older plans to a better price. More broadly, the Commission expects energy service providers to act in customers' best interests, and supports the consideration of a consumer duty through the DCCEEW's BECE review.

Rule changes would be required to give effect to this recommendation in relevant jurisdictions. The Commission intends to work with interested stakeholders to submit such a rule change request to the Commission.

Our final recommendation will complement other measures to improve outcomes for consumers. These include the pricing reviews recommendations (Make finding plans easier, recommendation 2, Make plans simpler, recommendation 3) and yet to be implemented retail rule changes (The AEMC's *Improving consumer confidence in retail energy plans* which limits price changes for retail plans to once per year, and restricts prices on plans with benefits that expire, and *Assisting hardship customers* which ensures hardship customers do not pay more than their retailer's deemed better offer). We note Energy Ministers have submitted a rule change request to the AEMC seeking to require energy service providers to deliver support tailored to a customer's individual needs, including cultural, language, and access requirements.

This recommendation interacts with the Commonwealth DCCEEW's ongoing PEMM review, which is also considering options to address the loyalty tax. DCCEEW is yet to release its final report on strengthening the PEMM Act. DCCEEW will be positioned to consider our final recommendations in its review.

A.1 Our draft recommendation 1 sought to address loyalty taxes

A.1.1 Customers on older plans are exposed to higher prices

We rely on competition, supported by regulations, to deliver good consumer outcomes in most jurisdictions in the NEM. An effective competitive retail market is most likely to meet the different and evolving preferences of diverse consumers - both today and over time.

Our draft report outlined that consumer outcomes are uneven - consumers receive different outcomes depending on their behaviour and resources. Consumers who switch plans more regularly tend to access lower prices, while others may pay more over time - a 'loyalty tax'. This creates complexity, time, and search costs for consumers, contributing to a negative consumer experience of the energy system. Our draft report also suggested that, currently, competition may be focused on attracting new customers with introductory prices and potentially away from other types of product differentiation and innovation that could deliver more enduring value for consumers.[41]

The draft report outlined that the root cause of the loyalty tax stems from the 'set-and-forget' nature of the energy market, which is compounded by the essential nature of electricity (participation is effectively non-voluntary i.e. people need access to electricity).[42]

These factors lead to specific energy service provider and consumer behaviours that contribute to poor outcomes including:

- consumers not regularly engaging in the market to express their preferences

41 AEMC, *The pricing review - Draft report*, 11 December 2025, p 57.
42 AEMC, *The pricing review - Draft report*, Dec 2025, p 58.

- energy service providers price-discriminating between customers without meaningful product differentiation.

The ACCC has found that energy service providers typically set different prices for new and existing customers on comparable market offers.[43] ACCC data indicate customers on plans more than three years old pay the highest prices.[44] This includes 24.1% of customers (or 1.1 million customers) on flat rate plans who are on plans that are 3 or more years old, meaning that this penalty impacts a material group of the population.[45]

Figure A.1: Calculated annual prices increase with the age of the plan

Source: ACCC analysis of retailer pricing data. Nominal dollars, including GST. From ACCC, Inquiry into the National Electricity Market - December 2025 Report, p 32. Adapted to AEMC style.

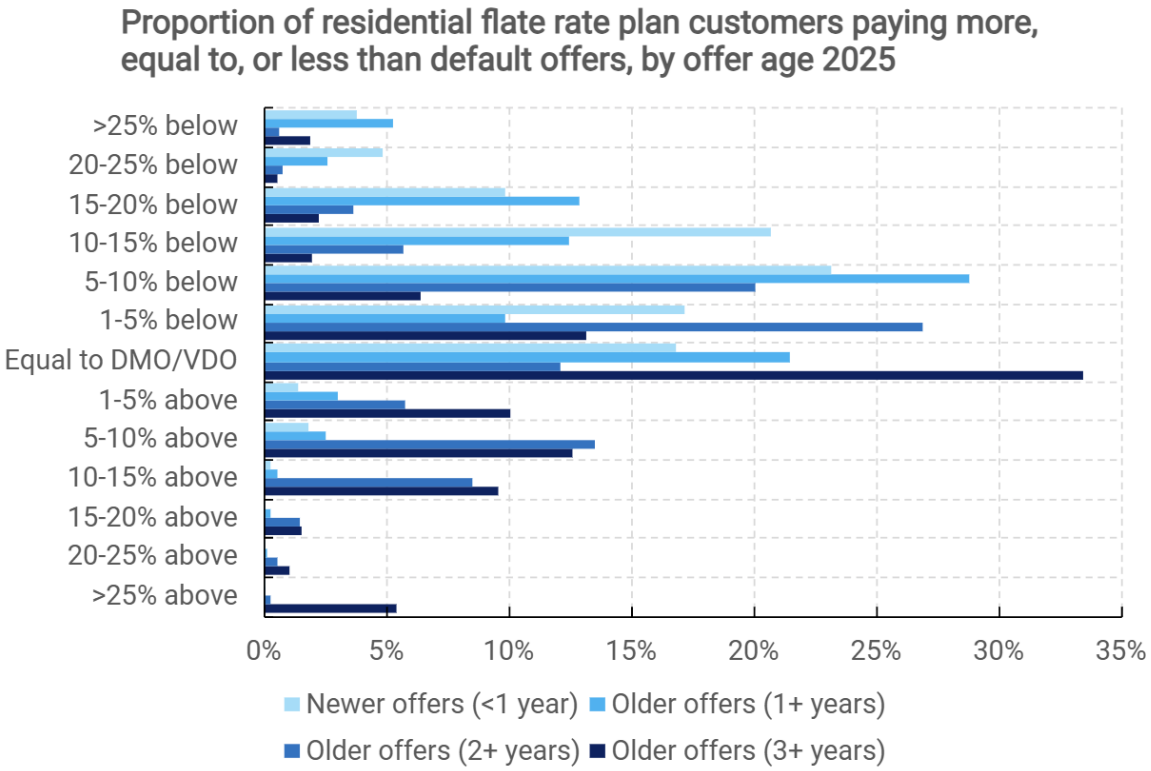
Note: Includes residential customer weighted average annual prices for newer and older plans by region, flat rate plans without demand charges, assuming 100% achievement of conditional discounts, 2025.

43 ACCC, *Inquiry into the National Electricity Market - December 2024 Report*, Dec 2024, p 22; ACCC, *Inquiry into the National Electricity Market Report*, Dec 2025, p 30.

44 ACCC, *Inquiry into the National Electricity Market - December 2025 Report*, Dec 2025, p 32.

45 ACCC, *Inquiry into the National Electricity Market - December 2025 Report*, Dec 2025, p 33.

Figure A.2: Customers on older plans increasingly pay more



Source: ACCC analysis of retailer pricing data. Nominal dollars, including GST. From ACCC, Inquiry into the National Electricity Market - December 2025 Report, p 32. Adapted to AEMC style.

Note: Includes residential flat rate plan customers without demand charges on newer and older plans, paying more, equal to, or less than the default offers, all regions combined, assuming 100% achievement of conditional discounts, 2025

The draft report noted that the above outcomes are not, of themselves, evidence of market failure: in workably competitive markets, not all customers will always pay the lowest available price.[46] However, we can see from other industries and settings that, depending on the particular circumstances of competition and the related market settings, retailers may have incentives to focus on extracting value from customers who have inertia rather than competing through innovation and service.[47]

While loyalty taxes arise from the set-and-forget market and energy service provider/consumer incentives and preferences, research indicates those with higher levels of education, employment status, and income tend to switch more often.[48] This suggests some lower-income or otherwise disadvantaged customers may be less likely to switch regularly, and more exposed to loyalty taxes and higher prices. Research also suggests regulatory interventions can benefit both consumers and businesses - businesses from a reduction in cutthroat competition, and customers from reduced loyalty taxes.[49] However, any regulation to address this needs to be proportionate to avoid dampening competition.[50]

46 AEMC, *The pricing review – Draft report*, December 2025, p 59.

47 Financial Conduct Authority, *General insurance pricing practices - Final Report*, Sep 2020, p 16.

48 Esplin, et al. *Who pays the loyalty tax? The relationship between socioeconomic status and switching in Australia's retail electricity markets*, Energy Policy, Volume 164, 2022.

49 Yang, et al. *Fairness Regulation of Prices in Competitive Markets*, 2024.

50 Yang, et al. *Fairness Regulation of Prices in Competitive Markets*, 2024.

A.1.2 Our draft recommendation proposed addressing the loyalty tax by extending the benefits of competition to consumers who do not regularly switch offers

To address the loyalty tax and improve outcomes for consumers, our draft recommendation 1 proposed several obligations be placed on energy service providers. Under our draft recommendation, a given energy service provider would need to:

- Charge all customers on the same plan the same publicly advertised price for a given offer, regardless of whether they were an old or new customer. This would prevent the energy service providers from offering a different price to new and existing customers on the same plan.
- Compete for customers with new innovative offers that are meaningfully different and provide different value to customers. Providers would have to demonstrate at least one material difference to customers between plans.
- Offer these new plans to all customers, new and existing. This would ensure that existing customers could benefit from new innovative products and services from their provider, noting existing customers would need to switch offers to benefit from this requirement.

A.1.3 We expected this to address loyalty taxes and improve consumers' experience of the market

The draft recommendation was intended to achieve several positive outcomes, including:

- **Addressing loyalty penalties and strengthening competition for all consumers.** Under the proposal, energy service providers would be required to ensure their entire customer base would be on price-competitive offers, rather than relying on discounted deals for new customers. This would help ensure that all customers would remain on competitive plans, whether or not they actively switch service providers. Consumers would remain free to shop around and choose plans that suit their preferences, but those who do not would be better protected from hidden or back-ended price increases and could have greater confidence that staying with their provider would not expose them to loyalty taxes.
- **Improving price transparency and comparability.** By requiring offers to be meaningfully different, the proposal would have improved the clarity and comparability of available plans. This would make it easier for consumers to compare offers, understand the value they are receiving, and select products that best meet their needs. More transparent pricing would also reduce complexity and confusion in the market.
- **Shifting competition toward service quality and innovation.** The reform aimed to refocus competition away from short-term, acquisition-driven discounting and toward genuine differentiation in service quality, product features, and long-term value. Over time, this could have supported a more stable market structure, with providers competing on efficiency, innovation, and customer experience. The proposal may also have reduced the need for ongoing regulatory intervention, including price protections.

A.2 Our final recommendation is for a more targeted and proportionate solution to these issues

A.2.1 Submissions questioned the proportionality and practicality of the same plan / same price proposal

Stakeholders were split in response to draft recommendation 1. While there was broad acceptance the loyalty tax occurs in practice, i.e. that loyal customers pay more than customers that switch more regularly, there was disagreement on the degree of market failure and harm caused. Across submissions, there was an acknowledgement that consumer and market

outcomes would depend on detailed design, implementation and enforcement of the recommendation, and many requested further analysis of consumer and competition impacts, as discussed further below.

Consumer groups and some other stakeholders supported the intent of draft recommendation 1, with some considering it a necessary structural reset to the market to improve fairness and transparency.[51] However, many energy service providers and some others did not support the proposal, suggesting it would be difficult to implement and enforce, and it could weaken the competitive market by reducing benefits to customers that switch.[52]

Some also questioned if the loyalty tax is a market failure warranting intervention, suggesting tenure-based price dispersion occurs in competitive markets and reflects 'search benefits' which drive competition.[53]

As noted above, the proposed reform was not targeted at a defined group of consumers experiencing vulnerability, but aimed to address energy service provider incentives, improving competition for all consumers. However, many stakeholders highlighted the trade-off between the intent of the draft recommendation, and encouraging the price based competition that supports active switching and competitive pressure. They argued that removing acquisition offers under draft recommendation 1 could weaken the competitive market, deterring innovation and increasing prices overall.[54]

ECA, who support addressing the loyalty tax, also emphasised the need for further analysis to quantify consumer benefits and competition impacts, and to make the trade-offs explicit before proceeding.[55]

Stakeholders raised concerns that draft recommendation 1 could be challenging to implement and enforce effectively.[56] Of particular concern was the requirement for offers to be 'meaningfully different'. While this language was intended to limit gaming and encourage innovation, some stakeholders considered it could have the opposite effect if it prompted a proliferation of marginally different offers (for example numerous offers bundled with different add-ons like frequent flyer points), or created energy service provider uncertainty leading to a reduction of offer types or increased the number of customers on standing offers.[57]

A.2.2 The final recommendation protects customers who don't regularly switch, while supporting competition and minimising costs

The Commission's view is that loyalty taxes are likely to create material consumer detriment, including higher prices for customers on older offers, potentially including customers experiencing vulnerability. It is also unlikely that the loyalty tax will dissipate without additional measures to encourage it to do so.

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51 Submissions to the Draft report: EnergyFlex, p 3; NEXA, p 5; CEC, p 2; IEFFA, p 2; Renew, p 2; Parents for climate and sweltering cities, p 2; Choice, p 1; Energy Efficiency Council, p 4; Tesla, p 4; ECA, p 5; EWOV, p 1; CitiPower, Powercor and United Energy, p 1; Electrify Southside, p 1; Lighter Footprints, p 3; JEC, p 8-9; Individual: 20, p 2; 30, p 2; 32, p 1; 64, p 2; 68, p 1; Individual and organisation no attachments 1-248, p 31; Individual and organisation no attachments 249-621, p 120, 275.

52 Submissions to the Draft report: Flukes value management, p 1; CIS, p 3; EnergyAustralia, p 2; ActewAGL, p 4; Aurora, p 2; Engie, p 2; Alinta, p 3; Origin, p 3; AGL, p 2; Momentum, p 3; WattEver, p 3; AEC; Powershop, p 1; Individual and organisation no attachments 249-621, p 20.

53 Submissions to the Draft report: Flukes value management pp 1-2; AEC, p 4; Momentum, pp 3, 6; ActewAGL, pp 4, 6, 8; Aurora, p 2; Alinta, p 3; Origin, p 3; Red Energy, p 2, WattEver, p 2; AGL, p 4.

54 Submissions to the Draft report: Flukes value management pp 1-2; CIS, pp 3-4; ActewAGL, pp 4-6, AEC, p 5; Origin, pp 3, 4; AGL, p 5; Red Energy, pp 2-4; Aurora, p 2; Engie,p 4; Alinta, p 3; Momentum, p 3; Tesla, p 5.

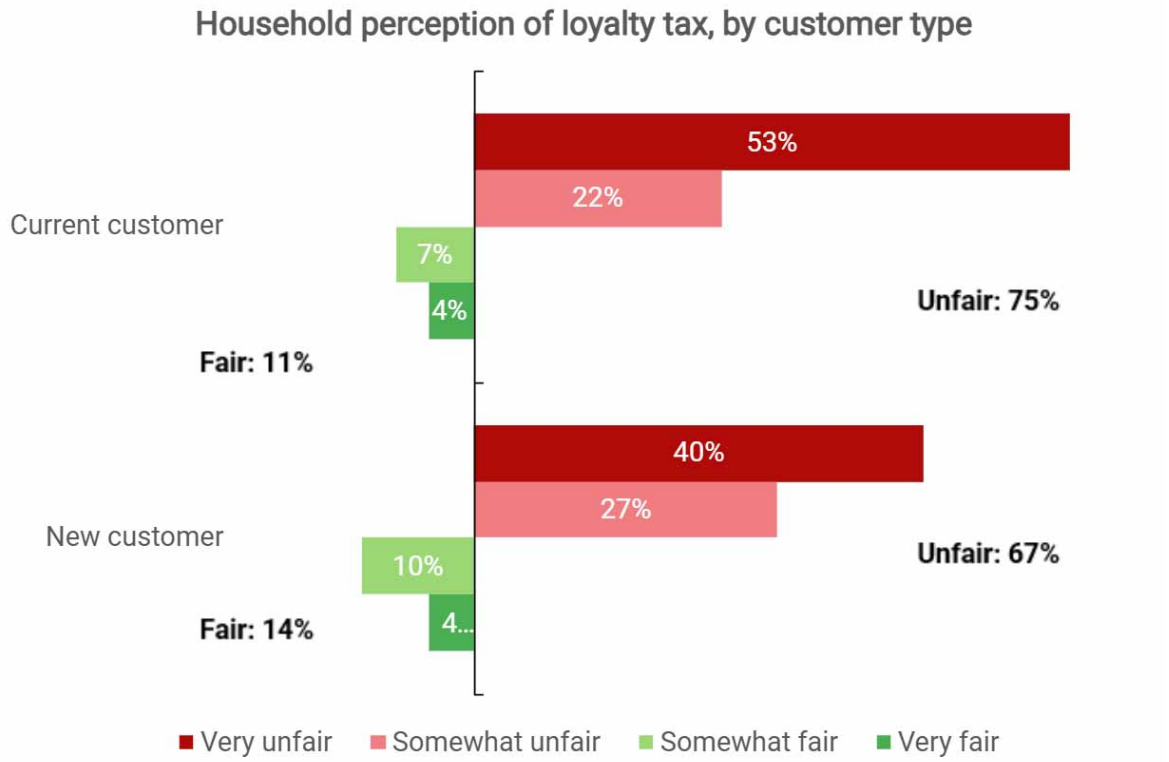
55 ECA, Submission to the Draft report, p 7.

56 Submissions to the Draft report: CIS, p 3; IEFFA, p 2; Erne Energy, p 1; Tesla, p 4; EUAA, p 1; Momentum, p 5; WattEver, pp 2-3; Red Energy, p 4; AGL p 5; AEC, p 7; NEXA, p 5; Energy Efficiency Council, p 4; CEC, p 3; Origin, p 5.

57 Submissions to the Draft report: CIS, p 3-4; EUAA, p 1; AER, p 3; Tesla, p 4; ECA, p 10.

In response to the draft report, ECA commissioned a survey, with results clearly showing that the majority of consumers perceive loyalty taxes to be unfair.[58]

Figure A.3: Some households perceive loyalty taxes to be unfair



Source: SEC Newgate on behalf of Energy Consumers Australia, February 2026. ECA, submission to the draft report, p 8. Adapted to AEMC style.

Note: Hypothetical 'current' customers were asked: Imagine you had been with a particular household energy provider (e.g. gas or electricity) for about two years. You discover that a new customer signing up today is offered a cheaper price for the exact same energy plan that you are on. How fair or unfair do you think this is?Hypothetical 'new' customers were asked: Imagine you are looking for a new household energy provider (e.g. gas or electricity). You find an energy plan with a cheaper price than what the provider charges its long-term customers for the exact same plan. How fair or unfair do you think this is?

Given this, the Commission is strongly of the view that there is merit in addressing the loyalty tax.

However, in response to stakeholder feedback and further analysis, we have evolved our recommendation to reflect a more targeted obligation that balances competition benefits with improved energy service provider incentives and transparency to protect consumers from higher prices on older market offers.

To more proportionately address the loyalty tax and support competition, the Commission recommends amending the rules to require energy service providers to:

- Notify customers who have been on the same plan for four years (and annually thereafter) of the total amount they could have saved if they had switched to a better offer over that period:
  - this notification would be issued annually, and would be in addition to any notifications required to satisfy existing Better Bills requirements, under which retailers must regularly notify all customers how much they could potentially save by switching.[59]

58 ECA, Submission to the Draft report, p 8.

59 AER, Better Bills Guideline (Version 2) - Notice of Final Instrument - January 2023, p 3

    - The rule change process to implement this recommendation would determine how this saving could be calculated, but could include the aggregate of the annual saving projected on the customer's better bill notices each year.
- Report to the AER on how many customers are affected by a loyalty penalty, including:
    - the number of customers on plans older than four years, and the age of those plans
    - the prices paid by these customers relative to a benchmark, including the total amount extra paid by these customers in aggregate, as well as the average price paid[60]
    - how many customers that were previously reported on have changed offer or switched energy service provider in the last year
- Make new market offers available to both new and existing customers, allowing existing customers to access the best prices.

The AER would report loyalty tax information for each energy service provider across the NEM.

Increasing transparency will improve outcomes for loyal customers

These measures are intended to improve long-term consumer outcomes by increasing transparency, strengthening energy service provider incentives, and supporting effective competition.

Mandatory reporting to the AER would provide greater transparency of pricing outcomes for customers on older plans. In particular, reporting on prices paid relative to a benchmark, including averages, would make it clear where loyalty taxes are most pronounced. This information would reveal which energy service providers charge persistently higher prices for consumers who do not switch and allow outcomes to be monitored.

Public reporting of this information by the AER would increase transparency on energy service providers that persistently charge higher prices to loyal customers. This transparency would create reputational pressure, enable comparison across energy service providers, and allow poor pricing practices to be monitored and challenged over time.

By making these outcomes transparent, the reporting framework would create stronger incentives for energy service providers to reduce reliance on higher prices for customers on older plans. This transparency is expected to discourage energy service providers from allowing large price differentials to persist and to channel competition toward delivering better outcomes for loyal customers. In doing so, it would support competition that delivers not only price improvements but also the range of innovative products and services offered in the market.

Requiring energy service providers to annually notify customers who have been on a plan for longer than four years how much they are paying above a benchmark would further support these outcomes. This time limit targets those customers found to be most effected by loyalty taxes, as found by the ACCC and discussed above.[61]

How the recommendation would work

Each year, the energy service provider would identify the price the customer pays on their current plan, and compare it to a benchmark that the customer was eligible to switch to during those years. The energy service provider would calculate:

- what the customer actually paid, and

60 This benchmark would be determined through any rule change process to implement this recommendation, but could potentially include the DMO or average of the energy service providers' market offers that are less than a year old.

61 ACCC, *Inquiry into the National Electricity Market - December 2025* Report, Dec 2025, p 32.

- what they would have paid had they switched to a benchmark price - the precise nature of how the benchmark would be calculated will be determined through a rule change process to implement this recommendation, but one option that we consider could be effective would be the average price on the customers' regular better offer notification each year.

These annual amounts are then rolled up into a cumulative total, explicitly showing the growing cost of inaction over multiple years. Rather than presenting abstract comparisons or hypothetical future savings, the energy service provider shows:

- "By not switching over the past X years, you have paid approximately $Y more than necessary."

This reframes the decision from a future intention ("I could save") to a concrete, realised loss ("I have already paid more"). The annual timing of the notification will be considered through the rule change process to implement this recommendation, but would provide a meaningful additional nudge beyond existing better offer messages for the customer to consider choosing a new plan.

We note that not all customers on contracts older than four years would be paying a loyalty tax. For some customers, reporting would indicate that they remain on the best available plan for their circumstances and could be used to affirm that no savings have been foregone. In these cases, communication could reassure customers that they are already receiving a competitive outcome, reinforcing trust and confidence rather than prompting unnecessary switching.

The communication could include a prompt to switch to a better offer. We note, however, that the specific plans identified as having delivered past savings may no longer be available, meaning any switching prompt would necessarily relate to current offers rather than historical counterfactuals. Clear disclosure of this distinction would be important to avoid confusion, while still using the cumulative cost information to motivate timely engagement and switching. This obligation goes beyond existing Better Bills requirements, as it would indicate the cumulative total extra that the person has paid. We expect this would improve customer awareness, which is expected to encourage informed decision-making, including plan review or switching where appropriate.

Together, the reporting and notification measures represent a proportionate, transparent approach that relies primarily on incentives rather than prescriptive intervention. They are complemented by the broader expectation that energy service providers should act in their customers' best interests, with consideration of a consumer duty being explored through the BECE reforms.

If our regular review, recommendation 4, indicates that these measures do not sufficiently address poor outcomes for customers on older plans, the Commission may consider further intervention. This could include requiring energy service providers to move customers on older plans to a better price. An example approach could be the approach that the ESC in Victoria have taken, requiring energy service providers to identify customers on older contracts and ensure that they pay a 'reasonable price' for their energy from 1 July 2026.[62]

The Commission would be pleased to accept a rule change request to implement our final recommendation in relevant jurisdictions.[63]

Requiring acquisition offers to be available to all consumers will ensure no one is locked out of innovative offers

The final recommendation also requires energy service providers to make all generally available market offers available to existing customers. This requirement would mean that energy service

62 Essential Services Commission, Energy Consumer Reforms: Final Decision, 30 September 2025.

63 The NERR applies to NSW, Queensland, South Australia, Tasmania, and the ACT. In Victoria, the Essential Services Commission has adopted a different approach to address the loyalty tax. Essential Service Commission, Energy Consumer Reforms, Final Decision, 30 September 2025, p 34.

providers would not be able to exclude existing customers, simply because they are already customers.

We consider this aspect of the final recommendation would enable customers to access new innovative products and services from their existing provider, benefitting *all* consumers by encouraging service providers to provide customers with long term value. We note existing customers would need to switch offers to benefit from this requirement, and that there may be other eligibility criteria that could exclude certain customers from a given plan, for example if the plan requires a battery.

As noted in the draft report, this proposal is similar to the UK's Ban on Acquisition Tariffs (BAT).[64] In its recent decision to extend the Ban on Acquisition Tariffs, OFGEM noted that the reform has been widely supported by consumer groups and retailers in the UK.[65] In response to the draft report, ECA also highlighted research suggesting that since the BAT's inception, there has been an increase in market innovation, consumer trust, and switching rates.[66] The Commission therefore has comfort that a similar approach here would also achieve positive outcomes.

A further potential benefit of requiring acquisition offers to be available to all consumers in the Australian context could be improved prices for hardship customers. The incoming *Assisting hardship customers* rule will require retailers to provide hardship customers with a price equivalent to their best prices, widely available plan.[67] Requiring retailers to make acquisition plans available to existing customers will support hardship customers to access their retailers' best priced deals.

Other processes are considering related issues

Commonwealth DCCEEW has consulted on options that could improve outcomes for legacy customers through its PEMM Act review.[68] DCCEEW is yet to release its final report on strengthening the PEMM Act. DCCEEW will be positioned to consider our final recommendations in its review.

The Commission will work closely with DCCEEW to make sure that our final recommendation is considered alongside any PEMM-related recommendations and associated implementation to minimise overlap and inconsistent obligations for the market.

Stakeholders raised alternative options that were not progressed

Submissions proposed a range of alternatives intended to address loyalty tax outcomes with different degrees of intervention and risk. The Commission thanks stakeholders for considering the issue and suggesting alternatives. As noted above, the Commission has taken this feedback into account when reshaping our recommendation to address the loyalty tax.

The Commission considered these alternatives in coming to our final recommendation, assessing their potential benefits for consumers against impacts on competition, as well as ease of implementation and enforcement. The proposed alternatives included:

- Allowing existing reforms to bed in - some considered that, under current settings, the market is likely to mature and encourage retailers to compete on terms other than price, achieving the

64 AEMC, *The pricing review – Draft report*, 11 December 2025, p 63-64.
65 Ofgem, Decision - Renewing the Ban on Acquisition-only Tariffs (BAT) after March 2026, 13 Nov 2025, p 10.
66 ECA, Submission to the Draft report, p 9.
67 AEMC, *Assisting hardship customers*, rule determination, June 2025, p ii.
68 DCCEEW, *Strengthening the Prohibiting Energy Market Misconduct provisions in the Competition and Consumer Act 2010*, p 36.

intent of draft recommendation 1.[69] To confirm this, some suggested monitoring the outcomes and effectiveness of current reforms before considering the proposal.[70] While incoming reforms will provide consumer benefits, as discussed above, the Commission considers the existing framework will not adequately address the identified issues.

- Additional demand side interventions to protect consumers and promote switching. Our final recommendation provides additional information to long-term customers. Beyond this, the Commission does not consider further measures are necessary at this time. Proposed options included:[71]
  - identifying vulnerability at an early stage or on an objective basis and reducing barriers to hardship and other customers accessing the cheapest offers in market. The final rule for Assisting hardship customers includes a new principle that sets out a clear and direct obligation on retailers to ensure that where the hardship customer is not on the retailer's lowest cost deemed better offer, the hardship customer will be no financially worse off than if they were on the deemed better offer.[72]
  - a consumer awareness campaign to encourage switching. Several reforms currently encourage consumer switching, including the better bills guideline and incoming switching to a better offer rule change.[73]
- Auto switching customers to a lower priced plan (either with their retailer or to a competitor), or to the DMO.[74] Some auto switching services currently exist as services in the market where a customer gives a third party authority to act as their agent (for example BillHero). We have not recommended this option as enabling broad automatic switching to a market offer would be challenging to implement, and requires changes to explicit informed consent laws (EIC). These changes require careful consideration, to ensure positive consumer outcomes. Further, a broad auto switching requirement could encourage competition based solely on price, potentially hollowing out product quality over time. We also note automatic switching was not recommended through the Improving the ability to switch to a better offer rule change.[75]
- Requiring market offers to be fixed-term only.[76] The Commission did not recommend this option as it requires consumer engagement to choose a new market offer, so it may not address the identified issues. Without changes to EIC, customers would be moved to a standing offer once their contract expires. This would increase the importance of the setting of the DMO, potentially increasing risks for energy service providers. Over time, this may undermine competitive market dynamics rather than strengthen them.
  - Instituting this option broadly could also require the reinstatement of exit fees to support competition. A version of this option (requiring contracts to terminate when a benefit period ends) was not progressed through the Improving consumer confidence in retail energy plans (ICCIREP) rule change. The Commission noted this arrangement could increase the prices paid by some customers, and may result in them losing benefits they value.[77]

69 Submissions to the Draft report: EnergyAustralia, p 2; ActewAGL, p 5; AER, p 1; AEC, p 4,8; Engie, p 5; Origin, p 3; Red Energy, p 5.
70 Submissions to the Draft report: ActewAGL, p 7; AER, p 3-4.
71 Submissions to the Draft report: Red Energy, p 4; ActewAGL, p 7.
72 AEMC, Assisting hardship customers, rule determination, June 2025.
73 AER, Better bills guideline; AEMC, Switching to a better offer, rule determination, 11 September 2025.
74 Submissions to the Draft report: EUAA, p 1; Peter Newland, p 2; EWOV, p 2.
75 AEMC, Switching to a better offer, rule determination, 11 September 2025, p 25.
76 Momentum, Submissions to the Draft report, p 4.
77 AEMC, *Improving consumer confidence in retail energy plans*, Draft determination, March 2025, p 12.

- Banding offers such that a retailer's lowest and highest priced plans can only be priced a set percentage apart.[78] While this approach uses competition to restrict price divergence, it may lead to clustering of prices around bands. The Commission considers that over time, this could dampen competition and innovation by reducing search incentives. It also may be complex to implement and enforce, particularly in comparing offers and in identifying which offers should be captured in a particular band.
- Implementing a principle for energy service providers to ensure consumers on older plans pay a reasonable price.[79] This is similar to a proposal suggested by DCCEEW through its PEMM review, and implemented in Victoria by the Essential Service Commission.[80] While the Commission supports the intent of these policies, we note that these may be complicated to implement, could be considered akin to price regulation and could reduce incentives for consumers to exercise choice in switching plans. As such, we do not recommend this option at this time, noting that other reforms may improve outcomes for customers, and reduce the impact of the loyalty tax as noted in appendix A.2.2 below. Consideration of such measures could be undertaken through our regular review, where we could consider whether stronger changes are required to address the loyalty tax.
- Choice, and JEC also suggested designing principle-based regulation of meaningfully different offers with anti-avoidance in mind, proposing the introductions of a broader material difference test, similar to that in place in financial services, with a requirement that retailers demonstrate the difference creates meaningful value for a target customer.[81] The Commission supports DCCEEW's BECE reforms are considering a consumer duty and move to a principle-based protection framework.[82]
- Introduction of a social retailer to serve consumers experiencing vulnerability.[83] We note that the concept of a social tariff/retailer was raised in the AER's Game Changer work and was not part of the final set of proposals in the final report.[84] DCCEEW's BECE review is considering protections for the future energy market, and the Commission considers this is the appropriate process to consider further consumer protections.[85]
- Implementing a market-wide price cap, eliminating competition altogether and reverting to a state-owned utility.[86] This option does not align with our vision for the future consumer centred retail market. The Commission considers competition is most likely to deliver the range of products, services, and pricing structure to meet the preferences of future consumers - we do not support a broad price cap or abandoning competition.

A.2.3 The final recommendation will complement other protections and support the transition to outcome-based regulation

Submissions highlighted numerous additional potential benefits of addressing the loyalty tax, including:[87]

- supporting perceptions of fairness and trust in the market

78 Alinta, Submissions to the Draft report, p 4.

79 Submissions to the Draft report, ECA, p 12; .

80 DCCEEW, *Strengthening the Prohibiting Energy Market Misconduct provisions in the Competition and Consumer Act 2010*, Consultation Paper, December 2025, p 33; ESC, Energy Consumer Reforms, Final Decision, 30 September 2025, p 34.

81 Choice, Submission to the Draft report: p 2.

82 DCCEEW, *Better Energy Customer Experiences* – Consultation paper, March 2025, p 7.

83 Engie, Submissions to the Draft report, p 6.

84 AER Game Changer, November 2023.

85 AER, Game changer – Final report, November 2023, p 6.

86 Submissions to the Draft report: WattEver, p 3; CIS, p 5.

87 Submissions to the Draft report: Choice p 1, CEC, p 2, ECA, p 8; EnergyFlex, p 3, CEC, p 2; Tesla, p 4; AER, p 3.

- encouraging competition on improved service quality and meaningful product differentiation
- improving transparency and simplifying offerings, reducing confusion for customers and supporting competition
- supporting long-term CER integration.

The Commission notes many of these benefits to addressing the loyalty tax would be captured through our final recommendation being implemented, as well as through other reforms and processes, including:

- Incoming and existing reforms, which will simplify price changes and discounting practices (ICCIREP), protect consumers experiencing vulnerability from high prices (Hardship), highlight the savings available to customers from choosing a new plan on all relevant correspondence (STABO), and encourage energy service providers to compete on value rather than on price discrimination. These key reforms are outlined in Table A.1 below.
- Other final recommendations in this report: recommendation 2, which will make finding plans easier for customers that choose to switch and recommendation 3, which will make plans simpler.
- The ongoing BECE process, which may recommend additional customer protections to ensure the framework is fit for purpose.[88]
- Energy Ministers have submitted a rule change request to us that would require a higher standard of engagement from energy retailers to customers.[89] This is seeking to require retailers to provide support more tailored to a customer's individual needs, including cultural, language and access requirements, where these can be reasonably known by a retailer.[90]

In the longer term, the Commission considers that implementing the final recommendation will complement the transition toward an outcome-based consumer protection framework, including any future consumer duty progressed through the BECE reforms.

This is because the final recommendation establishes an enduring incentive for energy service providers to deliver reasonable prices for consumers who remain on their offer over the long term. Similar enduring outcomes were put forward by the AER as part of their review of future consumer protections.[91] Full discussion of implementation is included in chapter 4.

Table A.1: Incoming and existing reforms will benefit consumers

Policy	Simplifying choices for customers	Promoting value in energy offerings
Improving consumer confidence in retail energy plans (ICCIREP) – AEMC (Effective July 2026)	Requires that customers' prices can only change once per year (in July), giving customers confidence in the price they are paying, and creating a regular market wide nudge to remind people to look for a new plan.	Requires retailers to charge small customers on market offers no more than the standing offer price if the benefits under their market offer expire or change before the contract expires. This also simplifies offers by

88 DCCEEW, *Better Energy Customer Experiences* – Consultation paper, March 2025.
89 AEMC, Requiring retailers and distributors to engage with customers in a way that meets their needs, 10 June 2026
90 ECMC, *Requiring retailers and distributors to engage with customers in a way that meets their needs,* rule change request, p 9.
91 AER, *Review of consumer protections for future energy services - Final advice report*, November 2023, p 30.

Policy	Simplifying choices for customers	Promoting value in energy offerings
		discouraging complex discounting practices.
Safety net pricing (DMO/VDO) – AER/ESCV	Provides a standard reference price that makes it easier for customers to compare offers and assess value.	Safety net prices (the DMO and VDO) are the maximum price an electricity retailer can charge standing offer customers, protecting customers from excessive charges and strengthening competitive pressure on retailers.
Assisting hardship customers (Hardship) – AEMC (Effective July 2026)		Ensures customers in hardship are not worse off than on a retailer's better offer, increasing accountability to deliver fair outcomes for consumers experiencing vulnerability.
Better Bills Guideline - AER	The Better Bills Guideline requires all retailers to provide consistent information and bill structure to make it easier for small customers to understand what they are being charged. It also requires retailers to tell the customer what they could save by switching to a better offer.	Improves transparency of pricing and savings opportunities, increasing pressure on retailers to offer competitive plans over time
Improving the ability to switch to a better offer (STABO) – AEMC (Effective December 2026)	Requires retailers to extend the better offer message to correspondence related to the bill, providing transparency on the prices paid by customers.	Improving awareness of better deals encourages retailers to provide value to existing customers.
Energy Made Easy/ Vic Energy Compare - AER/ESC	These are government run comparison sites which provide consumers with a trusted source to compare and choose retail offers.	Improving comparison between different offer types allows the development and easier comparison of offers that could provide longterm value to consumers.
Make finding plans easier, final recommendation 2	Seeks to improve the tools and information available to customers to compare plans and services, further enabling transparency of choices and prices.	As above. Enhances comparability across the market, reinforcing competitive pressure on retailers to deliver better value.

Any subsequent rule change process to give effect to our final recommendation would also involve further consultation and assessment of the proposed reforms against the National Electricity Objective (NEO) and National Energy Retail Objective (NERO). This would include considering detailed design, implementation and enforcement arrangements, and would consider interactions with other reforms (including PEMM and BECE).

B Recommendation 2: Make it easier for consumers to find electricity plans and services that suit them

Box 9: Make it easier for consumers to find electricity plans and services that suit them

In the draft report, we highlighted that technological change is expanding the range of electricity offerings available to consumers, and that consumers consistently report difficulty comparing plans. We identified a corresponding need to make it easier for consumers to compare electricity products and services.

Energy Made Easy and Victorian Energy Compare do an excellent job of comparing all generally available retail offers by price. However, the scope of these services is focused on price comparison. For many consumers, this works well. But consumers are increasingly looking for more detailed information on which to compare plans. For example, consumers with solar panels, batteries and electric vehicles often seek to compare plans across various dimensions. Simple price comparisons may be insufficient. Such comparisons can present misleading information for more complex energy services that feature different costs or rewards for different customer activities or behaviours.

Our draft recommendation was that the Treasury provide additional funding to upgrade Energy Made Easy, with the upgrade designed to allow consumers to compare a wider range of electricity offers, including new and emerging types.

Stakeholders strongly supported this recommendation. They also highlighted key information barriers, the impacts of those barriers, and the features of an effective comparison service.

In the May 2026 Federal budget, additional funding was allocated to the AER to improve the functionality of Energy Made Easy. The AER intends to add functionality to the platform to allow consumers to compare different VPP offers. This is planned to occur by June 2027. These upgrades will be valuable for consumers.

The Commission welcomes further improvements to Energy Made Easy. We consider that the Energy Made Easy platform will remain a trusted tool for many consumers.

However, submissions and our own analysis have highlighted that further work could help to ensure that product and service comparison tools fully address consumers' information requirements and support meaningful and simple comparisons in an evolving electricity market.

Stakeholders highlighted that consumers now need to consider a broader array of information when selecting an energy plan or service, and that complexity will continue to increase into the future as technological innovation continues to disrupt the energy market. They recognised that in this environment, consumers will need a fit-for-purpose comparison tool, noting that 'price' may not be the only plan or service component in which consumers are interested.

Stakeholders noted that existing comparison websites do not facilitate comparison of more innovative offering types or consumer decisions, such as:

- offerings that pass wholesale energy market prices fully or largely directly on to customers
- innovative plans that work with customers' CER to deliver a specific price or bill outcome, such as no-bill services
- whether or not a consumer may wish to electrify appliances or invest in new technologies to access or benefit from a given service.

Beyond the design of a fit-for-purpose comparison tool, careful consideration should also be given to the associated funding model. Ideally, that model would provide sufficient sustainability and predictability to support the tool's ongoing development and maintenance.

Given this feedback, we have refined our recommendation. The Commission will explore opportunities to make it easier for consumers to find electricity plans and services that suit them, by examining:

- what a fit-for-purpose comparison service looks like in a changing electricity retail market where price is not the only component on which comparisons are made
- whether a trusted comparison site should be complemented by other tools to help consumers with their energy choices
- the funding approach that could best support such a service into the future.

We consider that, subject to the eventual delivery of such a tool, consumers can benefit from simplified interactions, and the market would work more effectively - supporting innovation and competition, and lower prices for consumers.

We also support the AER in considering the quality and scope of information consumers will need in its review of the retail guidelines. Its recent draft guidelines may provide consumers with better quality and simpler information about plans and newer energy offers emerge. We encourage stakeholders to engage directly with the AER in this process

B.1 We identified opportunities to make it easier for consumers to compare products and services

B.1.1 Consumers consistently report difficulties in comparing plans

While customers value choice, the variety of product structures, discounts and other inducements can make it difficult for energy customers to understand and compare electricity offerings.

Consumers consistently report dissatisfaction with the complexity of electricity market offers.[92] Many consumers find it difficult to compare alternative offers and decide whether to switch offers and/or energy service providers. Energy Consumers Australia (ECA) reports that over a quarter of consumers who tried to switch energy plans but did not, found that:

- they could not find a product that suited them, or
- the process was either:
  - too complicated
  - too confusing
  - too time-consuming.[93]

Smart meter customers who search for and switch energy service providers or contracts typically compare multiple price components and have to consider when they use electricity to identify the best offer.[94]

Consumers continue to take up CER and CER services at growing rates.[95] This can further complicate the choices facing consumers in terms of energy plans and services, with potentially different charges and rewards available for using CER at different times and in different ways.

