

Submission on 2025 Reforms to the Default Market Offer consultation paper

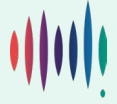
Submission to the Commonwealth
Department of Climate Change, Energy,
the Environment and Water

DATE: 18/07/2025



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Energy Consumers Australia is the national voice for household and small business energy consumers. We advocate for a fair, affordable, and reliable energy system—one that meets everyone’s needs and leaves no one behind on the journey to net zero.

1 Feedback on the 2025 Reforms to the DMO

Energy Consumers Australia (ECA) welcomes the opportunity to make a submission to the consultation on the 2025 Reforms to the Default Market Offer (DMO). ECA supports the need for reforms to the DMO and has previously advocated for a review to be undertaken.¹

As we have raised in our submissions to the Australian Energy Regulator (AER) on the DMO,² the DMO’s role is becoming more complex and it is increasingly not able to achieve its important consumer protection objectives, particularly as consumers continue to face high energy costs and broader cost-of-living pressures. This review is an important opportunity to recalibrate the DMO to ensure it functions as a meaningful protection, particularly for vulnerable or disengaged consumers.

Given the context for the consultation paper – including the intention to settle a final policy position and outcomes paper in September 2025 in order to allow the AER to take into account changes for DMO 8 in 2026-27 – we have focused our submission on the key issues relating to the DMO highlighted in the paper.

However, it is important to recognise the challenges consumers continue to face from higher energy prices and increasingly complex and confusing energy markets, and to situate this review within the broader reform context. This includes ensuring alignment between the DMO Review, the Better Energy Customer Experiences (BECE) reforms and the Australian Energy Market Commission’s (AEMC) Pricing Review – and ensuring each of these reviews takes up the opportunity to make sustained and meaningful changes that address affordability and energy hardship and restore consumer trust. This goes well beyond changing the methodology of the DMO: the systemic and underlying causes of these issues need to be tackled as well.

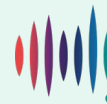
Despite the DMO being introduced as a consumer protection reform, the Electricity Retail Code does not set out any consumer protection objectives or principles. Instead, the DMO framework defers to concerns about competition and retailer profits at the expense of consumer protection. The AER is left with the task of trying to balance these unclear and competing objectives. This results in a regulated price that is set too high to adequately protect consumers – up to 27% above more competitive offers.

The DMO framework needs to clearly place consumer protection at the centre of the framework and ensure consumer outcomes are given priority by the AER in any DMO determination.

We have set out in this submission our responses to the consultation questions including our recommendations to refocus the DMO around its core consumer protection objectives, move to an

¹ ECA, Submission to AER Draft Determination on Default Market Offer Prices 2025-26, <[submission-doc-aer-dmo-prices-25-26-draft-determination.pdf](#)>, 2.

² Ibid.

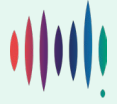


'efficient price' methodology and make other changes to improve its effectiveness. If you have any questions, please contact Adam Collins at adam.collins@energyconsumersaustralia.com.au.

Yours sincerely

A handwritten signature in blue ink that reads "Brendan French".

Dr Brendan French
Chief Executive Officer



2 Introduction

This section sets our high-level observations on the DMO and our recommendations for reform. Detailed responses to the consultation questions are set out in **Section 3**.

The DMO is not functioning as an effective price safety net for consumers

The DMO was introduced with two key consumer protection objectives:

- to cap the price of standing offers to limit the ‘loyalty tax’ on disengaged consumers and protect these customers from unjustifiably high prices, and
- to act as a consistent ‘reference price’ to help customers compare market offers.³

The DMO is not effectively achieving either of these objectives.

While the DMO has moderated the price of standing offers since it was introduced in 2019, the DMO framework defers to concerns about competition and retailer profits at the expense of consumer protection outcomes, and results in a regulated price that is higher than other regulated prices such as the Victorian Default Offer (VDO) – up to 27% above more competitive offers.⁴

Further, there remains a significant ‘loyalty tax’ for consumers on market offers who do not switch regularly. Despite the relatively high level of the DMO there are many market offers above the DMO price, and many customers paying more than the DMO – particularly those on older contracts. The Australian Competition and Consumer Commission (ACCC) found that 59% of customers on older offers (2+ years) are paying at or above the default offers, and ‘almost all’ customers that are paying more than 25% above the DMO are on older offers.⁵

This suggests that some of the assumptions underpinning the framework – including that the DMO as a reference price will prompt customer engagement to switch to cheaper offers – have not borne out in practice. Likewise, any assumption that the DMO might act as a ‘soft cap’ to moderate market offers does not appear to have occurred.

As we discuss further in this submission the DMO is also not working effectively as a reference price as the market becomes increasingly complex, and there are structural features of the DMO itself that limits its utility in comparing offers.

The DMO does not apply to standing offer customers on demand tariffs, or small business customers on time-of-use tariffs and is therefore not providing any price protection for these customers, nor can the DMO be used as a reference price for market offers of these types. The ACCC has found that there is an increasing number of customers being assigned to demand tariffs and these customers generally have worse price outcomes, with approximately 51% of customers with demand charges paying more than the DMO.⁶

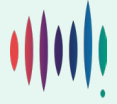
We welcome the review of the DMO as an opportunity to improve the DMO and address some of these issues, though we reiterate the need for this review along with the various parallel reviews – BECE and

³ACCC, [Retail Electricity Pricing Inquiry—Final Report June 2018](https://oia.pmc.gov.au/sites/default/files/posts/2019/04/1_regulatory_impact_assessment_-_default_offer_by_retail_code.docx), 249; Department of the Environment and Energy, https://oia.pmc.gov.au/sites/default/files/posts/2019/04/1_regulatory_impact_assessment_-_default_offer_by_retail_code.docx, 12.

