



Joint Submission to Commonwealth DCCEEW 2025 Reforms to the Default Market Offer

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About the Justice and Equity Centre

The Justice and Equity Centre is a leading, independent law and policy centre. Established in 1982 as the Public Interest Advocacy Centre (PIAC), we work with people and communities who are marginalised and facing disadvantage.

The Centre tackles injustice and inequality through:

- legal advice and representation, specialising in test cases and strategic casework;
- research, analysis and policy development; and
- advocacy for systems change to deliver social justice.

Energy and Water Justice

Our Energy and Water Justice work improves regulation and policy so all people can access the sustainable, dependable and affordable energy and water they need. We ensure consumer protections improve equity and limit disadvantage and support communities to play a meaningful role in decision-making. We help to accelerate a transition away from fossil fuels that also improves outcomes for people. We work collaboratively with community and consumer groups across the country, and our work receives input from a community-based reference group whose members include:

- Affiliated Residential Park Residents Association NSW;
- Anglicare;
- Combined Pensioners and Superannuants Association of NSW;
- Energy and Water Ombudsman NSW;
- Ethnic Communities Council NSW;
- Financial Counsellors Association of NSW;
- NSW Council of Social Service;
- Physical Disability Council of NSW;
- St Vincent de Paul Society of NSW;
- The Salvation Army;
- Tenants Union NSW; and
- The Sydney Alliance.

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The Justice and Equity Centre office is located on the land of the Gadigal of the Eora Nation.

Australian Council of Social Service

The Australian Council of Social Service is a national advocate supporting people affected by poverty, disadvantage and inequality, and the peak council for community services nationally.

Combined Pensioners and Superannuants Association

Combined Pensioners and Superannuants Association of NSW Inc (CPSA) is a non-profit non-party-political membership association that promotes the rights and interests of pensioners of all ages, older people on low incomes and superannuants. Founded in 1931, our aim is to improve the standard of living and well-being of CPSA's constituents.

Energetic Communities

Energetic Communities Association is a Queensland-wide community organisation that advocates social and regulatory change to achieve a fast and fair transition through research, engagement and advocacy in sustainable energy, energy equity, energy efficiency, climate change adaptation and mitigation, and healthier and affordable homes for vulnerable households, communities and not for profits.

Queensland Council of Social Service

QCROSS is Queensland's peak body for the social service sector. Our vision is to achieve equality, opportunity, and wellbeing for all Queenslanders.

South Australia Council of Social Service

The South Australian Council of Social Service is the peak representative body for the non-government community, social and health sectors in South Australia.

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Recommendations

Recommendation 1

That the amended objectives of the DMO be grounded in those of the National Energy Law/Rules and clearly expressed in the Competition and Consumer (Industry Code- Electricity Retail) Regulations 2019 (the Regulations) and all other relevant regulatory instruments.

Recommendation 2

That any reformed objectives explicitly prioritise the protection of consumers and/or better outcomes for consumers, and ensure this objective is not compromised by any other.

Recommendation 3

That the Department ensure any key terms in the amended DMO objectives are objectively framed or otherwise clearly defined. These definitions should be consulted on with consumer and community advocacy organisations.

Recommendation 4

That if retained, the second objective of the DMO be amended to “Allow scope for a prudent retailer to recover the efficient costs of providing essential energy services.”

Recommendation 5

That the Department remove the ‘maintain incentives for competition...’ objective from the DMO.

Recommendation 6

Amend the DMO pricing framework to express the structure of the DMO as a tariff rather than an annual price.

Recommendation 7

Amend the Competition and Consumer (Industry Code- Electricity Retail) Regulations 2019 (the Regulations) to require retailers to allow consumers to opt-in to their local standing offer. This should be in addition to the existing and forthcoming protections that default disengaged consumers to their local standing offer. The DMO should be both an active choice option, and the default in all circumstances where a consumer has not actively chosen an offer, or the terms of the offer they have chosen have expired or changed.

Recommendation 8

The Department consider the existing asymmetry of access to data on wholesale costs between different stakeholders involved in DMO consultations and work with stakeholders to alleviate this asymmetry where possible.

Recommendation 9

That the Department direct the AER to determine how likely it is that retailers are fully exposed to headline changes in wholesale costs and the degree to which they are engaging in prudent activities to minimise this impact, including:

- *assess wholesale costs in relation to other aspects of retail costs, and how they interact;*
- *assess the impact of gentailer wholesale practices on reported wholesale costs;*

Recommendation 10

That the Department not explicitly include allowance for costs to acquire and retain customers (CARC) in any directions to the AER on the reformed DMO, including its removal from the DMO objectives.

Recommendation 11

That the Department make removal of explicit 'competition allowance' permanent in the reformed DMO.

