1/6 Gritten St
Weston ACT 2611
02 6202 7200
actcoss@actcoss.org.au
actcoss.org.au

Independent Competition and Regulatory Commission
GPO Box 158
Canberra ACT 2601
icrc@act.gov.au

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Dear Madam/Sir

Electricity is an essential service, meaning electricity prices are felt disproportionately by people on lower incomes. ACTCOSS' submission on the ICRC issues paper is narrow and reflects a single motivation: ensuring that the interests of energy consumers experiencing economic disadvantage are promoted. We will engage more fully at the draft report stage.

Our interest is in the standing offer as the price cap for the designated retailer, and in the reference price derived from it as the anchor for price expectations across the ACT market. Our recommendations draw on the Commission's own reports and on the Commonwealth's 2025 reform of the Default Market Offer (DMO), which limits the DMO to efficient costs, excludes any competition allowance or headroom, and allows only modest customer acquisition and retention costs.

Measuring vulnerability (Questions 1 and 2)

In 2024 the Commission relied on ActewAGL's advice that 93.6 per cent of its hardship customers were on market offers to set aside the concern that standing offer customers are more likely to be vulnerable.[1] The 2025 Electricity Market Monitoring Report puts the figure for all ACT hardship customers at 96.3 per cent.[2] It should not be relied on in isolation, for three reasons.

Hardship program customers are a narrower cohort than customers in hardship.

Hardship program participants are 1.1 per cent of ACT residential customers, the lowest rate in the National Electricity Market (NEM); concession card holders are around 15 per cent, a cohort more than 13 times larger.[3]

[1] ICRC, Retail electricity price investigation 2024–27: Final report (Report 5 of 2024), June 2024, p. 9.

[2] ICRC, ACT Electricity Market Monitoring Report 2025 (Final), Table 5.1 (2,075 of 2,155 hardship customers across all ACT retailers).

[3] ICRC, ACT Electricity Market Monitoring Report 2025, Figures 5.1 and 5.3.

Energy Consumers Australia found in 2025 that around 19 per cent of Australian households meet at least one indicator of energy hardship and that 79 per cent of those are not in a retailer hardship program.[4]

Being on a market offer is not an effective measure of active market engagement.

Customers on legacy flat-rate offers pay a median of 10 per cent, or $207 a year, more than customers on the same retailer's new offers.[5] An inactive market offer has more in common with a standing offer customer than with a new customer on an acquisition plan. The share of customers on market offers therefore says little about the prices they pay relative to the standing offer. A lower standing offer therefore benefits a larger cohort than the customers on it.

A better measure is available at low cost.

The Commission's monitoring data request already collects customer numbers by offer from the four largest retailers, covering 98 per cent of small customers.[6] Those retailers hold data on which of those customers receive the Electricity, Gas and Water Rebate to the bill, Centrepay status, and customer address.

> **Recommendation 1:** Improve equity and hardship related monitoring data. Report disaggregated data on concession, Centrepay and suburb by offer and tariff type in the annual monitoring data request and publish the results.

The standing offer should only reflect efficient cost (Questions 5 and 6)

The Terms of Reference ask whether the methodology provides excessive margins, so that standing offer customers pay materially more than active customers. While welcoming the question, ACTCOSS makes the point again that legacy market offer customers are not necessarily active.

The Commonwealth has moved away from competition headroom. Since 1 July 2026 the DMO objective is a "fair, trusted and reasonably priced electricity option that reflects the costs of supplying small customers with an essential service". The reasonable profit principle is gone, only efficient costs are included, and the Explanatory Statement provides that "only modest costs associated with customer acquisition and retention should be included,

[4] Energy Consumers Australia, Understanding and measuring energy hardship in Australia (Consumer Energy Report Card, June 2025), July 2025.

[5] ICRC, ACT Electricity Market Monitoring Report 2025, Figure 2.8.