⁴ AER, [Final determination on 2025–26 safety net prices for NSW, SA and SE QLD](#) [Australian Energy Regulator (AER)].

⁵ ACCC, [Inquiry into the National Electricity Market report - December 2024](#), 49.

⁶ ACCC, [Inquiry into the National Electricity Market report - December 2024](#), 29.



the AEMC Pricing Review – to explore all options to make sustained and meaningful changes that address affordability and energy hardship and restore consumer trust.

The primary objective of the DMO must be to protect consumers

The objectives of the DMO are not clear. Rather than being a straightforward regulated price set at a fair and efficient level, the DMO seeks to balance price protection for standing offer customers with its role as a reference price and deference to concerns about competition and impacts on market offers.

The DMO framework itself does not provide clarity about its objectives. Despite the DMO being introduced as a consumer protection reform, the Electricity Retail Code does not contain any consumer protection objectives or principles. Instead the Code requires the AER to have regard to the principle that retailers should make a reasonable profit.⁷

The AER is left to balance a range of different and competing objectives it infers from a variety of different sources.⁸ Given this unclear framework it is not surprising then that the AER has difficulty navigating these tensions and does not always give priority to consumer outcomes in determining the DMO.

The DMO framework needs to clearly place the consumer protection objectives at the centre of the framework, and ensure this is given priority by the AER in any DMO determination. The experience of the DMO since it was introduced in 2019 demonstrates that it does not adversely impact competition. Likewise, the experience of the Victorian Default Offer (VDO), which includes less allowance for competition, shows that it is not necessary for a regulated price to defer to competition concerns and retailer profits.

We discuss this further in response to **Q1-3**.

Recommendation 1 *The primary objective of the DMO should be to protect customers from unreasonably high electricity prices.*

Recommendation 2 *This objective should be specified in the Electricity Retail Code and the AER directed to give priority to the primary objective.*

The DMO should be a simple tariff for all standing offer customers based on efficient costs of supply, without additional competition costs

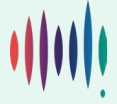
We support the proposal in the consultation paper to bring the DMO into alignment with an efficient pricing framework. Further, we recommend that the DMO does not include customer acquisition and retention costs (CARC) or a competition allowance (headroom).

The DMO needs to be simple and easy for consumers to understand, particularly as the market becomes increasingly complex. We have separately recommended that the DMO should be a simple (flat rate) tariff, that should cover all standing offer customers regardless of their existing standing offer tariff. It is not appropriate for standing offer customers to be on complex tariffs given they are unlikely to be ‘engaged’ consumers that can optimise their consumption levels under a complex tariff.

The current approach to determining the DMO results in a price cap that is too high to adequately protect customers, particularly those in vulnerable circumstances, from paying disproportionately high electricity

⁷ Electricity Retail Code, section 16(4)(b).

⁸ AER, Default market offer prices 2025–26: Draft determination, 11.



prices. The design of the DMO framework itself, and the AER's decisions under that framework, have often deferred to competition concerns at the expense of (what should be) the primary objective of ensuring standing offer customers are not paying more than a reasonable price. The experience of the DMO and the VDO and competitive retail markets in those jurisdictions demonstrates that it is not necessary to defer to competition concerns at the expense of consumer protection.

Moving to a DMO based on the efficient costs of electricity supply – in conjunction with other recommendations we have made including making consumer protection the primary objective of the DMO and removing the 'retailer profits' principle – will simplify the framework and the AER's decision-making process.

The DMO should not include customer acquisition and retention costs (CARC). Consumers who are not engaged in the energy retail market do not benefit from acquisition and retention activities of retailers and should not be expected to contribute to these costs through the DMO.

We also recommend the DMO not include a competition allowance. It is an unnecessary cost for consumers to bear and is not necessary to meet competition objectives, given its removal from recent DMOs has not hindered competition.

The DMO should apply to all standing offer customers – including the increasing number of customers on demand tariffs. We do not see a reason why these standing offer customers should not be protected by the framework based on their tariff type – one that they have typically been assigned and not actively chosen. These customers should be protected by the DMO, particularly given they are likely to be paying high prices. Market offer customers on these tariffs should be able to use the DMO as a reference price. The ACCC found approximately 51% of customers with demand charges are paying more than the DMO.⁹

We also support consideration of extending the DMO as a price cap to embedded networks customers, particularly if the DMO moves to an 'efficient price' framework. Embedded network customers should be covered by appropriate price protections, particularly as they do not have access to competitive retail offers.

We discuss some of the above matters further in response to **Q4-9** and **Q13**.

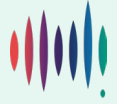
Recommendation 3 *The DMO should be based on the efficient costs of supplying electricity.*

Recommendation 4 *The DMO should not include customer acquisition and retention costs or a competition allowance (headroom).*

Recommendation 5 *The requirement for the AER to have regard to 'the principle that an electricity retailer should be able to make a reasonable profit' should be removed from the Electricity Retail Code.*

Recommendation 6 *The DMO should apply to all residential and small business standing offer customers (regardless of their tariff type).*

⁹ ACCC, [Inquiry into the National Electricity Market report - December 2024](#), 29.



The DMO is not functioning effectively as a reference price in an increasingly complex market

While we support there being a consistent reference price, the DMO is not performing this role effectively. Less than 20% of consumers are on their retailer's best offer¹⁰ and the difficulties consumers face in choosing the best offer for them are increasing in an evolving energy market. The changing nature of the market means that simple price comparisons are not likely to be useful for customers comparing offers with other variables such as solar feed-in tariffs or bundled products and services.

