

Standing offer prices for the supply of electricity to small customers

1 July 2027 to 30 June 2030

ActewAGL Retail submission to the Independent Competition and
Regulatory Commission Issues Paper

4 September 2026



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1. Summary

ActewAGL Retail (ActewAGL) welcomes the opportunity to provide a response to the Independent Competition and Regulatory Commission's (the Commission's) Issues Paper on standing offer prices for the supply of electricity to small customers from 1 July 2027.

We recognise that electricity bills are a significant concern for many ACT households and small businesses. The regulatory framework and approach operated by the Commission assists in addressing these concerns by providing customers with a reasonable standing offer price while also facilitating competition in the retail electricity market.

We anticipate that the next price direction period will continue to pose many challenges for retailers. Volatility in the wholesale market is likely to continue with increased renewable generation, changing load profiles and ongoing instability in global market conditions. Retailers are in the process of implementing a plethora of rule changes, complying with the Australian Energy Market Operator's (AEMO's) requirements, responding to different market and regulatory reviews and implementing increasingly complex retail price regulations. At the same time, there is growing pressure to innovate as the electrification transition accelerates and customer expectations evolve.

Given the upcoming priorities and challenges, it is important that the Commission establishes a regulatory methodology for the next price direction period that delivers a reasonable standing offer price for small customers and allows a retailer in the position of ActewAGL to recover its efficient costs. The Commission's methodology should be stable, transparent and replicable to facilitate consumer confidence and retailer planning.

While the current approach has delivered positive outcomes by providing a reasonable safety net for ACT customers that do not actively shop around and facilitating competition to deliver benefits to more engaged customers, there remains room for incremental improvements.

In summary, we propose the Commission consider the following issues:

- the positive outcomes that the current approach has delivered to date and the potential risks associated with a significant rebalancing between standing offers and market offers for competition and outcomes for consumers,
- improvements to the approach to calculating wholesale energy costs by including prudential costs and reliability and emergency reserve trader (RERT) costs where applicable and reassessing the volatility allowance,
- the benefits of reverting to a time-weighted methodology for calculating contract prices,
- ensuring the benchmark used for determining retail operating costs reflects the efficient costs incurred by a retailer in the position of ActewAGL,
- changing the calculation of National Electricity Market (NEM) fees to reflect the method used by AEMO to allocate these fees to retailers,
- setting network costs and smart meter costs to reflect the actual costs incurred by ActewAGL in supplying services to standing offer customers,
- changes to the pass-through mechanism to improve clarity, allow pass-through costs incurred in the final year of a price direction period to be considered and reassessment of the threshold for regulatory change events to ensure it remains fit for purpose,



- risk of non-compliance with the Benefit Change Notification requirements given the current timeline for setting standing offer and reference prices,
- limiting the differentiation between the two proposed cost stacks to network costs to meet the requirement for a separate determination for time-of-use (ToU) tariffs,
- the potential for separate reference prices for ToU to increase the reference price for less engaged customers and add complexity for all customers.

Each of these issues is discussed further in the following sections. The final section provides responses to each of the Commission's questions.

ActewAGL engaged HoustonKemp to provide expert opinion on the following issues:

- the extent to which the Commission's approach may allow for excessive margins and whether market evidence suggests any excessive margins exist,
- the Commission's calculation of the efficient benchmark for retail operating costs, and
- the Commission's calculation of the allowance for wholesale energy costs.

HoustonKemp's report, referenced throughout this submission, is provided as a separate attachment.



2. Balancing reasonable prices and competition in the ACT

The current regulatory framework and approach to regulating retail prices in the ACT has delivered its intended objective of delivering a reasonable balance between providing a safety-net price for customers who do not actively shop around and facilitating a competitive retail electricity market¹.

We agree with the Commission's findings that competition is delivering significant savings for many ACT customers, particularly those who actively compare offers, respond to retailer communications or switch plans².

We also consider that the standing offer has provided a reasonably priced safety net for less engaged customers. The Commission's most recent comparison of the residential standing offer bills in the ACT versus other jurisdictions demonstrates that the standing offer in the ACT is reasonable, particularly when compared against NSW, where wholesale energy costs are calculated using the same contract prices as the ACT³.

The standing offer price in the ACT is even lower when the impact of ACT Government schemes is taken into consideration. In 2026-27, these schemes contributed \$36.83 per MWh to the Commission's total cost stack⁴, with the majority of this (\$30.29 per MWh) reflecting the cost of the ACT Government's Large-Scale Feed-in Tariff (LFiT) scheme. This compares with the cost of NSW Government environmental schemes of approximately \$7 to \$8 per MWh including the Climate Change Fund included in network charges and the NSW Energy Savings Scheme and NSW Peak Demand Reduction Scheme included in the 2026-27 Default Market Offer (DMO)⁵.

Excluding ACT Government schemes costs from the jurisdictional comparison reduces the average residential standing offer bill by \$239 per year. With this adjustment, the ACT has one of the lowest standing offers in Australia (see Figure 1).