92 AER, *Towards energy equity*, October 2022, p 19.

93 ECA, Sentiment Survey, June 2024, Topline Data [data set]. Survey participants could select multiple options (28% could not find a product that suited them, 25% thought it was too complicated, 27% thought it was too confusing, 25% thought it was too time -consuming).

94 IPART (Independent Pricing and Regulatory Tribunal of NSW), *Monitoring the NSW retail electricity market 2023-24 Annual Report*, IPART, NSW Government, November 2024, p 62; AEMO submission to discussion paper, p 3; Clean Energy Council (CEC) submission to discussion paper, pp 3-4.

95 ACCC, *Inquiry into the National Electricity Market*, July 2025, p 65; AEMO, DER Data downloads, AEMO website, accessed May 2026.

Energy Made Easy and Victorian Energy Compare do an excellent job of comparing all generally available retail offers by price. We support the inclusion of customers' historical electricity consumption in these tools, as it provides more relevant information to help consumers make informed switching decisions.

However, they do not facilitate straightforward comparison of more innovative offering types, such as offerings that contain rewards or wholesale pass through.[96]

We suspect that these concerns will only increase over time as technology continues to disrupt the market and consumer preferences change, resulting in new offers and plans being made available to consumers.

B.1.2 We recommended additional funding should be provided to the AER to upgrade Energy Made Easy

We consider that there is an increasing need for more advanced product comparison services for consumers. These services should reflect the increasing variation and complexity of customers' circumstances, and ensure individual customers can explore and compare different electricity products and services to match their specific needs.

Our draft recommendation identified two key opportunities to address this need:

1. We supported the AER considering the quality and scope of information consumers will need in its review of the retail guidelines. The AER's review of this guideline represents a great opportunity to provide consumers with better quality and simpler information about plans as the retail market changes and newer energy offers emerge. We encouraged stakeholders to engage directly with the AER in this process.
2. We recommended providing the AER with additional funding to upgrade Energy Made Easy so that consumers can easily compare electricity offers, including new and emerging types. The AER could draw on technological developments, including but not limited to Artificial Intelligence (AI), to support its comparison service and provide information that allows consumers to make informed choices through an independent and trusted site.

B.2 Stakeholders agree that consumers need a trusted comparison service with appropriate functionality

B.2.1 Stakeholders agree that consumers need access to a trusted comparison service

Stakeholders agreed that the market is becoming more complex for consumers. They noted that Energy Made Easy has not kept pace with these changes and that there is a strong case for improvement.[97] Stakeholders recognised the need for a trusted and independent comparison service to support consumers now and into the future.[98]

Stakeholders overwhelmingly supported additional funding be given to the AER to improve Energy Made Easy.[99]

The AER highlighted in its submission that in 2024-25 approximately 2.4 million users visited Energy Made Easy:

96 For example, Amber Electric is an energy service provider that provides customers access to wholesale electricity prices in real time to shift energy use to times that are cheaper or provide value for exporting to the grid.

97 Submissions to the draft report: EnergyFlex, p 4; Engie, p 9; Alinta Energy, p 6; Individual 30, p 1; Individual 64, p 2; Individual 10, p 3; Individual 20, pp 2-3; Individual 68, p 2; Individual 7, p 1; Individual 72; pp 1-2; Tesla, p 6; ECA, p 17; Red and Lumo Energy, p 7; Momentum, p 1; Compliance quarter, p 12, AGL, p 9; EWOV, p 4; JEC, p 12, CEC, p 12.

98 Submissions to the draft report: AER, p 2; Engie, p 9; ECA, p 19; EWOV, p 4; Momentum, p 8.

99 Submissions to the draft report: Nexa Advisory, p 5; CEC, p 12; IEEFA, p 3; SAPN, p 4; ActewAGL, p10; Compliance Quarter, p 12; Parents for Climate and Sweltering Cities, p 2; AER, p 2; Engie, p 9; Essential Energy, p 1; EEC, p 4; Tesla, p 6; ECA, p 17; Origin, p 8; AGL, p 9; Red and Lumo Energy, p 7; EWOV, p 4; Momentum, p 9; WattEver, pp 4-5; JEC, p 12; EnergyAustralia, p 3.

- 1.2 million completed an energy plan comparison search
- 900,000 customers used their own usage data
- 200,000 switched retailer, and it is likely many more switched to another plan with their existing retailer.[100]

The ECA's research indicated around 12 per cent of consumers have used Energy Made Easy.[101] Stakeholders also highlighted the need to make Energy Made Easy more visible in the market.[102]

Some stakeholders noted that while Energy Made Easy is an important tool, it will not serve all consumers and the industry cannot rely on it to solve all needs.[103]

Based on examples provided by the AER and ECA, we consider that Energy Made Easy's current reach is significant and has the potential to support more consumers. Therefore, the Commission still supports the need for an improved functionality of Energy Made Easy as a comparison site to support customers through the transition and as a facilitator of information to other innovative third parties that provide services to consumers.

B.2.2 Stakeholders have outlined opportunities to enhance Energy Made Easy's capabilities beyond price comparison

Stakeholders outlined the key information and comparisons consumers need for an evolving market. Overall, stakeholders outlined three key functionality improvements that go to having comparisons beyond just 'price':

1. more bespoke consumer profiles that incorporate better future scenario modelling
2. expanded comparison metrics beyond just price
3. simpler information across all steps of the customer decision-making journey.[104]

Further details on how stakeholders consider comparisons for new energy services could be improved can be found in the Box 10 below.

Box 10: How stakeholders consider comparisons should be supported

1. Consumers need personalised comparisons that reflect their circumstances.

Stakeholders generally supported comparisons based on a household's actual energy use, rather than generic assumptions.

- They noted the need for more personalised bill projections and tailored information. This includes real usage data, the impact of consumer energy resources, and realistic or probabilistic scenarios for different household types (for example, households with electric vehicles, or solar and battery systems).[1]
- Some stakeholders also suggested that greater standardisation of key metrics, such as export limits and virtual power plant structures, would support easier comparisons.[2]
    - The CEC noted that standards and benchmarking for export rates would simplify value propositions and improve comparability for consumers.[3]

2. Comparison services should reflect broader decision factors.

100 AER, submission to the draft report, p 2.
101 ECA, submission to the draft report, p 18.
102 Submissions to the draft report: ActewAGL, p 10, ECA, p 18. Engie, p 9.
103 Submissions to the draft report: Alinta Energy, p 6; AEC, p 11; EnergyAustralia, p 3.
104 Submissions to the draft report: CEC, p 14; EEC, pp 4-5; ActewAGL, p 10; Engie, p 9; Tesla, p 6; Origin, p 8; AGL, p 9; EWOV, p 4; ECA, p 18, JEC, p 12.

Stakeholders noted that consumers are making decisions based on more than price. Comparison services should therefore include a broader set of metrics to reflect consumer preferences.

- Commonly identified metrics included service quality, how consumer assets are used or controlled, eligibility criteria, and clear disclosure of terms and conditions.[4]

3. Improvements should simplify, not add complexity

Stakeholders emphasised that comparison tools should simplify the market, not add further complexity. Some noted that Energy Made Easy in its current form favours consumers who are already engaged.

- Stakeholders warned that additional functionality could increase information burdens if not carefully designed. They emphasised that any upgrades should focus on simplifying language, reducing complexity, and providing the right information at key decision points, such as moving house or responding to bills.[5]

Note: [1] Submissions to the draft report: CEC, p 14; Energy Efficiency Council, pp 4-5; ActewAGL, p 10; Engie, p 9; Tesla, p 6; Origin, p 8; AGL, p 9; EWOV, p 4; ECA, p 18, JEC, p 12.
Note: [2] Submissions to the draft report: CEC, p 14; ECA, p 18, JEC, p 12.
Note: [3] CEC, submission to the draft report, p 14.
Note: [4] Submissions to the draft report: CEC, p 14; EEC, pp 4-5; ActewAGL, p 10; Engie, p 9; Tesla, p 6; Origin, p 8; AGL, p 9; EWOV, p 4; ECA, p 18, JEC, p 12.
Note: [5] Submissions to the draft report: ECA, pp 17-18; JEC, p 12; Individual 32, p 2; Individual 64, p 2.

ECA suggested the scope of Energy Made Easy should be expanded

Energy Made Easy currently functions as a price comparison website and therefore has limited scope beyond retail pricing. ECA noted that energy decisions increasingly extend beyond price to include electrification, energy efficiency, consumer energy resources and related services.[105]

ECA also highlighted that expecting consumers to independently navigate a growing web of markets, programs, providers and then make decisions is unreasonable.[106]

ECA suggested that Energy Made Easy could evolve into a one-stop shop for energy information. In its view, Energy Made Easy has the potential to become a trusted entry point for households and small businesses. This would allow them to understand their options and access consistent, plain-language guidance across the full range of energy decisions, while complementing its existing price comparison function.[107]

Improving the functionality of Energy Made Easy and the data collected would support competition

Under the Retail pricing information guidelines (RPIG), retailers are required to provide data to the AER on generally available plans. This data is used in Energy Made Easy. The AER also hosts an application programming interface (API) that makes this retail plan data available to third parties through the Consumer Data Right.[108]

The AER is currently reviewing its retail guidelines.[109] As noted in the draft report, any improvements to the quality and scope of information retailers provide the AER could be made available through the AER's API.

105 ECA, submission to the draft report, p 18.
106 ECA, p 18.
107 ECA, p 19.
108 You can access the AER's generic energy product reference data here.
109 AER, *Retail guidelines review*, accessed 25 May 2026.

Stakeholders noted that improved data must be machine-readable and transparent to support third parties to generate automated recommendations.[110]

We recognise stakeholder views that Energy Made Easy will not meet the needs of all consumers.[111]

The AER's data supports third-party comparison services, and we expect this role to grow over time, including through the use of emerging tools such as AI.

We support improvements to the quality of retail plan data through the retail guidelines review. Any enhanced data should remain transparent, accessible through the AER's API, and machine-readable to support third-party innovation, including comparison tools.

Improved data quality would support competition and innovation by increasing transparency and enabling new services.

B.2.3 Other organisations have identified key information gaps in the current framework

We have undertaken further analysis, alongside stakeholder input, to better identify and define the key information barriers that need to be addressed.

Other organisations have shown the impacts of information barriers

In December 2025, the CER Taskforce released the *Reimagining how we engage Australians with Consumer Energy Resources information: Insights and Opportunities Report* under priority C.3 of the National CER Roadmap.[112]

The report outlines the current experience of households and small businesses accessing information on CER. It identifies key insights into information challenges and opportunities for improvement. A key finding is that the information landscape is fragmented and does not support consumers at critical decision points, such as selecting the right products and leveraging the benefits of CER.

While the report focuses on CER, it identifies common information barriers faced by consumers more broadly.

The report outlines key information needs for consumers when investigating, purchasing, installing and using CER, as shown in Figure B.1.[113]

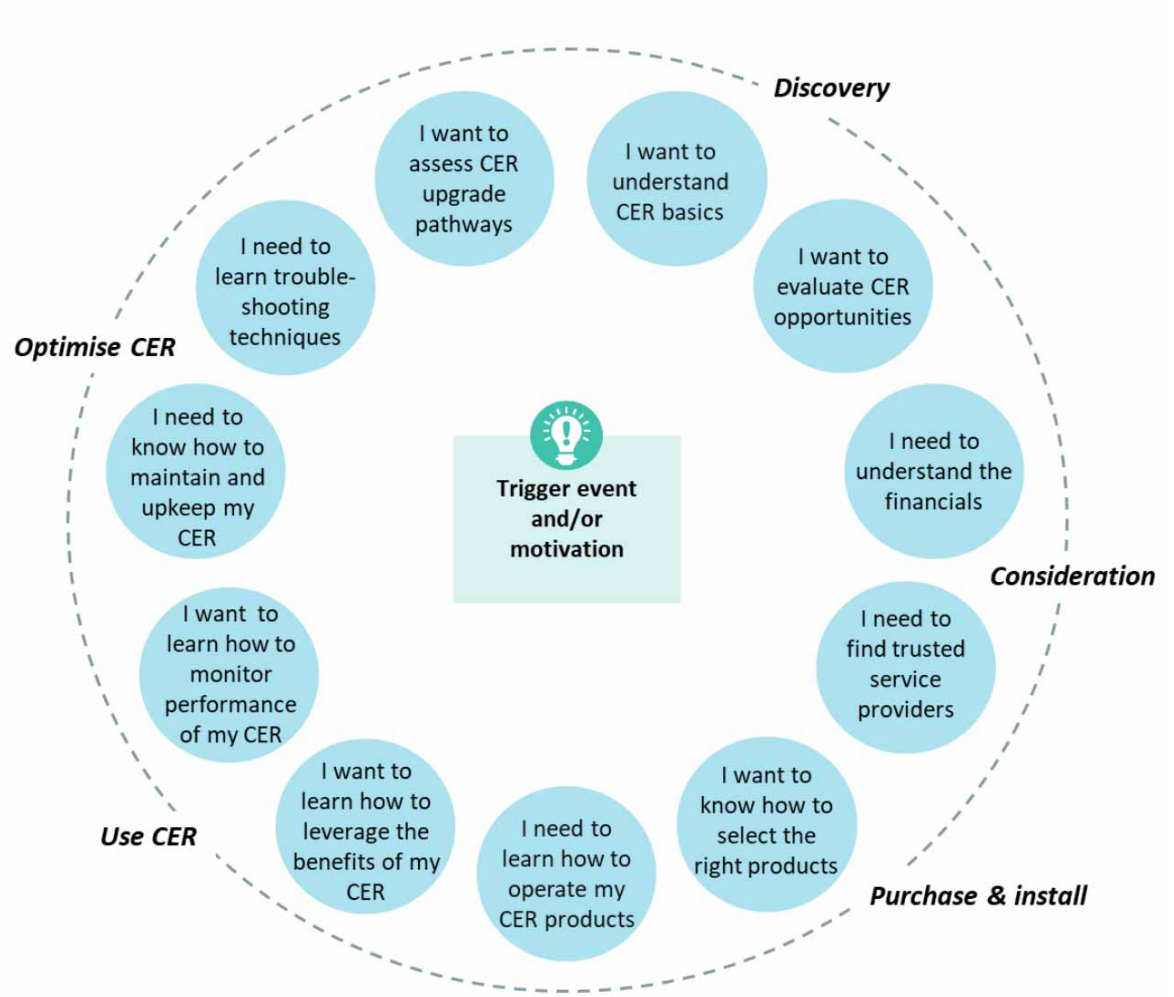
110 Submissions to the draft report: CEC, p 14; Individuals and organisations no attachments 249-621, p 21.

111 Submissions to the draft report: EnergyFlex, p 5; Alinta Energy, p 6; Aurora Energy p 4; EnergyAustralia, p 3.

112 CER Taskforce, *Reimagining how we engage Australians with Consumer Energy Resources information: Insights and Opportunities Report*, December 2025.

113 *Reimagining how we engage Australians with Consumer Energy Resources information: Insights and Opportunities Report*, December 2025.

Figure B.1: Information journey framework



Source: CER Taskforce, Reimagining how we engage Australians with CER information, p 8.

The report highlights that people often acquire CER information passively; however key life events, triggers or motivations can prompt information seeking goals.[114] Different goals move in and out of focus depending on an individual's information goals at that moment.[115]

The report found that CER information is complex, fragmented, and often difficult to navigate.[116] Consumers can potentially consider a wide range of decisions (as outlined in Figure B.1above). The report showed that information is not only decentralised, but also inconsistently trusted, with misinformation and confusion common across many touchpoints.[117]

In summary, the CER Taskforce report concludes that the key information barriers consumers typically face under the current information ecosystem in relation to CER are:

1. information is not available at the right time
2. the information is technical and inaccessible for most consumers

114 CER Taskforce, *Reimagining how we engage Australians with CER information*, p 8.
115 CER Taskforce, *Reimagining how we engage Australians with CER information*.
116 CER Taskforce, *Reimagining how we engage Australians with CER information*, p 11.
117 CER Taskforce, *Reimagining how we engage Australians with CER information*.

3. consumers must navigate a fragmented information landscape
4. cost-benefit messaging feels untrustworthy or unrealistic
5. not all information is clearly disclosed, for example the terms of some VPPs.[118]

The insights found in the report are unified by three core elements – the need to provide households and small businesses with the right information, at the right time, through trusted sources.[119]

The ACCC has reported on key information barriers consumers face with VPPs

In its July 2025 Inquiry into the NEM report, the ACCC analysed the contract terms of new energy services, in particular VPPs.[120] Our intepretation of the ACCC's findings is that information barriers and the overall complexity of information could be reducing consumers' trust in new energy services. Ultimately, the AEMC considers that it also reduces the likelihood consumers will take up innovative services that will be able to provide value to individuals, as well as the system as a whole.

The ACCC made observations that increasing product complexity and information barriers can place consumers at greater risk and reduce virtual power plant uptake.[121] Any reforms that can address these barriers will be important to address as VPP uptake is crucial to integrating CER and reducing overall system costs.

A key observation of the ACCC is that the benefits of different plans depend on individual circumstances.[122] It found that the value proposition of VPPs is not always clear due to how technically complex such products can be.[123] For example, key information barriers that delay or remove a consumer's interest in VPPs are:

- Products of the same type of VPP service vary significantly, including levels of control, responsibilities for installation/customer service. This may make it difficult for customers to compare product offerings.
- New energy services are often 'bolted on' to energy supply contracts. This increases the complexity of energy products, by increasing the terms and conditions consumers are asked to engage with.
- Contracts with lengthy contract terms may lock customers in and present barriers to switching. Further, many products only work with specific makes and models of CER.[124]

Consumers must receive clear and accessible information to be able to assess whether the features of a service offering that they are considering will align with their reasons for participating in a VPP.[125]

118 CER Taskforce, *Reimagining how we engage Australians with CER information*, pp 15-35.
119 CER Taskforce, *Reimagining how we engage Australians with CER information*, p 14.
120 ACCC, *Inquiry into the National Electricity Market,* July 2025.
121 ACCC, pp 101-111.
122 ACCC, p 103.
123 ACCC, p 102.
124 ACCC, pp 101-111.
125 ACCC, p 103.

B.3 Our final recommendation is to make it easier for consumers to find electricity plans and services that suit them

B.3.1 Improving the functionality of Energy Made Easy would reduce comparison burdens on consumers and promote competition

Submissions highlight that improving the functionality of Energy Made Easy is a crucial step that will help consumers.

Improving the functionality of Energy Made Easy would reduce the search and comparison burden to consumers and support more meaningful comparison of dynamic products. Improving the baseline functionality of Energy Made Easy would improve competition by increasing transparency. This would place more competitive pressure on these offers and improve consumer satisfaction and trust with the energy market.

The Commission welcomes the Commonwealth government's decision to allocate additional funding to the AER to improve the functionality of Energy Made Easy.[126] We understand from the AER, that this will allow the AER to incorporate functionality that would allow consumers to compare different VPP offers. These changes are expected to be implemented in 2027. We consider this to be a positive step to improve the tools and information available to consumers to simplify comparisons, particularly for new energy services.

B.3.2 Our final recommendation is to explore opportunities to address information gaps

Our analysis of stakeholder submissions and recent reports indicates that further work is needed to identify and support a broader set of tools to address information gaps in the market. Our analysis also shows that more work is needed to outline what a fit-for-purpose comparison site would be for a future retail market that is consistent with our vision, and what an appropriate funding model could be.

The Commission will explore opportunities with stakeholders to enhance the information and tools available to consumers to simplify comparisons.

B.3.3 We want to see information barriers addressed

Taking into account stakeholder views and the findings of the reports outlined above, the Commission has identified four key information barriers:

1. information is not actionable for real decisions for most consumers
2. the information system is fragmented
3. eligibility and structural constraints are not reflected in information
4. the changes occurring in the market are outpacing the capabilities of information tools on which customers rely.

The impacts of these information barriers are significant and warrant further work to address them

Analysis of stakeholder submissions and recent reports indicates that information barriers are affecting how the market operates. In practice, these barriers create tangible risks for both consumers and the market.

We outline the impacts on consumers and the operation of the market from these information barriers below.

Impacts on consumers:

126 Treasury, Budget paper No. 2, May 2026, p 46.

- it is difficult to find plans that meet their needs, which risks a mismatch in plans
- decisions default to simple price signals, not overall value
- many consumers delay decisions or disengage altogether, which risks consumers missing out on genuine value
- benefits of engaging accrue mainly to high-capability, highly engaged customers.

Market-wide impacts:

- competition concentrates around standardised price points
- innovative and differentiated offers struggle to gain traction
- incentives for innovation weaken
- expected benefits of network reforms are not fully realised as energy service providers struggle to indicate value to consumers from different plan types

The AER has recently published its draft retail guidelines.[127] The AER is proposing an outcomes-based approach to how information and plans are communicated to consumers through its *Design principles*.[128]

The AER is also proposing that for *flexible plans,* information must also include information to help a customer understand:

- what type of customer the plan is best suited to;
  - what the customer needs to do to make the most of the plan,
  - how involved the retailer will be in automating the use of the customer's energy resources
  - how the retailer will ensure that the customer is protected from paying unreasonably high bills over a defined period;
  - where customers can access further information about the plan.

We consider this is a positive step to address the information barriers identified above and we encourage stakeholders to continue to engage with this process.

We note that the BECE reforms are a key pathway to ensure frameworks supporting customer engagement are effective.[129] One reform it is considering is an overarching consumer duty that could be applied across all entities captured under the National Energy Customer Framework (NECF).[130] An overarching consumer duty could be able to address unforseen risks as the market evolves, including how new energy services are presented to consumers.

These reforms may create changing obligations on energy service providers and facilitate the entry of non-traditional energy service providers within the consumer protections framework. A fit-for-purpose comparison and information service would be important to ensure consumers can navigate these changes with confidence. Furthermore, it would need to be able to adapt quickly to incorporate new business models and paradigms.

Poor information flows limit the value signals available to consumers. This reduces the effectiveness of reforms in The pricing review because:

- consumers are less able to identify products and services that meet their needs
- energy service providers face barriers to delivering innovative offerings that can reduce system costs.

127 AER, Retail guidelines review, Draft guidelines, June 2026

128 *AER, Retail guidelines review, Draft guidelines, June 2026, p 8*

129 DCCEEW (Department of Climate Change, Energy, the Environment and Water), *Better Energy Customer Experiences (BECE),* accessed 30 April 2026.

130 DCCEEW, *BECE*, Consultation paper, April 2025, p 7.

To support a more dynamic energy services market, further work is needed to improve consumer comparison tools.

B.3.4 Simplifying the market will support competition and improve consumer outcomes

We consider that simplifying comparisons could deliver significant benefits for consumers. These potential benefits warrant further investigation into what additional tools may complement Energy Made Easy.

Table B.1 and Table B.2 below outline the potential benefits for consumers and the broader market from addressing the information gaps, identified in appendix B.3.3.

Table B.1: Addressing information gaps will improve outcomes for consumers

Consumers are being harmed by information gaps	Consumers will benefit from addressing these gaps
Consumers are unable to find plans that meet their needs.	Consumers can have personalised comparisons that allow them to better understand savings and risks, reducing the mismatch of services.
Decisions default to simple price signals, not overall value.	Consumers will be able to compare the overall value of a service which supports real world decision-making.
Many consumers delay decisions or disengage altogether.	A seamless comparison service will support quicker decision-making and reduce the risk consumers disengage.
Benefits accrue mainly to high-capability, highly engaged customers.	Benefits can flow to all consumers regardless of their capability to engage

Table B.2: Addressing information gaps will make the market more effective

Information gaps are reducing the effectiveness of the market	The market will operate more effectively by addressing these gaps
Competition concentrates around standardised price points.	Competition can be expanded to consider multiple different value factors that consumers consider when making decisions.
Innovative and differentiated offers struggle to gain traction.	If value propositions of new energy services are clear for consumers, it will improve uptake of VPPs and EV charging plans.
Incentives for innovation weaken.	Energy service providers are more incentivised to innovate.
Expected benefits of network reforms are not fully realised as energy service providers struggle to indicate value to consumers from different plan types.	If consumers are able to compare multiple different value points, this will support the other reforms we are proposing in The pricing review.

Different consumers will need different tools

Different consumers require different information and tools. The following examples outline the challenges consumers face and how comparison platforms could better meet these needs using our consumer archetypes.

The Commission will undertake further work to identify the tools needed to support consumers.

Box 11: Vignette 1 - Residential customer who should not be left behind

Omar is a residential customer balancing work, family and rising living costs. English is not his first language. He does not want to spend time managing his energy. He is currently on his retailer's standing offer. He heard he could get a better deal and wants a simple plan that offers a good price and confidence that he is not overpaying.

Omar is eligible for concessions but does not know how to access them. This information is not clearly presented when he engages. He is unsure where to find a simple and reliable answer. When he tries to compare offers, the experience becomes difficult. Plans include different rates, conditions and language that is hard to understand. He cannot tell how much he could save, including with a concession.

The information assumes a level of time and effort that Omar cannot provide. After a short time, he disengages and remains on his current plan.

Despite wanting a better outcome, the effort required outweighs the perceived benefit. Omar does not act, even if this means paying more than necessary.

Omar's search could be made easier by having simple advice that accounts for the level of support he needs

Omar's experience could improve if the information is clearer and easier to understand. Tools and websites could use plain language and avoid technical terms. Translated information and language support could also help Omar access and understand his options.

Information about concessions, rebates and protections could be shown upfront. This could include a simple explanation of eligibility and the likely impact on his bill. Clear and early visibility would help Omar understand the benefit of engaging and reduce uncertainty.

The process could also require less effort. Omar has limited time and prefers a simple experience. Tools could minimise inputs and guide him to an outcome quickly. Information could focus on key outcomes, such as expected savings, rather than detailed plan features.

A simpler and more accessible experience would reduce barriers and support action. Clear options, with fewer steps and decisions, would make it easier for Omar to engage. Presenting information in a clear and consistent way would also build confidence.

With clearer information and a more straightforward process, Omar would be more likely to move from a standing offer to a plan that better suits his needs.

Source: AEMC analysis.

Box 12: Vignette 2 - Embracer who is limited by current comparison tools

Alex owns a home with rooftop solar and a battery. He actively manages his energy use. He regularly checks apps and is trying to optimise how he charges and discharges his battery. He is also considering joining a VPP and if switching to a dynamic pricing plan would improve his outcomes.

Alex uploads his NMI data into Energy Made Easy. This provides a more tailored comparison based on his usage. While this helps, the results do not fully reflect how his solar exports and

battery behaviour interact with more complex offers. VPPs, dynamic tariffs and export pricing are either simplified or not meaningfully comparable. It is also not clear whether his CER is compatible with different VPP services. This makes it difficult for him to assess the real trade-offs.

To bridge these gaps, Alex gathers information from energy service provider websites, forums and installers. However, this information is fragmented. It does not show how different choices would affect his specific setup. He cannot easily test how actions—such as joining a VPP, changing battery usage or upgrading his system—would affect his bills over time. He also cannot assess the level of risk associated with more dynamic pricing.

Despite being capable and motivated, Alex remains uncertain. Instead of optimising his system, he chooses the lowest cost plan per kWh. The effort required and the risk of making a poor decision outweigh the potential benefits.

Alex's experience could be improved with improved data-driven comparisons

Alex's experience could improve through more effective use of detailed consumption data, including analysis on his behaviour. Tools could use NMI and interval data to reflect how solar generation, battery use and exports interact with different plans. This would support more accurate and relevant comparisons.

Scenario testing would further improve decision-making. Tools could allow Alex to test 'what if' scenarios, such as joining a VPP, changing battery behaviour or upgrading his system. This analysis could use his actual data to show how outcomes may change over time.

Comparisons should also better reflect complex products. Dynamic pricing, export tariffs and VPP offers could be presented alongside standard plans using consistent measures. Comparisons should also include non-price factors such as CER compatibility with different services. Clear explanations of key differences would help Alex understand trade-offs.

A more integrated view would reduce fragmentation. Bringing plans, information on how to optimise CER, hardware costs and where to find installers together in one place would show how different combinations affect overall costs and performance.

Finally, tools could better communicate risk. Instead of focusing only on average outcomes, they could show the range of possible bill outcomes under each option. This would help Alex understand variability and make more informed decisions.

Source: AEMC analysis.

Box 13: Vignette 3 - Small business behind barriers

Sarah runs a coffee roastery and delivery service out of a leased premise. Energy and fuel are significant costs, and she's motivated to reduce her bills and improve sustainability. She's open to changing how and when she uses energy and has looked into options like more flexible pricing plans and an EV delivery van to save on costs.

However, she quickly runs into barriers. As a tenant, she can't install an EV charger without landlord approval, and the upfront costs make it unrealistic anyway. When she looks at comparison tools, the information assumes she can freely switch products or invest in technology, neither of which reflects her situation.

She wants to make behavioural changes, like shifting usage or choosing a better plan, but isn't sure which actions would actually make a difference for her business. The information available is generic and doesn't translate into practical steps for someone with her constraints. She also can't easily see which plans suit her business usage profile.

Despite being motivated and reasonably capable, Sarah feels stuck. She continues on her current plan and makes only minor changes, unsure if they are meaningful.

Sarah's situation could be improved through information and tools that better recognise her constraints and priorities

Rather than assuming users can freely invest in new technology or modify their premises, guidance should be tailored to renters and businesses without access to CER, focusing on what *is* feasible in those circumstances.

Clear, actionable behavioural guidance would help translate intent into impact. Practical steps—such as load shifting, timing equipment use, or adjusting operating practices—should be framed around technologies and actions that are accessible to her, with transparent estimates of potential savings to support informed decisions.

Plan comparison tools could also be refined to filter options based on eligibility, showing only plans that suit her tenancy situation, business usage profile, and any consumer energy resources she could realistically adopt. Insights should reflect her business operations and hours, rather than generic household assumptions.

Finally, information should be simplified and prioritised. Presenting a short list of high-impact, next steps—such as a "top three things to do now"—would reduce her being overwhelmed with information and help Sarah move forward with confidence, rather than leaving her unsure which actions are worth pursuing.

Source: AEMC analysis.

Box 14: Vignette 4 - Suburban family full of potential

James and Priya are a suburban family who own their home and are starting to feel the pressure of rising energy bills. They've heard that electrification, solar, batteries or even an EV could help reduce costs, and they're open to it—but energy isn't something they want to actively manage day-to-day.

They begin looking into options, but quickly lose momentum. The information is fragmented across websites, installers and energy service providers, with each step—research, quotes, installation, plans—feeling disconnected and frustrating. It's unclear what the full journey looks like, how long it takes, how electrifying will impact their bills or what decisions they need to make along the way.

James and Priya have also found the CER products that they like, but after further research, are unsure if the products would work with the plan that they want. Trying to match their desired kit with a plan is proving time-consuming and challenging.

They're also wary of the industry. Quotes vary, claims feel hard to verify, and they're unsure who to trust. While they'd prefer a simple, bundled or automated solution where everything "just works," the market requires them to piece together assets, providers and plans themselves.

Despite having the financial ability and strong potential to act, the lack of a seamless, trusted pathway means they delay the decision altogether.

James and Priya's experience could be improved through a coherent, guided pathway that brings the fragmented parts of the consumer energy journey together

Instead of requiring them to navigate separate stages—research, quoting, installation and plan selection—there could be a single, end-to-end experience that clearly shows how each step connects, what decisions are required, and what comes next.

Access to bundled or "set and forget" options would better match their preference for simplicity and low ongoing engagement. Integrated offers that combine assets such as solar, batteries or EVs with an appropriate energy plan could be compared side-by-side, with clear disclosure of all relevant terms, including control arrangements, exit fees and any conditional requirements. This

would reduce the need for manual coordination across multiple providers and lower the cognitive burden of decision-making.

Independent verification could build greater trust and confidence. Transparent validation of bill impacts, quotes, installers, energy service providers and expected outcomes would help address concerns about inconsistent pricing and unsubstantiated claims, giving James and Priya reassurance that they are comparing like-for-like and making informed choices.

Personalised guidance, for example, through an A.I. agent, would also help maintain momentum. Clear recommendations—such as "what to do next"—based on their home, energy usage and goals could support progression through the process, with intelligent tools used to simplify choices without pushing them to actively manage energy on an ongoing basis.

Finally, end-to-end visibility is critical. Clearly setting out timelines, costs and milestones from initial research through to operation, alongside post-installation support that ensures assets are optimised automatically, would make the pathway feel manageable and trustworthy. With a clearer, smoother process, James and Priya would be more likely to move from interest to action rather than delaying a decision altogether.

Source: AEMC analysis.

B.3.5 We have identified the following opportunities to explore

The Commission considers that a comparison site has strong potential to deliver good consumer outcomes. It is likely to remain a trusted tool for many consumers. However, submissions and our own analysis show that further work is needed to address information gaps in the market and to examine the scope of a trusted price-comparison site. To support the longevity of a fit-for-purpose tool, funding arrangements should be a consideration.

The AEMC will work with stakeholders on how to address these information gaps. In doing this work, we aim to answer three key questions:

1. what a fit-for-purpose comparison service looks like in a changing electricity retail market where price is not the only component on which comparisons are made
2. whether a trusted comparison site should be complemented by other tools to help consumers with their energy choices
3. what is the funding approach that could best support such a service into the future.

Energy Made Easy is required to be designed as a price-comparator service

Stakeholders have noted that consumers need to compare offers on more than price to benefit from innovation and realise value.[131] Findings from the CER Taskforce and the ACCC also show that consumers do not make decisions just on price alone and require better comparison tools to support them.[132]

ECA suggested expanding the scope of Energy Made Easy as a one-stop shop for all energy information alongside its price-comparison role.[133] For example, the ECA pointed to the Australian Securities and Investment Commission's (ASIC) MoneySmart website.[134] MoneySmart provides information to help consumers navigate the system, understand products, compare offers, avoid scams, and access support services.[135]

131 Submissions to the draft report: CEC, p 14; EEC, pp 4-5; ActewAGL, p 10; Engie, p 9; Tesla, p 6; Origin, p 8; AGL, p 9; EWOV, p 4; ECA, p 18, JEC, p 12.

132 CER Taskforce, *Reimagining how we engage Australians with Consumer Energy Resources information: Insights and Opportunities Report*, December 2025, pp 15-35; ACCC, Inquiry into the National Energy Market, July 2025, pp 101-111.

133 ECA, submission to the draft report, p 19.

134 ECA, p 19; ASIC, *MoneySmart*, accessed 30 April 2026.

ASIC reported that one in two adult Australians visited MoneySmart in the 2022–23 financial year.[136]

Under the National Energy Retail Law (NERL), the AER must develop and operate a price comparator website.[137] However, it is timely to consider whether this requirement remains appropriate in a changing electricity market, and whether amendments to the NERL may be needed to expand the scope or incorporate more tools. Any changes to broaden comparisons beyond price would require legislation changes.

Tesla highlighted that the current governance of Energy Made Easy will not be fit-for-purpose.[138] Consumers need to understand what level of automation is offered, what the consumer retains control over, what risk is borne by the provider, and what rewards may be expected. Tesla noted that "this requires the AER to have both the funding and the governance process to keep pace with market innovation."[139] Tesla suggests that an industry reference group representing market particpants and product developers should be established so that the design of any fit-for-purpose comparison service accruately reflects the market.[140]

This is why the AEMC wishes to conduct further work with industry before committing to this as an option. Specifically, we will consider what a best practice comparison site looks like in a retail market where our vision is realised. We note that the outcomes of this further work may result in further modifications to Energy Made Easy or the build of an entirely new platform. The timing of any recommended changes will depend on the scope of change needed.

The Victorian State Electricity Commission of Victoria (SEC) has developed a one-stop shop to help consumers electrify

Victoria's SEC has developed the Easy Electric SEC (EES) tool - a digital, one-stop platform designed to simplify home electrification in Victoria. We consider this platform is a good example of the types of tools that could complement a fit-for-purpose comparison service.

The platform is designed to support consumers at each step of the electrification journey. It does this by:

- tailoring guidance on the benefits of going all-electric
  - the platform can use your energy consumption data to tailor information to you or model outcomes based on typical households
  - it uses this information to show you what the bill impacts of going electric or installing certain electric appliances would be based on how you use energy.
- connecting consumers with vetted local installers
- providing a marketplace with SEC-endorsed products
- streamlining access to government rebates and financing solutions to help reduce household energy bills.

We consider this a positive step that amalgamates multiple tools/steps consumers would otherwise have to navigate, and simplifies the electrification journey for consumers. We will

135 ECA, submission to the draft report, p 19.
136 ASIC, *ASIC's Moneysmart is a trusted source for 1 in 2 adult Australians*, August 2023.
137 NERL, s 62.
138 Tesla, submission to the draft report, p 7.
139 Tesla, submission to the draft report, p 7.
140 Tesla, submission to the draft report, p 7.

consider whether a similar tool could accompany a fit-for-purpose comparison service for the rest of the NEM.

The funding of Energy Made Easy should support its longevity

Energy Made Easy is funded by Treasury, with funding allocated to the AER. The AER uses this funding to operate and maintain Energy Made Easy.

In 2018, the government allocated $8 million to redevelop the Energy Made Easy website. This upgrade modernised the platform to better support customers with solar and smart meters.[141] This one-off upgrade was completed in 2020.

As noted above, the AER has received additional funding in the May 2026 Federal budget to improve the functionality of Energy Made Easy. We support the AER's actions to incorporate functionality that allows consumers to compare different VPP plans and consider this necessary to simplify comparisons for consumers.

However, periodic requests for funding injections to deliver major upgrades create the risk that the platform will become outdated between updates. This reflects a broader issue: the market evolves quickly, and changes can at times outpace the capabilities of comparison tools.

We consider that a more fit-for-purpose and sustainable funding model should be explored. This model should support the ongoing operation of the platform and enable continuous improvement. Any future funding model should have industry support to ensure its long-term success.

141 AER, *Energy Made Easy redevelopment project*, August 2018.

C The challenges facing the network tariff framework, and how stakeholders responded to our draft recommendations to address them

Box 15: We received significant stakeholder input on our draft recommendations to improve network pricing arrangements

The purpose of this appendix is to outline the:

1. issues the significant take-up of CER and associated technologies by consumers and industry participants changes have exposed with the existing regulatory framework for network pricing, as outlined in our earlier publications on The pricing review, including most recently in our draft report
2. draft recommendations we proposed in our draft report to address these issues
3. feedback we received from stakeholders on these matters, in response to the draft report.

This appendix is designed to prime the reader for the discussion in appendix D, which outlines our final recommendation on these matters.

In relation to the first item, we discuss how the significant take-up of CER technologies including rooftop solar and batteries, is changing how consumers use the grid, with customers increasingly becoming both consumers and producers. Networks are increasingly experiencing two-way energy flows and consumers with CER are materially reducing their net consumption from the grid. Further, we explain how changes in the use of the network are exposing limitations in the network pricing framework, which relies on price signals delivered through volumetric tariffs based on long-run marginal cost methodologies, and that assumes consumers use the network in a broadly similar way at a time when consumption was a more reasonable proxy for the costs consumers imposed on the network.

We note that consumers with access to CER can reduce the amount they contribute to network costs through volumetric charges, even though they continue to rely on shared infrastructure. By contrast, consumers without access to CER – including renters, apartment residents and lower-income households – may be left carrying a larger share of those costs. That growing imbalance will undermine the support necessary to sustain the transition. With the increasing take-up of CER, the shared grid cannot be funded sustainably through volumetric charges in a system where some consumers can dramatically reduce their net consumption while still relying on the shared network for reliability, backup, access and export.

We also explain that, under the current rules, network tariffs are designed for consumers, rather than energy service providers. The unintended consequence is that the rules may be preventing energy service providers from designing products and services that meet customer needs and contribute to the efficient use of the network.

In relation to the second item, we set out the relevant draft recommendations made in our December 2025 draft report. These recommendations called for amending the rules to focus network tariff design on efficiency, supporting a lowest-cost grid and a fairer sharing of costs among consumers. The recommendations also proposed that network tariffs should be designed for energy service providers rather than directly for customers, as well as proposals to better balance stability and flexibility in the tariff structure statement process.

For the third item, we discuss the responses we received to our recommendations in the draft report as part of our consultation process. In appendix D, we have set out our final recommendations on these matters and how we have taken into account the responses we

received from stakeholders.

C.1 The existing network pricing framework is not delivering for consumers

C.1.1 The way consumers use networks is changing rapidly

As outlined in chapter 2, Australia's energy transition is well underway, but its benefits are not yet being shared evenly. Millions of households and businesses are investing in CER, including rooftop solar, batteries, electric vehicles and energy management systems. These technologies - along with evolving consumer preferences - are changing how consumers use the distribution network. Many consumers are no longer simply one-way users of the grid, nor is the grid only experiencing one-way flows of energy. Networks are increasingly experiencing two-way energy flows. Customers are increasingly both consumers and producers – consuming electricity at some times and exporting electricity at others.

Batteries, electric vehicles, rooftop solar and flexible loads are transforming the grid into a dynamic, two-way system. Better metering, better data and more sophisticated energy management technologies mean consumers and energy service providers are increasingly able to respond to price signals that vary across time and location. For example, an energy service provider may be able to manage a household battery, EV charger or hot water system in response to network and wholesale conditions, without the consumer needing to actively monitor or respond to prices.

In this context, network tariffs are no longer only about cost recovery.[142] They can also serve as signals that shape how flexibility is unlocked, coordinated and rewarded across the system. If well-designed, these signals can help consumers and energy service providers use CER in ways that reduce system costs and that reward consumers for this. If designed poorly, they can:

- fail to unlock that value
- contribute to the need to invest in additional network infrastructure that all consumers must pay for
- push costs onto consumers who have the least ability to respond.

