Clare Savage
Chair
Australian Energy Regulator (AER)
E: Clare.Savage@aer.gov.au
CC: RateOfReturn@aer.gov.au

AER reference: AER25010572

19 December 2025

Dear Clare

The undersigned Councils of Social Service, welcome the opportunity to make a submission to the Rate of Return Instrument (RORI) Review 2026 via the AERs Discussion Paper.

The Rate of Return Instrument (RORI) specifies how the Australian Energy regulator (AER) will determine the allowed rate of return on capital invested in regulated electricity and gas networks, for the four-year period following RORI's release.

This review is very timely, as electricity prices continue to increase, driving up inflation, energy bills and cost of living.

Research by Energy Consumers Australia finds that despite bill relief, around two thirds of households say they are having some difficulty affording their energy bills,[1] with one in five households estimated to be facing energy hardship.[2]

Research by our organisations find that people are depriving themselves of energy, not heating homes in winter or cooling homes in summer, borrowing money to pay bills, and skipping meals and medicines to afford energy bills. These experiences are having significant impact on people and communities' health and wellbeing.

Within the National Energy Market (NEM), network costs account for around 39% of residential retail costs. Residential network charges have increased by over 10% in many networks over the past two years, with costs forecast to continue to rise significantly over the coming years.

These increases will add further pressure to household budgets, people's health and wellbeing, and inflation across the economy.

The AER's decisions on the regulated rate of return accounted for around 48% of energy networks' total revenue allowances for 2025. Therefore, the AER's revenue decisions and the

[1] Energy Consumers Australia, Consumer Energy Report Card survey, December 2025.
[2] Energy Consumers Australia, Understanding and measuring energy hardship in Australia, July 2025.

AER's decisions on the rate of return substantially affects energy costs for all consumers and on the overall Australian economy.

In the lead up to the AER's 2022 RORI decision, the AER's Consumer Reference Group argued[3] that the RORI reflected upward bias toward network providers across many parameters rather than outcomes for consumers. According to an independent review conducted for ECA, this resulted in the network prices being 6.4% or $941 million[4] higher than necessary.

AER analyses repeatedly show that networks materially outperform regulated returns.[5] There is clearly scope, especially given the persistently high and harmful cost of living pressures, for the 2026 RORI to look at putting outcomes for consumers and the economy ahead of unreasonable network company profits.

We endorse the key conclusions of the ECA submission to this review (including the findings of the independent review they commissioned). In particular, we support:

- Concern raised that the AER's Discussion Paper does not adequately identify matters relevant to ensuring that customers pay no more than necessary for a safe and reliable network service.
- The recommendation for the AER to broaden the scope of its review to explore ways to reduce electricity prices without compromising incentives for networks to invest appropriately and efficiently, and
- The conclusion that equity returns are too high, the equity beta[6] is not benchmarked appropriately, and the recommendation to reduce the maximum equity beta from 0.6 to 0.5 or below.

If you have any questions please contact, Kellie Caught, Program Director Climate and Energy, ACOSS at kellie@acoss.org.au

Yours sincerely

Kellie Caught
Program Director, Climate and Energy
ACOSS

on behalf of ACOSS, ACTCOSS, NCOSS, QCOSS, TASCOSS, SACOSS, VCOSS,

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[3] [3] AER Consumer Reference Group, Response to the AER's Draft Rate of Return Instrument, September 2022

[4] See ECA 2025 submission to this Review

[5] AER, 2024 Electricity and Gas Network Performance Report, September 2024.

[6] The equity beta is a measure of systemic risk relative to the market and contributes to the overall assessment of risk to equity. A higher equity beta implies higher systematic risk, which in turn requires a higher expected rate of return for investors to compensate them for that increased risk.