ACIL ALLEN

2026-27 notified prices review

Retail costs update

Final report

18 May 2026

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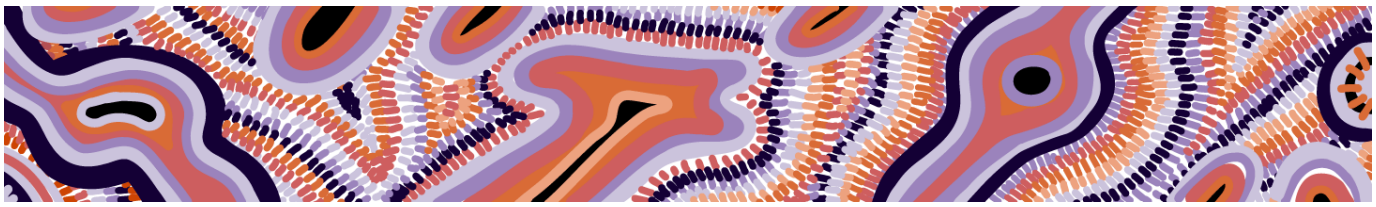
Report to:

Queensland Competition Authority

ACIL Allen acknowledges Aboriginal and Torres Strait Islander peoples as the Traditional Custodians of the land and its waters. We pay our respects to Elders, past and present, and to the youth, for the future. We extend this to all Aboriginal and Torres Strait Islander peoples reading this report.



Goomup, by Jarni McGuire

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Glossary

Abbreviations	Definitions
ACCC	Australian Competition and Consumer Commission
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
ASX	Australian Stock Exchange
CER	Clean Energy Regulator
CPI	Consumer Price Index
DLF	Distribution Loss Factor
DMO	Default Market Offer
EEQ	Ergon Energy Queensland
ESC	Essential Services Commission
GST	Goods and services tax
GWh	Giga Watthour (equal to 10^9 Watthours)
kWh	kilo Watthour (equal to 1,000 or 10^3 Watthours)
LGC	Large-scale Generation Certificate
LRET	Large-scale Renewable Energy Target
MLF	Marginal Loss Factor
MWh	Mega Watthour (equal to 1,000,000 or 10^6 Watthours)
NEM	National Electricity Market
NSLP	Net System Load Profile
PV	Photovoltaic
QCA	Queensland Competition Authority
QCOSS	Queensland Council of Social Service
RPP	Renewable Power Percentage
SRC	Standard Retail Contract
SRES	Small-scale Renewable Energy Scheme
STC	Small-scale Technology Certificate
STP	Small-scale Technology Percentage
TOU	Time of use
WEC	Wholesale energy costs

Executive summary

Following the introduction of full retail competition in the Queensland electricity market on 1 July 2007, all retail electricity customers in Queensland can choose either to:

- negotiate a market retail contract with a retailer and pay a price determined by that retailer, or
- remain on a standard retail contract with the price:
  - for customers in south east Queensland, determined by the retailer, subject to the Australian Energy Regulator's (AER's) determination of a Default Market Offer (DMO)
  - for customers in regional Queensland, determined by the Minister or the Queensland Competition Authority (QCA), where that function has been delegated by the Minister under section 90(1) of the *Electricity Act 1994*.

The QCA has received a delegation from the Minister to determine the regulated retail electricity prices for regional Queensland for 2026-27.

The QCA has adopted a similar approach to previous years to determine the regulated retail electricity prices through a build-up of energy, network and retail costs.

ACIL Allen was engaged by the QCA to update the existing retail cost estimates, as part of the 2026-27 review of regulated retail electricity tariffs, using approaches similar to those used for the 2021-22 review so that they reflect the retail costs based on current market data.

Additionally, there has been consideration of whether the retail costs estimated using a benchmarking approach need to be adjusted further to account for recent developments affecting retail electricity markets, and whether the benchmarking approach continues to be appropriate.

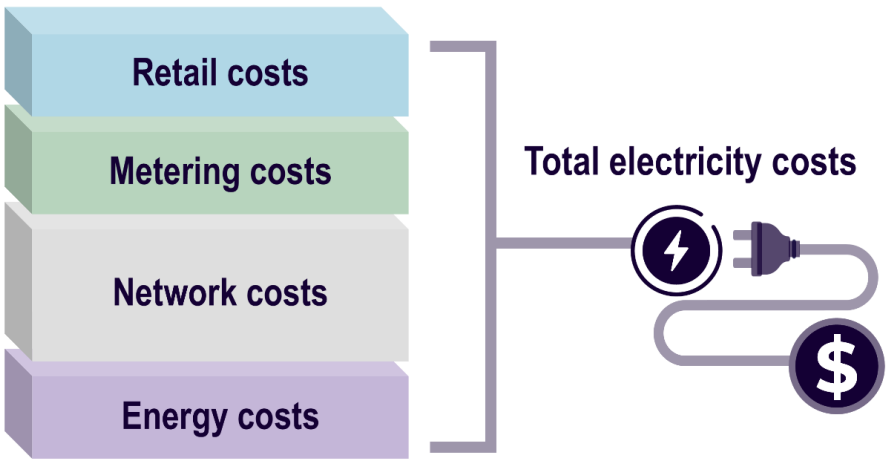
Retail costs for residential and small business customers

We estimated the efficient retailer costs for residential and small business customers on flat rate tariffs by deconstructing the components of retail electricity market offers that are available in south east Queensland and benchmarking the retail costs.

As illustrated in Figure ES 1, retail electricity tariffs comprise 4 broad components – network costs, energy costs, retail-related metering costs and retailer costs (fixed and variable components). By deducting the network costs, energy costs and retail-related metering costs from the retail electricity tariff, the retailer costs can be derived.[1]

[1] Regulatory fees were also deducted but these are not material relative to the other cost components. The QCA will be determining these separately.

Figure ES 1 Components of the retail electricity tariff



Source: ACIL Allen

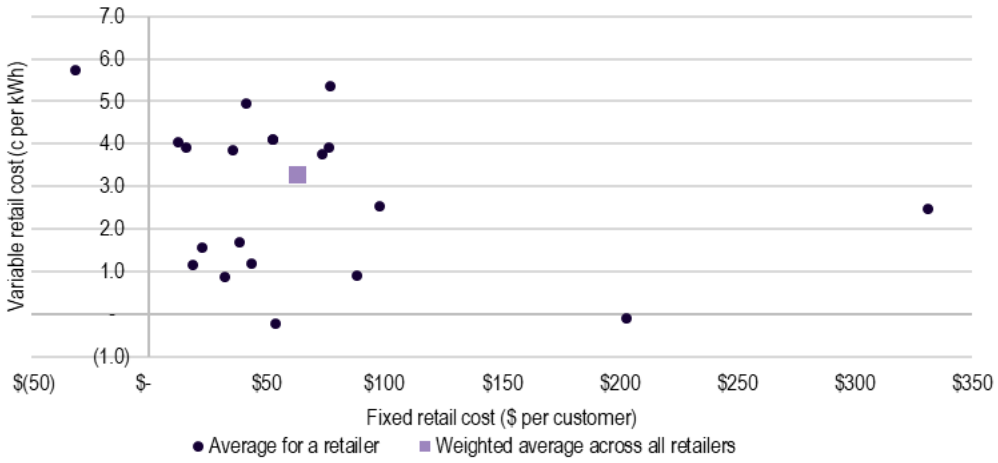
The retail electricity tariffs and network tariffs were available publicly. We estimated the energy costs using the same methodology that was adopted by the QCA in its determination of regulated retail tariffs for Queensland (or regional Queensland) between 2013-14 and 2025-26, and will be used to determine the regulated retail tariffs for 2026-27. We used the retail-related metering costs estimated by the AER as part of its determination of the DMO for south east Queensland for 2025-26.

Residential flat rate tariffs

The 2025-26 average fixed and variable retail costs by retailer for their residential flat rate electricity tariffs, and the customer weighted average retail cost, are plotted in Figure ES 2.

As expected, the variable component of the retail cost generally decreases as the fixed component increases, as it did in the last review of retail costs.

Figure ES 2 Fixed and variable components of retail costs, residential flat rate tariffs, 2025-26



Note: Each purple dot represents a retailer and is the average retail cost across each of their tariffs

Source: ACIL Allen

To inform the QCA's judgement on an appropriate retail cost for residential customers, Table ES 1 compares the following:

— the fixed and variable components of the retail cost from the 2021-22 review, adjusted to 2025 dollars

— the weighted average of the fixed and variable components of the retail cost from this review, with the metering costs included and excluded

— the range, simple average and median of the fixed and variable components of the retail cost from this review.

Table ES 1 Fixed and variable components of retail costs, residential flat rate tariffs, 2025-26

Basis of estimate	Fixed component	Variable component
	$ per customer / year	c per kWh
From 2021-22 review	152.79	1.70
Weighted average, metering costs deducted	62.64	3.27
Weighted average, metering costs included	127.55	3.27
Simple average, metering costs deducted	66.78	2.79
Median, metering costs deducted	48.12	3.15
Range, metering costs deducted	-31 - 331	-0.2 – 5.7

Source: ACIL Allen

The weighted average of the retail costs is dominated by the retail costs of 5 of the 20 retailers – Origin Energy, AGL, Alinta Energy, EnergyAustralia and Red Energy – which represent around 92% of the market offers for residential customers in Energex's electricity distribution area.

The customer weighted average of the fixed component of the retail cost is lower than the fixed component from the 2021-22 review of retail costs, more so if the AER's estimate of the smart metering costs are deducted. We are concerned that the AER's estimate of smart meter costs may be significantly higher than the amount that is included by the retailers in their market offers, reducing the retail costs estimated using the benchmarking approach.

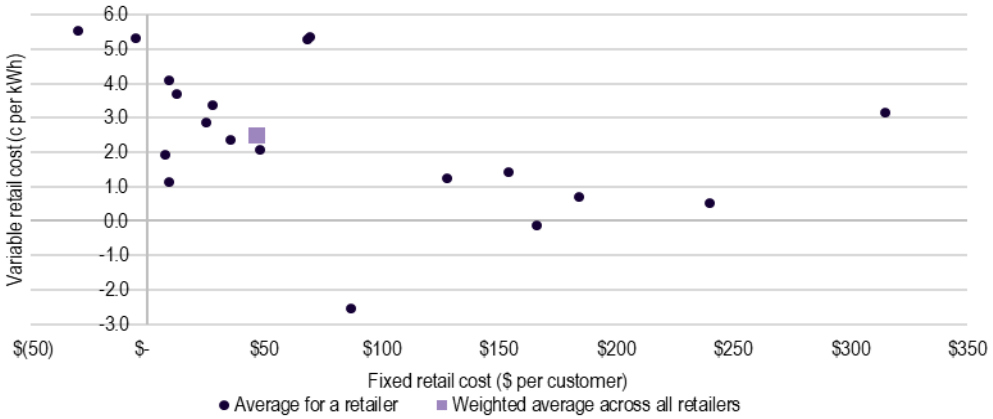
The customer weighted average of the variable component is substantially higher than the variable component previously derived. Retailers may be choosing to recover more retail costs through the variable component of the retail tariffs than the fixed component with the substantial increase in wholesale electricity costs that has occurred.

The results from the benchmarking analysis should not necessarily be applied deterministically to estimate the retail costs. Rather, the regulator should exercise its judgement based on the information revealed as part of the benchmarking analysis. Given the range of results as set out in Table ES 1, and our concerns with the estimated smart meter costs which are used to derive the estimated retail costs, the QCA could choose to maintain the retail costs for 2026-27 but decrease the fixed component and increase the variable component, as indicated by the benchmarking.

Small business flat rate tariff

The 2025-26 average fixed and variable retail costs by retailer for their small business flat rate electricity tariffs, and the customer weighted average retail cost, are plotted in Figure ES 3.

Figure ES 3 Fixed and variable components of retail costs, small business flat rate tariffs, 2025-26



Note: Each purple dot represents a retailer and is the average retail cost across each of their tariffs

Source: ACIL Allen

To inform the QCA's judgement on an appropriate retail cost for small business customers, Table ES 2 compares the following:

- the fixed and variable components of the retail cost from the 2021-22 review, adjusted to 2025 dollars
- the weighted average of the fixed and variable components of the retail cost from this review, with the metering costs included and excluded
- the range, simple average and median of the fixed and variable components of the retail cost from this review.

Table ES 2 Fixed and variable components of retail costs, small business customers, 2025-26

Basis of estimate	Fixed component	Variable component
	$ per customer / year	c per kWh
From 2021-22 review	213.89	4.50
Weighted average, metering costs deducted	46.56	2.49
Weighted average, metering costs included	108.53	2.49
Simple average, metering costs deducted	81.82	2.50
Median, metering costs deducted	48.20	2.37
Range, metering costs deducted	-30 - 315	-2.5 – 5.6

Source: ACIL Allen

The weighted average retail cost for the small business flat rate tariffs is dominated by 4 retailers that represent 82% of market offers – Origin Energy, AGL, EnergyAustralia and Alinta Energy.

Using the same methodology as for the 2021-22 review, there is a substantial reduction in both the fixed and variable retail costs for small business customers. The substantial reductions may be due to:

- retailers allocating a lower proportion of their retail costs to small business customers so that they are more consistent with the retail tariffs for residential customers, in line with the DMO and Victorian Default Offer
- increased competition in the market for small business electricity customers, increasing the number of offers designed to acquire new customers and putting downward pressure on the retail costs included in those offers

- an overestimation of the costs associated with smart meters relative to the amount included in the market offers, as discussed above for residential customers
- a larger variance between the estimated wholesale energy costs used in the benchmarking analysis and the wholesale energy costs forecast by the retailers when constructing their retail tariffs
- a substantial increase in the wholesale electricity costs since 2021-22, increasing the total dollar value of the variable retail costs for the same variable rate.

Given the range of results from analysing the retail costs, our concerns with the estimated smart meter costs which are used to derive the estimated retail costs, and that any overestimate in the retail costs will be offset by a downwards adjustment when comparing the outcomes from the QCA's determination with the AER's determination, the QCA could choose to maintain the retail costs for 2026-27 and not index them until the next review of retail costs is undertaken. By the next review, the deployment of smart meters will be complete and there will be more certainty on the smart meter costs. Additionally, it will be evident as to whether the reduction in retail costs is sustained.

Appropriateness of the benchmarking approach

While we are of the view that the benchmarking approach is an appropriate methodology to estimate the retail costs, the results from the benchmarking analysis indicate that, since the last review, for:

- residential customers – the fixed component of the retail cost has decreased while the variable component of the retail cost has increased
- small business customers – both the fixed and variable component of the retail cost have decreased substantially.

This raises the question as to whether the results from the benchmarking analysis are appropriate.

The data that are analysed as part of the benchmarking do not produce a single deterministic result that can be applied by the regulator. Rather, the data can be analysed in a variety of ways, as set out in Table ES 1 and Table ES 2, so that the regulator can exercise its judgement as to how the results are applied.

The QCA has previously exercised its judgement by changing the methodology from the 2016-17 review to the 2021-22 review. In particular, while the 2016-17 review was based on the simple average of the lowest retail costs included in each retailer's offers, the 2021-22 and 2026-27 reviews have been based on the weighted average of the average retail costs included in each retailer's offers. We have indicated above how the results from the benchmarking could be applied by the QCA.

Bottom-up analysis – large customers

Given the absence of publicly available data for large customers, we estimated the retail costs for large customers based on information provided by the retailers. We issued an Information Request to retailers to obtain the retail costs that they forecast to be incurred in 2025-26 to supply electricity to large business customers (those that consume between 100 MWh and 4 GWh per annum) and very large business customers (those that consume more than 4 GWh per annum).