Recommendation 12

That the Department and ECMC initiate:

- *A review of cost recovery for environmental and efficiency schemes to implement more equitable cost recovery arrangements, including removing exemptions for large-users and transmission connected entities and/or removing some or all costs from bills, and recovering them from Government budgets; and*
- *A review of the cost recovery arrangements for large transmission investments and Renewable Energy Zone infrastructure and implementing more equitable cost-recovery shares ensuring all beneficiaries (including generators and large transmission-connected users) are contributing fairly to the associated costs.*

Acronyms list

Acronym	Full name
ACOSS	Australian Council of Social Service
AER	Australian Energy Regulator
CARC	Customer Acquisition and Retention Costs
DMO	Default Market Offer
ECMC	Energy and Climate Change Ministerial Council
EWCAP	Energy and Water Consumers' Advocacy Program
JEC	Justice and Equity Centre
NCOSS	NSW Council of Social Service
NEO	National Energy Objective
QCOSS	Queensland Council of Social Service
VDO	Victorian Default Offer

1. Introduction

The Justice and Equity Centre (JEC), the Australian Council of Social Service, Combined Pensioners & Superannuants Association (CPSA), Energetic Communities and the South Australian Council of Social Service welcome the opportunity to respond to Commonwealth DCCEEW's consultation paper on 2025 Reforms to the Default Market Offer (DMO). Effective default price mechanisms are critical consumer protections and have an important role in shaping a retail market that works better for all consumers.

Our organisations represent energy consumers across the NEM jurisdictions that are currently directly or indirectly impacted by the DMO, including NSW, QLD and SA. Our organisations also represent low-income households, pensioners and other households and communities impacted by disadvantage and energy hardship.

Our organisations have engaged with processes related to the DMO since its inception. We have consistently advocated for a DMO with a clearer and more appropriate purpose, involving a more robust and widely applied default. We strongly support the ECMC tasking the Department to review the DMO, examining whether it is contributing to good outcomes in the long-term interests of all energy consumers. This review must involve more than a narrow examination of its performance against existing objectives. It must encompass a wider review of the retail energy market, consumer outcomes, and the scope for default price reforms that can both protect consumers and improve the outcomes the energy retail market delivers for all consumers.

Background

In 2018 the ACCC argued that the energy market and retail competition were failing consumers.¹ Little has changed for consumers following the report. Sustained increases in energy prices and ongoing poor retail practices have arguably seen a deterioration in outcomes for most energy consumers. Regulated default offers or price caps of some form have been introduced by regulators in all jurisdictions, but their purposes are varied and often unduly limited or confused.

The DMO is fundamentally ineffective because it intentionally does not provide consumers with the protection of a genuinely fair default, and does not apply in all circumstances where a default should be relevant. In any case the DMO, like other regulated prices, have so far proved insufficient to address the issues identified by the ACCC and deliver acceptable outcomes for energy consumers. With the benefit of experience and evidence, this process offers an opportunity to remedy this.

Comprehensive reform

There must be a comprehensive re-evaluation of the purpose(s) and application of the DMO in the evolving retail energy market. What is the role of the DMO in protecting consumers? How can default pricing help to re-shape the retail market and ensure it leads to better outcomes for all consumers? How and where should default pricing apply to deliver on these roles? Review and

¹ ACCC (2018) Restoring Electricity Affordability and Australia's Competitive Advantage, Retail Electricity Pricing Enquiry, Final Report.

reform of the DMO must go beyond an assessment of its fitness against current purpose, to an assessment of what purposes it should serve to best meet the needs and promote the interests of consumers. This process must be grounded in the contemporary understanding of how consumer vulnerability should be addressed², particularly as the energy market transforms.

Meaningful outcomes from this review will necessarily change how the retail energy market works, this must be both expected and embraced. As a process that sits above a range of narrower reviews and reforms (including the AEMC review of pricing), this process is a timely opportunity to comprehensively examine how the retail energy market can deliver better outcomes for consumers.

Our submission provides discussion on:

- The case for reform of the DMO;
- The purpose and role of the DMO;
- Current experiences of consumers in the retail energy market; and
- The need for a simple, affordable and fair price in the retail energy market

We also provide more detailed feedback on the current cost-stack and methodology of the DMO.

2. Purposes of the DMO

Much has changed since the DMO was initiated in response to evidence that the retail market was failing consumers. Since its inception, there is evidence the initial purpose and assumptions underpinning the DMO are not delivering on the intent to improve outcomes for consumers. It is necessary to consider not only if the DMO remains fit for purpose, but what purpose(s) are fit to deliver good outcomes for consumers.

We have long assessed the current purpose and objectives of the DMO – as well as its implementation - as misaligned with the needs of consumers, their expectations and a mature understanding of consumer disadvantage and vulnerability in essential service delivery. Our organisations have consistently identified the need for more robust, widely applied and effective default pricing protections.³

In this review the Department must consider what role default pricing should play to protect and promote the interests of all consumers, what objectives it should have in doing so, and how it should best be formulated and applied to achieve them.

In broad terms our organisations consider a DMO must be considered both as a consumer protection and a tool to shape and discipline the retail energy market. Its purpose should not be unduly limited to a 'safety net'. Accordingly, we consider any effective DMO must be:

Efficient. Key to being an effective protection, and a robust market discipline, is grounding the DMO in 'efficiency', linking it robustly to the fundamental elements of consumer interest in the

² CPRC, 2020, [Exploring regulatory approaches to consumer vulnerability](#).

