(Verbal) Submission to the Electricity Network Regulation Review (ENRR) Package #1

Independent consumer advocates:

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1 Summary

This submission responds to the AEMC's Electricity Network Regulation Review Package 1, with a particular focus on service classification, ring-fencing, consumer engagement and equity. We support a regulatory framework that can adapt to the energy transition but consider that any expansion of regulated network services must be justified by clear evidence of consumer need, market failure and long-term consumer benefit. The review should not assume that past market and regulatory reforms have consistently delivered lower costs or better outcomes for households and small businesses. Historical evidence of rising housing and energy costs, declining network productivity and projected changes in household electricity consumption reinforce the need for scrutiny of future network expenditure and new regulated services.

Service classification decisions should be principles-based, transparent and evidence-led.

The AEMC should require robust empirical evidence before allowing distribution network service providers to expand into contestable activities such as electric vehicle charging infrastructure. Claims about market failure, barriers to entry, connection delays or facility access should be tested objectively, with input from DNSPs, competitors, consumers and relevant market bodies where necessary. If an expansion in network services is justified, it should be targeted, proportionate and time-limited rather than open-ended.

Equity should be central to the review. Consumers who are unlikely to use or benefit from emerging services, including lower-income households, renters and older consumers, should not be required to subsidise infrastructure that primarily benefits higher-income users. For this reason, if electric vehicle charging infrastructure is classified as a distribution service, alternative control classification is likely to provide stronger consumer protection than standard control classification because it better aligns costs with users and reduces cross-subsidisation risks.

A key network argument for it being a standard control service is that all consumers benefit from the emission reduction that expanding EV charging may cause. The submission urges caution in using emissions reduction as a justification for expanding network standard control services. There is no willingness-to-pay evidence for those who are paying for the service but who do not own EVs and consumers have no evidence to support the view that this is the most efficient way of reducing emissions because the networks have not provided a marginal cost of abatement curve to compare the costs of their proposal with alternative ways of reducing emissions. The argument that all consumers will benefit from greater utilisation may have some merit, but allocation of costs based on this should be contingent on robust quantitative evidence and a robust approach to protect allocate costs proportionately.

More broadly, consumer engagement in network regulatory processes should be strengthened so that it meaningfully shapes proposals rather than operating as a compliance exercise. The AEMC should ensure that consumer views, especially those of vulnerable and under-represented consumers, are sought early, tested transparently and reflected in decisions that affect the long-term interests of households and small businesses.

2 Context

2.1 About the review

In June 2026, the Australian Energy Market Commission (AEMC) commenced its Electricity Network Regulation Review (ENRR). The AEMC is conducting the review in two work packages.

Package 1 examines the future of electricity network regulation as the National Electricity Market transitions to a net-zero system. This first package focuses on service classification and ring-fencing, including defining the boundaries of regulation: which services network service providers should deliver in a regulated capacity, and safeguards that should apply if networks participate in contestable markets. Package 1 also considers cost allocation and shared asset frameworks, with the review intended to establish key policy principles by the end of 2026.

Package 2 will consider how the regulatory framework can support efficient service delivery, allocate risk appropriately between network service providers and consumers, and deliver positive consumer outcomes through effective regulatory processes. The consultation also considers two related rule change requests: one seeking stronger ring-fencing arrangements for emerging energy markets, and another proposing that distribution network service providers be able to roll out kerbside electric vehicle charging infrastructure as a regulated service. Considering these matters together allows the Commission to assess them against a consistent set of policy principles and within the broader evolution of electricity network regulation.

This submission responds to the AEMC's Consultation Paper for Package 1. With our limited resources, we have not been able to respond to all questions in the consultation paper. Instead, our submission is based on some broad themes and areas of concern, in particular:

- Service classification
- Consumer engagement

2.2 Consideration of consumer interests in the review

This section builds on the preceding historical context by considering the importance of consumer interests in the ENRR process itself, to ensure the review's conclusions reflect the direct needs and long-term interests of households and small businesses.