¹ Independent Competition and Regulatory Commission (Price Direction for the Supply of Electricity to Certain Small Customers on Standard Retail Contracts) Terms of Reference Determination 2026, Terms of Reference, Clause 4(5)

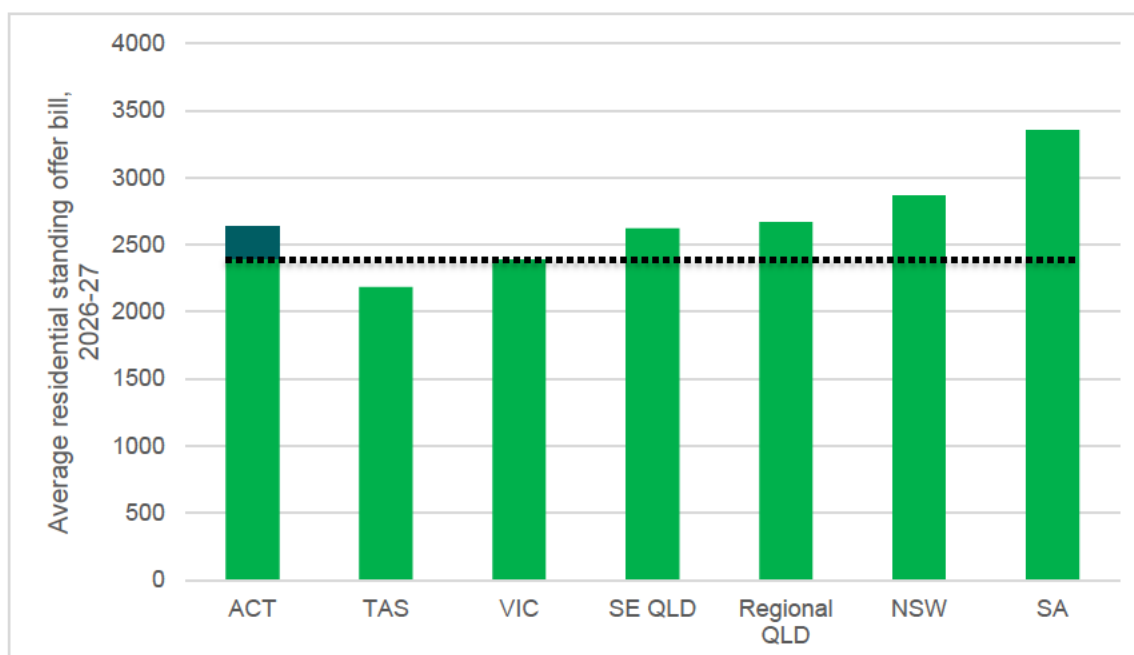
² ICRC 2026, Issues paper: Standing offer prices for the supply of electricity to small customers from 1 July 2027, Report 5 of 2026, August, p.9

³ ICRC 2026, Retail electricity price recalibration 2026-27: standing offer prices for the supply of electricity to small customers, Report 2 of 2026, May, Figure 4.1, p.14

⁴ ICRC 2026, Retail electricity price recalibration 2026-27: standing offer prices for the supply of electricity to small customers, Report 2 of 2026, Table 2.1, p.3

⁵ Acil Allen 2026, Default Market Offer 2026-27 Wholesale energy and environment cost estimates for DMO 8 Final Determination, p.76-77

Figure 1 Maximum annual residential standing offer electricity bills



Source: Retail electricity price recalibration 2026-27, Figure 4.1, p.14 and ActewAGL analysis.

Competition has not just delivered lower prices, it has delivered more innovative market offers. For example, ActewAGL now offers a plan specifically targeted at electric vehicle owners. The evEnergy Saver Plan, provides customers with a free charging window on weekends between 12pm and 2pm⁶. ActewAGL has also introduced plans targeting customers with batteries. The Battery Advantage plan provides customers with a high feed-in tariff for exporting back to the grid during the evening peak period⁷. The Battery Saver plan provides customers with a discounted supply charge if they connect to ActewAGL's Virtual Power Plant⁸. The Battery Top-Up option allows a customer to stay on their existing plan and feed-in tariffs as well as receiving a bill credit for being part of the ActewAGL Virtual Power Plant⁹.

Given the positive outcomes that the current framework has delivered, changes should be considered carefully. We are particularly concerned about changes that may significantly shift the balance between standing offers and market offers, and the flow on impacts to competition and consumer outcomes.

ActewAGL is a relatively small, stand-alone retailer in the context of national retailers and gentailers that also operate in the ACT (see Figure 2). For example, Origin, the second largest retailer in the ACT, has more than 10 times the number of small customers as ActewAGL on a national basis. As a result, Origin and other large retailers are likely to have significantly lower costs per customer than ActewAGL. These larger retailers may be able to accommodate a significant shift in the balance between standing offers and market offers. However, such a shift would make it much more difficult for ActewAGL and smaller retailers to compete. In considering any significant changes to the current approach, we urge the

⁶ actewagl.com.au/energy-plans/evenergy-saver

⁷ actewagl.com.au/energy-plans/battery-advantage

⁸ actewagl.com.au/energy-plans/battery-saver

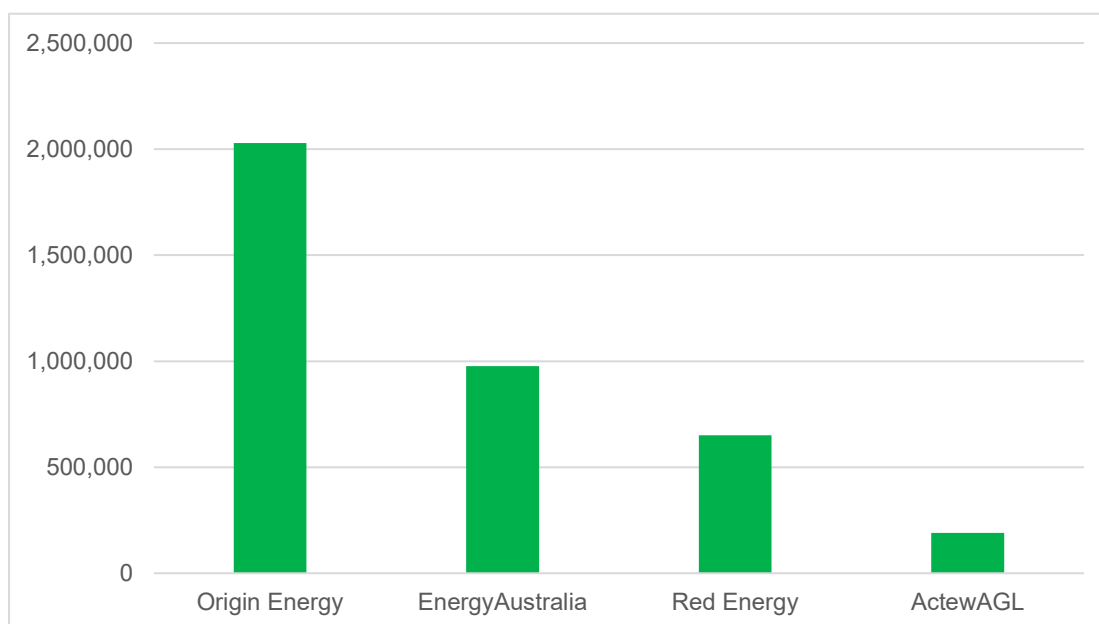
⁹ actewagl.com.au/energy-plans/battery-power-top-up