C.1.2 The transition is exposing the limitations of the existing regulatory framework

The NER establishes a framework requiring distribution networks to design and implement tariffs to recover their efficient costs. The key elements informing the design of network tariffs are the distribution pricing rules and the pricing principles contained within them.[143] These elements were introduced in 2014 with the objective of transitioning networks towards more cost-reflective network pricing, allowing consumers to make more informed decisions about their electricity use.[144]

At the time, consumers were understood to have relatively limited and static ways of responding to network price signals, either through:

142 Network tariffs determine who pays for the network cost base. Broader network regulation determines how large the cost base should be and becomes. This will be considered as part of our Electricity Network Regulation Review.

143 NER, Chapter 6, Part I.

144 See: AEMC, Power of Choice - Stage 3 DSP Review, AEMC website, n.d., accessed 8 December 2025; AEMC, Distribution Network Pricing Arrangements.

- long-term investment decisions, such as installing solar PV facing west rather than north, or more efficient appliances
- broad changes in behaviour, such as shifting consumption away from peak pricing periods.[145]

This underpinned the move towards tariffs based on long-run marginal cost.[146] The tariffs were intended to signal the future cost of additional peak use and encourage more efficient patterns of consumption over time. In practice, this has supported a gradual move away from flat consumption charges[147] with most residential and small business consumers now facing network tariffs made up of a fixed daily charge and a volumetric charge, often with time-of-use periods.

These reforms were developed at a time when CER was in its infancy and most consumers used the network in broadly similar ways. At that time, consumption was a more reasonable proxy for the costs consumers imposed on the network. Electricity typically flowed directly from large-scale generators, through the poles and wires, to a consumer's house. Recovering a significant share of network costs through volumetric charges broadly linked what consumers paid with how they used the grid, i.e. the more you consumed, the more you paid.

That assumption no longer holds. Electricity flows are two-way. A shared grid cannot be funded sustainably through volumetric charges in a system where some consumers can dramatically reduce their net consumption while continuing to rely on the network. Even where a consumer imports less electricity from the grid, they may still rely on the network being available at their premises for reliability, backup and access. Many consumers may also reduce imports while increasing exports, which still requires use of the shared network.

This is creating a growing imbalance. Consumers with access to CER can reduce the amount they contribute to network costs through volumetric charges, even though they continue to rely on shared infrastructure. Consumers without access to CER – including renters, apartment residents and lower-income households – may be left carrying a larger share of those costs. That growing imbalance will undermine the support necessary to sustain the transition.

The current framework can also send signals that are poorly connected to actual network conditions. For example, a household facing a peak time-of-use price in winter may choose not to heat their home during that period, even if that part of the network only peaks on hot summer evenings. In that case, the household bears a real cost, but its response provides little or no value to the network. Similarly, a consumer may be discouraged from using electricity during a broad peak window even where their local part of the network has spare capacity, or where wholesale prices are low because of abundant renewable generation.

The network tariff arising from the current framework can also inefficiently distort wholesale market price signals.[148] For example, a tariff broadcast to all of a network's users may disincentivise network use even when there is no risk of network constraint. If that signal coincides with a negative wholesale market price, it may act as a barrier for some consumers participating in the wholesale market.

At the same time, the current framework does not provide sufficiently targeted opportunities to reward consumers for behaviours that would actually lower network costs. A household battery, for example, may be able to discharge at a time and location where the network is genuinely constrained, reducing the need for network augmentation. But if the price signal is not linked to

145 For further explanation, see AEMC, Discussion paper: The pricing review, p 73.
146 NER clause 6.18.5(f).
147 AER submission to consultation paper, p 2.
148 See AEMC, Discussion paper: The pricing review, pp 59-61.

those actual network conditions, the consumer will either not react or not be rewarded for any value they provide.

As technology improves, consumers and energy service providers are increasingly capable of responding to more accurate signals. A move towards more efficient network tariffs will help improve the use of existing infrastructure, lower the need for expensive upgrades, and provide opportunities for consumers to be rewarded for the value they provide to the system.

In addition to the network tariff settings, the existing rules require networks to design tariffs for consumers, creating cost and complexity for energy service providers and undermining the value for consumers.

The current rules require networks to consider the impacts on retail customers of changes in tariffs (NER clause 6.18.5(h)). They also require that the structure of each tariff should be reasonably capable of being understood by retail customers or being incorporated by retailers in their offers to customers (NER clause 6.18.5(i)(1)).

These rules mean that networks may:

- not test the impact of tariff changes on energy service providers and may instead assume that energy service providers will pass them through to consumers
- not be considering the impacts of network tariffs on energy service providers, or how energy service providers package network charges into their retail offers.

An unintended consequence is that the rules may be preventing energy service providers from designing products and services that meet customer needs and contribute to the efficient use of the network.

C.1.3 If we do not act, poor consumer outcomes will intensify with the transition

Without reform, the inefficiencies and inequities in the current framework are expected to deepen. If network signals remain poorly targeted, networks may need to invest more than necessary to manage short-term congestion. This would mean higher network costs than necessary for all consumers.[149]

At the same time, as CER enables some consumers to reduce their net consumption from the grid, networks will still need to recover the fixed costs of maintaining shared infrastructure. If those costs continue to be recovered largely through volumetric charges, the same network costs will be spread across a smaller volume of grid-supplied energy. Networks are likely to respond to this by increasing both fixed and variable charges to ensure they recover their revenue requirements. For the purposes of our final report we have updated terminology we use to describe network tariffs including in relation to describing fixed charges. This set is out in Box 16.

Box 16: Updating the terminology we use for network tariffs

For the purposes of our final report and appendices, we are updating some aspects of the terminology that have traditionally been applied to network tariffs. These terminology changes are also intended to respond to stakeholder feedback by providing additional clarity regarding the objectives of our recommended reforms to the network tariff framework.

We propose moving away from the term ‘fixed charge’ and replacing this term with ‘shared network access charge’.

149 AEMC, *Pricing review distributional impact analysis*, 23 April 2026, p 17.

Some stakeholders interpreted the term 'fixed charge' to mean a charge from networks that is uniform across all customers. Others interpreted it to mean the standing charge that many retailers include in their retail plans. We consider that the term 'shared network access charge' can help to clarify stakeholders' understanding.

Further, the term 'fixed charge' does not convey an understanding that all users, including those who own CER, require access to the electricity grid and that the charge recovers the costs of providing this access. In our final recommendations as set out in appendix D, we have also explained that the level of the 'shared network access' charge may need to vary depending on the methodology deployed to design the underlying network tariff. For example, the charge could vary according to aspects of a customer's historical consumption or a customer's characteristics. As such, this charge may not be uniform across all customers.

Similarly, we propose replacing the term 'residual costs' with 'shared network costs'. This is because the term 'residual costs' may imply only a small proportion of the underlying costs of investing and operating the network. We consider that the term 'shared network costs' is more accurate as it reflects both the shared use of the grid by all users and does not imply a particular size of the overall costs.

The risk is that these increases fall most heavily on the households and businesses least able to respond. For example, a homeowner with rooftop solar, a battery and an EV may be able to reduce exposure to rising volumetric charges by drawing less energy from the grid. A renter, apartment resident or lower-income household may have fewer options to do the same. They may continue to rely on the grid in the traditional way and therefore bear more of the increasing costs. And even though some will use the network as their primary source of electricity and others more as an 'insurance' product, all connected consumers continue to rely on the same shared infrastructure. This is because investment in the shared network is driven by the need to meet peak demand, and all users including both CER and non-CER customers use the network during these peak periods.

Without stronger and more targeted price signals, networks may also need to rely more heavily on less efficient tools to manage an increasingly complex consumer base, including export charges, export limits and curtailment. These tools may have a role, but relying on them too heavily could limit the value and rewards consumers can provide to and receive from the system. For example, a firm export limit may prevent a household from exporting into a wholesale market that needs more energy, even where the local network is not congested. This may be simpler to administer, but it can also prevent CER from providing value when and where it is needed.

Overall, we consider that the current network pricing structures are not well aligned with how the electricity grid is used today, leading to inefficient network utilisation and inequitable cost allocations across consumers. Existing arrangements risk unfairly distributing the costs of shared infrastructure and do not reward consumers for behaviours that reduce overall system costs.

We consider that these shortcomings are likely to increase over time as CER take up continues, limiting access to the benefits of the energy transition for those consumers unable to invest in CER technologies.

C.1.4 Recommendation 5 of the draft report included six proposals to drive efficient network tariffs

The draft report recommended that the rules be amended to focus network tariff design on efficiency, supporting a lowest-cost grid and a fairer sharing of costs among consumers. To facilitate this outcome, we recommended six components to address the issues identified in the previous section. The draft recommendation was developed taking into account the issues and ideas raised by stakeholders earlier in the review process.

The components of the draft recommendation were:

1. allow networks to use a broader range of marginal cost considerations when designing tariffs
2. clarify how shared network costs should be recovered so that residual charges are set in a way that does not distort price signals or cause consumers to change behaviour in ways that don't reduce network costs
3. update the network pricing objective to clarify that network tariffs should encourage both allocative and productive efficiency, and introduce outcome-based objectives for tariff design
4. require networks to recover transmission and jurisdictional scheme costs in line with the revised pricing principles and objective
5. remove the side constraint rule to allow networks to transition to efficient tariffs more rapidly
6. ensure networks are appropriately motivated to design more efficient tariffs throughout the transition

Together, these components were expected to provide a more coherent framework for tariff reform. Networks would have the tools they need to design new and more dynamic tariffs, while allocating shared network costs in a way that minimises distortions to consumer behaviour and avoids inequitable outcomes. They would also be appropriately incentivised to develop high-quality tariffs, with tariff design guided by an updated network pricing objective that reflects the Commission's broader vision for reform, as discussed in chapter 3. The package would also resolve ambiguity about whether the pricing principles apply, where relevant, to transmission and jurisdictional scheme costs, and remove the side constraint as a potential permanent impediment to more rapid tariff reform. We set out a long-term vision for where we want these reforms to lead, set out in Box 17.

Box 17: The AEMC's vision for efficient network tariffs as set out in our draft report

There is no single tariff that would be efficient across all contexts. However, the Commission's view is that the most efficient network tariffs comprise two elements:

1. A dynamic pricing element based on a broad conception of marginal costs. This component would be effective when and where usage imposes or relieves congestion. Levied in usage (kWh) or demand (kW) terms, it would have the following characteristics:
   a. symmetric – i.e. the reward for exporting should equal the charge for importing in each time and place, and vice versa
   b. only applies when and where network demand is likely to exceed network capacity without price responses, for both thermal and voltage constraints
   c. set at the level necessary to ensure efficient allocation of network capacity - i.e. the price constrains demand (and encourages supply) to within network capacity and allocates that scarce capacity to the users that value it most. This is a clear departure from long run marginal costs (LRMC)-based approaches, which are informed by the cost of infrastructure investments
   d. the dynamic price is zero or does not apply when unconstrained network demand is less than network capacity
2. A shared network access element that allocates the remaining amount (or 'shared network') in a manner that minimises distortions to consumers' decisions.

C.1.5 Recommendation 6 of the draft report proposed that network tariffs be designed for energy service providers

Our draft recommendation was for rule changes to make energy service providers central to the network tariff design consultation process. The proposed changes included removing the 'customer impact' and 'customer understanding' principles that create a focus on the consumer rather than the energy service provider.

We considered that these reforms would refocus network tariff structure design on understanding how efficient network tariffs can be effectively incorporated by energy service providers into retail offers, with networks working more closely with energy service providers to consider the impacts of their tariffs. We thought that this should enable an improved transition to efficient network tariffs (i.e. draft recommendation 5) and facilitate energy service providers taking more responsibility in managing network tariffs to provide benefits for their customers.

Our draft recommendation also proposed replacing the customer impact principle with an energy service provider impact principle that would focus networks on consulting with energy service providers when they develop and design network tariff structures.

C.1.6 The draft report also considered changes to the tariff structure statement process

Our draft report discussion on draft recommendation 6 also invited stakeholder input on options to change the timing of the tariff structure statement (TSS) process to better balance flexibility and stability in the energy transition. We noted stakeholder concerns that the TSS setting process, which occurs every five years, may be too rigid for the energy transition and creates cost and complexity for energy service providers. More flexibility in the tariff structure statement process could support networks to create efficient tariffs in response to changing energy service provider needs and the uptake of new technologies.

Our options included:

- shortening the tariff statement's application to two to three years or
- creating a 10-year tariff structure statement for default network tariff structures alongside a framework for energy service providers or large users to negotiate new tariff structures at any time.

We also noted that Energy Networks Australia had submitted a rule change request proposing to increase the flexibility available to networks to amend TSSs within a regulatory period.[150]

C.2 We received significant feedback from stakeholders on our draft recommendations

The AEMC received a large volume of submissions in response to its draft recommendation. The purpose of this section is not to comprehensively cover all comments made by stakeholders, but rather to present an overview of the views raised and reference a select number of submissions where those views were articulated.

C.2.1 Summary of individual consumer submissions

The AEMC received over 2,700 submissions to the draft report.

The individual consumer submissions were focused on draft recommendation 5 of the draft report, and in particular the AEMC's proposal to change how shared network costs are recovered.

150 See AEMC project page for the rule change request here.

Most individual submitters strongly opposed the AEMC's draft proposal. A summary of the main views raised in these submissions is provided below.

- **The proposal is regressive and inequitable.** Many individual submitters were concerned that a shift away from shared network cost recovery via usage-based charges to shared network access charges would penalise those who use less electricity, including "pensioners, renters, apartment residents, and energy-conscious families".[151]
- **The proposal undermines CER investment and decarbonisation.** Many individual submitters described having made significant personal financial commitments to install rooftop solar and batteries, and argued that higher shared network access charges would "reduce the financial benefit of our investment and negatively impact our household budget". There was also concern that the proposal would "undermine efforts to cost-effectively decarbonise our energy system by substantially reducing the financial incentive for consumers to adopt energy efficiency measures as well as solar and batteries."[152]
- **The proposal creates a risk of grid defection.** Some individuals argued that an increase in shared network access charges would drive wealthy households to invest in off-grid solutions. There was concern that this would create two perverse outcomes. The first is that those consumer batteries would no longer be supporting the broader grid, and the second is that it would create a "death spiral" and a "two-tier energy system", where a reduced consumer base for shared network costs drives higher shared network access charges for remaining customers and further incentivises those who can afford it to disconnect.[153]
- **The proposal conflicts with government policy signals.** Many individual submitters were of the view that the proposed approach was "at odds with other government policies that encourage households to help deliver a cheaper, cleaner energy system — one that cuts emissions, brings down wholesale energy prices, and reduces the need for costly network upgrades".[154]

Some individuals' opposition to draft recommendation 5 was driven by a broader distrust of electricity networks and economic regulation, with some viewing the proposed reforms as a way for networks to grow their regulatory asset base rather than serve consumers.[155]

A small number of individual submissions supported or conditionally supported the recommendation, on the basis that shared network access charges are an appropriate and non-distortive way to recover shared network costs.[156]

Many individuals were concerned about a lack of supporting evidence for the proposal, and argued that "such a fundamental change should not proceed without comprehensive and transparent evidence."[157]

A subset of individual submissions expressed concern about the dynamic tariff component of draft recommendation 5. For example, one individual submitted that the proposal to introduce highly dynamic network tariffs when networks approach capacity constraints "reflects a shallow reading of household behaviour and of how regulated networks respond to financial incentives". It argued that networks would delay such tariffs until infrastructure upgrades are imminent because

151 Submission to draft report, Individual 73, p 1.
152 Submissions to draft report, individuals and organisations no attachments, 1-248.
153 Submission to draft report, Individual 100, p 2.
154 Individual submissions to draft report.
155 Submission to draft report, Individual 7, p 1.
156 Submission to draft report, individuals and organisations no attachments, 249-621, 27741.
157 Submission to draft report, Individual 65, p 1.

they are incentivised to expand their regulatory asset base, which may mean that households will have already invested in long-lived appliances and established usage patterns by the time the tariffs are introduced.[158]

A small number of individual submissions also commented on draft recommendation 6, namely the proposal that network tariffs be designed for energy service providers. Most individual stakeholders that responded to draft recommendation 6 did not support the recommendation. Their main concern was that the proposal appeared to prioritise networks and retailers over consumers. Specifically, concerns were raised that retailers would make offers too complex and that retailers would seek to increase profits at the expense of consumers.

See appendix D for how we address these comments.

C.2.2 Draft recommendation 5 - component 1: Amend the network pricing principles to require networks to design tariffs on a broader marginal cost basis

Box 18: Summary of draft recommendation - component 1: designing tariffs on a broader marginal cost basis

Our draft recommendation proposed amending the rules to allow networks to consider a broader range of marginal cost measures when designing tariffs. This would enable more dynamic network pricing, providing stronger signals and incentives to manage congestion where and when it arises. Over time, networks would be expected to transition away from purely LRMC-based approaches toward more dynamic pricing arrangements, prioritising the timeframes and locations where transitioning to such signals would be most beneficial.

Stakeholders presented mixed views on the draft component

Several network businesses expressed support for this component,[159] noting that flexibility will be important as demand and supply patterns evolve. The ENA explained that tariffs are typically set five years in advance and rely heavily on LRMC at a single point in time, so allowing explicit consideration of more real-time marginal costs would support more adaptive tariffs within a regulatory period.[160]

Ausgrid had a nuanced view, supporting the treatment of more real-time marginal costs as a directional principle while maintaining the continued role of LRMC signals in guiding efficient investment over time.[161] IEEFA suggested that dynamic charges might result in weaker demand reduction signals under a higher shared network access charge approach, potentially reducing incentives for preemptive demand management and increasing the risk that local network congestion emerges earlier.[162]

TasNetworks was concerned that greater reliance on short-run marginal cost signals may create challenges in financing infrastructure if revenue volatility and reduced cost recovery certainty weaken credit metrics and increase the cost of capital.[163]

158 See submission to draft report: Individual 31, p 2.
159 Submissions to draft report: ENA, p 2; SAPN, p 6; Essential Energy, p 2; CitiPower, Powercor & United Energy, p 1; Ausnet, p 1; Endeavour Energy, p 3.
160 ENA submission to draft report, p 2.
161 Ausgrid submission to draft report, pp 10, 13.
162 IEEFA submission to draft report, p 5.
163 TasNetworks submission to draft report, p 4.

The AER was of the view that short run marginal cost (SRMC) signals can already be successfully incorporated into network tariffs. It submitted that the existing rules and tariff structure statement framework enable it to shape network tariff design and that the network tariffs it approves increasingly incorporate both LRMC and SRMC signals. As such, the AER considered that the proposal would only serve to clarify that the option exists.[164]

The ECA expressed broad support for the proposal, with caveats related to how dynamic tariffs are implemented.[165] ARENA and the EUAA also supported it[166] with ARENA recommending that networks be required to begin to immediately and clearly signal their plan to transition away from LRMC-based volumetric tariffs within the next ten years.[167]

More broadly, the AEC expressed concern about the AEMC setting out views on what the "right" network tariffs look like, arguing that the allocation of network costs to different tariffs is fundamentally a question of trade-offs and thus not well-suited to a rigid framework.[168]

Stakeholders commented on the relative importance of LRMC - and SRMC- based signals

Several stakeholders highlighted the value of generalised LRMC-based signals. The AER pointed out that these signals support retailers in delivering more predictable and comparatively stable products, which helps many small customers make informed decisions about CER investment.[169] JEC shared a similar view, stating that LRMC-based tariffs provide relative predictability for retailers, which supports predictability for consumers, and product development and risk management for retailers.[170] Evoenergy considered that there is a limit to how practically SRMC can be reflected in network tariff structures.[171]

Essential Energy explained that by "utilising new and increasingly detailed sources of data, including through dynamic operating envelopes (DOE) and CER, DNSPs will be able to send sharp and targeted dynamic price signals to quickly and effectively address local constraints and minimise costs over short and long-term horizons."[172] Rewiring Australia also supported the use of stronger dynamic signals, arguing that a dynamic pricing component would preserve, and in many cases strengthen, the economic case for households to invest in solar, batteries and electrification.[173]

The AER agreed that SRMC signals can help address local and temporal network conditions but argued that they will not necessarily incentivise permanent load shaping and thus that any future framework would need to ensure the benefits of both signals can be realised.[174]

Some questioned the value and impact of dynamic pricing signals

Tesla was supportive of dynamic and location-based signals in principle but cautioned that pricing alone will not manage constraint outcomes, particularly if the value is small, infrequent, or uncertain.[175]

164 AER submission to draft report, pp 2-3, 7.
165 ECA submission to draft report, p 25.
166 EUAA submission to draft report, p 2.
167 ARENA submission to draft report, p 4.
168 AEC submission to draft report, p 2.
169 AER submission to draft report, pp 7-8.
170 JEC submission to draft report, p 18.
171 Evoenergy submission to draft report, p 5.
172 Essential Energy submission to draft report, p 2.
173 Rewiring Australia submission to draft report, p 2.
174 AER submission to draft report, p 8.
175 Tesla submission to draft report, p 8.

Ausgrid recommended that the AEMC hold realistic expectations about levels of customer engagement and willingness to relinquish control of CER to third parties.[176] Evoenergy raised concerns about equity and cost-effectiveness if significant systems investment is required to support dynamic tariff structures, but customers and retailers are unable or unwilling to respond.[177]

IEEFA suggested that networks have limited visibility in some parts of the network, and so their ability to directly identify areas of network congestion is still evolving.[178]

Stakeholders raised customer choice and engagement concerns

A view shared by many was that most customers prefer simple, stable tariffs with a network use signal that supports their investments and "set-and-forget" style behavioural change.[179] Consequently, some considered that dynamic tariffs would struggle to gain customer acceptance.[180]

JEC said that LRMC-based pricing should remain the foundation for default network tariffs, proposing that locationally dynamic tariffs only be offered on an opt-in basis.[181] Some Individual submissions expressed a preference for simpler TOU or demand-based alternatives.[182]

AGL argued that congestion issues primarily reflect networks' operational, investment and deferral decisions and hence are not the 'fault' or 'responsibility' of customers – consequently, customers should not face punitive local pricing signals to address them.[183]

Evoenergy similarly noted that "the location of marginal cost drivers is largely determined by network design and growth, which are outside the control of individual customers and therefore not an appropriate basis for granular price signals. It would be inequitable for customers living in one area of the network to pay more or less than customers in another area based solely on the way the network has been designed."[184]

Many highlighted the role of non-tariff options in addressing short term network issues

TasNetworks argued that networks should retain discretion in how and when dynamic pricing and congestion-related pricing elements are applied.[185] SA Power Networks agreed and noted that each network would likely adopt a different approach to managing short-run constraints. For example, some might find greater value in addressing them through dynamic tariff signals based on SRMC, while others might find that non-tariff mechanisms are more effective.[186] Evoenergy shared a similar view, considering it preferable to manage congestion through operational means, such as non-network solutions or the emergency backstop mechanism.[187]

Several retailers agreed that response to short-term, location-specific signals are best considered via non-tariff options like network support payments and DOEs.[188] The ENA asked for meaningful

176 Ausgrid submission to draft report, p 7.
177 Evoenergy submission to draft report, p 5.
178 IEEFA submission to draft report, p 5.
179 Submissions to draft report: Ausgrid, p 6; AEC, p 6.
180 Submissions to draft report: AGL, p 11; IEEFA, p 5.
181 JEC submission to draft report, pp 14, 18.
182 Individual submissions to draft report, various.
183 AGL submission to draft report, p 11.
184 Evoenergy submission to draft report, p 3.
185 TasNetworks submission to draft report, p 4.
186 SA Power Networks submission to draft report, pp 6-7.
187 Evoenergy submission to draft report, p 5.
188 Submissions to draft report: AGL, p 11; AEC, p 6; Red and Lumo Energy, p 8.

weight to be given to non-tariff tools to complement the reform package.[189] UNSW proposed more consideration of the benefits provided by CER in terms of reducing demand peaks and therefore the size of the network, which reduces the costs faced by all consumers on both a SRMC and LRMC basis.[190]

Others had specific implementation questions

Several stakeholders asked for further detail and analysis before making such a change, including in relation to:

- how 'efficiency' will be defined in practice, and how the AER will assess efficient tariff design including an SRMC/LRMC framework[191]
- how SRMC and LRMC signals would interact given the lumpy nature of network investment, and whether signals can effectively incorporate both measures at once[192]
- the price signalling function of dynamic charges, including the balancing of penalties and rewards[193]
- how congestion pricing will be defined[194]
- the discretion that networks would have in tariff design[195]
- the impact of the introduction of dynamic network pricing on the basic export level provisions in the NER.[196]

C.2.3 Draft recommendation 5 - component 2: Clarify how shared network costs are to be recovered

Box 19: Summary of draft recommendation - component 2: clarifying shared network cost recovery

Our draft recommendation proposed amending the rules to better align shared network cost recovery arrangements with an approach that minimises distortions to efficient decision-making.*

The Commission's draft vision for efficient tariffs involved allocating shared network charges in a way that does not distort price signals or encourage changes in consumer behaviour that are not sufficiently linked to corresponding reductions in network costs. The Commission acknowledged that, under this approach, the shared network access charge component would likely be higher than what consumers face today.

Note: * For further discussion, see draft report, p 97.

A number of stakeholders expressed conditional support for the proposal

A number of stakeholders expressed broad support for the reasoning behind the proposal, recognising that higher shared network access charges may be an appropriate solution to balance equity and efficiency in the recovery of shared network costs. For example, the ECA submitted that "network tariffs with a meaningfully higher proportion of costs recovered from households via fixed charges would be appropriate and more fit-for-purpose than the status quo."[197]

189 ENA submission to draft report, p 4.
190 UNSW (Passey et al.) submission to draft report, p 6.
191 ENA submission to draft report, p 2.
192 Submissions to draft report: Ausgrid, p 11; ENA, p 2.
193 Ergon Energy / Energex submission to draft report, p 2.
194 Submissions to draft report: Evoenergy, p 5; CitiPower, Powercor & United Energy, pp 1-2.
195 TasNetworks submission to draft report, p 4.
196 Ergon Energy / Energex submission to draft report, p 2.
197 ECA submission to draft report, p 2.

Rewiring Australia also expressed broad support for the proposal, noting that "the current framework increasingly recovers costs from the households least able to reduce their consumption, while under-recovering from those who still impose peak demands on the system."[198]

However, support for the proposal was often conditional, with supporters raising several matters for further consideration, including:

- shared network access charges should not be uniform across all residential customers[199]
- any increase in the proportion of shared network access charges should be progressive, evidence-based and sensitive to distributional impacts[200]
- networks should have the flexibility to determine the most effective level of shared network access charges[201] and to allocate some shared network costs outside the shared network access charge to help manage bill impacts[202]
- the framework should allow for an elongated transition[203]
- determining the appropriate balance between equity, efficiency and simplicity requires a more holistic consideration of the interactions between tariffs and the broader network regulation framework.[204]

However, many were concerned about potential adverse outcomes

Many stakeholders were concerned that raising shared network access charges to recover shared network costs would have adverse outcomes, including for a significant number of real-world consumers.[205] The key concerns were:

- **increased inequity.** Stakeholders were concerned that a single, shared network access charge would deliver materially higher bill increases to low-consumption residential consumers and thus may disproportionately impact low-income households.[206] Nexa Advisory saw fixed network pricing as a structural concern about equity, not a transitional issue, and requested that the AEMC specify a clear package of mitigants in the final report to protect vulnerable customers and preserve bill controllability[207]
- **reduced incentive for CER investment, energy efficiency investment, and energy market participation**. Stakeholders considered that a higher shared network access charge would dampen incentives to shift and reduce demand through CER and energy efficiency initiatives[208]
- **weakened allocative efficiency.** Smart Energy Lab noted that distribution network costs are primarily driven by peak coincident demand and capacity constraints rather than customer count alone; so, a significant increase in shared network access charges would weaken the

198 Rewiring Australia submission to draft report, p 2.
199 Submissions to draft report: ARENA, p 3; ECA, p 22; UNSW, p 4.
200 ENA submission to draft report, p 3.
201 ENA submission to draft report, p 3.
202 Evoenergy submission to draft report, p 2.
203 CitiPower, Powercor & United Energy submission to draft report, p 2.
204 AER submission to draft report, p 6.
205 See, eg Submissions to draft report: Individual and organisations no attachments 1-248, 249-621, 622-861, 862-892; Solar Citizens Pts 1-9.
206 Submissions to draft report: Ausgrid, p 2; Compliance Quarter, p 10; Gridcog, p 1; Nexa Advisory, p 2; Origin, pp 10-11; Renew, p 3; Rewiring Australia, p 2; Smart Energy Lab, p 4; Individual submissions (various member submissions); UNSW, p 2.
207 Nexa Advisory submission to draft report, p 10.
208 Submissions to draft report: Compliance Quarter, p 10; EEC, p 5; Energy Policy Research, p 4; Essential Energy, p 5; JEC, p 15; Nexa Advisory, p 2; Orkestra, p 4; Renew, p 3; TasNetworks, p 2; Tesla, p 8; Victoria Energy Future Network, p 3;Individual submissions (various member submissions).

link between customer demand profile and network cost recovery, weakening allocative efficiency[209]

- **risk of grid disconnections.** Several stakeholders were concerned that higher shared network access charges might drive customers to disconnect from the grid entirely, which may further exacerbate equity and shared network cost recovery concerns[210]
- **may exacerbate a capex bias.** Some were concerned that consumers would pay more in unavoidable charges to fund a system that remains biased toward network capex investments, even where lower-cost alternatives exist.[211]

Stakeholders raised other matters for the AEMC to consider

Several stakeholders asked for further analysis to support the proposal.[212] The AER asked the AEMC to examine the underlying assumptions, broader interactions and potential implications of the proposal, arguing that the assumption that the proper application of the updated pricing principle would lead to higher shared network access charges may not hold true in the context of our changing energy system.[213]

The ECA supported consideration of the shared network cost recovery issue as part of broader reforms to ensure that electricity prices lead to fair outcomes, noting it was challenging for networks alone to set shared network access charges that are universally considered 'fair'. It also asked that the AEMC review how networks allocate costs across customer classes (i.e. residential, SME and industrial customers) to ensure any new rules support fair outcomes.[214]

Dr Richard Tooth noted that the NEO does not include the terms "equity" or "fairness", and thus argued that social objectives such as equitable distribution of resources should not be of concern to this review. Dr Tooth suggested that such issues are better addressed via the welfare system, which incorporates considerations of financial means and other individual circumstances.[215]

SACOSS expressed concern 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 shared network access charges or maintaining volumetric charging, which it sees as a false dichotomy.[216] ARENA also commented on the public debate, suggesting that those opposed to the changes have focused only on those that stand to lose. It advocated for a more balanced debate that recognises the trade-offs and wealth transfers between different groups.[217]

Others suggested alternative approaches

Rewiring Australia noted that the proposed approach would address the "free rider" issue, but considered that shared network costs should be recovered via some other means, e.g. property rates based on property value.[218]

Smart Energy Lab suggested that tariff reform prioritise demand-based charges and time-of-use pricing rather than broad network access charge increases, if cost drivers are predominantly peak

209 Smart Energy Lab submission to draft report, p 1.
210 Submissions to draft report: AER, p 9; Essential Energy, pp 5-6; Individual submissions (various member submissions).
211 Submissions to draft report: IEEFA, p 13; Nexa, p 12; Tesla, p 7.
212 Submissions to draft report: AER, p 8; ECA, p 22; JEC, p 16; UNSW, p 8.
213 AER submission to draft report, p 8.
214 ECA submission to draft report, pp 21, 23.
215 Dr Richard Tooth submission to draft report, p 5.
216 SACOSS submission to draft report, p 6.
217 ARENA submission to draft report, p 3.
218 Rewiring Australia submission to draft report, pp 4-5.

demand and capacity-related.[219] JEC was of the view that a balanced approach where some shared network costs are allocated to export and demand-based charges would support both fairness and efficiency. It suggested that default tariffs may warrant a somewhat higher fixed proportion, with opt-in tariffs having stronger variable signals.[220]

Concerned about the risk of customers choosing to disconnect from the grid if the shared network access charge is too high, the AER argued that "the charge for the minimum level of capacity required to stay connected to the network may need to be very low or zero." It then suggested that shared network access charges be differentiated above this floor - for example by grouping customers into some broad tiers (such as low, medium and high peak demand) based on their observed capacity usage patterns or characteristics over time.[221]

Box 20: Summary of additional feedback provided via stakeholder to questionnaire

Following the publication of the draft report, the Commission asked HoustonKemp to explore ways to mitigate the potential adverse consumer bill impacts of the draft proposals. The Commission also conducted modelling to better understand the potential electricity bill and energy cost impacts of the proposed reforms.*

The Commission hosted a public forum on these reports on 23 April 2026, and invited attendees to provide feedback on the proposed reforms by completing a questionnaire. The questionnaire sought attendees' input on the expected benefits of the proposed reforms, the potential distributional impacts of the proposed reforms, and how consumer protections could support customers who face higher bills.

The Commission received 23 responses to the questionnaire and three emails with additional input, from a range of stakeholder types. The key insights from respondents are summarised below:

- There was broad agreement that the reforms should be introduced gradually.
- There were mixed views on whether consumers would be better off under the proposed reforms, and broad concern that consumers could end up paying more if no action is taken to protect consumers from adverse bill impacts.
- When asked to identify the greatest risks, respondents were most concerned about higher bills for low consumption consumers and consumers experiencing vulnerability, and largely agreed that this is a risk that should be actively managed.
- When asked which of HoustonKemp's consumer protection approaches should be considered further, the two most supported responses were a requirement for networks to set a shared network access charge based on observable connection characteristics, and to require retailers to offer at least one lower shared network access tariff.

Note: *See AEMC, Pricing Review distributional analysis, April 2026 and HoustonKemp Economists, Consumer protections to support network tariff reform, 2026.

C.2.4 Draft recommendation 5 - component 3: Update the network pricing objective to guide networks to implement efficient tariffs

219 Smart Energy Lab submission to draft report, p 1.
220 JEC submission to draft report, p 19.
221 AER submission to draft report, p 10.

Box 21: Summary of draft recommendation - component 3: network pricing objective

The current network pricing objective requires network tariffs to reflect the costs of providing network services.* Recognising that the objective might not provide sufficient guidance to networks on the goals or purpose of tariff reform, this component proposed that it be revised to include outcome-focused elements. Our draft recommendation suggested that the goals of network tariffs should be to:

1. encourage electricity consumption when networks are unconstrained and balance demand and network capacity when they are constrained (allocative efficiency)
2. encourage networks, energy services providers and consumers to innovate and respond in ways that reduce network costs over time (productive efficiency).

We suggested that these goals be expressed through outcomes-based guidance, either through amendments to the pricing objective, additional clauses, and/or AER-developed evaluation frameworks.

Note: * NER clause 6.18.5 (a)

There was limited stakeholder feedback on our proposal to update the network pricing objective.

Several stakeholders considered that the existing network pricing objective remains fit for purpose.[222] The AER sought detail on the specific proposed amendments and noted that it would need additional resources to develop and implement evaluation frameworks.[223] The AEC said that any changes would need to be carefully worded to elicit the desired outcomes.[224]

The EUAA expressed support for the inclusion of outcomes-based objectives.[225] Essential Energy submitted that reforms to clarify the purpose of network tariffs, including a stronger emphasis on network efficiency in tariff design, are likely to lead to better outcomes for consumers.[226]

C.2.5 Draft recommendation 5 - component 4: Require networks to recover transmission and jurisdictional scheme costs in line with the revised pricing principles and objective

Box 22: Summary of draft recommendation - component 4: applying pricing principles to transmission and jurisdictional scheme costs

Network tariffs incorporate transmission and jurisdictional scheme costs. These costs are recovered through tariffs but do not contribute to the forward-looking marginal cost of the network. The draft recommendation proposed that the rules be amended to require networks to recover these costs in accordance with the pricing principles, except where otherwise obligated by legislative requirements. This would eliminate ambiguity and reduce the risk that the current approach is contributing to the inefficiency of existing network tariffs where these costs are incorporated into usage-based tariffs.

Stakeholders provided mixed views on this draft component.

222 Submissions to draft report: AER, p 8; SAPN, p 6.
223 AER submission to draft report, p 8.
224 AEC submission to draft report, p 6.
225 EUAA submission to draft report, p 2.
226 Essential Energy submission to draft report, p 2.

ARENA supported the removal of any ambiguity about whether networks can recover the costs of jurisdictional schemes via volumetric charges, agreeing that networks should recover them according to the pricing principles and any secondary guidance material provided by the AER.[227]

SACOSS argued that transmission costs driven by increasing industrial demand should not be predominantly recovered from residential consumers when residential consumption of delivered electricity (through transmission) is declining.[228]

CitiPower, Powercor & United Energy noted that, in Victoria, most transmission charges are recovered via a flat energy rate. It proposed that transmission charges be treated by networks as an efficient price signal, not as a shared network cost, and asked that the AEMC require transmission networks to design efficient transmission tariffs.[229] SAPN asked for further guidance from the AER on transmission shared network cost recovery and argued that shared network cost recovery for jurisdictional scheme obligations should be at the network's discretion.[230]

The AER encouraged the AEMC to consider the implementation challenges and potential unintended consequences of the proposal, including:

- how it would interact with existing rules about how these costs are recovered (e.g. in jurisdictional legislation)
- the potential administrative burden and costs involved for both networks and the AER.[231]

C.2.6 Draft recommendation 5 - component 5: Remove the side constraint rule

Box 23: Summary of draft recommendation - component 5: removing side constraints

The existing rules restrict the extent to which networks can reallocate cost recovery between different types of consumers within the same regulatory control period.* The draft recommendation proposed that this rule be removed to reduce potential barriers to networks transitioning to more efficient tariffs more rapidly, with appropriate transitional arrangements and mitigations in place to manage any inequitable outcomes.

Note: * NER clause 6.18.6.

There was limited stakeholder feedback on this element of the draft recommendation.

Some networks disagreed with the idea, arguing that side constraints serve an important role in managing price volatility and that further analysis is required on the potential impact on customers and equity.[232] The AER shared a similar view and asked that the AEMC explore opportunities to improve the side constraint mechanism rather than removing it, to allow greater flexibility while maintaining consumer protections.[233] CleanCo agreed, expressing concern about consumer exposure to bill shocks if the rule were removed.[234]

Others supported the proposed change, with some networks arguing that greater flexibility for networks in tariff setting, including how often tariffs can be changed in response to market needs

227 ARENA submission to draft report, p 3.
228 SACOSS submission to draft report, p 11.
229 CitiPower, Powercor & United Energy submission to draft report, p 3.
230 SAPN submission to draft report, p 7.
231 AER submission to draft report, p 9.
232 Submissions to draft report: AusNet, p 2; SAPN, p 7.
233 AER submission to draft report, pp 8-9.
234 CleanCo submission to draft report, p 4.

and technological advances, would deliver better consumer outcomes.[235] The AEC agreed but asked that the rule be replaced with a requirement for networks to consider the value of stability in tariffs and the costs incurred by retailers and customers in responding to rapid changes in tariff structures.[236]

C.2.7 Draft recommendation 5 - component 6: Ensure networks are appropriately motivated to design more efficient tariffs throughout the transition

Box 24: Summary of draft recommendation - component 6: network incentives

Distribution networks play a central role in achieving effective network tariff reform, as they are responsible for designing and implementing tariffs. However, the current framework may not provide sufficient incentives for networks to invest an appropriate level of effort in designing and implementing tariffs that support consumers and promote efficient outcomes. The draft recommendation identified potential options to more explicitly align network motivations with good tariff design and implementation.

1. introduce a tariff strategy and implementation incentive, specifically by:
   a. requiring networks to propose short- and long-term targets for tariff design and impact as part of their TSS, and the strategies they will use to meet those targets
   b. introducing an optional or transitional financial incentive tied to the quality of the strategies and how challenging the targets were to meet, with the AER potentially using qualitative or benchmarking tools.
2. introduce a dynamic tariff uptake incentive to encourage networks to design tariffs that energy service providers can cost-effectively package into consumer products.
3. introduce a permanent financial incentive mechanism (reward or penalty) tied to efficient network utilisation, to encourage networks to continuously improve their tariff strategies even after the transition period.

Stakeholders that engaged on this recommendation discussed the use of incentives more broadly to achieve tariff reform.

Some consumer advocates did not support the introduction of financial rewards or penalties for network tariff design, with JEC arguing that networks are already guaranteed cost recovery and are obliged to design tariffs that reflect the underlying cost of providing the service, so instead need clearer expectations and consistent regulatory guidance.[237] Gridcog took a stronger view, arguing that networks lack the incentive to design good tariffs and proposing that tariff design be removed from networks altogether and instead be determined by the AER or an independent body.[238] Monash University considered that the introduction of incentive payments to networks for efficient tariff design was “absurd”.[239]

The AER did not see a need for a tariff strategy obligation, stating that the rules already contain relevant and detailed obligations introduced as part of the 2014 changes.[240]

235 Submissions to draft report: Centre for Independent Studies, p 7; Endeavour Energy, p 4; Essential Energy, p 4; EUAA, p 2; Evoenergy, p 5.
236 AEC submission to draft report, p 6.
237 Submissions to draft report: ECA, p 26; JEC, p 18.
238 Gridcog submission to draft report, p 2.
239 Monash University submission to draft report, p 4.
240 AER submission to draft report, p 11.

