

Appendix A: Regulatory Burden Costings

Of the options considered in this Impact Analysis, the following option is expected to create regulatory burdens for electricity retailers:

- Option A1: Regulated Solar Sharer Offer (SSO) as a standing offer within the Default Market Offer (DMO) framework.

This technical appendix outlines how regulatory burden costs for this option were estimated, including the assumptions used and the resulting 10-year cost estimates.

Options A0 (status quo) and A2 (voluntary code/guidance) do not impose additional mandatory regulatory burden, and therefore no additional regulatory burden is quantified for those options.

Option A1 imposes compliance obligations on authorised energy retailers required to implement and administer the regulated SSO processes. The burden estimate excludes voluntary commercial decisions to offer additional products or participate in optional processes beyond what is required under the relevant legislative and regulatory framework.

The estimates below relate only to **mandatory compliance requirements** arising from implementation of the SSO as a regulated standing offer under the DMO framework.

The estimates exclude:

- Voluntary commercial decisions
- Broader NECF compliance not specifically attributable to SSO
- National retailer operations outside DMO jurisdictions
- Costs associated with optional or enhanced product offerings
- Government enforcement costs (as distinct from retailer compliance costs)

All costs are presented over a 10-year period, consistent with Office of Impact Analysis (OIA) guidance.

1. Businesses Impacted

The regulatory obligation applies only to authorised electricity retailers supplying residential customers in DMO jurisdictions (New South Wales, Queensland and South Australia) who have more than 1,000 customers in that jurisdiction.

This threshold aligns with the policy design to exempt small retailers with fewer than 1,000 customers from the obligation to offer SSO standing offer.

Based on customer-number data for NSW, Queensland and South Australia, the following numbers of retailers meet the $\geq 1,000$ -customer threshold in the DMO jurisdiction:

- 22 retailers in NSW
- 20 retailers in QLD
- 17 retailers in SA

Accounting for retailers operating across multiple DMO jurisdictions results in 24 distinct retailers exceeding the 1,000-customer threshold. These 24 retailers form the basis of the regulatory burden estimate.

It is to be noted that the number of retailers impacted reflects the best available customer-number data at the time of analysis. The retail market is dynamic, and the number of retailers exceeding the 1,000-customer threshold in DMO jurisdictions may increase or decrease over time due factors like:

- market entry or exit
- customer growth or contraction
- mergers and acquisitions
- changes in retailer operating footprint across DMO jurisdictions

Accordingly, the estimate of 24 impacted retailers represents a point-in-time assessment for costing purposes. If the number of eligible retailers increases in future years, the aggregate regulatory burden may increase proportionally. Conversely, if retailer numbers decline, the sector-wide burden may decrease.

The per-retailer cost estimates remain applicable irrespective of changes in the total retailer population.

2. Costing Framework and Key Assumptions

The costing methodology follows OIA Regulatory Burden Measurement (RBM) guidance and applies:

- Activity-based costing
- Standard hourly labour rates
- Explicit identification of one-off and ongoing costs
- Transparent estimations

Parameter	Value	Assumption
Compliance hourly wage rate (OIA default)	\$85.17	We use the Office of Impact Analysis' default hourly wage rate for businesses of \$85.17 per hour.
IT hourly rate	\$140.00	We assume an IT rate of \$140.00 per hour for system configuration and billing changes. Going by standard commercial IT contractor rates.
External legal hourly rate	\$800.00	We assume a standard blended junior and senior legal hourly cost of legal advice of \$800.00 per hour.
Internal adjustment hours (one-off)	150 hours	We assume 150 hours per retailer (one-off) to adjust internal processes to the SSO requirements.
System configuration hours (one-off)	150 hours	We assume 150 hours per retailer (one-off) to configure billing/IT for the 3-hour \$0/kWh window and 24 kWh/day reasonable-use cap.
Legal advice hours (one-off)	60 hours	We assume 60 hours per retailer (one-off) for legal compliance advice.
Call centre / training hours (one-off)	75 hours	We assume 75 hours per retailer (one-off) for call centre/training activities.
Costing horizon	10 years	The Board of Advice report on IA compliance confirms that, under the Commonwealth's regulatory cost

		estimation approach, regulatory burden estimates are assumed to be spread over 10 years when preparing an IA
Retailers impacted	24	AER's quarterly retail energy market performance update; Schedule 2 - retail performance data ¹