Commission to assess the potential impact on market concentration, competition and the long-term interests of consumers.

In addition, we are the only retailer subject to standing offer regulation in the ACT and account for almost all standing offer customers in the ACT¹⁰. As a result, changes in the regulatory methodology have a more direct impact on ActewAGL's ability to compete in the ACT electricity market than other retailers.

Figure 2 Customers numbers by retailer, residential and small business



Source: AER Retail energy market performance update for January to March 2026, Quarter 3, 2025-26

In assessing outcomes for ACT customers and competition, it is also important to consider the costs associated with increasing regulatory complexity and compliance. These costs are disproportionately higher for ActewAGL compared with larger retailers. They can also add to market complexity and make it more difficult for customers to engage.

For example, the recent rule change, Assisting Hardship Customers, commencing on 30 December 2026 introduces a stronger obligation on retailers to ensure hardship customers are not financially worse off than they would be on the retailer's deemed better offer¹¹. While ActewAGL supports measures that improve outcomes for customers experiencing payment difficulties, the changes transfer significant responsibility and financial risk from customers to retailers.

In terms of operational changes, the rule will require retailers to invest in:

- enhanced customer analytics to identify *deemed better offers*;
- ongoing monitoring and reassessment of hardship customer eligibility;
- system development and automation;
- new compliance and assurance processes;
- staff training and customer support functions; and

¹⁰ ICRC 2026, Issues paper: Standing offer prices for the supply of electricity to small customers from 1 July 2027, p. 9

¹¹ [Assisting hardship customers | AEMC](#)



- new reporting and regulatory oversight requirements.

In addition to the costs incurred, retailers will also be required to absorb the revenue impact associated with implementing the outcomes-based approach outlined in the final rule. This creates a direct cost for retailers that has not previously existed on the same scale. The rule change may also reduce incentives for customers to engage if they perceive that retailers have an obligation to provide the lowest price.



3. Approach to regulating retail electricity prices in the ACT

The Commission's approach to regulating retail electricity prices in the ACT has provided good outcomes for ACT customers and has facilitated competition in the ACT electricity market. The methodology is fully transparent, predictable and replicable. We consider these attributes to be important for business planning and our ability to deliver stable and competitive prices to our customers.

HoustonKemp reached the same conclusion and observed that the Commission's overarching framework for estimating efficient costs is broadly economically sound in that it:

- captures the major cost drivers for a retailer in the ACT,
- is broadly consistent with the approaches applied by other regulators,
- has facilitated a measured decrease in concentration in the retail electricity market in the ACT,
- has facilitated a gradual but substantial increase in the proportion of customers on market offers in the ACT, and
- has enabled a modest, not excessive, degree of discounting of market offers relative to standing offers.

HoustonKemp finds no compelling evidence that the current approach to regulating retail prices in the ACT is delivering ActewAGL with excessive margins. HoustonKemp's findings, set out in section 3 of their report, are summarised below.

While ActewAGL agrees that the Commission's broad approach is reasonable, we have identified several areas where incremental improvements could be made to the pass-through process. We are also concerned about recent proposed changes to the Retail Guidelines that are inconsistent with the current timeline for setting the standing offer and reference prices. Both issues are discussed in detail below.

Evidence of excessive margins

Excessive margins earned on standing offer customers are more likely to be an issue of concern if specific market conditions are observed, for example:

- if standing offers are materially above market offers – this could indicate that standing offer customers are paying materially more than the price at which retailers are willing to supply, and
- if the proportion of customers on standing offers is significant – a higher proportion means more scope for harm for consumers arising from excessive margins under the standing offer price.

HoustonKemp observes that there is a relatively high ratio of market offer to standing offer prices and, specifically:

- since 2023, the ratio of the median market offers to median standing offers in the ACT is amongst the highest across the NEM at approximately 0.95,
- the two regions with the higher ratios over 2024 and 2025 are South Australia and Tasmania, and
- the ratio is materially higher in the ACT than in NSW since 2023, despite ACT and NSW being in the same NEM region and so having a common wholesale electricity regional reference price.

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Based on the above, HoustonKemp finds that the regulated retail price in the ACT is not set at a level that is conducive to retailers offering prices that are materially below the standing offer price.

HoustonKemp also observes the significant decrease in the proportion of customers on standing offers from 87 per cent in 2016-17 to 20 per cent in 2024-25. This indicates that:

- the proportion of customers that are disengaged from the retail electricity market in the ACT has declined materially, despite market offers offering a discount on a standing offer price that is proportionally lower relative to other jurisdictions, and
- the competitive pressure on ActewAGL to provide compelling market offers has increased owing to the proportion of customers who have demonstrated a willingness to engage with the market and move to a market offer.

Finally, HoustonKemp observes the steady decrease in ActewAGL's market share, with the entry of major retailers.

Based on market observations, HoustonKemp finds no compelling evidence that, on the whole, ActewAGL is receiving excessive margins in the supply of electricity in the ACT.

Pass-through process

The current price direction allows ActewAGL to make an application to the Commission for consideration of a pass-through event as part of the annual recalibration process.