Networks were mixed on this proposal. While there was some support for the use of incentives to encourage tariff reform and continual improvement, several noted that such a scheme could deliver worse outcomes for consumers if not implemented effectively or the wrong benchmarks are used.[241] Several networks rejected the proposal outright,[242] while others argued it would duplicate existing regulatory processes and may introduce costs for no clear benefit.[243] Most networks were concerned that utilisation-based incentives may lead to arbitrary penalties and rewards, given many determinative factors sit outside of networks' control, e.g. retailer product design, weather and jurisdictional reliability standards.[244]

The ENA noted that changing tariff structures alone may not materially shift utilisation outcomes and thus a utilisation metric might provide a weak or distorted signal to DNSPs.[245] SAPN suggested that incentives might be better targeted at the desired outcome (for example, improved utilisation) rather than networks' actions.[246] CitiPower, Powercor & United Energy noted general challenges in designing financial incentive schemes that allow fair targets to be set, relate to matters within the network's control, can be assessed objectively and do not create perverse incentives.[247]

Many suggested that the proposal would be more appropriately considered through the AEMC's Electricity Network Regulation Review to enable a more holistic assessment of network incentives.[248]

C.2.8 Draft recommendation 6: Ensure networks design tariffs for energy service providers

Box 25: Summary of Draft recommendation 6: Ensure networks design tariffs for energy service providers

Energy service providers, including retailers, manage risk on behalf of customers. Energy service providers are the customers of distribution networks and network tariffs are an important input to electricity retail offers. We have observed that energy service providers have tended to pass network tariff structures directly through to consumers, rather than translating them into retail offers. We have also observed that networks, as guided by the rules, may not be taking into account how network tariffs can create complexity and increase costs for energy service providers. This is because the current rules framework requires networks to design network tariffs by assessing their potential impact on retail customers (clause 6.18.5(h)) rather than energy service providers and assessing whether customers are able to understand the tariffs (clause 6.18.5(i)(1)).

Our draft report invited views from stakeholders on options for reform including:

- removing the customer understanding principle in the rules
- removing or modifying the customer impact principle, including an option to replace the customer impact principle with a new energy service provider impact principle

Most stakeholders supported our recommendation that network tariffs should be designed for energy

241 Submissions to draft report: ENA, p 3; Essential Energy, p 4; Endeavour Energy, p 5.
242 Submissions to draft report: Evoenergy, p 4; SAPN, p 7; TasNetworks, p 3.
243 Submissions to draft report: Ausgrid, p 11; Evoenergy, p 4.
244 Submissions to draft report: Ausgrid, p 11; ENA, p 3; Endeavour Energy, p 5; Evoenergy, p 5.
245 ENA submission to draft report, p 3.
246 SAPN submission to draft report, p 7.
247 CitiPower, Powercor & United Energy submission to draft report, p 3.
248 Submissions to draft report: AER, p 11; AEC, Ausgrid, p 12; Ausnet, p 2; ENA, p 4; TasNetworks, p 4.

service providers

Most energy service providers, the Australian Energy Council and the Clean Energy Council were broadly supportive of draft recommendation 6.[249] Energy service providers noted that, as primary customer-facing businesses, they are better placed to manage tariff risks and translate network tariff signals into retail offers that suit customer needs.[250] Energy service providers indicated that draft recommendation 6 will help ensure that tariff design processes account for retail costs, operations, IT and billing systems and support innovation.[251]

Networks were also broadly supportive of draft recommendation 6.[252] The Energy Networks Association noted that it supports recommendation 6, but considers that customer engagement by networks remains important to help customers understand and benefit from the reforms.[253]

Whilst supportive of draft recommendation 6, the Australian Energy Council, the Energy Efficiency Council and AGL supported retaining the customer principles. The AEC stated that the customer impact criterion should be maintained as it assists networks in designing tariffs that are at least capable of management by some customers. [254] AGL considered that the principles should be retained as these are core for delivering simple, actionable and fair products and facilitating innovation.[255] The EEC raised concerns that removing the 'customer impact' and 'customer understanding' principles may leave energy consumers vulnerable and recommended that these principles be retained to ensure tariffs that meet consumer needs.[256]

Others raised concerns that the removal of the customer principles should be accompanied by safeguards to prevent customers from bill shock, protect the vulnerable and should not be a licence for politically or practically unacceptable or behaviourally inaccessible tariffs.[257]

Both ENA and SAPN supported modifying or removing the current customer impact principle and introducing an energy services provider impact principle via a staged approach.[258] SAPN noted that any new energy service provider impact principle should not serve to allow retailers to simply opt out of receiving an efficient network tariff.[259] Ausgrid considered that the intent of the customer impact principle should be preserved through a customer impact principle on energy service providers.[260] Evoenergy said that in shifting the focus of tariff design to retailers, there would need to be clear principles guiding what it means for a tariff to be retailer-focused[261]

In addition to industry stakeholders, other groups were also supportive of draft recommendation 6. These included ARENA, the Compliance Quarter and the Centre for Independent Studies.[262] The Compliance Quarter said it is essential that network tariff structures do not create unnecessary barriers to the participation of aggregators, VPP operators and community energy providers and

249 Submissions to draft report: AEC, p 13; Origin, p 9; AGL, p 11; Alinta, p 8; Red Lumo, p 8; Ergon Energy/Energex, p 1; ActewAGL, p 3; Momentum Energy, p 10; Tesla, p 8; EnergyAustralia, p 5; ENGIE, p 10; CEC, p 19.

250 Submissions to draft report: Alinta, p 8; AEC, p 13; Tesla, p 8; EnergyAustralia, p 5; ENGIE, p 10; CEC, p 19; Origin, p 9.

251 Submissions to draft report: Red Lumo, p 8; AGL, p 11; Origin, p 9; Alinta, p 8.

252 Submissions to draft report: ENA, p 4; Endeavour Energy, p 4; Ausgrid, p 2 and p 7,; Essential Energy, p 3; CPU, p 2; Ausnet, p 1; Evoenergy, p 7.

253 ENA submission to the draft report, p 4.

254 AEC submission to the draft report, p 13.

255 AGL submission to draft report, p 12.

256 EEC submission to draft report, p 8.

257 Submissions to draft report: Tesla, p 9; Origin, p 10; CleanCo, p 4; EEC

258 Submissions to the draft report: ENA, p 4; SAPN, p 8.

259 SAPN submission to draft report, p 8

260 Ausgrid submission to draft report, p 6.

261 Evoenergy submission to draft report, p 7.

262 Submissions to the draft report: ARENA, pp 3-4; Centre for Independent Studies, p 7; Compliance Quarter, p 12.

that network tariffs for energy service providers should be designed to reflect the genuine value that these providers can deliver to the network.[263]

Some stakeholders expressed reservations about removing the customer principles

The AER and customer groups did not generally support recommendation 6.[264] The AER considers that the purpose of network tariffs is not to benefit energy service providers. [265] JEC stated that tariffs are designed for the system to reflect cost drivers at the connection point and allocate costs fairly and that they are signals to energy service providers rather than 'designed for them'.[266] The AER said that it is beneficial for networks to engage with energy service providers and this already occurs.[267] Additionally, the AER considered that retailers have been slow to develop innovative tariffs in response to low wholesale prices and low distribution tariffs in the middle of the day and that it is not clear that network tariffs are a block to retailer innovation.[268]

Customer groups also raised concerns that retailers would not manage tariff risk but would pass this risk back to customers. Whilst ECA supported draft recommendation 6, it noted that retailers struggle to manage network tariffs and shared concerns that retailers would seek tariffs that minimise their exposure to price risk and which push volatility back to customers.[269] It also queried how networks will deal with retailers when there are over twenty of them in each jurisdiction and suggests that the AER may need to arbitrate disagreements.[270]

In relation to the customer principles, the AER indicated it was unclear how removing the customer impact principle encourages energy service providers to take more responsibility for managing impacts from tariff changes.[271] Relatedly, the JEC said that retailers should be required to manage network tariff risk and package tariff signals into comprehensible retail offers.[272] The AER also indicated that customer impact modelling is critical for all stakeholders to understand the effect of network tariffs, including fairness and equity impacts.[273] JEC supported removing the customer understanding principle noting households receive an aggregated retail plan and do not see network tariffs directly.[274]

The ECA said that the AEMC's proposals around the setting and level of shared network access charges will inherently require customer impact assessments and it is therefore difficult to see how the customer principles can be removed.[275] The ECA also considered that the AER should retain a key role in network tariff design and that customer impact and understanding issues could alternatively be addressed through the consumer duty work or through retailer pricing principles.[276]

The Brotherhood of St Lawrence considered that the removal of the customer principles would allow retailers to create opaque and complex offers that customers cannot understand.[277]

263 Compliance Quarter submission to draft report, p 12.
264 Submissions to the draft report: AER p 12; JEC, p 19; Brotherhood of St Laurence, p 6; EUAA, p 3.
265 AER submission to draft report, p 12.
266 JEC submission to draft report, p 19-20.
267 AER submission to draft report, p 12.
268 AER submission to draft report, p 13.
269 ECA submission to draft report, p 28.
270 ECA submission to draft report, p 28.
271 AER submission to draft report, p12.
272 JEC submission to draft report, p 20.
273 AER submission to draft report, p 12.
274 JEC submission to draft report, p 20.
275 ECA submission to draft report, p 27.
276 ECA submission to draft report, p 27-28.
277 Brotherhood of St Laurence submission to draft report, p 6.

A number of other stakeholders opposed draft recommendation 6. NEXA Advisory said that designing tariffs for energy network service providers rather than customers will shift risk from networks onto consumers indirectly via retail offers and assumes competitive markets will always translate complex signals into fair consumer outcomes.[278] The Lighter Footprints group stated that networks should continue to consult with consumers. They noted that energy service providers have made retail tariffs more complex and queried whether they would take consumer interests into account.[279]

C.2.9 Draft recommendation 6: Changes to the tariff structure statement process

Box 26: Summary of potential reforms to balance stability and flexibility in the tariff structure statement process

Our draft report discussion on recommendation 6 also consulted on options to change the timing and better balance flexibility and stability in the tariff structure statement to better accommodate the energy transition. We noted stakeholder concerns that the tariff structure statement setting process, which occurs every five years, may be too rigid for the energy transition and creates cost and complexity for energy service providers. More flexibility in the tariff structure statement process could support networks to create efficient tariffs in response to changing energy service provider needs and the uptake of new technologies.

Our options included:

- shortening the tariff statement's application to two to three years or
- creating a 10-year tariff structure statement for default network tariff structures alongside a framework for energy service providers or large users to negotiate new tariff structures at any time.

We received limited comments from stakeholders on our options for reform

In our draft report, we consulted on options to change the timing and/or improve the flexibility of the tariff structure statement to better accommodate the energy transition.

We received limited stakeholder feedback on our reform options. There was support from retailers for the standardisation or alignment of network tariff structures and tariff design processes across the NEM.[280] The AEC, and Tesla noted that a consolidated tariff design process should be established, with the AEC noting that it is unduly onerous for retailers, especially smaller retailers and new entrants, to participate in 13 different tariff structure statement processes.[281] The AEC indicated that whilst it accepts that tariff structure statement processes are aligned with revenue resets this does not have to be the case going forward.[282]

The CEC also supported harmonised national tariff structures.[283] It noted that energy service providers cannot deliver consistent and scale CER-enabled products when each distribution network applies different event rules, measurement windows, thresholds and notification requirements. It said that inconsistencies create friction and costs for energy service providers, slowing the development of CER-enabled services.[284] Similarly, the Centre for Independent Studies

278 NEXA Advisory submission to draft report, p 8.
279 Lighter Footprints submission to draft report, p 7.
280 Submissions to the draft report: Origin, p 10; AGL p 12; AEC, p 13; Red Energy/Lumo Energy, p 8; Tesla, p 9.
281 Submissions to the draft report: AEC, p 13; Tesla p 9.
282 AEC submission to draft report, p 13.
283 CEC submission to draft report, p 18.

noted that a standardised NEM-wide process for tariff design would reduce overheads and complexity for retailers.[285]

In relation to the AEMC's reform options, the AER cautioned against change by highlighting interactions between the form of network regulatory controls and the tariff structure statement, stating these issues may be better considered through the AEMC's Network Regulation Review.[286] The AER noted that the effectiveness of proposed flexibility in the tariff structure statement may differ significantly across possible forms of control within the current network regulatory framework, including for example, a price cap framework.[287] The AER said that a shift to alternative forms of control in future may change the incentives on networks in designing tariffs by changing the risk they bear in recovering costs.[288]

The ENA also does not support changing the TSS period away from the current alignment with 5-year revenue resets.[289] The ENA said that consistent periods for TSS and revenue resets help ensure that tariff strategy, capital expenditure and overall network proposals are developed and assessed as a coherent package.[290] The ENA noted its recent rule change proposal to improve TSS flexibility would lower the threshold for reopening a TSS and introduce a new amendment pathway for minor TSS changes.[291]

Relatedly, the CEC and Essential Energy also commented on the need for more flexibility in tariff structures as CER evolves. The CEC noted that the rigid five-year tariff cycle cannot keep pace with the speed of technological and behavioural change, nor with the operational learnings that emerge once dynamic tariffs reach scale.[292] Essential Energy said that more flexibility in tariff setting promotes innovation and the integration of distribution system operator functions to extract value from CER and deliver better outcomes for all consumers.[293]

C.2.10 Implementation and transition considerations

Box 27: Summary of proposed approach to implementing network tariff reforms

In our draft report we set out a high level implementation schedule for our core reform agenda. We noted that some of our reforms, particularly those that are subject to network tariff resets, depend on processes external to the AEMC and occur along a fixed five-yearly schedule. We noted that some stakeholder feedback to the review has highlighted the need to move swiftly and we proposed options to accelerate the network tariff reforms. These options included ways to re-open the tariff structure statements through:

- the existing tariffs structure statement amendment process
- making a transitional rule that requires early network tariff resets

Few stakeholders commented on the options to accelerate network tariff reform, but several made general comments about timing. Some wanted to see implementation start as soon as possible.

284 CEC submission to draft report, p 18.
285 Centre for Independent Studies submission to draft report, p 8.
286 AER submission to draft report, p 13.
287 AER submission to draft report, p 13.
288 AER submission to draft report, p 13.
289 ENA submission to draft report, p 5.
290 ENA submission to draft report, p 5-6.
291 ENA submission to draft report, p 6.
292 CEC submission to draft report, p 19.
293 Essential Energy submission to draft report, p 4.

ARENA recommended that networks be required to begin immediately and clearly signal their plan to transition away from LRMC-based volumetric tariffs within the next ten years.[294] SACOSS, concerned about the rapidly changing energy system, the slow pace of reform, and energy affordability, saw pricing reform as increasingly urgent and encouraged the AEMC not to be deterred in its ambition.[295]

Many stakeholders raised a preference for a slower implementation of network tariff reform. The ECA asked that the transition be done in a 'gradual, measured way'.[296] The EUAA suggested a 'glide path' approach, with the new network tariff structure to be adopted gradually over one five-year regulatory control period.[297] The ENA noted that the reforms would require a series of system and process changes, and that multiple significant tariff changes in a short period could be difficult for ESPs to manage. It also noted that the timing of network revenue resets may mean that the network tariff reform recommendations take effect before other associated recommendations are implemented (for example, in relation to networks designing tariffs for ESPs).[298] Ausgrid raised concerns that implementing the framework for the 2029–34 regulatory control period would not allow sufficient time for the technical design and collaborative work that goes into the development of a TSS.[299]

294 ARENA submission to draft report, p 4.
295 SACOSS submission to draft report, p 6.
296 ECA submission to draft report, p 2.
297 EUAA submission to draft report, p 2.
298 ENA submission to draft report, pp 6-7.
299 Ausgrid submission to draft report, p 14.

D Recommendation 3: Simpler energy plans, with complexity handled behind the scenes, to unlock the full value of a consumer-led energy system for everyone

Box 28: This appendix sets out our recommendation for simpler energy plans, with complexity handled behind the scenes, to unlock the full value of a consumer-led energy system for everyone.

Our recommendation is designed to deliver more efficient and equitable outcomes from network tariffs, while establishing a culture shift in how network tariffs are designed and managed by energy service providers.

Further information on the challenges facing the network tariff framework and our draft recommendations is set out in appendix C.

This recommendation is divided into four components (components 1-4), each of which involve changes to the Rules including the network tariff pricing principles set out in NER clause 6.18.5. We have also discussed implementation considerations.

The foundations of our proposed network tariff reforms are a new explicit objective to inform network tariff designs, a paradigm shift for the role of ESPs, and protections for consumers to mitigate potential adverse bill impacts and inefficient outcomes. The consumer protections are integrated throughout the components of the recommendations, and include elements such as:

1. the reforms allow for a gradual transition, giving consumers, networks, retailers and other energy service providers time to manage change
2. our recommended principles-based approach preserves the ability for networks and the AER to determine outcomes that best promote the long-term interests of consumers, while providing clearer guidance and tools to mitigate potential adverse consumer bill impacts. For example, avoiding an outcome where all consumers face the same shared network access charge by allowing tariffs to differentiate based on the benefits different consumers could receive from access. Our recommendations would support this flexibility by removing the requirement to only design tariffs on a long-run marginal cost basis, and removing the consumer impact principle and side constraints.
3. the reforms recognise that complementary retail pricing protections may be needed to support consumers through the transition, particularly where the network tariff reform package could otherwise expose some consumers to adverse bill impacts.

Component 1 - our new tariff objective would be included in NER clause 6.18.5(a). The new pricing objective would:

- support clearer, more sustainable pricing for access to the grid as technology and CER deployment continue to accelerate - reducing the need for inefficient interventions such as limiting how much energy consumers can export while maintaining stronger community acceptance of network bills
- better reflect the cost of using the system - including removing signals that lead to poor consumer outcomes, such as getting in the way of consumers participating in the wholesale market

- help keep overall system costs lower over time - including appropriately rewarding those consumers who help reduce the costs running and building networks.

The new objective is supported by recommended changes in **component 2 - leveraging CER to get the most from the network we have and lower network costs into the future**. These changes would evolve network tariffs, so that they:

- better leverage the value of CER
- reward consumers for using CER in ways that benefit the system
- avoid pricing signals that lead to poor consumer outcomes and behaviours.

This is achieved by giving network service providers greater flexibility to design tariffs that support the new objective of promoting better use of the existing network and more efficient network investment in the future.

We set out a long-term vision for network pricing to guide networks, regulators, policymakers and ESPs as they work together to implement tariff reform over the next few decades, without prescribing a single pathway for all networks.

The changes in **component 3 - supporting a more efficient and equitable allocation of shared networks costs** would further embed the new objective by delivering sustainable network pricing that addresses the inefficiencies arising from current volumetric tariffs, while maintaining the social licence needed to deliver tariff reform. This component supports networks and the AER to deliver approaches that better align with community expectations, including by reflecting the benefits different users receive from the network. Consumer protections would form a necessary part of this component to protect customers from any adverse impacts. These approaches would need to minimise distortions to efficient behaviour, for example the potential for poorly designed signals to unnecessarily encourage consumers to forgo energy use or to disconnect from the grid.

The reforms would also be implemented in a way that respects investments consumers have already made under the current arrangements. We agree with stakeholders that protections must be integral to delivering tariff reform in the interests of consumers, ensuring that the impacts of change on consumers are managed.

Component 4 - focusing network tariff design on ESPs is intended to create a cultural shift by offering a new deal to ESPs. This new paradigm for ESPs shifts complexity away from households and small businesses and onto ESPs, who are better placed to manage it behind the scenes and convert complex pricing into simple, meaningful products for consumers. Networks would be expected to design tariffs that reflect ESPs' capabilities to cost-effectively manage them. In return, ESPs would be expected and - potentially through new consumer protections - required to convert increasingly efficient network signals into simple and meaningful products for consumers. ESPs who embrace new technologies and approaches would best be able to deliver products that meet consumer preferences while contributing to more efficient and lower cost networks.

Finally, we outline our views on **implementation approach and considerations,** including that the framework should support appropriately paced tariff reform, supporting customers who may otherwise face negative bill impacts and allowing time for systems, processes and behaviours to adjust. This is intended to ensure tariff reform proceeds neither too quickly nor too slowly, so consumers can receive the benefits of reform without unnecessary disruption or cost.

D.1 Component 1 - Our new tariff objective would help make the most of the network we have and lower network costs into the future, while meeting community expectations for who contributes to shared network costs

For network tariffs to support consumer interests today and into the future, they need to be designed to deliver a more efficient and equitable lower-cost system for consumers. To achieve this change, we propose to modernise the underlying objective that guides how tariffs are set. The current network pricing objective requires network tariffs to reflect the costs of providing network services.[300] It does not provide clear guidance on the goal network tariff design.

We consider that the network pricing objective in the rules should be revised so that it more clearly guides networks towards designing more efficient and equitable tariffs. This would involve amending the network tariff objective set out in NER clause 6.18.5(a) of the network tariff pricing principles in the rules. Our draft report recommendations provided for the network pricing objective to be revised to include outcome focussed elements, including around efficient network utilisation. These are discussed in more detail in appendix C. Our change since the draft report responds to stakeholder expectations by incorporating a protection from inequitable outcomes directly into the tariff objective. Specifically, a new, outcomes-based objective should be introduced to drive networks toward tariff designs that:

- promote more efficient use of and investment in networks
- provide flexibility to recover the costs of shared infrastructure more equitably between consumers.

While there was limited engagement on the draft proposal to amend the network pricing objective in submissions to the draft report (see appendix C), we consider this change to be fundamental to our reforms. Working through the suggested changes for the objective through a future rule change on this will allow us to test this further with stakeholders and garner more input on the most appropriate approach.

The inclusion of the second dot point above responds to concerns raised by many stakeholders about the distributional impacts of tariff reform and community expectations about how shared network costs should be allocated. These expectations are evidenced in the extensive number of submissions we received from individuals - see Box 29 for some relevant extracts and appendix C for a more comprehensive discussion.

Box 29: Community expectations on network cost contributions

The following are examples from the significant number of submissions we received from individuals:

- "[I]t should be user pays, where high electricity users pay more"*
- [all consumers facing the same fixed charges] "undermines equity and contradicts the principle that users should pay in proportion to usage"**
- "Further, low electricity users - those in energy efficient homes or people who are less wealthy - shouldn't have to pay for infrastructure that is built for the benefit of high energy users"***

Note: * Submissions to draft report: Individual and organisations no attachments 1-248, p 111.** Submissions to draft report: Individual and organisations no attachments 1-248, p 151.*** Submissions to draft report: Individual and organisations no attachments 249-621, p 80

300 NER clause 6.18.5 (a).

Meeting these community expectations in a way that aligns with common regulatory principles could, for example, require networks to consider recovering costs from customers or tariff classes in a way that broadly reflects the benefit they receive from being connected to the shared network.[301]

Reflecting this concept of benefit into the pricing objective would allow networks and the AER to consider efficient and equitable options for mitigating poor consumer outcomes. Options could include approaches that allocate shared network costs by reference to factors such as:

- consumer characteristics (for example, do they have single or three-phase connections)
- historical consumption or demand requirements.

These factors provide a reasonable basis for identifying the consumers who have benefited from, or contributed to the need for, shared network investment.

To deliver on the two goals outlined at the start of this section, a potential rule change to achieve these outcomes would need to consider amending the network pricing objective by:

- giving networks clearer direction on how tariffs should be designed. In particular, the rules could require network tariffs to support more efficient use of the network and help reduce network costs over time, including by encouraging customers to use the network in ways that avoid or defer future investment. This would also create greater opportunities to reward households with CER and responsive demand for contributing to more efficient use of and investment in networks.[302]
- providing clearer guidance on how networks should recover shared costs in efficient and equitable ways.[303] These shared network costs should, as far as reasonably practicable, be recovered from customers or tariff classes in a way that is proportionate to the benefit they could receive from the relevant network services.

D.2 Component 2 - our framework would deliver tariffs that leverage CER to get the most from the network we have and lower network costs into the future

Network tariffs have an important role in supporting the efficient use of, and investment in, network over time. This is best achieved by designing tariffs that:

- create opportunities to reward consumers, and their ESPs, for helping improve the efficiency of network use and investment. This is the focus of this section.
- avoid sending price signals that push consumers to change their energy use in ways that do not actually help lower network costs – for example, by conflicting with wholesale market signals or discouraging energy use when there is no real network benefit. This is discussed in appendix D.3 below.

301 This 'beneficiary pays' principle was a key consideration in the 'Inter-regional Transmission Charging' rule change. In that process we found that the principle "means that consumers in a region contribute to the cost of an asset in proportion to the perceived benefits they are deemed to receive from it. This engenders confidence in regulatory arrangements and is consistent with outcomes in competitive markets". See AEMC (2013) Rule determination: National Electricity Amendment (Inter-regional transmission charging) Rule 2013, p 27. See also NER Part J where the beneficiary pays principle is evident in transmission pricing, particularly where some portion of transmission costs are allocated on the basis of the proportionate use of the relevant assets.

302 See Rewiring Australia submission to the draft report, p 6.

303 Efficient network tariff design involves both sending signals that support efficient use of, and investment in, the network, and recovering any contributions to the shared network costs or revenue requirements – often called residual costs – in a way that minimises distortions to efficient behaviour. See further discussion in appendix D.2.

In our draft report we set out our draft long-term vision for network pricing.[304] This vision is intended to give networks, regulators, policymakers and energy service providers a shared direction for tariff reform – an aspirational goal for how network tariffs could evolve over time without prescribing a specific pathway for getting there.

This network pricing vision entails tariffs that effectively encourage behaviours delivering more efficient use of and investment in the network. This replaces signals that are simply based on long-run marginal costs. Depending on the circumstances, efficient network signals may reflect long-run augmentation costs, short-run congestion costs, or the opportunity cost of another network user changing their behaviour to make capacity available. In this way we are recommending amendments to the pricing principles in clause 6.18.5 of the Rules to move from a strict requirement to base tariff design on long run marginal cost towards designs that deliver on the new network pricing objective.

Stakeholders raised a number of concerns with this vision for network tariffs (see appendix C.2.1), including that:

- moving away from long-run marginal cost signals could mean missing opportunities to reward consumers for using their energy resources in ways that help the grid[305]
- other tools, such as flexibility markets, may be a better way to reward consumers for providing these services[306]
- networks may not yet be able to deliver more dynamic prices without adding cost or complexity for consumers[307]
- networks may need enough flexibility to design tariffs that suit the needs of their own network and customers.[308]

Stakeholder feedback has helped us clarify that we are not prescribing a specific tariff or set of tariffs. Long-run marginal cost signals may remain relevant in some areas, and networks should have discretion to continue using them. Networks should also have the flexibility to identify the right time that reforming to more efficient tariffs would be cost-effective. Non-tariff options, such as flexibility markets, will play a critical role in leveraging the value of CER, and these will work as a complementary tool alongside more dynamic network prices (see discussion inAppendix D.2.3).

We still view dynamic network tariffs as a long-term goal and have set out our updated vision in appendix D.2.2. Dynamic network tariffs are the most efficient way to signal network congestion when and where it occurs, and to reward CER and consumer responses for contributing to improvements in network use and investment. But critically, this does not mean exposing consumers directly to complex network charges. As discussed in appendix D.4 we are proposing a new paradigm in which energy service providers transform this complexity into simple and meaningful consumer offers.

Consistent with the new network tariff objective, our recommended framework would give networks the flexibility and discretion to design, and the AER to approve, tariff approaches that are appropriate to their circumstances and capable of evolving over time. This could include approaches such as critical peak pricing, locational tariffs and tariffs incorporating DOEs, some of which are already in use or being trialled by networks. Our intention is not to mandate a single

304 See AEMC, *The pricing review - draft report*, Appendix D.
305 Submissions to the draft report: AER, pp 7-8; IEEFA, p 4; JEC, p 18; Tesla, p 8.
306 Submissions to the draft report: AEC, p 6; AGL, p 11; Evoenergy, p 5; Red and Lumo Energy, p 8; SA Power Networks, pp 6-7.
307 Submissions to the draft report: IEEFA, p 5.
308 Submissions to the draft report: AEC, p 2; TasNetworks, p 4.

approach, but to enable tariff reform to move towards more dynamic, efficient and consumer-focused network tariffs at the right place and time.

Our tariff reforms are expected to deliver two key benefits:

1. overall improvements in efficiency, leading to potential savings of $6bn over 15 years.[309]
2. reducing inefficient and inequitable outcomes under current volumetric tariff designs, where consumers can receive signals encouraging poor outcomes and contributions to shared network costs can be shifted between different consumers, particularly those with and without CER assets.

D.2.1 Networks should have the flexibility to consider a range of matters in tariff design, not just long-run marginal costs

Consumers are best served when network tariffs are efficient and effective. Efficient network tariffs send signals to energy service providers that reward consumers for using electricity in a way that contributes to the lowest overall network costs. Efficient network tariffs therefore encourage efficient utilisation of, and investment in, the network.

The AEMC has concluded that the existing regulatory framework is not resulting in the design and application of efficient network tariffs. Many stakeholders who participated in the review process shared this view. Specifically, existing network tariffs sometimes charge customers more to use the network at times when it costs no more to do so, and not enough when that use can raise significant costs. This misalignment can:

- under-reward customers who contribute to reductions in network costs
- work against wholesale market price signals
- lead to consumption patterns that do not actually reduce network costs.

More broadly, the usage-based network tariffs designed under the current framework do not allocate shared costs equitably. This links directly to the equitable recovery of shared network costs with many stakeholders agreeing that this is an issue arising from usage-based tariffs (see discussion of stakeholder views in appendix C). Rewiring Australia summarised the issues of efficiency and equity succinctly in its submission to the draft report:

> *Network cost recovery has historically relied on per-kilowatt-hour charges, which worked when consumption correlated with the demands a household placed on the network. CER adoption is severing that link. Households with solar and batteries are reducing their measured consumption while remaining fully dependent on network capacity during peak demand events - the very events that drive network investment. The current framework increasingly recovers costs from the households least able to reduce their consumption, while under-recovering from those who still impose peak demands on the system.*[310]

As explained in appendix C, these issues have largely arisen from the application of the current tariff framework, which requires networks to design tariffs on a LRMC basis. To address these issues, we are recommending that NER clause 6.18.5(f) of the rules be amended to remove the exclusive consideration of LRMC in the design of network tariffs and replace it with a requirement that tariffs be designed to deliver on the new network pricing objective - that is, in a way that incentivises more efficient use of and investment in networks, while equitably recovering shared

309 AEMC (2026) *Smarter, cleaner cheaper energy: What network tariff reform means for consumers*. April 2026.

310 *Rewiring Australia submission to the draft report, p 2.*

costs. These changes would allow and encourage networks to consider a broader range of matters when designing tariffs. This includes consideration of how tariff design can:

- accurately signal network congestion when and where it occurs
- ensure those signals are effective in leveraging the value of CER and efficient responses from energy service providers.

In the Commission's view, this approach would allow for tariffs to be designed not only on a network cost basis but also the costs required to encourage network users and other parties to provide network capacity by responding to dynamic signals at times of congestion. For example, rather than sending a price signal that reflects the cost of long-run network augmentation costs to address network congestion, the network could design a price signal that rewards consumers for discharging their battery during congested periods.

While the AER submitted that SRMC-based signals can already be incorporated into network tariff design,[311] the AEMC considers that the rules should be changed to more explicitly signal the long-term vision of more dynamic network prices. This would involve moving away from LRMC-based tariffs and tariffs based solely on network costs, where beneficial to do so. The AEMC encourages the AER to help move networks towards this direction in the meantime within the current framework.

D.2.2 Our long-term goal is for dynamic network tariffs that signal network congestion at the times and places it occurs

Unlike long-run marginal cost-based signals, we expect our recommendation would deliver network tariffs that evolve to be more dynamic and efficient, and that strengthen the link between tariff signals and actual network needs. This would prevent the current outcome where consumers face broad signals across multiple hours of the day, every day, across all parts of the network. We provide our vision for dynamic network pricing not because we expect it to be uniformly adopted in all areas of the network over the next few decades, but rather to inform the decisions of networks, regulators, retailers, and policymakers over this period.

In the transition to this vision, we expect to see networks adopt increasingly dynamic responses to managing network costs.[312] Indeed, we are already beginning to see more dynamic approaches being introduced, like critical peak pricing.[313] In other areas novel approaches are being trialled, such as through Project Edith, which showcased how dynamic pricing can help facilitate the participation of clean energy solutions such as solar, battery, and EVs in the energy market while remaining within distribution network capacity limits. We also note SA Power Networks' Energy Masters trial, which is empowering South Australian households with smart appliances, tools and know-how to take control of their energy use, save on their energy bills and reduce their carbon footprint.[314]

Our long-term vision for dynamic network prices is that they would be zero when and where the network is not congested, and would increase only when and where congestion is occurring or is expected to occur. We suspect aligning these signals with wholesale market periods is likely to lead to the most effective products and outcomes for consumers.

311 AER submission to draft report, p 7.

312 This would include both tariff and non-tariff options, and would reflect the costs and benefits of different approaches in different network areas and at different times (discussed further in appendix D.2.3).

313 See, for example, Ausgrid (2025) *Annual pricing proposal 2025-26*, pp 17-18.

314 See Ausgrid (2026) Project Edith accessed 8 June 2026, SAPN (n.d.) *Energy Masters*, accessed 7 May 2026.

Moving towards dynamic network prices would support more pricing symmetry in retail products. This means that, where a congestion issue could be addressed either by reducing demand or by increasing exports, both forms of response would receive an equivalent signal. For example, a consumer who could reduce demand and a consumer who could export into the network using a battery can both help address the same network need. The price signals they face should therefore reflect the same underlying value, although one signal may be positively priced and the other negatively priced. This helps to create opportunities for those with CER to be rewarded for making the network more efficient.

As discussed in the draft report, and in appendix C, dynamic network prices would need to begin signalling congestion before the precise moment at which a network constraint binds. Although there is some nuance, a network is either congested or it is not. However, a price signal sent only moments before congestion occurs may not elicit the most efficient response from energy service providers and consumers. More gradual signals, provided in advance of expected congestion, are likely to support more efficient and reliable responses from consumers and energy service providers.

Networks should also take into account the maturity of the markets expected to respond to these signals. Where those markets are less developed, networks may need to signal emerging needs earlier and more gradually. This could mean sending weaker signals weeks, months or even years in advance. These early and weaker signals may help energy service providers and consumers develop the capability, confidence and customer propositions needed to provide responses that networks can ultimately rely on.

D.2.3 Both tariff and non-tariff mechanisms will be important tools to support making the best use of the networks we have and reducing network costs into the future

As noted in appendix C, stakeholders highlighted the important role that non-tariff options like the procurement of non-network solutions (such as distribution-level flexibility markets) and DOEs play in managing network congestion. Others questioned whether dynamic network pricing would be "big, frequent or certain enough" to successfully build a competitive offer around and to actually mitigate network congestion and augmentation.[315]

The Commission has closely considered the CER Taskforce's vision for distribution system operator (DSO) policy development. It provides for a future where:

- DSOs manage the distribution system to maximise the value of CER
- 'customer agents', such as ESPs, represent consumer interests and translate operational signals (such as dynamic network tariffs or wholesale prices) into valuable products for consumers.[316]

The CER Taskforce did not recommend introducing market designs that would settle wholesale market outcomes, or establish wholesale market prices, at the distribution level. It expressly rejected such designs, saying significant cost, complexity, implementation challenges did not outweigh the uncertain benefits at this time. This position aligns with the National Electricity Market wholesale market settings review recommendations.[317] We also do not support market designs that settle wholesale market signals at the distribution level at this time.

315 Tesla, submission to draft report, p 8.

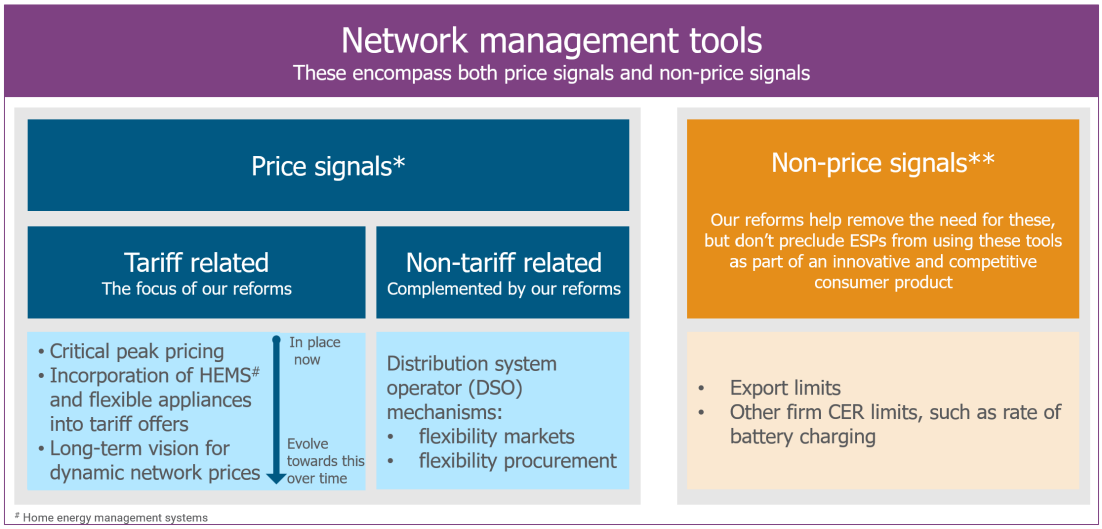
316 Department of Climate Change, Energy, the Environment and Water (2025) *Redefining roles and responsibilities for power system and market operations in a high CER future Final advice to Ministers to progress M3/P5 priority of the National CER Roadmap*.

317 Nelson, Conboy, Hancock, Hirschhorn (2025) *National Electricity Market wholesale market settings review: Final Report*, p 21.

However, the Taskforce did support the use of DSO-led tools such as flexibility markets, dynamic prices, and DOEs to coordinate CER to improve network outcomes and reduce the need for unilateral network interventions.[318]

The Taskforce's work, and stakeholder input, has informed our view that tariff and non-tariff mechanisms are important tools that distribution networks should continue to use to deliver more efficient use of and investment in the network, as shown in Box 30.

Box 30: Future network management tools



Note: * ESPs will incorporate these signals into consumer-facing products, using tools like DOEs, CER orchestration, and limits; ** While many forms of firm limits currently do not include a price signal, they could become price signals for consumers. For instance, a customer may pay for a certain level of export or import capacity.

Non-tariff mechanisms play a distinct and valuable role in managing network constraints. One example is a DSO-run flexibility market, in which defined volumes of capacity are contracted well ahead of any potential congestion. These arrangements provide network planners with confidence that a pre-determined level of capacity would be available when needed, supporting planning and operational decision-making. They can also attract a different segment of the flexibility market, particularly participants who require the certainty of predictable, contracted payments to justify investment in responsive technology or systems or ongoing engagement. In this way, non-tariff mechanisms may deliver non-network solutions to network congestion that dynamic network pricing may not.

However, in the Commission's view, dynamic network pricing is an important longer-term objective, as it is the first-best mechanism to deliver efficient outcomes.[319] This is because dynamic network pricing:

- operates in real time or close to real time, and therefore can signal network needs more accurately

318 Department of Climate Change, Energy, the Environment and Water (2025) *Redefining roles and responsibilities for power system and market operations in a high CER future Final advice to Ministers to progress M3/P5 priority of the National CER Roadmap*, pp 51-55.

319 Whether dynamic network pricing is 'first-best' in real world applications will depend on the relative costs of its implementation, and the ability for energy service providers – including the development of enabling technology – to effectively respond to these signals.

- directly addresses the inherent inefficiencies of forward contracting, a concept used in DSO-run flexibility markets[320]
- avoids the use of baselining methodologies, which can be complex to implement for residential consumers[321]
- sends symmetrical signals to those impacted by congestion.

The relative roles of tariff and non-tariff mechanisms are likely to change over time. This is explained in Figure D.1. In the near term while energy service providers, consumers and network planners have less experience with dynamic network prices, non-tariff mechanisms (such as flexibility markets) are likely to play a more prominent role, reflecting the certainty they provide to both networks and participants. At this point, non-tariff mechanisms will play an important role in:

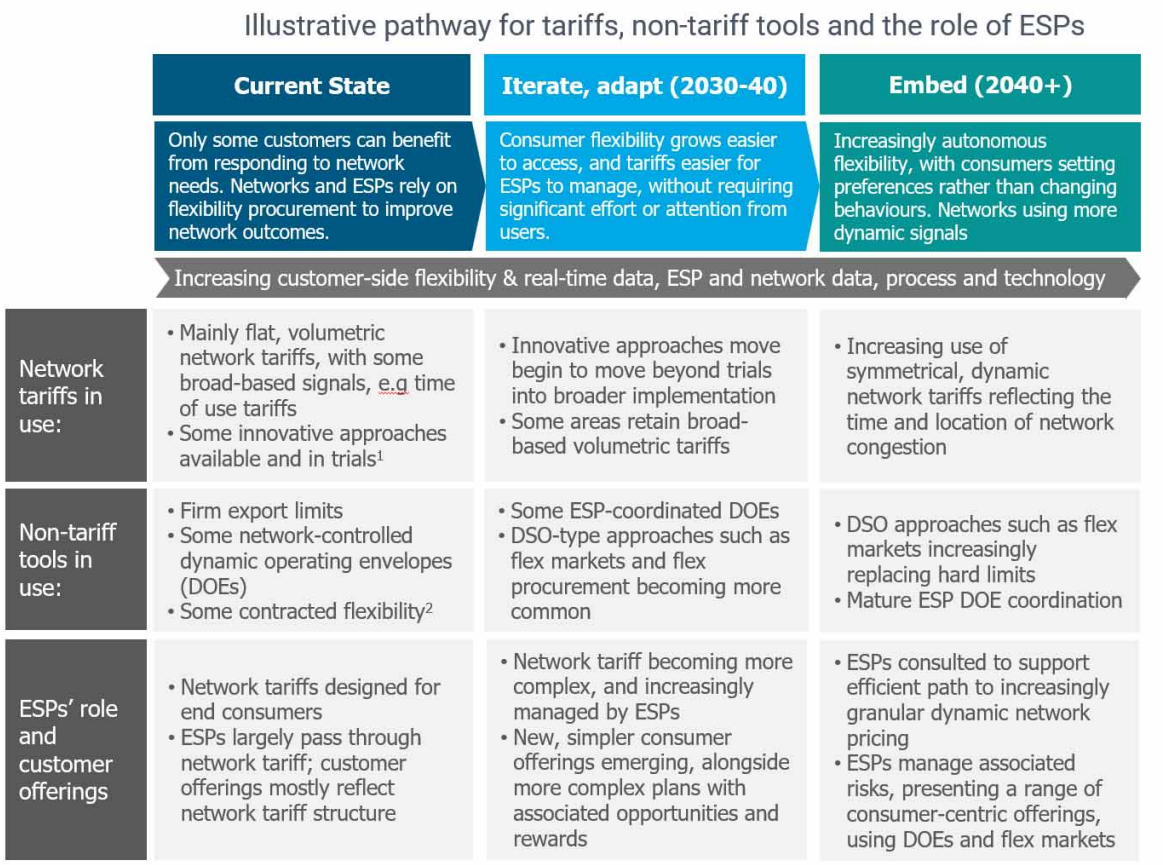
- providing additional capacity when the response to dynamic network prices is insufficient
- specific parts of the network, or in edge cases where dynamic network prices may be less effective.