The structure of the DMO itself limits the effectiveness of the reference price. The DMO being an 'annual price cap' based on an assumed level of consumption means that it is not likely to be useful to the majority of customers that do not consume at this level. The reference price may give consumers incorrect information about the true cost of offers in the market and about which offers are best for them.

Customers are not able to directly compare their tariffs to the DMO as the DMO is not expressed as a tariff. We support the DMO being expressed as a tariff to enable direct comparisons, as well as to address the issues we have raised in response to **Q13** regarding retailers being able to set their own standing offer tariffs.

Where retailers are communicating a reference price comparison to an individual customer and have information about the consumer's actual consumption level (for example, when notifying consumers of a tariff increase) the reference price should be communicated using based on the consumer's actual consumption rather than a representative level of consumption.

The DMO's role as a reference price has at times complicated the AER's determination of the DMO, as it seeks to set a price to meet this 'dual purpose'.¹¹ We do not see why the DMO's role as a reference price necessarily means it should incorporate costs above an efficient level. A reference price that indicates the efficient level of service provision may well be more meaningful for consumers. A higher reference price may also encourage discounting behaviour that leads to an overemphasis on customer 'churn' and contributes to the 'loyalty tax' for customers on older contracts.

We discuss this further in response to **Q2-3** and **Q12-13**.

Recommendation 7 *The DMO should be expressed as a simple tariff rather than an annual price cap.*

Recommendation 8 *Where retailers have information about a customer's consumption level the reference price should reflect this actual consumption level rather than a model usage profile.*

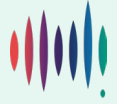
Broader reforms are needed to protect consumers

Reforming the DMO is important but as a standalone reform will not address the systemic and longer-term factors contributing to affordability and energy hardship issues and poor consumer outcomes on pricing and tariffs.

In parallel with the BECE review and the AEMC's Pricing Review there is a real opportunity to consider the more fundamental reforms required – but also a risk that these opportunities will fall into the gaps of each of these reviews, or that the reviews will consider these issues in isolation.

¹⁰ ACCC, *Inquiry into the National Electricity Market report - December 2024*, 55.

¹¹ AER, *Default market offer prices 2025–26: Draft determination*, 64.



We are concerned about the sustainability of a system that focuses on constant churn, assumes all consumers are or should be ‘engaged’, requires consumers to switch contracts frequently to get the best outcome, and penalises loyal customers. High switching rates may be evidence of a market that is not meeting consumer needs rather than evidence of effective retail competition.

There is a need to consider more fundamentally the options for how best to deliver good outcomes for the more than 50% of consumers who just want a ‘basic’ service – one that is simple, reliable and affordable – as opposed to an ‘active’ relationship with their energy retailer.¹² Market regulation, particularly for an essential service, should not be designed around an assumption that all consumers will eventually become ‘engaged’ consumers. If a reformed DMO is not able to effectively deliver this basic service for standing offer customers – and incentivise retailers to establish suitable basic services for market offer customers – then other, more significant reform options should be considered.

As we have stated in our response to the AEMC Pricing Review,¹³ we would also like to see an exploration of the feasibility and viability of some form of efficient subsidised pricing, as opposed to the current model which incorporates cost-inefficient opt-in payment subsidies with a sometimes-arbitrary emergency voucher system, both underscored by highly expensive and often ineffective retailer hardship programs.

More broadly, existing government and industry schemes to support vulnerable customers—such as payment support, hardship programs, and disconnection processes—are costly and fragmented. While we support measures such as automating concessions, there is a need to consider more comprehensively how these schemes can be optimised to best support consumers.

Recommendation 9 *DCCEEW and the AEMC (through the Pricing Review) jointly progress consideration of broader long-term reforms to address existing market failures in pricing and tariffs and broader affordability and energy hardship issues, including:*

- *addressing market features that contribute to the current reliance on switching and expectations on consumers to constantly engage in the market to avoid paying a ‘loyalty tax’*
- *exploring alternative models to deliver good outcomes for consumers who just want a ‘basic’ service*
- *exploring the feasibility of efficient subsidised pricing, such as a low-cost tariff available to customers experiencing hardship or other eligibility criteria*
- *reviewing the effectiveness of existing concession and payment subsidy schemes in subsidising energy costs.*

¹² ECA, Consumer Energy Report Card December 2024.

¹³ ECA, [submission-doc-aemc-pricing-review-electricity-pricing-consumer-driven-future-discussion-paper.pdf](#), 7.



3 Responses to consultation questions

DMO objectives

1. How can the DMO framework policy objectives be amended to adopt a greater emphasis on protections for disengaged customers in competitive retail markets?

The Code must clearly set out the primary consumer protection objective of the DMO and the AER should give priority to this objective

As we have noted in our previous submissions to the AER, the DMO was introduced as a consumer protection tool and its consumer protection function must be the centre of any decision the AER makes regarding the DMO.¹⁴ The lack of clarity in the Electricity Retail Code itself on its objectives contributes to an insufficient focus on the consumer protection objectives of the DMO.

Currently, the AER is tasked with balancing a range of objectives that are not clearly set out in the Code, without any clear direction as to the priority or weight to give to any particular objective. Energy Ministers have previously written to the AER in relation to providing adequate weight to cost-of-living pressures faced by consumers when balancing these objectives in the absence of clarity in the Code.¹⁵

The DMO framework needs to clearly place the consumer protection objectives at the centre of the framework, and ensure this is given priority by the AER in any DMO determination.

To achieve this, we recommend that:

- the Code is amended to clearly set out the objectives of the DMO (for example, through inclusion of a DMO Objective clause), and
- the Code make clear that the primary objective of the DMO is to protect consumers from unreasonable prices in the market by reducing unjustifiably high standing offer prices. The AER should be required to give precedence to this objective over any other objectives.

