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The consumer energy market is unique. Here's why (and why it matters)

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[2] The views expressed below are those of the author. They do not represent the views of the Monash Business School or the Monash Energy Institute.

ABSTRACT

In recent years, I have argued our energy market regulators need to 'rethink how they think' about the consumer energy market. One counterclaim made in response to my papers contends there is nothing sufficiently unique about this market that warrants the type of rethinking I have been proposing. This paper responds to those counterclaims. It identifies 52 features of the consumer energy market which, when viewed in their entirety, describe a market like no other in the economy. These features collectively support, beyond a mere balance of probabilities, the conclusion that the consumer energy market is exceptional. Its exceptionalism means it must be judged, designed, regulated, and structured on its own merits. Which invites the question: Are the energy market's regulators genuinely contending with the 52 gritty realities identified in this paper?

I. INTRODUCTION

Over the past decade, I have written extensively about how the energy market is not working for consumers. I have argued the design, regulation and structure of the consumer energy market needs rethinking. My papers elicit a wide range of responses. This paper addresses one of the most persistent responses – namely, claims that there is nothing sufficiently unique about the consumer energy market that warrants the type of rethinking I have been proposing.

The retail energy market was the last piece of the reform program of the 1990s and early 2000s that upended the way in which electricity and gas was managed in Australia. Enormous intellectual effort went into designing wholesale energy markets and the regulation of network infrastructure. The creation of the retail market wasn't quite an afterthought, but it was predicated on the simplest of simple assumptions – lower the barriers to entry for new retailers, minimise transaction costs for consumers, and competition will take care of the rest.

My papers outline how the retail energy market has not delivered on the promised benefits of competition, even after 25 years. I have therefore urged the regulatory community to "rethink how it thinks" about the consumer energy market and to "eschew well-worn tropes" about markets, competition, choice and pricing. I have attempted to identify different ways of thinking about the consumer energy market – its constituent parts, design, operation and regulation.

A regular, albeit minority, response to these concerns has been to question whether there is anything genuinely exceptional about the consumer energy market. These responses typically highlight features of the consumer energy market that are common with other consumer markets, such as: the complexity of contracts, the bewildering scope of choice, consumers not being guaranteed of the cheapest price, the imposition of loyalty premiums, and the essentiality of other goods and services which are not regulated to the same extent as energy (for example, food, housing, fuel, banking and insurance).

These are legitimate observations and it was reasonable for one respondent to throw down the gauntlet recently, "So, persuade me why electricity is unique."

That is the purpose of this paper.

Before continuing, it is important to stress every market bears similarities and differences to every other market. The uniqueness of any individual market cannot be settled scientifically. It is always and everywhere a matter of judgement based on observations and reasonable arguments. The same is true for the burden of proof that must be satisfied when making the case. Determining the required evidentiary threshold is also and inescapably a matter of judgement.

The next section identifies 52 important features of the consumer energy market. Not all the features are entirely unique to this market. Some of the features will be observable in other markets. When viewed in their entirety, however, these features describe a market like no other in the economy. **These features collectively support – beyond a mere balance of probabilities – the conclusion that the consumer energy market is exceptional. Its exceptionalism means it cannot be usefully compared to any other consumer market. Instead, the consumer energy market must be judged, designed, regulated, and structured on its own merits**.

The paper concludes with a very brief discussion about the significance of these features for the design and regulation of the consumer energy market.

BOX 1. Some terms used in this paper

Energy generally refers to reticulated (and/or locally produced, stored or exported) electricity. Some observations may also be relevant to reticulated gas.

Consumers refers broadly to parties who are price takers with little-or-no countervailing market power when negotiating with *service providers* – typically, households, small businesses and similarly sized energy users.

Customers is typically used interchangeably with *consumers*. The latter term typically acknowledges an economic relationship, whereas the former term generally reflects a legal relationship.

