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## Coalition appeals for states to act on grid as super funds push for higher returns

By COLIN PACKHAM Energy reporter

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Australia's electricity grid must be dramatically overhauled, with planning powers shifted to the states and away from national energy agencies, opposition spokesman Dan Tehan says, as tension erupts over rising network costs and investor profits.

The intervention follows revelations by The Australian that superannuation-backed infrastructure investors are seeking higher returns from [regulated energy assets](#), raising concerns that the energy transition will increasingly be paid for by households.

Critics argue the model can embed higher costs because the networks that build and earn regulated returns on power assets are incentivised to pursue larger or earlier projects.

"The fox is in charge of the hen house. We have to change or Australians are going to be saddled with debt as costs are added to costs," Mr Tehan said.

AustralianSuper and IFM Investors have urged the Australian Energy Regulator to approve higher returns for network investments, warning capital could otherwise be directed offshore.

The warning poses a dilemma for the federal government, which needs significant new infrastructure to deliver its renewable energy ambitions but can ill-afford to irritate households already [struggling with rising utility bills](#).

Analysis by The Australian of benchmark prices set by the Australian Energy Regulator shows a typical NSW household's annual electricity bill rose to \$1810 in 2024–25 from about \$1512 in 2022–23, with network charges accounting for roughly a third to half of the total.

That has sharpened scrutiny of the regulatory model underpinning the grid, under which network businesses — many backed by large super funds — earn returns on capital invested in poles and wires.

Under the current framework, the Australian Energy Market Operator develops long-term plans that identify priority transmission projects needed to meet reliability and emissions targets. Those projects are then taken forward by network companies and assessed by the Australian Energy Regulator.

The coalition is backing proposals that would fundamentally reshape that model, including removing planning and investment decision-making powers from transmission companies and opening new grid infrastructure to greater competition.

A report from the Policy Institute of Australia, endorsed by the opposition, argues that introducing contestability in the ownership of new transmission assets — alongside a larger role for states in planning and delivery — could improve efficiency and reduce the risk of over-investment.

Under that approach, new transmission projects would be put out to tender rather than being automatically developed by incumbent network operators, in a bid to drive down costs.

Stable, regulated returns have drawn long-term capital from super funds into the sector.

And weakening the role of national co-ordination bodies risks fragmenting the system, potentially leading to delays, duplication and higher costs if projects are not aligned.

The Australian Energy Market Operator plays a critical role in ensuring the grid is developed efficiently at a system-wide level.

The stakes are rising as network costs re-emerge as a major component of electricity prices.

While wholesale electricity prices have been volatile, the underlying cost of the grid has continued to climb.

Draft pricing for 2026–27 points to modest relief in overall electricity bills, largely due to easing wholesale costs, but does little to offset the continued upward pressure from network charges.

The Australian Energy Regulator is expected to finalise its next set of benchmark prices in coming months.

In submissions to the regulator, AustralianSuper and IFM Investors argued that returns on Australian energy infrastructure are no longer competitive with comparable overseas investments, while stressing the need for an independent and predictable regulatory framework.

The standoff underscores a deepening fault line in the energy transition: investors are demanding higher returns to fund the massive build-out of the grid, while policymakers are under pressure to contain costs for households already struggling with rising bills. How that tension is resolved — through higher prices, changes to the regulatory model or a shift in who controls investment decisions — will shape both the pace of the transition and the cost borne by consumers.

AustralianSuper, IFM and their cosignatories said the regulatory framework underpinned investment that “continues to support consumers and communities”: “A [rate of return instrument] which does not reflect efficient costs will deter capital flows to vital infrastructure.”

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