Although the consultation paper states that, '[t]he Electricity Retail Code sets out three primary objectives to be considered by the AER in determining the DMO', the Code does not in fact clearly or explicitly specify the objectives of the DMO. The AER has stated that the policy objectives it uses to guide its determination of the DMO are set out in several sources,¹⁶ none of which include the Code itself. Confusingly, although the consultation paper notes a main objective of the DMO as being a reference price, and this is one of the two stated objectives when the DMO was introduced,¹⁷ this is not one of the three primary objectives referred to by the AER.

It is notable that the Code does not actually specify any consumer protection objective or principle – this is instead inferred from the policy background to the introduction of the Code and the requirement for the AER to determine a 'reasonable' price. However, the Code does specify that the AER must have regard to, 'the principle that an electricity retailer should be able to make a reasonable profit in relation to supplying electricity in the region'.¹⁸ The AER has relied on this principle in (for example) using the 75th

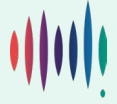
¹⁴ ECA, [Submission to the Australian Energy Regulator \(AER\) about Default Market Offer prices 2025-26](#) | Energy Consumers Australia, 2.

¹⁵ Hon Chris Bowen MP, Minister for Energy and Climate Change, [Hon Chris Bowen MP - Submission - DMO 6 issues paper.pdf](#).

¹⁶ AER, [Default market offer prices 2025–26: Final determination](#), 12, footnote 12.

¹⁷ Department of the Environment and Energy, https://oia.pmc.gov.au/sites/default/files/posts/2019/04/1_regulatory_impact_assessment_-_default_offer_by_retail_code.docx, 12.

¹⁸ Section 16(4)(b).



percentile of modelled wholesale cost outcomes rather than the 50th percentile, in effect increasing the DMO price to reduce risks to retailers.¹⁹

This is the wrong way round: the Code should clearly specify the consumer protection objective of the DMO and direct the AER to have regard to this objective in determining the DMO. It is not necessary for the Code to specify preservation of retailer profits or competition as objectives or principles informing the DMO. These are contextual matters that it may be appropriate for the AER to consider, but should not be considered objectives of the DMO. The DMO was introduced to protect consumers, not to preserve retailer profits. Retail competition should not be pursued as an 'end' in itself: competition needs to deliver good outcomes for consumers. Amending the Code to refocus the AER's decision-making around a clear consumer protection objective will help ensure future DMO determinations prioritise outcomes for consumers.

The lack of clarity regarding the objectives in the Code can be compared to the VDO Pricing Order, which clearly specifies that, '[t]he objective of the Victorian default offer is to provide a simple, trusted and reasonably priced electricity option that safeguards consumers unable or unwilling to engage in the electricity retail market.'²⁰ The Order requires the ESC to adopt an approach and methodology that it considers will best meet this objective.²¹ This does not preclude the ESC from also considering other objectives²² but makes clear the objective of the VDO.

The consultation paper notes, 'the inherent tension between these objectives can result in reduced transparency and certainty for market participants'.²³ This tension can be resolved by ensuring that the AER is required, by the Code, to give precedence to the primary objective of protecting consumers from unreasonable prices.

While we have previously recommended to the AER that it give priority to this objective,²⁴ the Code does not require the AER to do so. Instead, the AER needs to determine for itself how to achieve 'the most appropriate balance between allowing a retailer to earn a profit, while also setting a reasonable price for consumers'.²⁵ Among other matters, the AER has sought to establish a framework regarding the inclusion or exclusion of the competition allowance,²⁶ in the absence of clear direction in the Code. We have previously recommended the AER permanently remove the competition allowance from future determinations (we discuss this further in response to **Q4-6**).²⁷

The DMO must be simple and easy to understand

The Code should reflect that the DMO should be simple and easy for consumers to understand. This is not currently reflected in the objectives or policy principles, but it is particularly important that this is given priority as the energy retail market becomes increasingly complex and confusing for consumers to navigate. In part this may be achieved by moving to a simple tariff structure (as suggested in **Q13**) rather

¹⁹ AER, [Default market offer prices 2025–26: Final determination](#), 41.

²⁰ VDO Pricing Order, cl 3.

²¹ VDO Pricing Order, cl 12(2).

²² The ESC is also required to consider the objectives of the Essential Services Commission Act and of the Electricity Industry Act: VDO Pricing Order cl 12(1).

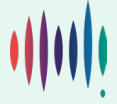
²³ Consultation Paper.

²⁴ ECA, Submission to AER Draft Determination on Default Market Offer Prices 2025-26, <[submission-doc-aer-dmo-prices-25-26-draft-determination.pdf](#)>.

²⁵ AER, [Default market offer prices 2025–26: Final determination](#), 53.

²⁶ Ibid, 84.

²⁷ ECA, [submission-doc-aer-dmo-prices-25-26-draft-determination.pdf](#), 7.



than an annual price cap, and clarifying the role of the DMO as a reference price. We note that the VDO objective includes that the VDO is a 'simple' and 'trusted' electricity option.

2. Does the DMO framework remain fit-for-purpose noting the rationale for its introduction in 2019 was to address specific concerns regarding the discounting behaviour by retailers identified in the ACCC's REPI report?

The DMO is not fit for purpose in an increasingly complex market

The DMO was introduced to:

- cap the price of standing offers to limit the 'loyalty tax' on disengaged consumers and protect these customers from unjustifiably high prices, and
- act as a consistent 'reference price' to help customers compare market offers.²⁸

The DMO is not effectively achieving either of these purposes.

