



First Nations Clean Energy Network

2026 Rate of Return Instrument review

December 2025



Overview

The First Nations Clean Energy Network (the Network) welcomes the opportunity to respond to the AER's 2026 Rate of Return Instrument (RORI) Review.

RORI settings directly influence the revenues of monopoly network businesses and therefore shape significantly household electricity bills.

For many First Nations households, who experience disproportionately high energy hardship, limited access to Consumer Energy Resources (CER), and structural barriers to switching or reducing consumption, RORI decisions can have immediate and severe affordability consequences.

Evidence from the [*Right to Power*](#) report (Original Power, 2025) and the NSW-focused [*Powerless: Debt & Disconnection*](#) reports (Justice and Equity Centre, 2023–24) shows that many First Nations households:

- are frequently disconnected, including under prepayment meters
- accumulate chronic and unmanageable energy debt
- experience unsafe indoor temperatures during heatwaves
- face higher fixed charges in regional/remote areas
- have limited or no access to rooftop solar, batteries, or other CER
- can face systemic barriers related to housing, income, trust in institutions, and digital inclusion.

The ACCC's 2024 National Electricity Market Monitoring Report provides important context:

- Residential network costs increased 5% year-on-year, averaging \$712 per customer, and form ~39% of the typical bill.
- Network costs are expected to continue rising as major transmission investments flow through AER decisions.
- Only 26% of households had rooftop solar as of 2023 — a figure that has grown since, but most First Nations households remain unable to access CER, and therefore cannot offset rising network costs.

In 2024, all Australian Energy Ministers endorsed the First Nations Clean Energy Strategy as a priority action under the National Energy Transformation Partnership. The Strategy commits governments to ensure First Nations people are not left behind in the energy transition, to improve affordability and essential service access, and to reduce structural energy disadvantage. Given the Strategy's ministerial endorsement and its explicit relevance to consumer outcomes, it should inform the AER's interpretation of the long-term interests of consumers in this RORI review.

The evidence is clear: First Nations households are more vulnerable to energy price increases, more exposed to network charges, and less able to mitigate costs through CER. For these reasons, the AER must adopt a cautious, equity-focused approach to rate of return settings. Past examples of network over-recovery — including the substantial uplift received by Ausgrid under the

introduction of the trailing average cost of debt, and widespread over-recovery under earlier inflation methodologies — demonstrate how technical regulatory choices can have unintended but very real consequences for affordability. The AER should avoid repeating this pattern.

The Network's view is that the AER should apply a distributional lens to the RORI review, carefully assess affordability impacts on First Nations consumers, and recognise that strong First Nations engagement reduces risk and improves investment certainty. In which, we recognise that network businesses are highly responsive to financial incentives and that the RORI could be a lever for embedding better and more equitable outcomes for First Nations customers if reviewed and audited. However, the long-term interests of consumers, particularly those experiencing structural energy hardship, must be central to the AER's decisions.

About the First Nations Clean Energy Network

The [First Nations Clean Energy Network](#) (Network) is made up of First Nations people, groups, community organisations, land councils, unions, academics, industry groups, technical advisors, legal experts, renewables companies and others - working in partnership to ensure that First Nations share in the benefits of Australia's clean energy transition.

The Network is led by a Steering Group of First Nations leaders.

Australia's rapid transition to renewable energy will require access to vast areas of land and waters, including for thousands of kilometres of new transmission infrastructure. Enabling and empowering First Nations to play a key and central role in Australia's renewable energy transition goes beyond just social licence issues - it presents a unique opportunity for Australia to design a system that is fair and just and which can also positively impact and result in other social and economic benefits for First Nations.

As a national, First Nations-led coalition, the Network aims to enable and empower First Nations to participate in, benefit from, respond to, and shape renewable energy projects that impact their communities, land, waters and Sea Country.

The First Nations Clean Energy Network's approach is built on three pillars:

- Community The First Nations Clean Energy Network supports First Nations communities to shape the design, development and implementation of clean energy projects at every scale
- Industry partnerships The First Nations Clean Energy Network acts as an innovation hub, promoting best practice standards and principles that companies should adopt and investors should require before committing capital to a clean energy project
- Policy reform The First Nations Clean Energy Network advocates to lift significant federal and state regulatory barriers and stoke government

investment, removing regulatory barriers to energy security and clean energy generation

Our engagement with the Rate of Return Instrument arises because:

- RORI settings materially affect electricity bills
- network charges comprise a significant component of costs
- First Nations households have limited ability to avoid or absorb these increases.
- First Nations customers are not receiving equitable services

We have focused this submission not on technical modelling of beta or debt estimation, but on outcomes: *who pays, who benefits, and how the AER's decisions can better reflect the experiences of First Nations consumers.*

First Nations households experience disproportionate energy vulnerability

Energy hardship is experienced across Australia, but First Nations households — particularly those in remote and regional areas — face a distinct and more severe set of challenges. Research shows patterns of vulnerability that are persistent and structural.