The AEMC preceded the review with the publication of draft Terms of Reference in December 2025. In that paper the AEMC indicated the review would consider: [1]

> "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 ... so ensuring the regulatory framework remains fit for purpose is critical to achieving outcomes in the long term interest of consumers."

Given the aims of the review, consumer views must be considered alongside those of networks and other stakeholders. However, it should not be assumed that the interests of networks, other stakeholders and consumers are aligned. To ensure the review fairly reflects consumer views and preferences, and to help other stakeholders understand consumer interests, consumers, including consumer advocates, must be directly engaged throughout the review process.

Consequently, in response to that paper, a group of consumer representatives with considerable depth of experience in electricity network regulatory processes (including all of the authors of this submission), wrote to the AEMC in March 2026 urging it to establish to establish a dedicated Consumer Advisory Group (CAG) to provide structured consumer focused input throughout the ENRR. Specifically, we proposed that the AEMC should establish a Consumer Advisory Group for the ENRR.

Disappointingly for consumers, the AEMC advised us it would not proceed with our proposal. However, it indicated a willingness to reimburse travel expenses for consumer representatives to attend its public forums if they are not engaged by another organisation to provide advice or

[1] AEMC, *Draft Terms of Reference, Electricity Network Regulation Review*, 18 December 2025

input on the energy network regulation review.[2] It also offered to meet with consumer representatives to facilitate a verbal submission.

The consumer representatives who wrote this submission met with the AEMC on 22 July 2026, to provide verbal responses to the questions posed in the AEMC's Consultation Paper on the ENRR Package #1.[3] The AEMC provided us with a first draft of this submission (meeting notes),[4] which we have since adapted into a formal submission to more accurately reflect our views.[5]

2.3 Review Framework

Historical context

Electricity network regulation has developed over almost 30 years alongside the evolution of the National Electricity Market (NEM). In that period, the original policy expectation was that market reform, driven by competition (eg as articulated in Hilmer and Parer Reviews) and economic regulation would place downward pressure on costs and deliver better outcomes for consumers. We consider that the review should begin by testing that expectation against the lived experience of households and small businesses 30 years of experiences is clear indication of the "long term interest" of the original NEM customers.

We encourage the AEMC to reflect on the history of the NEM and assess what has been learned from past regulatory and market reforms. It should consider whether consumers have received the promised benefits of competition when essential costs such as housing and energy have continued to rise over the past two decades. These costs are central to basic household needs, and sustained increases raise questions about whether the regulatory framework has adequately protected consumers' long-term interests.

We present the following historical evidence on housing and energy prices to illustrate these concerns. Figure 1 clearly shows a massive growth in housing costs since 2000 to roughly 60% above the 2011 baseline in 2020.

2 Noting that other than being reimbursed for travel the AEMC was not able to compensate consumer representatives for their time