Regulators refers to one-or-more of the Australian Energy Market Commission (AEMC), the Australian Energy Regulator (AER), relevant State economic regulators, and Minsters (State and federal policy makers) – depending on context.[3]

Service providers traditionally referred to energy retailers (holders of a retail licence). In the emerging market a broader definition is required, for example, any party that can (or is seeking to) control, constrain or prevent the flow of electricity to, around, or from, a *customer's* premises or assets.

Regulatory narrative is a general term reflecting the ways in which the design and regulation of the energy market are conceptualised, described, discussed and justified by the regulators.

[3] In some cases, it may also refer to the Australian Energy Market Operator (AEMO).

II. 52 FEATURES OF THE CONSUMER ENERGY MARKET

This section outlines 52 features of the consumer energy market that, at least, collectively, support the conclusion that this market is exceptional. Some of these observations are empirical in nature. Other observations are reasoned from first principles. Each feature is worthy of an essay, but this paper is not the place for that level of detail.[4]

The features are grouped under six broad headings. This typology is not definitive. It is just used for convenience. Some features could sit under more than one heading. Likewise, many of the features are related to each other. Cross-referencing all these relationships would make for cumbersome reading. Likewise, references and citations are also generally avoided. In the interests of readability, laborious comparisons between the energy market and other consumer markets are avoided. The reader is invited to consider the extent to which each of the features are observed elsewhere.

While the 52 features are generally not listed in any particular order, some of the more distinctive features are marked with ✱.

(a) SOME BASICS

1. Involuntary consumers

People don't choose to be in the energy market. At some point in time, someone made a decision that they would all become consumers in a market – making them responsible for finding their own energy contracts.

2. No substitutes

Consumers cannot choose not to buy electricity, nor can they substitute electricity for anything else. (Subject to hurdle costs, gas can be replaced by electricity.)

3. Barriers to exit ✱

Consumers face near-insurmountable barriers to exit from the energy market. They are compelled to participate regardless of all other considerations.

4. Intangible units of consumption

Retail transactions occur in units that are entirely meaningless for most people who tend to focus on the bottom line, not how it is derived. Even electricity aficionados can't explain in consumer-friendly terms what a kilowatt or kilowatt-hour represents.

[4] Further reading opportunities are provided at the end of the paper.

5. Different contract, same delivery ✱

The qualities of the delivered energy are entirely independent of the number of service providers in the market, the variety of energy plans on offer, how often (or effectively) consumers shop around for a better deal, or how much they pay for their energy. Retail pricing represents a payment arrangement only.

6. Increasing contract complexification

Despite 25 years of retail market competition, many energy consumers continue to struggle to understand the contracts on offer in the market. New technologies are now driving a "proliferation of new and increasingly complex offerings"[5] making the electricity market even more difficult for many (or most) consumers to navigate.[6] Indeed, the consumer energy market has arguably become the most complicated consumer-facing market in the economy. The AEMC has acknowledged this complexity results in a "negative consumer experience".[7]

7. Retailers rapidly churn contracts

Retailers rapidly turn over the contracts they offer consumers. A recent study found the eight largest retailers were servicing 145,500 legacy plans, that is, plans previously available and taken-up by some customers but which are no longer on offer or visible to the market. This finding astonishingly suggests retailers could be servicing, on average, a different contract for every 43 customers.[8] Further analysis finds that retailers added an average of 486 plan listings per week across the 14 distribution zones in the NEM while they withdrew 6,978 plans in the 3 months to mid-February 2026.[9]

8. Savings from shopping around are not a powerful motivator of consumer behaviour

The evidence shows the opportunity of financial benefits from shopping around for a better energy deal is a weak motivator of consumer behaviour. Customers leave hundreds of dollars 'on the table' rather than shop around.

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[5] AEMC (December 2025), pp. v, 75 and 81

[6] The ACCC (Dec 2025) observed, "Complex plans use a combination of multiple cost reflective pricing elements, including time of use, seasonal pricing, multiple usage blocks and demand charges. For example, a complex plan could involve time of use pricing with a demand charge. These plans include a complex set of pricing signals for customers to respond to if they wish to reduce their electricity bill." (p.30)

[7] AEMC (December 2025)

[8] ACCC (December 2025, pp.34 & 53) and assuming legacy contracts represent around 90 per cent of all contracts current serviced by these retailers.