3. One-Off Implementation Costs (Year 1)

One-off costs reflect initial implementation activities required to operationalise the regulated SSO within retailer systems and governance frameworks. As per departmental analysis, these costs should occur in Year 1 only.

3.1 Internal Process Adjustments

This estimate takes into account regulatory burden of updating internal compliance manuals, amend product governance frameworks, update eligibility processes, adjust internal reporting templates and staff training and guidance.

Internal Process Adjustment Cost = Number of Businesses impacted * Hourly Wage Rate * Hourly rate

Number of businesses impacted	Adjustment hours	Hourly wage rate	Cost per retailer	Sector-Wide
24	150	\$85.17	\$12,775.50	\$306,612.00

3.2 System Configuration (Billing / IT)

This estimate takes into account regulatory burden of configuring billing engines to reflect the 3-hour \$0/kWh window, apply the 24 kWh/day reasonable cap, update tariff requirements, conduct testing and validation as necessary.

System configuration cost = Number of Businesses Impacted * System configuration hours (one-off) * IT hourly rate (\$/hour)

Number of businesses impacted	System Configuration Hours	IT Hourly Rate	Cost per retailer	Sector-Wide
24	150	\$140.00	\$21,000.00	\$504,000.00

3.3 Legal Compliance Advice

This estimate takes into account regulatory burden of interpreting the SSO obligations under the Code, confirming interactions with DMO and NECF, reviewing customer communication requirements and validating compliance positions amongst others.

Legal Compliance Cost = Number of Businesses Impacted * External legal hourly rate (\$/hour) * Legal advice hours (one-off)

¹ [Schedule 2 - Quarter 2 2024–25 retail performance data | Australian Energy Regulator \(AER\)](#)

Number of businesses impacted	External legal hourly rate (\$/hour)	Legal Hours	Cost per retailer	Sector-Wide
24	800	60	\$48,000.00	\$1,152,000.00

3.4 Call Centre and Staff Training

This estimate takes into account regulatory burden of training customer service staff, updating scripts, developing FAQs and briefing frontline teams.

Training Cost = Number of Businesses Impacted * Hourly Wage Rate (\$/hour) * Call centre / training hours (one-off)

Number of businesses impacted	Call centre / training hours (one-off)	Hourly wage rate	Cost	Sector-Wide
24	75	\$85.17	\$6,387.75	\$153,306.00

3.5 Total One-off Cost (Year 1) – Per Retailer and Sector wide

Component	Cost per Retailer (\$)	Cost (DMO) Sector Wide
Internal processes	\$12,775.50	\$306,612.00
System Configuration	\$21,000.00	\$504,000.00
Legal Advice	\$48,000.00	\$1,152,000.00
Training	\$6,387.75	\$153,306.00
Total One-Off Cost (Year 1)	\$88,163.25	\$2,115,918.00

4. Ongoing Compliance Monitoring Costs

Ongoing costs reflect the incremental monitoring requirements associated with administering the regulated SSO in DMO jurisdictions after initial implementation. These are ongoing compliance costs and are distinct from the one-off implementation costs set out in Chapter 3.

These include:

- Tariff compliance checks
- Monitoring application of reasonable-use cap
- Maintaining compliance documentation and record keeping
- Responding to regulator queries
- Internal reporting and governance

4.1 Estimated Annual Hours Per Retailer

The estimated annual hours per retailer were developed using an activity-based costing approach. The time assumptions reflect the incremental compliance effort required to administer the regulated SSO within existing retail governance, billing and compliance systems.