³ See section 6 'Further Resources'

National Energy Objectives. This would help ensure retail market incentives are better aligned with consumer needs, expectations and preferences.

Widely-applied. A reformed DMO must be a genuine default for all consumers who want or need its protection. Wider and more consistent application maximises the impact of the DMO as a powerful incentive for retailers to compete in finding and offering value to all consumers. Forthcoming Retail Rule Changes will likely increase the number of consumers defaulting to standing offers (or market offers no greater than the DMO) and this process should consider how to build on these changes.

Fair. Only costs that retailers genuinely incur (and cannot otherwise defray or recoup) in their provision of essential energy services should be included in the DMO. Building trust in the fairness and value of retail services is fundamental to ensuring consumers can choose to engage with more complicated, bespoke services. A fair default ensures all consumers can be confident they are paying a fair price, before potentially seeking other products that may meet their needs.

If this review is to produce genuinely good (rather than less poor) outcomes for consumers, it must set aside any pre-existing assumptions about the role of competition in the market and adopt a more flexible and nuanced approach by giving precedence to consumer realities over economic theories. That is, competition should not be 'maximised' on the assumption it delivers better outcomes for all consumers.

2.1 Dual roles of the DMO

The DMO currently performs dual-roles, being both a protective price for standing offers and a reference price for market offers. Setting aside any assessment of effectiveness, these are important functions in the energy retail market, though not necessarily the most appropriate functions for a DMO. In any case it is possible that requiring the DMO to perform both roles may compromise the ability of the DMO to perform either role optimally.

It is true to say that there is considerable confusion in the public – and potentially among decision-makers – regarding what the DMO is and what function it serves. Public commentary about the DMO often refers to it as a “price cap”, which it is not. The objectives and form of the DMO (in being based on assumed usage and intentionally higher than efficient) obscures its value as both a reference and a protection. Consumer difficulties in accessing a standing offer and the linking of market offer price increases to DMO determinations have all contributed to consumer confusion and increase distrust in the market and in energy retailers, while undermining the overarching intent of the DMO to improve consumer outcomes.

The reference role of the DMO was a response to unfair discounting practices by retailers and was predicated on an assumption that a more consistent reference point for discounts would help consumers to understand the actual value of an offer. Arguably the approach taken to formulating the DMO – setting it above an efficient price and basing it on assumed usage – other restrictions on discounting and the prevalence of more complicated usage-based offers, have rendered the reference role largely irrelevant. In any case, this process should more broadly consider the role of the DMO as tool of 'market discipline', rather than simply assess the reference-price role as currently constituted.

The protection role of the DMO is arguably its most critical, but there is significant scope for consideration as to how the DMO can offer the most effective protection to all consumers who need it. It is crucial this process ensures the ‘protection role’ of the DMO is not compromised in service of other potential considerations and objectives.

We encourage the Department to examine wider intent behind the existing roles of the DMO, and consider alternative approaches to better delivering improved outcomes for consumers. This should include any potential tensions and limitations or synergies which may arise from the intent for the DMO to fulfill multiple roles or purposes.

2.2 DMO Objectives

The existing DMO is currently informed by inappropriate objectives which are unduly compromised and vague, and which are not focussed on actual intended outcomes for consumers. The objectives are not grounded in those of the National Energy Laws and Rules, and as discussed in the consultation paper are not clearly expressed in the regulatory instrument that currently underpins the DMO, the Competition and Consumer (Industry Code- Electricity Retail) Regulations 2019 (the Regulations). The objectives are:

1. Protect consumers from unreasonable prices in the market by reducing unjustifiably high standing offer prices.
2. Allow retailers to recover their efficient costs of providing services, including a reasonable retail margin and costs associated with customer acquisition and retention.
3. Maintain incentives for competition, innovation and investment by retailers and incentives for consumers to engage in the market.

The inappropriate and ineffective formulation of these objectives are a significant contributor to the failures and limitations of the current DMO. In particular:

- That the objectives (and their intent) are not clearly stated in the primary regulatory instrument;
- That the AER was not given a means of prioritising these objectives. In particular that it was not directed to consider ‘protect consumers’ as the primary objective – when promoting the long-term interests of consumers is the core aim of the NEO. As an essential service, our energy system must prioritise outcomes for consumers over outcomes for energy retail businesses;
- That the objectives explicitly introduce an equal consideration of the ‘interests of energy businesses’ through the third objective, something which exists nowhere else in energy law, and which unduly compromises consideration of the best interests of consumers; and
- That key terms including ‘unreasonable’, ‘unjustifiably high’ and ‘reasonable retail margins’ are vague, subjective and not clearly defined.

As will be discussed throughout this section, we consider that amending the objectives of the DMO is a critical task of this Review. A refined and clearly stated overarching purpose for the DMO will also be a critical part of improving the effectiveness of the DMO objectives.