[9] Data sourced from BatteryIQ's retail energy monitoring platform, which tracks all residential electricity plans listed across the NEM. Analysis by Daniel Middlemiss, Founder & CEO, BatteryIQ (batteryiq.com.au).

9. Consumers are generally poor shoppers for energy

Report after report for 25 years shows the majority of energy customers are not proficient at shopping around despite the availability of plentiful information (comparator websites, online calculators, standardised product disclosure statements, etc) – that is, many customers are paying more than they could otherwise be paying for their energy.

10. The competitive market hasn't solved complexity. It has created it ✱

The regulatory narrative claims competition motivates service providers to offer the services and products consumers want. Survey after survey shows energy consumers want plans that are simple, and they want shopping around to be a straightforward (and trustworthy) experience. For the past 25 years, full retail competition hasn't solved complexity for consumers; it has created it.

11. The 'loyalty tax' is an enduring feature of the consumer energy market

Not long after the introduction of full retail competition, energy retailers discovered customers were not particularly diligent at monitoring the prices shown on their energy bills. As a result, 'price walking' and the so-called, 'loyalty tax', have become intrinsic features of the retail energy market. Customers who fail to monitor and respond to changes in the price they're paying for their energy (that is, remain 'loyal' to their retailer) generally find themselves paying more than customers who regularly and proficiently shop around for their energy.

(b) PRICING

12. Retail competition adds to retailer energy prices

Landmark studies of the retail energy market have demonstrated retail competition has added to retail energy prices – contrary to the conventional wisdom about competition reducing prices.[10,11] Customers (rather than shareholders) are covering retailers' costs to compete with each other. Regulators have even provided a headroom allowance in their regulated default offers – even though this allowance is recovered from the very customers who are not interested in participating in the competitive retail market.[12]

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[10] Thwaites *et al* (2017) and ACCC (2018)

[11] The possibility that retail competition was increasing consumer prices was widely dismissed when it first postulated in Ben-David (2015).

[12] The Essential services Commission (Victoria) provides an allowance Customer Acquisition and Retention Costs (CARC) when calculating the Victorian Default Offer (VDO) while the Australian Energy Regulator providing a 'competition allowance' in its Default Market Offer (DMO).

13. Retail energy prices have never converged

Even after 25 years of retail competition, consumer-facing energy prices have not converged toward a market-clearing price. Retail prices continue to be widely dispersed despite regulatory claims about the rigours of competition and the non-differentiability of the energy being delivered.

14. Lower retail costs don't necessarily mean lower consumer prices

There may be some merit in regulatory claims that price signals can be used to "place downward pressure on costs for all consumers".[13] But even if this claim is true, it does not follow that "all consumers" will benefit from those lower costs. Customers who are most proficient at navigating the complexities of the consumer energy market are most likely to capture most of the benefits of retailers' lower input costs.

15. Regulated input costs are a significant component of consumer energy prices

Network costs typically represent 40-50 per cent of retail energy prices. Those network price levels and tariff structures are subject to regulated revenue and pricing rules and regulatory approvals. The contribution of regulated network costs to retail prices are expected to increase with the energy transition.

16. Cost reflective tariffs are not expressions of objective truth

Tariff levels and structures are not market determined leading to much discussion about the merits of 'cost reflective tariffs'. The notion of cost reflectivity unavoidably relies on the regulator's judgements about choice of appropriate pricing objectives, pricing theories and principles, estimation methodologies, cost allocation models, relevant data, and so on – all of which are contestable.

17. Regulated prices are always about acceptable distributional impacts ✱

Regulated tariff structures always embody the regulator's views about an appropriate distribution of benefits (rewards), costs (penalties) and risks across the customer base. Regulatory pricing approvals are unavoidably about equity even when regulators claim their pricing decisions are exclusively guided by a focus on efficiency.