Information was provided by 12 retailers, which is a much higher response rate than in previous reviews. Of these:

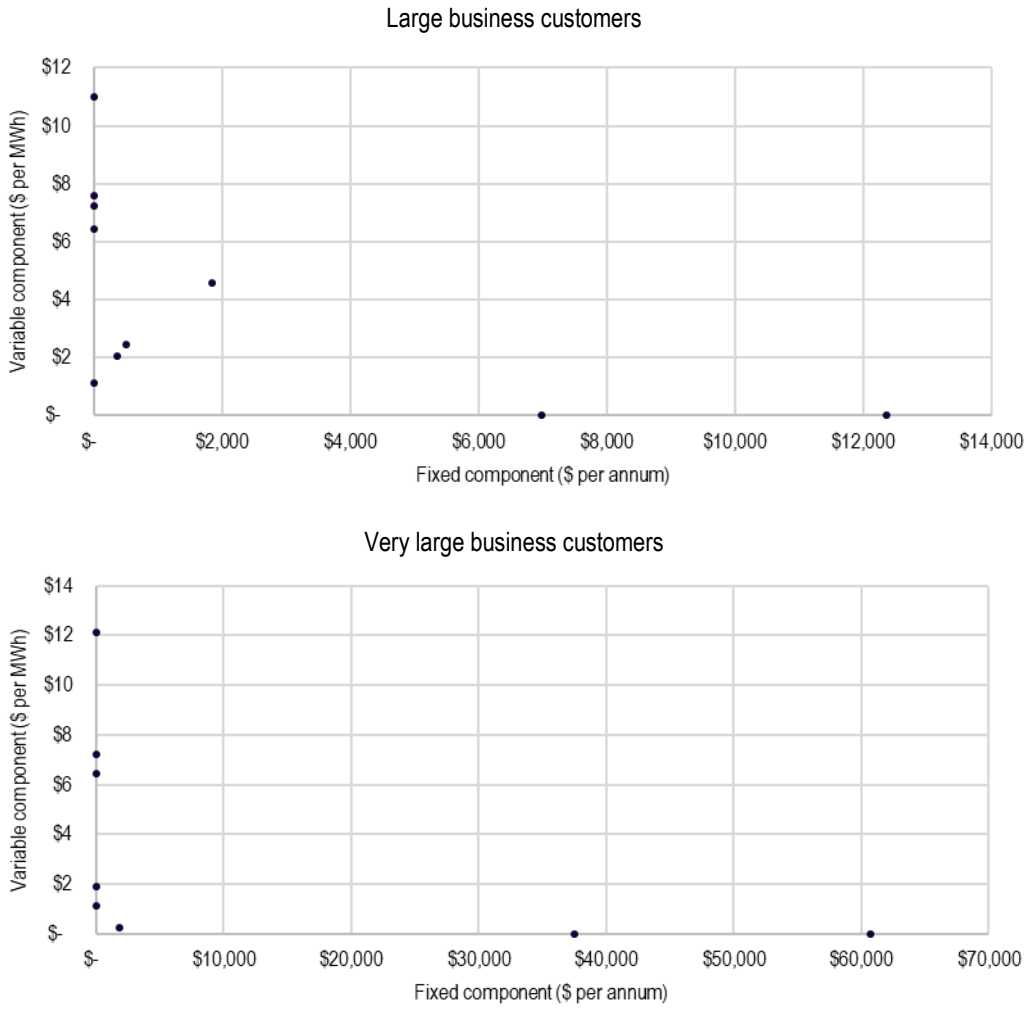
- 3 retailers were unable to provide the information requested
- 2 retailers provided information for large customers but not very large customers
- 2 retailers could not distinguish between the costs for large customers and for very large customers.

Four of the retailers expressed the retail costs with a fixed component and/or a variable (usage) component. Two retailers also expressed the retail costs with a demand component. To ensure comparability of the information provided, we converted the demand component to a fixed component based on the average peak demand for that retailer's customers.

Three of the retailers did not know the driver of their retail costs. These retailers' costs were included in the analysis twice – once assuming the costs were recovered on a per customer (fixed) basis and once assuming the costs were recovered based on energy usage.

The fixed and variable components of the retail costs are compared, following the removal of outliers, for large business customers in the first pane of Figure ES 4 and for very large business customers in the second pane of Figure ES 4.

Figure ES 4 Fixed and variable components of retail costs, large customers, 2025-26



Source: ACIL Allen analysis based on retailers' information requests

The customer weighted average of the fixed and variable components of the retail costs for large and very large business customers (excluding the outliers) are set out in Table ES 3.

Table ES 3 Fixed and variable components of retail costs, large customers, 2025-26

	Fixed component	Variable component
	$ per customer / year	c/kWh
Large business customers	2,068	4.38
Very large business customers	19,119	2.80

Source: ACIL Allen analysis based on retailers' information requests

We compared the retail costs submitted by the retailers to the QCA's 2025-26 determination for Tariffs 44, 45 and 46 (which are for large business customers), which indicated that the QCA's determination is towards the high end of the retail costs, but not the highest. We note that there is some subjectivity in the costs that are provided by the retailers as they do not necessarily collect the data in the way that it has been requested. There is also an incentive for the retailers to submit high retail costs to increase the regulated retail prices for regional Queensland.

Notwithstanding, we are of the view that the retail costs for large and very large business customers could be maintained in nominal terms until the next review.

Adjustments to the retail costs

The retail costs have been estimated for 2025-26. We considered whether an adjustment should be made for productivity improvements or for material additional costs associated with market developments or regulatory reform.

Productivity improvements

To identify whether there have been any productivity improvements in the fixed component of the retail costs for small customers, we considered the real movement in retail-related costs over the period from 2019-20 to 2024-25, as published by AGL and Origin Energy, and the retail operating costs included in the AER's DMO determinations from 2022-23 to 2025-26. We also considered the real movement in the fixed retail costs revealed through the benchmarking approach as part of the 2016-17, 2021-22 and 2026-27 reviews.

Our analysis of:

— the information published by AGL and Origin Energy indicates that retail-related costs have been reasonably consistent in real terms over time

— the retail operating costs determined by the AER for the DMO indicates that they have increased in real terms over the last few years

— the retail costs estimated for south east Queensland using the benchmarking analysis indicates that the fixed retail costs have decreased in real terms.

Given the inconsistent data available at this time, we are of the view that there is insufficient evidence to support the inclusion of a productivity improvement in the indexing of the retail costs if the weighted average retail costs from the benchmarking analysis are applied without adjustment.

To identify whether there have been any productivity improvements in the retail costs for large customers, the retailers' information request sought information on the expected cost movements from 2025-26 to 2026-27. Of the 8 retailers that responded to this question, 4 expected the retail costs to be the same, one expected them to be the same or slightly lower and 3 expected them to increase.

Based on the information analysed and received, if the retail costs for business customers are maintained in nominal terms from 2025-26 to 2026-27, they could be maintained in nominal terms until the next review of retail costs.

Additional material costs that may be incurred in 2026-27

The methodology that is used to estimate the 2026-27 retail cost component of the retail electricity prices for regional Queensland – by benchmarking the retail electricity costs for 2025-26 – means that the retailers' forecasts of the additional retail costs that would be incurred in 2025-26 as a result of market developments or regulatory reform are included in the estimate of the retail costs for 2025-26. The key issue in estimating the retail costs for 2026-27 is whether:

- the costs associated with market developments or regulatory reform will be materially different in 2026-27 relative to the costs that were forecast for 2025-26
- the movement in costs is effectively captured by assuming the costs are escalated by CPI.

The costs associated with smart meters will increase from 2025-26 to 2026-27. However, these costs have been excluded when estimating the retail costs and will be separately considered by the QCA.

Ergon Energy Queensland (EEQ) submitted that the retail costs should be adjusted for above CPI increases in payment processing fees and Australia Post charges[2], but did not identify any reductions in costs from 2025-26 to 2026-27. The Queensland Council of Social Service submitted that the retail costs should consider that customers are increasingly encouraged to move to 'self-service'[3] and the Queensland Consumers Association was of the view that encouraging or requiring electronic billing, payment and contact has reduced costs.[4] We would expect that the cost savings arising from this 'self-service' or electronic approach will offset the above CPI increases identified by EEQ.

[2] Ergon Energy Queensland, *Ergon Energy Retail submission to the Regulated Retail Electricity Prices for 2026-27 Draft Determination*, 1 May 2026, p. 1.

[3] Queensland Council of Social Service, *Submission to the QCA Regulated retail electricity prices in regional Queensland for 2026-27 draft determination*, 6 May 2026.

[4] Queensland Consumers Association, *Submission on QCA Interim Consultation Paper on Regulated Electricity Prices 2026-27*, 13 February 2026.

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Main report

1 Introduction

Following the introduction of full retail competition in the Queensland electricity market on 1 July 2007, all retail electricity customers in Queensland can choose either to:

- negotiate a market retail contract with a retailer and pay a price determined by that retailer, or
- remain on a standard retail contract with the price:
  - for customers in south east Queensland, determined by the retailer, subject to the Australian Energy Regulator's (AER's) determination of a Default Market Offer (DMO)
  - for customers in regional Queensland, determined by the Minister or the Queensland Competition Authority (QCA), where that function has been delegated by the Minister under section 90(1) of the *Electricity Act 1994*.

The QCA has received a delegation from the Minister to determine the regulated retail electricity prices for regional Queensland for 2026-27.

The QCA has adopted a similar approach to previous years to determine the regulated retail electricity prices through a build-up of energy, network and retail costs. The retail cost comprises the operating costs and retail margin, which the QCA defines as follows:

> - *operating costs – the administrative costs of servicing existing customers and acquiring new customers (e.g. costs related to operating call centres, operating billing systems and collecting revenue)*
> - *a retail margin – the return to investors for a retailer's exposure to systematic risk associated with providing retail electricity services.*[5]

ACIL Allen was engaged by the QCA to estimate the efficient retail costs as part of the 2016-17 and 2021-22 reviews of regulated retail electricity tariffs. In both previous reviews, we used a benchmarking approach based on publicly available market data and in the 2016-17 review this was supplemented by a bottom-up approach based on confidential data provided by the retailers to estimate retail costs for residential and small business customers. The estimated retail costs each comprised a variable component (cost per energy consumed) and a fixed component (cost per customer).

The retail cost for residential and small business customers was indexed in each of the years between the reviews, with the variable component remaining as the same percentage of variable costs and the fixed component escalated by the forecast change in CPI.

The retail cost for large customers (those consuming more than 100 MWh per annum) was also reviewed as part of the 2016-17 and 2021-22 reviews of regulated retail electricity tariffs. However, there was no compelling evidence at that time to change the retail cost from the QCA's previous determinations.

We were engaged by the QCA to update the existing retail cost estimates, as part of the 2026-27 review of regulated retail electricity tariffs, using the same approach used for the 2021-22 review so that they reflect the retail costs based on current market data. The benchmarking analysis of the retail costs for residential and small business customers is based on:

- publicly available data on retail market offers in south east Queensland only
- calculating the average (mean) retail costs for each retailer
- flat rate tariffs only.

[5] QCA, *Regulated retail electricity prices 2025-26, Final determination*, June 2025, p. 25.

In addition, the 2026-27 review considers:

- updating the retail cost estimate for large customers using a bottom-up approach
- whether the updated retail costs estimated using a benchmarking approach need to be adjusted further to account for recent developments affecting retail electricity markets, including any regulatory or operating environment changes that are likely to materially affect retailers' costs to serve customers in 2026-27 compared to 2025-26
- whether the benchmarking approach continues to be appropriate.

1.1 Stakeholder comments

A review of the retail costs was supported by Ergon Energy Queensland (EEQ), the Queensland Consumers Association and the Queensland Council of Social Service (QCOSS) in their submissions to the QCA's interim consultation paper.

Queensland Consumers Association was of the view that the:

> *… retail cost benchmarks should be updated because:*
>
> - *It is many years since they were updated.*
> - *There have been many significant changes in retailer operations in [south east Queensland] SEQ since the last update, including encouraging or requiring: electronic billing, payment and contact, which have reduced retailer costs.*
> - *Retailer costs are a significant component of the regulated prices.*[6]

In its submission on the QCA's Draft Determination, the Queensland Consumers Association supported the proposed approach taken by the QCA to estimate the retail costs for 2026-27, but considered that a bottom-up approach is preferable to benchmarking.[7]

In its submission to QCA's interim consultation paper, QCOSS submitted that a new bottom-up assessment should be undertaken as well as a re-application of the previous years' benchmarks and methodology for annual update, with the retail costs set at the lower of the two.[8] In its submission on the QCA's Draft Determination, QCOSS recommended that:

> *A full bottom-up reanalysis of retail costs should occur as soon as practicable, in advance of the 2027-28 Notified Prices determination. The retail costs should then be set at the lower of:*
>
> - *re-application of the previous year's methodology; and*
> - *new bottom-up assessment.*[9]

We are of the view that there are challenges associated with a bottom-up assessment due to:

- information asymmetries – it is challenging for a regulator to obtain the data required to undertake a robust bottom-up assessment, particularly if the regulator does not have strong information-gathering powers
- inconsistency of data – the notified prices are determined through consideration of the building blocks of the notified prices. The costs that are included in the retail costs need to be consistent with the costs

[6] Queensland Consumers Association, *Submission on QCA Interim Consultation Paper on Regulated Electricity Prices 2026-27*, 13 February 2026.

[7] Queensland Consumers Association, *Submission on QCA Consultation Paper on Draft Determination for Regulated Electricity Prices in Regional Queensland 2026-27*, 1 May 2026.

[8] Queensland Council of Social Service, *Submission to the QCA interim consultation on regulated retail electricity prices 2026-27*, 18 February 2026.

[9] Queensland Council of Social Service, *Submission to the QCA Regulated retail electricity prices in regional Queensland for 2026-27 draft determination*, 6 May 2026.

included in the wholesale energy costs. If the retail costs are considered in isolation, there is a risk that costs will be double counted in both the retail and wholesale energy costs, or not included at all.

In their submissions on the QCA's interim consultation paper, the Queensland Consumers Association was of the view that the retailer costs have reduced since the last review, while EEQ was of the view that the retail operating costs have been increasing at a significantly faster rate than CPI, which has been used to index the costs since the last review.[10] In its submission on the QCA's Draft Determination, EEQ expressed concern that costs are increasing by more than the expected CPI.

> *In particular, unavoidable and externally imposed costs, such as payment processing fees and increases in Australia Post charges, which exceed CPI, are material elements of a retailer's cost-to-serve and should be addressed transparently.*[11]

The benchmarking approach includes consideration of payment processing fees (refer section 3.1.2), which vary across retailers. The increase in Australia Post charges is discussed in section 5.2.2.

1.2 Purpose and overview of this paper

The purpose of this paper is to provide updated estimates of the retail costs for residential, small business and large business customers in south east Queensland, to be applied in regulating the retail electricity prices in regional Queensland in 2026-27.

The methodology that has been adopted to update the retail cost estimates for electricity customers in Queensland is described in chapter 2.

The inputs to the benchmarking analysis for residential and small business customers are described in chapter 3 and the results from the benchmarking analysis are provided in chapter 4. In chapter 5, we discuss whether the results from the benchmarking analysis should be adjusted for any recent developments.

Our assessment of the retail cost estimates for large customers, based on data provided by the retailers, is provided in chapter 6.

Chapter 7 draws together the analysis in chapters 4, 5 and 6 and summarises our recommendations on the retail costs for residential, small business and large business customers, and our views on whether the benchmarking approach continues to be appropriate.

[10] Ergon Energy Queensland, *Submission on QCA Interim Consultation Paper on Regulated Electricity Prices 2026-27*, 13 February 2026, p. 7.

[11] Ergon Energy Queensland, *Ergon Energy Retail submission to the Regulated Retail Electricity Prices for 2026-27 Draft Determination*, 1 May 2026, p. 1.

2 Methodology

This chapter describes the methodology that has been adopted to update the retail cost estimates for residential, small business and large business customers.

Section 2.1 provides an overview of the methodology to update the retail cost estimates for residential and small business customers using a benchmarking approach, section 2.2 provides an overview of the methodology to update the retail cost estimate for large business customers, and section 2.3 provides an overview of the approach to considering the effect of recent developments affecting retail electricity markets.

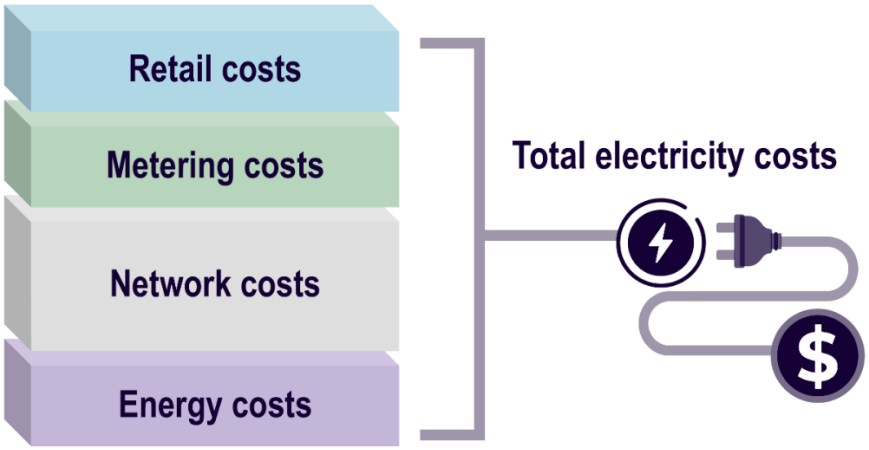
2.1 Methodology – residential and small business customers

This section describes the methodology that was used to update the retail cost estimates for residential and small business customers using a benchmarking approach.