The DMO has moderated standing offer prices for the customers to which it applies (noting it does not apply to the significant number of standing offer customers on demand tariff plans and time-of-use plans for small business customers – we have discussed this further in response to **Q13**), though the DMO is set at a higher level (controlling for other factors) compared to other regulated prices like the VDO. To the extent that standing offer prices have reduced, the DMO has achieved this objective, though we note in nominal terms standing offers are now in many cases higher than before the introduction of the DMO.²⁹

To the extent that the DMO was expected to address a 'loyalty tax' more generally, it is not doing so. It is important to recognise that while standing offer customers are generally 'disengaged', not all 'disengaged' customers are on standing offers. There is a large cohort of customers on market offers that have not engaged with the market for some time and are being penalised for their loyalty to a retailer. The ACCC's recent market monitoring report demonstrates that customers are penalised for not switching regularly – customers on older offers are increasingly paying a loyalty penalty, and this penalty increases over time.³⁰

Some '59% of customers on older offers (2+ years) and 29% of customers on older offers (1–2 years) are paying prices at or above the default offers, compared to only 10% of newer offers (<1 years)', with 'almost all' customers that are paying more than 25% above the DMO being on older offers (2+ years).³¹ Like the ACCC, we are concerned that the DMO is not effectively protecting customers on market offers who are not regularly switching.³²

The electricity retail market cannot continue to be underpinned by an assumption that customers will, or should, switch offers regularly. Our research shows that 42% of households and 50% of businesses

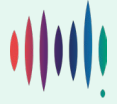
²⁸ ACCC, [Retail Electricity Pricing Inquiry—Final Report June 2018](https://oia.pmc.gov.au/sites/default/files/posts/2019/04/1_regulatory_impact_assessment_-_default_offer_by_retail_code.docx), 249; Department of the Environment and Energy, https://oia.pmc.gov.au/sites/default/files/posts/2019/04/1_regulatory_impact_assessment_-_default_offer_by_retail_code.docx, 12.

²⁹ E.g. as of 2024 in NSW 'the DMO price is higher than the incumbent retailers' standing offers prior to the DMO taking effect in 2019 in all three network areas' [2024-nsw-energy-prices.pdf](https://www.energypower.com.au/2024-nsw-energy-prices.pdf), 8.

³⁰ ACCC, [Inquiry into the National Electricity Market report - December 2024](https://www.accc.gov.au/publications/reports/inquiry-into-the-national-electricity-market-report-december-2024), 2.6, 45-49.

³¹ ACCC, [Inquiry into the National Electricity Market report - December 2024](https://www.accc.gov.au/publications/reports/inquiry-into-the-national-electricity-market-report-december-2024), 49.

³² Ibid.



report they review their energy plan less frequently than once a year. And more than half say they only want a basic relationship with their energy retailer.³³

While we support there being a consistent reference price, the DMO is not performing this role effectively. Less than 20% of consumers are on their retailer's best offer³⁴ and the difficulties consumers face in choosing the best offer for them are increasing in an evolving energy market. The complex retail energy market is weakening the effectiveness of the reference price as a tool to navigate market offers. The reference price was designed to compare basic, 'vanilla' offers. It does not help consumers assess the value of additional variables such as solar feed-in tariffs or bundled products and services. It is also not readily available as a comparison tool on the AER's Energy Made Easy comparison website where consumers instead compare offers based on the prices of other retailers' market offers.

There are features of the DMO that also limit its utility as a reference price, including the 'annual price cap' methodology and usage assumptions that are not likely to apply to most households. We discuss this further in response to **Q3**, **Q12** and **Q13**.

3. How successfully does the DMO framework achieve its objective in being a reference price to allow customers to compare market offers? Are there any issues preventing the DMO in achieving this objective?

While we support there being a consistent reference price to enable meaningful comparison of market offers and discounts, the DMO is currently of limited use as a reference price because:

- it is calculated as an annual price cap based on a 'representative customer' profile with usage assumptions that are unlikely to apply to most households
- a customer cannot directly compare their tariffs to the DMO because the DMO is not expressed as a tariff.

Additionally, as we have discussed in response to **Q2**, the reference price is not able to act as an effective point of comparison for the range of more complex offers in the market.

We have discussed in previous submissions to the AER³⁵ that changing consumption behaviour is complicating the determination of an annual usage amount, including where customer patterns of use differ from the AER's 'broadly representative' pattern of use determinations, or where customers use solar or batteries.

Where customers' consumption is significantly different from the 'representative customer' profile, comparisons to the reference price may not reflect what customers are likely to pay and could result in customers choosing an offer that is not suitable for them. This is particularly the case if the offer involves a complex tariff.

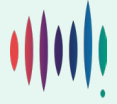
Efficient pricing framework for the DMO

4. Should the DMO be set to reflect the efficient costs a retailer might incur in supplying electricity to its customers? How does the DMO compare to other efficient pricing

³³ ECA, Consumer Energy Report Card December 2024.

³⁴ ACCC, [Inquiry into the National Electricity Market report - December 2024](#), 55.

³⁵ E.g. [20231031 Submission-to-AER-regarding-default-market-offer-2024-25-issues-paper.pdf](#).



regimes adopted by other states and territories (e.g., ACT, Tasmania, regional Queensland)?

The DMO should be based on the efficient costs of electricity supply

We support the proposal for the DMO to be based on the efficient costs of supplying electricity, similar to the VDO.³⁶ Further, we recommend that the DMO does not include customer acquisition and retention costs (CARC) or a competition allowance (headroom).

The current approach to the DMO results in a price cap that is too high to adequately protect customers, particularly those in vulnerable circumstances, from paying disproportionately high electricity prices. The design of the DMO framework itself, and the AER's decisions under that framework, have often deferred to competition concerns at the expense of (what should be) the primary objective of ensuring standing offer customers are not paying more than a reasonable price. As we discuss in response to **Q4-8**, there continues to be strong retail competition in the NEM, including in Victoria where the VDO is based on efficient costs (albeit with some allowance for CARC).

