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NSW Climate and Energy Action  
NSW Department of Climate Change, Energy, the Environment and Water  
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Dear NSW Climate and Energy Action Team

## **Submission to the NSW Retail Electricity Tariff Reforms Consultation (December 2025)**

Business NSW welcomes the opportunity to respond to the NSW Government's consultation on retail electricity tariff reforms. Business NSW is NSW's peak business organisation with close to 50,000 member businesses, including many small and medium enterprises that are highly exposed to electricity affordability pressures and require tariff structures that are understandable, predictable and practical.

As the consultation paper notes, demand tariffs are materially more complex for customers to interpret and can expose customers to bill shock, particularly where customers lack the data, tools or flexibility to manage peak demand events. In this context, Business NSW supports reforms that strengthen consumer choice and safeguards as smart meters are rolled out.

### **Question 1: Should the prohibition on assignment of customers to demand tariffs without explicit informed consent be limited to a certain time period, or established as an ongoing prohibition?**

Business NSW supports an ongoing prohibition on retailers assigning customers to demand tariffs without explicit, informed consent.

Demand tariffs remain inherently complex and capacity-based, with charges often driven by short, high-load events rather than overall energy use. These characteristics make it difficult for many small businesses to understand their exposure or predict bills, particularly where they lack the data, tools or operational flexibility to actively manage peak demand. The risk of bill shock therefore does not diminish over time and is not resolved simply through increased familiarity with smart meters.

Establishing the prohibition as time-limited would assume that customers eventually become sufficiently informed and able to manage demand risk. However, this assumption does not reflect the operating realities faced by many small and regional

businesses in sectors such as hospitality, retail, health and food processing. Their demand profiles are often dictated by business hours, customer behaviour or safety requirements, leaving limited scope to respond to price signals even with better information.

An ongoing prohibition preserves genuine customer choice while still allowing retailers to offer demand tariffs to customers for whom they are suitable. Customers who understand the risks and benefits should be able to opt in, but no customer should be defaulted onto a tariff structure that can materially increase costs without their clear and informed agreement.

From a business confidence perspective, an ongoing safeguard also provides certainty as smart meter deployment accelerates and tariff structures evolve. Clear long term consumer protections will help ensure the energy transition delivers efficiency benefits without imposing unintended cost shocks on small and medium-sized businesses.

## **Question 2: Are other consumer safeguards around tariff re-assignment required?**

Business NSW considers that additional, clearly defined consumer safeguards are required to protect customers, particularly small and medium-sized businesses from unintended cost impacts as smart meters and more complex tariff structures are rolled out.

Business NSW recommends that the following safeguards be implemented:

- 1. Prohibit automatic tariff re-assignment without informed consent**

Retailers should be prohibited from automatically re-assigning customers to materially different tariff structures, including demand tariffs, without explicit and informed customer consent. This prohibition should apply on an ongoing basis to preserve genuine customer choice as tariff options evolve.

- 2. Introduce a cooling-off period following smart meter installation**

A defined cooling-off period should apply after the installation of a smart meter before customers can be asked to consent to any tariff change. This would allow sufficient consumption data to be collected and enable customers to assess likely bill impacts based on their actual usage patterns.

- 3. Require mandatory bill impact disclosure**

Prior to any tariff re-assignment, retailers should be required to provide standardised and plain-English information outlining:

A comparison of historical bills under the customer's existing tariff and the proposed tariff using actual consumption data and clear disclosure of potential bill variability and bill-shock risks, including worst-case outcomes.

**4. Provide an ongoing right to exit without penalty**

Customers who opt into a new tariff should retain the right to revert to a flat or time-of-use tariff within a defined period without financial penalty. This safeguard recognises that projected benefits may not materialise in practice and protects customers from being locked into unsuitable tariff arrangements.

**5. Limit repeated or bundled consent requests**

Retailers should be restricted from repeatedly seeking consent for tariff changes within short timeframes or bundling tariff consent with unrelated contract variations so not to undermine genuine informed consent.

**6. Strengthen protections for small business customers**

Enhanced safeguards should be given to small businesses Given their limited capacity to actively manage demand or engage with complex pricing structures. These should include stronger disclosure requirements, clear identification of customers at higher risk of bill shock and targeted guidance to support informed decision-making.

These safeguards will help ensure tariff reform delivers system efficiency and innovation without transferring excessive risk to customers and will support affordability and equality as tariff structures continue to evolve.

**Question 3:****Is there anything else the NSW Government should consider in implementing this prohibition on demand tariff assignment?**

Yes. A prohibition on assigning customers to demand tariffs without explicit, informed consent must be carefully designed and effectively enforced. It should also be clearly aligned with existing regulatory frameworks. This will help ensure the policy delivers genuine consumer protection and avoids unintended consequences.

Business NSW recommends that the NSW Government consider the following issues in implementing the prohibition:

**1. Clear and enforceable definition of “explicit, informed consent”**

The effectiveness of the prohibition will depend on a tightly defined and enforceable standard for informed consent. NSW should specify minimum information requirements, including:

- A clear explanation of how demand charges are calculated
- Disclosure of potential bill variability and bill-shock risk
- Confirmation that consent is active, standalone and verifiable.