As retail offerings, technology, real-time data availability, and forecasting capabilities develop, the ability to rely on and respond to dynamic price signals would mature. This should allow dynamic network pricing to become the primary (and more efficient) mechanism for managing congestion.

320 Committing capacity to be available across a defined period can limit participants' ability to respond to more granular, real-time signals, whether from wholesale markets, system operators, or the network itself. It also assumes that the conditions prevailing at the time of contracting will remain relevant, when in practice the nature and location of constraints, as well as the available solutions, preferences, and abilities of parties, may evolve after contracting has occurred.

321 Baselines are required to estimate the consumption/generation that would have occurred for a consumer had it not provided a demand response. By observing the variance from the baseline, it is possible to measure the quantity of demand response delivered (and paid for). However, centrally determined baselines have not been demonstrated to work well for small customers. Furthermore, there is a risk that relying on centrally determined baselines for small customers will lead to distortionary behaviour. See further discussion of this in AEMC (2025) *Review of the Wholesale Demand Response Mechanism*: final report.

Figure D.1: How network tariffs may evolve over time



[1] For example, Ausgrid, Project Edith, May 2026; Energy Masters - supported by the government of South Australia, Use energy smarter. Reduce bills. Lower emissions. May 2026.
[2] Non-network opportunities | CitiPower & Powercor
Source: AEMC

D.2.4 Several matters are key to the successful implementation of this recommendation, including mitigating negative consumer impacts

In the long run, dynamic network prices might need to be capped to avoid exposing consumers and energy service providers to unnecessarily high costs

Dynamic network pricing could theoretically lead to excessively high prices that do not support good consumer outcomes. This could occur in circumstances where a pricing signal alone cannot invoke an effective response from consumers or ESPs, for example, in instances where:

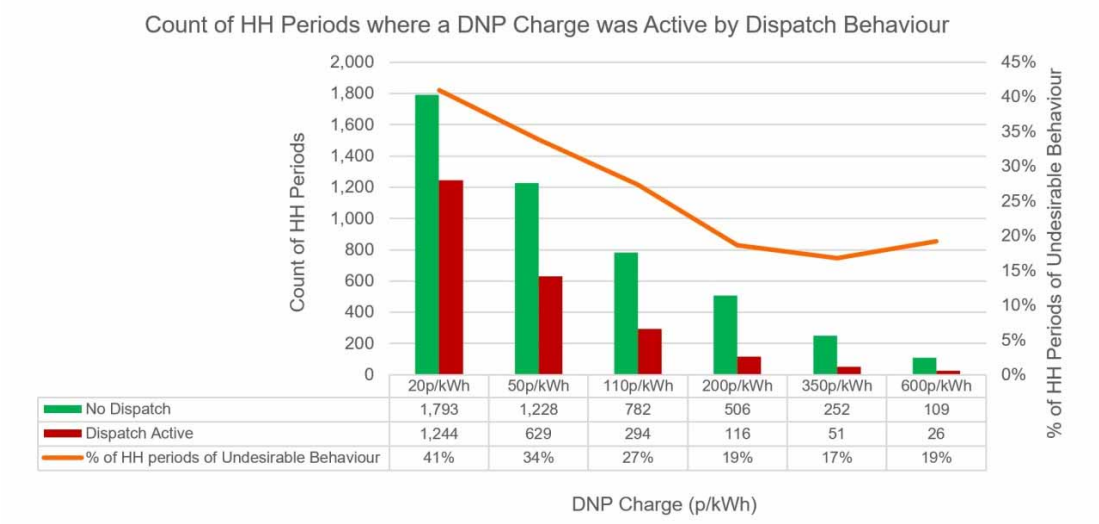
- consumers or energy service providers in a particular area are incapable of responding to further increases in the price signal. A real world demonstration of this is highlighted by a recent dynamic network tariff trial undertaken by the UK's Northern Powergrid distribution network, see Box 31. This trial found that at some point, higher prices may not materially change network outcomes. They found that at some price point (from £3.50/kWh to £6.00/kWh) the number of half-hourly periods in which they observe inefficient consumption (labelled 'undesirable behaviour' in the graph) does not decrease. In these cases, increasing dynamic network prices would instead operate primarily as a penalty on consumers or service providers exposed to the signal. In such instances it would be more appropriate to rely on non-

tariff mechanisms to manage network constraints, for example contracted flexibility services or, where necessary, backstop arrangements.

- there is limited market depth allowing for some gaming. For example, a single energy service provider may control a large share of responsive home batteries in a constrained area. In that circumstance, the provider may have an incentive to allow prices to rise before responding to secure higher rewards.

As such, dynamic network prices should be subject to appropriate limits.

Box 31: Recent UK trial show that dynamic network prices remain effective only up to a point



	20p/kWh	50p/kWh	110p/kWh	200p/kWh	350p/kWh	600p/kWh
No Dispatch	1,793	1,228	782	506	252	109
Dispatch Active	1,244	629	294	116	51	26
% of HH periods of Undesirable Behaviour	41%	34%	27%	19%	17%	19%

Source: Energy Networks Association (UK) (2026) *Energy Networks Innovation Process Project Closedown Report Document: Dynamic Pricing (Northern Powergrid)*, p 20.

Providing appropriate ceilings to dynamic network prices can support engagement with these signals by limiting the financial risk faced by energy service providers. If engaging with dynamic network prices exposes providers to unbounded liability, they may be less willing to make the necessary investment in the supporting systems, contracting and operational tools needed to develop suitable consumer products.

For the avoidance of doubt, we are not recommending wholesale market pricing at the distribution level, or that distribution networks incorporate wholesale market prices into network tariffs. This is consistent with the position of CER Taskforce on the distribution system operator arrangements and the recommendations of the National Electricity Market wholesale market settings review, as outlined above. The Commission has, however, considered the logic of capping wholesale market prices in the NEM. In the wholesale market prices are allowed to range high enough to encourage availability of generation and battery resources for dispatch but are capped to protect consumers and energy service providers from unlimited liabilities and excessive costs.

Any future rule change request that would consider these recommendations would also need to consider:

- whether a cap is the most appropriate mechanism to mitigate the risk of very high dynamic network prices

- methodologies for setting the cap, including links to consumer willingness to pay, value of reliability, and long-run infrastructure costs
- who would set the level of the cap
- whether any cap would be inherent to implementing an energy service provider impact principle
- whether the cap would be dynamic or static, and whether it would apply across all networks or be network-specific.

We note that networks regulated under revenue caps would not benefit financially from unbounded dynamic pricing. These networks would simply recover the same allowed revenue regardless of tariff structure.

The AER and networks should have flexibility to address any unintended distributional impacts of dynamic network pricing

Linked to the above matter, several stakeholders indicated that there may be circumstances where persistent, low–level congestion in specific parts of the network lead to a sustained pattern of higher charges for a relatively small group of consumers. While these signals may be efficient in the short run – eliciting demand responses that defer or avoid augmentation – they may result in those consumers contributing materially more than others over the longer term. Box 32 below provides an example of one such unintended outcome.

Box 32: Hypothetical example of unintended distributional impacts arising from dynamic network pricing

Red Creek is a rural community on the edge of a distribution network area. Red Creek consumers invested in CER assets and signed up to retail offerings that include dynamic network prices that are managed through orchestration of their assets. Here, dynamic network pricing successfully incentivises consumers to adjust their demand so that the network remains within its limits.

A potential unintended distributional impact of dynamic network pricing could arise where Red Creek consumers experience persistent congestion over a number of years. Because consumers' response to dynamic network prices is effective, the total revenues recovered from the dynamic network tariff may never be sufficient to justify the case for network augmentation to eliminate the congestion.

Over time, Red Creek consumers may continue to face dynamic network prices. The revenues raised from these prices reduce the remaining shared network costs the network needs to recovers from all of its customers.

This outcome could see Red Creek consumers making a disproportionate contribution to overall network revenues, not because they are imposing additional long-run augmentation costs, but because of their geographic location and the way the network has historically been planned.*

In these circumstances, dynamic network pricing could give rise to an unintended distributional impact that may need to be identified and managed as part of the broader tariff framework.

Source: * This reflects concerns raised in submissions to the draft report: Evoenergy, p 3; AGL, p 11.

It is important that the AER and networks have the flexibility to manage these potential adverse outcomes. Any rule change request would need to consider what sort of analysis and tools the AER and networks might need to address them. This could include the ability to propose and approve certain adjustments to the allocation of shared network cost contributions, targeted rebates, differentiated price caps, or other mechanisms to help smooth any adverse distributional impacts of dynamic pricing.

Regulatory and planning tools would need to evolve to ensure consumer contributions to managing peak demand deliver lower infrastructure costs

To ensure dynamic network prices and non-tariff mechanisms translate into efficient network savings, network planners and the AER would likely need to update the tools they use to forecast future network demand and assess network needs.

Current planning approaches rely on measures of demand that inform the level of infrastructure that might be required to meet consumer needs.[322]Over time, however, planning tools would need to become more sophisticated. They should consider maximum demand *after* the expected impact of tariff and non-tariff mechanisms that signal when, where and how consumers should use the network, specifically at peak times.

While this would not happen overnight, failing to update the planning and regulatory tools risks locking in investment assessments based on demand measures that do not reflect the flexibility these reforms are designed to unlock.

Dynamic network pricing requires a different approach to export charging and minimum basic export levels

Two concepts were introduced into the rules in 2021[323] to manage the technical, cost and consumer protection challenges associated with solar exports from CER:

1. Export charges. The rapid uptake of rooftop solar has meant that a growing number of customers now export significant excess generation back into the network. This can create network costs and technical challenges, particularly at times of high solar output and low grid demand. The 2021 rule change removed the prohibition on export tariffs, allowing networks to charge customers that export electricity into the grid when doing so is expected to drive future network investment. The charge is meant to reflect the LRMC of providing the export service - that is, the cost the network incurs to host additional exports, for example through voltage management initiatives. Where the network would benefit from additional exported solar electricity, a negative network charge would apply in addition to any retailer feed-in tariff.
2. Minimum basic export level. The rule change also required networks to include a basic export level for each proposed export tariff. This is a time-limited requirement that allows a retail customer to export a specified minimum quantity of solar generation without charge for the networks' two upcoming regulatory control periods - that is, ten years in total. The basic export level ensures that the introduction of export charging doesn't simply penalise existing solar owners for exporting at all. It recognises that networks have some capacity to absorb reverse power flows, and that charging should only occur where exports drive incremental network costs.

Since the introduction of that rule, a number of networks have introduced tariffs that incorporate export charges, credits, and minimum basic export levels. Some networks are using DOEs to impose more flexible export limits.

Ergon Energy and Energex noted that the introduction of dynamic network pricing may affect the basic export level provisions in the NER.[324] In the Commission's view, implementing dynamic network pricing would remove the need for export charging and the minimum basic export level. This is because dynamic prices would be symmetrical i.e. dynamic network prices would take on

322 One such measure might be After Diversity Maximum Demand, which estimates the maximum demand of a consumer after accounting for diversity in customer usage within a particular area, see for example Energy Queensland (2025) *Joint Supply and Planning Manual*, p 118.

323 AEMC, *Access, pricing and incentive arrangements for distributed energy resources.* August 2021.

324 Ergon Energy / Energex submission to draft report, p 2.

the same role and function as the current export pricing. Under this pricing, energy service providers would face:

- a high dynamic price signal when their customers increase demand during demand-driven congestion periods, and when they export during export-driven congestion
- a low, zero or negative dynamic price signal when their customers export into demand-driven congestion periods, and when they import during export-driven congestion.

This approach allocates scarce network capacity, for either both demand and generation, to those who value it most at specific times and locations. The existing export charge and minimum export level frameworks would no longer be necessary under a dynamic pricing framework because they would duplicate, distort, or undermine the signals described above. Any future rule change request would need to consider consequential amendments to the export charging and minimum export level frameworks in the NER alongside any changes that would be considered necessary to implement dynamic network pricing

Dynamic network pricing is well suited to managing the challenges associated with excess solar exports because it can deliver granular, location- and time-specific signals about the costs and benefits that excess exports impose on the network. By contrast, flat export charges and minimum basic export levels typically apply network-wide (i.e. are not location-specific) and year-round (i.e. are not seasonally adjusted), and therefore reflect the network's assumptions about average export volumes and costs. Consequently, these mechanisms are somewhat blunt instruments that reflect average conditions, not real time or geographically-specific conditions.

By more accurately signalling when and where network capacity is available, dynamic network pricing may enable consumers to export more, and at a higher value, than minimum basic export levels and export charges currently allow. When consumers respond to real-time signals that reflect the operational reality of the network, their actions more precisely meet network needs. This improves the efficiency of future network investments, benefitting all connected consumers.

D.3 Component 3 - our recommendation would deliver a more efficient and equitable allocation of shared network costs

Networks need to recover the costs of shared assets that have been built and that continue to provide services to consumers.

Historically, these shared network costs have generally been recovered through charges linked to how much electricity a consumer uses. As discussed in appendix C.1, this approach is becoming less efficient, sustainable and equitable as CER uptake grows. Such tariffs, which price every unit of energy, discourage using the network at all times, even when a better overall outcome would see consumers increasing their consumption at some times and places.

Without reform, consumers who are unable to install CER may pay an increasing share of shared network costs. At the same time, networks may need to take more interventionist actions to manage the impact of CER on network capacity.

In the draft report we proposed that shared network costs should be recovered in a way that is less dependent on a consumer's day-to-day energy consumption, where that consumption does not reflect the costs they cause or the benefits they receive from the network. We expected that this approach would reduce the risk that consumers respond to signals that are not well linked to network costs, help avoid disproportionate contributions to shared network costs, and create better opportunities for CER to be used productively where and when it can help manage network congestion.

Stakeholders raised concerns that our draft proposals could (see complete summary in appendix C.2):

- result in uniform shared network access charges - that is, charges that apply to all consumers regardless of their characteristics or use of the network[325]
- create adverse distributional outcomes[326]
- reduce incentives for investment in CER and energy efficiency[327]
- increase the risk of grid defection.[328]

These comments have helped us to understand the potential impacts of the proposed reform, and to consider what other measures might be needed to mitigate any poor consumer outcomes. The purpose of this recommendation is not to establish uniform shared network access charges, but rather to create a clearer framework for recovering shared network costs in a way that supports both efficiency and equity. This means allowing shared network costs to be recovered in a way that reflects the benefits consumers receive from the network, including through tariffs that vary based on connection characteristics or use of the network.

We do recognise that there may be some negative distributional impacts of tariff reform. The AEMC has modelled some of these impacts.[329] This appendix discusses the consumer protections that would be needed as key design features to mitigate those impacts. Stakeholder feedback has reinforced our view that carefully designed and targeted consumer protections would be key to managing the potential impacts of tariff reform and ensuring the recommendation delivers on its intended outcomes. Some of the potential negative impacts on consumers can be mitigated as part of the tariff design process itself.

D.3.1 The framework for shared network cost allocation should take efficiency and equity considerations into account

The AEMC must make decisions that are in the long-term interests of consumers, with a focus on efficiency.

The concepts of efficiency and equity are closely linked in the context of network cost recovery. As noted in the Commission's guide on *How the national energy objectives shape our decisions,* equitable outcomes are key to building and maintaining the social license that is necessary to enable a timely and least-cost energy transition.[330]

To promote consumer trust in the energy sector, the Commission aims to design a network tariff framework that:

- recognises that consumers are not homogenous, and therefore accounts for the diversity of consumer needs, experiences and preferences
- addresses structural barriers to participation
- avoids creating or exacerbating vulnerability

325 Submissions to the draft report: Ausgrid, p 2; Compliance Quarter, p 10; Gridcog, p 1; Nexa Advisory, p 2; Origin, pp 10-11; Renew, p 3; Rewiring Australia, p 2; Smart Energy Lab, p 4; Individual submissions (various member submissions); UNSW, p 2.

326 See for example submissions to draft report: Individual and organisations no attachments 1-248, 249-621, 622-861, 862-892; Solar Citizens Pts 1-9 submissions to the draft report.

327 Submissions to draft report: Compliance Quarter, p 10; EEC, p 5; Energy Policy Research, p 4; Essential Energy, p 5; JEC, p 15; Nexa Advisory, p 2; Orkestra, p 4; Renew, p 3; TasNetworks, p 2; Tesla, p 8; Victoria Energy Future Network, p 3; Individual submissions (various member submissions)

328 Submissions to draft report: AER, p 9; Essential Energy, pp 5-6; Individual submissions(various member submissions).

329 AEMC, *Pricing review distributional impact analysis*, 23 April 2026, p 18.

330 AEMC, *How the national energy objectives shape our decisions*, 27 March 2025.

In many cases, improving equity would help us better achieve the national energy objectives. In the AEMC's view, the efficiency and equity issues arising from the existing network pricing framework can be addressed simultaneously. Where equitable outcomes do not align with efficient outcomes, our increased awareness of equity implications could help us design rules that are efficient and also seek to ease consumer impacts.[331]

D.3.2 Contributions to shared network costs can be both efficient and equitable

This component of our final recommendation is expected to deliver significant benefits for consumers and the energy system by supporting more efficient and equitable network pricing.

Under the current framework, customers can be encouraged to invest in CER to avoid network charges, even where the network costs of serving those customers have not materially changed. This is inefficient where it shifts shared network costs onto other consumers, distorts their behaviour, or leads to inefficient investment decisions.

It is also inequitable. All connected consumers continue to rely on shared network infrastructure and should contribute to the costs of maintaining access to it. This is particularly important because shared network investment is driven by the need to meet peak demand, and both CER and non-CER customers use the network during peak periods. Where CER owners can avoid these costs, they are increasingly recovered from consumers who cannot afford or do not own CER, including renters and low-income households.

We recognise that some stakeholders - including individual consumers - raised legitimate concerns about a move to higher shared network access charges, including the potential for adverse bill impacts for some consumers. These concerns are most acute for low consumption users, including those that are socially disadvantaged and/or least engaged with the energy market. At the same time, it is these consumers, namely, those who are socially disadvantaged and least engaged with the energy market who are also likely to incur adverse bill impacts under the current network pricing framework and who will bear an increasing share of the costs of shared electricity network through volumetric charges, particularly as CER take up increases.

However, we acknowledge stakeholder concerns that our proposals to reform the network tariff framework may result in an allocation of shared network access charges that creates negative distributional impacts. We conducted modelling to better understand the potential electricity bill and energy cost impacts of our proposed reforms on representative customers.[332]

Any future rule change request to implement this recommendation would need to design a shared network cost recovery framework that delivers the efficient and equitable outcomes sought by our reform proposals. However, it must also consider how to mitigate any adverse bill and distributional impacts associated with moving to a higher proportion of shared network access charges.

To assist with this, the AEMC asked HoustonKemp to explore ways to mitigate the potential adverse consumer bill impacts associated with the transition to more dynamic network tariff structures and a greater reliance on cost recovery through a fixed tariff component.[333] The report concluded that a range of viable options exist to complement existing consumer protections and provide an additional safety net, without compromising the intended outcomes of the reforms.

331 AEMC, *How the national energy objectives shape our decisions*, 27 March 2025, pp 9-10.

332 AEMC, *Pricing review distributional impact analysis*, 23 April 2026, p 18.

333 See: HoustonKemp Economists (2026) *Consumer protections to support network tariff reform*.

The report considered some of the network level approaches suggested by stakeholders to manage the distributional impacts of a move to higher shared network access charges for individual consumers, for example:

- Consumption- or capacity-approaches, where shared network access charges are based on a consumer's historical consumption or peak demand capacity.[334] Under such approaches, consumers who use more electricity or place greater demand on the network at peak times would make larger contributions to shared network costs.
- Characteristic-based approaches, where shared network access charges are based on characteristics other than electricity use.[335] For example, charges could vary depending on whether a customer has a single-phase or three-phase connection. This would mean customers with more access to the network would make a larger contribution to shared network costs.

These approaches recognise that network users are not all the same - consumers all use the network in different ways, derive varying levels of benefit, and impose different network costs.

We see consumer protection as integral to tariff reform. While the new network pricing objective allows consideration of matters that help address adverse distributional outcomes, some consumers may still be exposed to adverse impacts from network tariff reform. Consumer protections should therefore be considered as part of the overall reform package, including complementary protections at the retail level. These protections are discussed below in appendix D.4.3.

The Commission's intention is that any new rule would give networks and the AER sufficient flexibility to consider the above approaches, or others, where they support efficient and equitable network tariff design. The proposed network pricing objective, discussed in appendix D.1, would provide this flexibility by allowing tariff design to consider both efficiency and equity. Any future rule change should also consider how networks and the AER can design and approve tariffs to address distributional impacts that are structural and likely to persist beyond the transition period. This responds to a concern raised by Nexa Advisory in its submission to the draft report: that the equity issues associated with a move to higher fixed charges may be more structural than transitional.[336]

D.3.3 Shared costs should be recovered in ways that minimise unnecessary consumer responses

The Commission's vision for efficient network tariffs combines:

- a dynamic price signal that supports more efficient network use and investment (discussed in appendix D.2 above)
- a contribution to shared network costs that recovers required revenues in a way that minimises distortions to consumer behaviour.[337]

334 See discussion of 'Option N2' in HoustonKemp Economists (2026) *Consumer protections to support network tariff reform*, p 21.

335 See discussion of 'Option N3' in HoustonKemp Economists (2026) *Consumer protections to support network tariff reform*, p 22.

336 Submission to the draft report, Nexa Advisory, p 10-11

337 Ramsey-Boiteux pricing provides an approach to residual recovery that seeks to minimise the deadweight loss (overall inefficiency) to society from raising revenues that are not linked to marginal costs, In theory this is achieved by placing differing prices on groups of consumers which are inversely related to their demand elasticity (See, J Fallon, MS Blake and D Kelley, 'Regulatory Objectives and Pricing Principles', network, Issue 50, ACCC, Australian Government, March 2014, accessed 8 December 2025). In Ramsey's original taxation context, this led to a focus on differentiated tax rates with higher unit rates charged to consumers with lower consumption elasticity. In the electricity context, the concept has been applied to the recovery of shared network costs ('residual costs') by applying higher volumetric charges on consumers whose demand is less elastic, and lower volumetric charges on those whose demand is more elastic. Prior to the transformation of the electricity system through widespread CER adoption, this was a sensible approach for minimising inefficient distortions to consumer behaviour. In our view, a future with greater adoption of CER and responsive technology needs tariffs that recovery shared network costs through fixed tariffs to best meet the foundational goal of minimising inefficient behaviour change.

This review has consistently found that recovering shared network costs through non-dynamic volumetric charges in a CER-driven world risks distorting consumer decisions about consumption, export, market participation and investment, even when those decisions may have no bearing on the efficient use of or investment in the network. In our view, recovering shared network costs through shared network access charges are the best way to minimise distortions to consumer behaviour. This is particularly relevant for network users with siting or investment flexibility, such as battery energy storage system (BESS) proponents who have some choice in where to connect their assets, or for consumers with significant CER capacity such that a certain level of network access charges could make grid disconnection an economically rational response.[338]

The current pricing principles state that revenue recovery through tariffs should be set '[i]n a way that minimises distortions to the price signals for efficient usage of the relevant service […]'.[339] This requirement is now largely duplicative of the proposed network pricing objective. The proposed objective provides clearer and more complete guidance for how tariffs should be designed to support efficient revenue recovery *and* the efficient use of, and investment in, networks over time, while also supporting the allocation of shared network costs in a way that broadly reflects the benefits they receive. The recovery of shared network costs would therefore be informed by:

- the underlying goal of minimising distortions to consumer behaviour
- the cross-subsidy bounds set by standalone and avoidable costs.[340]

Any future rule change request may simply need to consider compliance with the revised network pricing objective.

D.3.4 More efficient and equitable shared network cost recovery can support strong incentives to invest in CER that better reflect the value they create

As noted in appendix C, a number of stakeholders raised concerns that a move to higher network access charges would disincentivise or penalise CER and energy management investments. We recognise the important role these technologies play in lowering bills, supporting decarbonisation and helping consumers participate in the energy system. Consumers should continue to be rewarded where their CER provides value to the system.

Tariff reform may have some impact on CER payback periods

Our distributional impact analysis shows that a transition to higher network access charges may have a small impact on consumers' solar and battery investment decisions.[341]Any rule changes to enact this reform should respect the investment decisions of those consumers who have invested in CER under the current arrangements. We also note that our distributional analysis did not take into account the impact of potential consumer pricing protections that would accompany our network tariff reforms. Potential 'grandfathering' provisions that respect the investments consumers made under the current arrangements could form a key part of these protections. Consumer pricing protections represent a core element of our reform package and would also mitigate investment impacts. Our approach to consumer protections is discussed further below in appendix D.4.3.

338 See submissions to the draft report: AER, p 9; Essential Energy, pp 5-6

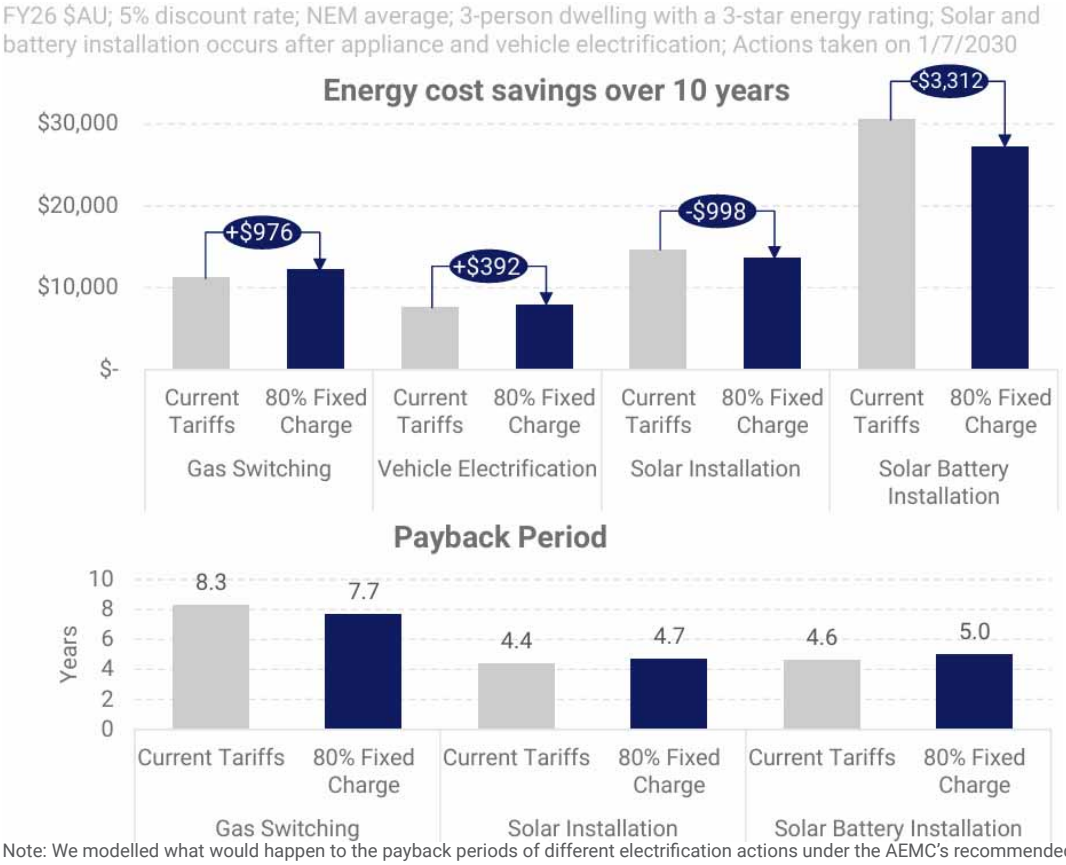
339 NER clause 6.18.5(g)(3).

340 As required by NER 6.18.5 (e).

341 AEMC, *Pricing review distributional impact analysis*, April 2026, p 18.

The graph below shows the energy cost savings and electrification payback periods under a 10-year transition to a framework with 80% network access charges. It shows that, for an average household, gas switching and vehicle electrification would generate cost savings for consumers over the time horizon, while the payback periods for solar and battery investments would be marginally increased from the status quo (without taking into account the impact of any potential consumer pricing protections).[342]

Figure D.2: Energy cost savings and electrification payback periods over 10 years excluding benefits of dynamic pricing



Note: We modelled what would happen to the payback periods of different electrification actions under the AEMC's recommended tariff reforms. For more information about how we modelled these benefits and payback periods, please refer to our Price Trends Methodology report.

However, this modelling excludes the additional value that CER owners would be able to access through dynamic pricing. The investment case for all electrification and CER investments will be improved further once these benefits are taken into account. As explained in appendix D.2, our proposed reforms are expected to provide more opportunities for consumers with CER capability to be rewarded for actions that help improve network utilisation and reduce future network investments, thus helping to offset any increase in CER payback periods as a result of a higher network access charges. It is also important to note that consumers who invest in CER are also able to access other rewards and benefits including avoided energy charges and revenues through retail offers associated with exports to the wholesale electricity market or services to system operators. We expect that retailer products will mirror the symmetry of efficient network tariffs by rewarding customers for exporting energy when charging others to import it (and visa versa).

342 AEMC, *Pricing review distributional impact analysis*, 23 April 2026, p 18.

Further, the payback periods for CER related investments are typically less than the time period over which we expect our proposed reforms to be fully implemented. As such, we expect that consumers who have already invested in CER will receive the benefits without being materially adversely impacted by the network pricing reforms. In addition, customers making future CER investments would be able to take into account the impact of new pricing arrangements in informing their investment decisions.

Nevertheless, any future rule change to give effect to the tariff reforms recommended in this paper should consider whether additional measures are warranted to respect the CER investments consumers have made under the current arrangements. This could include grandfathering arrangements for consumers who have invested under existing tariff structures, to the extent that these are necessary, noting our proposed implementation timeframe.

Our reforms would better align CER rewards with system value

Our reforms are intended to ensure that investment in solar and batteries is rewarded in ways that more directly reflect the benefits these technologies create, rather than through broader network cost recovery arrangements. Currently, where network costs are largely recovered through volumetric charges, consumers with solar PV and batteries can reduce their contribution to shared network costs. This allocates a greater share of those costs to consumers who have fewer opportunities to invest in CER. This outcome does not provide a fair or sustainable basis for supporting CER uptake over time.

Our reforms are intended to clarify the signals for CER. Network tariffs should avoid obscuring wholesale market signals, so consumers and energy service providers can better respond to the value of generation, storage and flexible demand. For network value, more dynamic network prices would reward CER where it helps reduce congestion or defer network investment.

More efficient network pricing should also support better access to the network over time. As CER uptake accelerates, there is a risk that networks increasingly rely on blunt tools such as fixed export limits to manage congestion. More dynamic network tariffs would support networks and ESPs to offer products that give consumers access to the network when they value it most, and reward consumers when their CER helps the system operate more efficiently.

D.3.5 Our recommendation would more accurately link incentives for customers to invest in energy efficiency with the value they create

Several stakeholders were concerned that higher network access charges could weaken incentives for energy efficiency.

We recognise the important role of energy efficiency in lowering peak demand, reducing consumer bills and supporting the energy transition. Consumers who invest in more efficient homes, appliances and businesses should continue to benefit from using less energy.

However, network tariffs are not the most appropriate vehicle to incentivise energy efficiency investments and behaviours. Energy efficiency reduces total energy use over time. While it can reduce overall grid demand, it is not necessarily targeted to the specific times and locations where network congestion occurs. The clearest incentive for energy efficiency investments is the cost of energy itself, including wholesale market costs. The Commission remains of the view that the cost of energy itself and the broader benefits of energy efficiency (for example, improved thermal comfort) would continue to provide sufficient incentives for energy efficiency investment. In this context, customers that adopt energy efficient technologies and behaviours will still benefit from reduced retail energy costs.

Recovering shared network costs through volumetric charges can also shift costs onto consumers with fewer opportunities to reduce consumption through energy efficiency measures or invest in CER. This is an outcome we want to avoid.

Dynamic network prices would provide a more targeted signal for the management of network congestion. To the extent that energy efficiency investments contribute to reducing network congestion, consumers making those investments would face lower network charges. This preserves the value of energy efficiency where it reduces network costs, without using broad volumetric charges to recover shared network costs.

D.3.6 Networks should recover transmission and jurisdictional scheme costs in line with the revised pricing objective and rules

Transmission and jurisdictional scheme costs are recovered through network tariffs but generally do not contribute to the forward-looking costs of the network. Excluding jurisdictional and transmission costs from the revised pricing objective and rules might result in networks introducing volumetric charges to recover those costs in a way that undermines dynamic pricing signals.

Consequently, the Commission is of the view that jurisdictional and transmission costs should be recovered in the same way as shared network costs where not already incorporated into signals of future costs. This would most likely result in jurisdictional and transmission costs being allocated on a fixed cost basis. The Commission's final recommendation is to amend the rules to make it clear that jurisdictional and transmission costs should be recovered in accordance with the new pricing objective and the revised pricing principles.

As noted in appendix C, stakeholders raised several issues that warrant flexibility in how these costs are recovered, including that:

- jurisdictional scheme costs can be volatile, meaning volumetric recovery can help to smooth bill variability for consumers
- jurisdictional legislation may prescribe the recovery method for certain costs
- transmission charges are themselves intended to be efficient price signals, and networks should be able to pass these through in a way that preserves that signal.

For these reasons, we propose that any future rule change on this matter not mandate fixed recovery of transmission and jurisdictional scheme costs where those costs can be recovered in a way that provides efficient price signals, or where jurisdictional legislation requires a particular recovery method.

Taking into account stakeholder feedback, any rule change on the matter should also consider:

- what further guidance might be needed on how these costs should be recovered, what discretion networks have, and how the AER should assess the efficiency and equity of the cost recovery approach
- broader links with the consumer protection considerations discussed in appendix D.4.3 in relation to the recovery of shared network costs.

D.4 Component 4 - our recommendation focuses network tariff design on ESPs

Network tariffs should be designed for energy service providers, rather than directly for customers. ESPs are proven risk managers in the wholesale market and are also best placed to

manage network tariff risks and costs on behalf of consumers. ESPs compete on their ability to manage risk, which would influence how network tariffs are packaged into retail offers.

In our draft report, and as noted in appendix C, we observed that ESPs have tended to pass network tariff structures directly through to consumers, rather than translating them into offers that meet customer needs. We also observed that networks, as guided by the rules, may not be taking into account how network tariffs can create complexity and increase costs for ESPs. This is because the current rules framework requires networks to design network tariffs by assessing their potential impact on retail customers rather than ESPs and assessing whether customers are able to understand the tariffs.[343] We therefore proposed that the customer impact principle and customer understanding principles be removed. We also sought stakeholder views on a new energy service provider impact principle.

Most stakeholders were supportive of our recommendation that network tariffs should be designed for ESPs, noting that ESPs are best placed to manage tariff risk. However, some stakeholders raised concerns regarding the removal of the customer impact principle. These stakeholders said that energy service providers, including retailers, would shift network tariff risk onto customers making products more complex and difficult for customers to understand. Stakeholder responses to our recommendations are set out in more detail in appendix C.2.

To address these concerns, we are proposing a ESP impact principle that places a direct onus on networks to consider the impacts of network tariff designs on ESPs and the services they offer their customers. We consider that this change would reinforce the role of ESPs as managers of network tariff risk and costs on behalf of customers. The change would make clear that retailers and ESPs are directly responsible for how their offers are structured and provide rewards to customers. The change also provides networks greater flexibility to design more efficient tariffs as ESPs are better equipped than consumers to manage any associated complexities.

These changes should help break the nexus of ESPs passing through network tariffs directly to customers. ESPs that effectively manage wholesale and network risk and costs are likely to deliver offers that are better targeted to the increasingly diverse needs of customers from a price/service perspective.

We acknowledge that these reforms are likely to require a culture change within retail businesses and that this would take time. Given this, there remain risks that ESPs would continue to pass through network tariffs to some customers. This could lead to new adverse impacts on some consumers, either transitional or enduring, that need to be identified and mitigated as the reforms are implemented. For this reason, we are also proposing that customers are subject to retail pricing protections that mitigate the ability of ESPs to directly pass through tariffs without a customer's consent. These are discussed further below.

D.4.1 ESPs are best placed to receive and manage network tariffs on behalf of consumers

We continue to believe that ESPs are best placed to manage network tariff risks and costs. Several stakeholders supported us in this, noting that as primary customer-facing businesses, energy service providers are better placed to manage tariff risks and translate network tariff signals into retail offers that suit customer needs.

We consider that ESPs are proven risk managers and, as noted by stakeholders, they are also the primary customer-facing businesses for energy. They have risk management systems, access to customer data, hedging capabilities and experience in managing wholesale electricity prices on

343 See clauses 6.18.5(h) and 6.18.5(i)(1) of the NER.

behalf of customers. ESPs also compete with each other on how effectively they can manage risk, which in turn influences the prices and services they offer to consumers.

ESPs are better placed than customers to manage the complexity of network tariffs. ESPs are the customers of distribution networks and network tariffs are an important input into retail offers. They are best placed to package network tariff structures and costs into offers with signals that customers can understand and respond to.

ESPs face a changing risk profile under our network tariff reform package

We consider that our proposed reforms to network pricing approaches are likely to change the financial and operational risks for ESPs. Factors that impact these risks include:

- fewer network charges for retailers to navigate
- moves towards a network access charge for shared network costs reducing ESP input cost volatility
- the introduction of flexibility services and dynamic network tariffs.

The exact impact of these risks on different energy service providers would depend on factors including their customer mix and portfolio. The impact would also depend on the hedging and risk management strategy adopted by different ESPs as they compete with each other.

We consider that these risks are best allocated to the parties best able to manage them. We remain of the view that ESPs, rather than consumers, are the right party to manage these network tariff risks and costs, given ESP expertise in risk management.

Different elements of our reform package would have different risk impacts

As network tariff reforms progress, we expect ESPs would face fewer network tariffs. Over time, we would expect to see less reliance on time of use and demand tariffs and a greater emphasis on network access charges for shared costs. As a result, we would also expect a higher share of predictable costs compared to those we see today.

We consider that reducing the number of network tariffs and making network cost recovery more predictable may lower the costs of risk management for ESPs.

As ESPs take increasing responsibility for managing network tariff risk and costs, they may face mismatches between their retail structures and what networks are seeking for recovery of their costs. The precise financial impacts of these mismatches on individual ESPs would depend on the nature of their customer portfolio and retail contracts.

The development of more flexible network services and dynamic network tariffs that signal the costs of managing congestion may lead to pricing volatility in the future. This volatility would be localised and specific to individual networks and will be dependent on the future levels of network congestion as they arise. Where there is no congestion present on the distribution network this volatility is likely to be minimal.

We consider that flexible services and dynamic network pricing would create new risk management opportunities and challenges for ESPs. ESPs would have a range of options for managing the volatility associated with flexible and dynamic tariffs. This includes through portfolio management, financial hedging-style products, local investments such as community batteries, or orchestration of consumers' CER assets. ESPs would compete with each other on how effectively they manage these risks and costs, which would influence the prices and services they offer to consumers.

ESPs would also need to establish systems and IT infrastructure to manage these new risks and participate in flexible and dynamic network pricing arrangements, as they do now with wholesale market risk within the NEM. These costs may be offset by the benefits that flow to energy service providers who are able to successfully compete on how they manage the risks of dynamic network pricing.

Our reform transition period would enable energy service providers to adjust to a changing risk profile

These changes would not be immediate. Instead, we have recommended that the reforms are implemented over a long time frame. This extended period would allow for rule changes and implementation of tariff changes through the tariff structure statement process to occur in a staggered manner.

Our recommended transition period would seek to provide sufficient time for ESPs to adjust to any change in risk profile including through adjusting risk management processes and developing IT systems and infrastructure to support flexible and dynamic network pricing arrangements.

Our reforms should deliver simple retail plans for those customers that seek them

ESPs compete on how they translate risks, costs, complexity and volatility into offers that meet customer needs. Consumers are diverse – many would want a simple retail offer. Others that own CER assets may wish to engage with greater risk and complexity by participating in CER enabled services such as VPPs.

As we have noted above, the network tariff reforms we have recommended should lead to fewer network tariff structures. We consider that a transition to fewer network tariffs and a network access charge for shared costs should also make network tariffs more predictable. This would in turn, facilitate the introduction of simpler subscription-based electricity retail offers for customers wanting reliable electricity that meets their lifestyle needs covering heating, cooling and other uses.