Although the AER states one of the objectives of the DMO is to 'allow retailers to recover their efficient costs of providing services',³⁷ the Code does not currently make any reference to either the DMO or individual elements of the cost stack being based on efficient costs. This is somewhat surprising given the ACCC had originally recommended the DMO should be 'the efficient cost of operating in the region, including a reasonable margin as well as customer acquisition and retention costs'.³⁸

In practice, as well as adding retail costs (including customer acquisition and retention costs) and a retail margin (usually including competition costs), the absence of any requirement for the DMO to be based on efficient costs can also lead to other elements of the DMO cost stack being higher than might otherwise be the case. For example, the AER has stated that, 'we consider that the DMO is not an efficient price' in explaining a decision to use the 75th percentile of modelled wholesale cost outcomes rather than the 50th percentile.³⁹ In contrast, for the VDO (which is based on efficient costs) the ESC uses the 50th percentile of wholesale cost outcomes.⁴⁰

Customer acquisition and retention costs should not be included in the DMO

We agree with the observation in the consultation paper that the 'competition allowance and customer acquisition and retention costs [CARC], are additional costs that [standing offer] customers pay where they do not accrue the benefits of competition'.⁴¹ By definition, consumers who are not engaged in the energy retail market do not benefit from acquisition and retention activities of retailers. It is not reasonable therefore that they are expected to contribute to these costs through the DMO.

We acknowledge that the AER is currently required by clause 16(4)(iv) of the Code to have regard to these costs, though we have implored the AER to choose a lower benchmark for these costs.⁴² The

³⁶ See clause 12(3) of the VDO Pricing Order which requires the VDO to be 'based on the efficient costs of the sale of electricity by a retailer'.

³⁷ AER, [Default market offer prices 2025–26: Final determination](#), 12.

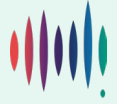
³⁸ ACCC, [Retail Electricity Pricing Inquiry—Final Report June 2018](#), Recommendation 30, 252.

³⁹ AER, [Default market offer prices 2025–26: Final determination](#), 41.

⁴⁰ ESC, [Victorian Default Offer 2024–25](#), 17.

⁴¹ Consultation Paper, 25.

⁴² ECA, [submission-doc-aer-dmo-prices-25-26-draft-determination.pdf](#), 6.



Code should be amended to remove the requirement for the AER to have regard to these costs in determining the DMO.

As the consultation paper notes, the VDO places some constraints on CARC (by requiring that it is limited to 'modest costs'). The CARC allowed under the VDO (\$46.57)⁴³ is therefore lower compared to the DMO (\$58.20-\$72.30).⁴⁴ Including explicit limits on CARC would be an improvement compared to the current approach, but we consider the better approach is to not include provision for CARC in the DMO at all.

If the DMO moves to an efficient cost framework we do not consider CARC should be included as an 'efficient' cost. We have previously expressed concern at the AER's finding that the Big 3 retailers have increased spending on customer acquisition and retention costs, given the majority of consumers are already with these retailers so it is unclear why their acquisition costs would increase (or why these costs would be 'efficient').

A competition allowance (headroom) should not be included in the DMO

As part of a move to an efficient pricing framework the Code should be amended to require that a competition allowance is not included in the DMO. It is an unnecessary cost for consumers to bear and is not necessary to meet competition objectives, given its removal from recent DMOs has not hindered competition.

Consumers continue to face significant cost of living pressures that impact on energy affordability, particularly for vulnerable or disengaged consumers that the DMO should be seeking to protect. These pressures have been raised with the AER by Energy Ministers⁴⁵ and have contributed to the AER excluding the competition allowance from recent DMOs.

We supported the AER leaving off the competition allowance for the most recent DMO and, while the AER has proposed a framework for determining whether or not to include this allowance, we have recommended to the AER it is removed permanently for future DMO determinations.⁴⁶ As discussed in response to **Q5**, **Q6** and **Q8** we do not see any evidence that the removal of the competition allowance in the DMO has had any material impact on retail competition.

5. What have been the impacts of the DMO in incentivising competition or customer engagement? In what ways has the inclusion of a competition allowance maintained incentives for competition and new entrant retailers?

Default offers are not negatively impacting competition and customer engagement

We are not aware of any significant negative impacts on competition arising from the DMO. The ACCC's most recent electricity market monitoring report indicates that the HHI (a measure of market concentration) for markets with full retail competition has remained relatively stable in recent years with a slight decrease (indicating less market concentration) in most regions in 2023-24.⁴⁷ Victoria continues to

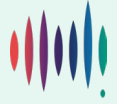
⁴³ ESC, [Victorian Default Offer 2025-26](#), 74.

⁴⁴ AER, [Default market offer prices 2025-26: Final determination](#), 63.

⁴⁵ E.g. Hon Chris Bowen MP, Minister for Energy and Climate Change, [Hon Chris Bowen MP - Submission - DMO 6 issues paper.pdf](#).

⁴⁶ ECA, [submission-doc-aer-dmo-prices-25-26-draft-determination.pdf](#), 7.

⁴⁷ ACCC, [Inquiry into the National Electricity Market report - December 2024](#), 60-62.



have the lowest HHI in the NEM despite the VDO making less provision for competition costs than the DMO.