Consistent with the 2016-17 and 2021-22 reviews, we updated the retail cost estimates for residential and small business customers by deconstructing the components of each of the retail electricity tariffs and then benchmarking the retail costs. This review considered the retail electricity tariffs in south east Queensland only.

As illustrated in Figure 2.1, retail electricity tariffs comprise 4 broad components – network costs, energy costs, metering costs and retail costs (fixed and variable components). By deducting the network costs, energy costs and retail-related metering costs[12] from the total retail electricity tariffs, the retail costs can be derived.[13]

Figure 2.1 Components of the retail electricity tariff



Source: ACIL Allen

[12] The network costs include the costs associated with legacy meters.

[13] We also deducted fixed regulatory fees, which are not material relative to the other costs, and are determined separately by the QCA.

The 4 broad components of the retail electricity tariffs, as well as the retail electricity tariffs themselves, are discussed in the following sections – the retail electricity tariffs are discussed in section 2.1.1, the network costs in section 2.1.2, the energy costs in section 2.1.3, the retail-related metering costs in section 2.1.4 and the retail costs in section 2.1.5.

2.1.1 Retail electricity tariffs

The starting point for our benchmarking analysis was the competitive retail electricity market offers that are available in south east Queensland. These market offers were used to calculate the annual retail electricity bills for residential and small business customers.

In its submission on the QCA's Interim Consultation Paper, EEQ indicated it did not support the use of market offers to determine the retail cost component of the notified prices. It noted that:

> *Market offers typically reflect customers trading away the higher cost services provided under a [Standard Retail Contract] SRC in exchange for lower tariff prices. For example, many market contracts require customers to enter into direct debit or e-billing, which lowers a retailer's cost to serve. As notified prices apply to SRCs, it is not appropriate for the retail allowance to be derived from market contract cost structures, as these are not comparable to SRC arrangements.*[14]

We note that there are differences in the service offering between standing offers and market offers. These differences are separately considered by the QCA when it makes its determination on the notified prices.

Approach to analysing market offers

The retail electricity bills were calculated separately for:

- residential customers on a flat rate tariff
- small business customers on a flat rate tariff.

We used the retail market tariffs that were offered for the 2025-26 financial year in south east Queensland, as published on the AER's Energy Made Easy website.

The retailers offer a range of competitive market tariffs to residential and small business customers. Our first filter excluded tariffs that were not effective for a period of at least 2 weeks during the period from 1 July 2025 to 1 October 2025. We noted that some tariffs were valid for a period of less than 2 weeks, and appeared to be replaced by similar tariffs with minor differences. These differences generally appeared to be due to changes in the presentation of the data on the AER's Energy Made Easy website rather than fundamental changes to the tariffs themselves.

Our second filter excluded duplicate plans that had each been valid for at least 2 weeks during the period from 1 July 2025 and 1 October 2025. For example, if a plan was replaced with another plan with the same name after 6 weeks, we excluded the latter plan.

Where the analysis indicated that a tariff was an outlier (resulting in electricity bills that are more than two standard deviations from the mean), we removed those tariffs from our analysis.

Some of the costs to serve retail electricity customers are a fixed cost – for example, the cost to invoice a customer and the cost to manage customers through a call centre. They are the same regardless of energy consumption. These costs are expected to be reflected in the fixed component of the retail cost, but may be reflected in the variable component of the retail electricity tariff by some retailers.

[14] Ergon Energy Queensland, *Submission on QCA Interim Consultation Paper on Regulated Electricity Prices 2026-27*, 13 February 2026, p. 7.

Where the cost to serve is reflected in the variable usage component of the retail electricity tariff, the retailer will convert the cost to serve to a per consumption charge. It is expected this conversion will be done based on the average consumption for customers on a particular tariff so that the costs are not over or under recovered.

The average consumption varies across tariffs and retailers, and therefore the rate at which the variable component of the cost to serve is converted to a per consumption charge varies across tariffs and retailers. We calculated the total retail electricity bills for each of the tariffs based on the average consumption and demand for residential and small business customers that is relevant to each tariff. We also excluded business tariffs that were for customers with energy consumption significantly larger than the average consumption assumed in our analysis.

The retail electricity bills were calculated exclusive of GST.

Treatment of discounts

Many retailers offer incentives and discounts that are not included in the retailers' published electricity tariffs. Retailer incentives can be in the form of, for example, cash incentives, frequent flyer points or percentage discounts on customer bills. Some incentives are unconditional on customer actions while other incentives are contingent on customers paying their bills on time, agreeing to online billing or paying via direct debit. The length of time over which discounts to bills are applied to retail tariffs can be limited and some discounts are only available when the contract is first entered into (upfront discounts).

In calculating customers' retail electricity bills, we factored in all quantifiable conditional and unconditional discounts that are available to customers. We amortised upfront discounts over a period consistent with the rate of customer switching.

We also included payment fees and annual membership fees, but assumed that late payment fees and fees for paper bills do not apply. We assumed that any customer signing up to these particular offers would seek to avoid these extra charges.

2.1.2 Network costs

Network tariffs, which are regulated by the AER, comprise:

- the costs associated with the use of the distribution and transmission networks
- jurisdictional scheme amounts, which recover the costs associated with the Solar Bonus Feed-in Tariff payments that are made to eligible customers with solar PV systems, an Energy Industry Levy and Electrical Safety Office levy
- legacy metering costs.

Network tariffs for residential and small business customers are publicly available. We used the network tariffs that apply in 2025-26 in Energex's distribution area. We chose the network tariff that corresponds to each of the tariff types included in our analysis. Consistent with our approach for calculating overall customer retail electricity bills, we calculated the network costs based on the average consumption that was relevant to that tariff, exclusive of GST.

The retail-related costs associated with smart meters are discussed in section 2.1.4.

2.1.3 Energy costs

The costs for energy purchased from the National Electricity Market (NEM) comprise:

- wholesale energy costs (WEC)
- costs of complying with Renewable Energy Targets
- other costs, including National Electricity Market (NEM) management fees, ancillary services, and hedge and pool prudential costs
- energy losses incurred during the transmission and distribution of electricity to customers.[15]

We used the same methodology to estimate the energy costs for Queensland as adopted by the QCA in its determination of regulated retail tariffs for Queensland (or regional Queensland) between 2013-14 and 2025-26, and will be used to determine the regulated retail tariffs for 2026-27.

The approach to estimating energy costs is designed to simulate the wholesale energy market from a retailing perspective, where retailers hedge the pool price risk by entering into electricity contracts with prices represented by the observable futures market data. Other energy costs are added to the wholesale energy costs and the total is then adjusted for network losses.

There is a risk of double counting costs or not including costs when estimating the retail cost. By using the same methodology to estimate the energy costs as used by the QCA in determining regulated retail tariffs, this risk is mitigated. If we used a different approach to estimate the energy cost to that used by the QCA in determining regulated retail tariffs, the energy cost could be higher (or lower) resulting in a lower (or higher) retail cost. There is a risk that:

- the wholesale electricity costs used for the benchmarking include a particular cost that is then excluded from the retail costs. If the wholesale electricity costs used for regulating retail tariffs do not include that particular cost, then the sum of the wholesale electricity costs and retail cost will be lower than they would otherwise be.
- the wholesale electricity costs used for the benchmarking do not include a particular cost that is then included in the retail costs. If the wholesale electricity costs used for regulating retail tariffs include that particular cost, then the sum of the wholesale electricity costs and retail cost will be higher than they would otherwise be.

Our approach mitigates this risk.

Described below is an outline of our approach for quantifying each of the energy cost components. Further details on the approach to calculating costs for energy purchased from the NEM is provided in ACIL Allen's June 2025 report to the QCA, *Estimated Energy Costs, For Use by the Queensland Competition Authority in its Final Determination of 2025-26 retail electricity tariffs*.

Timing of the analysis

In estimating the costs associated with purchasing energy from the NEM, we used the forecasts based on market modelling we undertook for the QCA to estimate the 2025-26 energy costs for Queensland. This modelling includes NEM fees and ancillary service charges, prudential costs and energy losses.

For internal consistency, we used retail electricity tariffs that would have been set by retailers using similar forecasts of energy. That is, we used retail electricity tariffs that were set as close to 1 July 2025 as possible. If retail electricity tariffs are used that were set at a different time, there could be variances in the retail cost estimates as a result of those timing differences.

[15] The energy costs also comprise the forecast costs associated with the Reliability and Emergency Reserve Trader and AEMO Directions, but these costs were assumed to be zero in Queensland for 2025-26.

Wholesale energy costs

As with the 2013-14 to 2024-25 reviews of wholesale energy costs, we continued to use the market hedging approach for estimating the WEC for 2025-26.

We utilised our:

- stochastic demand and renewable energy resource model to develop 54 weather influenced annual simulations of hourly demand and renewable energy resource traces which maintain the appropriate correlation between the various regional and Net System Load Profiles (NSLPs)/ control loads/ interval meter demands, and various renewable energy zone resources – using weather data from 1970-71 to 2023-24, and demand and renewable energy resource data from October 2023 to September 2024 (the shorter than usual sample period avoided earlier NSLP demand data which was subject to AEMO's temporary artificial uplift)
- stochastic availability model to develop 11 annual simulations of hourly thermal power station availability
- energy market models to run 594 simulations of hourly pool prices of the NEM using the stochastic demand traces and power station availabilities as inputs
- analysis of contract data to estimate contract prices
- hedge model, taking the above analyses as inputs, to estimate a distribution of hedged prices for each tariff class.

We then analysed the distribution of outcomes produced by the above approach to provide a risk adjusted estimate of the WEC for each tariff class.

We relied on the Australian Energy Market Operator (AEMO) as a source for the various demand data required for the analysis, and estimated the trade weighted average contract price, by product type and quarter, using trade data from ASX Energy.

The regional peak demand and energy forecasts applied to the demand profiles were referenced to the 2025-26 demand forecasts from the 2024 Integrated System Plan Step Change scenario for Queensland and took into account past trends and relationships between the NSLPs / interval meter demands and the Queensland regional demand.

Renewable energy policy costs

Energy costs associated with the Large-scale Renewable Energy Target (LRET) and the Small-scale Renewable Energy Scheme (SRES) were estimated using price information from brokers TraditionAsia, information published by the Clean Energy Regulator (CER) and modelling by ACIL Allen. Retailer compliance with these schemes operates on a calendar year basis and hence estimates were required for both the 2025 and 2026 calendar years, with the costs averaged to estimate the 2025-26 financial year costs for Queensland.

To estimate the costs to retailers of complying with both the LRET and SRES, we used the following elements:

- historical Large-scale Generation Certificate (LGC) market forward prices for 2025 and 2026 from brokers TraditionAsia[16]
- estimated Renewable Power Percentage (RPP) values for 2025 and 2026 of 17.91%[17]
- the binding Small-scale Technology Percentage (STP) for 2025 of 13.89%, as published by the CER

[16] Data provided up to 9 May 2025.

[17] The RPP values for 2025 and 2026 are based on the CER's published RPP for 2025 and assumes no change in liable acquisitions and the CER-published mandated LRET targets for 2025 and 2026.

— estimated STP value for 2026 of 11.79%[18]
— the Clean Energy Regulator's clearing house price[19] for 2025 and 2026 for Small-scale Technology Certificates (STCs) of $40/MWh.

Other energy costs

NEM management fees were estimated based on AEMO's 2025-26 budget and fees report and ancillary service costs were estimated based on weekly ancillary services payments data published by AEMO.

Prudential costs, both for AEMO and representing capital used to meet prudential requirements to support hedging, take into account:

— the AEMO assessed maximum credit limit
— the future risk-weighted pool price
— participant-specific risk adjustment factors
— AEMO published volatility factors
— futures market prudential obligation factors, including the:
  — price scanning range
  — intra commodity spread charge
  — spot isolation rate.

Energy losses

The estimated wholesale energy costs resulting from the analysis were referenced to the Queensland Regional Reference Node. These estimates were adjusted for transmission and distribution losses associated with transmitting energy from the Regional Reference Node to end-users.

Distribution Loss Factors (DLF) for Energex and average Marginal Loss Factors (MLF) for transmission losses from the node to major supply points in the distribution network were applied to the wholesale energy cost estimates to incorporate losses.

The MLFs and DLFs used to estimate losses for 2025-26 were based on those published by AEMO in April 2025.

2.1.4 Retail-related metering costs

Smart meters for residential and small business electricity customers are being progressively installed in Queensland by the retailers. Smart meter costs are the annual costs that the retailers incur for smart meters and include the costs associated with installation, maintenance and IT. The smart meter costs are expected to increase each year as the number of smart meters installed increases.

We used the smart meter costs that the AER estimated as part of its DMO determination for south east Queensland for 2025-26.

[18] The STP value for 2026 is the CER's published non-binding value and align closely with ACIL Allen's estimate of the non-binding STP based on our engagement with the CER (see https://cer.gov.au/document/stc-modelling-report-acil-allen-august-2024).

[19] Although there is an active market for STCs, ACIL Allen is not compelled to use market prices. This is mainly because historical prices might not be the best indicators of future prices as the market is designed to clear every year – so, in theory, prices could be $40 or at least very close to it. This assumes that the CER provides an accurate forecast of created certificates underpinning the STP for the next year.

2.1.5 Retail costs

For each retail electricity tariff, we deducted the energy costs, network costs and metering costs from the total retail electricity costs[20] to derive the retail costs. We analysed the benchmarking sample to assess whether there were any outliers, which were removed from the sample.

While the benchmarking sample for the 2016-17 review included only the least cost market offer for each of the 9 largest retailers in each of the NEM jurisdictions, the benchmarking sample for the 2021-22 review included all market offers from all retailers in south east Queensland. As a consequence, the analysis included a large number of market offers with some offered by relatively small retailers, some of which had multiple market offers. Averaging the retail costs across all market offers biased the results towards the multiple market offers of the very small retailers. To mitigate the effects of this bias, in the 2021-22 review, we benchmarked the average (mean) of the retail costs for each retailer. We also estimated the fixed and variable component of the retail costs using the customer weighted average of the fixed and variable components of the retail costs. The same approach was adopted for this review.

We considered whether any adjustments should be made to the benchmarked retail costs for residential and small business customers based on the adjustments discussed in section 2.3.

By considering the fixed and variable components of retail costs, rather than the traditional categorisation of retail operating costs and retail margin, the approach implicitly accommodates a range of different retail operating models. There is a trade-off between the fixed and variable components of the retail costs, and ultimately judgement needs to be exercised as to the appropriate balance between the two components to be included in the regulated retail price.

2.2 Methodology – large customers

This section describes the methodology that was adopted to update the retail cost estimates for large business customers (those consuming between 100 MWh and 4 GWh per annum) and very large business customers (those consuming more than 4 GWh per annum) using a bottom-up approach.

We issued an Information Request to retailers to obtain the retail costs that they forecast to be incurred in 2025-26 to supply electricity to large and very large business customers.

We recognised that retailers may allocate these costs to large and very large business customers using different cost drivers. Accordingly, we requested the cost data on a per customer basis and/or an energy usage (per MWh) basis and/or a peak demand (per MW) basis.

The information provided by the retailers was analysed to derive a fixed and variable component of the retail cost for large and very large business customers.

We considered whether any adjustments should be made based on information provided by the retailers and the discussion on adjustments in section 2.3.

[20] We also deducted regulatory fees which are not material relative to the other cost components. These are determined separately by the QCA.

2.3 Methodology – adjustments for recent developments

This section describes the methodology for assessing whether any adjustments should be made to the retail cost estimates derived for residential and small business customers using a benchmarking approach (as described in section 2.1) and derived for large and very large business customers using a bottom-up approach (as described in section 2.2).

2.3.1 Assessing productivity improvements

The fixed component of the retail cost was estimated in 2016-17 and 2021-22 and escalated in the intervening years by the forecast CPI.

We used publicly available cost to serve data (for example those published by AGL and Origin Energy) and other information that is publicly available to analyse the real movement in the cost to serve since 2016-17. This was used to derive an estimate of the productivity improvements.

2.3.2 Additional material costs that may be incurred in 2026-27

To estimate additional material costs that are likely to be incurred by retailers in 2026-27, we adopted the following broad approach:

1. identify the obligations/circumstances that have changed
2. identify the processes and activities that have changed as a consequence
3. quantify the volume of that change in activity
4. estimate a unit cost for that activity
5. estimate the total change in costs associated with that activity.

When assessing potential additional material costs, we took care to consider the extent to which the costs are:

— additional to those already incorporated in the published retail electricity tariffs for 2025-26

— expected to persist through 2026-27.

3 Benchmarking inputs

This chapter describes the input data for the benchmarking analysis. The input data relating to retail electricity tariffs is set out in section 3.1, the network costs in section 3.2, the energy costs in section 3.3, the retail-related metering costs in section 3.4, and other costs in section 3.5.