Recommendation 1

That the amended objectives of the DMO be grounded in those of the National Energy Law/Rules and clearly expressed in the Competition and Consumer (Industry Code- Electricity Retail) Regulations 2019 (the Regulations) and all other relevant regulatory instruments.

Recommendation 2

That any reformed objectives explicitly prioritise the protection of consumers and/or better outcomes for consumers, and ensure this objective is not compromised by any other.

Recommendation 3

That the Department ensure any key terms in the amended DMO objectives are objectively framed or otherwise clearly defined. These definitions should be consulted on with consumer and community advocacy organisations.

While we recommend comprehensive reconsideration and re-writing of the purpose and objectives of the DMO, we provide detailed comment in this section in response to the existing objectives as guidance on the issues a reformed DMO must address.

2.2.1 Protecting and improving outcomes for consumers

The overarching purpose of default pricing should be to contribute to fair outcomes for all consumers, both by offering direct pricing protection and by ensuring consumer choice is a genuine choice, not a requirement. Accordingly, the key objective of the DMO should be to ensure the default consumer offer is fair and efficient.

The current DMO is not fit for any purpose in protecting consumers and ensuring good outcomes for them given that:

- Current circumstances in the energy market see consumers facing significant and sustained high retail energy bills in addition to wider cost of living pressures placing stress on households. Default protections must ensure they pay no more than necessary for essential energy services, regardless of their capacity to navigate the market. The current DMO is predicated on ensuring standing offer consumers pay more than is fair or efficient.
- The fundamental assumption underpinning the current DMO, that consumers can ‘shop around’ for more efficient, ‘fair’ retail offers is no longer reasonable advice (if it ever was). Increasingly market offers are priced at or above the level of a DMO which is itself, already intentionally set above the efficient cost to serve. There is also significant evidence that retail practices make identifying and accessing better offers difficult or even impossible for many consumers⁴.

⁴ CHOICE, 2024, <https://www.choice.com.au/shopping/shopping-for-services/utilities/articles/confusing-energy-pricing-tactics>

- Forthcoming retail rule changes⁵ are likely to result in more consumers being on ‘standing offers’ in the coming years. These changes will help ensure consumers are not left on the escalating, obsolete ‘market offers’ highlighted in recent ACCC reporting⁶. Some changes (such as the proposal for customers to be no worse off than the standing offer after their ‘benefit’ periods end) rely upon a reformed DMO in order to deliver fully on their intent. In this context, ensuring that the DMO more effectively achieves its core objective to protect consumers from unfair prices will be more important than ever.
- People likely to be impacted by structural disadvantage including First Nations, women, young people, people with disabilities, people experiencing mental health issues, people experiencing family and domestic violence, people on low-incomes, and renters are also most likely to be consumers experiencing or at risk of energy debt and disconnection.⁷ These cohorts represent a significant proportion of consumers who should not be intentionally disadvantaged due to poorly formulated or inconsistently applied pricing protections.
- In a recent NSW survey of people on low incomes⁸, 50% of respondents reported they could not pay utility bills on time. 74% of respondents reported going without health and wellbeing essentials. For some people this included taking drastic measures like not eating dinner 4-5 nights a week, not having visitors or going out with friends, and going without food or medicine to afford their bills.

This sacrificing of health and wellbeing essentials was similarly reflected in the JEC’s Powerless report,⁹ in the QCOSS Living Affordability in QLD 2024 report¹⁰ and ACOSS Heat in Homes Survey 2025.¹¹ This consistent evidence of consumer harm must be taken as context for what role retail market engagement can be assumed to play in delivering good outcomes for consumers. Crucially, consumers should not be condemned to higher energy costs simply because they cannot navigate the energy market amidst the other stresses they face. More efficient and widely applied defaults have a crucial role to play in ensuring ‘engagement’ with the energy market is a choice consumers can make, not a requirement to avoid further penalty.

- Experience over recent years has demonstrated that the energy system transition will not be smooth. It is likely to involve significant shocks, particularly in the short-medium term, that impact energy costs for consumers. This includes the likelihood of including increasing network costs. More robust default price protections help mitigate the impact of shocks and ensure the retail energy market is delivering outcomes which are as efficient as possible for all consumers.
- Through ‘Towards Energy Equity’, ‘Gamechanger’ and in recent State of the Market reports, the AER has recognised that existing energy market arrangements fail to adequately support consumers experiencing disadvantage and are contributing to increased consumer vulnerability:

⁵ See the [package of seven retail rule change requests](#) proposed by the Energy and Climate Change Ministerial Council to the AEMC in 2024.

⁶ ACCC, 2023, [Inquiry into the National Energy Market: December 2023](#).

⁷ The Justice and Equity Centre, 2024, [Powerless: Debt and Disconnection](#).

⁸ NSW Council of Social Service (NCOSS), 2024, [Impossible choices: Decisions NSW communities shouldn’t have to make](#).

⁹ The Justice and Equity Centre, 2024, [Powerless: Debt and Disconnection](#).