There continues to be competition in market offers both above and below the DMO, including more lower-priced acquisition offers since the market volatility in 2022, particularly from non-Big 3 retailers,⁴⁸ and switching rates that have remained stable or increased since the DMO was introduced.⁴⁹ This suggests the DMO has not negatively impacted competition or customer engagement in these respects, though it is a significant concern that some 38% of customers on flat rate offers and 27% of time of use customers are paying more than the DMO.⁵⁰

As noted in the consultation paper, a review of the VDO found the VDO has not deterred competition in the Victorian energy retail market, and we agree with the observation in the consultation paper that 'well-calibrated, cost reflective and efficiently priced regulated default offer does not undermine market viability'.⁵¹ Accordingly we do not consider that moving to an efficient pricing framework is likely to have a significant negative impact on competition. To the extent that there may be impacts, the consumer protection benefits of a lower-priced DMO should be given greater priority.

We question whether it is the role of the DMO to, 'incentivise competition or customer engagement' given it is intended to protect disengaged customers. This suggest all customers will eventually become 'engaged' – this is not the case as there is a large cohort of customers who face barriers to engagement (such as limited time, literacy and numeracy, or language barriers) or may simply not want to be 'engaged' (they just want basic access to an essential service at a fair price).

The competition allowance is not needed to maintain competition

As we have noted in our submissions to the AER on its DMO determinations, we believe there is no evidence to suggest an additional competition allowance is necessary to provide sufficient incentives for competition and innovation.⁵²

The competition allowance was removed for DMO 6 (2024-25) and this has had no apparent impacts on competition levels. It is an unnecessary cost for standing offer consumers to bear, particularly in the context of cost-of-living pressures, without any clear benefit to its inclusion.

For example, the AER has recently found (subsequent to the removal of the competition allowance) that, 'the continued growth of Tier 2 retailers signals increased competition in the retail energy market'.⁵³ Our analysis of retail performance data found that in December 2024, there were 26 retailers in the NEM that had more than 10,000 residential electricity customers (excluding Victoria). Only 5 of them have had declines in customer numbers over the past 3 years.

6. How does the inclusion of a competition allowance level the playing field between retailers, given the current market structure (specifically, considering the high-level of concentration of customers across the Tier 1 retailers, coupled with the significant customer disengagement prevalent in the market)?

⁴⁸ ACCC, [Inquiry into the National Electricity Market report - December 2024](#), 50-51.

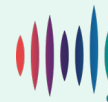
⁴⁹ ACCC, [Inquiry into the National Electricity Market report - December 2024](#), 52.

⁵⁰ ACCC, [Inquiry into the National Electricity Market report - December 2024](#), 3.

⁵¹ Consultation Paper, 18.

⁵² ECA, [submission-doc-aer-dmo-prices-25-26-draft-determination.pdf](#), 7.

⁵³ AER Draft Determination on DMO Prices 2025-26, 56.



There is no evidence that the inclusion of a competition allowance in the DMO specifically is levelling the playing field between retailers. As noted in response to Q5, market concentration has been stable or decreasing since the introduction of default offers, even in Victoria where the regulated price makes less allowance for competition. Further, the removal of the competition allowance from recent DMO determinations has not had any discernible negative impact on competition.

7. How does the DMO framework compare to the VDO in terms of balancing consumer outcomes while maintaining competitive retail markets?

Compared to the VDO, the DMO framework (and the determination of the DMO under that framework) gives greater weight to competition concerns and retailer profits over consumer protection outcomes. As a result the DMO is generally set at a level that is higher than the VDO (controlling for other factors). This means it is likely to be less effective in moderating standing offer prices, and to the extent that it is intended to do so, addressing the 'loyalty tax' more broadly.

As discussed in response to **Q5**, we think the focus on accounting for competition in setting the DMO is misplaced as these competition concerns have largely not arisen. In Victoria, where the VDO is based on efficient costs, retail competition similarly continues to thrive. Victoria continues to have the lowest market concentration in the NEM despite the VDO making less provision for competition costs than the DMO.

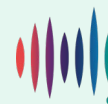
There are several features of the DMO that contribute to this. These include:

- the unclear objectives of the DMO, including the lack of consumer protection objectives specified in the Code
- the requirement for the AER to have regard to 'the principle that an electricity retailer should be able to make a reasonable profit'
- the requirement for the AER to determine 'what the AER considers would be a reasonable per-customer annual price' rather than an efficient price
- the requirement for the AER to have regard to customer acquisition and retention costs
- the requirement for the AER to have regard to 'the prices electricity retailers charge' (regardless of whether these prices are reasonable or efficient)
- the limited application of the DMO including its non-application to customers on demand tariffs and small business customers on time-of-use tariffs or with a controlled load.

Table 1 (in response to **Q9**) sets out how some of these matters compare to the VDO.

8. How has the exclusion of headroom for competition impacted the Victorian market? What are the key reasons why the headroom should be included in DMO regions considering it is not factored into regulated pricing in Victoria?

We are not aware of evidence that the exclusion of 'headroom' from the VDO has resulted in any significant impact on competition in Victoria. As the consultation paper notes, despite the regulated price being set at a more efficient level in Victoria, an October 2022 review of the VDO found it had not



deterred competition in Victoria's retail energy market.⁵⁴ Measures of market concentration show that Victoria's energy retail market continues to be the most competitive in the NEM by this metric.⁵⁵

As outlined in response to **Q5** we do not think a competition allowance or headroom should be included in the DMO. It is an unnecessary cost for consumers and its removal for DMO 6 has not impacted competition.

9. What considerations are taken when setting prices in Victoria when compared to DMO regions in alignment with respective regulated pricing determinations?

Table 1 sets out some of the key differences impacting price-setting for the DMO compared to the VDO.

As discussed in response to **Q7**, compared to the VDO, the DMO gives greater weight to competition concerns and retailer profits over consumer protection outcomes. This should be reversed.