3.1 Retail electricity tariffs

We obtained a set of flat rate retail electricity tariffs for residential and small business customers from the QCA for the first and second quarters of 2025-26. The data set provided by the QCA replicated the information on the AER's Energy Made Easy website. As discussed in section 2.1.1, we excluded tariffs that were not effective for a period of at least 2 weeks during the period from 1 July 2025 to 1 October 2025, duplicate plans and any outlier offers.

The number of retail electricity tariffs that remained after the filtering process is summarised in Table 3.1. A full list of tariffs used in our benchmarking analysis is provided as Appendix A.

Table 3.1 Number of retail electricity tariffs by type, Energex distribution area

Retailer	Residential flat rate	Small business flat rate
1st Energy	1	1
AGL	17	3
Alinta Energy	3	4
Amber Electric	6	0
Blue NRG	0	3
CovaU	1	2
Diamond Energy	1	1
Energy Locals	3	2
EnergyAustralia	9	2
ENGIE	14	4
Globird Energy	5	0
Kogan Energy	3	0
Momentum Energy	4	4
Nectr	1	1
Next Business Energy	0	4
Origin Energy	21	16
OVO Energy	4	1
Pacific Blue Retail	1	1
Powershop	6	6
Red Energy	10	5
Sumo	1	3
Tango Energy	1	1
TOTAL	112	64

Source: ACIL Allen based on tariff offers published on AER's Energy Made Easy website

As our analysis is based on estimates of wholesale electricity costs developed previously for the QCA, it is important that we use retail tariffs that would have been developed based on those same wholesale electricity cost projections. Retail tariffs could have subsequently been updated based on later projections of wholesale electricity costs. If these later tariffs were to be used, a series of wholesale electricity cost projections would have been required that were produced when the retail tariffs were being developed.

Accordingly, to the extent possible we used the data for quarter 1.

3.1.1 Average consumption

The average consumption varies across the different tariff types, and therefore the rate at which the variable component of the cost to serve is converted to a per consumption charge varies across the tariff types. In calculating the total customer electricity bills we used the average consumption for the relevant tariff type in Energex's distribution area, which were provided to us by the QCA.

The average consumption for residential customers and small business customers is shown in Table 3.2, for 2024-25 (the most recent data available) and 2019-20 (as used in the previous review). The average consumption for residential customers in 2024-25 is similar to that in 2019-20, but the average consumption for small business customers is significantly less.[21]

Table 3.2 Average consumption by tariff type, Energex distribution area

Tariff type	Average consumption	
	2024-25	2019-20
	kWh per annum	kWh per annum
Residential flat rate	5,065	5,051
Small business flat rate	5,449	13,220

Source: QCA

While the electricity consumed varies from month to month, our analysis indicates that the electricity consumption on a quarterly billing cycle for small customers is relatively consistent through the year. For the purposes of our analysis, the electricity consumption is assumed to be consistent through the year.

3.1.2 Treatment of discounts and fees

Where retailers have offered discounts on one or more components of the retail electricity bill, we have calculated the retail electricity bills net of these discounts. Where the discounts apply to the usage charges, we have applied the discount to the variable component of the bill. Where the discounts apply to the total electricity bill, we have applied the discounts to the variable and fixed components of the bill.

Where retailers have offered upfront discounts, we amortised the discounts over a period of time, based on the rate of churn in south east Queensland, and applied the discount to the fixed component of the bill.

We sourced the churn rate for Queensland from AEMO's NEM Monthly Retail Transfer Statistics over the period from July 2024 to June 2025. As the churn rates are on a jurisdiction basis rather than an electricity distribution area basis, the churn rate will be understated for Energex's distribution area, as the churn rate is likely to be higher than the churn rate for Queensland. We therefore applied the average Queensland churn rate to the number of customers in Queensland that are not with the retailer, Ergon Energy, to estimate the churn rate in south east Queensland.

[21] Which was significantly lower than the average consumption used for the 2016-17 review.

We converted the churn rate to the implied period of time a customer will stay with a retailer. We then amortised the discount over this period using a discount rate of 9.15%[22] to calculate a capital recovery rate. The capital recovery rate is the proportion of the discount that has been applied in each year to determine the net retail electricity bill.

The assumed switching rates and capital recovery factors are shown in Table 3.3.

Table 3.3 Factors for applying upfront discounts to retail electricity bills

	South east Queensland
Annualised churn rate	21%
Implied average period a customer stays with one retailer (years)	4.6
Capital recovery factor	0.28

Note: Assumes a weighted average cost of capital of 9.15%

Source: ACIL Allen

Some tariffs included additional payments, for example, credit card payment fees and annual membership fees. These were treated as negative discounts. When calculating payment processing fees, we assumed that 56% per cent of customers pay by card, of which 36% pay by credit card and 64% pay by debit card, and 25% pay using BPay.[23]

3.2 Network tariffs

The network tariffs that have been used to calculate the network component of the retail electricity bills are set out in Table 3.4.

Table 3.4 Network tariffs, flat rate tariffs

	Fixed charge	Volumetric charge
	$/day (excl GST)	$/kWh (excl GST)
Residential flat rate	0.815	0.08918
Small business flat rate	1.05	0.09862

Source: Energex, SCS Network Tariffs 2025-26

3.3 Energy costs

The total energy costs comprise:

- wholesale energy cost at the Queensland reference node
- renewable energy cost at the Queensland reference node
- other costs at the Queensland reference node
- adjustments for transmission and distribution losses.

The total energy costs that have been used to determine the energy costs in the benchmarking analysis of retail electricity tariffs are set out in Table 3.5.

[22] The discount rate was provided to us by the QCA so that the same rate was used for all analysis as part of this review.
[23] Based on Fonto, *AER: Methods of Payment Research, AER Reference ID: AER3986558*, November 2024, p. 35.

Table 3.5 Total energy costs, 2025-26 final determination

Parameter		Units	Value (excl GST)
Wholesale Energy Cost	at Qld reference node	$/MWh	115.47
Renewable energy costs	at Qld reference node	$/MWh	11.26
Other costs	at Qld reference node	$/MWh	4.58
Total transmission & distribution loss factor (MLF x DLF)			1.061
Network losses		$/MWh	10.45
Total Energy Costs	at the customer terminal	$/MWh	181.76
Fixed NEM fee		$/week/customer	0.27

Source: ACIL Allen's June 2025 report to the QCA, Estimated Energy Costs, For Use by the Queensland Competition Authority in its Final Determination of 2025-26 retail electricity tariffs

3.4 Retail-related metering costs

The smart meter costs that that have been estimated by the AER in its determination of the DMO for south east Queensland for 2025-26 are set out in Table 3.6.

Table 3.6 Retail-related metering costs

	Metering costs
	$ per annum (excl GST)
Residential flat rate	64.91
Small business flat rate	61.97

Source: AER, 2025-26 Default market offer prices, Final determination, 26 May 2025, Tables 7.4 and 7.5

3.5 Other costs

The only other cost included in the analysis was a regulatory fee, which was provided to us by the QCA. The regulatory fee was 0.111 cents per day in 2025-26 for both residential and small business electricity customers.

4 Benchmarking analysis

The retail costs included in the residential and small business retail electricity bills in the benchmarking dataset are analysed in this chapter.

We first outline how the fixed and variable components of the retail costs can be calculated for each retail electricity bill considered, in section 4.1.

We discuss the fixed and variable components of the retail costs that are calculated for each residential and small business flat rate tariff electricity bill in the data set in section 4.2. The average fixed and variable components for each retailer for each flat rate tariff are set out in Appendix C.

4.1 Calculating the fixed and variable components of the retail costs

The various components of a retail electricity bill are illustrated in Figure 4.1.

As illustrated in Figure 4.1, a retail electricity bill comprises two components:

— a fixed component, which is based on a fixed or standing (or cents per day) charge

— a variable component, which is based on a consumption (or cents per kWh) charge and the electricity consumed.

The retail electricity bills for each market offer were calculated based on the retail tariff, net of discounts, and the average consumption for that customer segment in Energex's electricity distribution area, as per formula (1).

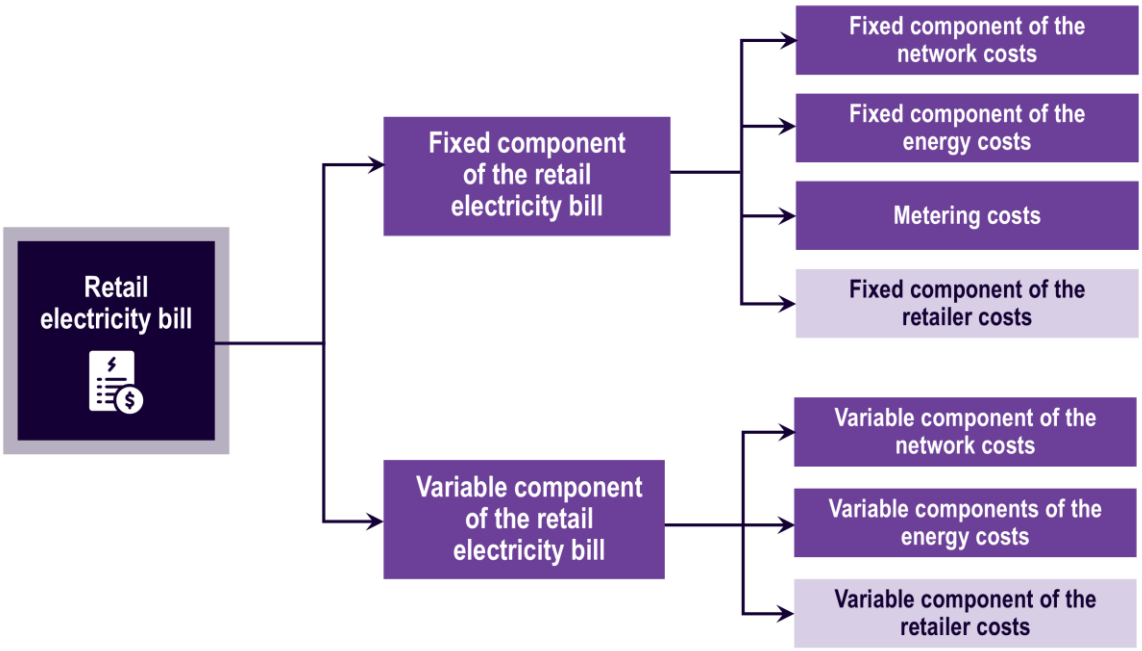
$$Retail\ bill = Fixed\ charge\ per\ year\ net\ of\ discounts + Variable\ charge\ net\ of\ discounts \times annual\ consumption \quad (1)$$

The network costs (N) and energy costs (E) similarly have a fixed and a variable component and were calculated for each type of customer in Energex's electricity distribution area as per formula (2).

$$N = Fixed\ network\ charge\ per\ year + Variable\ network\ charge \times annual\ consumption \quad (2)$$

$$E = Fixed\ energy\ cost\ per\ year + Variable\ energy\ costs \times annual\ consumption$$

Figure 4.1 Components of a retail electricity bill



Note: The fixed component of the retail electricity bill also includes regulatory fees, which are not material relative to the other cost components.

Source: ACIL Allen

As illustrated in Figure 4.1, the fixed component of the retail bill comprises:

- the fixed component of the network costs (N_f)
- the fixed component of the energy costs (E_f)
- the (fixed) retail-related metering costs (M)
- the (fixed) regulatory fees (Reg)
- the fixed component of the retail costs (R_f).

The fixed component of the retail costs was calculated for each retail tariff by deducting the fixed component of the network costs, the fixed component of the energy costs, the retail-related metering costs and the regulatory fees from the fixed component of the retail bill, as per formula (3).

$$R_f = Fixed\ component\ of\ the\ retail\ bill - N_f - E_f - M - Reg \quad (3)$$

As illustrated in Figure 4.1, the variable (usage) component of the retail bill comprises:

- the variable (usage) component of the network costs (N_v)
- the variable (usage) component of the energy costs (E_v)
- the variable (usage) component of the retail costs (R_v).

The variable (usage) component of the retail costs was calculated for each retail tariff by deducting the variable (usage) component of the network costs and the variable (usage) component of the energy costs, as per formula (4).

$$R_v = Variable\ (usage)\ component\ of\ the\ retail\ bill - N_v - E_v \quad (4)$$

4.2 Benchmarking retail costs – flat rate tariffs

This section analyses the fixed and variable components of the retail costs by retailer for each flat rate tariff. We estimated the fixed and variable components of the retail costs based on the customer weighted average of the fixed and variable components of each of the retailers' average retail costs.

The customer weighted averages are based on the number of customers (either residential or small business) in Queensland on market contracts for each retailer for the last quarter of 2024-25 as published by the AER (that is, immediately prior to the commencement of the 2025-26 financial year). The customer numbers are provided as Appendix B.

4.2.1 Residential flat rate tariffs

The 2025-26 average fixed and variable retail costs by retailer for their residential flat rate electricity tariffs, and the customer weighted average retail cost, are plotted in Figure 4.2.

There is some variance in the average retail costs of the different retailers with the fixed retail component varying from -$31 to $331 per customer per year, and the variable component varying from -0.2 cents per kWh to 5.7 cents per kWh.

The variable costs are negative for some retailers as they are likely to have made different assumptions to those used in the benchmarking analysis, particularly in relation to the energy costs. The energy costs that have been used are based on the 95th percentile of a distribution of projected energy costs.[24] When setting their retail electricity tariffs, retailers may have chosen a lower percentile, resulting in a lower energy cost and a lower retail tariff.

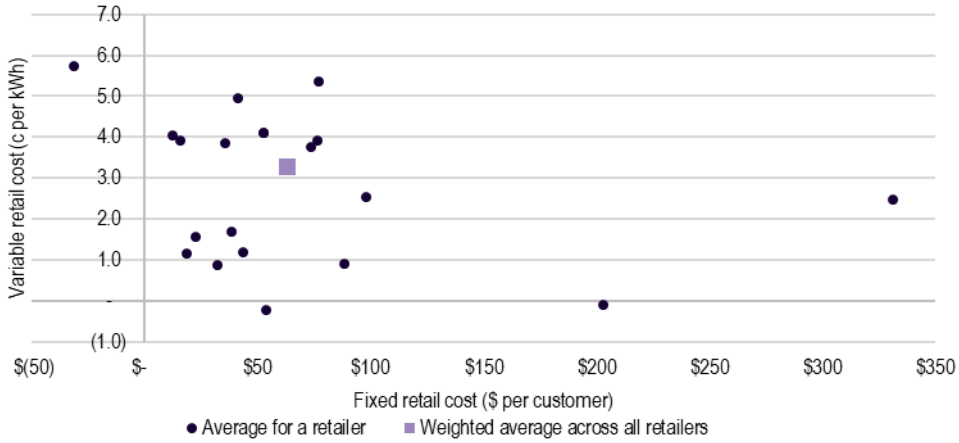
Additionally, retailers are increasingly procuring some of their wholesale energy from distributed energy resources, including rooftop solar PV systems. The proportion of energy purchased in this way may be higher for some retailers than for others. The retailers may be paying less for this energy than the assumed total energy costs, with some retailers paying less for this energy than other retailers.

The fixed costs are negative for one retailer. This may be because the retailer has recovered some of the costs that we have assumed to be fixed as a variable charge (noting that the retailer's variable retail costs are the largest), and/or estimated some of the fixed costs to be lower than assumed in the analysis.

As expected, the variable component of the retail cost generally decreases as the fixed component increases, as it did in the previous reviews of retail costs.

[24] Queensland Competition Authority, *Regulated retail electricity prices for 2025-26, Final determination*, June 2025, p. 19. By way of comparison, the AER uses the 75th percentile which results in lower energy costs.

Figure 4.2 Fixed and variable components of retail costs, residential flat rate tariffs, 2025-26



Note: Each purple dot represents a retailer and is the average retail cost across each of their tariffs included in the analysis

Source: ACIL Allen

Table 4.1 sets out the weighted average of the fixed and variable components of the retail costs for the residential flat rate tariffs for 2025-26.

Table 4.1 Fixed and variable components of retailer costs, residential flat rate tariffs, 2025-26

	Unit	Value
Fixed component	$ per customer / year	62.64
Variable component	c per kWh	3.27

Source: ACIL Allen

The weighted average retail cost for the residential flat rate tariffs includes a fixed component of $62.64 per customer per year and a variable (usage) component of 3.27 cents per kWh. The weighted average of the retail costs is dominated by the retail costs of 5 of the 20 retailers – Origin Energy, AGL, Alinta Energy, EnergyAustralia and Red Energy – which represent around 92% of the market offers for residential customers in Energex's electricity distribution area.

The customer weighted average of the fixed component of the retail cost is lower than the fixed component from the 2021-22 review of retail costs ($123.35). Of the 5 largest retailers, 3 have a fixed retail cost that is higher than the weighted average and 2 have a fixed retail cost that is lower.