Applications can be made for regulatory change events and tax change events¹². Under the current price direction, a pass-through may be included in the maximum average price change calculated using the cost-index model for events that occur on or after 1 July 2024 and before 30 June 2027¹³. For regulatory change events, a pass-through will only be allowed where the costs ActewAGL incurred, as a result of the event, exceeds \$200,000¹⁴.

ActewAGL considers that the pass-through clause of the price direction could be improved in the next period with the following changes.

Clarity around timing of a pass-through event

First, it would assist ActewAGL in the application process if the timing of the 'event' could be more clearly defined. Specifically, it would be useful if the price direction clarified if the occurrence of the event (as referred to in clause 8.7.2) means the date on which the regulatory change decision is made or whether it is the date or dates that the regulatory change decision is required to be implemented (the compliance date). Depending on the regulatory change that is being made, there is usually a delay between these dates, which can be particularly lengthy if the rule change requires significant implementation effort. For example, the Accelerating Smart Meter Deployment rule change was made by the AEMC on 28 November 2024. Retailers were required to comply with the new obligations on a staggered basis with some reforms beginning on 1 June 2025 and others commencing on 1 December 2025. In some cases, the rule change and compliance dates may fall within the same price direction period. However, there may be cases where the date of the rule

¹² ICRC 2024, Price Direction: Standing offer prices for the supply of electricity to small customers, clause 8.

¹³ ICRC 2024, Price Direction: Standing offer prices for the supply of electricity to small customers, clause 8.7.2.

¹⁴ ICRC 2024, Price Direction: Standing offer prices for the supply of electricity to small customers, clause 8.5



change is made prior to the commencement of the price direction period, while the compliance date is within the price direction period.

ActewAGL proposes that the timing of the event be specified in relation to the compliance date. This would be consistent with clause 8.5 of the price direction, which refers to ‘the costs ActewAGL *has incurred*’ in determining whether the \$200,000 threshold has been met. This implies that ActewAGL must demonstrate that it has incurred costs in excess of the threshold. This is only possible to do after ActewAGL has completed the implementation of the changes required to give effect to the regulatory change. In addition, the use of actual costs (rather than forecast costs) allows the pass-through to be accurate at the time the application needs to be submitted and avoids the need for any true-up.

Timing of allowed pass-through event

Second, the timing of the pass-throughs permitted to be included in the annual recalibration is asymmetric. For example, under the current price direction, if a regulatory change event occurred on 30 June 2024, ActewAGL would not be permitted to include this in an annual recalibration in the current 2024–27 price direction period. However, if the regulatory change event occurred 1 day later, on 1 July 2024, ActewAGL would have 2 recalibration years that it could submit a pass-through application.

There may be cases where ActewAGL does not know the costs it has incurred for a regulatory change event until some point during the last year of the price direction period. In this case, it would be unable to submit a pass-through application for the final recalibration year of the price direction period (as the application needs to be submitted by 8 May prior to the commencement of the recalibration year). It would also be unable to submit the application in the next price direction period, as the price direction only allows for regulatory change events to be included if they occur after the start of the price direction period.

For example, ActewAGL incurred costs in implementing the Better Bill Guideline and the Consumer Data Right regulatory changes. The costs were incurred during 2022-23 and 2023-24. The compliance dates for each regulatory change were staggered between 30 September 2023 and 1 May 2024. ActewAGL did not know the costs it incurred until well into the 2023-24 financial year. Therefore, it could not apply for a pass-through in the 2023-24 recalibration year, as the actual costs incurred were not known on 8 May 2023, when ActewAGL would have been required to submit its pass-through application for 2023-24. ActewAGL could not apply for a pass-through in the first recalibration year of the current price direction period, as the regulatory change event occurred before 1 July 2024 and the current price direction only allows pass-throughs to be submitted for events that occur after 1 July 2024.

To address the current asymmetry, ActewAGL proposes that the price direction be altered to allow pass-through events that occur in the year prior to the start of the price direction period¹⁵.

Threshold for regulatory pass-through events

Third, the threshold for a regulatory change event is currently set at \$200,000 applied with respect to costs incurred for supplying standing offer customers. Given that the volume of

¹⁵ ActewAGL also notes there is currently an inconsistency in the price direction for the timing of a tax change event as defined in clause 8.6, which refers to 31 May 2024 and the timing of a tax change event as defined in clause 8.7.2, which refers to 1 July 2024



standing offer customers can differ materially from year to year this threshold may not be the most appropriate basis for determining a material change in costs.

We propose that the Commission reconsider whether it would be more appropriate to set the threshold with respect to total costs incurred for mass market customers. If the Commission continues to set the threshold with respect to standing offer customers, then we propose that the level of the threshold is recalibrated for the change in the number of standing offer customers since the commencement of the last price direction period.

Timeline for setting the standing offer and reference prices

In June 2026, the Australian Energy Regulator (AER) published its Draft Retail Guidelines¹⁶. One of the issues contemplated in the Draft Retail Guidelines is the definition of a benefit change for the purpose of Rule 45A of the National Electricity Retail Rules (NERR). The AER's initial position is to treat a price increase as a benefit change¹⁷. The NERR requires a benefit change to be notified to customers in writing no later than 20 days before the benefit change is made (Rule 48A(2)(b)).

If implemented, this change would increase the customer notification period from the current 5 business days to 20 business days. ActewAGL and other retailers would need to identify impacted customers earlier, produce benefit change notifications disclosures earlier, align tariff implementation dates with benefit change notification lead times and ensure pricing projects allow for benefit change notification generation and fulfilment.