Rather than relying on a single fixed time assumption, this analysis uses three annual compliance-hour scenarios for the incremental effort required to administer the SSO. These scenarios are

informed by the indicative activity ranges set out in Table 7. To ensure the estimate reasonably captures uncertainty and operational variability, the scenario analysis uses values set slightly below and above the calculated indicative range in Table 7.

- **Low scenario:** 350 hours per retailer per year
- **Central scenario:** 550 hours per retailer per year
- **High scenario:** 800 hours per retailer per year

These estimates are intended to capture the incremental ongoing compliance effort associated with the regulated SSO, including activities such as tariff compliance checks, monitoring application of the reasonable-use cap, compliance record-keeping, internal governance and reporting, and responding to regulator queries.

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Table 7: Estimated annual hours per retailer

Activity	Hours per year
Ongoing price monitoring	~120–200
Reporting & record keeping	~80–150
Internal governance	~60–120
Consumer compliance checks	~100–200
Regulator engagement	~40–100
Total	~400–770 hours per year

The total range of 400–770 hours per year represents the aggregated time across all incremental compliance activities.

The lower bound assumes:

- Strong system automation
- Minimal consumer disputes
- Limited regulator follow-up

The upper bound assumes:

- Higher customer volumes
- Greater manual intervention
- Increased regulator engagement

This range reflects variability in retailer size, governance complexity and system maturity.

4.2 Ongoing Compliance costs (Sector-wide)²

Three scenarios are presented to reflect uncertainty and variability in compliance effort. Scenario analysis is consistent with regulatory impact analysis best practice, which recommends sensitivity testing where compliance time may vary across retailer businesses.

Approach to scenario analysis is used because:

- Retailers vary significantly in size and operational capacity
- System maturity differs across retailers
- Regulatory engagement intensity may vary
- Implementation effects may higher in early years
- Uptake of the regulated SSO is uncertain.

This demonstrates transparency in assumptions and avoids reliance in a single point estimate.

Scenario	Annual Hours ³	Annual Cost per Retailer (\$)	Sector-Wide Annual Cost (\$)
Low	350	\$29,809.50	\$715,428.00
Central	550	\$46,843.50	\$1,124,244.00
High	800	\$68,136.00	\$1,635,264.00

5. Total Regulatory Burden (10-Year Horizon)

In line with the OIA framework⁴, we assume variable costs are expected to change from year to year. Using the default 10-year duration of a policy, if a business incurs regulatory costs every two years into perpetuity, then to calculate the average annual regulatory cost of the proposal the costs over 10 years should be summed and then divided by 10.

Total 10 year forecast recurring Costs – Per Retailer and Sector wide

Scenario	10-year Ongoing Cost (\$)	Total Cost Including Year 1 One-Off (\$)
Low	7,154,280.00	9,270,198.00
Central	11,242,440.00	13,358,358.00
High	16,352,640.00	18,486,558.00

6. Average annual regulatory Burden (Central Scenario)

The regulatory burden associated with implementing the SSO under the DMO framework is assessed as moderate relative to comparable tariff reforms and is primarily driven by one-off implementation costs incurred in Year 1. Ongoing compliance costs are expected to be recurring but manageable and proportionate to the scale of regulated tariff oversight.

² Ongoing compliance costs are calculated as: Annual hours per retailer × OIA hourly wage rate (\$85.17) × 24 impacted retailers.

³ To ensure the estimate approximately captures uncertainty and operational variability, the scenario analysis was set slightly below and above the calculated range in Table 7

⁴ [Regulatory Burden Measurement Framework](#)

Under the central scenario, the total regulatory burden over the 10-year horizon (including the one-off year 1 costs) is estimated at **\$13,358,358.00** (sector-wide). Consistent with Regulatory Burden Measurement guidance, this total is averaged over 10 years to derive an average annual regulatory burden of: **\$1,335,835.80 per year (sector-wide)**. This equates to an average annual cost of approximately: **\$55,659.83 per retailer per year**.