The customer weighted average of the variable component is substantially higher than the variable component previously derived (1.37 cents per kWh), but similar to the value derived in the 2016-17 review in real terms (2.97 cents per kWh). Of the 5 largest retailers, 3 have a variable retail cost that is higher than the weighted average and 2 have a variable retail cost that is lower.

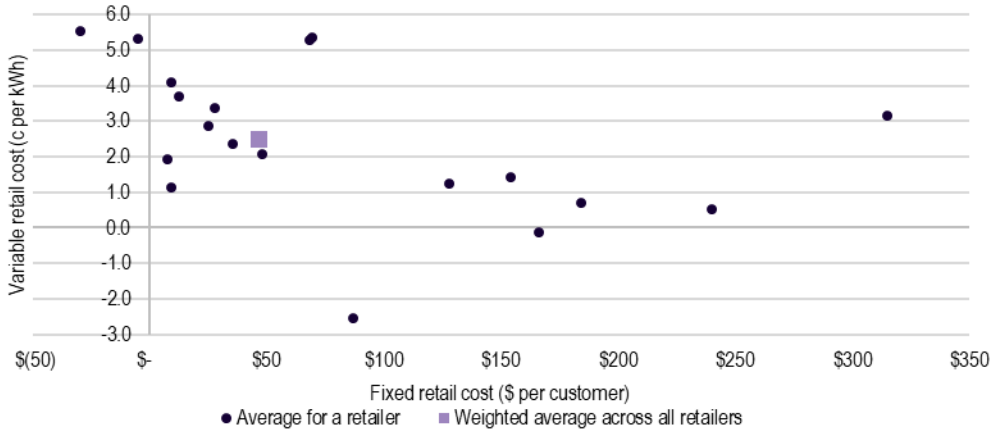
4.2.2 Small business flat rate tariffs

The 2025-26 average fixed and variable retail costs by retailer for their small business flat rate electricity tariffs, and the customer weighted average retail cost, are plotted in Figure 4.3.

Most of the retailers that offer residential flat rate tariffs also offer small business flat rate tariffs. This is different to the last review – there were far fewer retailers offering small business flat rate tariffs than those offering residential flat rate tariffs. As a result, the market is likely to be more competitive now than it was at the time of the last review.

There is some variance in the average retail costs of the different retailers with the fixed retail components varying from -$30 to $315 per customer per year, and the variable component varying from -2.5 cents per kWh to 5.6 cents per kWh.

Figure 4.3 Fixed and variable components of retail costs, small business flat rate tariffs, 2025-26



Note: Each purple dot represents a retailer and is the average retail cost across each of their tariffs

Source: ACIL Allen

Table 4.2 sets out the fixed and variable components of the weighted average retail costs for the small business flat rate tariffs for 2025-26.

Table 4.2 Fixed and variable components of retailer costs, small business flat rate tariffs, 2025-26

	Unit	Value
Fixed component	$ per customer / year	46.56
Variable component	c per kWh	2.49

Source: ACIL Allen

The weighted average retail cost for the small business flat rate tariffs includes a fixed component of $46.56 per customer per year and a variable volume component of 2.49 cents per kWh. The weighted averages are dominated by 4 retailers that represent 82% of market offers in Energex's distribution area – Origin Energy, AGL, EnergyAustralia and Alinta Energy.

The customer weighted average of the fixed component of the retail cost is substantially lower than the fixed component from the 2021-22 review of retail costs ($172.68). Of the 4 largest retailers, 2 have a fixed retail cost that is higher than the weighted average and 2 have a fixed retail cost that is lower.

The customer weighted average of the variable component is also substantially lower than the variable component previously derived (3.63 cents per kWh). Of the 4 largest retailers, 2 have a variable retail cost that is higher than the weighted average and 2 have a variable retail cost that is lower.

5 Adjustments for recent developments

This chapter considers whether any adjustments should be made to the benchmarked fixed component of the retail costs as a result of productivity improvements (which are considered in section 5.1) and other additional material costs that are expected to be incurred in 2026-27 (which are considered in section 5.2).

5.1 Assessing productivity improvements

This section considers whether the escalation of the fixed component of the retail costs should account for productivity improvements.

5.1.1 Previous reviews of retail costs

As part of our 2016-17 estimate of the efficient retail costs, we identified two broad approaches to indexing the fixed component of the retail costs for future years. One approach was to rerun the benchmarking models with the latest information on energy costs, network tariffs, metering costs and retail tariffs to update the retail costs. The second approach was simply to index the fixed component of the retail costs that was estimated for 2016-17.

In its 2013 advice on best practice retail price methodology, the Australian Energy Market Commission (AEMC) identified several alternatives for escalating retailer operating costs – by using a:

— general cost escalator – either the CPI or a wage index

— specific cost index, targeted to electricity retail operating costs.[25]

The AEMC identified that a productivity improvement factor could also be considered, to take into account that retailers become more efficient in providing services for customers.

The AEMC recommended that costs be escalated using CPI rather than a wage index as it considered that the wage index does not reflect non-labour costs and does not account for improvements in labour productivity. The AEMC considered that it would be administratively complex to develop a specific cost index.

To estimate the efficient retail costs for 2016-17, we benchmarked retail electricity tariffs from 2015-16 to derive a fixed retail cost for 2015-16. We reviewed the information published at that time by AGL and Origin Energy in their annual reports on the retail operating costs. We noted that the information published was not directly comparable, as they account for costs differently, but noted that they both provide the movement in costs from one year to the next.

On the basis of the information published by AGL and Origin Energy and the information provided by retailers as part of the review, we recommended that the fixed component of the retail cost for 2016-17 be set at the same level as the fixed retail cost benchmarked for 2015-16.[26]

[25] Australian Energy Market Commission, *Advice on best practice retail price methodology, Final report,* 27 September 2013, p. 61.
[26] ACIL Allen Consulting, *Regulated Retail Prices for 2016-17, Estimating the Efficient Retailer Costs*, 13 May 2016, p. 58.

We further recommended that:

> *In the absence of any other information, further benchmarking could be undertaken to assess the indexation of the fixed retailer cost in future years. If benchmarking is not undertaken, it is proposed that the fixed retailer cost be indexed by CPI in subsequent years.*[27]

Accordingly, the fixed component of the retail cost was escalated by forecast CPI from 2016-17 until the subsequent review in 2021-22.

As part of the 2021-22 review of retail costs, we considered the real movement in the retail operating costs over the period from 2014-15 to 2019-20, as published by AGL and Origin Energy, and over the period from 2007-08 to 2017-18, as reported by the Australian Competition and Consumer Commission (ACCC). We also considered the movement in the benchmarked retail costs from the 2016-17 review to the 2021-22 review, and the AER's conclusion on productivity improvements in its determination on the DMOs for 2021-22. We were of the view that there was insufficient evidence at that time to adjust the retail costs over time for productivity improvements.

Accordingly, the fixed component of the retail cost continued to be escalated by forecast CPI from 2021-22.

5.1.2 Productivity improvements since 2021-22

AGL and Origin Energy continue to publish information that can be used to assess productivity improvements from 2021-22. We have not identified any other retailer that publishes similar information.

In determining the DMO for 2022-23, 2023-24 and 2024-25, the AER used retail cost information published by the ACCC as part of its Inquiry into the National Electricity Market to inform its determination of the retail costs. In determining the DMO for 2025-26, the AER developed its own retail cost information dataset.

To identify whether there have been any productivity improvements in the fixed component of the retail costs, we considered the real movement in the retail-related costs over the period from 2019-20 to 2024-25, as published by AGL and Origin Energy, the retail operating costs included in the AER's DMO determinations from 2022-23 to 2025-26, and the movement in the benchmarked costs from previous reviews.

Retail-related costs as published by AGL and Origin Energy

AGL previously published a:

- cost to serve, which was calculated based on the number of accounts, and
- cost to grow, which was calculated based on the number of accounts acquired and retained.

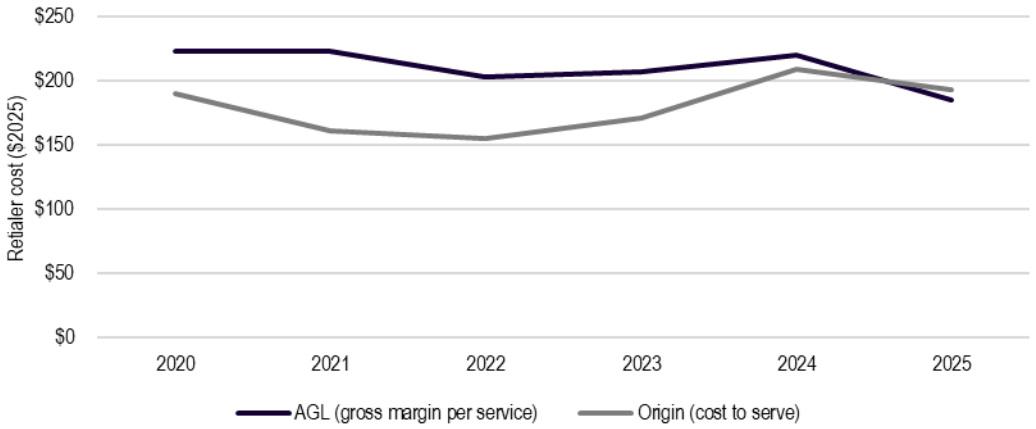
However, this information is no longer published. AGL now publishes only the gross margin for all services it provides, including electricity, gas and telecommunications, and the average number of consumer services. The gross margin includes both the retail operating costs and the retail margin.

Origin Energy continues to publish a cost to serve which comprises a cost to maintain and a cost to acquire/retain customers. All costs are calculated on the basis of the average number of customers.

Despite the differences in the costs published, the movement in these retail-related costs can provide some insights as to whether there have been productivity improvements since 2021-22. AGL's gross margin per customer service and Origin Energy's cost to serve over the period from 2019-20 to 2024-25 are illustrated in real 2025 dollars in Figure 5.1.

[27] ibid

Figure 5.1 Retail-related costs published by AGL and Origin Energy, 2019-20 to 2024-25



Source: ACIL Allen analysis based on annual reports published by AGL and Origin Energy

AGL's average gross margin per customer service was relatively flat in real terms from 2019-20 to 2023-24, before declining from 2023-24 to 2024-25. The decrease in gross margin from 2023-24 to 2024-25 was attributed to a decision to not fully pass through year-on-year cost increases to customers and margin compression due to customers switching to lower priced plans.[28]

Origin Energy's retail cost to serve declined in real terms from 2019-20 to 2021-22, increased from 2021-22 to 2023-24, and then slightly decreased from 2023-24 to 2024-25.

Origin Energy attributed the increase from 2021-22 to 2023-24 to higher bad and doubtful debts due to higher bill sizes and slower debt collection driven by cost of living pressures, and additional compliance measures and delay in reaching full system functionality with its Kraken enterprise software platform.[29] The costs decreased slightly from 2023-24 to 2024-25 as a result of benefit realisation following the migration to Kraken and a reduction in bad debts.[30]

In real terms, AGL's gross margin per customer service decreased by 3.6% per annum from 2019-20 to 2024-25, and Origin Energy's cost to serve increased by 0.2% per annum over the same period. The reduction in AGL's gross margin was largely due to margin compression (rather than a reduction in operating costs) from 2023-24 to 2024-25. The reduction in AGL's gross margin per customer service was 0.2% per annum from 2019-20 to 2023-24.

Retail operating costs included in AER's DMO determinations

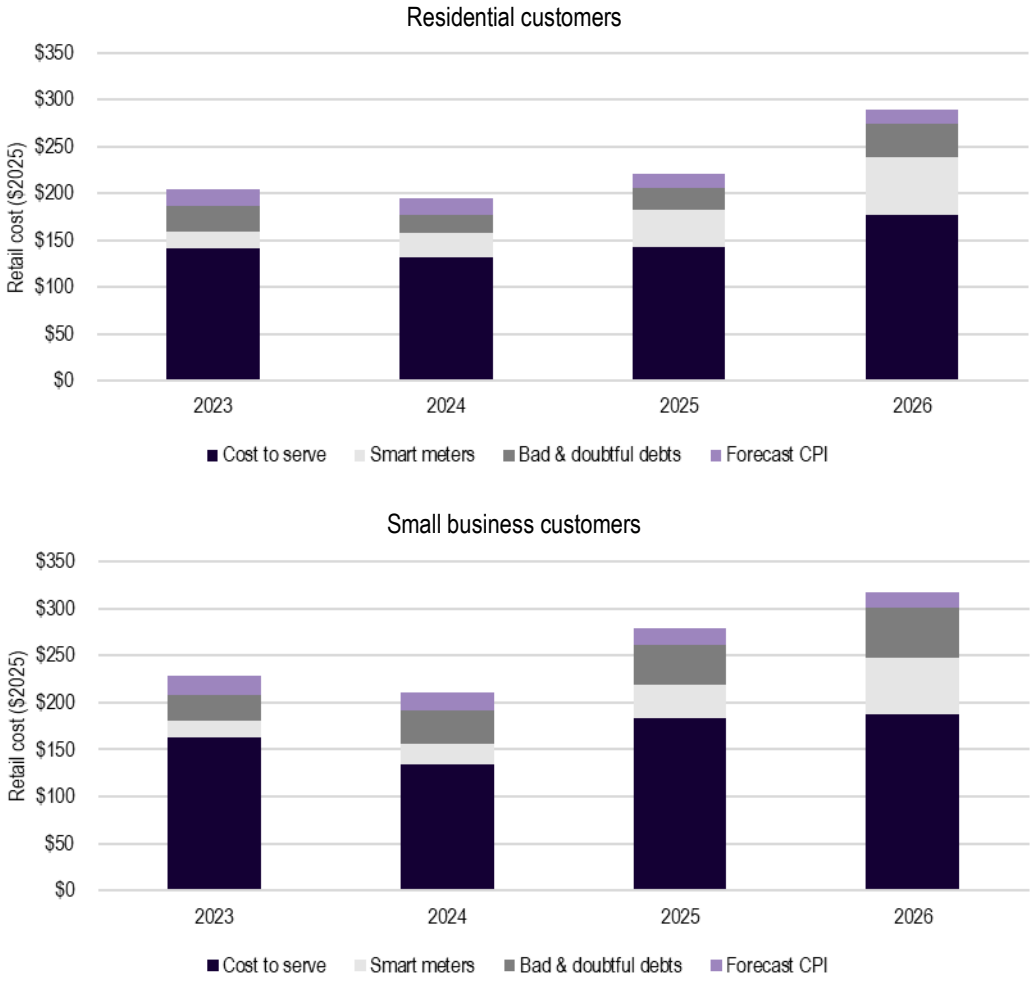
The retail operating costs included by the AER in its DMO determinations for south east Queensland from 2022-23 to 2025-26, in 2025 dollars (excluding GST), are illustrated in Figure 5.2. The retail operating costs include the cost to serve (retail and other costs), smart meters, bad and doubtful debts, and indexation (forecast CPI).

[28] AGL Annual Report 2025, p. 33.

[29] Origin Energy Annual Report 2023, p. 31; Origin Energy Annual Report 2024, p. 30.

[30] Origin Energy Annual Report 2025, p. 33.

Figure 5.2 Retail operating costs included in DMO determinations for south east Queensland, 2022-23 to 2025-26



Source: ACIL Allen analysis based on AER's DMO determinations

In real terms, the retail operating costs in the DMO for south east Queensland have increased significantly from 2022-23 to 2025-26, as summarised in Table 5.1. While some of the increase in retail operating costs may be due to changes in the AER's methodological approach, the largest increase in retail operating costs is associated with the rollout of smart meters by 2030.

As part of the 2025-26 determination, the AER also noted increases in labour costs to manage:

- *increases in inbound customer calls to retailers due to broader cost-of-living pressures, the energy bill relief scheme and rising bills*
- *increases in debt collection activity*
- *higher demand for payment support.*[31]

The annual real increase in the retail operating costs, excluding the smart meter costs, which is most comparable to the fixed retail costs, was 7% for residential and small business customers.

[31] Australian Energy Regulator, *2025-26 Default market offer prices, Final determination*, 26 May 2025, p. 61.

Table 5.1 Annual real increase in retail costs, south east Queensland, 2022-23 to 2025-26

	Residential customers	Small business customers
Retail and other costs	8%	5%
Smart meter costs	51%	51%
Bad and doubtful debts	8%	25%
Forecast CPI adjustment	-6%	-6%
Total retail costs	12%	12%
Total retail costs (excl smart meter costs)	7%	7%

Source: ACIL Allen

Comparison of benchmarking results to previous reviews

Table 5.2 compares the fixed component of the retail costs benchmarked for customers as part of this review, in nominal dollars and real dollars, with the fixed component of the retail costs estimated in the 2016-17 and 2021-22 reviews.