The last date for notifying benefit changes would be 1 June 2027. Benefit notifications require:

- forward-looking bill impact calculations
- comparison information
- offer information
- customer-specific content

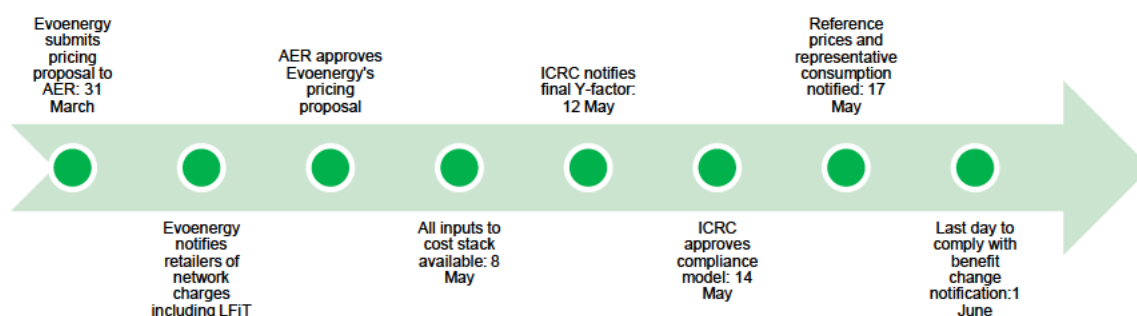
This means retailers would require reference prices to be notified well before 1 June 2027 to undertake the work required to be compliant with the NERR. We estimate that reference prices and representative consumption would need to be notified no later than mid-May to ensure compliance. For 2026-27, reference prices in the ACT were notified on 28 May 2026.

Figure 3 sets out the indicative timeline that would be required to comply with the benefit change notification requirements. While network charges were approved by the AER on 22 April 2026 and Evoenergy provided LFiT-inclusive network charges to retailers on 29 April 2026, this is not always the case. Even if network charges were available in time, the flow-on impact would be to compress current timelines by approximately 10 days.

¹⁶ [Draft guidelines | Australian Energy Regulator \(AER\)](#)

¹⁷ The AER proposes to revise the definition of an excluded change to clarify that a price change is only excluded where it does not change the financial value of the benefit. See: [AER Retail Guidelines - Notice of draft instruments - Jun 2026](#), p.9

Figure 3 Indicative timeline to meet benefit change notification requirements



We consider the options available to address this issue are:

- bring forward the Commission's final decision and the ACT Government's reference price determination as set out in Figure 3,
- seek an exemption from the benefit change notification requirements, or
- persuade the AER to adjust the final Retail Guidelines to address these implementation issues.

Our preferred option is an adjustment to the final Retail Guidelines to avoid the implementation and non-compliance issue. While we have raised our concerns with the AER, this may be an issue that the Commission could explore further with the AER.



4. Retail electricity costs

While we consider the Commission's current approach to calculating retail electricity costs to be largely appropriate, we have identified some areas for incremental improvements. We engaged HoustonKemp to review the Commission's approach to estimating energy purchase costs and retail operating costs. These findings are summarised below with further detail provided in the attached report.

Energy purchase cost

In section 5 of their report, HoustonKemp observes that setting the allowance for wholesale electricity costs needs to be undertaken in the context of the volatility in electricity markets. Electricity markets such as the NEM are subject to volatility in wholesale prices owing to the material technological change as the system is decarbonised, the requirement for the replacement of significant generation capacity and the exposure to shocks in supply chain and fuel markets. While hedging insulates retailers from many of these shocks in the short term, the underlying volatility can still lead to year-on-year fluctuations in wholesale electricity purchase costs that impact on retailer profitability.

While HoustonKemp finds the Commission's approach to estimating wholesale electricity costs to be appropriate, they consider some components should be revised for the following reasons:

- the Commission volatility allowance of \$0.50 per MWh is materially lower than the AER's allowance of \$0.85 to \$2.09 per MWh suggesting the Commission should review its underlying estimates of future market volatility to consider whether they remain appropriate in the current market context,
- the approach to calculating NEM fees systematically understates the costs ActewAGL incurs (discussed further below),
- RERT and prudential costs represent efficient expenditure and should be included in the estimation of wholesale energy purchase costs.

In addition to the above issues, ActewAGL recommends a reversion to the time-weighted method for calculating contract prices.

ActewAGL also notes that the trades used for the trade-weighted methodology do not reflect the trades for mass-market purchases only (which is the way they are used in the Commission's cost stack). Trading on ASX Energy also reflects trading by major industrial customers, by retailers for commercial and industrial loads and trading by financial institutions and proprietary trading firms.



NEM fees

In the 2024–27 price investigation, the Commission changed its approach to setting NEM fees from using AEMO observed cost data in the first year of the price direction period and then indexing by CPI in the recalibration years to a more accurate method that uses AEMO's draft budget each year to calculate NEM fees¹⁸.

ActewAGL considers the change to be an improvement in the methodology by more accurately capturing the NEM fees that an efficient firm in the position of ActewAGL would incur in the recalibration years. However, the Commission's approach does not accurately reflect the way that AEMO allocates NEM fees to retailers.

The Commission's approach assumes that AEMO allocates costs to retailers based on volume alone (i.e. MWhs). In its 2026-27 recalibration, this resulted in NEM fees of \$1.2668 per MWh plus \$0.1257 per MWh of ancillary fees to give a total of \$1.3925 per MWh¹⁹.

This approach does not reflect AEMO's allocation methodology. In 2026-27, AEMO allocated costs to retailers based on MWhs and connections as set out in Table 1. Converting this to a MWh charge for the purpose of standing offer customers results in total NEM fees of \$2.0773 per MWh ($0.519/\text{MWh} + \$13.0888 * 30,307 \text{ standing offer customers} / 254,625 \text{ standing offer MWhs}$). Adding ancillary fees gives total NEM fees of \$2.2030 per MWh for 2026-27.

ActewAGL proposes that the Commission reviews its methodology for calculating NEM fees to accurately reflect AEMO's allocation methodology.