The [Right to Power](#) report (2025) paints a stark picture of daily life in remote communities. Prepayment meters mean power shuts off when credit runs out, often multiple times a week. Indoor temperatures become dangerous during heatwaves because homes are not well insulated and cooling systems are often old or inefficient. Households frequently forego food or healthcare to top up their meters. Many live in overcrowded housing, which increases energy use but limits the ability to manage consumption. There is no realistic prospect of households installing rooftop solar or batteries, and options for energy efficiency upgrades are limited.

The experiences described in New South Wales through the Justice and Equity Centre's [Powerless: Debt and Disconnection](#) reports echo these challenges.

First Nations households are overrepresented in energy debt, in formal hardship programs, and in disconnection statistics. Poor-quality housing, language and literacy barriers, limited access to digital platforms and entrenched distrust in energy institutions further complicate engagement with retailers or support schemes. These NSW findings, while geographically specific, reflect patterns the Network is observing nationally.

The Network's [own submission](#) to the Victorian Essential Services Commission earlier this year highlighted similar issues: inconsistent concession access, the absence of culturally safe hardship pathways, limited access to switching or comparison tools, and a broader system that is not designed with First Nations consumers in mind. These challenges sit alongside the well-documented affordability pressures faced by many First Nations households, including higher living costs, crowded housing and insecure incomes.

Against this backdrop, any increase in network charges — including those driven by RORI parameter adjustments — will fall hardest on those who are already least able to absorb additional costs.

The relevance of the First Nations Clean Energy Strategy and the AER's task

In 2024, all Australian Energy Ministers endorsed the First Nations Clean Energy Strategy as a priority action under the National Energy Transformation Partnership (NETP). The Strategy's development through the NETP reflects a national, coordinated commitment to address the longstanding and structural barriers faced by First Nations peoples in the energy system.

The Strategy emphasises several core aims that are directly relevant to the AER's responsibilities: improving energy affordability, strengthening access to essential services, supporting equitable participation in the energy transition, and reducing systemic disadvantage. It highlights that First Nations households are disproportionately affected by high energy costs and that regulatory settings must be responsive to these realities.

Because the Strategy is endorsed by every state, territory and the federal Energy Minister, it represents a shared national expectation that decision-makers — including economic regulators — consider its principles when designing or applying energy frameworks.

For the AER, this means ensuring that the long-term interests of consumers incorporate the specific circumstances of First Nations households whose experiences may not be reflected in average bill modelling.

The Strategy's broader focus on equity and participation also establishes a foundation for recognising the role of culturally informed engagement in reducing project risk, improving social licence and building trust — matters which are increasingly relevant to network businesses and investors.

Rising network costs and the widening CER gap

The [ACCC's most recent](#) National Electricity Market Monitoring Report provides important context for the RORI review. In 2023–24, network costs increased by around five per cent and averaged \$712 per residential customer. These costs made up roughly 39 per cent of the typical household bill and are expected to rise further as major transmission projects progress through AER determinations.

At the same time, rooftop solar and other Consumer Energy Resources (CER) continue to expand across Australia. Households with CER can offset grid consumption, reduce exposure to rising network charges and participate in evolving energy markets. However, First Nations households are among the least likely to access CER. Many live in rental or community housing where solar installation is not permitted or feasible. Others face financial, technical or credit barriers that prevent them from taking up CER programs. Even where CER is technically possible, language, literacy and trust barriers can create additional hurdles.

As CER uptake increases among wealthier and more secure households, First Nations consumers face the dual challenge of rising network costs and limited ability to adopt technologies that could help manage or reduce those costs. This widening CER gap makes the fairness and accuracy of the allowed rate of return increasingly important.

Why the RORI matters for First Nations households

The RORI determines how much networks are permitted to earn on their regulated assets. These returns form one of the largest cost components in retail bills. When the allowed rate of return is set too high, consumers pay more than necessary; when combined with rising capital programs, even small parameter shifts can have significant price effects.

History shows how sensitive consumers are to these decisions. When the AER adopted the trailing average cost of debt, Ausgrid alone received an estimated \$500 million in additional revenue over a single regulatory period because benchmark financing assumptions did not match its actual costs (and it was left to consumers to bear this additional cost). Earlier inflation methodologies contributed to widespread over-recovery across the sector. In many years, networks have earned realised returns above the allowed return, even under existing regulatory protections.

For First Nations households, who already experience disproportionate energy hardship and cannot shield themselves from price increases through the uptake of CER, the risks associated with over-estimation in the RORI are amplified. Price rises translate more directly and immediately into missed bills, disconnections, and worsening financial stress.

The AER has repeatedly emphasised the importance of affordability, particularly for vulnerable consumers. The RORI should reflect that priority.

