



# **Review of the AER exemptions framework for embedded networks – Draft decision**

Prepared by  
**COTA Australia**

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## About COTA Australia

**COTA Australia** is the leading national peak body supporting and advocating for older Australians since 1958. COTA (Council on the Ageing) promotes the rights, interests and good futures of older Australians over 50.

Our broad agenda is focussed on challenging ageism, respecting diversity, and empowering people to live their best life as we age.

**COTA Australia Energy Advocates** is a panel of consumers, consisting of representatives from each State and Territory jurisdiction in the National Energy Market. The panel is coordinated by COTA Australia.

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## Introduction

COTA Australia and its Energy Advocates welcome the opportunity to provide feedback on the Australian Energy Regulator's (AER) Draft decision for the review of its exemptions framework for embedded networks. While we support most of the changes proposed in the Draft Decision, we believe that, on their own, these changes will not be sufficient to realise the improved outcomes necessary to place embedded network customers on an equal footing with other energy customers.

Embedded networks have become a permanent and growing feature of Australia's energy landscape —driven by government policies promoting higher-density housing, advances in energy technologies, and the still-unproven claim that embedded networks offer an efficient model for energy management in metropolitan and regional centres. Developers are increasingly using embedded networks as a preferred solution for medium- and high-density residential developments, including apartment buildings, retirement villages, aged care facilities, and caravan parks.

Through our ongoing engagement with Australians aged 50 and over, we are aware of a steady rise in the number of Australians, including many older people on low, fixed incomes, living in embedded networks. Despite this trend, there is still **no robust, evidence-based understanding** that the so-called benefits of embedded networks outweigh the risks to affected customers. Any **future exemptions** for embedded networks must be underpinned by clear **articulation of the enhanced customer benefits and protections they deliver**. Additionally, robust review processes must be in place to ensure the effective implementation and safeguarding of these protections.

The future framework must prioritise genuine parity for embedded network customers. This includes the same access as other energy customers to protections, hardship support and government energy concessions. Without this commitment, the AER runs the risk of entrenching a two-tier energy system that disadvantages Australian households more likely to be in high need of fair, reliable and affordable energy access.

## Reliance on Consultant's Report

The AER commissioned Bastion Insights to carry out research into the experiences of embedded network customers.

Recent reviews and inquiries have consistently highlighted concerns regarding outcomes for embedded network customers. However, the findings presented in the AER's Consultant's Report show customer experiences in a more favourable light than previous investigations. This outcome was met with surprise and disappointment by COTA's Energy Advocates, given the prevailing evidence pointing to ongoing challenges within embedded networks. The report's key findings include:

- Most embedded network customers could achieve better outcomes in the retail market.
- Embedded network customers do not receive any benefits unique to their circumstances.

These findings complement those of previous investigations and **reinforce the need for change**.

In addition, the **absence of evidence of consumer harm** raises questions about the study's methodology and sampling. For instance, the study's sample size is a concern. The AER's Draft Decision (page 33) also highlights the potential for the study's methodological approach to be less than fit for purpose, 'our dataset may not be extensive'.

This limitation raises doubts about the reliability of the report's conclusions. In addition, we query whether some of the more vulnerable embedded networks customers were excluded from the sample because:

- a) research was conducted using online communication methods exclusively
- b) the samples do not appear to include 'land lease' properties, and only a minimal number of caravan parks
- c) less than 16% of the embedded network participants in the quantitative research reported an income level equivalent to the age pension or less.

These factors suggest that the report's **findings may not fully capture the experiences of the most vulnerable embedded network customers**, which could lead to an underestimation of the need for systemic change.

As the AER appears to have placed much weight on the Consultant's Report to support its decisions, it is recommended that **further comprehensive and robust research is undertaken to provide a more solid foundation** prior to undertaking the next steps in the exemptions review process.

## **Actions are necessary but not sufficient**

Most of the changes proposed in the Draft Decision are supported but the changes are insufficient to achieve improved outcomes for embedded network customers.

The proposed actions will support the gathering of information which will help to fill the current void of quality information about embedded networks in the NEM, including:

- the number of embedded networks
- the number of customers in embedded networks
- price outcomes and the business models that apply to embedded networks.

This step is clearly necessary as the forerunner to a more informed analysis of the future regulation of embedded networks.

The benefits to customers in embedded networks thus far have **not been proven to outweigh the risks**. From the reviews to date:

- price outcomes are variable, and
- the majority of embedded network customers are not better off than retail market customers.

Various potential non-price benefits have been identified, however there is **no evidence** that these are actually being achieved or passed on to customers. At this stage, we believe that the question of whether embedded networks should be restricted remains open.

This Review should only be considered as the **first of a multi-stage process to develop a fit for purpose** new framework for embedded networks as envisaged in the AEMC's 2018 Review of the regulatory framework for embedded networks.

Holistic change is needed to deliver equal protections for embedded network customers and **urge the AER to take a lead role in coordinating the necessary changes across industry bodies and jurisdictional governments**.

## Proposed Retail guideline changes

### *Increasing visibility and transparency*

COTA Australia and its Energy Advocates support:

- closing the deemed network exemption classes for future residential and small business embedded networks,
- introducing basic notification obligations that require exempt sellers to update their details
- requiring sellers to publish their prices.

For increased visibility and transparency, we do **not agree** that existing deemed **exempt sellers should be excluded** from this requirement. The registration requirements are not onerous, and until this information gap is filled, we have no way of knowing how many customers are included in embedded networks, or whether their essential service needs are being met.

## ***Improving consumer protections***

COTA Australia and its Energy Advocates support:

- including family violence protections for exempt customers, and the provision of an Exempt seller family violence policy template and family violence Guidance for exempt sellers. By their nature embedded networks contain a high proportion of older customers. We request that the **inclusion of elder abuse**, particularly financial elder abuse, **be made more explicit** in the family violence policy template and the associated guidance. The template should also include details of the Australian Government's Elder Abuse Phone Line.
- new protections for 'energy only' embedded network customers
- notification of continuity of supply issues.

## **Proposed Network guideline changes**

To **improve visibility of embedded networks**, we support the requirement for all embedded network service providers to **report customer numbers and updated contact details**.