COTA
For older Australians

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Australian Energy Regulator
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Re: Draft Default Market Offer Guidelines

COTA Australia and the COTA Australia Energy Advocates welcome the opportunity to provide feedback to the Australian Energy Regulator (AER) on the Draft Default Market Offer Guidelines (draft guidelines). We value the important role the Default Market Offer (DMO) plays in providing consumer protection within an increasingly complex and dynamic retail energy market. We support the AER's commitment to enhancing transparency and regulatory certainty through the development of these guidelines.

COTA Australia advocates for the rights, wellbeing and financial security of older Australians and works to amplify the voices of older people on issues that affect their daily lives. We strongly support the DMO's function as providing a fundamental safeguard for residential and small business customers and welcome the increased emphasis on delivering a fair, trusted and reasonably priced electricity option. As the energy market is evolving rapidly, the importance of a clear, fair and effective benchmark offer only grows. The DMO must be fit for purpose and responsive to market developments to ensure consumers are not disadvantaged by the market's increased complexity and can access bona fide protections against excessive pricing.

For many older Australians, particularly pensioners, people living alone, and those living on fixed incomes, the DMO needs to serve as an essential safeguard. While the draft guidelines seek to improve transparency and provide greater certainty regarding the determination of future DMO prices, we encourage the AER to ensure that consumer protection and affordability are firmly entrenched at the core of the DMO framework and process. This is particularly important for consumers who may have limited capacity to actively engage with the retail energy market or navigate increasingly complex energy offers. As reported by Choice in 2025[i]:

> *The energy customers bearing the brunt of the confusion are those who can least afford to be paying more than they should. Research from ECA [Energy Consumers Australia] shows that many households under financial pressure start the process of trying to find the best energy offer for their situation but ultimately give up because it's too time-consuming and complicated.*

Energy affordability continues to be one of the most significant cost-of-living concerns raised by older Australians. Across our consumer engagement activities, older people report that rising utility costs place considerable pressure on already constrained household budgets and heighten psychological distress. As one older person commented:

> *My energy bills keep increasing no matter what I do. The house is heated only when absolutely necessary. I time my showers. Don't switch on the lights until it's a safety issue and I sweep the floors rather than vacuum. I don't know what else I can do.*

The *State of the Older Nation 2025* (SOTON 25)[ii] shows that many older Australians live on modest and constrained household budgets, with limited opportunities to supplement their income, while cost-of-living pressures remain persistently high. For those whose primary source of income is the Age Pension, increases in energy costs often leave little option but to reduce spending on other essential items such as medicines, transport, insurance and other household necessities, or to seek financial support from family and friends. It is imperative the DMO functions as an effective consumer safety net. It must strike the required 'genuine' balance between protecting consumers from unnecessary costs and ensuring a reliable, affordable energy supply, while also enabling electricity distribution and transmission businesses to recover efficient costs and earn a fair return on investment.

A key consideration for the AER should be ensuring that efficiencies and cost reductions deliver tangible benefits to consumers. Savings achieved in one component of the DMO calculation should not simply be absorbed by increases elsewhere, leaving households no better off. The AER needs to rigorously scrutinise increases in individual cost components, particularly where they exceed CPI or broader inflationary trends. Where above-CPI increases are proposed, there should be clear and transparent justification. At a minimum this should include evidence that the costs are efficient, evidence of alternative approaches that have been considered, the implications of accepting or rejecting the increase, as well as the expected impact on household energy bills. While some efficiently incurred costs may increase at a rate different from CPI, this should not diminish the expectation that such increases are meticulously tested, clearly explained and demonstrably in consumers' interests.

Consumers should also have confidence that the costs included within DMO are reasonable and shown to be to their benefit. While retailers should be appropriately compensated for the genuine costs and risks involved in delivering retail energy services, consumers should not face higher bills where there is no corresponding increase in service quality, consumer benefit or retailer risk. This principle is equally important when considering new and emerging cost components, including those connected to smart meters and other market reforms.

More broadly, the DMO should exert appropriate downward pressure on prices while supporting the efficient delivery of an essential service. It should encourage ongoing scrutiny of costs and provide incentives for efficiency throughout the supply chain. Where retailers are consistently able to offer substantial discounts below the DMO benchmark, this should prompt analysis of whether the underlying cost allowances, margins and other assumptions used to set the DMO remain appropriate. While discounts alone do not establish that the benchmark is excessive, they are an important indicator that needs to be assessed as part of the evidence suite regarding retailer costs, risks and returns.

We are also concerned, as was highlighted by CHOICE (2025), that increasing complexity in tariff structures may make it more difficult for consumers to identify the most suitable and affordable

energy offers. The growth of time-of-use tariffs, demand tariffs and other innovative products risks undermining consumer understanding. We are particularly concerned for members of the community who may be less familiar with digital comparison tools or online market engagement. The DMO Guidelines should support pricing information and comparison tools that are easy to understand, readily accessible and meaningful. It is equally important to ensure that consumers who are not online have access to the same information and opportunities as those who engage digitally. In considering future tariff structures and fixed-charge arrangements, the AER should remain attentive to how costs and benefits are shared across different consumer groups and whether specific households may be disproportionately affected.

The AER should also consider the accessibility and fairness of emerging renewable products. While such innovations may benefit some households, some Australians may face health, mobility, caring or other circumstances that impact their capacity to shift electricity usage to particular times of the day. The design and evaluation of these offerings should consider how they affect different groups of consumers and whether the benefits are shared fairly across the community. Consumer protections should ensure that people whose personal circumstances result in them having less flexibility to engage are not disadvantaged.

As noted in the Explanatory Statement (Section 1.2), the application of the DMO to residential and small business customers in embedded networks remains under development and not signalled in the current draft guidelines. Many embedded network residential households already face barriers to accessing the protections available to other energy customers. The AER should progress this work as a priority to ensure these customers are not disadvantaged and can benefit from equivalent DMO protections in 2027–28.

Older Australians tell us they value energy pricing arrangements that are fair, transparent, predictable and affordable. We encourage the AER to ensure that the final DMO Guidelines reinforce the DMO's consumer role and strengthen its function as a trusted safety net especially for those energy consumers who are unable, or choose not, to actively engage in the retail energy market.

Thank you for the opportunity to provide feedback on the draft guidelines. We look forward to continuing to engage with the AER on matters that affect older energy consumers and deliver fair and consistent consumer protections across the market.

Yours sincerely

[redacted]

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[i] Kollmorgen, A. CHOICE files energy retailer 'super complaint' with the ACCC. 21 May 2025. CHOICE. Access at: CHOICE _energy retailer ACCC super complaint

[ii] COTA Australia and SEC Newgate Research SOTON 25. COTA Australia, March 2026. Access at: State of the Older Nation - COTA Australia