¹⁰ QCOSS, 2024, [Report: Living Affordability in Queensland 2024](#)

¹¹ ACOSS, 2025, [Heat in Homes Survey Report 2025](#)

“For a range of reasons, many consumers face barriers to actively participate in the market and secure the best offer for their situation. This can exacerbate existing structural inequalities, whereby those who can least afford it are paying higher energy rates.”¹²

The ACCC has identified the need to review and reform the DMO, flagging that,

“As the market continues to evolve, market bodies and state and federal governments should ensure that our regulatory framework remains effective in supporting meaningful consumer engagement and providing the necessary levels of consumer protection...”¹³

This review must prioritise outcomes for consumers and ensure a reformed DMO does so unequivocally. The Department can help to facilitate this by reformulating the objectives of the DMO, including directing the AER to consider the ‘protect consumers’ objective as the primary objective of the DMO.

2.2.2 Allow retailers to recover efficient costs

It is appropriate for default pricing to be compatible with the objectives of efficient investment in and operation of energy services which underpin the energy regulatory framework. As such, a reformed DMO should allow *prudent* retailers to recover *efficient* costs of providing essential energy services. This distinction is critical. A DMO need not accommodate all costs for all retailers. Indeed, doing so undermines any incentive to retail service efficiency. This objective, and the way it has been framed provides undue consideration for energy businesses and ensures an incorporation of costs and allowance which critically limits achievement of the primary objective of protecting consumers from unreasonable prices.

The DMO should be considered as a market shaping and influencing tool and not merely account for current practice. The role of the DMO should not be to reflect the costs of all retailers and protect all retail business models, and should not accommodate inefficient costs incurred by imprudent retailers, or retailers in aggressive acquisition or retention business phases. To do so blunts the impact of competitive tension and ensures that consumers will pay the cost of inefficient or imprudent business practices.

There is a risk (arguably a realised risk in recent iterations of the DMO) of embedding unnecessary costs of retailers in the DMO, entrenching current behaviours and guaranteeing a progressive acceleration of costs over time. There is a further risk of establishing a perverse incentive for retailers to increase costs to increase the price of the DMO. In any case, there is less incentive for retailers to seek cost savings than there is to advocate for new and larger costs to be accommodated within next DMO.

We also note that the DMO cannot (and arguably has not) fulfilled its role as a reference price, where the price incorporates a range of unreasonable and inflated costs which are not in the consumer interest.

¹² Australian Energy Regulator (AER), 2023, [State of the energy market 2023](#), p.248.

¹³ ACCC, 2023, [Inquiry into the National Energy Market: December 2023](#), p. 72.

We recommend that there be no explicit objective relating to the costs or needs of retailers and energy service providers in a reformed DMO. Should an explicit objective be retained, we recommend it be amended to:

“Allow scope for a prudent retailer to recover the efficient costs of providing essential energy services.”

This amendment better reflects the central purpose of the DMO as a price protection for consumers, while also ensuring it is a more effective market shaping tool, limiting included costs and improving the incentive for retail service efficiency.

Recommendation 4

That if retained, the second objective of the DMO be amended to “Allow scope for a prudent retailer to recover the efficient costs of providing essential energy services.”

2.2.3 Remove objective to “maintain incentives for competition”

This objective is currently formulated as,

“Maintain incentives for competition, innovation and investment by retailers and incentives for consumers to engage in the market.”

This objective is fundamentally inappropriate, misguided and should be removed. As we have noted elsewhere, the focus of objectives must be squarely on good outcomes for consumers. Competition is not an end in itself and cannot simply be assumed to deliver better outcomes. Competition must be encouraged and assessed by its capacity to deliver better outcomes - affordable, accessible, and equitable energy services – not assumed to be effective based on the number of competitors or the rate of consumer switching. This objective ensures consumers pay a premium for ‘competition’, an outcome directly at odds with the assumed benefit of competition (that it delivers more efficient services).

Designing price protections which are intended to “punish” consumers into engaging in the market – on the assumption that doing so will eventually render better outcomes – is both irrational and fundamentally inappropriate. It embodies a fundamental misunderstanding of how consumers need and expect essential services to function. That is that they can simply pay a fair price for the services that enable the uses they require. Further, it is inappropriate for price protections to incorporate unnecessary costs for competition, innovation and investment (that to date have not resulted in positive outcomes for consumers). As will be discussed below, the evolving energy market provides greater scope for retail innovation than competing on price, which further justifies removing headroom for competition and innovation.

The “number of retailers in the market” is consistently used by regulators and decision-makers as a marker of how well the retail energy market is functioning. New entrants being seen as a positive for competition and exits as a potential sign of ill-health. The number of competitors in a market does not correlate directly with effective competition, with the current retail market illustrating this point well. Throughout a period of high and rising prices, consistent evidence of

poor consumer outcomes resulting from poor retail behaviour¹⁴, and retail claims of ‘unsustainability’ (including through COVID-related restrictions) the number of retailers has remained steady and even increased. The evidence suggests the shape and nature of competition, where it exists, is not driving better (or even good) outcomes for most consumers. At best, in practice most retailers offer similar products with limited innovation, while a small subset competes at the margins for a minority of customers – creating the illusion of competition without delivering broader benefits to all, or even most consumers. We argue this is not an accident, but a predictable result of a market where competition is not appropriately focussed on consumer outcomes. A more robust and more appropriately framed DMO should be a significant tool in overcoming this.