When comparing the results to the previous reviews, it should be noted that:

1. The same methodology was used for the 2021-22 and 2026-27 reviews but a different methodology was used for the 2016-17 review. As part of the 2016-17 review, we estimated the retail cost based on the lowest retail cost for each retailer, while we estimated the retail cost based on the weighted average of the average retail cost for each retailer as part of the 2021-22 and 2026-27 reviews. All else being equal, the retail costs estimated as part of the 2016-17 review would be lower than those estimated as part of the 2021-22 and 2026-27 reviews.
2. The 2026-27 review is the first conducted since the AEMC's rule change to accelerate the deployment of smart meters. While regulated metering costs were deducted when estimating the retail costs as part of the 2016-17 and 2021-22 reviews, the AER's estimate of the costs to deploy smart meters were deducted when estimating the retail costs as part of the 2026-27 review. The AER's estimate of the costs to deploy smart meters is considerably higher than the previous regulated metering costs. For this reason, Table 5.2 compares the fixed component of the retail costs estimated for this review, including and excluding the retail-related metering costs estimated by the AER.

Table 5.2 Comparison of the estimated fixed component of the retail costs – 2016-17, 2021-22 and 2026-27 reviews

	2016-17 review	2021-22 review	2026-27 review	Real annual change 2016-17 to 2026-27	Real annual change 2021-22 to 2026-27
Retail-related metering costs deducted					
Residential flat rate tariffs					
Nominal dollars	$127.93	$123.35	$62.64	-9.4%	-16.3%
Real 2025 dollars	$168.63	$152.79			
Small business flat rate tariffs					
Nominal dollars	$181.56	$172.68	$46.56	-15.1%	-26.3%
Real 2025 dollars	$239.32	$213.89			

	2016-17 review	2021-22 review	2026-27 review	Real annual change 2016-17 to 2026-27	Real annual change 2021-22 to 2026-27
Retail-related metering costs not deducted as part of 2026-27 review					
Residential flat tariffs					
Nominal dollars	$127.93	$123.35	$127.55	-2.8%	-3.5%
Real 2025 dollars	$168.63	$152.79			
Small business flat rate tariffs					
Nominal dollars	$181.56	$172.68	$108.53	-7.6%	-12.7%
Real 2025 dollars	$239.32	$213.89			

Source: ACIL Allen

Since the last review, with the AER's estimate of metering costs deducted from the retail costs, the fixed component of the retail cost has decreased by 16.3% per annum in real terms for residential customers and decreased by 26.3% per annum in real terms for small business customers. If the AER's estimate of metering costs is not deducted from the retail costs, the fixed component of the retail cost has decreased by 3.5% per annum in real terms for residential customers and decreased by 12.7% per annum in real terms for small business customers.

While there is a real decrease in the fixed retail costs for residential customers, there is a substantial increase in the variable retail costs from the 2021-22 review to the 2026-27 review (14% per annum), with a 1.0% per annum increase in the variable retail costs from the 2016-17 review to the 2026-27 review. This may be due to retailers choosing to recover more retail costs through the variable component of the retail tariffs than the fixed component with the significant increase in wholesale electricity costs that has occurred since 2021-22.

The decrease in the fixed retail costs may be driven by the variance between the retailers' estimated cost of smart meters that they are recovering through their market offers and the cost estimated by the AER in its DMO determination[32] (which has been used in the benchmarking analysis). However, if the same methodology is used to estimate the smart metering cost for the 2026-27 period, then the higher smart metering cost will offset a lower fixed retail cost (refer Box 5.1).

[32] We have used this estimate to derive the fixed retail costs. If the AER's estimate is higher than assumed by the retailers, the fixed retail cost will appear to be lower than assumed by the retailers.

Box 5.1 Illustrative example – recovery of smart meter costs

Scenario 1: Metering costs as estimated by the AER

The fixed component of the retail costs for residential customers 2025-26 is estimated to be $127.55 including AER's estimate of the smart meter costs (of $64.91) and $62.64 excluding AER's estimate of the smart meter costs.

All else being equal, if the AER estimates the smart meter costs to be $10 higher in 2026-27, the estimated fixed component of the retail cost would be $62.64 excluding the metering costs and $137.55 including the metering costs.

Scenario 2: Lower estimate of metering costs

If the AER had estimated the smart meter costs to be lower (say $40), the benchmarking analysis would indicate that the fixed component of the retail costs (with the smart meter costs deducted) would be higher ($87.55 for the purposes of this example).[33]

All else being equal, if the AER estimates the smart meter costs to be $10 higher in 2026-27, the estimated fixed component of the retail cost would be $87.55 excluding the metering costs and $137.55 including the metering costs.[34]

Conclusion

The fixed component of the retail costs with the metering costs included is the same under both scenarios.

Source: ACIL Allen

Using our methodology, there is a substantial reduction in both the fixed and variable retail costs for small business customers. The substantial reductions may be due to:

- retailers allocating a lower proportion of their retail costs to small business customers so that they are more consistent with the retail tariffs for residential customers, in line with the DMO and Victorian Default Offer
- increased competition in the market for small business electricity customers, increasing the number of offers designed to acquire new customers and putting downward pressure on the retail costs included in those offers
- an overestimation of the costs associated with smart meters relative to the amount included in the market offers, as discussed above for residential customers
- a larger variance between the estimated wholesale energy costs used in the benchmarking analysis and the wholesale energy costs forecast by the retailers when constructing their retail tariffs
- a substantial increase in the wholesale electricity costs since 2021-22, increasing the total dollar value of the variable retail costs for the same variable rate.

[33] Equal to $127.55 less $40.

[34] Equal to $87.55 plus $40 plus $10.

5.1.3 Conclusion

Our analysis of:

- the information published by AGL and Origin Energy indicates that retail-related costs have been reasonably consistent in real terms over time
- the retail operating costs determined by the AER for the DMO indicates that they have increased in real terms over the last few years
- the retail costs estimated for south east Queensland using the benchmarking analysis indicates that the fixed retail costs have decreased in real terms.

Given the inconsistent data available at this time, we are of the view that there is insufficient evidence to support the inclusion of a productivity improvement in the indexing of the retail costs if the weighted average retail costs from the benchmarking analysis are applied without adjustment. However, as discussed in section 7.1.3. the QCA may choose to maintain the retail costs in nominal terms, which represents a productivity improvement over time.

5.2 Additional material costs that may be incurred in 2026-27

5.2.1 Additional costs included in other regulatory determinations

As indicated above, the AER regulates a DMO for customers in south-east Queensland, New South Wales and South Australia. In addition, the Essential Services Commission (ESC) regulates the Victorian Default Offer (VDO). As part of these determinations, they determine the retail operating costs.

The AER's and ESC's draft decisions on the DMO and VDO for 2026-27 did not identify any additional material retail operating costs that may be incurred and which should be included in their determinations.

5.2.2 Consideration of additional retail operating costs for Queensland

The costs associated with smart meters will increase as the rollout of smart meters for small customers progresses. However, the benchmarked retail costs exclude the costs associated with smart meters, which the QCA will be separately considering.

In its submission on the QCA's draft determination, EEQ identified increases in Australia Post's charges as an additional cost that should be explicitly considered in the QCA's determination. From 17 July 2025, the cost of sending a standard small letter increased from $1.50 to $1.70, with a further increase to $1.85 proposed for mid-late 2026. This follows an increase in the cost from $1.20 to $1.50 from 3 April 2024.

While there have been increases in Australia Post's charges, there have also been reductions in costs that have not been specifically identified by EEQ. The Queensland Council of Social Service submitted that the retail costs should consider that customers are increasingly encouraged to move to 'self-service'[35] and the Queensland Consumers Association was of the view that encouraging or requiring electronic billing,

[35] Queensland Council of Social Service, *Submission to the QCA Regulated retail electricity prices in regional Queensland for 2026-27 draft determination*, 6 May 2026.

payment and contact has reduced costs.[36] We would expect that the cost savings arising from this 'self-service' or electronic approach will offset the above CPI increases identified by EEQ.

[36] Queensland Consumers Association, *Submission on QCA Interim Consultation Paper on Regulated Electricity Prices 2026-27*, 13 February 2026.

6 Retail costs for large customers

This chapter analyses the data provided by the retailers on the retail costs for large and very large business customers.

6.1 Information provided by the retailers

The retailers were requested to provide their actual retail costs for large customers (that consume between 100 MWh and 4 GWh per annum) and very large customers (that consume more than 4 GWh per annum) for 2025-26.

Information was provided by 12 retailers[37], which is a much higher response rate than in previous reviews. Of these:

- 3 retailers were unable to provide the information requested
- 2 retailers provided information for large customers but not very large customers
- 2 retailers could not distinguish between the costs for large customers and for very large customers
- 8 retailers commented on expected cost movements from 2025-26 to 2026-27.

6.2 Retail costs for large customers

The retail costs for large customers were provided by 9 retailers. The structure of the retail costs varied by retailer with:

- 2 retailers having an energy usage component only
- 2 retailers having a fixed and an energy usage component
- 1 retailer having a fixed, energy usage and demand component
- 1 retailer having an energy usage and demand component
- 3 retailers not knowing their cost drivers.

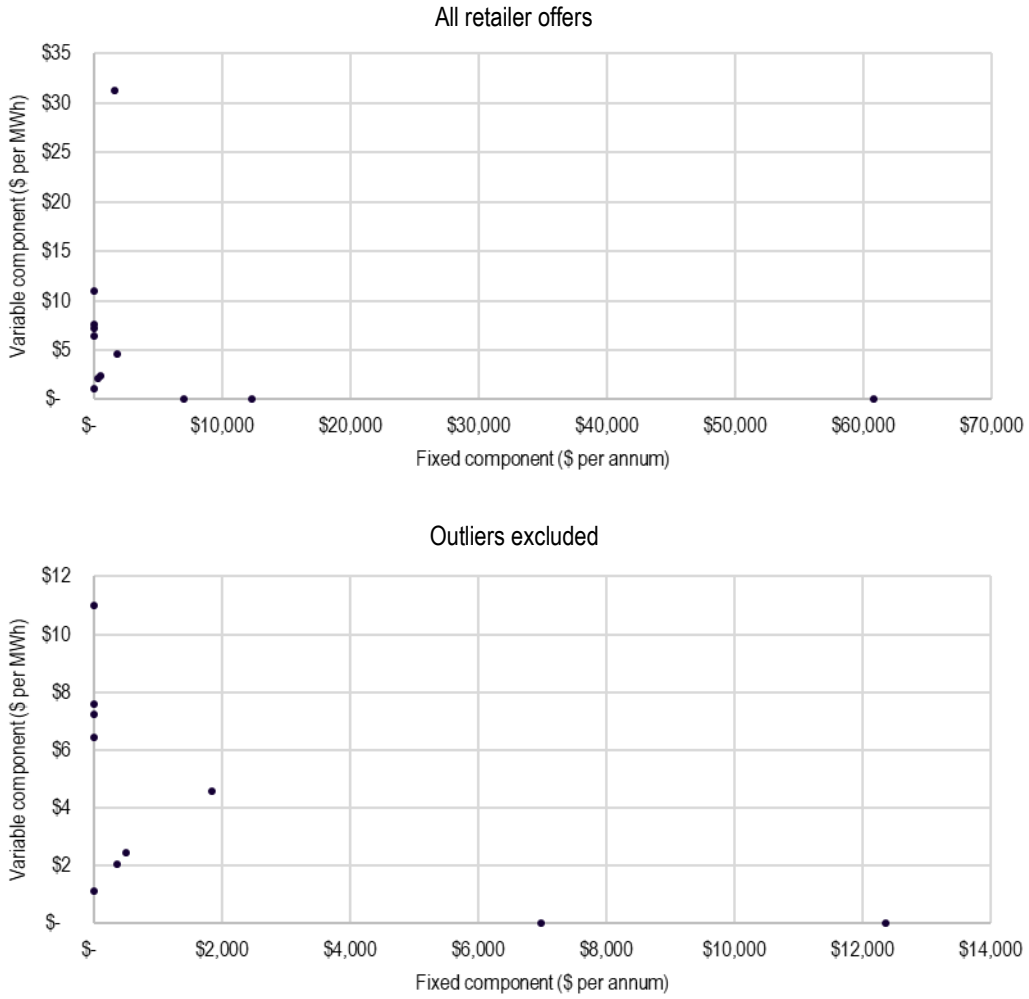
To facilitate a comparison, the retail costs that were provided based on peak demand were converted to a fixed component based on the retailer's average peak demand. Where the retailer did not know their cost drivers, the retailer's costs were included in the analysis twice – once assuming the costs were recovered on a per customer (fixed) basis and once assuming the costs were recovered based on energy usage.

The fixed and variable components of the retail costs are compared for the 9 retailers in the first pane of Figure 6.1. There were 2 retailers for which either the fixed or variable retail costs were an outlier (more than two standard deviations from the mean). The retail costs for these 2 retailers have been excluded from the second pane of Figure 6.1.

There is a significant variation in the retail costs for large customers, driven largely because of our treatment of the retail costs for those retailers that did not know the driver of their retail costs.

[37] AGL, Alinta Energy, CleanCo, CS Energy, Energy Australia, Engie, Ergon, Iberdrola, Momentum Energy, MTA Energy, Origin Energy and Smartest Energy.

Figure 6.1 Fixed and variable components of retail costs, large customers, 2025-26



Source: ACIL Allen

The weighted average of the fixed and variable components of the retail costs for the retailers included in the second pane of Figure 6.1 are set out in Table 6.1. The average has been calculated by weighting the number of large customers for each retailer and the energy consumed by those large customers.

Table 6.1 Fixed and variable components of retail costs, large customers, 2025-26

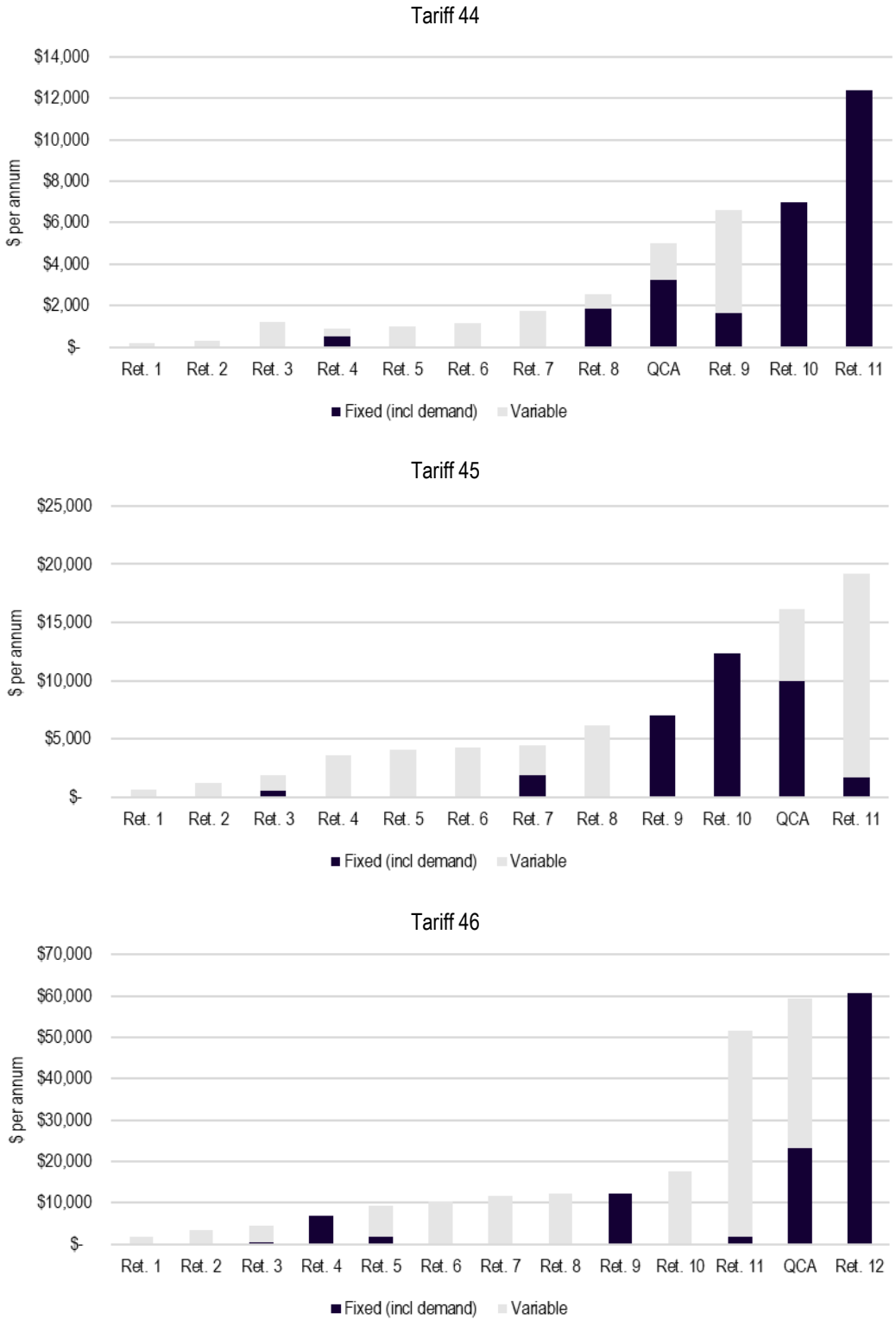
	Fixed component	Variable component
	$ per customer / year	c/kWh
Weighted average based on customer numbers	2,068	4.38
Weighted average based on energy consumption	2,066	4.57

Source: ACIL Allen analysis based on retailers' information requests

The fixed and variable components of the retail costs are similar using customer weightings and energy consumption weightings.