Incentives, Accountability and First Nations Outcomes

If the AER looks to continue the current RORI, it should be harnessed for better outcomes for First Nations customers. The rate of return is one of the most consequential regulatory levers shaping the behaviour of electricity transmission and distribution networks. In practice, it is the primary mechanism through which networks respond to expectations about performance, risk and accountability.

It is therefore critical to acknowledge that network businesses are highly responsive to financial incentives. Voluntary commitments, aspirational strategies and non-binding engagement frameworks have proven insufficient to deliver consistent or equitable outcomes for First Nations peoples. Where incentives are weak or absent, performance has predictably followed.

A significant proportion of Australia's electricity networks are owned by overseas investors, including pension funds and investment firms, whose primary obligations are to maximise returns. These ownership structures are not inherently problematic, but they do mean that social outcomes – including culturally appropriate engagement and outcomes for First Nations peoples

— are not and will continue to be de-prioritised unless they are clearly embedded within the regulatory framework.

Misalignment Between Allowed Returns and Social Performance

Under the current framework, networks are permitted to earn the regulated RORI largely independent of how well their services meet the needs of First Nations communities. There are limited, if any, direct financial consequences when networks:

- Experience persistently high outage rates in regional and remote areas
- Fail to engage early, meaningfully or culturally appropriately with First Nations peoples
- Fail to compensate First Nations communities for impacts or assets on their Country
- Provide inaccurate, inconsistent or incomplete information to First Nations customers or proponents
- Act as barriers to First Nations participation in renewable energy, including through connection delays, unclear requirements or excessive costs

This represents a clear misalignment between the revenues networks are allowed to recover and the outcomes experienced by First Nations peoples.

In effect, the regulatory framework tolerates the delivery of minimum-compliance services while allowing full returns on capital. This creates weak incentives for improvement and, in some cases, actively rewards underperformance.

First Nations Outcomes Must Extend Beyond a Household Lens

Assessment of network performance for First Nations peoples must extend beyond a narrow household-customer framework. Networks interact with First Nations peoples in multiple roles, including as:

- Residential customers
- Community organisations and service providers
- Proponents of community-led renewable energy projects
- Landholders and custodians of Country affected by network infrastructure

There is substantial evidence, including lived experience across multiple jurisdictions, that both distribution and transmission networks have acted as systemic barriers to First Nations participation in the energy transition. These barriers are not incidental; they arise from opaque processes, poor communication, inconsistent advice and a lack of accountability when engagement fails.

Where networks provide inaccurate information or delay access to connections, the impacts are not merely inconvenience — they directly affect energy affordability, self-determination and economic opportunity - continuing to disadvantage and add barriers to accessing electricity.

Implications for the Rate of Return Framework

If the AER seeks to promote efficient investment and service delivery that reflects the long-term interests of consumers, the rate of return framework must be part of the solution rather than a neutral backdrop.

In particular, the AER should consider:

- Whether it is appropriate for networks to earn full regulated returns in circumstances where service reliability, engagement quality and access outcomes for First Nations peoples are demonstrably poor
- How the allowed rate of return could be adjusted or conditioned to reflect performance against defined First Nations-specific outcomes and other vulnerable customers
- Whether underperformance in First Nations communities should be treated as an increase in business risk borne by network owners rather than consumers

This approach would be consistent with the National Electricity Objective, which requires consideration of the long-term interests of consumers with respect to reliability, safety and affordability. First Nations peoples should not be implicitly excluded from this objective through regulatory design.

Conclusion

The RORI review occurs at a critical moment in Australia’s energy transformation. Network investment is increasing, and the gap is widening between households that can manage energy costs and those that cannot (because of the ability to access CER), and energy affordability remains a pressing national concern.

First Nations households are particularly exposed within this landscape. A growing body of evidence demonstrates First Nations households are less likely to be in a position to access CER, more likely to experience hardship, and more vulnerable to rising network charges.

Additionally, the AER can use the regulatory tools at its disposal to drive meaningful change. Experience to date suggests that without financial incentives — and financial consequences — network behaviour is unlikely to materially improve. Aligning the RORI with performance for First Nations peoples would not be punitive. It would simply reflect the principle that regulated monopolies should not be rewarded for delivering services that fail to meet the needs of all consumers and communities they are meant to serve.

The First Nations Clean Energy Strategy — developed as a priority action under the National Energy Transformation Partnership — reflects a shared national commitment to ensuring that First Nations communities are not left behind in this transition. The Strategy provides a clear framework for how regulators, including the AER, should consider equity, participation and affordability in energy decision-making.

The AER has an opportunity in this RORI review to acknowledge and respond to the lived experiences of First Nations consumers, to adopt a cautious and consumer-protective approach to rate-of-return settings, and to help ensure that the energy transition delivers fair and affordable outcomes for all.

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