3 AEMC attendees included the Review Director, Senior Manager, Market Specialist, and Advisers

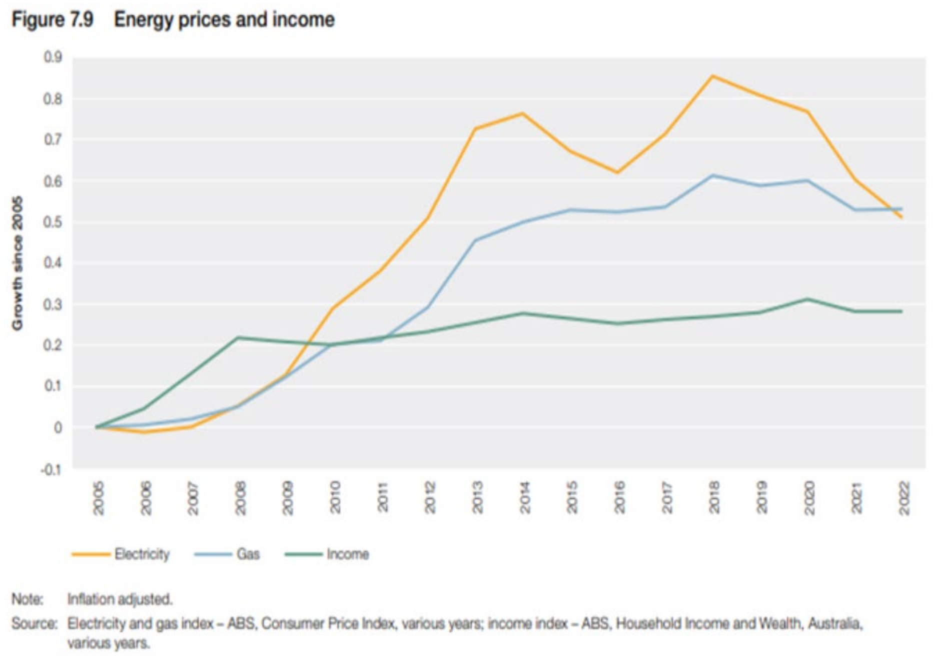
4 Albeit AI assisted using Co-Pilot

5 Noting, Dean Lombard was a late apology to that meeting but has since contributed to this submission. Although Kieran Donoghue also attended the meeting, due to potentially conflicting circumstances, he is not an author of this submission.

Figure 1: housing costs index over past 140 years[6]

The second graph shows that energy prices (electricity and gas) in Australia have grown much faster than household income since 2005 — even after adjusting for inflation. Clearly energy costs have outpaced people's earnings for nearly two decades.

Figure 2: Energy prices and income indexes, 2005 to 2022[7]



It is apparent that consumers have not consistently received the promised benefits of competition, particularly where real energy costs have continued to rise over the long term.

The review should also consider the present state of consumer outcomes, including whether electricity networks are delivering productivity improvements comparable to the broader economy. As shown in Figures 3 and 4, both electricity distribution and transmission and the wider utilities sector have become less productive over time, even as the rest of the economy has held steady. These widening gaps matter because declining productivity in essential services usually leads to higher costs for households and businesses.

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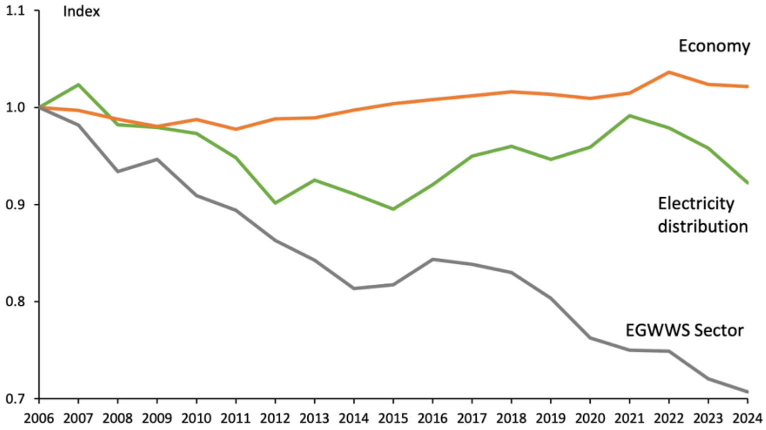
6 Grattan Institute, *The energy price crunch*, 2023, p. 92

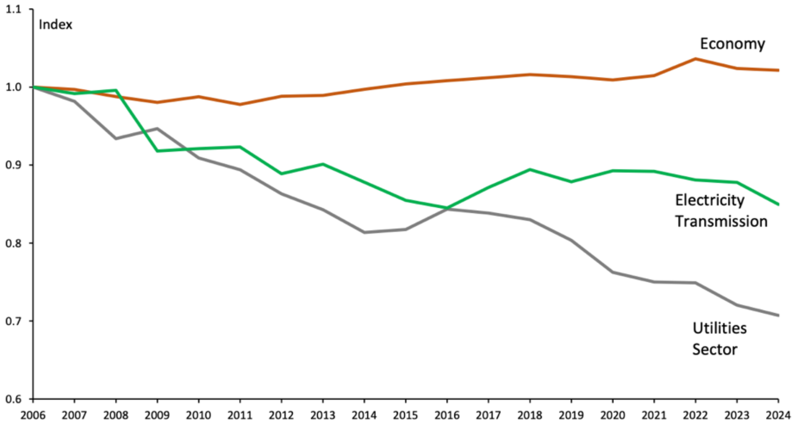
7 Ibid, p. 94

Figure 3: Electricity distribution, utilities sector, and economy productivity, 2006-24[8]



Source: Quantonomics; AER analysis.