For constrained areas of the network, more dynamic network prices would give ESPs a clearer signal about when and where flexibility is valuable. However, unlike the relatively simple time-of-use tariffs seen today, these signals may be more volatile, locational and sophisticated. This would make them difficult and commercially unattractive for retailers to simply pass through to most consumers.

We consider retailers should have strong incentives to manage these dynamic network signals in the background and package them into fixed, potentially subscription-style products, where the consumer receives a simpler and more predictable offer while the retailer manages the dynamic network signal. The ability of an ESP to manage new risks associated with dynamic network tariffs, can become a source of competitive advantage or disadvantage.

We also consider that lower volumetric charges for imports and exports and alignment of network tariffs and wholesale prices should improve CER competitiveness. Lower volumetric charges should help facilitate CER-enabled products including VPP offers for customers who are willing to have their CER assets controlled and optimised by third parties (for example, to manage wholesale volatility and dynamic network pricing risk). This is because a lower volumetric component for grid exports should enable more exports of electricity to the grid at times when it is needed in response to wholesale electricity prices in the NEM.

For a small number of customers, ESPs may pass through pricing signals directly to customers who are able to respond and who can understand the risks and rewards that come with taking up

these kinds of retail offers. These customers are likely to have access to CER assets including batteries, EVs and smart appliances, that will assist them in managing these risks.

D.4.2 A new ESP impact principle should be introduced

ESPs, not networks, would be responsible for managing customer impacts

As noted in appendix C, a number of stakeholders have raised concerns regarding draft recommendation 6, the removal of the customer principles and the impact this may have on consumers. These stakeholders were concerned that energy service providers would pass on network tariff risk directly onto customers, through more complex products and services.

Given that it is the role of ESPs to choose how they manage network tariff risks and costs for customers, we do not support retaining the existing customer impact and understanding principles. We do not consider that distribution networks should be required through the tariff design process to manage impacts and risks for customers that fall within the responsibility of ESPs. Networks cannot control what charges or costs ESPs pass on. As such, holding networks accountable for impacts on end consumers is likely to be ineffective. In this sense, it is the ESP's responsibility to consider customer impact when they are determining how to manage network tariffs and translating these into retail offers.

We expect that ESPs will take this responsibility seriously and not simply pass potentially more complex network tariffs onto customers. To mitigate this risk the Commission is also proposing consumer pricing protections to help ensure ESPs engage with managing network price risks on behalf of their customers. These are discussed further below.

For the avoidance of doubt, we do not consider that networks should be precluded from engaging with customers and customer advocates in developing their network tariff structures. However, we are proposing that networks focus on the impact of these tariffs and structures on energy service providers.

Networks must consider how network tariffs impact on energy service providers

Our final recommendation is that the customer principles should be replaced with a new 'energy service provider impact principle'.

For efficient network tariffs to be effective, networks need to support ESPs offering retail products and services that customers want.

The new principle places a direct onus on networks to meaningfully engage with ESPs on the impact of network tariff structures. This includes how network tariffs impact the products that they ultimately offer to consumers.

The new principle would also ensure networks consider the impacts of dynamic network tariffs and flexible networks services on different ESPs. It would also enable networks to take into account the diversity of energy service providers and the extent to which they are able to innovate and package dynamic network tariffs into retail offers (including for example, access to different technologies that enable or facilitate customer responses and rewards).

The new principle reinforces the role of ESPs as managers of network risk

Establishing this principle in the rules would represent a step towards breaking the current nexus of ESPs directly passing on network tariffs to customers. By focussing network tariff design on the needs of energy service providers, this should help drive an industry culture change to shift away from ESPs simply passing on network tariffs to customers, to packaging up network tariffs into offers that meet customer needs.

Overall, we consider that the 'ESP impact principle' would help ensure that our recommendations for new efficient network tariffs can be effectively progressed over the transition period.

We acknowledge that there remains a risk under our proposals that the culture and risk management approach of ESP would take time to develop and that, in the meantime, there is a risk that ESPs continue to shift network tariff risks onto consumers.

For this reason, we are proposing a number of core protections to mitigate the possibility that ESPs continue to shift network tariff risk and costs directly onto consumers. These are outlined in appendix D.4.3 below.

Eventual rule drafting to support this recommendation should satisfy some high-level objectives

A key objective of introducing this principle is for networks to ensure network tariffs, including the structure and number of tariffs, are:

- minimising overall system costs and not adding unnecessary costs and risk to energy service providers; and
- providing a platform for energy service providers to offer products that enable efficient CER coordination and innovation to minimise future network investment.

Our view is that any proposed rule changes would likely need to remove the customer impact principle and replace it with the ESP impact principle. This is consistent with a framework in which energy service providers are expected to translate network tariff signals into consumer-facing products and services. We consider that the principle should provide that the structure of each network tariff must be reasonably capable of enabling ESPs to structure their offers to deliver efficient use of the network, innovation and increased value to retailers and customers.

The drafting would also need to remove the existing provisions that network tariffs be understandable to retail consumers. This helps to shift the need to understand consumer preferences and behaviours from networks to ESPs.

Under the recommended arrangements, the AER would be required to monitor and ensure networks comply with the ESP impact principle when they are developing their tariff structure statements.

The ESP impact principle is not intended to prevent new and innovative network tariffs

The ESP impact principle should not be applied in a way that enables ESPs to prevent networks from implementing network tariffs (including dynamic network tariffs) that more innovative ESPs can effectively manage. Whilst we recognise that different ESPs would have different levels of risk management and operational capability, this should not prevent network tariff innovation.

We consider that network tariff innovation is particularly important at a time when CER technologies are rapidly evolving to help enable new retail services based around CER.

As such, the new principle should be used to inform the design of new innovative network tariffs that support these new retail offers, noting that ESPs would compete with each other on how the risks around network tariffs are managed.

Prescribing a process for network consultation with energy service providers is not recommended at this time

Networks and the ENA have noted the diversity and number of retailers in the electricity sector and potential challenges in engaging with them under recommendation 6 (and through an 'energy

service provider impact principle'), including addressing competition law considerations and commercially sensitive retail information.[344]

These stakeholders suggested that the process of engagement between networks and ESPs should be clearly prescribed, along with clarity on the role of the AER. The ENA recommended the development of regulatory principles to guide how DNSPs engage with ESPs.[345]

We are not proposing to prescribe a process for networks to consult with ESPs. We consider that it is incumbent on networks to consider how they wish to discharge compliance with the 'ESP impact principle'. In turn, the AER would need to assess whether the individual network has complied with the principle in approving each network's tariff structure statement. We consider that this represents a sufficient check to ensure the principle is effectively discharged. We note that the rule change proposal to implement the 'ESP impact principle' would need to ensure that the AER's oversight role is clearly set out.

D.4.3 Customers should be protected from changing risks arising from network tariff reform

Our framework would change the paradigm so that energy service providers manage network tariff risk and costs rather than consumers. Nevertheless, we recognise that, as our reforms are introduced, ESPs may continue to pass network tariffs (and therefore, network tariff risk) directly through to customers, leading to products that customers do not understand or cannot manage.

A number of stakeholders have also questioned whether ESPs would have the ability or incentive to translate network tariff signals into simple, better-value consumer products. We agree with these concerns and consider that existing consumer protections may not be sufficient to manage these customer bill impact risks. We are therefore also recommending that our network tariff reform package is accompanied by consumer pricing protections that would mitigate these potential customer bill impact risks and to ensure that our reforms are in the long term interests of consumers.

Separately, we have noted in appendix D.3.4 above that our reforms may have a small impact on the payback periods for CER investments and that any future rule change to give effect to the tariff reforms recommended in this paper should consider whether additional measures are warranted to respect the CER investments consumers have made under the current arrangements. This could include grandfathering arrangements for consumers who have invested under existing tariff structures.

Our reform package includes several core protections for consumers and CER investors

To address the potential risks to consumers we are proposing a core set of protections that our integral to our reform package. These are:

- our reforms allow for a gradual transition, giving consumers, networks, retailers and other energy service providers time to manage change appropriately. We note that our reforms will require rule changes, as well as subsequent implementation through the tariff structure statement process
- our recommended principles-based approach that preserves the ability of networks and the AER through the tariff structure statement process to determine outcomes that best promote the long-term interests of consumers, while providing clearer guidance and tools to mitigate adverse bill impacts

344 Submissions to the draft report, ENA p 5; Ausgrid, p 8.
345 Submission to the draft report, ENA, p 5.

- the reforms recognise that complementary retail pricing protections may be needed to support consumers through the transition, particularly where the network tariff reform package could otherwise expose some consumers to adverse bill impacts. These are discussed below.

As noted above, the AEMC commissioned HoustonKemp to demonstrate that there are both network and retail interventions capable of mitigating the potential adverse consumer bill impacts associated with our reform proposals.[346] We recognise that stakeholders have not been given a proper opportunity to provide feedback on these options. It is also likely that other options exist to mitigate potential adverse consumer bill impacts. While these were presented as 'options' by HoustonKemp, we now consider that effective consumer pricing protections are a critical design feature of our final recommendations and a necessary precursor for the successful implementation of any reform.

Importantly, managing the risks that may arise from reform is not a challenge that calls for a single solution. The electricity supply chain involves multiple participants, each operating under different regulatory frameworks and commercial incentives. It follows that the policy and regulatory tools available to manage consumer bill impacts also sit at different points in that supply chain, and each carries its own set of implementation characteristics, trade-offs and design choices. Therefore, we see these as critical elements of our final recommendation, and implementation of these recommendations would require further thought and development of the necessary protections.

We recognise that further work is needed on the design and implementation of these key pricing protections. In the meantime, we have developed several design statements that could guide these future considerations:

1. all options to manage bill impacts involve trade-offs, and no single measure is likely to be sufficient on its own. A combination of protections are likely to be required - both transitional, enduring and at both the retail and network levels.
2. grandfathering arrangements to respect the investments customers have already made under existing tariff structures are important to consider. The appropriate scope and timing of any grandfathering would depend on the implementation timeline for reforms and the extent of changes to network tariffs.
3. the landscape and status of the network at the time the reform is implemented would determine what options are considered.
4. governments should lean into modifying concessions to support reform.

An *example* of such an option that would meet the above design statements is set out in Box 33.

Box 33: Example retail reform option to mitigate adverse consumer bill impacts: prohibiting the pass-through of network tariff structure changes

Energy service providers often have contract provisions allowing them to amend retail structures and prices if networks amend their tariff structures and prices. One option to mitigate adverse consumer bill impacts in the tariff reform transition would be to prohibit energy service providers from making material changes to plan structures due to changes in the underlying network tariff.

Energy service providers would still be able to amend prices once per year (consistent with existing arrangements). This would allow realignment over time. If an energy service provider wants to restructure their offer prior to this point, it would need to offer the customer a new contract, which

346 See: HoustonKemp Economists, *Consumer protections to support network tariff reform*, April 2026.

requires the customer's explicit informed consent.

This option would mitigate risk by preventing consumers from experiencing structural bill shock driven by unilateral pass-through of network tariff structure changes. It also reinforces the principle that energy service providers should manage structural mismatch risk and are responsible for translating network changes into customer propositions.

This option would likely require amendments to the National Energy Retail Rules.

The example presented in Box 33 is an example only. It has been presented here to demonstrate that there are a range of complementary consumer protections that could be introduced to mitigate adverse consumer bill impacts in the transition. For the avoidance of doubt, we consider that such protections must be included as key design elements - it is just that we are open to what these elements look like in practice.

We also note that consumers can be adversely affected by rapid changes in their retail prices or products. The current network tariff side constraints provide some protection against this risk. However, under a model where networks design tariffs for energy service providers rather than consumers directly, this protection may be better located in the retail framework. We discuss our recommendation to remove the current side constraints mechanism in appendix D.4.3.

Any rule change request on the network tariff reforms in this final report should include a full and consultative consideration of all the consumer pricing protection options, and potentially the development of new options that better address the identified issues. Such a process would also need to consider the best means of implementation (e.g. NER, NERR rule changes, retail contract changes). It would also determine whether the pricing protections should be transitional or enduring parts of the framework. We also note work underway by DCCEEW through the BECE program on a proposed consumer duty for new energy services that could require service providers to consider the design of offers (including translating network tariffs into retail offers) that are suitable for different consumers.[347] The consumer duty is relevant to ensuring more complex CER services meet customer needs.

D.4.4 Further protections may be required to ensure ESPs do not face risks they cannot cost-effectively manage

As noted above in appendix D.4, we recognise that our network tariff reforms would change the risk profile of ESPs. The nature of any changes in risk would depend on the hedging strategies and customer portfolios of individual energy service providers. Our recommendation that network tariffs should be designed for ESPs should assist in ensuring that the risks to ESPs are taken into account in the design of network tariffs. Our draft report also suggested other ways in which risks to energy service providers associated with our tariff reforms could be managed, including through an "ESP choice model".[348] Under such a model, networks would be required to design two tariff structure options (a basic tariff and a dynamic tariff) for each tariff class, and allow ESPs to choose which tariff their customers are allocated to.

Importantly, consumers would retain choice over the products they take up from their ESP. The ESP's choice of underlying network tariff would be a separate decision about how it manages its portfolio, responds to network signals, and creates opportunities for more compelling retail offers.

347 See Department of Climate Change, Energy, Environment and Water (2025) *Better Energy Customer Experiences -* Consultation.

348 AEMC (2025), The pricing review - draft report, pp 131-133.

For example, a retailer's decision to opt into a dynamic network tariff would not, of itself, determine the product or price structure offered to the consumer.

Networks would be required to design the tariffs such that ESPs that more readily adopt the dynamic tariff would have a commercial advantage to those who did not. We recommend that this matter be considered further in any future rule change request on the network tariff reforms proposed in this paper. This could be considered a softer implementation where retailers 'opt in' to the reform.

D.5 Implementation approach and considerations

Network tariff reform is critical to ensuring consumers receive products that support efficient use of, and investment in, the network, while enabling a more equitable allocation of shared network costs over time. However, these reforms need to be implemented carefully. Immediate or rapid changes could expose consumers, retailers and networks to unnecessary disruption, including adverse bill impacts for some consumers.

For this reason, network pricing reform will be introduced gradually in stages. Implementation would occur gradually over approximately ten years following any successful rule change process.

This approach would allow the reforms to be progressed through rule changes and the existing tariff-setting framework, without requiring new network tariff incentive arrangements or fundamental changes to the tariff setting process at this stage.

D.5.1 Rule changes are required to give effect to the proposed reforms

All four components of recommendation 3 would require NER changes to be implemented. These components collectively comprise our final recommendation and are intended to operate as a package. We envisage that they would be addressed within the scope of a single rule change request

D.5.2 Any future rule change request would need to consider the mechanics and timing of implementation

Tariff reform implementation would need to be incorporated into the processes for setting tariffs

Tariff structures are set within a networks' TSS, which forms part of a network's five-yearly revenue reset process. These revenue resets occur on a staggered basis. Consequently, networks' implementation of the network tariff reforms outlined in this appendix would depend on the scheduled timing of each network reset.

The AER regulatory determination timetable shows that the next scheduled revenue resets will occur in 2029 - covering the distribution networks in NSW, Tasmania, the ACT and the NT.[349]If the reforms are not in place for that reset, implementation in those networks may not occur until the next reset in 2034.

Where it would be in the interests of consumers to implement some elements of our recommendations prior to the 2034 regulatory determinations, there are approaches to supporting more timely implementation. These options include:

1. **Using the existing TSS amendment process.** The rules allow distribution networks to amend their tariff structure statements.[350] To do so, distribution networks must satisfy the AER that

349 AER (2025) *AER Regulatory Determination Timetable 2025-2037*. August 2025.

350 NER clause 6.18.1B.

both the event that occurred to warrant an amendment was outside the network's control and could not have reasonably been foreseen by the network.[351] However, there are some challenges with this approach:

a. some distribution networks have suggested that the standard is too high. We note the ENA has submitted a rule change request to make it easier for distribution networks to amend their TSSs and to add new tariffs[352]
b. it relies on distribution networks applying to amend their TSSs. If a network does not apply to the AER to amend its TSS, then their customers will not see the benefits of network tariff reform on the accelerated timeframe as intended
c. the AEMC does not typically make rules that would constitute an event that requires a TSS amendment. Rather, we strive to stage implementation to fit with existing processes[353]

2. **Making a transitional rule that requires early network tariff resets.** Such a rule could require networks to either re-open or replace their TSSs by a certain date.[354] However, it might impose additional implementation costs on the AER and networks, which are ultimately borne by consumers.

The AEMC sought feedback on these options in the draft report. Few stakeholders commented on these options, but several made general comments about timing. Some wanted to see implementation start as soon as possible with networks being required to begin immediately and clearly signal their plan to transition away from LRMC-based volumetric tariffs.

Other stakeholders expressed a preference for a slower and gradual implementation of network tariff reform, noting for example, the system and process changes associated with changes to tariff structures.

Tariff reform implementation should not be unnecessarily delayed as that would defer benefit to consumers

We recognise stakeholders' desire for a slow and managed transition, to ensure that all affected parties - networks, ESPs, consumers and market bodies - have adequate time to understand, prepare for and implement the changes, and to carefully manage any adverse consumer impacts. However, while there are benefits to working within the existing revenue reset processes, there are risks if implementation is delayed for too long such as beyond several regulatory control periods, including:

- deferring the potential benefits to consumers
- prolonging some of the inefficient and inequitable outcomes present under current arrangements.

One approach that could be considered is to set a target date for complete implementation of the reforms across all networks, for example after two full regulatory control periods. Networks could then be given the flexibility to re-open TSSs to implement the reforms mid-period, with the AER's agreement, where the proposed tariff changes are consistent with the revised tariff objective, and where benefits of doing so outweigh the potential costs and risks. This approach may align with an ENA rule change request to increase flexibility to amend tariff structure statement.[355]

351 See clauses 6.18.1B(b)(2)(i) and (ii) of the NER.

352 See the project page for this request here.

353 For example, our 2021 Access, pricing and incentive arrangements for distributed energy resources rule change implemented changes to allow charges for exports between 2024 and 2026 to fit with distribution network tariff reset processes. NER Chapter 11, Part ZZZZQ.

354 This approach was used to implement the 2014 distribution network pricing rule changes. See: AEMC Pricing review draft report, p 45.

355 Improving flexibility in the tariff structure statement process

Such an approach should also consider whether any additional mechanisms should be introduced to encourage or require networks to progress tariff reform so that consumers experience the benefits as soon as practicable, without creating unnecessary cost or risk. This could include requiring networks to design and publish strategies for delivering tariff reform over the prescribed period, including how they would maximise benefits and minimise implementation costs and risks for consumers. Under such an approach, the rules may need to set establishing challenging but achievable timeframes for the AER to develop guidance on the design and assessment of network tariffs.

Implementation considerations for future network tariff reform rule changes

The speed and mechanics of implementation would be a key consideration in any future rule change request on the tariff reforms recommended in this paper. Such a rule change request should carefully consider:

- the benefits of uniform implementation across networks
- potential costs and risks of accelerated, or delayed, implementation
- the value of progressing some elements of the reforms in a staged manner, for example initially focusing on delivering more dynamic network tariffs while more gradually shifting approaches to allocating shared network costs across consumers
- interactions with any transitional measures, including consumer protections
- any interactions between the implementation of the network tariff reforms and the other recommendations in this report, to ensure that the reforms complement and are consistent with each other
- whether the implementation plan should provide flexibility for networks, the AER and consumers to work together to accelerate aspects of the reform where doing so would bring forward the benefits of reform
- how much time networks and ESPs would need to update internal systems and processes to implement the reforms
- how much time the AER would need to prepare, consult on and implement any new or updated guidelines or guidance documents.

D.5.3 Network incentive options are not recommended at this stage

This final report does not set out a position on a new network incentive mechanism. The draft report outlined potential network incentive options to accelerate the development and uptake of efficient network tariffs. The options discussed were a tariff strategy and implementation incentive, a dynamic tariff uptake incentive and a network utilisation incentive. We also highlighted an option to not introduce any new incentive mechanism, relying instead on existing regulatory obligations and processes to deliver tariff reform over time.[356]

The main objective by setting out these options was to test whether any additional incentives would be required to better align network motivations with efficient tariff outcomes. As outlined in appendix C, most stakeholders indicated that additional incentive schemes are not required and could lead to worse outcomes for consumers, introduce costs for no clear benefit, and duplicate existing regulatory processes. Our final recommendation does not include the implementation of a network incentive mechanism at this stage. This decision aligns with the views of most stakeholders who opposed the introduction of a network incentive scheme and a tariff strategy

356 These options are discussed in AEMC, *The pricing review - Draft report*, Appendix D

obligation. Our view is that an appropriately implemented principles-based tariff framework is sufficient to support networks in delivering valuable work on tariffs and tariff reform. However, we consider that a potential network utilisation incentive could encourage innovative tariff design, but requires additional analysis. This will be better explored through the AEMC's Electricity Network Regulation Review (ENRR).

The network utilisation incentive was also an option discussed in the draft report, which proposed introducing a permanent financial incentive mechanism to reward or penalise the efficient use of the network, designed to encourage networks to constantly innovate their tariff strategies. We identified that a utilisation incentive could be a powerful incentive, encouraging networks to remove inefficient pricing barriers to consumers using the network. This would require an incentive design aimed at removing tariff-based impediments to efficient network use, rather than simply rewarding changes to a metric for utilisation.

Stakeholders expressed concern about utilisation-based incentives, given that many factors outside the network's control would affect penalties and rewards under the incentive. Many stakeholders noted the difficulties in creating an effective utilisation incentive scheme that achieves the desired outcome. In line with stakeholder feedback, we consider the upcoming ENRR may enable a more holistic consideration of how network regulation can support the efficient use of network infrastructure.

D.5.4 We are not recommending changes to the tariff setting process

We do not recommend a NEM wide tariff structure statement at this time

A NEM-wide tariff structure statement has both benefits and costs

As we have noted in appendix C, a range of retail industry stakeholders supported the concept of a NEM wide tariff structure statement as a means of facilitating network tariff consistency and reducing costs to ESPs and therefore consumers. Some, such as the CEC, noted that nationally harmonised tariff constructs would also facilitate CER coordination and CER enabled services.[357] We have not directly consulted on the introduction of a NEM-wide tariff structure statement. As such, we have not been able to obtain input on the potential costs and benefits of such a proposal.

The development of consistent and/or standardised network tariff structures across the NEM would likely provide benefits to consumers including facilitating the development and take up of CER enabled services, lowering systems costs for energy service providers and relatedly lowering barriers to entry for new entrant ESPs.

Conversely, a NEM-wide tariff structure may impact innovation in network tariffs across distribution network. It would also create a misalignment of tariff structure settings with network regulatory reset periods across the NEM, noting that regulatory periods across distribution networks do not coincide with network resets undertaken on a sequential basis. As the ENA has noted, this would prevent network tariff structures and network expenditure proposals being considered as a coherent package by the AER through the network reset process.[358]

We also note that individual NEM jurisdictions have specific rules and derogations that are applied to the setting of distribution network tariffs. A national tariff structure statement would need to address and potentially reflect these differences.

357 CEC submission to draft report, p 18.
358 ENA submission to draft report, p 5.

Consistency in network processes is being considered through the CER Roadmap DSO work program

We agree with the CEC that consistency across network tariff settings would aid the development of CER enabled network services across the NEM. Consistency of network tariff settings will be particularly important to enabling ESPs to accommodate and manage dynamic network tariffs at a distribution level across the NEM in the future, and in turn to deliver CER enabled services via aggregation and virtual power plants.

The CER Taskforce is undertaking work on the development of DSO arrangements through the CER Roadmap. As we noted in our draft report, one proposal under consideration is to bring consistency to network processes, including pricing.[359] Whilst we do not intend to progress work on a NEM-wide tariff structure statement at this time, we consider it is important to support the work of the CER Taskforce in driving consistency in the context of the DSO arrangements.

The 'energy service provider impact principle' should also help drive consistency in network tariff structures

Separately, we also consider that the introduction of the 'ESP impact principle' discussed above should help to facilitate greater standardisation of tariffs across the NEM. For example, in assessing whether a network has complied with the 'ESP impact principle' the AER could consider the extent to which the network's tariff proposals are consistent with those of other networks and are therefore facilitating take up of CER-enabled services. As part of this process, the AER would assess whether the network has engaged with ESPs on questions of driving consistency.

As noted above, consistency across network tariffs is expected to be important to helping ESPs manage any risks and complexity associated with dynamic network tariffs in the future, including minimising system and operational costs. The 'ESP impact principle' would enable the AER to take these considerations into account, if effectively implemented.

We propose to consider tariff structure statement flexibility through the ENA rule change

Through our consultation process, both the AER and the ENA have expressed caution regarding changes to the tariff structure statement period, including the proposals we consulted on in our draft report. These options received limited discussion in other stakeholders' submissions.

We agree that a 10-year tariff structure statement process, as originally proposed in the draft report, creates misalignment risks with network resets. A 10-year statement may also reduce the degree of flexibility to introduce dynamic network charges and move to a greater reliance on the network access charges, as approved tariffs would be "locked in" for the 10-year period. We consider it is important that changes to tariff structure statement processes do not unintentionally hinder development of and progress towards more efficient network tariffs.

It is also important that networks have flexibility to respond to new technologies that impact customer responsiveness and that a 10-year statement may potentially impede this, even if it did include some flexibility for energy service providers and large users to negotiate new tariffs.

Given limited responses from stakeholders on the different options and approaches, and broader concerns with adjusting the tariff structure statement period, we consider it is preferable to conduct further consultation on tariff structure statement flexibility through the ENA rule change process.

This rule change proposal is intended to increase the scope for distribution networks to amend network tariffs within a regulatory period. The rule change proposal seeks to lower the thresholds

359 DCCEEW, *National Consumer Energy Resources (CER) Roadmap - Redefine roles for market and power system operations- M3/P5*, May 2026

for tariff structure statement amendments and provides the AER with greater discretion in considering amendments. The proposal also introduces a targeted amendment pathway for less consequential TSS changes, which could apply to a small number of distribution network customers.

This rule change is a means to consider how additional flexibility can be introduced in the tariff structure statement process that would assist in facilitating moves towards more efficient network tariffs and which take account of technological developments that facilitate customer responsiveness. We would envisage considering the ENA rule change alongside any rule change that seeks to implement the Commission's network tariff reform recommendations.

D.5.5 Side-constraint protections should be removed from the pricing principles and reconsidered as part of the broader consumer protection framework

In the draft report, we recommended removing the side constraints rule. Side constraints restrict the extent to which networks can reallocate cost recovery between different types of consumers within the same regulatory control period.[360] Our final recommendation is that:

- the side constraint rule be removed from the network pricing framework
- a future rule change request re-evaluate where responsibility for protecting consumers from rapid changes to network cost allocations appropriately sits.

This second dot point is a change from the draft report, reflecting stakeholder feedback about the importance of a price control mechanism to minimise the impact of network tariff volatility. A future rule change should consider whether this protection is better suited to being a transitional policy only, or as an ongoing protection offered by ESPs. The future design of any possible replacement mechanism should aim to provide greater flexibility and simplicity whilst maintaining key customer protections.

The proposal to remove side constraints would support tariff reform

The Commission considers that side constraints are not a suitable element of the enduring tariff framework. They may, however, be an important part of the transition. Side constraints currently restrict the extent to which networks can shift costs between tariff classes within the same regulatory control period.[361] They are intended to prevent any bill shock associated with large year-on-year shifts of costs in consumers' underlying network tariff.[362] However, side constraints do not prevent large increases in bills due to increases in network expenditure and required revenue.[363] Further, we note that network charge side constraints do not directly limit changes in retail prices for consumers managed by ESPs. As discussed below, any side constraints rules may therefore be better applied in relation to retail price protections rather than through network tariffs.

A key challenge with the current arrangements is that side constraints may inhibit networks from responding quickly to cost allocation unfairness or inefficiencies within tariff classes. Removing this requirement would allow networks to implement efficient tariffs more rapidly, so that the issues arising from network tariffs can be addressed sooner.

We recognise that side constraints are intended to play an important role in protecting consumers. Utilising appropriate transitional arrangements and mitigations could help provide the same

360 NER clause 6.18.6.

361 NER clause 6.18.6.

362 See IPART, *Pricing for Electricity Networks and Retail Supply, Page XVIII*, June 1999.

363 See NER clauses 6.18.6 (b) and (d) that allow for tariffs to increase, potentially significantly, if accommodating a price control or revenue recovery determination by the AER.

protections and manage any inequitable outcomes. However, embedding a transition protection as a permanent part of the network tariff rules could lead to unintended consequences, such as unnecessarily slowing the implementation of tariff reform. We recommend that any future rule change to implement the tariff reforms recommended in this final report should consider removing the side constraint rules and assess where the associated protection (if still needed) should appropriately sit.

Consumer protections might better sit with retailers

The side constraint rule limits the annual rate of change that networks can reallocate costs between groups of consumers (e.g., between large industrial consumers and residential consumers). Networks can reallocate revenue recovered from each tariff class by no more than 2 percentage points above either the annual change in volume-weighted average revenue per customer or the CPI, whichever is greater. This protection directly links to HoustonKemp's network option 1 (Rate-of-change constraint on fixed network tariff) and retail option 3 (Regulated fixed charges in the Default Market Offer) in the consumer protections report.[364] Both of these options aim to limit the annual rate of change in cost allocation for consumers.

HoustonKemp explains that option N1 would operate similarly to the side constraint. It would limit the annual rate at which a network wcan reallocate shared network cost recovery between consumer groups. They note that the cap could be set in a similar way to the existing side constraint, such as 'CPI plus' or some other derivation. The R3 option is effectively the retail level equivalent of Option N1. Under this option, the AER would incorporate a constraint on the fixed charge component within the DMO determination, either by setting a maximum level for the fixed charge or by capping its annual rate of change.

Any future rule change should consider reallocating responsibility for the side constraint mechanism and other important customer protections to retailers. It is important to determine who is better suited to managing customer protection responsibilities, particularly whether they should sit with retailers or remain with networks as a transitional mechanism. ESPs may be better suited to this role, especially in the context of maintaining tariff stability and preventing bill shock. Given that side constraints are intended to act as a price volatility measure, exploring options at the retail level could offer a more targeted way to address consumer bill risks.

Another consideration is to incorporate the protections provided by side constraints into another mechanism, such as the ESP impact principle discussed above. We note that any replacement mechanism should aim to maintain customer protections whilst also providing simplicity and flexibility.

The final recommendation is consistent with the draft recommendation and takes into account stakeholder feedback

The final component is consistent with the draft component. This aligns with the view of some stakeholders, discussed further in appendix C, who agreed that the current side constraint requirement may act as a barrier to networks quickly responding to cost-allocation inefficiencies.

However, we recognise that some stakeholders felt that side constraints play an important role in managing price volatility and should be retained. We recognise the importance of having a price control mechanism to limit consumer exposure to bill shocks.

We therefore recommend that further work be conducted to design a more fit-for-purpose tariff stability mechanism and to evaluate who is best placed to manage this responsibility in the

364 See HoustonKemp, *Consumer protections to support network tariff reform*, pp 20-27, April 2026.

enduring framework. It is important to note that whilst we are proposing to remove the current rule, we would also explore ways to provide similar protections against bill shock in a more targeted way that avoids unintended consequences and is allocated to the right party. This would maintain the underlying objectives that side constraints are intended to achieve.

This recommendation seeks to address the challenges that current rules may have in implementing efficient tariff reform, whilst also recognising that these important customer protection functions may need to be maintained through an alternative mechanism. This aligns with the AEC's view to remove the side constraint to allow greater flexibility for networks to respond to emerging issues, but also examining whether a new requirement is needed to maintain tariff stability. [365]

D.5.6 Jurisdictional differences may also affect how and when the network tariff reforms are implemented

The rule change request would also need to consider specific jurisdictional regulations and derogations to the NER/NERR such as:

- Queensland's Uniform Tariff Policy, which ensures that customers of the same tariff class in regional areas pay the same as those in South-East Queensland[366]
- South Australia's Country Equalisation Scheme, which precludes SAPN from incorporating locational price signals for small customers
- NSW's amendment to the *Energy Supply Act* in November 2025, which, among other things, prohibits negative retail solar feed-in charges and tariffs.[367]

365 AEC submission to draft report, p 6.

366 For more information see the Queensland Government website here.

367 Details on the NSW act can be found here.

E Recommendation 4: Regularly review customer outcomes to refine regulations and eliminate unnecessary red tape

Box 34: The Commission will regularly review customer outcomes to refine regulations and eliminate unnecessary red tape, starting in 2029.

In the draft report, we identified the need for a regular review to ensure regulations continue to support consumers. Regulation such as information provisions and dispute resolution provide valuable protections for consumers. However, some regulations may become unnecessary or redundant as the market evolves and transitions. If this is the case, continuing on with these regulations would add costs to doing business, particularly for energy service providers, and these costs would be ultimately borne by consumers. As technology and product innovation continue to disrupt the market, regulations will need to continue to evolve to meet consumers needs.

Our draft recommendation was for the AEMC to undertake a regular review of relevant regulations to:

1. provide confidence that regulatory arrangements support good consumer outcomes and
2. identify when regulations do not support competition or are no longer necessary and so could potentially be removed.

Stakeholders broadly supported the intent of the review and the outcomes it sought to achieve, provided that our review did not seek to duplicate other work in the market. Others wanted more clarity on what we would propose to consider in the review.

Reflecting on the feedback received, we still consider that this review is necessary to address the purpose identified. Furthermore, we consider that it will support the effective implementation of the other reforms proposed in this Review. Therefore, our final recommendation is for the Commission to conduct a regular review to:

1. analyse whether consumers are receiving good outcomes in the energy market
2. act to refine regulations and remove unnecessary red tape.

This review will not replicate the data gathering or competition assessment of the market that is undertaken by the ACCC (soon to be the AER). Instead, it will use this data as an input to inform our consideration of the ongoing appropriateness of relevant regulations.

We aim to start this review in 2029-30. In response to stakeholder feedback, we have clarified the scope of the review by reinforcing the outcomes the review seeks to achieve. We have also clarified that our approach to the review is a strategic, forward-looking mechanism to keep regulations fit for purpose, not a market monitoring report. The review will consider whether the rules-based framework needs modification, that is, whether rules and related interventions continue to support competition. We may also assess the pace and scale of CER technology uptake and associated consumer expectations over time. We can consider multiple objectives to this end and will leverage findings from the AER and/or ACCC.

Through the Pricing review, the Commission has identified several data gaps that limit the evidence available to inform policy choices. We will work with market bodies and other relevant organisations to address these data gaps. Future reviews will consider whether additional data is needed to support effective decision-making.

We will also commence the review later than proposed in the draft report. Stakeholders considered that starting the review in 2027-28 would not allow time for important reforms, such as the

consumer package rule changes to take effect.

The AEMC will consult on draft terms of reference in 2028 to obtain feedback on the process and scope for the review. This would inform the process we would follow for the review.

E.1 Regulations need to keep pace with the transition

E.1.1 Competition delivers benefits for consumers - but performance must be regularly reviewed

Competition drives innovation and helps deliver better-quality, lower-cost products and services. With appropriate protections, consumers benefit by:

- accessing services when they need them
- getting value for money from those services
- having meaningful choice, supported by simple ways to compare and engage.

Regularly reviewing how well competition is working is important. It can help lower costs and strengthen competitive pressure that benefits consumers.

Several organisations monitor competition and consumer outcomes in the retail electricity market. Table E.1 outlines the key bodies that do this regularly. The primary organisations with strong data-gathering powers are the AER, the ACCC and the Essential Services Commission of Victoria (ESC).

These reviews provide important insights into consumer outcomes and emerging risks in the retail market.

Table E.1: Organisations that monitor aspects of competition in the retail energy market

Organisation	Report/area they monitor
AER	**Retail performance reporting:** The AER publishes regular reports on energy retailer performance, including service quality, market share, complaints, compliance, and the number and treatment of customers in hardship. **Annual State of the energy market reporting:** Each year, the AER produces a comprehensive assessment of the energy market, examining trends in prices both wholesale and retail, competition, consumer outcomes, and market performance across jurisdictions. **Network performance reporting:** The AER measures the operational and financial performance of regulated electricity and gas network businesses.
ACCC	**Inquiry into the NEM:** The ACCC conducts inquiries into the National Electricity Market to examine retail competition, prices, and market offers, assessing whether consumers are benefiting from effective competition. Further details on the scope of the ACCC's inquiry function can be found here. The ACCC collects retail pricing and billing data to conduct this review.
AEMC	**Price trends reports**: The AEMC analyses and reports on electricity and gas price trends over time, examining the drivers of changes in consumer bills and wholesale and network costs to inform policy decisions and market reform. It also considers how households' total energy costs or their 'energy wallet' will change with electrification.

Organisation	Report/area they monitor
ECA	**Consumer energy report card:** Nationally representative survey. This survey aims to understand Australian energy consumers' priorities, needs, attitudes towards and engagement with the energy system. The research informs analysis into key issues for household and small business consumers. ECA also undertakes forward-looking research on topics such as consumer energy resources, digitalisation, and the transition to net zero, to ensure consumer needs are reflected.
IPART	**Energy market monitoring:** IPART monitors the NSW energy market, analysing prices, competition, retailer costs, and customer bill outcomes to assess market performance and inform advice to government and stakeholders.
ESC	The ESC collects data and provides economic insights into the Victorian energy market. Most of this is internal to support reform, compliance and pricing decisions. ESC also reports publicly through:**Energy market dashboard:** Monitors and reports on retailer performance. **Energy market reporting hub:** Publishes insights into prices, competition, and consumer outcomes.
State Ombudsmen	**Annual reports:** The state energy ombudsmen monitors and analyses consumer complaints about energy retailers, using complaint data to identify systemic issues, assess retail performance
Consumer groups	**Research and submissions:** Consumer groups undertake research and engage with policy on issues facing energy consumers, including consumer behaviours and lived experiences. This work informs policy directions for energy matters that affect consumers.

Note: We note that jurisdictions also do ad hoc reviews and engage with market bodies, which provides useful insights into energy matters that affect that jurisdiction.

We continue to support the AER undertaking the ACCC's inquiry function

We support the PEMM review's analysis that the ACCC NEM inquiry function has been useful for policy makers.This NEM inquiry function has benefited consumers and policy makers by increasing the transparency of retailers' prices, practices and profits.[368]We also support its recommendation that the AER continue this role once the ACCC role expires..[369] The May 2026 Federal Budget has provided an additional $4.0m to the ACCC to extend its inquiry for the 2026-27 financial year.[370]

The AER already plays a significant role in monitoring key areas of the energy market. We agree with the AER in its submission to the PEMM review that streamlining electricity monitoring, reporting and enforcement of the PEMM Act under the Competition and Consumer Act (2010) (CCA) will reduce regulatory burden, cost and duplication.[371] This would allow the AER to be the primary body that collects and holds the key data that informs policy decisions.

368 DCCEEW, *PEMM review final report*, p 87.
369 DCCEEW, *Review of the effectiveness of the Prohibiting Energy Market Misconduct (PEMM) Act 2019 Cth)* – Final Report – June 2025, p 87.
370 Treasury, *Budget paper No. 2*, May 2026, p 143.
371 AER, *submission to the PEMM review*, p 8

E.1.2 Regulations are not keeping pace with innovation in the market

Technological and product innovation continue to disrupt the market through the transition. In this context, regulations will need to evolve to continue to meet consumers' needs.

As articulated in our vision, in chapter 3 we expect competition to look different in future. We expect greater product differentiation and competition on factors other than price. For example, new energy services are becoming more common, where the business model is tied to services that need a level of control by the service provider, such as virtual power plants (VPPs). Consumers may want to compare the potential benefits of these offerings across a range of dimensions, such as:

- payback periods
- required equipment
- level of control over assets
- efficiency
- service quality.

Consumer offerings are already more complex than they were historically, where a simple 'pay more the more you consume' model was predominant. As more consumers adopt CER we may see more diverse electricity plans and services. Digitalisation and diverging consumer preferences are also testing the boundaries of current rules-based regulations and interventions in the retail market. New business models are emerging that focus on services tied to the two-way flow of energy, which current regulations have not been designed to accommodate.

Regulations and interventions impose costs, including to create, implement, operate and monitor compliance and enforcement. They also protect consumers and support effective outcomes. Accordingly, regulations should be implemented when the benefits outweigh the costs. However, given the transition underway, they can quickly become outdated. New regulations or interventions may also be needed to address emerging issues. If regulations are not updated as circumstances change, energy service providers and ultimately consumers may bear unnecessary costs and innovation may be limited.

Stakeholders agreed that, while many regulations provide valuable protections for consumers, some may be rendered unnecessary over time, and add costs to doing business, particularly for retailers, which are ultimately borne by consumers.[372]

E.1.3 We recommended that the AEMC review the ongoing effectiveness of regulations

Our draft recommendation was to implement a regular review by the AEMC to ensure regulations continue to support consumers.[373]

We would review regulations every three years to assess whether they continue to support good consumer outcomes in an evolving market. The review would examine whether the rules support energy service providers to innovate and compete, and deliver good outcomes for consumers.

Under our draft recommendation, the review would assess whether the rules-based framework needs modification that is, whether regulations and interventions in the rules continue to support competition. We would draw on findings from the AER and the ACCC, as well as other relevant reviews, to assess how effectively the rules support competition and consumer outcomes.

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372 AEMC, Discussion paper: The pricing review, pp 44-45; Submissions to the discussion paper,: ActewAGL, p 3; AEC, pp 5-6; Alinta, pp 1-2; Clean Energy Council (CEC), pp 2-4; EnergyAustralia, p 9; EUAA, p 8; Momentum Energy, p 1; Nexa Advisory, p 4; Powershop, pp 2-3; Tesla, pp 1-4; The Energy Charter, p 6.