[6] ICRC, ACT Electricity Market Monitoring Report 2025, section 1.2 (data sources).

and that any competition allowance (or headroom) should be excluded".[7] ACTCOSS endorses this approach from the Commonwealth, and the ICRC should follow it. In the Commission's methodology the two elements sit in different places: customer acquisition and retention costs within the retail operating cost benchmark, and headroom within the retail margin, which the Commission has described as including "headroom for competition, which ensures that retailers with higher-than-average costs are still able to compete".[8]

Customer acquisition and retention costs.

The Commission's retail operating cost benchmark of $173 per customer, in 2023–24 dollars, is a customer-weighted average of the AER and Essential Services Commission of Victoria (ESC) allowances and includes customer acquisition and retention costs, which the Commission does not publish separately.[9] The ESC's draft 2026–27 allowance is $148 per customer excluding GST, of which $48 is acquisition and retention and $35 bad debt; the AER's 2026–27 residential allowances for the same bundle range from $176 to $211.[10] Tracking the reformed DMO would not, by itself, lower the benchmark. The case for change rests on the acquisition and retention component.

Acquisition and retention costs are costs of competing for customers who compare offers. Standing offer customers are not won through marketing or held by retention spending, so there is no efficiency case for recovering it from them. Its social value is doubtful in any case: electricity is homogeneous (product difference only exists in pricing plans and customer service) and total demand is set by need, so advertising can only move customers between retailers, and where one retailer holds over 70 per cent of residential customers and fewer than 4 per cent switch each year, it moves few.[11] The AER now weights acquisition and retention data by share of standing offer customers, producing a modest allowance below the market average; the ESC's allowance is lower again.[12]

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[7] Competition and Consumer (Industry Code—Electricity Retail) Regulations 2019 (Cth), as amended by the Competition and Consumer (Industry Code—Electricity Retail) Amendment Regulations 2026, s 9A; Explanatory Statement, p. 2 and items 39–44; DCCEEW, Review Outcomes: 2025 reforms to the Default Market Offer, 4 November 2025, pp. 6–8. See AER, Final determination 2026–27, pp. 15–18.

[8] ICRC, Retail electricity price investigation 2024–27: Final report, June 2024, p. 4.

[9] ICRC, Standing offer prices for the supply of electricity to small customers from 1 July 2027: Issues paper (Report 5 of 2026), August 2026, section 4.2.7.

[10] ESC, Victorian Default Offer 2026–27: Draft decision paper, 12 March 2026 (retail operating costs of $148 per customer excluding GST, comprising cost to serve, $48 acquisition and retention and $35 bad debt); AER, Final determination 2026–27, Table 7.2 (retail and other costs plus bad debt, residential, excluding smart meter costs and CPI adjustment).

[11] ICRC, ACT Electricity Market Monitoring Report 2025, Figures 4.2 and 4.8.

[12] AER, Default market offer prices 2026–27: Final determination, 26 May 2026, section 7.3.2 (pp. 64–65).

Recommendation 2: Remove customer acquisition and retention costs from the benchmark. Exclude customer acquisition and retention costs from the retail operating cost benchmark or, at minimum, reduce them to a modest amount using the AER's standing-offer-weighted method, and publish the component.

Retail margin

The Commission's 5.5 per cent retail margin sits between the 2025–26 VDO at 5 per cent and the AER's 6 per cent, and inside Frontier Economics' 4.5 to 5.9 per cent expected returns range. 13 The margin, by the Commission's own description, includes headroom for competition, which the Commonwealth has now excluded from the DMO. Second, the risk the margin compensates is lower in the ACT than in any DMO region or in Victoria: the designated retailer holds over 70 per cent of residential customers and faces the lowest switching rate in the NEM. A margin struck at the lower end of the expected returns range, without headroom, is 5 per cent.

Recommendation 3: Set the retail margin at 5 per cent, in line with the Victorian Default Offer (VDO), with no headroom for competition.

Retailers compete for customers who compare offers and price the rest by reference to the cap. The ACT market is maturing in this way: the share of flat-rate customers paying 30 per cent or more below the reference price fell from 16 per cent in 2024 to 6 per cent in 2025, price dispersion widened, and legacy offers were repriced upward.[14] Retailers are spending less to win customers and moving existing customers toward the cap to harvest profit.