Figure 3: Electricity transmission, utilities sector, and economy TFP, 2006-24[9]



Finally, this historical context should inform how the AEMC assesses future network regulation. Experience suggests that projected capital expenditure and new regulated services should be tested carefully against likely consumer demand and consumer benefit. As shown in Figure 5, projections of declining household electricity consumption over the next 20 years raise further questions about whether future network expenditure proposals are aligned with what consumers will need and be willing to pay for.[10]

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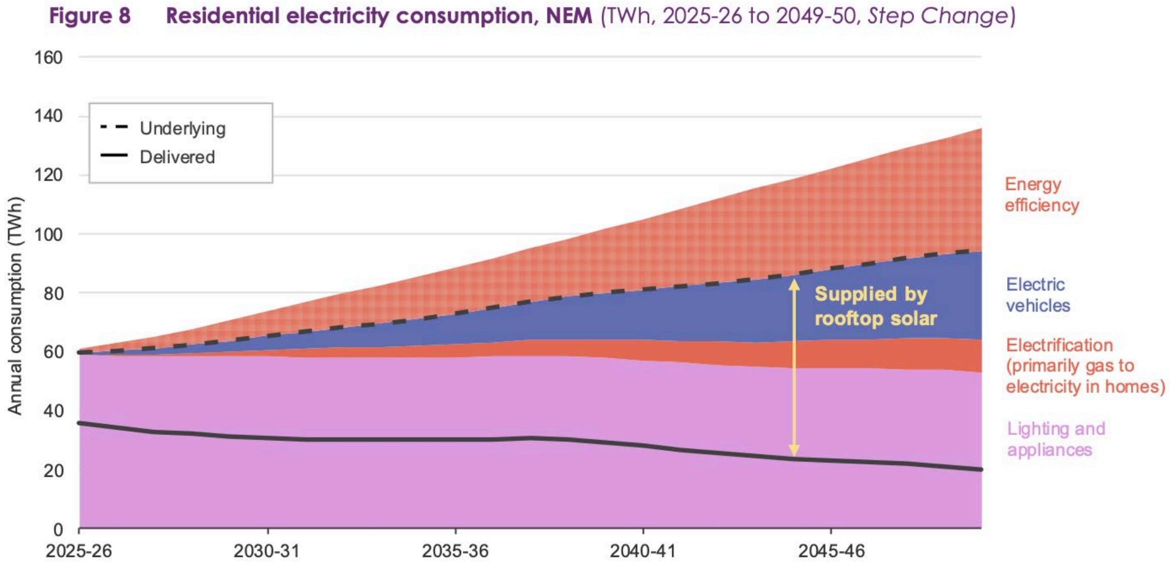
8 AER, *Annual Benchmarking Report, Electricity distribution network service providers*, November 2025, p.9

9 AER, *Annual Benchmarking Report, Electricity transmission network service providers*, November 2025, p.9

10 AEMO, *2026 Integrated System Plan for the National Electricity Market*, June 2026, p.45

Figure 5: Expected residential electricity consumption to 2050. ISP – Note declining delivered demand



Taken together, this historical demonstrates why the ENRR should not assume that past regulatory settings have delivered effective consumer protection or efficient long-term outcomes. The review should therefore apply scrutiny to proposals for new regulated services, capital expenditure and market participation by networks, ensuring that any future framework is grounded in demonstrated consumer need, transparent evidence and clear long-term benefits for households and small businesses.

Review Framework.