When the DMO was first introduced retailers were competing almost solely on prices and non-energy benefits. But this no longer needs to be the reality of our energy market. Our evolving energy system is providing more meaningful opportunities for retailers to compete than retail allowance in the DMO. Retailers are increasingly able to innovate offers that meet consumer needs and preferences including opt-in time-of-use tariffs, solar-soakers, EV tariffs, bundling with renewable asset purchases and other green energy products. Whether retailers choose to compete on these terms is a business decision, but the availability of the opportunity further justifies the removal of ‘competition’ objective and costs from the DMO.

An effective retail electricity market – one providing an essential service - should be conceptualised as one that delivers the service all consumers need at the most efficient price. Reform of the DMO, and removal of the competition objective, would place the burden of competition and engagement more appropriately onto retailers than onto consumers. A robust DMO would allow an incentive for ‘positive choice’ and ‘engagement’ by consumers, retaining choice (appropriately) as a choice, rather than reluctant and constant need to try to avoid penalty. Efficient, widely applied default pricing would better incentivise retailers to understand consumer preferences and create genuine choice of alternative market products that are able to demonstrate value to consumers, and encourage them to choose products that work better for both consumers and energy service providers.

Recommendation 5

That the Department remove the ‘maintain incentives for competition...’ objective from the DMO.

2.3 Simple, affordable and fair

We encourage the Department to engage with the ongoing *AEMC Pricing Review*.¹⁵ While broader than the role of default pricing, consumer and community responses to that Review provide further detailed insights into current consumer experiences of the retail energy market and how pricing could be reformed to achieve better outcomes for consumers.

One key recommendation emerging from consumer advocates in *the Pricing Review*, is for the creation of a simple, fair and affordable energy offer.¹⁶ Our organisations consider that a more

¹⁴ CHOICE, 2025, [designated complaint](#) and [accompanying article](#)

¹⁵ AEMC, 2025, [The Pricing Review: Electricity Pricing for a Consumer-Driven Future](#)

¹⁶ Justice and Equity Centre, 2025, [Submission to the AEMC Pricing Review: Discussion Paper](#)

widely applied, efficient default would be well-placed to perform this function in our evolving energy market. A simple, fair and affordable energy service product is unlikely to emerge as a result of competitive forces (as has been demonstrated to date).

Consumers need energy to be available when they need to use it and affordable at the time they use it. They are not inherently seeking a wide range of options, but rather a product that dependably meets their needs. A single well-designed offering could be sufficient in many cases – a role that a reformed DMO could perform well in conjunction with rule changes already in train, and further reforms which are anticipated.

In our view, regulation does not need to actively enable diversity for its own sake. An appropriate ‘universally designed’ product – which a reformed DMO could become – provides adequate space and significant incentive for product innovation and the development of a diverse range of bespoke products consumers can ‘choose to choose’. Critically, retailers and other service providers will be required to demonstrate that these offerings deliver genuine extra value relative to the ‘baseline’ simple offer – that is, their interests will be required to be aligned with those of the consumer.

2.3.1 The form of the DMO

Our organisations support the proposal to express the structure of the DMO as a tariff rather than an annual price. This need not be converted to all possible forms. A simplified (flat-tariff) format DMO, more widely applied, reflecting efficient cost to serve is required. As we have noted earlier, many of consumer reforms currently being progressed rely upon such a mechanism to deliver their intended impact for consumers.

Expressing the DMO as a tariff will help to resolve some of the issues with transparency, legibility and trust of the DMO for consumers. We note that the Victorian Default Offer is expressed in the form of a tariff, not an annual average price.

Recommendation 6

Amend the DMO pricing framework to express the structure of the DMO as a tariff rather than an annual price.

Recommendation 7

Amend the Competition and Consumer (Industry Code- Electricity Retail) Regulations 2019 (the Regulations) to require retailers to allow consumers to opt-in to their local standing offer. This should be in addition to the existing and forthcoming protections that default disengaged consumers to their local standing offer. The DMO should be both an active choice option, and the default in all circumstances where a consumer has not actively chosen an offer, or the terms of the offer they have chosen have expired or changed.

3. Efficient and fair pricing framework for the DMO

Alongside reforms to the purpose and objectives of the DMO, our organisations consider that reforms to the cost-stack and methodology for the DMO would also result in better outcomes for consumers.