18. The energy system is treated as having interests in its own right

In recent years, statements focussed on "achieving the lowest cost energy system", "flattening the duck curve" and "rewarding customers for supporting the system's needs" have gained traction in the regulatory narrative about pricing. It's an odd way of thinking. It places *the system* at the centre of the regulatory task. It suggests (without explicitly saying

[13] See AEMC (December 2025)

so) that consumers are the servants of the system – that consumers are ‘control units’ that can, and should, be engineered to meet system-based objectives.

19. Losing sight of the role of pricing ✱

On the one hand, the regulatory narrative professes fealty to a competitive retail energy market. Competition involves a market self-organising in response to its underlying supply and demand conditions. Competitive prices emerge from that dynamic to reflect the balance of those conditions. At the same time, however, the narrative also professes the desire to use price signals to influence (“reward”) consumers’ demand and supply decisions in pursuit of whole-of-system benefits. So, which is it to be? Do regulators consider pricing to be a costate variable or a quasi-control variable?

(c) THE MARKET

20. It’s a designer market

The consumer energy market is a designer market. It did not emerge through an organic process of potential sellers and buyers negotiating the terms of settlement over time. Instead, it is an administrative set of arrangements conjured into existence by its rules and regulations.

21. The market’s designer is responsible for every consumer outcome

By definition, as a designer market, the rules of the consumer energy market enable, permit and encourage every observed consumer outcome. This means regulators (as rule makers) bear responsibility for how all consumers experience the market.

22. Regulators rely on assumptions

Regulators do not have perfect information when designing and regulating the consumer-facing energy market. They must rely on assumptions about the conduct of market participants and market dynamics.

23. Misplaced assumptions cause consumer detriment

When regulators rely on assumptions that do not closely reflect market participants’ observable conduct and the market’s observable dynamics, then they are designing a market for consumers who, for the most part, do not exist. This causes detriment to those consumers who do not act in accordance with the regulators’ misplaced assumptions.

24. Regulatory assumptions are rarely tested

History shows that regulators rarely examine their assumptions critically – including assumptions about the behaviour of market participants, the competitive dynamic, the realised impacts of choice, the efficacy of pricing (price signals) on influencing behaviours, and so on. Even more fundamentally, the necessary conditions that must be satisfied to justify these assumptions are rarely identified – let alone tested.

25. The consumer energy market is a subjective construct ✱

Because regulators must choose the assumptions on which they rely, and then determine the rules and regulations they create in response to those assumptions, the market's design and regulation is unavoidably the product of the many judgements exercised by regulators. That is, the market is an expression of the regulators' chosen way of viewing and understanding 'the world'.

26. The market's design maximises benefits for a minority of consumers

Since its inception, the consequences of the consumer energy market's design has been to deliver benefits to consumers who are proficient at navigating its complexities – for example, by being able to shop around effectively and/or respond efficiently to price signals. The greatest benefits accrue to the most proficient shoppers. The evidence consistently shows only a minority of consumers demonstrate these assumed proficiencies.

27. The minority get a beneficial market while the majority get consumer protections

While the consumer energy market's design maximises the benefits flowing to a minority of customers, so-called 'consumer protections' are put in place in an attempt to shield the majority of consumers from the most harmful forms of potential market conduct by service providers.

28. Market *design* failure cannot be confused with market failure

Regulators typically attribute observed shortcomings and inefficiencies in market outcomes to established sources of market failure (for example: information asymmetries, transaction costs, bounded rationality).[14] In a designer market, observed shortcomings are the product of market *design* failures – not market failures *per se*.

[14] For economists, 'market failure' refers to a situation where a market leads to an inefficient production and consumption of goods and services. Common causes of market failure are factors like externalities, transaction and search costs, public goods, information asymmetry, and lack of competition.