373 AEMC, *Pricing review, draft report*, December 2025, p 32.

We proposed that the review would:

- be first undertaken in 2027-28
- be undertaken every three years
- involve consultation with stakeholders, including close engagement with the AER
- result in a publicly available report with recommendations.

We expected the proposed review would contribute to positive consumer outcomes

We considered the key benefits of this review would be:

- ongoing assessment of regulation and interventions in the rules could facilitate diagnosis of issues, reducing the costs of compliance and enforcement, putting downwards pressure on costs for everyone
- providing opportunities for industry to identify unnecessary or costly obligations
- making sure that regulations relating to transparency of prices and service quality are fit for purpose, encouraging energy service providers to compete more strongly on price, service quality and innovation
- redundent regulations and interventions or those that are creating barriers to entry could be removed, lowering regulatory costs for energy service providers and avoiding consumers incurring these.

E.2 We remain of the view that the AEMC should conduct a regular review on the ongoing effectiveness of regulations

E.2.1 Stakeholders broadly supported the intent of the proposed review

Stakeholders broadly supported the outcomes the AEMC sought to achieve with this review

Most stakeholders supported the purpose of this review: to ensure regulations achieve their intended outcomes and remain proportionate during the transition.[374]

Several stakeholders agreed that unnecessary regulations can increase business costs.[375] Stakeholders also supported a regular review to assess whether regulations enable or constrain innovation for new energy services.[376] The CEC noted that energy service providers innovate around regulations and not because of them. It considered the review should avoid a narrow focus on compliance monitoring and instead examine broader impacts on participation and consumer uptake of new offers.[377]

Consumer groups also supported the intent of the review.[378] However, some noted that the value of the review will depend on how good consumer outcomes are defined and that competition is a means to an end, not the end itself.[379]

374 Submissions to the draft report: EnergyFlex p 4; Nexa Advisory, p 5; Centre for independent studies, p 5; Individual 32, p 1; Individual 64, p 2; Individual and organisations no attachments 249-621, p 21; SAPN, p 4; EA, p 3; Electrify Southside, p 1; Parents for climate and sweltering cities, p 2; AER, p 1; Aurora energy, p 3; ENGIE, p 8; Alinta Energy, p 5; EEC, p 4; Tesla, p 6; Origin, p 7; Red and Lumo Energy, p 3; EWOV, p 3; Momentum, p 9; WattEver, p 5; JEC, p 10.

375 Submissions to the draft report: Alinta p 5; Tesla, p 6; Red and Lumo Energy, p 7.

376 Submissions to the draft report: CEC, p 11; Tesla, p 6; Origin p 8.

377 CEC, submission to the draft report, p 11.

378 Submissions to the draft report: JEC, p 10; ECA, p 16; Parents for climate and sweltering cities, p 2; EWOV, p 3.

379 Submissions to the draft report: ECA, p 16, EWOV, p 3.

Stakeholders do not want the AEMC to duplicate roles with other market bodies

Stakeholders supported the AEMC taking responsibility for the proposed review, provided there is no duplication of effort between the AEMC, AER and ACCC.[380] Some stakeholders considered the ACCC is the right body to undertake the review because it has broader information-gathering powers, is the competition authority and can build on its existing functions.[381]

Stakeholders' views differed with respect to the objectives the review should prioritise

JEC and ECA were concerned that the review frames competition as the core policy objective as opposed to consumer outcomes.[382] JEC recommended that the review examine how competition is supporting the following consumer outcomes:

- services and products which broadly meet consumer needs and expectations;
- prices that are fair, affordable, and appropriately stable over time – this includes price dispersion and differentiation which is firmly connected to value, rather than discrimination;
- universal access to efficiently priced essential energy services;
- equitable outcomes across socioeconomic, geographic, and digital divides;
- transparency and simplicity in offers and billing;
- protection from unfair practices, excessive risk exposure, and unnecessary complexity
- genuine optionality, where choosing not to engage is not penalised.[383]

Some industry participants considered that the function of the review should be a regulatory performance audit, measuring the effectiveness of regulations on innovation.[384] These organisations considered that post-implementation reviews are good regulatory practice and should be the focus of the review.

Stakeholders considered that starting the review 2027-28 would be too soon

Some stakeholders cautioned that 2027-28 may be too soon to begin the review, noting that significant reforms are yet to be implemented.[385]

EnergyAustralia noted that the *Improving consumer confidence in retail energy plans* rule change will be implemented in July 2026 and will materially reshape retail market settings.[386] The effects of the rule change may not be evident for several years.[387] Similarly, ActewAGL outlined the AEMC should allow three to five years after implementation of key reforms to take effect before reviewing them.[388]

AGL and Origin noted that frequent reviews of regulatory settings can undermine investment confidence, increase compliance costs and discourage innovation.[389]

380 Submissions to the draft report: AER, p 1; Red and Lumo Energy, p 7; Momentum, p 9.
381 Submissions to the draft report: Alinta Energy, p 5; JEC, p 10.
382 Submissions to the draft report: ECA, p 16; JEC, p 11.
383 JEC, submission to the draft report, p 11.
384 Submissions to the draft report: CEC, p 10; SAPN, p 4; Aurora Energy, p 3; Alinta Energy, p 5; EnergyAustralia, p 3; Red and Lumo Energy, p 3.
385 Submissions to the draft report: EnergyAustralia, p 3; ActewAGL, p 9.
386 EnergyAustralia, submission to the draft report, p 2.
387 EnergyAustralia, submission to the draft report, p 2.
388 ActewAGL, submission to the draft report, p 9.
389 Submissions to the draft report: AGL, p 9; Origin Energy, p 8.

E.2.2 We have clarified the scope of the review and the outcomes it seeks to achieve

We considered stakeholders' feedback since the draft report, including submissions and direct engagement. We remain of the view that the AEMC should conduct a regular review.

Our final recommendation is that the AEMC conduct a regular review on customer outcomes to refine regulations and eliminate unnecessary red tape, starting in 2029/30.

In response to stakeholder feedback, we have made the following changes and clarifications to the draft:

1. clarified the scope of the proposed review
2. provided more detail on how the proposed review would interact with reviews undertaken by other organisations
3. refined the factors we will consider when assessing whether regulations and competition are supporting consumers
4. delayed the proposed start of the review
5. set out the first step of the review: consulting on draft terms of reference.

We have clarified the proposed review scope

Stakeholders considered the objectives of the review should be on either:

1. an analysis of consumer experiences to improve market understanding of consumer harms and risks under current regulatory arrangements.[390]
2. a post-implementation review of rules and reforms to assess whether they support competition and innovation.[391]

We agree that there is a benefit in both of these objectives. We intend to keep the review flexible so it can address both objectives.

We reiterate that the key outcomes that the review seeks to achieve are to:

1. provide confidence that regulatory arrangements support good consumer outcomes and
2. identify when regulations are not supporting competition or are no longer necessary.

Our ambition is to leverage the work performed by other organisations. We do not consider that a larger, more general review of competition would add value. For example, we do not consider that the AEMC should conduct detailed retail competition reviews as we have done in the past. Furthermore, the AEMC does not have robust information gathering powers such as those possessed by the AER and ACCC, and therefore we are not well positioned to add broader or deeper insights on the general state of competition beyond what these organisations already produce. Instead, our recommendation is focused on complementing existing work underway.

Our approach is a strategic, forward-looking mechanism to keep regulations fit for purpose, not a market monitoring report. It supports the outcomes stakeholders raised and allows the AEMC to focus on the elements most relevant to the context.

As contemplated in the draft report, the review will draw on evidence from existing reviews and research to assess whether regulations are supporting competition and good consumer outcomes. If reforms from the Pricing review are implemented, we will specifically review their performance and effects. We outline how we intend to review our proposed reforms and the data we may need in appendix E.2.3.

390 Submissions to the draft report: ECA, p 16; JEC, p 11.

391 Submissions to the draft report: CEC, p 10; SAPN, p 4; Aurora Energy, p 3; Alinta Energy, p 5; Enery Australia, p 3; Red and Lumo Energy, p 3.

Conducting detailed research on consumer experiences would duplicate the AER's and ECA's research functions. Therefore, we would not seek to take this on in our review. Instead, we will work with the AER and ECA and use their research as an input to help identify consumer harm early and strengthen the qualitative evidence base.

The review will also consider how regulations are performing post-implementation, including whether they are working as intended. We would take a system-wide view of how the energy rules, laws and regulations operate together, rather than assessing a single rule or regulation in isolation.

The AEMC role will not duplicate the work of other bodies

The AER and the ACCC are the primary authorities that collect data to monitor:

- market concentration (how many retailers are active, market shares, new entrants, exits)
- customer switching rates (how many customers change retailer or plan)
- diversity and innovation in products
- prices
- customer experiences and complaints
- hardship and disconnections
- affordability.

Both organisations have broad information-gathering powers. The ACCC can collect detailed retail pricing and billing data, which informs much of the analysis of these metrics.

We intend to use the ACCC's and AER's analysis and data, subject to existing information sharing requirements, alongside inputs from other organisations, to build our understanding of issues. We do not intend to duplicate other organisations' work (see Table E.1 for the organisations we will work with to receive data necessary for our review).

We expect the review may influence the analysis and data collected by organisations such as the AER. We will work with industry to ensure we have the evidence we need.

If the ACCC inquiry role is transferred to the AER, as considered in the PEMM review,[392] continuity of data collection should be maintained when the ACCC's role ends and the AER commences its own. The retail pricing and billing data and analysis collected by the ACCC is crucial to developing our understanding of the key areas we will consider below.

We also support the AER's proposal to the Government to amend the CCA to reduce duplication of data gathering to a 'collect once' approach and support sharing of the same data with other market bodies to enable more informed policy decision-making.[393]

We will not seek to collect data as part of our review. We may conduct additional analysis if needed to meet the review objectives. This approach and the reviews intended outcomes differentiate the AEMC's role from market monitoring by the AER and ACCC.

We have refined the areas that we will consider when determining if regulations and competition are supporting consumers

In the draft report we outlined five areas we would consider in our review if regulations are supporting consumers.[394] These areas were:

392 DCCEEW, *Review of the effectiveness of the Prohibiting Energy Market Misconduct (PEMM) Act 2019 Cth)* – Final Report – June 2025, p 87.
393 AER, *Letter to the Treasurer - Regulatory reform opportunities,* AER, Australian Government, August 2025.
394 AEMC, *The Pricing review: Electricity pricing for a consumer driven future,* Draft report, December 2025, p 78.

1. prices that trend towards the average cost of providing the electricity services to the customer, including consideration of price dispersion
2. the quality of service matches consumers' expectations - eg, where customers get the products and services they sign up for, and energy service providers that do not deliver what they promise risk losing market share
3. consumers have choice of products and services consistent with their preferences
4. there are many energy service providers participating in the market, with no sustained market power for an individual firm.[395]
5. there is a reasonable amount of consumers switching energy service providers and offers for energy service providers to experience competitive pressures,noting that high switching rates alone do not necessarily indicate good consumer outcomes.

ECA, EWOV and JEC considered the five areas we proposed in the draft report are too focused on traditional measures of competition, and that the scope of the review should include consumer outcomes.[396] JEC and ECA also said that outcomes across socio-economic divides are important inputs.[397]

We agree with these organisations that the review scope should be broader than traditional competition measures. Understanding consumer outcomes will help us assess whether market regulations are working effectively.[398]Correspondingly, we have updated the key areas we will examine in the review, as outlined in the Box 35below.

Appendix E.2.3 outlines how data in these areas will support consideration of the effects of our other reforms in the Pricing review.

The AEMC intends to analyse whether the regulations underpinning outcomes in the areas outlined in the Box 35 below remain appropriate. We do not intend to conduct a market monitoring report or competition assessment.

Box 35: There are four areas we will examine that will support the outcomes the review is seeking to achieve

1. Prices are competitive

- Prices trend towards the efficient cost of supplying electricity, with limited unjustified dispersion.
- We will also monitor if and how retailers proactively provide valuable offers to their existing customers.

2. Consumers get what they sign up for

- Providers deliver on what they promise their customers, and those that do not lose customers or face consequences.

3. Offers are simply presented and easy to compare

- Consumers have genuine choices—supported by simple, transparent offers that are easy to understand and compare.

395 C Kaysen and DF Turner, Antitrust policy; an economic and legal analysis, Harvard University Press, 1959, p 75

396 Submissions to the draft report: EWOV, p 3; ECA, p 16, JEC, p 10.

397 Submissions to the draft report: ECA, p 16, JEC, p 11.

398 As noted above, we will draw on analysis and research done by other organisations such as the AER and ECA. We will work with these organisations if we saw a need to fill an information gap that is necessary to assess the areas outlined below.

4. Competition drives value and innovation

- Market entry, exit and innovation drive value for consumers over time.

We have delayed the review commencement timing to 2029-30

In the draft report, we proposed commencing the review in 2027-28. Stakeholders cautioned that this may be too soon because significant reforms are still being implemented.[399]

We agree with stakeholders that significant reforms such as the BECE reforms and the consumer package of rule changes may need more time before their effects are visible and trends emerge.

We will therefore commence the review in 2029-30 to allow these reforms to take effect.

We consider a regular review is beneficial

A three-year review cycle strikes a pragmatic balance between stability and responsiveness. Reviewing too frequently would risk assessing changes before they have had time to be implemented and take effect, limiting the ability to draw meaningful conclusions or allow behaviours and outcomes to adjust. Conversely, leaving reviews for longer than three years could allow avoidable harms, inefficiencies or unnecessary costs to persist unchecked.

There is no single "perfect" review interval, but a three-year period provides sufficient time for impacts to emerge while still ensuring issues are identified and addressed in a timely way.

Importantly, this does not preclude the possibility of reviewing the framework again in later years if circumstances change or evidence suggests an earlier reassessment is warranted.

We will consult on a draft terms of reference

We will first consult on draft terms of reference before the review commences. This consultation will set out the review process, including how we will engage with industry over the course of the review, and whether there are any urgent topics we should consider immediately. We anticipate that we would do this in 2028.

Stakeholders can help us address these questions before we self-initiate the review.

E.2.3 We will monitor the effectiveness of our broader reforms and provide recommendations on the data needed to inform policymakers

A key function of this review will be to monitor the outcomes of our broader reforms from the Pricing review and make recommendations on what data needs to be available to policymakers to support evidence-based decisions. We may also assess the pace and scale of CER technology uptake and associated consumer expectations over time.

We will monitor the existence and impact of the loyalty tax

Appendix A outlines our final recommendation to protect loyal customers.

The Commission's view is that loyalty taxes are likely to create material consumer detriment, including higher prices for customers on older offers, potentially including customers experiencing vulnerability.

We can also improve simplicity, transparency and trust through:

399 Submissions to the draft report: EnergyAustralia, p 3; ActewAGL, p 9.

- Incoming and existing reforms that will simplify price changes and discounting practices, and protect vulnerable customers from high prices. Appendix G summarises the key reforms.
- Other recommendations in this package: recommendation 2, which will improve offer comparability for customers that switch, and our recommendations to reform network tariffs, which will improve the transparency and stability of network pricing.
- The ongoing BECE process, which may recommend additional customer protections to ensure the framework remains fit for purpose.[400]

The Commission will monitor whether these reforms reduce loyalty tax outcomes. If the loyalty tax remains prevalent for customers on plans over four years, we may consider further reforms, including requiring an energy service provider to move a customer to better prices.

In order to consider the effectiveness of measures intending to reduce the loyalty tax, we consider it would be helpful for data to be collected by these organisations to better understand the extent and materiality of the problem. For example, this could include billing data showing how long customers have been on a retail plan and to see whether they are in payment difficulty. This would help us understand the tenure of customers with retailers and whether or not that this is correlated - or otherwise - with customers on financial hardship. The ACCC currently collects this information and does analysis on price levels between different aged plans. As noted in appendix E.2.2 above, we support making this data available to other market bodies if the role transfers to the AER. However, the ACCC does not have the data to link those experiencing a loyalty tax with those who are also experiencing vulnerability.

To further help provide insights into the impacts and materiality of the loyalty tax, it would be helpful for pricing and billing data to be matched with socio-economic information about individual customers, such as income and location. This would help us get greater insights into those customers that experience the loyalty tax and inform whether further regulations are needed. We recognise this demographic data is unlikely to be available to the AEMC or other market bodies. We note that the Australian Bureau of Statistics has previously undertaken the Household Energy Consumption survey in 2012, which captured useful socio-economic data at the time.[401] We encourage the ABS to consider undertaking another such survey in order to help produce this data.

It would also be helpful to collect data on the number of retail plans, how often retailers create new plans, and how often they retire older plans. The AER currently collects this information through its retail monitoring and Energy Made Easy functions. The AEMC will work with the AER to see if we can obtain access to this data to use it in our review to help understand the stock of older plans and the rate at which retailers create and retire plans.

We will monitor the outcomes for standing offer customers

Appendix F explains why we are not recommending a competitive franchise for standing offer customers at this time. In the near term, we expect safety net pricing reforms to the Deafult Market Offer, progressed by DCCEEW in late 2025, to strengthen protections by linking the DMO more tightly to the efficient costs of serving these customers.

The Default Market Offer plays an influential and evolving in the market as a 'safety net' as we transition, including as a reference price and as a vehicle for introducing new tariff structures. While these functions can support consumer confidence in the transition, they may also constrain

400 DCCEEW, *Better Energy Customer Experiences* – Consultation paper, March 2025.
401 Australian Bureau of Statistics, *Household Energy Consumption Survey*, 2012.

innovation by requiring new offers to be benchmarked against a regulated reference and by effectively mandating tariff design.

However, we consider safety net pricing should be transitional, and ideally not be required. In a well-functioning market we expect retailers to develop and offer new tariffs themselves, and for consumers to be able to compare and choose between them easily.

We will monitor the effects of these reforms on prices and customer outcomes through this review and consider whether further measures are needed. If standing offer customers continue to face persistently higher prices or poorer outcomes than comparable market-offer customers, we will reconsider options, including a competitive franchise.

Data that would be useful to inform our considerations here is evidence and analysis from the ACCC or AER through their inquiry functions to understand price dispersion between market-offer and standing-offer customers.

We will consider the appropriateness of consumer protections related to our network reforms

As noted in appendix D, our recommended changes to the pricing framework would result in energy service providers managing network price risk rather than consumers. Nevertheless, we recognise that consumers could face changed risks from poorly implemented network pricing reform.

On 23 April 2026, the AEMC released distributional impact analysis on the effects of proposed network tariff reforms on different consumer cohorts.[402] The AEMC also commissioned HoustonKemp to demonstrate that there are both achievable network and retail interventions capable of mitigating the potential adverse consumer bill impacts associated with the transition to more dynamic network tariff structures.[403]

In appendix D we outline that effective protections are critical design features of the recommendations and a necessary precursor for the successful implementation of any reform.

If recommendation 3 (appendix D) proceeds, key data that we would be interested in to help us consider the effective implementation of any such reforms:

- the availability of dynamic pricing in the market
- the number of retailers that pass through network tariffs.

The AER may be able to collect some of this data through the TSS process that it runs for distribution businesses. Some of the data may also be contained in the AER's network performance reporting. We may also consult with DNSPs to fill any information gaps and request additional consumption data for modelling to support our understanding.

As the market evolves and network tariff reforms are implemented, the AEMC will continue to monitor consumer outcomes as part of this review. This will also include considering retailer behaviour to assess which consumer protections more generally remain appropriate. This could include how retailers pass through network tariffs, how they package them, and the range of products and services they offer.

E.2.4 We want to provide consumers and industry assurance through the transition

Regular oversight on the effectiveness of regulations and competition can help ensure consumers are served well in the retail market.

402 AEMC, *Smarter, cleaner, cheaper energy: What network tariff reform means for consumers,* Distributional impact analysis, April 2026.
403 HoustonKemp, *Consumer protections to support network tariff reform,* April 2026.

The key benefits we see from implementing this recommendation are:

- facilitating diagnosis of issues, reducing the costs of compliance and enforcement, putting downwards pressure on costs for everyone
- providing opportunities for energy service providers to identify unnecessary or costly obligations
- ensuring that regulations relating to transparency of prices and service quality are fit for purpose, encouraging energy service providers to compete more strongly on price, service quality and innovation
- providing a pathway for redundant regulations and interventions or those that are creating barriers to entry to be removed, lowering regulatory costs for energy service providers and avoiding consumers incurring these.

We consider these outcomes support the key objectives of the Pricing review (see chapter 3) by examining the spread of products and services and finding opportunities to deliver a lowest cost transition. Further, we consider that all of these potential outcomes will address our key objectives under the NEO and NERO.

F We do not recommend progressing the competitive franchise auction (Draft Recommendation 2) at this time

Box 36: The Commission does not recommend introducing a competitive franchise (auction) for standing offer customers at this time (Draft Recommendation 2).

In the draft report, we proposed a competitive franchise as a mechanism to efficiently serve standing offer customers (Draft Recommendation 2). This would have provided a different, competitive mechanism to determine the prices of standing offers compared to the current regulated DMO approach. While we still consider the proposal potentially pro-competitive, we recognise that it would face significant implementation challenges. Implementing such a mechanism at the current time when there is myriad other reform in the retail sector risks the unintended consequences of poor outcomes for some customers.

In addition, stakeholders indicated support for the DCCEEW reforms to safety net pricing (the DMO) progressed in late 2025. These reforms more tightly link the DMO to the efficient costs of serving those customers - as a more efficient way to strengthen protections for standing offer customers at the current time.

We agree that now is not a good time to introduce reforms to how standing offer prices are set, beyond those currently underway to the DMO. However, we remain of the opinion that the current approach of 'safety net' pricing should only be a transitional measure in the market. This is because it may be inadvertently adding costs and inhibiting innovation in the retail market.

We will monitor the impacts of the DMO reforms and recent retail rule changes (outlined in appendix E) through our regular review (final recommendation 4). If evidence shows that standing offer customers continue to face persistently higher prices or poorer outcomes than comparable market offer customers, we will reassess whether additional measures are required, including reconsidering the merits or not of a competitive franchise at that time.

F.1 The draft report proposed extending the benefits of competition to standing offer customers

F.1.1 Standing offer customers pay more than other customers, and pricing safety nets can increase costs

We rely on competition, supported by regulations, to deliver good consumer outcomes in most jurisdictions in the NEM.[404] An effective competitive retail market is most likely to meet the different and evolving preferences of diverse consumers both today and over time.

Retailers make offers to small consumers in the retail energy market to provide them with gas or electricity. Retail offers are classified as either market offers or standing offers:

- Market offers are electricity contracts determined by retailers in the competitive market.
- Standing offers are basic electricity contracts with regulated terms and conditions that retailers cannot change. A small proportion of customers (around eight per cent across the

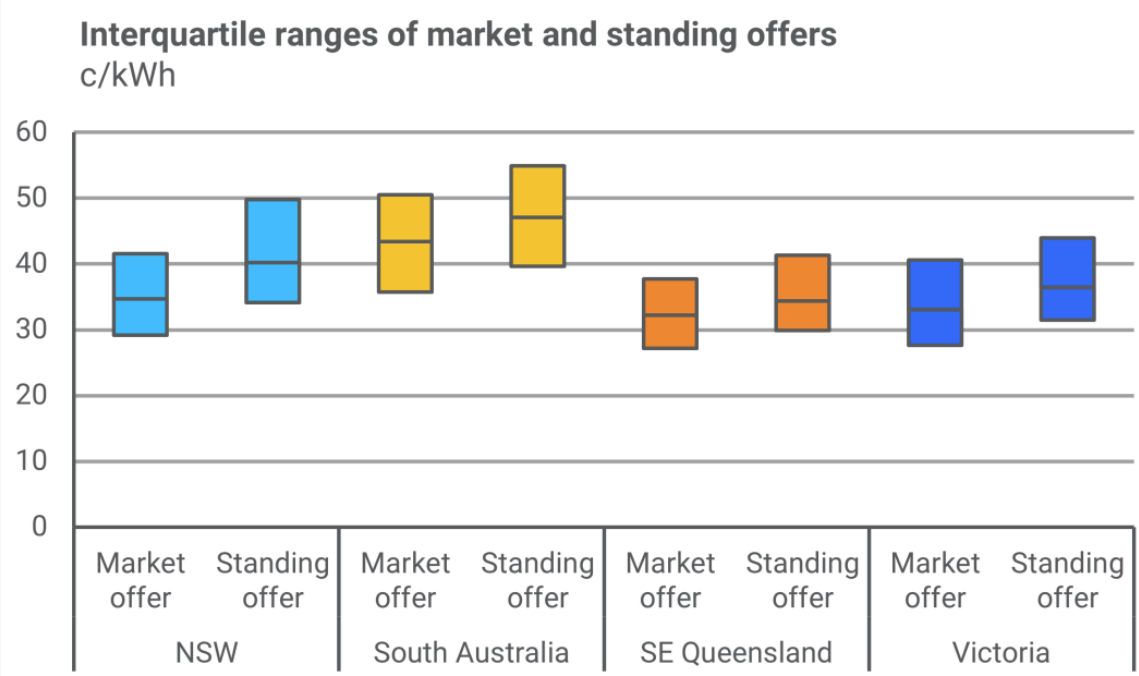
404 Some areas are less exposed to competition. Tasmania, regional Queensland (the area served by Ergon Energy), and to a lesser extent the Australian Capital Territory, rely on price regulation of retail electricity providers to deliver good customer outcomes.

NEM excluding Victoria) are on standing offers after default assignment, contract expiry or retailer failure, or where they choose a standing offer.[405]

To protect standing offer consumers from excessively high prices, the Australian Government enacted legislation in 2019 to introduce price regulation in the form of the default market offer (DMO) in New South Wales, South East Queensland and South Australia. The Victorian Government also enacted similar legislation to introduce the Victorian Default Offer (VDO). The DMO and VDO set the maximum price that electricity retailers can charge customers on standing offer contracts. They also act as a reference price for market offers. Retailers must show the price of their offer compared to the DMO, expressed as a percentage above or below the reference price (e.g., "this plan is 10 per cent less than the reference price"). This allows customers to more easily and consistently compare the prices of plans.

Despite the DMO and VDO, the Australian Competition and Consumer Commission (ACCC) has found in its regular reviews of the retail electricity market that the median effective price for customers on standing offers generally exceeds the median price for customers on market offers across all NEM regions, which have these protections, as shown in Figure F.1 below.[406] In December 2025, the ACCC also found that market offer acquisition prices remain below default offers.[407]

Figure F.1: Customers on market offers tend to pay less than customers on standing offers



Source: ACCC, Inquiry into the National Electricity Market, July 2025.

Note: Boxes represent the interquartile range (effective prices between the 25th and 75th percentiles of the distribution of customers). The slate grey horizontal line in each box is the median effective price.

Additionally, we have heard from retailers that the regulation of standing offer prices adds regulatory burden, which can create challenges for retailers seeking to offer a wider range of

405 AER, *Final determination on 2025–26 safety net prices for NSW, SA and SE QLD*, May 2026.

406 ACCC, *Inquiry into the National Electricity Market, July 2025,* ACCC analysis of retailer billing data.

407 ACCC, *Inquiry into the National Electricity Market, December 2025*, p 17.

products to customers.[408] As we outlined in our draft report, this could slow the launch and uptake of innovative products.[409] Although price regulations and reference pricing might constrain some innovative offers, particularly for customers with CER, this is not to say that innovative products have not emerged since the DMO's introduction.[410]

DCCEEW has recently reviewed the DMO

DCCEEW is implementing several changes that are intended to improve the functions of the DMO:[411]

- introducing a new guiding objective for the DMO, focused on protecting small customers on standing offers
- requiring the DMO to be based on the efficient costs of serving those customers
- maintaining the role of the DMO as reference price to help customers compare electricity plans
- introducing aSolar Sharer Offer (SSO) standing offer.

DCCEEW expects its changes to the DMO will improve protection for small customers on standing offers, and increase transparency and certainty in regulatory decision-making for retailers.[412]

The Commission is conscious of these changes to the DMO, including their potential benefits and impacts for small consumers and industry, and has considered them in delivering our final recommendation.

F.1.2 The draft recommendation was to implement a competitive auction to determine prices for standing offer customers and foster innovation

To extend the benefits of competition to standing offer customers, our draft recommendation 2 proposed:[413]

1. Standing offer customers' accounts would be pooled and periodically auctioned to energy service provider(s) (a retail franchise).
2. Market contracts would have a fixed term. This would mean that all contracts must have an expiry, ensuring that customers who do not choose a market offer at the end of their term would be moved to the standing offer, and so would be protected from high prices.
3. Customers would be allowed to switch away from the default energy service provider (i.e. the franchise) at any time.

To improve transparency and ensure the effectiveness of the proposal, the successful energy service provider(s) who would operate the franchise would have to:

- serve the assigned customers for a fixed term (until the next auction)
- provide services at the price determined as the result of the auction process
- comply with customer protection standards as set out in the National Energy Retail Rules (NERR) and National Energy Retail Law (NERL), including hardship provisions.

408 AEC submission to discussion paper, pp 4-6; EnergyAustralia submission to discussion paper, p 9.
409 AEMC, *The pricing review - Draft report*, December 2025, p 68.
410 AEMC, *The pricing review - Discussion paper*, June 2025, p 40.
411 DCCEEW, *Review Outcomes: 2025 reforms to the Default Market Offer*, November 4, 2025, p 7-10.
412 DCCEEW, *Review Outcomes: 2025 reforms to the Default Market Offer*, November 4, 2025, p 6.
413 AEMC, *Pricing review - Draft report*, 11 December 2025, p 69.

F.1.3 The competitive franchise auction aimed to harness a competitive process to serve standing offer customers

The periodic auction and franchise intended to utilise a competitive process to serve standing offer customers, rather than ongoing price regulation through the DMO/VDO. There were four key features and intended outcomes of this recommendation:

- First, under this reform, the DMO and VDO would no longer be required. Instead, prices would be determined through a competitive process, with energy service providers competing for these customers. In doing so, energy service providers would compete for customers by offering better value than their competitors, delivering better price outcomes for consumers. The approach uses competition itself - rather than ongoing regulation through the DMO or VDO - to protect standing offer customers and maintain downward pressure on prices. The auction could specify basic features, such as structure (e.g., a flat tariff with a three-hour solar soak similar to the Australian Government's recent SSO proposal).[414]
- Second, the draft recommendation was intended to protect a broader group of consumers who are paying higher prices. By requiring all energy contracts to be fixed-term, it would remove ongoing or "evergreen" market offers, which are not subject to the DMO and can expose customers to loyalty penalties. Customers who did not actively choose a new market offer at the end of their contract would instead be moved onto a standing offer, with energy service providers competing to serve these customers.
- Third, as happens now, consumers would be free to choose a new offer and switch at any time, while energy service providers would compete to serve both market and standing offer customers efficiently.
- Finally, removing the requirement for all energy service providers to provide standing offers would have reduced regulatory burden and risk, potentially encouraging innovation. The energy service providers that were successful in the auctions could have specialised in serving standing offer customers, potentially improving consumer outcomes over time.

We intended draft recommendation 2, along with draft recommendation 1, which proposed to address the loyalty tax by requiring customers on the same plan to pay the same price, to work together to replace the need for a reference price as articulated above.

F.2 We propose allowing the changes to the DMO to bed in

F.2.1 Stakeholder feedback suggested realising the auction could be challenging and lead to negative consumer outcomes

The majority of stakeholders did not support draft recommendation 2, with some:[415]

- questioning if it would improve consumer outcomes compared to the DMO, given the potential costs and risks
- highlighting the possibility that it could dampen competition if its design favoured participation by larger retailers
- noting the significant complexity and cost of implementing such a concept.

414 The Hon Chris Bowen MP, Minister for Climate Change and Energy, *More Australian homes to get access to solar power* [media release], Minister for Climate Change and Energy, Australian Government, 4 November 2025.

415 Submissions to the Draft report: AEC, p 10; EnergyFlex, p 3; EnergyAustralia, p 3; ActewAGL, p 8; AER, p 7; Aurora Energy, p 2; ENGIE, p 7; Tesla, p 5; Origin, p 6-7; AGL, p 7; EUAA, p 2; Red and Lumo, p 5; Momentum, p 6; Powershop, p 3; Ron Ben David, p 4; CIS, p 5; Erne Energy, p 2; ECA, p 13; NEXA, p 5; Alinta, p 4; Individuals and organisations no attachments 249-621, p 21

Few submissions supported the draft recommendation. Of these, some agreed that the proposed auction could extend the benefits of competition to standing offer customers, including by:[416]

- driving competition and lowering prices for standing offer customers
- incentivising innovation in serving standing offer customers
- creating an observable service baseline for customers that do not regularly switch.

However, most support was qualified, emphasising that further testing and safeguards would be needed prior to and following any implementation, including:[417]

- the need for a careful transition to resolve key implementation issues, including mapping the potential customer journey under the franchise system to highlight and resolve any potential risks
- assessing any anticipated changes to market dynamics (including whether retailers would want to bid for these customers i.e. their appetite to participate)
- trialling the mechanism before wider rollout
- embedding strong consumer protections, transparent allocation processes, and including the ability for consumers to opt out of the auction process
- reviewing outcomes after implementation to assess whether the reform had succeeded in delivering the desired improvements.

Stakeholders questioned how the franchise would interact with the DMO and if it would improve outcomes for consumers

Submissions were also split on how the proposed auction and franchise would interact with the DMO. Some considered the proposal should complement, not replace, regulated default offers, or should only be introduced if it could guarantee better price outcomes than the DMO.[418] Others sought commitment to remove the DMO if the auction were implemented, noting that layering the auction framework on top of current default pricing arrangements would add complexity and cost.[419]

Our draft report acknowledged that implementing the auction would involve significant administrative and transitional costs, as well as substantial changes to frameworks.[420] Submissions agreed with the challenges we identified in the draft, emphasising the risk of poor consumer outcomes resulting from the auction process.[421] Key concerns related to consent, information sharing, and costs, including:

- Standing offer customers could pay more than they would have under the DMO.[422] While retailers should be able to recover underlying costs when serving customers, submissions considered the auction risked increasing prices for standing offer customers where:[423]
  - retailers see the customer pool as low value, or higher risk

416 Submissions to the Draft report: EnergyFlex, p 3; AER, p 7; Tesla, p 5; Red and Lumo, p 5; NEXA, p 5; Renew, p 2; Alinta, p 4; CitiPower, Powercor and United Energy, p 1; CEC, pp 6-7

417 Submissions to the Draft report: AGL, p 7; Powershop, p 3; AER, p 7; ENGIE, p 7; CEC, p 5; AEC, p 10; Momentum, p 9; SAPN p 5; Individual submission 32, p 1; Individual submission 64, p 2.

418 Submissions to the Draft report: Brotherhood of St Laurence, p 5; IEEFA, p 2; Parents for climate & Sweltering cities, p 2; ECA, p 13.

419 Submissions to the Draft report: AEC, p 10; Alinta, p 4.

420 AEMC, The pricing review, Draft report, Dec 2025, p 71.

421 Submissions to the Draft report: CIS, p 5; CEC, p 7; IEEFA, p 2; EnergyAustralia, p 3; ActewAGL, p 8; Tesla, p 5; Lighter footprints, p 3; Powershop, p 4; Ron Ben David, p 4.

422 Submissions to the Draft report: CIS, p 5; CEC, p 8; AER, p 7; Aurora Energy, p 2; ECA, p 16; Origin, p 6; AGL, p 7; Red and Lumo, p 5.

423 Submissions to the Draft report: CIS, p 5, CEC, p 7-8, Tesla, p 5; AGL, p 7; Powershop, p 5

  - establishing the auction would require costly system builds, with fewer product options available, or customers would lose bundled discounts or products through the auction. Relatedly, CEC and Tesla noted there is a risk the auction process may strand CER customers on tariffs that impose avoidable costs, or misalign with actual system needs.
- Impacts on customer experience, satisfaction and trust, particularly where customers could be confused by being transferred between retailers, especially if they are repeatedly reassigned over time.[424]

Designing and implementing the auction could be challenging

A further concern raised by stakeholders was the practical requirements to facilitate the auction and franchise model. These requirements included:

- To make an informed bid, retailers may require customer payment history and demand information. Sharing this with multiple bidders could raise privacy issues and may require changes to explicit informed consent (EIC) under the NERL.[425]
- Similarly, it was considered that transitioning account data and ownership to any winning bidder could also create privacy and practical concerns. In particular, transferring customer information and resolving issues including:[426]
  - sensitive personal information including family violence, life support, and hardship status
  - financial information - including concessions, debts/credits, banking information, billing disputes, and any payment plans.
  - that both market and standing offer customers form part of retailers' hedging arrangements. Allocating customers via the auction process could leave retailers potentially over- or under-hedged, deterring bids due to the risk of financial loss.

The auction may have unintended impacts on competition

Due to the combination of these risks, some stakeholders suggested that retailer participation in the auction process would be limited, dampening competition. There was concern this could translate to:[427]

- incumbency advantages due to the potential scale of the auction, leading to reduced competitive pressure and increased market concentration
- conservative bidding where auction participation is limited, and the need for contingencies in the case that no bids are received at all

Aurora and WattEver opposed the proposed franchise, and considered it to be anticompetitive for customers to be removed from their retailer to another without recompense.[428]

Some also questioned the comparability of the proposed auction with similar approaches taken in other jurisdictions, given different settings and intent.[429] For example, Origin noted Ofgem had abandoned a trial for exclusive offers developed through an auction process following the implementation of a market cap. The Commission notes Ofgem's process differs significantly from that proposed in draft recommendation 2, in that it still required active participation from

424 Submissions to the Draft report: AER, p 8; Aurora Energy, p 2; ENGIE, p 7-8; Alinta, p 4; Tesla, p 6; ECA, p 15; Origin, p 6; AGL, p 7; EUAA, p 2; Red and Lumo, p 5; WattEver, p 4; CEC, p 8; ActewAGL, p 8; AEC, p 10; Powershop, p 3; IEEFA, p 2.

425 Submissions to the Draft report: CIS, p 5; ActewAGL, p 8; Powershop, p 4.

426 Submissions to the Draft report: CEC, p 6; IEEFA, p 2; ActewAGL, p 8; AER, p 7-8; Brotherhood of St Laurence, p 4-5; ENGIE, p 7; Alinta, p 4; Tesla, p 5; Origin, p 7; AGL, p 7; EUAA, p 2; Red and Lumo, p 5; Momentum, p 8; Powershop, p 3 & 5.

427 Submissions to the Draft report: ActewAGL, p 8, Origin, p 6; CEC, p 7; AER, p 7; Momentum, p 8; Ron Ben-David, p 4; Alinta, p 4; ECA, p 14; Powershop, p 5; Red and Lumo, p 5; AEC, p 10; ENGIE, p 7; Erne Energy, p 2; AGL, p 7.

428 Submissions to the Draft report: Aurora Energy, p 2; WattEver, p 4.

429 ECA, submission to the Draft report, p 16.

consumers to take up the offer.[430] CEC also highlighted that an auction was not implemented to allocate retailers of last resort in the Australian energy context.[431] Several stakeholders also suggested the proposed auction overlapped with draft recommendation 1, and questioned the necessity of requiring fixed-term market contracts if the loyalty penalty had been addressed under draft recommendation 1.[432]

To mitigate the identified issues, stakeholders provided feedback on the design and functions of any auction, suggesting it could be improved by:[433]

- grouping customers by region and tariff type (noting excess granularity in these groupings could deter competition)
- placing limits on dominant bidders or customer volumes.
- considering the frequency of auctions, and allowing retailers to retain any customers who roll onto the standing offer until the start of the next auction
- excluding vulnerable customers (hardship, family violence, life support) from the auction to mitigate risks.

The Commission is grateful for these inputs - if the auction and franchise is considered at a later time, these features could inform its design.

Stakeholders suggested alternatives to the proposed auction and franchise

Several stakeholders also proposed alternatives to the proposed retail franchise and auction reassignment mechanism, including:

- That the redesigned DMO could address the identified issues for standing offer customers in a more proportionate way than introducing an auction or franchise-style reassignment mechanism in the near term.[434] Submissions also suggested alternate approaches to setting the DMO, including further analysis of options to place additional downward pressure on default offers. For example, Engie suggested the use of a "market average price" benchmark as a DMO alternative.[435] The Commission notes these suggestions, but considers there is value in allowing the current reforms to the DMO to take effect before any further review of DMO settings.
- Reviewing EIC settings to enable customers on default offers to be transferred onto a competitive offer.[436] We note that DCCEEW's BECE reforms are considering EIC settings, as well as other protections for energy consumers. We consider that any changes to EIC settings should be carefully considered to minimise risks of consumer harm.[437] Moving customers onto new plans where existing plans represent poor value, is not without risk. Automatically transferring customers to new plans may result in outcomes that do not reflect individual customer needs, preferences or usage patterns. There may also be scope for retailers to improve plan suitability through alternative measures, such as simplifying legacy plans, rather than unilaterally moving customers.
- Compliance Quarter suggested an outcomes-based approach that sets clear objectives while avoiding overly prescriptive rules. Tesla similarly proposed achieving competitive discipline

430 Submissions to the Draft report: Origin, p 6; Ofgem, Insights from Ofgem's consumer engagement trials, September 2019, p 23.
431 CEC, submission to the Draft report, p 8.
432 Submissions to the Draft report: AEC, p 10; Origin, p 7; AGL, p 7.
433 Submissions to the Draft report: Powershop, p 4; Momentum, p 8; CEC, p 7; Alinta, p 4; AGL, p 7.
434 Submissions to the Draft report: ActewAGL, p 8; Aurora Energy, p 2; Origin, p 6; AGL, p 7; Lighter footprints, p 3.
435 Submissions to the Draft report: Brotherhood of St Laurence, p 5; Energy Efficiency Council, p 4; ECA, p 13; Momentum, p 6; ENGIE, p 8.
436 Submissions to the Draft report: EnergyAustralia, p 3; AEC, p 10; Tesla, p 6; AGL, p 8; Lighter footprints, p 3.
437 DCCEEW, *Better Energy Customer Experiences*, Consultation paper, March 2025, p 5.

through benchmarking and regulated default service obligations rather than customer reassignment through the auction process.[438] Again, we note that the BECE reforms are considering consumer protections, including a move to a principle-based framework and consumer duty.[439] We consider that these reforms should play out first before further reforms are considered.