In addition, it is important that the Commission's methodology allows for changes in AEMO fees during the price direction period. If new fees are added by AEMO then the Commission should reflect those changes in its annual recalibration process.

¹⁸ ICRC 2024, Final report: Retail electricity price investigation 2024-27, p. 39-40

¹⁹ ICRC 2026, Report 2 of 2026: Retail electricity price recalibration 2026-27: standing offer prices for the supply of electricity to small customer, table A1.5, p.26

Table 1 AEMO NEM fee allocation, 2026-27

	Draft budget \$million	Allocated to market customers	AEMO allocation per MWh	AEMO allocation per connection	AEMO draft budget fees, \$ per MWh	AEMO draft budget fees, \$ per connection per week
NEM core fees	231.2	55.3%	50%	50%	0.297	0.110
Electricity retail market	22.27	100%	0%	100%	0.000	0.038
IT Upgrade & Five-Minute Settlement/Global Settlement compliance	30.66	82%	50%	50%	0.058	0.022
NEM reform	91.57	73.4%	50%	50%	0.156	0.058
Cyber security	10.00	33%	50%	50%	0.008	0.003
Energy Consumers Australia	11.45	100%	0%	100%	0.000	0.020
Total	397.15				0.519	0.252 (13.089 per year)

Network costs

There are two issues in relation to network costs that we request the Commission to consider for the new price direction period. The first is the approach to calculating network costs for the purpose of the cost stack. The second is the AEMC's rule change for flexible trading arrangements (FTA) that impacts how tariffs are metered for customers where these new arrangements apply.

Network costs in the cost stack

ActewAGL incurs network costs in supplying retail services to small customers in the ACT. These network costs reflect the cost of Evoenergy's distribution network and costs passed through to Evoenergy by Transgrid for use of the transmission network. In addition, network costs include the costs of the ACT Government's environmental schemes and the ACT Government's Utilities Network Facilities Tax.

These network costs cannot be avoided and reflect the number and usage profile of ActewAGL's customers. Each year, ActewAGL provides the Commission with the actual network costs, as approved by the AER, for supplying standing offer customers.

Instead of using the actual network costs provided by ActewAGL, the Commission applies an alternative approach that involves the application of a percentage change in network costs, resulting in lower network costs than ActewAGL incurs in supplying standing offers. It is unclear why the Commission does not use ActewAGL's actual network costs given the ICRC Act (20(2)(e)) requires the Commission to have regard to the cost of providing the regulated services. In accordance with the requirements of the ICRC Act, the Commission



has stated that its approach involves estimating the costs that would be incurred by an efficient operator in the position of ActewAGL: “in accordance with the objectives and requirements of the ICRC Act, the Commission determines standing offer prices for an efficient operator in the position of ActewAGL”²⁰.

ActewAGL requests that the Commission review their approach to network costs and, if the current approach is maintained, explain why the adjustment made to ActewAGL’s actual network costs for standing offer customers reflects the costs incurred by an efficient retailer in the position of ActewAGL, consistent with the ICRC Act. We also seek to understand how the Commission’s current approach could operate given the requirement in the Terms of Reference (ToR) to make a separate determination for ToU tariffs.

Impact of FTA rule change

On 15 August 2024, the AEMC made a final determination and final electricity and retail rules for unlocking consumer energy resources (CER) benefits through the flexible trading rule change²¹. These changes are relevant to the standing offer because the rule creates arrangements for retailers for small and large customers to separate and manage ‘flexible’ CER (e.g. solar rooftop batteries and electric vehicles) from ‘passive’ consumer loads (e.g. lights and fridges) in the energy market.

Under the new arrangements retail tariffs will be applied at both the primary connection point (PCP) and a secondary settlement point (SSP). Network charges will be applied only at the PCP, while other charges relevant to the ‘secondary or flexible’ load will apply at the SSP. The charges that will apply at the SSP include the metering coordinator charge that will apply for the additional data stream and the non-network usage charges relevant to the flexible load.

While the rule change comes into effect from 1 November 2026, the first opportunity to include the new arrangements in standing offer charges will be from 1 July 2027. We expect that we will need to separately identify the PCP and SSP elements of the standing offers for the purpose of ensuring our standing offers are compliant with the Commission’s Y-factor decision. We would welcome the opportunity to work through the implementation of these changes with the Commission.

Smart meter costs

ActewAGL incurs significant costs associated with smart meters that are not currently included in the cost stack methodology. These costs are incurred for several reasons but the most prevalent are wasted visit fees and exit fees which are charged to ActewAGL by the metering coordinator. Exit fees occur where a smart meter was installed but then removed before the annuity period is completed. This often occurs when a site has had an interval meter installed but is then upgraded to 3 phase, with the single phase meter being removed.

ActewAGL expects these costs to rise over time as the smart meter roll out continues and meter upgrades become more prevalent as customers transition off gas. The increase will be exacerbated by the introduction of new rules²² from 1 July 2026 that prevent retailers

²⁰ ICRC 2024, Final report: Retail electricity price investigation 2024-27, p.4

²¹ [Unlocking CER benefits through flexible trading | AEMC](#)

²² Australian Energy Market Commission, *National Energy Retail Amendment (Improving consumer confidence in retail energy plans) Rule 2025 (No 3)*, cl 52A(1)



from charging any fees other than fees that are network charges, for residential customers experiencing hardship, family violence or payment difficulties.

We would welcome the opportunity to provide the Commission with further details on this issue as it reviews the methodology for the next price direction period.

Retail operating costs

Consistent with the ICRC Act, the Commission determines standing offer prices for an efficient operator in the position of ActewAGL. This means that the Commission sets regulated standing offer prices to allow such a retailer to recover its efficient costs but not result in customers paying too much²³. The Commission notes further that under its current approach, any retailer with estimated costs equal to or below that of an efficient operator in the position of ActewAGL should be able to set competitive prices²⁴.