(d) REGULATORS

29. Regulatory claims of putting consumer at the centre

These days, nary a regulatory report, decision, strategy, speech or podcast can pass without earnest commitments from the regulator to 'putting consumers at the centre', or adopting a consumer-centred approach, or supporting consumer agency. The real meaning – and benefit for consumers – of all these commitments is far from clear.[15]

30. Regulatory concerns about equity have become commonplace

There was a time, not so long ago, when energy regulators would have never entered discussions about matters of equity or fairness. They held their role in promoting equitable outcomes was limited to promoting efficient investment in, and efficient operation and use of, the energy system.[16] Today, energy regulators routinely profess their concerns about equity and fairness in the markets they oversee.

31. Responding to customer dissatisfaction by urging them to shop around

For 25 years, the predominant regulatory response to public dissatisfaction with consumers' experience of the energy market has involved urging consumers to shop around – that is, consumers are being told to do more of the very thing in which they have no interest (or confidence) and are demonstrably not good at doing.

32. Solving complexity by promoting even more offers

Consumers' concerns about the energy market being confusing and often incomprehensible are well-established. Despite acknowledging these concerns, energy regulators have continually sought to create market conditions that encourage even more offers being made available. This approach is motivated by a regulatory vision of a "dynamic energy services market that delivers value and meets the preferences of different consumers."[17]

33. Steadfast regulatory reliance on competitive dynamism

A recent report from the AEMC refers to competition an astonishing 308 times.[18] Competition is assumed to align the interests of service providers with the interests of consumers. There is rarely any regulatory interrogation of the real motivations of profit-maximising, risk- minimising service providers facing increasingly volatile input costs, and selling to customers who are largely overwhelmed by complexity and prone to making suboptimal decisions.

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[15] Ben-David (July 2024) section B.1.3 draws attention to the contradiction of claiming to be consumer-centric while also looking to promote competition *between* consumers as 'traders' – see feature 34.

[16] It's worth noting the energy laws and rules only refer to equity as a financial or legal concept (that is, a balance sheet item or a body of law).

[17] AEMC (December 2025), p.ix

[18] AEMC (December 2025) which also states on four occasions, "We rely on competition".

34. The conversion of consumers into traders ✱

Over the past decade-or-so, the regulatory narrative has increasingly come to view "consumers" as traders – namely, parties who are, or have the potential to be, one-or-more of: users, buyers, investors, producers, sellers, storers and arbitrageurs of electricity. No such multifaceted economic beings exist anywhere else (at least not at such a scale). Even consumers without distributed energy resources are viewed as having the *potential* to trade the volume and timing (or shape) of their load. Within this narrative, all 'trading units', whether consumers or commercial enterprises, are assumed to be motivated to compete by broadly the same economic factors (for example: price signals, return on investment or payback periods, cost of capital, etc).

35. Proceeding without theoretical foundations

The emerging electricity market is unique insofar as no other market has so-called, 'consumers' potentially acting as one-or-more of: users, buyers, investors, producers, sellers, storers and arbitragers of the underlying resource. There are no economic theoretical models for this type of market (at least, none have been cited by the regulators). It is unknown whether such a market produces a welfare enhancing outcome, has stable dynamics, or is computationally solvable. Regulators are proceeding on the assumption that this market solves like all others. This assumption might be right, but then again, it might not.

36. The endogenisation of net demand ✱

When the energy market was established in the late-1990s and early-2000s, market and regulatory design was focussed on ensuring sufficient supply was available to meet demand at all times (at least within regulated reliability standards). Demand in any given interval was considered to be determined by exogenous factors. The regulatory mindset began changing in the late-2010s and accelerated with the uptake of distributed energy resources in the 2020s. Regulators now view their role as designing and regulating the consumer electricity market to manage consumers' *net* demand – that is, how much they draw from, or export to, the grid at any point in time.