Embedded network residents, in caravan parks and retirement villages, are in the same position by construction: their network operator may charge up to ActewAGL's standing offer, they cannot switch retailer, and whatever competition-related cost sits in the standing offer they pay without access to a market offer. The Commonwealth will apply the DMO to embedded network customers from 2027–28, and the ACT should provide equivalent protection.[15]

Recommendation 4: Protect inactive market offer customers. Advise the Treasurer on a rule that no existing customer pays more than the retailer's new-customer price for the same tariff, and on reference price protection for embedded network customers.

The time-of-use standing offer (Questions 7 to 9)

[13] AER, Default market offer prices 2026–27: Final determination, 26 May 2026, chapter 8 (pp. 70–74); ESC, Victorian Default Offer 2025–26 final decision, 21 May 2025.

[14] ICRC, ACT Electricity Market Monitoring Report 2025, Figures 2.4 and 2.5 and accompanying text.

[15] AER, (Retail) Exempt Selling Guideline, core exemption conditions on pricing; AER, Final determination 2026–27, p. 16 (extension of the DMO to embedded networks from DMO 9).

ACTCOSS supports cost-reflective network pricing. Time-of-use tariffs price the network's peak, defer investment and make room for electrification, and 26 per cent of ACT residential customers are already on them.[16] The question is which customer the cap is modelled on.

If the representative load profile assumes customers shift consumption out of the peak, the cap is set for households with batteries, electric vehicles and daytime flexibility. Households that cannot shift, including people home during the day, people using medical equipment, families in uninsulated rentals through a Canberra winter and shift workers, will pay more than the modelled bill. Renters are the largest such group: nationally, 37 per cent of rentals are insulated against 80 per cent of owner-occupied homes, and 9 per cent have solar against 48 per cent of homes owned outright.[17]

The AER priced its Solar Sharer Offer on no change in consumer behaviour, stating that this "better protects customers": those who shift load are better off and those who cannot are not worse off. The Commonwealth regulations bar the Solar Sharer Offer from being the default standing offer; it is opt-in.[18] The Australian Energy Market Commission's smart meter rule, in force since December 2025, requires explicit informed consent before a retailer changes a customer's tariff and lets jurisdictions require designated retailers to offer flat-rate tariffs.[19] The Commission should adopt the AER's modelling principle and advise the Treasurer that flat rate remains the default (recommendations 5 and 6).

> **Recommendation 5:** Time-of-use modelling. Model the time-of-use cap on no load shifting and publish a low-flexibility household bill beside the representative customer.
>
> **Recommendation 6:** Default tariff. Advise the Treasurer that flat rate remains the default, with time-of-use and demand tariffs by explicit informed consent.

Question 8 asks whether there should be separate reference prices for time-of-use and flat-rate customers. ACTCOSS is concerned that the addition of another reference price could be confusing for consumers, especially low-information ones who may also experience economic disadvantage. The reference price exists for the customers least likely to compare offers, and a second reference price that depends on a customer knowing their usage pattern moves complexity onto that group. As such, the commission should test the design with low-engagement consumers, and aim the information primarily at those who are already on time-of-use offers.

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[16] ICRC, ACT Electricity Market Monitoring Report 2025, Figure 2.2.

[17] Energy Consumers Australia, Understanding and measuring energy hardship in Australia, July 2025 (national figures on housing efficiency and solar access by tenure).

[18] AER, Default market offer prices 2026–27: Final determination, 26 May 2026, sections 1.3.7, 3.6 and 10.2; Regulations s 11(2).

[19] AEMC, National Electricity Amendment (Accelerating Smart Meter Deployment) Rule 2024, final determination, November 2024; the explicit informed consent requirement commenced 1 December 2025 (ICRC, Market Monitoring Report 2025, footnote 8).

Recommendation 7: Advise the Treasurer that any move toward separate time-of-use and flat-rate reference prices should give consideration to the impact on low information consumers and be primarily targeted to people already on time-of-use plans.

Yours sincerely

Dr Devin Bowles
CEO
ACT Council of Social Service
devin.bowles@actcoss.org.au