The retail costs that would be payable under Tariff 44, Tariff 45 and Tariff 46 are compared based on the retailers' costs and the QCA's 2025-26 determination in Figure 6.2. The retailers that did not know their cost driver are included twice – once with a fixed component only and once with a variable component only. One data point is an outlier for Tariffs 44 and 45 and has been excluded.

Figure 6.2 Comparison of annual fixed and variable components of retail costs, large customers, 2025-26



Source: ACIL Allen analysis based on retailers' information requests

The retail costs submitted by the retailers are generally significantly lower than the QCA's determination, although the retail costs submitted by some retailers are higher than the QCA's determination.

6.3 Retail costs for very large customers

The retail costs for large customers were provided by 7 retailers. The structure of the retail costs varied by retailer with:

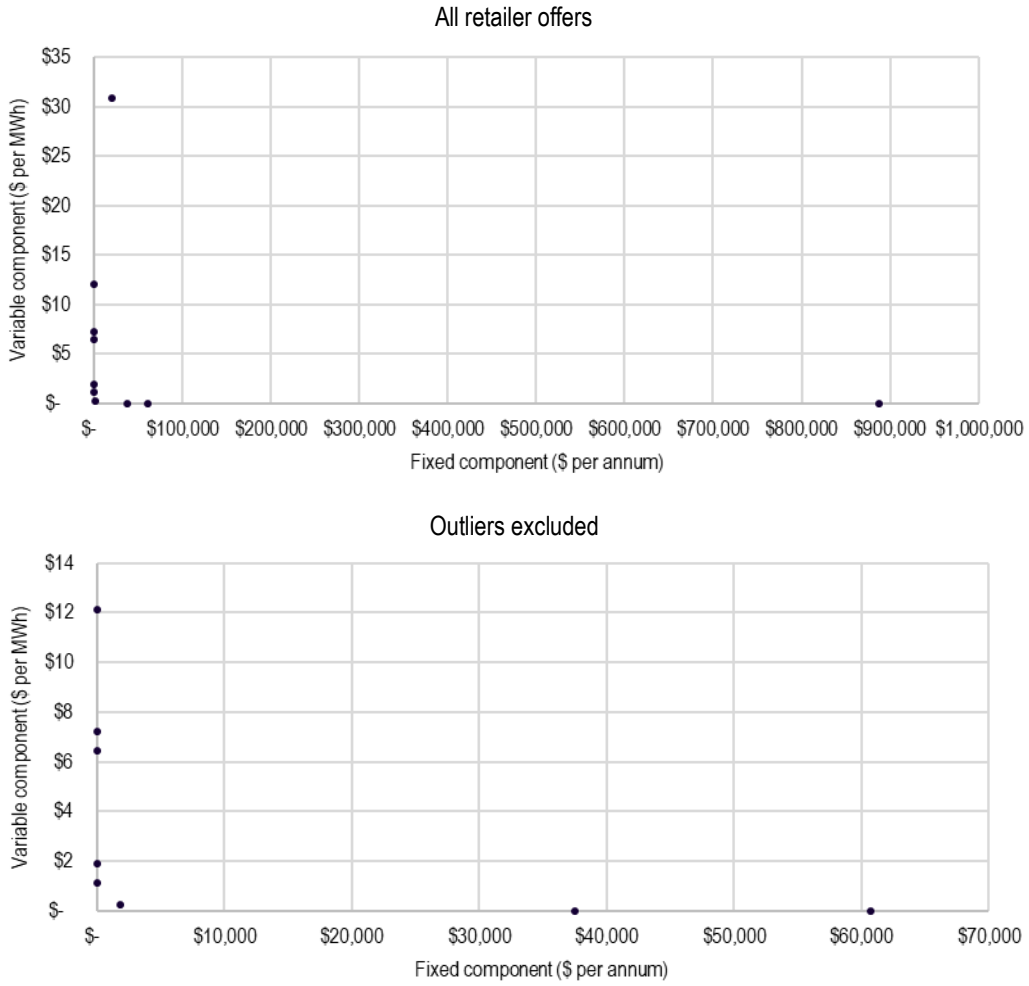
- 2 retailers having an energy usage component only
- 1 retailer having a fixed and an energy usage component
- 1 retailer having a fixed, energy usage and demand component
- 3 retailers not knowing their cost drivers.

As for the large customers, to facilitate a comparison, the retail costs that were provided based on peak demand were converted to a fixed component based on the retailer's average peak demand. Where the retailer did not know their cost drivers, the retailer's costs were included in the analysis twice – once assuming the costs were recovered on a per customer (fixed) basis and once assuming the costs were recovered based on energy usage.

The fixed and variable components of the retail costs are compared for the 7 retailers in the first pane of Figure 6.3. There were 2 retailers for which either the fixed or variable retail costs were an outlier (more than two standard deviations from the mean). The retail costs for these 2 retailers have been excluded from the second pane of Figure 6.3.

Consistent with our analysis of the retail cost for large customers, there is a significant variation in the retail costs for very large customers, driven largely because of our treatment of the retail costs for those retailers that did not know the driver of their retail costs.

Figure 6.3 Fixed and variable components of retail costs, very large customers, 2025-26



Source: ACIL Allen analysis based on retailers' information requests

The simple and weighted average of the fixed and variable components of the retail costs for the retailers, with outliers excluded, are set out in Table 6.2. The weighted average has been calculated based on the number of very large customers for each retailer and the energy consumed by those very large customers.

Table 6.2 Fixed and variable components of retail costs, very large customers, 2025-26

	Fixed component	Variable component
	$ per customer / year	c/kWh
Weighted average based on customer numbers	19,119	2.80
Weighted average based on energy consumption	15,396	3.77
Simple average	12,516	3.62

Source: ACIL Allen analysis based on retailers' information requests

While the fixed component of the retail costs is higher using customer weightings rather than energy consumption weightings, the variable component is higher using an energy consumption weighting rather than using a customer weighting. The simple average of the fixed component is less than the weighted average as the weighted average is driven by a large retailer with a high fixed component. The simple average of the variable component lies between the two weighted averages.

6.4 Cost movements from 2025-26 to 2026-27

Eight retailers commented on the expected cost movements from 2025-26 to 2026-27. Of these 8 retailers:

- 4 retailers expected the retail costs to be constant from 2025-26 to 2026-27
- 1 retailer expected the retail costs to be the same or slightly lower
- 3 retailers expected the retail costs to increase from 2025-26 to 2026-27.

7 Updated retail costs

This chapter summarises our estimates of the retail costs for 2025-26.

7.1 Small customers

7.1.1 Appropriateness of the benchmarking approach

As discussed in section 5.1, in 2013 the AEMC published advice on a best practice methodology for setting regulated retail electricity prices for small electricity customers.

The AEMC identified 2 methods for setting an efficient retail operating cost:

— a **benchmarking** approach, which involves examining publicly available information on retail operating costs, either from publicly listed companies and/or other regulatory decisions

— a **bottom-up** approach, which involves requesting retailers to provide information on their operating costs.[38]

The AEMC recommended that the regulator use both benchmarking and a bottom-up assessment as tools in assessing an efficient retailer operating cost.

It also identified 3 methods to estimate the retail margin:

— an **expected returns** approach, which estimates the expected cash flows for a retailer and the systematic risk associated with these flows, and then determines a margin that compensates investors for this risk

— a **bottom-up** approach, which involves estimating a retailer's asset base and its cost of capital, and then determines the earnings and revenue which would allow the retailer to earn an expected return equal to its estimated cost of capital

— a **benchmarking** approach, which involves examining the reported margins, either from publicly listed companies and/or other regulatory decisions.[39]

The AEMC considered that no one method can be relied upon to estimate a retail margin.

— The expected returns approach "places high reliance on the economic theory of the Capital Asset Pricing Model and an estimated relationship between profitability of electricity retailers and economic conditions".[40]

— The bottom-up approach relies on market data to estimate a retailer's asset base, which may be difficult as retailers typically have small tangible asset bases.

— In 2013, it was difficult to identify direct comparators for benchmarking purposes.

The retail electricity market was just opening to competition when the AEMC provided its advice on a best practice methodology. Accordingly, there was insufficient data available to benchmark the retail operating costs and margins that were being offered by energy retailers in a competitive market.

[38] Australian Energy Market Commission, *Advice on best practice retail price methodology*, *Final report,* 27 September 2013, p.60.
[39] Australian Energy Market Commission, *Advice on best practice retail price methodology*, *Final report*, 27 September 2013, pp. 65-66.
[40] SFG Consulting, *Estimation of the regulated profit margin for electricity retailers in New South Wales*, 4 June 2013, p. 2.

However, with the development of a more competitive retail electricity market, retail operating costs and margins can now be benchmarked in a way that could not be done then. We used a benchmarking approach to estimate the retail costs for the QCA as part of its 2016-17 and 2021-22 reviews. The benchmarking for the 2016-17 review was supported by a bottom-up approach using data that was provided by the retailers.

The QCA does not collect information from retailers that could be used for a bottom-up approach to assess the retail costs for small customers. One option is to use information that is collected from the retailers by the AER as part of its DMO determination. However, the AER's methodology for determining the DMO differs in 3 important aspects from the QCA's methodology for determining the retail prices for regional Queensland, which would limit the applicability of its data, namely:

1. The AER separately determines the retail operating costs and retail margin, while the QCA determines the fixed and variable components of the retail costs. While these 2 approaches are similar, they are slightly different.
2. The retail margins used by the AER are based on analysis they have undertaken and their judgement as to what level meets the DMO's objectives, which are slightly different to the QCA's objectives.
3. The AER uses the 50th percentile to estimate the wholesale electricity cost[41] while the QCA uses the 95th wholesale electricity cost. As a result, some of the costs that are categorised as retail costs by the AER would be included in the QCA's wholesale electricity cost.

The benchmarking approach provides the QCA with a methodology to estimate the retail costs that is consistent with how it determines the other building blocks of the retail electricity price. The benchmarking approach uses pricing that is revealed by the retailers that reflect market conditions at a point in time (albeit with a one-year time lag). We continue to be of the view that, in theory, the benchmarking approach continues to be an appropriate methodology for the QCA to adopt.

7.1.2 Appropriateness of the results from the benchmarking analysis

As discussed in section 5.1.2, the results from the benchmarking analysis indicate that, since the last review, for:

— residential customers – the fixed component of the retail cost has decreased while the variable component of the retail cost has increased

— small business customers – both the fixed and variable component of the retail cost have decreased substantially.

This raises the question as to whether the results from the benchmarking analysis are appropriate and should be relied on by the QCA.

The data that are analysed as part of the benchmarking do not produce a single deterministic result that can be applied by the regulator. Rather, the data can be analysed in a variety of ways so that the regulator can exercise its judgement as to how the results are applied. The QCA has previously exercised its judgement by changing the methodology from the 2016-17 review to the 2021-22 review. In particular, while the 2016-17 review was based on the simple average of the lowest retail costs included in each retailer's offers across each of the NEM jurisdictions, the 2021-22 and 2026-27 reviews have been based on the weighted average of the average retail costs included in each retailer's offers in south east Queensland.

There are a number of reasons for the movement in the retail costs from the 2021-22 review to the 2026-27 review. However, the magnitude of the movement, particularly for small business customers, indicates that the data need to be analysed in more detail to inform the regulator's decision. We are particularly concerned

[41] The AER previously used the 75th percentile but changed its approach for the DMO for 2026-27.

that the AER's estimate of smart meter costs may be significantly higher than the amount that is included by the retailers in their market offers, resulting in lower estimates of the retail costs.

When making its determination, the QCA also takes into consideration the AERs' determination on the DMO and makes an adjustment. If the retail costs are estimated on the high side, the adjustment will be downwards, and if the retail costs are estimated on the low side, the adjustment will be upwards. Accordingly, this adjustment may inform the QCA as to how to exercise its judgement when applying the results from the benchmarking analysis.

7.1.3 Updated retail costs for small customers

To inform the QCA's judgement on an appropriate retail cost for residential and small business customers, Table 7.1 compares the following:

— the fixed and variable components of the retail cost from the 2021-22 review, adjusted to 2025 dollars

— the weighted average of the fixed and variable components of the retail cost from this review, with the metering costs included and excluded

— the range, simple average and median of the fixed and variable components of the retail cost from this review.

Table 7.1 Fixed and variable components of retailer costs, small customers, 2025-26

Customer type	Basis of estimate	Fixed component	Variable component
		$ per customer / year	c per kWh
Residential	From 2021-22 review	152.79	1.70
	Weighted average, metering costs deducted	62.64	3.27
	Weighted average, metering costs included	127.55	3.27
	Simple average, metering costs deducted	66.78	2.79
	Median, metering costs deducted	48.12	3.15
	Range, metering costs deducted	-31 - 331	-0.2 – 5.7
Small business	From 2021-22 review	213.89	4.50
	Weighted average, metering costs deducted	46.56	2.49
	Weighted average, metering costs included	108.53	2.49
	Simple average, metering costs deducted	81.82	2.50
	Median, metering costs deducted	48.20	2.37
	Range, metering costs deducted	-30 - 315	-2.5 – 5.6

Source: ACIL Allen

Given the range of results, and our concerns with the estimated smart meter costs which are used to derive the estimated retail costs, and that any overestimate in the retail costs will be offset by a downwards adjustment when comparing the outcomes from the QCA's determination with the AER's DMO determination, the QCA could choose to:

— for residential customers, maintain the retail costs for 2026-27 but decrease the fixed component and increase the variable component, as indicated by the benchmarking

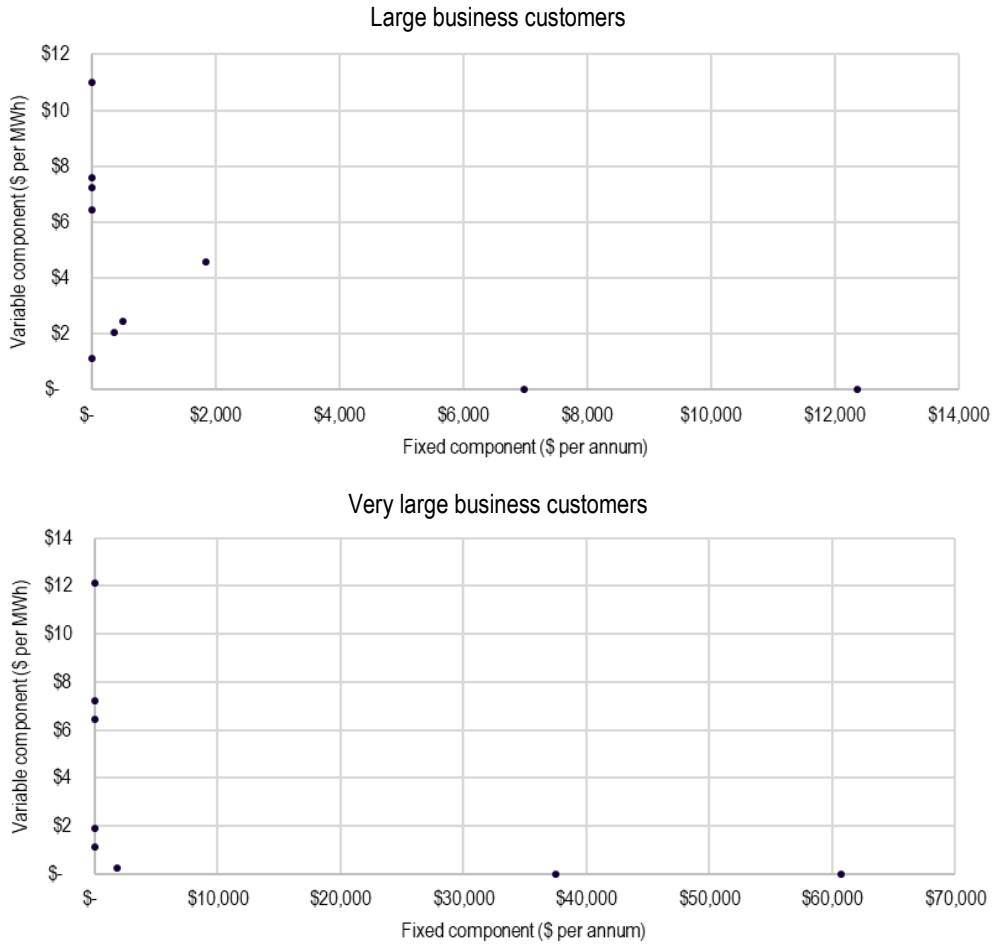
— for small business customers, maintain the retail costs for 2026-27 and not index them until the next review of retail costs is undertaken. By the next review, the deployment of smart meters will be complete and there will be more certainty on the smart meter costs. Additionally, it will be evident as to whether the reduction in retail costs is sustained.