37. Financial risk is the real and only reason for consumers to shop around ✱

Despite viewing consumers as 'traders', the regulatory narrative continues to describe the energy market as an ordinary consumer market where decisions are motivated by consumer preferences – in effect, no different from the market for brioche buns or foot massages. This view miscomprehends the true nature of the consumer-facing energy market. Consumers do not shop around for energy as a consumer good. They shop around for a pricing structure that best reflects their expected (or intended) energy profile, including use of their assets and appliances. Misalignment between an energy contract and a consumer's realised profile exposes the consumer to financial risk. Put simply, shopping around for an energy contract is an exercise in managing financial risk. It has nothing to do with utility maximisation or satisfying consumer preferences as the regulatory narrative continues to suggest. Any regulatory statements such as wishing to see, "consumers have choice of products and services consistent with their preferences," are misconceived.[19]

38. The consumer energy market becomes "workably competitive"

In the mid-2000s, as regulators awaited the benefits of retail competition to become apparent to the community, a new term entered the regulatory narrative: "workable competition". Although poorly defined, the term remains in use today. It typically appears in regulatory documents when observed consumer outcomes do not comport with the 'promise' of a genuinely competitive retail energy market.

39. Protecting consumers from a market designed for their benefit ✱

Review after review of the consumer energy market for almost 20 years has reached the same broad market-based recommendations – namely, (i) provide consumers with more choice, (ii) give consumers access to more information, (iii) encourage consumers to shop around more, and (iv) send consumers more efficient price signals. Despite these market-focussed recommendations, regulators continue to implement new consumer protections – seemingly without questioning whether it would be more efficient to design the market in a way that did not require consumers to be protected.

40. A regulatory preoccupation with trust

A persistent theme in the regulatory narrative is the desire to see a market that consumers trust. It's odd that regulators seem to be more preoccupied with trust than industry participants.

41. Market design is effectively free from challenge

Market design has been largely delegated under legislation to the Australian Energy Market Commission. While the making of a market rule can be appealed on questions of law to the Supreme Court if not lawfully made, other realities prevail. The rule-maker has a broad discretion for how it interprets, and creates rules in fulfilment of, the national energy objectives.[20] In addition, appeals are costly to mount and are potentially inhibited by a free-rider problem.[21] All of which may have had the effect of shielding the delegated rule-maker from the threat of appeal since its establishment.

[19] AEMC (Dec 2025), p.78
[20] See: https://www.aemc.gov.au/regulation/neo
[21] The free-rider problem would arise were one market participant to mount a successful challenge against a market rule and incur the cost of doing so, while other parties with similar interests would also benefit without contributing to the cost of that challenge.

(e) INCONSISTENCIES

42. Observed consumer outcomes cannot be assumed to be economically optimal

Observed consumer outcomes only reflect how proficiently consumers navigate the market. Those outcomes cannot be assumed to reliably reflect consumers' willingness to pay (informed choice), elasticity of demand (efficient resource allocation) or capacity to pay (equitable outcomes).

43. The energy market is a source of unhelpful welfare transfers ✱

Because consumers must participate in the market and because consumers' positions in the market are often not based on economically efficient (or 'rational') decisions, the consumer energy market serves as a significant source of welfare transfer. The market transfers welfare from customers who are not proficient shoppers, to customers who are proficient at navigating the market's complexities.[22] It is not self-evident that these transfers deliver overarching efficiency or equity gains to society-at-large. They probably do not.

44. The matching problem is getting worse, not better

The consumer energy market has always suffered from a matching problem whereby many consumers enter contract that do not align with their circumstances. This is despite first principles suggesting competition should have largely solved this problem. The advent of new technologies, services, products and providers can significantly benefit some consumers. These innovations do, however, greatly 'complexifying' the decision-space all consumers must navigate. This multidimensional and expanding decision-space means consumers are at increasing risk of entering contracts where they pay for something they don't use, don't need or don't get.

45. An efficient market would not persistently misallocate risk ✱

In the absence of barriers or other frictions, a market can be expected to allocate risk efficiently – that is, to the parties who are best placed to manage it. The consumer energy market, however, is allocating risk to the consumers who fail to *avoid* it (because they enter contracts that do not closely align with their realised patterns of behaviour). This longstanding, ongoing and seemingly structural misallocation of risk (costs and benefits) represents a longstanding, ongoing and seemingly structural inconsistency between the market's realities and the national energy objectives.