F.2.2 We consider the changes to the objective and setting of the DMO will reduce the need for this reform in the near term

While the Commission does not consider the issues raised by stakeholders discussed above to be insurmountable with careful design, submissions highlight substantial challenges relating to implementation, transition and consumer risk. We agree that this option does have significant implementation challenges that would need to be carefully considered to avoid unintended consequences for consumers.

We also note that DCCEEW expects its recent changes to the DMO will improve protection for small customers on standing offers, and increase transparency and certainty in regulatory decision-making for energy service providers.[440] The Commission therefore considers that, in the near term, the updated pricing safety nets may be a more proportionate way to protect standing offer customers from high prices.

We remain of the view that safety net pricing should be a transitional measure as we transition our generation mix. Over time, the evolving market and technology is likely to reduce the need for price regulation - such as the DMO / VDO - by improving support and technologies available to customers that do not regularly choose a new plan. The DMO plays an influential and evolving role in the market as a safety net we transition, including providing a reference price and as a vehicle for introducing new tariff structures. While these functions can support consumer confidence in the transition, they may also constrain innovation by requiring new offers to be benchmarked against a regulated reference and by effectively mandating tariff design.

In a well-functioning market, we would expect retailers to develop and offer new tariffs themselves, and for consumers to be able to compare and choose between them easily. Improvements in tariff simplicity, comparability and trusted information should reduce the need for these regulatory mechanisms. We consider our recommendations in this review (Protecting loyal customers, recommendation 1, Making finding plans easier, recommendation 2, Making plans simpler, recommendation 3), as well as reforms to consumer protections being considered via the BECE process, will support a framework that can better deliver consumer preferences, including for customers on standing offers.

We intend to monitor, through our Regular review (Final Recommendation 4), the impacts of reforms (including the updated DMO) as they are implemented and flow through to customer outcomes. We will revisit whether additional or alternative measures are required once there is sufficient evidence on effectiveness.

If our periodic review observes persistently poor outcomes for standing offer customers, or evidence that current settings materially impede innovation or efficient product offerings, we may propose further changes. This could include reconsidering a competitive franchise or other alternatives raised by stakeholders, where these are supported by evidence and can be implemented proportionately.

438 Submissions to the Draft report: Compliance Quarter, p 4; Tesla, p 6.
439 DCCEEW, *Better Energy Customer Experiences*, Consultation paper, March 2025, p 7.
440 DCCEEW, *Review Outcomes: 2025 reforms to the Default Market Offer*, November 4, 2025, p 6.

G Our reforms interact with others seeking to modernise consumer protections

As set out in chapter 1, our recommendations form part of a broader reform agenda. Several reviews are examining consumer protections to ensure consumers are appropriately protected from risks. This includes both risks that products and services may put on consumers, as well as to protect specific consumer groups, such as those experiencing hardship.

The pricing review complements these initiatives. Importantly, we are working closely with these organisations. As we identified earlier in the report, we consider it important that any recommendations from our review work hand in hand with any other recommendations. We do not want duplication of efforts, nor do we want unintended consequences.

This review does not focus specifically on protections for consumers experiencing vulnerability, but on how to improve outcomes for all consumers. Targeted and specific consumer protections, including those related to pricing, will remain for those experiencing hardship or vulnerability. Reform programs that are most relevant to the pricing review are listed below and discussed in further details below.

G.1 ACCC NEM Inquiry

The ACCC has produced 14 reports into the prices, profits and margins in the supply of electricity in the NEM.[441] The findings from these reports have influenced our recommendations and considerations of appropriate pricing frameworks for the future. We have also included evidence and data from these reports where relevant to support our findings. We would like this report to continue to ensure data continuity that serves as the basis for our upcoming reviews.

The May 2026 Federal budget has provided an additional $4.0m to the ACCC to extend its inquiry for the 2026-27 financial year.[442] We understand that this function will likely transfer to the AER as part of the DCCEEW PEMM review. When this happens we will continue working with the AER to collect data.

G.2 AEMC Accelerated deployment of smart meters rule change

The AEMC's final rule for *Accelerating smart meter deployment* came into effect on 1 December 2025.[443] The final rule puts in place arrangements that we will lead to universal uptake of smart meters in the NEM by 2030. This is key for effective implementation of recommendations in this report. Smart meters provide the digital foundation for a modern, connected and efficient energy system. Smart meters:

- help facilitate the efficient integration of CER - such as solar photovoltaic (solar PV) systems, home batteries and electric vehicles
- provide consumers with visibility and control of their electricity consumption and costs, and more access to alternative pricing options
- create opportunities for greater data sharing - promoting competition and innovation, and supporting more targeted energy policies
- allow DNSPs to improve their management of the electricity network.

441 ACCC, *Electricity market monitoring inquiry 2018-26*, ACCC website, n.d., accessed 5 May 2026.
442 Treasury, *Budget paper No. 2*, May 2026, p 143.
443 AEMC, *Accelerating Smart Meter Deployment, Rule determination*, AEMC, 28 November 2024, pp 27-32.

The timely deployment of smart meters is a key enabler for integrating CER into the network as we transition. It enables energy service providers and consumers to access the real-time data they need to respond to and benefit from dynamic price signals. Smart meters, in addition to network digitisation and monitoring improvements, will also help to address any gaps in networks' visibility of localised network issues.

The final rule also introduced two important consumer safeguards that will ensure that flat tariffs are available to all consumers:

1. Retailers must obtain a customer's explicit informed consent before changing the customer's retail tariff structure, for two years following a smart meter upgrade.
2. Designated retailers must make flat tariff standing offers to customers with a smart meter, subject to implementation by individual jurisdictions.

These protections will support consumer choice by ensuring basic products are widely available to them, and help to minimise any negative impacts from changes to a customer's tariffs.

G.3 AEMC consumer rule changes

On 12 August 2024, the AEMC received a package of rule change requests submitted by Energy Ministers. The package of consumer-related rule change requests included:

- *Improving consumer confidence in retail energy plans (ICCIREP)*, which consolidated four rule change requests. The final determination and rule were published on 19 June 2025. The final rule will inform, empower and protect consumers through resolving specific systemic issues relating to energy retail contracts and will:
  - protect customers on contracts with benefits that change or expire from paying more than the standing offer once the benefits end
  - improve protections for customers on existing contracts with unreasonable conditional discounts by requiring the retailer to remove the conditionality of the discount and apply the discount in full
  - protect carry-over customers on deemed customer retail arrangements from disconnection if they are paying their bills
  - restrict retailers from increasing prices in market retail contracts more than once in 12 months
  - prohibit retail fees for vulnerable consumers and limit fees to reasonable costs for all other consumers
  - require retailers to inform their customers about these changes
  - provide retailers with just over 12 months to comply with the rule.
- *Improving the ability to switch to a better offer*, which published a final determination and rule on 11 September 2025. The final rule increases customers' awareness of savings that can be achieved from switching plans with their retailers, increasing the number of customers who switch to lower cost plans, saving them money and improving competition in the retail market.
- *Assisting hardship customers,* which published a final determination and rule on 19 June 2025. The final rule:
  - increases support and improves outcomes for hardship customers so that they are not financially worse off if they do not take up their retailer's deemed better offer. This includes preventing hardship customers from incurring more debt or expenses than is necessary

- places a stronger onus on retailers to assist hardship customers with deemed better offers, but afford retailers flexibility in delivering these protections and
- improves the reporting and transparency of the type of offers hardship customers are on and assists the AER with monitoring to ensure retailers comply with the final rule.

- *Improving the application of concessions to bills*, which published a final determination and rule on 25 September 2025. The final rule requires retailers to, whenever entering a contract with a consumer (either at sign-up or when a consumer is switching their contract) to:
  - provide jurisdiction specific information on relevant concessions, rebates and relief schemes - helping consumers understand what is available and how to access it and
  - ask consumers about their eligibility for those programs - prompting consideration and voluntary disclosure while being mindful of the sensitivities about requesting this information.

These rule changes, and in particular the final rule for ICCIREP, make changes to market offers that will reduce loyalty penalties. This includes restricting prices for customers once a benefit ends, and providing consistency around price changes. Loyalty penalties are discussed in appendix A.

Energy Ministers have submitted a rule change request to us that would require a higher standard of engagement from energy retailers to customers.[444] This is seeking to require retailers to provide support more tailored to a customer's individual needs, including cultural, language and access requirements, where these can be reasonably known by a retailer.[445] While still subject to consideration, this rule may improve outcomes for consumers, and could provide an example of a principle-based regulation that could support a future consumer duty, should one be implemented.[446]

G.4 AEMC's Electricity Network Regulation Review

The AEMC will initiate a review to examine the future of electricity network regulation in the National Electricity Market (NEM). The electricity network regulation review (ENRR) will initiate in mid-2026 and will consider the important role of electricity network regulation in providing consumers with a reliable supply of electricity at least cost, as the NEM transitions to a net-zero system.

Network charges make up the largest component of power bills so ensuring the regulatory framework remains fit for purpose into the future is critical to achieving outcomes in the long term interest for consumers.

The review is likely to consider a number of areas, including:

- the scope of monopoly regulation
- efficient network operation and expenditure
- risk allocation and compensation
- the regulatory process, and the role of consumers in shaping decisions.

In the pricing review, stakeholders have raised concerns about whether networks are appropriately incentivised to keep their costs down. A well-designed package of incentives, working holistically in a regulatory framework balancing risks and rewards, will encourage networks to make prudent

444 Aemc, Requiring retailers and distributors to engage with customers in a way that meets their needs, 10 June 2026
445 ECMC, *Requiring retailers and distributors to engage with customers in a way that meets their needs,* rule change request, p 9.
446 ECMC, *Requiring retailers and distributors to engage with customers in a way that meets their needs,* rule change request, pp 11-12.

and efficient investments. In our draft report, we raised the concept of a utilisation incentive that would motivate networks to work towards improving the use of their networks. The Commission willconsider incentives - the implict incentives created through the building block model as well as the suite of incentive schemes - as part of its ENRR. The ENRR will build on, rather than revisit, the recommendations made in the Pricing review.

G.5 AEMC *Real-time data for consumers* rule change

On 18 December 2025, the AEMC published a final determination and final rules to enable all consumers and their appointed representatives to access real-time data from the smart meter. [447] The final rule will benefit consumers who can use real-time data to inform their energy choices, including helping manage their CER. Real-time data can also be used for other services that would deliver value for consumers now and into the future, such as services that support the integration of CER into the grid and help lower overall system costs.

This rule change will support energy service providers and consumers with the real-time data they need to respond to and benefit from dynamic price signals.

G.6 AER updates to its guidelines

The AER is currently consulting on updates to four of its guidelines:[448]

- the *Benefit change notice guidelines*, which sets out obligations for retailers in relation to notifying small customers when a benefit provided to them through their market retail contract is expiring or changing
- the *Better bills guideline*, which sets out obligations for retailers in relation to preparing and issuing bills that make it easy for small customers to understand billing information
- the *Customer hardship policy guideline*, which sets out obligations for retailers in relation to their customer hardship policies required under the NERL
- the *Retail pricing information guidelines*, which set out obligations for retailers in relation to the presentation of standing and market offer prices to assist small customers to consider and compare standing and market offer prices offered by retailers.

These guidelines collectively influence how retailers present hardship assistance information, billing information and plan and pricing information, including information for the price comparator website Energy Made Easy. The AER has recently released its draft retail guidelines.[449]The AER has combined all four retail guidelines and placed more outcomes-based obligations on retailers in how they present information to consumers. Submissions close on 17 July 2026. A final combined guideline is expected in September 2026.

G.7 DCCEEW Better Energy Customer Experience

In 2025, the DCCEEW commenced a review, Better Energy Customer Experiences (BECE), into consumer protections to ensure that the frameworks supporting customer engagement with the energy market are suitable and effective, considering changes in how people use electricity and gas.[450]

447 AEMC, *Real-time data for consumers*, AEMC website, n.d., accessed 4 May 2026.

448 AER, Retail guidelines review, Draft guidelines, June 2026

449 AER, Retail guidelines review, Draft guidelines, June 2026

450 DCCEEW (Department of Climate Change, Energy, the Environment and Water), *Better Energy Customer Experiences*, DCCEEW website, n.d., accessed 5 May 2026.

This work focuses on the National Energy Customer Framework (NECF), the main national regulatory framework providing energy-specific protections to consumers. Consideration will also be given to other related legislation, frameworks and policy settings, including the Australian Consumer Law, state and territory-based legislation, and the New Energy Tech Consumer Code.

The BECE reforms will consider a range of reforms options both in the near-term, including embedded networks and payment difficulty, as well as longer term actions, including the potential introduction of a consumer duty for energy.[451] The BECE reforms are closely linked to area C.1. of the CER taskforce which is also considering appropriate consumer protections for new energy services and businesses.

The approach, structure and regulations of retail tariffs, may impact the corresponding customer protections around those tariffs. Both our review and the BECE reforms are seeking to better enable innovative products and services. The pricing review discusses the changing role of energy service providers. We anticipate that the BECE work may extend some degree of customer protection to service providers that are not retailers. The two reviews share similar objectives in this respect.

The AEMC has been regularly inputting into the BECE process. DCCEEW is expecting to complete further consultation to support reform design in 2026.

G.8 DCCEEW Distribution System Market Operator

The *Redefining roles for market and power system operations (M3/P5)* workstream of the National CER Roadmap defined the roles and responsibilities for:[452]

- distribution level market operation, including consideration of a distribution level market and alternatives to effectively leverage CER through incentives or active coordination.
- power system operation in a high CER future, including defining and assigning the role of DSO given its importance in integrating CER.

The *Redefining roles for market and power system operations* final report, released on 16 December 2025, made six recommendations that Energy Ministers agreed to in December 2025. They are being implemented by the CER Taskforce and market bodies as part of the broader National CER Roadmap.[453] The following recommendations in that workstream interact with our reforms:

- DNSPs to be formalised as the DSO with clear rights, expectations and obligations set out in the National Electricity Rules (NER) on how DNSPs should undertake DSO activities to maximise CER value and whole-of-system benefits for consumers.[454]
- Distribution-level tools such as DOEs, dynamic network prices (DNPs) and flexibility services, be embedded and scaled to efficiently coordinate CER instead of introducing new and complex arrangements to establish a distribution level market.[455]
- a rules-based framework be established to drive consistent delivery of DSO activities across the NEM to simplify the task of engaging with 13 different NEM-based DNSPs [456]

451 DCCEEW, *Consultation Paper - Better Energy Customer Experiences*, DCCEEW, Australian Government, March 2025, p 7.
452 CER Taskforce, *Redefining roles for market and power systems operations (M3/P5)*, DCCEEW website, n.d., accessed 6 May 2026.
453 DCCEEW, Energy Ministers Agree to the National Consumer Energy Resources (CER) Roadmap.
454 CER Taskforce, *Redefining roles for market system operations (M3/P5) - Recommendation 1*, p xvi.
455 CER Taskforce, *Redefining roles for market system operations (M3/P5) - Recommendation 2*, p xvii.
456 CER Taskforce, *Redefining roles for market system operations (M3/P5) - Recommendation 3*, p xviii.

The Taskforce's position on dynamic network prices aligns with our vision for efficient tariffs, which are "prices that change in response to the actual cost to serve consumers, providing signals to consumers when their part of the network is constrained."[457] The Taskforce also recommends that a consistent approach for key DSO activities will reduce complexity and transaction costs for customer agents, network support service providers and network users.[458] This aligns with the pricing review, where efficient tariffs are based on real or near real-time conditions, and there is a consistent approach across networks for how these are calculated and communicated to network users, so that transaction costs for customers and their agents are minimised. Having more consistent network tariffs makes it easier for energy service providers to innovate and package better offers for their customers. See appendix Dfor further details.

G.9 DCCEEW Review and AER calculation of the Default Market Offer

The Default Market Offer sets the maximum price energy retailers can charge electricity consumers on default plans, known as standing offer contracts. These are contracts that apply to electricity supply services provided to consumers who they have not actively shopped around or switched to a new plan. The DMO price also acts as a reference price. When promoting offers, retailers must show the price of their offer in comparison to the DMO. This aims to help customers easily compare different electricity plans in the market.

DCCEEW recently reviewed the DMO and has made a number of reform recommendations.[459] These reforms will:

- require the determination of the DMO to be based on the efficient costs of serving those customers and cap the prices payable by those customers
- require the AER to determine a tariff cap for common standing offer tariff types to improve consumer price protections
- maintain the role of the DMO as reference price to help consumers compare electricity plans more easily
- introduce a Solar Sharer Offer (SSO) standing offer.

Our draft recommendation 2 proposed to replace several aspects of the DMO / Victorian Default Offer (VDO) by using competitive dynamics to deliver good outcomes for consumers. However, our final position is that, in the near term, the updated pricing safety nets may be a more proportionate way to protect standing offer customers from high prices.

In relation to the SSO we consider that the concept is consistent with the direction of our review, albeit the SSO is a regulated solution rather than a competitive one. Our recommendations could help support energy service providers in delivering the SSO. For example, we propose reforming network tariffs to reduce the variable component of the network tariff, which would reduce the risks that energy service providers might face in recovering network costs. It could allow for more innovative products such as the SSO to materialise.

The SSO's value would lie in signalling the need to incentivise discretionary load to be shifted to periods with plentiful, low cost supply. We consider that clear and effective communication with consumers will be essential to maximising the benefits from load shifting. We also consider that standing offers should continue to be a mechanism to drive competitive offers, not replace them.

457 CER Taskforce, Redefining roles for market system operations (M3/P5), p 148.
458 CER Taskforce, *Redefining roles for market system operations (M3/P5)*, p xvii.
459 DCCEEW, *Review Outcomes: 2025 reforms to the Default Market Offer*, DCCEEW, Australian Government, November 2025.

We remain of the view that safety net pricing should be a transitional measure as the generation mix transitions. Over time, the evolving market and technology would optimally reduce the need for price regulation such as the DMO / VDO, and mandated tariffs like the SSO. Improved comparison tools could also reduce the need for a reference price in the NEM. In the longer term if reforms considered in this review are progressed and competition in the market improves, these types of regulations may no longer be required.

G.10 DCCEEW Review into the effectiveness of the Prohibiting Energy Market Misconduct

In June 2025, DCCEEW released its review into the effectiveness of the Prohibiting Energy Market Misconduct (PEMM) Act. It recommends that provisions protecting against sharp increases in electricity prices should remain until the market has reached a steadier state, and identifying areas where provisions could be strengthened.[460] In December 2025, DCCEEW initiated further consultation on options to strengthen the act.[461] Several of these options interact with our final recommendations, specifically:

- transitioning the Australian Competition and Consumer Commission (ACCC) NEM Inquiry function to the AER
- options to make the PEMM retail provision 'symmetrical' – to protect consumers in both periods of cost increases and cost decreases. While DCCEEW proposed different mechanisms, they have a similar intent to our final recommendation to protect loyal customers (recommendation 1).[462]

DCCEEW is yet to release its final report on strengthening the PEMM Act. DCCEEW will be positioned to consider our final recommendations in its review.

The interactions with this review are discussed more in appendix A and appendix E.

G.11 Energy Charter customer-led tariff initiative

The Energy Charter, since November 2024, has been testing, modelling and co-designing customer-led tariff and retail plan combinations that can support better bill outcomes, smarter grid use and greater uptake of CER, and align with customer preferences.[463] The preliminary findings have informed our recommendations set out in this report. These are:

- tariffs paired with advanced retail plans delivered the strongest customer and system outcomes
- energy service providers reduced cost stacks and passed through real savings to customers
- most tariffs tested supported greater CER uptake and improved grid performance
- well-designed retail offers were critical to unlocking the full benefits.

Stage two of the project has proposed the following key recommendations:

- ensure pricing rules and principles are sufficiently flexible for network pricing to be designed for retailers

460 DCCEEW, *Review of the effectiveness of the Prohibiting Energy Market Misconduct (PEMM) Act 2019 (Cth) – Final Report – June 2025*, DCCEEW, Australian Government, June 2025.

461 DCCEEW, *Strengthening the Prohibiting Energy Market Misconduct provisions in the Competition and Consumer Act 2010* - Consultation Paper, December 2025.

462 DCCEEW, *Strengthening the Prohibiting Energy Market Misconduct provisions in the Competition and Consumer Act 2010* - Consultation Paper, December 2025, p 36.

463 The Energy Charter, *#BetterTogether - Customer-Led Tariff initiative*, The Energy Charter website, n.d., accessed 5 May 2026.

- explore the key retailer impact principles and framework that should be considered in the collaboration process between the network and retailers
- review existing regulatory barriers and consider new market mechanisms for subscription-style retail offers
- ensure future network tariff designs will improve network utilisation and lower network augmentation costs.[464]

Stage three of the project will action the recommendations of stage two into tangible outputs, including a Customer insights summary, tested pricing concepts through paper trials and exploration of a sandbox pathway.

This #BetterTogether initiative demonstrates that consumer advocates, energy service providers and networks can successfully collaborate to design tariffs that support the utilisation of the network, retail innovation and consumer preferences. In particular, it demonstrates that customer value is best realised when energy service providers can package tariffs into products and services.

The Energy Charter #BetterTogether initiative is consistent with the pricing review's proposal to introduce an energy service provider impact principle, as part of recommendation 3, make plans simpler.

G.12 National CER Roadmap reforms

To deliver priorities under the National CER Roadmap Implementation Plan, Energy Ministers agreed to establish an expert CER Taskforce. The Australian Government chairs the Taskforce which includes members from governments, the market bodies (including the AEMC), and has previously included academic and consumer representatives.

The CER Taskforce has identified several workstreams that seek to improve information and empower consumers. Notably, the following workstreams will provide recommendations in this area and interact with our final recommendations:[465]

- Identify options and opportunities to align and enhance existing CER information approaches across governments by end of 2026 (C.3.1)
- Design and deliver new approaches to capture new CER information opportunities by end of 2028 (C.3.2)
- Commencing in 2026, develop options to facilitate new market offers and tariff structures to extract greater benefits from CER (M.1.1).

There are a number of processes underway to review the related frameworks that support price regulation and market efficiency. Three are highlighted here as they interact with our final recommendations identified in appendix B and appendix D.

Under recommendation 2, make finding plans easier, (appendix B), we will continue to collaborate with DCCEEW to support better information to consumers under item C.3. If recommendation 3, make plans simpler, (appendix D) is implemented, it will help facilitate new market offers and value for CER assets. We will continue to consult with DCCEEW through any subsequent rule change process to support item M.1.1.

464 The Energy Charter, *#BetterTogether Customer-Led Tariff initiative Stage 2 Update Customer-first approach to tariff innovation*, The Energy Charter, December 2025, p 5.

465 DCCEEW, *National Consumer Energy Resources Roadmap: Implementation Plan Update*, Energy and Climate Change Ministerial Council, August 2025.

G.13 NEM wholesale market settings review

In November 2024, the Australian Government announced a review of the NEM wholesale market settings by an independent expert panel supported by DCCEEW (the NEM Review).[466] The purpose of the NEM Review was to recommend wholesale market settings to promote investment in firmed, renewable generation and storage capacity in the NEM following the conclusion of Capacity Investment Scheme tenders in 2027.

The NEM Review final report was delivered to Energy Ministers in December 2025. In the final report, the Panel highlighted areas where reforms could unlock broader consumer benefits if complemented by action from governments and market bodies – such as supporting the development of multi-year fixed-price retail contracts and progressing reforms to network tariff structures. This broadly aligns with our scope and direction.[467]

On 8 May 2026 Ministers (excluding Queensland) agreed to develop a legislative package to implement the Electricity Services Entry Mechanism (ESEM) and Market Making Obligation as measures recommended by the NEM wholesale market settings review, which was delivered to Ministers in December 2025.

G.14 Victorian review of the Energy Retail Code of Practice and CER reforms

The Essential Services Commission of Victoria (ESC) has been reviewing the Energy Retail Code of Practice to support the ongoing protection of gas and electricity customers in the Victorian retail energy market. In 2025, the ESC made a final decision that aims to address loyalty penalties (high prices paid by customers who are on older contracts with the same energy service providers) in Victoria. Stage 1 of the new rule requires retailers from 1 July 2026 to ensure customers on contracts that are four years or older are paying a reasonable price for their energy.[468] Stage 2 of the review is intended to amend the code of practice to address key actual or potential harms to Victorian consumers, clarify or update obligations identified as unclear or inconsistent and advance the ESC Getting to Fair: Advancing Equity strategy by further supporting consumers experiencing vulnerability. [469]

We note the importance of maintaining consistency across many of these reforms. We and the ESC are discussing ways to achieve consistency between the changing NECF and the Victorian retail energy market following the BECE review.

We may make recommendations to improve outcomes for consumers and the function of regulations as part of recommendation 4 (see appendix E). If we made recommendations, we would consult on the best course of action as appropriate, including how to support consistency between the NECF and Victorian frameworks.

466 DCCEEW, *National Electricity Market wholesale market settings review*, DCCEEW website, 30 April 2026, accessed 4 May 2026.

467 T Nelson, P Conboy, A Hancock, P Hirschhorn, *National Electricity Market wholesale market settings review, Final report*, DCCEEW, Australian Government, December 2025.

468 ESC (Essential Services Commission), *Energy Consumer Reforms Final Decision*, ESC, Victorian Government, 30 September 2025, p 37.

469 ESC, *Energy Retail Code of Practice review*, ESC website, n.d., accessed 7 May 2026.

H The reform package is designed to meet the Consumer Preference Principles and Consumer Archetypes

This appendix explains how the reform package meets the Consumer Preference Principles (CPPs) and supports a wide range of consumers, as represented by the Consumer Archetypes.

We developed the CPPs to capture the enduring elements of consumer wants and needs. This was an important tool to assess whether the solutions serve a diverse range of future consumers. In developing the CPPs we drew on analysis of consumer preferences around energy prices, products, services, and CER.[470]

In parallel, we developed the Consumer Archetypes to capture the diversity of customers in the future, recognising that no two customers are the same.[471]

Appendix B of the Consultation paper sets out the supporting research that developed the CPPs and Consumer Archetypes.[472]

For each preference principle, we first summarise how the reforms collectively respond to that preference, followed by illustrative examples. The second part of this appendix uses consumer archetypes to stress-test the impacts of the reforms across different levels of engagement and opportunity.

H.1 The reform package is designed to meet the Consumer Preference Principles

The CPPs capture consumers' consistent top priorities as demonstrated by publicly available customer research,[473] and have been informed by stakeholder feedback.[474]

The CPPs are not intended to be exhaustive. Consumers are diverse, and it is not possible to capture all potential customer preferences in a discrete and manageable framework. We acknowledge that some consumers may have priorities that are not recognised in the framework. All of our proposed solutions are rooted in the CPPs and collectively work together to achieve them.

470 AEMC, Terms of reference, *Pricing review: Electricity pricing for a consumer driven future, November 2024*, p 4.

471 AEMC, Terms of reference, p 4.

472 AEMC, *The pricing review: Electricity pricing for a consumer-driven future, Consultation paper*, 07 November 2024.

473 There is an extensive body of existing research on consumer sentiments and behaviours in the NEM. Throughout this review we have drawn on research from: Market bodies, academics, industry and trials to develop the CPPs. You can find this research in appendix B of the Consultation Paper.

474 We received constructive feedback on our CPPs and Archetypes in response to the Consultation paper. We took this feedback into account when refining the CPPs and Archetypes in the Discussion paper. You can find a summary of the feedback we received and how we took it into account when developing our CPPs and Archetypes in appendix B of the discussion paper.

Figure H.1: Consumer Preference Principles

H.1.1 Value for money

Our final recommendations are designed to deliver value for money by promoting effective competition, improving efficient use of and investment in network infrastructure, and putting downward pressure on system costs over time.

The reforms are intended to improve outcomes for consumers who do not regularly engage with the market. Raising awareness and evidence of the loyalty tax is expected to strengthen retail competition by increasing scrutiny of how energy service providers (ESP) treat longer-standing customers, and incentivising them to better demonstrate the value they offer to loyal consumers. The second part of this recommendation, to make new offers available to existing customers, will ensure that energy service providers' existing customers can access their chosen provider's most competitive plans.

Improved visibility of price differences, and access to the most competitively priced plans willhelp consumers better understand whether they are receiving value from their current offer. As a result of this improved visibility and access, some consumers may choose to switch plans to save money or access a superior service, while all consumers may benefit from improved competitive pressure across the market.

On the network side, our reforms are intended to better leverage the value for CER through symmetrical charges that better reflect network costs and consumers can receive payments for behaviours that reduce congestion and avoid unnecessary network investment. Where consumers or ESPs respond to these signals—either through their behaviour or autonomously using technology—this can reduce overall system costs, placing downward pressure on prices for all consumers, including those without access to CER.

Our analysis indicates that network tariff reform can result in $6 billion of savings for consumers.[475] These system benefits would flow through to consumers over time through lower network and energy costs.

475 AEMC, *The pricing review. Smarter, cleaner, cheaper energy: What network tariff reform means for consumers*, 23 April 2026.

H.1.2 Availability

The reforms are designed to preserve the availability of essential energy services while supporting greater choice during the transition.

Our recommendation to protect loyal customers (recommendation 1) will enable customers to access more competitive energy services through their current ESPs, improving their access to a broader range of competitive pricing options.

Consumers with CER will have greater choice over how their assets are used, through retail offerings that combine different levels of control, rewards and simplicity.

Improved network efficiency and better integration of CER can help reduce the need for network augmentation into the future, reducing overall system costs for consumers.

H.1.3 Meaningful options

Improving comparison tools and available information will support consumers' engagement with the retail market. By improving the relevance and clarity of the information presented—rather than simply increasing the volume of information—comparison tools as well as tools that help support consumers in making decisions about different services can help consumers distinguish between genuinely different products and avoid being drawn to offers that appear attractive upfront but deliver poor value over time. This supports more effective competition by encouraging retailers to compete on offers that deliver meaningful value to consumers, rather than relying on complexity or limited transparency.

Additionally, improved network pricing and clearer tariff design processes create space for ESPs to offer a wider range of meaningful products and services that better reflect consumer preferences.

H.1.4 Simple engagement

Our final recommendations promote simpler engagement by supporting consumers to access simpler product offerings while still benefiting from competition. Improvements to retail pricing information, and potential upgrades to the information and tools available through plan comparison services are intended to make it easier for consumers to compare offers and identify those that best meet their needs.

The Commission will continue to explore opportunities to improve consumer information and tools, particularly for consumers who want straightforward choices without the need for frequent or complex decision-making.

Energy Ministers have submitted a rule change request to us that would require a higher standard of engagement from energy retailers to customers.[476] This is seeking to require retailers to provide support more tailored to a customer's individual needs, including cultural, language and access requirements, where these can be reasonably known by a retailer.[477]

H.1.5 Appropriate protections

Our final recommendations are designed to ensure that fit-for-purpose consumer protections remain a permanent feature of the market, particularly during periods of transition. We want to

476 AEMC, Requiring retailers and distributors to engage with customers in a way that meets their needs, 10 June 2026.

477 ECMC, *Requiring retailers and distributors to engage with customers in a way that meets their needs,* rule change request, p 9.

make sure that consumers can continue to access energy services and product offerings that meet their needs, particularly as any reforms are being implemented.

Our regular reviews of consumer outcomes and rules and regulations, as indicated in recommendation 4, will assess whether the regulations continue to support good consumer outcomes, including by identifying and removing unnecessary regulatory burden while ensuring that consumer protections remain effective and proportionate.

A core component of our network pricing reforms under, Make plans simpler (recommendation 3) involves key design elements that would protect those consumers who would otherwise be negatively impacted by our reforms. This includes ensuring ESPs do not face risks or costs they cannot efficiently manage and would therefore likely pass onto consumers. One protection proposed is to require networks to design two tariff structure options (a basic tariff and a dynamic tariff), and allow ESPs to choose which tariff their customers are allocated to. Importantly, consumers would retain choice over the products they take up from their ESP. The ESP's choice of underlying network tariff would be a separate decision about how it manages its portfolio, responds to network signals, and creates opportunities for more compelling retail offers. For example, a retailer's decision to opt into a dynamic network tariff would not, of itself, determine the product or price structure offered to the consumer.

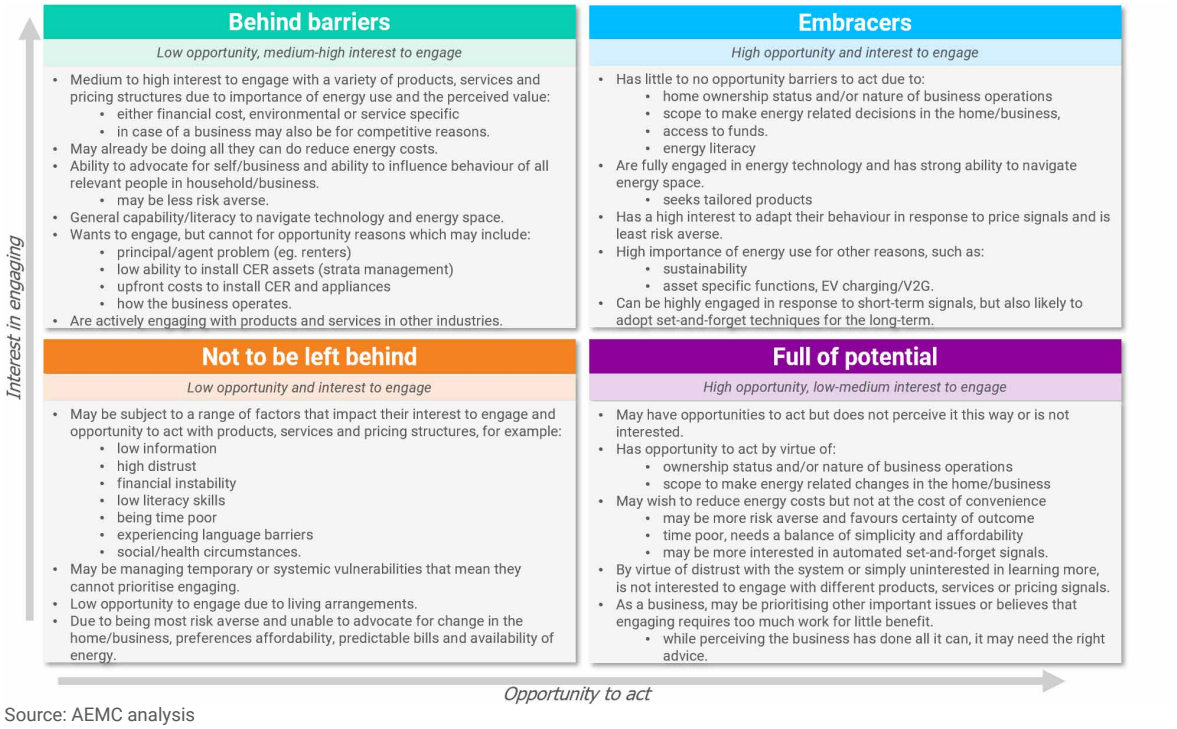
More broadly, the reforms are designed to complement existing and ongoing consumer protection initiatives and any implementation of our recommendations would need to be coordinated with this work. The BECE review being undertaken by DCCEEW is considering whether current frameworks remain suitable as consumer technologies and preferences evolve.[478]

H.2 The proposed reform package will deliver better outcomes for a wide range of consumers and promote a more equitable energy system

The Consumer Archetypes are used to illustrate how the reforms affect consumers with different levels of engagement and opportunity. They are not fixed categories, and consumers may move between archetypes over time as their circumstances change.

478 DCCEEW, *Better Energy Customer Experiences*. May 2026.

Figure H.2: Consumer Archetypes



Source: AEMC analysis

H.2.1 Embracers

These consumers are already highly engaged with the energy market and energy technologies and actively seek opportunities to optimise their energy use. They are more likely to own their home or premises and to have adopted CER such as rooftop solar, batteries, electric vehicles and smart energy management systems. Consumers in this group often have a higher tolerance for complexity, risk, and responsiveness to price signals.

Our final recommendations enable these consumers to benefit from more dynamic and efficient pricing arrangements that better reflect system conditions. More efficient network tariffs allow embracers, either directly or through their ESPs, to take advantage of low-cost periods when the network is uncongested and to earn rewards by responding to network or wholesale price signals during periods of congestion or high demand.

This creates stronger incentives for flexible use of energy and CER in ways that reduce overall system costs. It also promotes efficient investment in CER and can improve the returns consumers can achieve through these investments.

While reforms to network tariff structures may reduce the ability of some embracers to avoid volumetric network charges compared to current arrangements, these consumers retain significant opportunities to lower their overall energy costs. This includes shifting usage to low-cost periods, substituting electricity for gas or petrol, and earning rewards for providing flexibility. Importantly, when embracers reduce their costs through these mechanisms, they do so by contributing to lower system costs, delivering benefits to all consumers and supporting more equitable outcomes across the energy system.

H.2.2 Behind barriers

These consumers are willing to engage with the energy system, but may face structural barriers that limit their ability to do so. These barriers may include housing type, tenure arrangements, financial constraints, access to capital, or the operational characteristics of their business.

Our final recommendations support improved outcomes for these consumers by encouraging competition on product design and service quality, rather than relying on individual investment in CER. More efficient network tariffs and clearer pricing frameworks are intended to support the development of innovative retail products that bundle services and spread costs over time, such as subscription-based offerings that include access to solar, batteries, electric vehicle charging or load management without requiring upfront capital investment.

Improved comparison tools and information are intended to make it easier for these consumers to identify suitable offers, while increasing transparency of the loyalty tax will encourage some consumers to actively engage or switch more regularly. For those consumers who remain unable to overcome these structural barriers, more efficient network tariff structures help ensure they can still benefit from system-wide CER deployment through lower overall costs, even where they are unable to own or directly use CER themselves.

H.2.3 Full of potential

These consumers have the capability to engage with the market but may choose not to do so, often due to low trust, limited interest, or a preference for convenience over active management. They may be willing to engage under the right conditions but are currently deterred by complexity, perceived risk, or uncertainty about whether engagement will deliver meaningful benefits.

Our final recommendations are designed to improve outcomes for these consumers regardless of their level of engagement. Raising awareness of the loyalty tax is expected to strengthen retail competition by increasing scrutiny of how ESPs treat longer-standing customers, and incentivising them to better demonstrate the value they offer to loyal consumers. Improved visibility of price differences will also help consumers better understand whether they are receiving value from their current offer. As a result, some consumers may choose to switch plans where it is beneficial, delivering meaningful savings to them, while others may benefit from improved competitive pressure across the market.

At the same time, key design features of our network recommendations ensure that simple and familiar retail offerings remain available, while innovation in products and services continues in the background. As comparison tools improve and ESPs develop clearer, more intuitive offerings, these consumers may find it easier to engage if and when they choose to do so. Where they remain disengaged, they would still benefit from lower system costs and improved value flowing through to retail prices.

H.2.4 Not to be left behind

These consumers have low opportunity and low interest in engaging with the energy market. They are least able to respond to price signals or adopt new technologies but are most exposed to poor outcomes under current pricing arrangements.

Our final recommendations will support some of these consumers from systematically higher prices. Increasing transparency of the loyalty tax will encourage some disengaged customers to actively seek out better offers. More efficient network tariffs also reduce cross-subsidies, ensuring that when other consumers lower their bills, they do so by reducing system costs rather than shifting costs onto others.

While some reforms—particularly changes to network tariff structures—may create short-term impacts for certain consumers, we have also put in place key design elements to ensure impacts are manageable and proportionate. Existing consumer protections - as well as government concessions - will continue to play an essential role for consumers experiencing hardship or vulnerability.

Abbreviations and defined terms

ACCC	Australian Competition and Consumer Commission
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
API	Application programming interface
BECE	Better Energy Customer Experiences - DCCEEW's 2025 review of consumer protections
BESS	Battery Energy Storage System
CER	Consumer Energy Resources
Commission	See AEMC
CPP	The pricing review's Consumer Preference Principles
DCCEEW	Department of Climate Change, Energy, the Environment and Water
DER	Distributed energy resources
DMO	Default Market Offer
DNSP	Distribution system network operator
ENRR	Electricity Network Regulation Review (AEMC)
ESC	Essential Services Commission of Victoria
ESP	Energy service provider
EV	Electric vehicle
ICCIREP	Improving consumer confidence in retail energy plans
IPART	The Independent Pricing and Regulatory Tribunal
LRMC	Long run marginal cost
NECF	National Energy Customer Framework
NEL	National Electricity Law
NEM	National Energy Market
NEO	National Electricity Objective
NER	National Electricity Rules
NERL	National Energy Retail Law
NERO	National Energy Retail Objective
NERR	National Energy Retail Rules
NGL	National Gas Law
NGO	National Gas Objective
NGR	National Gas Rules
NMI	National metering identifier
PEMM	Prohibiting Energy Market Misconduct Act
RPIG	Retail pricing information guidelines
SRMC	Short run marginal cost
SSO	Solar sharer offer
TSS	Tariff Structure Statement

VDO	Victorian Default Offer
VPP	Virtual Power Plant