3.1 Wholesale costs

Consumer and community advocates do not have visibility of the data used to calculate wholesale costs, impeding our scope to meaningfully comment on the validity of the DMO wholesale methodology. However, on materiality of their contribution to the cost-stack alone, wholesale costs should be exposed to further scrutiny. This should include assessing wholesale costs in relation to other aspects of retail costs, and how they interact. This assessment should also include the impact of gentailer wholesale practices on reported wholesale costs. The intent should be to ascertain the range of means retailers have to mitigate, manage and defray wholesale costs, as well as determine the factors impacting wholesale costs themselves. That is, the intent should be to determine how likely it is that retailers are fully exposed to headline changes in wholesale costs and the degree to which they are engaging in prudent activities to minimise this impact.

The fundamental role of retailers is one of risk management and mitigation. They are best placed to see the costs of service in the system and have a range of tools (and the capacity) to manage and mitigate them. The fundamental intent of a competitive retail market is (or should be) that competition provides an incentive for retailers to minimise cost and risk, ensuring the products they offer to consumers are as efficiently priced as possible. Retailers face a reduced incentive (or requirement) to efficiently manage risks themselves if the AER makes explicit provision for all potential costs in their DMO calculations. Including all possible costs risks fully compensating retailers for costs (and risks) which they have not actually faced, or which they have (or should have) prudently mitigated or offset elsewhere. That is, costs cannot be considered in isolation from any other factors which may mean those costs are not actually faced or faced in full. The Department should consider the degree to which the DMO (in its current form) should fully compensate all 'headline' costs for retailers.

As we have also noted previously, the DMO need not encompass the costs of all parts of a given retailers' business. The DMO should not effectively 'subsidise' other aspects of retail business. The DMO does not apply to all consumers, or all retail services and specific market offer types are able to directly recover costs associated with more bespoke retail services and practices.

Recommendation 8

The Department consider the existing asymmetry of access to data on wholesale costs between different stakeholders involved in DMO consultations and work with stakeholders to alleviate this asymmetry where possible.

Recommendation 9

That the Department direct the AER to determine how likely it is that retailers are fully exposed to headline changes in wholesale costs and the degree to which they are engaging in prudent activities to minimise this impact, including:

- *assess wholesale costs in relation to other aspects of retail costs, and how they interact;*
- *assess the impact of gentailer wholesale practices on reported wholesale costs;*

3.2 Retail costs

3.2.1 CARC

Explicit inclusion of additional allowance for costs to acquire and retain customers (CARC) is inappropriate and should not be part of the retail costs to serve in the DMO. CARC has no benefit to consumers and is subject to no productivity or efficiency incentive within the DMO process.

Broad retail practice is to recover the ‘costs’ of loss-leading offers from other customers on higher margin offers. That is, it subsidises offers to a small minority through costs paid by the majority of consumers. Problematically, given the opacity of the spread of retail cost recovery from their customers, it is hard to justify CARC as purely ‘additional’ and costs that must be recovered from each customer. For example, if CARC is currently already being recovered through expired market offer customers, or the substantial proportion of customers on offers above the DMO, then any explicit allowance for CARC within the DMO unreasonably inflates the DMO by the quantum of costs the retailer is already recovering elsewhere (in whole or part).

We contend CARC costs should more appropriately be regarded as a ‘retail expenditure’ or ‘investment’ by the business. If they are allowed for at all, it should be as part of the retail margin rather than accounted for explicitly. It is common in competitive markets for business expansion and customer acquisition to be funded through investment by the business or through deferred profits – that is a trade-off between returns now and growth in future returns. Incorporating CARC explicitly in the DMO calculation allows for both profit and business investment in ‘growth’ to the detriment of consumers.

Recommendation 10

That the Department not explicitly include allowance for costs to acquire and retain customers (CARC) in any directions to the AER on the reformed DMO, including its removal from the DMO objectives.

3.3 Retail margin

Our organisations strongly support setting an efficient retail margin, such as that in the VDO.

We disagree with the assumption presented in the previous DMO determination that a thin margin will necessarily result in retail exit. We further disagree that the exit of some (or any) retailers is inherently problematic. It is a normal feature of a healthily functioning (genuinely competitive) market for businesses to enter and exit. Arguably it is a necessary aspect of effective competitive tension in a market. At this stage in the maturity of the retail market for a

(relatively homogenous) essential service it is not necessary for margins to be set high enough to encourage new (inefficient) businesses and retain all the (potentially inefficient) businesses currently operating. An indicator of efficient cost to serve and reasonable margin in the provision of a simple, efficient product (such as the DMO) leaves ample scope to retain existing retailers and allow for the entry of new businesses able to meet similar levels of performance. Crucially, it introduces more genuine incentive to innovate and seek further efficiency.

Recommendation 4 regarding the amendment of the “recover costs” DMO objective should allow for this reform.

3.4 Competition allowance

Our organisations have consistently argued that competition allowance (headroom) - over and above efficient retail cost and reasonable, benchmarked retail profit margin - is contrary to the consumer interest and the intent of the DMO. ‘Competition allowance’ reduces any incentive for retail innovation or competition that benefits consumers. The assumption that innovation must be accommodated by a cost premium fundamentally misunderstands how to appropriately align competitive and innovative incentives with consumer outcomes. That is, that innovation in the consumer interest is more likely to occur if retailers have an incentive to find efficiencies or value for consumers. The current energy market circumstances render the inclusion of competition allowance increasingly unjustifiable and unfit for the fundamental purpose of protecting consumers.