Consent should not be implied and bundled with other contract variations or inferred through inaction. Clear guidance will support consistent retailer behaviour and reduce disputes.

**2. Alignment with the National Energy Retail Rules**

NSW implementation should integrate cleanly with existing National Energy Retail Rules (NERR) provisions relating to explicit informed consent. Alignment will minimise regulatory duplication, reduce compliance complexity for retailers operating across jurisdictions and provide clearer protections for customers.

### **3. Recognition of small business operating constraints**

Small businesses are often disproportionately exposed to demand tariffs because peak demand is driven by essential operational requirements rather than discretionary usage. NSW should ensure that consent processes, disclosures and guidance materials are suitable for small business contexts and not designed solely for household customers.

### **4. Ensuring the prohibition is not undermined in practice**

Implementation should guard against practices that effectively default customers onto demand tariffs despite the formal prohibition. This includes preventing:

- Contract structures that make non-demand tariffs difficult to access
- Bundling of demand tariffs with other product upgrades
- Limited or impractical alternative tariff pathways.

Regulatory settings should ensure the policy intent and genuine customer choice is upheld in practice.

### **5. Monitoring, compliance and enforcement**

NSW should establish clear compliance, monitoring and enforcement mechanisms to ensure the prohibition is meaningful. This should include reporting on:

- The frequency of demand tariff offers
- Customer opt-in rates
- Complaint and dispute volumes
- Evidence of bill shock or adverse customer outcomes.

These measures will allow regulators to assess whether the prohibition is operating as intended and make adjustments if required.

### **6. Consumer education and data access**

While informed consent is primarily a retailer obligation, government-supported education and improved access to consumption data and bill comparison tools can strengthen customer understanding and confidence. Education initiatives should complement regulatory safeguards.

Planned implementation that is underpinned by clear definitions, alignment with national rules, effective compliance and recognition of small business realities will be

essential to ensuring the prohibition on demand tariff assignment delivers lasting consumer protection and maintains confidence in NSW's retail electricity market.

**Question 4: Should New South Wales implement the AEMC's requirement for designated retailers to offer flat rate tariff structures to customers with smart meters? Why?**

Yes. Business NSW supports NSW implementing the AEMC requirement for designated retailers to offer flat-rate tariff standing offers to customers with smart meters.

The AEMC reforms include a flat tariff standing offer mechanism that operates in participating jurisdictions where implemented through local instruments. This measure is intended to preserve consumer choice and provide a suitable option for customers who find cost-reflective tariffs complex or cannot meaningfully shift demand.

From a business perspective, flat-rate tariffs provide a critical simplicity and predictably "safe option", particularly for SMEs managing cash flow constraints and operational inflexibility. Flat tariffs support budgeting certainty and reduce exposure to unexpected cost volatility. This is especially important during the transition to more advanced metering and pricing structures

**Question 5: If New South Wales were to implement the AEMC's national requirement, should it be amended in any respect?**

Business NSW supports NSW implementing the AEMC's national requirement and recommends the following amendments and implementation settings to strengthen consumer outcomes and market effectiveness:

**1. Extend availability beyond designated retailers (preferred)**

Flat-rate tariff options should be made available by all retailers offering contracts to customers with smart meters, rather than being limited to designated retailers. This would support effective competition, broaden customer access to simple tariff options and avoid flat-rate tariffs being confined to a narrow segment of the retail market. This approach can be implemented without limiting retailers' ability to offer time-of-use or other cost-reflective products.

**2. No arbitrary end date**

Flat-rate tariff availability should not be subject to a built-in end date. Customer capacity to respond to cost-reflective pricing varies significantly by household type, business sector, operating hours and access to technology. This diversity of customers will persist well beyond the smart meter rollout

period. Maintaining ongoing access to flat-rate tariffs supports choice and affordability over time.

3. **Establish minimum accessibility and transparency standards**

Flat-rate offers should be clearly signposted and easy for customers to request. They should not be seen as unattractive through hidden conditions, inferior service terms or complex eligibility requirements. Minimum accessibility standards will help ensure flat-rate tariffs operate as a genuine and practical option rather than a nominal offering.

4. **Support innovation while preserving a “safe harbour” option**

Flat-rate tariffs should be maintained as an enduring baseline or “safe harbour” choice for customers who value simplicity and predictability while retailers are encouraged to innovate through improved tools, advice and products for customers who can benefit from more complex tariff structures.

## **Conclusion**

Business NSW supports tariff reform that improves system efficiency while protecting affordability and preserving genuine consumer choice. NSW should implement an ongoing prohibition on assignment to demand tariffs without explicit informed consent, strengthen practical safeguards around tariff reassignment, and adopt the flat rate tariff offer requirement to ensure smart meter deployment delivers fair outcomes for households and small businesses.

We welcome further engagement on this matter and are available for discussions at your convenience. Should you require additional information, please contact Leah Tucker, Senior Policy Manager, Energy and Infrastructure ([leah.tucker@businessnsw.com](mailto:leah.tucker@businessnsw.com)).

Yours sincerely,

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