This discussion translates into a preferred framework all aspects of the review

1. Evidence from the past: Consider the evidence from near 30 years NEM experience, with a focus on whether material consumer benefit has been achieved
2. Evidence from the present – is the system working? Including the extent to which existing network investment is being efficiently used and consumer benefit delivered.
3. Likely future need and costs: Noting that delivered demand for residential and small business customers, in aggregate, is falling.

3 Our broad views on service classification

3.1 Evidence and principles

Principles-based regulation has an important role in a changing energy system, but principles must be applied transparently and supported by evidence. Consumer trust depends on regulatory decisions that are data driven - clearly identifying the evidence relied on, the trade-offs considered and the reasons for preferring one approach over another. If comprehensive data is unavailable, the AEMC should state the basis for its decision and the uncertainty that remains.

Identifying a market failure does not mean there is only one regulatory response, or that network provision of pole-top chargers is the preferred response. As the AEMC explains in its guidance on the National Energy Objectives[11]:

> *"Another example of a market failure is when barriers stop consumers and suppliers from entering and exiting the market. However, it is important to also consider whether the costs of removing those barriers outweigh the benefits."*

The AEMC should therefore consider whether collaborative, targeted or transitional responses could address any identified barriers more effectively and equitably than expanding regulated network services. This assessment should include direct consumer input rather than assumptions about consumer preferences or benefits. Service classification should be guided by demonstrated consumer benefit, not by a presumption that distribution network service providers should expand into new activities because they are technically capable of doing so. For kerbside electric vehicle charging, the relevant question is not whether DNSPs can provide these services, but whether consumers need them to do so as a regulated service where competitive providers already exist.

What we have so far are competing narratives from network and private providers about what is supposed to be happening (or not happening) that justify their position. Each party to the two rule changes have an onus of proof to provide much more than anecdotal evidence to support their position and justify a rule change. The AEMC should require clear empirical evidence before expanding regulated services and changing the boundary between monopoly and contestable activities. Claims of market failure, barriers to entry or DNSP conduct that impedes competition should be tested against robust evidence. Where individual stakeholders cannot reasonably obtain that evidence, the AER, ACCC or another appropriate market body should be asked to gather and assess it.

If it is not possible to obtain that evidence then the AEMC should clearly explain the evidence it relied on, the competing accounts it considered, and why its preferred approach best serves consumers' long-term interests.

3.2 Market failure may not be forever

Even where evidence supports intervention in the form of network provision of ECVI, regulated provision should not be open-ended. Any classification of EVCI as a distribution service should be time-limited and subject to review. A five-year limit, followed by an assessment of whether the classification remains justified, would allow regulation to respond to market development without locking in network provision longer than necessary.

The ENA rule change request should be assessed on that basis.

[11] AEMC, *How the national energy objectives shape our decisions*, March 2024, p.7

3.3 Equity

The AEMC's decision is about whether EVCI should be a distribution service. It is the AER's decision on whether it is a standard or alternative control service. Nevertheless, we think the AEMC should consider the implications of the AER agreeing to the networks preference for it to be a standard control service.

This choice has considerable equity implications – standard control services are paid for by all consumers irrespective of whether they have an EV. Alternative control services are paid by EV owners. Classification as a standard control service has potentially significant equity implications and non-EV owners cross -subsidising EV owners when non-EV owners tend to be less affluent. We do not think it consistent with the NEO that a pensioner renting in Woy Woy should cross subsidise the owner of a Porsche EV living in a Paddington terrace and parking their car on the street.

This inefficient and inequitable cross subsidy is avoided were the service to be classified as an alternative control service where EV users pay the full cost of provision of the distribution service.