We note the contention that the removal of competition allowance would not impede prudent retailers from competing has been borne out in the evidence. The AER’s own market analysis from September 2024 “indicates that retailers are still competing and offering prices well below DMO 6, despite the DMO 6 price not including a competition allowance.”¹⁷ We consider this supports our argument that competition allowance is unnecessary and inappropriate.

Recommendation 11

That the Department make removal of explicit ‘competition allowance’ permanent in the reformed DMO.

3.5 Network and other costs

Our organisations recognise that the network and environmental cost components of the DMO and the mechanisms to lower these costs functionally sit outside of the DMO process.

However, these costs have a considerable impact on the AER achieving the objectives of the DMO, particularly the protection of customers from unreasonably high costs.

Our organisations recommend that the Department and the Energy and Climate Ministerial Council initiate:

- A review of cost recovery for environmental and efficiency schemes to implement more equitable cost recovery arrangements, including removing exemptions for large-users and

¹⁷ AER, 2024, [Default market offer prices 25-26 issues paper](#), p.8

transmission connected entities and/or removing some or all costs from bills, and recovering them from Government budgets; and

- A review of the cost recovery arrangements for large transmission investments and Renewable Energy Zone infrastructure and implementing more equitable cost-recovery shares ensuring all beneficiaries (including generators and large transmission-connected users) are contributing fairly to the associated costs.

Recommendation 12

That the Department and ECMC initiate:

- *A review of cost recovery for environmental and efficiency schemes to implement more equitable cost recovery arrangements, including removing exemptions for large-users and transmission connected entities and/or removing some or all costs from bills, and recovering them from Government budgets; and*
- *A review of the cost recovery arrangements for large transmission investments and Renewable Energy Zone infrastructure and implementing more equitable cost-recovery shares ensuring all beneficiaries (including generators and large transmission-connected users) are contributing fairly to the associated costs.*

4. Further reforms

Our organisations are aware of and involved in a range of other reform processes that will or should interact with the Review of the DMO. We encourage the Department to engage with the market-bodies, government departments and other stakeholders leading and providing feedback into these processes to better inform the Review of the DMO. These include:

- Commonwealth DCCEE's Better Energy Customer Experience
- The AEMC's Pricing Review
- The AER's Review of Payment Difficulty Framework

Consumer and community organisations have provided a range of recommendation to these processes that can further inform the DMO Review. Section 6 'Further Resources' includes some of these submissions.

5. Continued engagement

Our organisations would welcome the opportunity to further discuss these matters with the AER and other relevant stakeholders. Please contact awest@jec.org.au or dmccloskey@jec.org.au to arrange any follow-up.

6. Further resources

Several of our organisations have been consumer stakeholders in DMO engagement processes since its inception. The below list of resources provides further background into our long-held and evolving positions on the DMO as enduring consumer advocates on DMO policy.

DMO 7

- [JEC, ACOSS, QCOSS and SACOSS Joint Submission to DMO 7 Draft Determination](#)
- [JEC, ACOSS and SACOSS Joint Submission to DMO 7 Issues Paper](#)
- [SACOSS Submission to DMO 7 Issues Paper](#)

DMO 6

- [JEC, ACOSS and SACOSS Joint Submission to DMO 6 Draft Determination](#)
- [JEC and SACOSS Joint Submission to DMO 6 Net System Load Profile Approach](#)
- [JEC, ACOSS and SACOSS Joint Submission to DMO 6 Issues Paper](#)

DMO 5

- [JEC Submission to DMO 5 Draft Determination](#)
- [SACOSS Submission to DMO 5 Draft Determination](#)
- [JEC Submission to DMO 5 Issues Paper](#)
- [SACOSS Submission to DMO 5 Issues Paper](#)

DMO 4

- [JEC Submission to AER Options Paper: Methodology for DMO 4](#)

DMO 3

- [JEC Submission to AER Position Paper DMO 3](#)

DMO 2

- [JEC Submission to DMO 2 Draft Determination](#)
- [QCOSS Submission to DMO 2 Draft Determination](#)
 - [QCOSS \(Etrog consulting\) DMO 2 Draft Determination](#)
- [JEC Submission to DMO 2 Position Paper on DMO 2 price setting](#)

DMO 1

- [JEC Submission to DMO 1 Draft Determination](#)
- [JEC submission to AER Position Paper on developing a DMO for the electricity retail sector](#)
- [QCOSS submission to AER DMO Position Paper](#)
- [ACOSS Submission to AER on DMO](#)

Better Energy Customer Experience

- [JEC et al. Joint submission to the Better Energy Customer Experience consultation paper](#)

AEMC Pricing Review

- [JEC Submission to Electricity-pricing for energy driven future consultation paper](#)
- [JEC Submission to the AEMC Pricing Review: Discussion Paper](#)