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[22] The market may also deliver rents to service providers

46. It could have been worse

The community is repeatedly promised that deployment of new technologies (at all scales) will help lower system costs "for all consumers".[23] For the most part, these avoided costs will only be measurable against a counterfactual that no-one will ever see. In this sense, the claimed 'savings' are meaningless to consumers. In effect, the promise of lower prices is equivalent to the claim, "Well, it could have been worse."

47. Policymakers have never quite trusted the market

Despite the national energy markets being championed as the paragon of the 1990s microeconomic reform agenda, it has never shaken off political interest. Policy makers have regularly intervened in energy markets – through policy, legislation and derogation, schemes, rule change requests, and so on. While government interventions have generally sought to work within (or at least, around) the competitive market framework, policymakers have clearly never fully trusted the energy market to deliver public benefits.

48. Retails tariffs that should not exist ✱

Suppliers throughout the economy face a mix of fixed and variable input costs but they do not pass these costs on to customers through a mix of fixed and variable charges. Elsewhere, competition forces suppliers to bear the risk of converting fixed and variable costs into either variable (or occasionally fixed) prices only. (For example, petrol stations do not charge drivers a fixed entry fee separate from the price of fuel.) Unlike every other competitive market, the retail energy market has sustained a mix of fixed and variable tariffs, even after 25 years of a supposedly competitive market.

(f) AND IN THE END…

49. It's a question of political economy, not just economics ✱

It is quite extraordinary that even though 25 years have passed since the introduction of full retail competition (a bit less in some jurisdictions), the consumer energy experience continues to feature regularly in the media, public policy debates and political discourse. Despite all efforts to 'leave it to the market', the course of the energy market continues to be subject to the demands of its political economy.

[23] For example, see AEMC (December 2025)

50. The unparalleled challenge of the energy transition ✱

The energy transition represents an enormous, unique and unavoidable technical, economic and investment challenge. But it has also proven to be an extraordinarily complicated political challenge. As a political challenge, the ongoing success of the energy transition depends on sustained community support. Community support will be determined, in large part, by consumers' individual experiences of the energy market.

51. Markets ain't physics

The energy market sits atop a physical system. Design of the physical system must submit to the laws of nature. In contrast, the design of the market faces only one binding constraint, namely, it must enable the recovery (and distribution) of revenues that cover the costs of producing and supplying services to users. Everything else in the market's design is the product of someone's imagination. What can be imagined, can be reimagined.

52. And in the end, energy is essential

Energy is an essential service, at least for the foreseeable future. It's an old argument but still a pretty good one.

III. CONCLUSION: REGULATORY IMPLICATIONS

This paper was ostensibly written to make the case that the consumer energy market is unique and therefore requiring special regulatory attention. And while this paper cannot claim to have scientifically *proven* the case, it does support a conclusion beyond a mere balance of probabilities that the consumer energy market is unique.

The paper, however, serves another purpose. It highlights how the market's uniqueness means its regulators must emphatically consider the features noted above if they are to fulfil their roles responsibly, efficiently and effectively. To do anything otherwise, would be to operate in a world of make believe.

Unlike the reformers of yesteryear who created the retail energy market, today's regulators can no longer luxuriate in abstract ideas and idealistic assumptions about markets, competition, choice, consumers and price signals. Instead, they must demonstrably contend with the gritty realities implied by the 52 features described in this paper. Which invites the question:

> *Can the energy market's regulators change their own ideas, beliefs and assumptions from within?*

That's a very, very important question. So much so, that in a recent paper, I concluded that, "Until this cardinal question is answered, reviews into whether rules and regulations remain fit for purpose are just a way [for regulators] to pass the time."[24,25]

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[24] See Ben-David (January 2024)

[25] On this point, the reader is invited to read AEMC's draft decision for its pricing review (December 2025) and my reflection on that paper in Ben-David (January 2026). Links to my four submissions to the AEMC's review are provided at the end of this paper.

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