7.2 Large and very large business customers

The retail costs for large business customers (those that consume between 100 MWh and 4 GWh per annum) and very large business customers (those that consume more than 4 GWh per annum) have been estimated based on information provided by the retailers. There was a much better response rate to the information request than in previous reviews.

The fixed and variable components of the retail costs are compared, following the removal of outliers, for large business customers in the first pane of Figure 7.1 and for very large business customers in the second pane of Figure 7.1.

Figure 7.1 Fixed and variable components of retail costs, large customers, 2025-26



Source: ACIL Allen analysis based on retailers' information requests

The customer weighted average of the fixed and variable components of the retail costs for large and very large business customers (excluding the outliers) are set out in Table 7.2.

Table 7.2 Fixed and variable components of retail costs, large customers, 2025-26

	Fixed component	Variable component
	$ per customer / year	c/kWh
Large business customers	2,068	4.38
Very large business customers	19,119	2.80

Source: ACIL Allen analysis based on retailers' information requests

We compared the retail costs submitted by the retailers to the QCA's 2025-26 determination for Tariffs 44, 45 and 46 (which are for large business customers), which indicated that the QCA's determination is towards the high end of the retail costs, but not the highest. We note that there is some subjectivity in the costs that are provided by the retailers as they do not necessarily collect the data in the way that it has been requested. There is also an incentive for the retailers to submit high retail costs to increase the regulated retail prices for regional Queensland.

Notwithstanding, we are of the view that the retail costs for large and very large business customers could be maintained in nominal terms until the next review.

7.3 Adjustments to the retail costs

The retail costs have been estimated for 2025-26. Our analysis indicates that there is no compelling evidence to indicate that the retail costs should be indexed for material additional costs associated with market developments or regulatory reform. We note that the QCA will separately considering the metering costs to be included in nominal prices.

If the retail costs for business customers are maintained in nominal terms from 2025-26 to 2026-27, they could be maintained in nominal terms until the next review of retail costs.

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Appendices

A Retail electricity tariffs used in the benchmarking analysis

The retail electricity tariffs that were included in our benchmarking analysis are listed in Table A.1.

Table A.1 Electricity retail offers including in the benchmarking analysis

Customer type	Retailer	Plan
Residential	CovaU	Freedom Residential Single Rate
Residential	Tango Energy	Home Select
Residential	AGL	Residential Solar Savers - 3rd Party
Residential	AGL	Residential Seniors Saver
Residential	AGL	Residential Smart Saver - Westpac
Residential	AGL	Residential Netflix Plan
Residential	AGL	Residential Solar Savers
Residential	AGL	Residential Smart Saver - Westpac New to AGL
Residential	AGL	Residential Smart Saver - Velocity New To AGL
Residential	AGL	Residential Smart Saver - Velocity
Residential	AGL	Residential Netflix Plan - 3rd Party
Residential	AGL	Residential Smart Saver - BP Fuel
Residential	AGL	Residential Smart Saver - BP Fuel New To AGL
Residential	AGL	Residential Netflix Plan - New To AGL
Residential	AGL	Residential Smart Saver - New To AGL
Residential	AGL	Residential Seniors Saver - New To AGL
Residential	AGL	Residential Smart Saver
Residential	AGL	Residential Smart Saver - 3rd Party
Residential	AGL	Residential Solar Savers - New To AGL
Residential	Alinta Energy	HomeSaver Max - Single Rate
Residential	Alinta Energy	SolarBalance Go - Single Rate
Residential	Alinta Energy	HomeSaver On - Single Rate
Residential	Powershop	Power Offset
Residential	Powershop	Switch Saver
Residential	Powershop	Power Offset
Residential	Powershop	Switch Saver
Residential	Powershop	Power House
Residential	Powershop	Power House
Residential	Momentum Energy	Warm Welcome
Residential	Momentum Energy	Home Run Electricity
Residential	Momentum Energy	Suit Yourself Electricity
Residential	Momentum Energy	Bill Boss Electricity
Residential	Diamond Energy	Everyday Renewable Saver
Residential	Red Energy	Qantas Red Saver (Bundled)
Residential	Red Energy	Qantas Red Saver

Customer type	Retailer	Plan
Residential	Red Energy	Red Rotary D9815 Saver
Residential	Red Energy	Living Energy Saver
Residential	Red Energy	Red BCNA Saver
Residential	Red Energy	Red Wildlife Saver
Residential	Red Energy	Red EV Saver
Residential	Red Energy	Living Energy Solar Saver
Residential	Red Energy	Qantas Red Solar Saver (Bundled)
Residential	Red Energy	Qantas Red Solar Saver
Residential	EnergyAustralia	Balance Plan - My Connect
Residential	EnergyAustralia	Balance Plan - Resi Connections
Residential	EnergyAustralia	Balance Plan - Connect Now
Residential	EnergyAustralia	Solar Max
Residential	EnergyAustralia	Flexi Plan
Residential	EnergyAustralia	Balance Plan - Comparator
Residential	EnergyAustralia	Rate Fix
Residential	EnergyAustralia	Balance Plan - Third Party Offer
Residential	EnergyAustralia	QLD Seniors Offer
Residential	Origin Energy	Origin Go Variable - New and Moving Customers only
Residential	Origin Energy	Origin Affinity Var ePlus - OBS - New/Moving customers
Residential	Origin Energy	Origin Affinity Variable ePlus - One Big Switch
Residential	Origin Energy	Origin Solar Partner Plus
Residential	Origin Energy	Origin Basic
Residential	Origin Energy	Origin Home Support
Residential	Origin Energy	Origin Affinity Variable - Compare the Market
Residential	Origin Energy	Origin Affinity Variable - Electricity Monster
Residential	Origin Energy	Origin Affinity Variable - Electricity Wizard
Residential	Origin Energy	Origin Affinity Variable - Go Switch
Residential	Origin Energy	Origin Affinity Variable - iSelect
Residential	Origin Energy	Origin Affinity Variable - Residential Connections
Residential	Origin Energy	Origin Solar Boost
Residential	Origin Energy	Origin Go Variable
Residential	Origin Energy	Origin Everyday Rewards Variable
Residential	Origin Energy	Origin Essentials Variable
Residential	Origin Energy	Origin Affinity Variable - My Connect
Residential	Origin Energy	Origin Go Solar Variable
Residential	Origin Energy	Origin Affinity Variable - Compare Club
Residential	Origin Energy	Origin Solar Partner Plus
Residential	Origin Energy	Origin Affinity Variable - One Click Switch
Residential	Pacific Blue Retail	Blue Home
Residential	ENGIE	QLD _ENGIE Perks Plus Elec
Residential	ENGIE	QLD - ENGIE VPP Advantage elec
Residential	ENGIE	QLD _ENGIE Home Business GreenPower Elec
Residential	ENGIE	QLD _ENGIE GreenPower Elec

Customer type	Retailer	Plan
Residential	ENGIE	QLD _ENGIE Seniors Elec
Residential	ENGIE	QLD _ENGIE Perks Elec
Residential	ENGIE	QLD _ENGIE Solar Elec
Residential	ENGIE	QLD _ENGIE Movers Elec
Residential	ENGIE	QLD _ENGIE SOHO Movers Elec
Residential	ENGIE	QLD EV Flex Charge Elec
Residential	ENGIE	QLD _ENGIE SOHO Saver Elec
Residential	ENGIE	QLD _ENGIE Saver Elec
Residential	1st Energy	1st Saver - Single Rate
Residential	ENGIE	QLD _ENGIE Home Business Flyer Elec
Residential	ENGIE	QLD _ENGIE EV Flex Charge Elec
Residential	Energy Locals	Local Rewards
Residential	Energy Locals	Online Rewards
Residential	Energy Locals	Local Member
Residential	Globird Energy	BOOST Residential (Flat Rate)-Energex
Residential	Globird Energy	GLOSAVE Residential (Flat Rate)-Energex
Residential	Globird Energy	ULTRASAVE Residential (Flat Rate)-Energex
Residential	Globird Energy	GREENMAX Residential (Flat Rate)-Energex
Residential	Globird Energy	SOLARPLUS Residential (Flat Rate)-Energex
Residential	Kogan Energy	Kogan Energy for current FIRST members
Residential	Kogan Energy	Kogan Energy with free FIRST
Residential	Kogan Energy	Kogan Energy Basic
Residential	Amber Electric	Amber Plan TOU
Residential	Amber Electric	CommBank Yello
Residential	Amber Electric	CommBank Yello Gold
Residential	Amber Electric	CommBank Yello Plus
Residential	Amber Electric	Amber Plan
Residential	Amber Electric	CommBank Yello Diamond
Residential	Nectr	Nectr Home Buzz
Residential	OVO Energy	The Basic Free 3 Plan
Residential	OVO Energy	The Basic Plan
Residential	OVO Energy	The Free 3 Plan
Residential	OVO Energy	The One Plan
Residential	Sumo	Sumo Local Residential Single Rate
Business	CovaU	Freedom Business Single Rate
Business	CovaU	Freedom Business Single Rate (6000)
Business	Next Business Energy	Next Assured Bus 8% (8500)
Business	Next Business Energy	Next Assured Bus 8% (6000)
Business	Next Business Energy	Price Promise 10% GTD Energex
Business	Next Business Energy	Price Promise 10% GTD Energex
Business	Blue NRG	Blue Lightning 2025
Business	Blue NRG	Blue Business Saver VJ 2025 (0-40MWh) QLD
Business	Blue NRG	Blue Zembl (0-40MWh)

Customer type	Retailer	Plan
Business	Tango Energy	Business Select
Business	AGL	Business Smart Saver
Business	AGL	Business Smart Saver - 3rd Party
Business	AGL	Business Basics
Business	Alinta Energy	BusinessDeal Max - Single Rate (Interval)
Business	Alinta Energy	BusinessDeal On - Single Rate (Interval)
Business	Alinta Energy	BusinessDeal On - Single Rate
Business	Alinta Energy	BusinessDeal Max - Single Rate
Business	Powershop	Power Business
Business	Powershop	Power Business
Business	Powershop	Power Offset
Business	Powershop	Power Offset
Business	Powershop	Power Business
Business	Powershop	Power Offset
Business	Momentum Energy	Pure Business
Business	Momentum Energy	Strictly Business
Business	Momentum Energy	Pure Business
Business	Momentum Energy	Bill Boss Electricity
Business	Diamond Energy	Everyday Renewable Saver
Business	Red Energy	Red Business Saver
Business	Red Energy	Qantas Red Business Plus
Business	Red Energy	Qantas Red Business Saver
Business	Red Energy	Red Business Solar Saver
Business	Red Energy	Qantas Red Business Solar Plus
Business	EnergyAustralia	Business Balance Plan 12 - Peak Only
Business	EnergyAustralia	Business Rate Fix - Peak Only
Business	Origin Energy	Origin Business Go Variable - One Click Switch
Business	Origin Energy	Origin Business Go Variable - Go Switch
Business	Origin Energy	Origin Business Go Variable - Go Switch
Business	Origin Energy	Origin Business Basic
Business	Origin Energy	Origin Business Go Variable
Business	Origin Energy	Origin Business Solar Boost
Business	Origin Energy	Origin Business Go Solar Variable
Business	Origin Energy	Origin Business Go Variable - Compare & Connect
Business	Origin Energy	Origin Business Go Variable - Zembl
Business	Origin Energy	Origin Business Go Variable - Mindlabz
Business	Origin Energy	Origin Business Go Variable - Electricity Wizard
Business	Origin Energy	Origin Business Usage Advantage - Awaken
Business	Origin Energy	Origin Business Usage Advantage - Mindlabz
Business	Origin Energy	Origin Business Usage Advantage - Zembl
Business	Origin Energy	Origin Business Usage Advantage
Business	Origin Energy	Origin Business Go Variable - Awaken
Business	Pacific Blue Retail	Blue Business

Customer type	Retailer	Plan
Business	ENGIE	QLD _ENGIE Business GreenPower Elec
Business	ENGIE	QLD _ENGIE Business Movers Elec
Business	1st Energy	1st Saver - Single Rate
Business	ENGIE	QLD _ENGIE Business Saver Elec
Business	ENGIE	QLD _ENGIE Business Flyer Elec
Business	Energy Locals	Business Member - Bonus Credit
Business	Energy Locals	Business Classic
Business	Sumo	Sumo Local Business Single Rate
Business	Sumo	Sumo Connect Business
Business	Sumo	Sumo Freedom Business
Business	Nectr	Nectr Business Buzz
Business	OVO Energy	The Business Plan

Source: ACIL Allen based on AER's Energy Made Easy data

B Customer numbers by retailer

The number of customers on market contracts, by retailer, as at the last quarter of 2025-26 as published by the AER is set out in Table B.1.

Table B.1 Number of customers on market offers, by retailer, Queensland

Retailer	Residential flat rate	Small business flat rate
1st Energy	2,115	66
AGL	338,261	22,432
Alinta Energy	187,655	6,799
Amber Electric	5,482	224
Blue NRG	N/A	2,304
CovaU	N/A	931
Diamond Energy	4,167	184
Energy Locals	6,038	1,381
EnergyAustralia	88,429	7,086
ENGIE	15,606	1,709
Globird Energy	9,908	87
Momentum Energy	2,456	933
Nectr	10,347	0
Next Business Energy	N/A	4,078
Origin Energy	521,704	41,839
OVO Energy	27,159	205
Pacific Blue Retail	533	431
Powershop	12,244	957
Red Energy	79,142	3,384
Sumo	10,260	563

Source: AER, Schedule 2 – Q1 2025-26 Retail Performance Data.xlsx

C Average retail cost

The average fixed and variable components of the retail costs, by retailer, are set out in Appendix C.1 for residential tariffs, and Appendix C.2 for small business tariffs.

C.1 Residential tariffs

The average fixed and variable components of the retail costs for flat rate tariffs, by retailer, for residential customers are set out in Table C.1.

Table C.1 Average fixed and variable components of retail costs, by retailer, residential flat rate tariff, 2025-26

Retailer	Fixed component	Variable (usage) component
	$ per customer / year	c per kWh
CovaU	$12	4.1
Tango Energy	$53	4.1
AGL	$36	3.9
Alinta Energy	$89	0.9
Powershop	$44	1.2
Momentum Energy	$203	(0.1)
Diamond Energy	$41	4.9
Red Energy	$38	1.7
EnergyAustralia	$74	3.8
Origin Energy	$76	3.9
Pacific Blue Retail	$53	4.1
ENGIE	$(31)	5.7
1st Energy	$98	2.5
Energy Locals	$54	(0.2)
Sumo	$18	1.2
Globird Energy	$22	1.5
Kogan Energy	$32	0.9
Amber Electric	331	2.5
OVO Energy	$16	3.9
Nectr	$77	5.4

Source: ACIL Allen

C.2 Small business tariffs

The average fixed and variable components of the retail costs for flat rate tariffs, by retailer, for small business customers are set out in Table C.2.

Table C.2 Average fixed and variable components of retail costs, by retailer, small business flat rate tariff, 2025-26

Retailer	Fixed component	Variable (usage) component
	$ per customer / year	c per kWh
1st Energy	$154	1.41
AGL	$48	2.07
Alinta Energy	$167	(0.15)
Blue NRG	$87	(2.55)
CovaU	$9	4.10
EnergyAustralia	$25	2.86
ENGIE	$(30)	5.56
Momentum Energy	$240	0.52
Nectr	$315	3.14
Next Business Energy	$9	1.14
Origin Energy	$28	3.39
OVO Energy	$128	1.26
Pacific Blue Retail	$69	5.36
Powershop	$13	3.71
Red Energy	$36	2.37
Tango Energy	$69	5.30
Sumo	$8	1.93
Diamond Energy	$(5)	5.32
Energy Locals	$184	0.69

Source: ACIL Allen

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