3.4 Justification of decisions

We consider the AEMC needs to be careful using emissions reduction as a justification for regulatory changes. Without a marginal cost of abatement analysis, such criteria could lead to inefficient or inequitable outcomes. In the absence of explicit AEMC guidance on how the value of emissions reductions should be considered by networks, the onus should be on networks to show the marginal cost of abatement from their proposed investment and how this compares with other emission reduction options. Ideally this should include willingness to pay support from their customers. Justifying network investments on emissions grounds could set a precedent for large-scale proposals that may not align with consumers' long-term interests. As previously stated, assertions about market failure, barriers to entry, or DNSP conduct that restricts competition should be assessed against strong evidence. Where individual stakeholders cannot reasonably obtain that evidence, the AER, ACCC or another appropriate market body should be asked to gather and assess it.

Emissions reduction objectives are important, but they should not be used as a stand-alone justification for regulated network expenditure. For example, treating EVCI as a standard control service on sustainability grounds could encourage greater private vehicle use rather than more sustainable transport outcomes. Any proposal should be tested against broader transport, equity and consumer benefit considerations, including whether it represents an efficient marginal cost of abatement compared with other emissions reduction options.

3.5 Timing of decisions

The timing of service classification decisions also warrants review. Important decisions are often made through the Framework and Approach (F&A) process before consumers and their representatives have meaningful opportunities to engage in the development of the F&A process and the implications of different service classifications. The AEMC should consider whether current processes give consumers a fair and effective opportunity to influence service classification outcomes.

4 Consumer engagement considerations for DNSP regulatory processes

Consumer engagement should be treated as a substantive test of whether consumer views have influenced regulatory proposals, not as a process of simply informing consumers after key positions have been formed. Effective engagement should show how consumer views have been sought, tested, considered, validated and, where appropriate, incorporated into network proposals.

The AEMC should examine how consumer engagement requirements operate in practice and consider whether clearer guidance, assessment criteria or procedural safeguards are needed. Regulatory decisions should test whether engagement has materially influenced proposals, whether consumer concerns have been addressed transparently, and whether vulnerable, low-income and otherwise under-represented consumers have been adequately included.

These requirements are especially important because consumer advocates and network businesses do not participate in regulatory processes on an equal footing. Network businesses generally have significantly greater resources, technical capability and access to information. This imbalance makes it difficult for consumer perspectives to be represented effectively, including in broad reviews such as the ENRR, as discussed in Section 2.

Overall, the AEMC should strengthen the way consumer engagement, equity and emissions-related claims are assessed in DNSP regulatory processes. Decisions should be informed by comprehensive engagement, transparent evidence and up-to-date information, with particular attention to how costs and benefits affect different consumer groups.

5 Key messages

- Apply a review framework for all aspects of the review based on better consumer outcomes:
    - Evidence from the past: has material consumer benefit has been achieved
    - Evidence from the present – where is the system working?
    - Likely future need and costs:
- **Evidence for market failure and barriers to entry:** The AEMC should base any change to service classification on clear empirical evidence. This includes evidence from DNSPs, competitors and consumer representatives about connection delays, facility access issues and barriers to entry in contestable markets, including EV charging.
- **Effective consumer engagement:** Consumer engagement requirements should be reviewed to ensure they influence regulatory proposals in practice. Engagement should show how consumer views were sought, tested, considered and reflected in final decisions, rather than operating as a compliance exercise.
- **Equity in service classification and funding:** Any proposal to regulate EVCI should be assessed for its distributional impacts. In particular, the AEMC should test whether costs would be recovered from consumers who are unlikely to use or benefit from the service, including lower-income households, renters and older consumers.
- **Emissions claims and marginal cost of abatement:** Emissions reduction should not be used as a stand-alone justification for regulated network expenditure. Proposals should include a marginal cost of abatement assessment so the AEMC can compare them with other emissions reduction options and avoid inefficient or inequitable outcomes.
- **Classification of EV charging services:** If EV charging infrastructure is classified as a distribution service, the default approach should be alternative control rather than standard control. This would better align costs with users and reduce the risk that all consumers subsidise services that primarily benefit EV owners.
- **Timing of Framework and Approach decisions:** The AEMC should review whether Framework and Approach processes allow enough time and information for meaningful consumer input. Early service classification and form-of-control decisions can have long-term consequences, so consumers should have a genuine opportunity to influence them before they become difficult to change.