Despite the approach outlined above, the Commission currently calculates the efficient benchmark retail operating costs with respect to retailers operating in DMO regions and Victoria. The Commission recognises that its benchmark is skewed towards larger retailers with economies of scale:

Our analysis indicates that the average scale of retailer reflected in the AER's figures is larger than ActewAGL, i.e., almost 600,000 compared with ActewAGL's customer base of 140,000. Because the AER uses the customer-weighted average of retailers' actual operating costs, the average retail costs are skewed towards larger retailers with economies of scale and lower operating costs²⁵.

The Commission notes that this approach does not represent a significant departure from its previous method, which also relied on larger retailers.

While the Commission's current approach is an improvement on its previous benchmark approach, it does not reflect the approach it identifies as being consistent with the ICRC Act. Specifically, the current approach does not reflect the costs an efficient retailer in the position of ActewAGL would incur in supplying standing offer customers. Instead, it reflects the efficient costs of a much larger retailer than ActewAGL.

Our position is consistent with HoustonKemp's findings as set out in section 4 of their report. In summary, they find that:

- the Commission's methodology includes economies of scale achieved by tier 1 retailers that have an average cost to serve that is 44 per cent lower than other retailers,
- ActewAGL, which operates only in the ACT and the immediately surrounding area, is not able to achieve similar economies of scale,
- the Commission's benchmark retail operating costs are likely to produce an allowance that is too low for a retailer in ActewAGL's position,
- as a result, ActewAGL may not be provided with sufficient incentives to invest in and operate its retail business.

²³ ICRC 2024, Final Report: Retail electricity price investigation 2024-27, p.4

²⁴ ICRC 2024, Final Report: Retail electricity price investigation 2024-27, p.5

²⁵ ICRC 2024, Final Report: Retail electricity price investigation 2024-27, p.43



HoustonKemp recommends that the Commission consider an approach to retail operating cost benchmarking that excludes tier 1 retailers to better reflect ActewAGL's circumstances and operating environment.

We also note that the Commission's application of the retail operating cost benchmark does not reflect the mix of residential and business customers on ActewAGL's standing offers. For the purposes of the DMO, retail operating costs are determined separately for residential and business customers. The Commission's current approach for calculating a single retail operating cost figure is to use the customer numbers and energy consumed in each of the DMO regions²⁶. We consider this approach will understate the benchmark for ActewAGL's mix of standing offer customers. We propose that the Commission use ActewAGL's mix of residential and business customers to determine a single retail operating cost benchmark for DMO regions.

Retail margin

While we recognise that the standing offer is intended to provide a reasonable price for customers less engaged in the market, it must also ensure that efficient retailers can recover costs and earn a reasonable return. A margin that is too low may deliver short-term price relief for customers but will harm customers over the long term if it undermines retailer viability and competition.

We consider the current margin no longer reflects an efficient benchmark. The retail margin should be increased to reflect the materially higher risks and capital requirements faced by an efficient retailer in current market conditions. Retailers bear residual risks that are not fully compensated through other cost stack items, including wholesale cost volatility, hedging and prudential obligations, customer credit risk, regulatory compliance risk, and uncertainty around customer churn and demand. These risks have increased in recent years, alongside higher financing costs and greater operational complexity. An insufficient margin risks undermining retailer financeability, reducing incentives to compete and innovate, and weakening the long-term sustainability of the retail market. We also observe that the AER has reviewed the margin in the DMO and has adopted an average margin of 6 per cent, applied completely as a percentage amount.

We propose the Commission review the level and application of the retail margin to determine whether a higher margin should apply in the ACT.

For the first year of the current price direction period, the Commission set the dollar amount as the average margin in dollar terms for the past 5 years using a 5.5 per cent margin and then taking half this value as the dollar margin. The percentage amount was applied as 2.75 percent multiplied by the total cost stack (excluding the margin). In the recalibration years, the Commission increased the dollar component of the margin by CPI.

We are seeking confirmation that the Commission proposes to use the same methodology for setting the dollar component of the margin in the first year of the price direction and the CPI indexation method for the recalibration years.

²⁶ ICRC 2024, Final Report: Retail electricity price investigation 2024-27, p.42



Other cost stack items

For other cost stack items (national green scheme costs, energy losses and Energy Efficiency Improvement Scheme) ActewAGL considers the current methodologies remain appropriate.



5. Time of use standing offer price direction

We acknowledge that the ToR requires the Commission to amend its standing offer price determination methodology to have an individual determination for ToU tariffs distinct from other regulated tariffs from 2027-28 onward²⁷.

To address this part of the ToR, we agree with the Commission's proposed approach to calculate separate cost-stacks for ToU versus other regulated tariffs. The Commission notes two potential items that could differ between these cost stacks, the energy purchase cost and network costs.

We do not agree that energy purchase costs would be different for ToU and other regulated tariffs. Retailers do not purchase energy for a particular tariff or group of tariffs. ActewAGL purchases wholesale energy for its total mass market load. There is no basis, either in the ICRC Act or grounded in economic principles, to artificially differentiate the wholesale energy cost for an individual tariff. We note that no other regulator in Australia differentiates the wholesale energy cost by tariff even where there is a separate default ToU offer.

For network costs, it is possible to differentiate network costs between ToU and other regulated tariffs. We would be happy to work with the Commission to separately calculate network costs for ToU versus other regulated tariffs. The Commission correctly notes that this will also need to be done for 2026-27 for separate application of the Y-factors. It is important to note that if this results in a lower network cost for ToU tariffs it must, by definition, result in a higher network cost for other regulated tariffs, all else being equal.

In our view, there are no other cost items where a distinction can be made based on tariff.

The customer load profile is not required to calculate a separate cost stack for ToU versus other regulated tariffs. The customer load profile is only required to convert the relevant standing offer tariff to the reference price. We understand that the Commission has previously used Evoenergy data to calculate the daily usage profile for the representative consumption determination. This approach captures the total ACT small customer load, not just ActewAGL's load. This is appropriate for the representative consumption determination, which is used by all retailers for comparison to the reference price. If the Commission recommends a separate reference price determination for ToU tariffs, then it may want to consider whether it would be appropriate to use Evoenergy's small customer ToU load profile (rather than total small customer load profile) for the representative consumption determination.

The timeframes at the back end of the price direction process are very tight. There is limited time available between the Commission's final decision on the Y-factor, preparation and approval of the compliance model, the ACT Government's reference price determination and retailer requirements to notify customers of price changes. ActewAGL proposes a practice run of the Commission's methodology for implementing the individual determination for ToU tariffs versus other regulated tariffs for 2026-27 to identify any methodological issues or changes in the current approach that will be required. This will provide the best opportunity for a smooth and timely implementation process following the Commission's final decision. We would welcome the opportunity to work with the Commission to

²⁷ Independent Competition and Regulatory Commission (Price Direction for the Supply of Electricity to Certain Small Customers on Standard Retail Contracts) Terms of Reference Determination 2026, Terms of Reference, Clause 4(4)



implement the proposed approach for 2026-27 before it is implemented for the new price direction period starting 1 July 2027.



6. Separate reference prices

The introduction of a separate reference price for ToU tariffs would add unnecessary complexity for customers with little or no benefit. While there may be a small saving for customers on standing offer ToU tariffs, there would be a corresponding increase in other standing offer tariffs (all else being equal). It is likely that the most disengaged customers are on flat rate tariffs, not ToU tariffs, so the effect of this change is more likely to deliver a relative increase in standing offer tariffs for the most disengaged customers.

The introduction of a ToU tariff does not solve the issue of comparability to the reference price. The reference price for a ToU tariff will still need to be calculated with respect to a representative profile of consumption. It may be that a more representative profile of consumption could be used for the ToU tariff than the profile currently used in the representative consumption determination. However, it is not necessary to introduce a ToU reference price to achieve this. It simply requires the ToU load profile used in the representative consumption determination to be more accurate.

The Commission's concerns about the complexity of demand tariffs and comparability with the reference price is limited to a small group of customers. As at June 2026, we had only 3,100 residential standing offer customers left on demand tariffs. In addition, we have changed our tariff selection criteria to suppress demand tariffs for any customers taking up or moving to a standing offer from April 2026, even when they have a demand tariff applied at the network level.



7. ICRC questions

Below we provide responses to the Commission's individual questions, cross-referencing to sections of our submission where appropriate.

1. Do you have any comments on electricity prices and competition in the ACT or on other measures that could improve the balance between them to improve outcomes for ACT consumers?

As discussed in section 2, the current framework and approach for regulating retail prices in the ACT has provided a reasonable balance between providing a safety-net price for customers who do not actively shop around and facilitating a competitive retail market. The standing offer in the ACT is one of the lowest in Australia, providing less engaged customers with a reasonable safety-net, while competition is delivering good outcomes for more engaged customers. In considering any changes to the current approach, we recommend the Commission consider the impacts on ActewAGL's ability to compete with large retailers and gentailers operating in the ACT market and the impacts on customer engagement if further complexity is added to the regulatory approach.

2. Do you have any comments on our approach to regulating retail electricity prices?

As discussed in section 3, there are some methodology changes that could improve the operation of the regulatory framework and approach to deliver a better balance between providing a safety-net for less engaged customers and facilitating competition.

3. Are there any aspects of the cost pass-through arrangements that should be revised?

As discussed in section 3, we propose several changes to the pass-through clause of the price direction to improve the clarity and operation of the pass-through mechanism. Specifically, we propose that the Commission provide clarity on the 'occurrence' of a pass-through event, consider changes to the timing allowed for submitting a pass-through application and reviewing the approach to setting the pass-through threshold for regulatory change events.

4. Do you have any comments on the timeline for setting the standing offer and reference price?

As discussed in section 3, we are concerned about the potential implications of the AER's recent proposed changes to the Retail Guidelines for the timing of the Commission's decision on the Y-factor(s) and corresponding ACT Government determinations for representative consumption and the reference price.

5. Do you have any comments on the way components of the pricing model are calculated? Do you have any proposed changes or updates so that the pricing model better reflects the costs of a benchmark efficient retailer?

As discussed in section 4, we propose a number of changes to the way some components of the cost stack are calculated to better reflect the costs of a benchmark retailer in the position of ActewAGL.

6. Do any components of the cost-stack contribute to the standing offer price being materially above competitive market offers in the ACT? If so, what changes should be made, while maintaining the standing offer as a safety net and supporting effective competition?



As discussed in section 3, there is no evidence to suggest excessive margins on standing offers versus market offers.

7. What changes to the Commission's current pricing methodology would be required to determine a separate time-of-use standing offer?

As discussed in section 5, the Commission could calculate 2 separate cost stacks, one for ToU standing offers and the other for all other regulated tariffs. This should be reasonably straightforward to implement, as the only difference between the cost stacks would be network costs.

8. Should there be a separate reference price for time-of-use customers in the ACT?

As discussed in section 6, we consider the benefit of introducing a separate reference price for ToU customers to be minimal, as the difference between the Y-factors for the cost stack will be limited to network costs.

9. Are there any additional risks, costs or market impacts that should be considered in establishing a separate standing offer price direction for customers on time-of-use plans in the ACT?

As discussed in section 6, if the ToU costs are lower than the costs for all other regulated tariffs, then the impact of separating with reference prices will be to deliver a lower price to ToU customers and a correspondingly higher price to non-ToU customers (all else being equal). Given that the most disengaged are more likely to be on a flat rate tariff, this will increase the reference price for these customers.

A further risk, which should not be understated, is the added complexity for customers of having multiple reference prices. This may simply result in customers becoming more frustrated and disengaged in the market.