We consider the price differences in the VDO and DMO can be mostly attributed to:

- the different objectives, and the lack of clarity in the Code about the DMO objectives
- the pricing methodology – the VDO must be based on efficient costs
- costs that are permitted or excluded – in particular the VDO excludes headroom and provides that the retail margin must not compensate retailers for risks that are compensated elsewhere in the costs. The VDO also includes some limitations on CARC, though we recommend CARC should not be included in the DMO.

Our recommendations aim to address some of these matters to ensure the DMO can better achieve its consumer protection objectives.

In addition to the matters outlined in our recommendations, there are other differences between the DMO and the VDO that would warrant further consideration as part of the review, including:

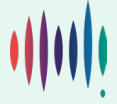
- whether the DMO framework should similarly aim for the DMO to be 'simple' and 'trusted'
- ensuring the DMO does not provide for 'double counting' of costs or additional compensation for retailer risks – noting the VDO includes a principle that the retail margin must not compensate retailers for risks that are compensated elsewhere
- whether the requirement that the AER have regard to the prices electricity retailers charge is needed – noting prices in the market may not reflect efficient costs
- whether the DMO should be an offer in the market (particularly if it is to be expressed as a tariff rather than an annual price cap).

Table 1 – DMO framework vs VDO framework

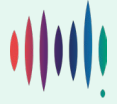
	DMO	VDO
Objectives	Not specified in the Code, but the AER has interpreted the objectives to be:	'The objective of the Victorian default offer is to provide a simple, trusted and reasonably priced electricity option that safeguards consumers unable or

⁵⁴ Consultation Paper, 18.

⁵⁵ ACCC, Inquiry into the National Electricity Market report - December 2024, 60-61.



	DMO	VDO
	<ul style="list-style-type: none"> Protect customers from unjustifiably high standing offer prices Allow retailers to recover their efficient costs Maintain incentives for competition. 	unwilling to engage in the electricity retail market.’: cl 3.
Methodology	The DMO must be ‘what the AER considers would be a reasonable per-customer annual price for supplying electricity’: s 16(1)(b).	The VDO tariffs are to be ‘based on the efficient costs of the sale of electricity by a retailer’: cl 12(3).
Retail margins	<p>The AER must have regard to ‘the principle that an electricity retailer should be able to make a reasonable profit’: s 16(4)(a).</p> <p>The AER must have regard to ‘the cost of serving small customers’: s 16(4)(c)(v).</p>	<p>The ESC must have regard to ‘retail operating costs’ and ‘retail operating margin’: cl 12(4).</p> <p>In determining the retail operating margin, the ESC must have regard to ‘the principle that the margin must not compensate retailers for risks that are compensated elsewhere in the costs’: cl 12(7).</p>
Headroom / competition allowance	The AER must have regard to ‘the principle that an electricity retailer should be able to make a reasonable profit’: s 16(4)(a).	The VDO price ‘must not include headroom’: cl 12(10).
Customer acquisition and retention costs	The AER must have regard to ‘the cost of acquiring and retaining small customers’: s 16(4)(c)(iv).	The retail operating costs must include ‘modest costs of customer acquisition and retention’: cl 12(4)(d).
Consideration of actual prices and costs	The AER must have regard to ‘the prices electricity retailers charge’: s 16(4)(a).	The VDO is to be based on efficient costs and do not need to be based on the ‘actual costs of a retailer’ or the ‘actual retail operating margin or a retailer’: cl 12(8)-(9).
Obligation to offer	Standing offers must comply with the DMO price cap (s 10(2)) but there is no obligation to offer the DMO.	Retailers must offer a standing offer that includes the VDO tariffs: cl 7.
Tariff or annual price	<p>Maximum annual price (s 16)(1)(b)) that applies to:</p> <ul style="list-style-type: none"> Residential flat tariff and TOU customers (with or without CL) Small business customers without CL. 	<p>Tariff (cl 10(1)) that applies to:</p> <ul style="list-style-type: none"> residential flat tariff and TOU customers (with or without CL) small business customers without CL. <p>All other tariff types are subject to a maximum annual bill.</p>



10. What specific innovation has been delivered through the introduction of competition in the retail electricity market? What specific innovation has the inclusion of the competition allowance fostered in the market?

There are a range of innovations in the market, though we do not think any can be specifically attributed to the inclusion of a competition allowance in the DMO. As discussed in response to **Q5** the removal of the competition allowance from DMO 6 does not appear to have any discernible impact on competition, and we recommend a competition allowance is not included in the DMO in future.

As we have raised in our submission the AEMC Pricing Review, many existing retailers are offering new products such as VPPs and EV specific plans and tariffs. In addition, new retailers are emerging to sell new business models, such as plans that offer exposure to the wholesale electricity spot prices or plans that provide free electricity consumption at certain times.⁵⁶

However, these innovations are not for everyone. For example, VPP products require that consumers own their own home and have solar and batteries. Plans with more complex pricing structures require consumers to assume more pricing risk and are not likely to be suitable for less engaged consumers, such as the standing offer customers the DMO seeks to protect.

Some innovations around pricing and contracts, such as bundling of non-energy products and services and pay on time 'discounts', can cause consumer detriment if not well implemented and regulated, and for this reason have attracted regulatory attention in both the energy sector and other sectors such as financial services.

We also caution against viewing a proliferation of complex products and pricing structures as being indicative of market innovation. Even where products are designed to increase choice for more engaged customers, they should be easy to understand and compare.

We encourage development of a market that ensures customers that just want a basic, affordable and reliable electricity supply can easily access it, while customers that want a more active relationship and access to product and service innovations can engage with the market in this way, with suitable consumer protections.

11. Is price dispersion of market offers a meaningful area of focus in the context of considerable customer disengagement in the market? What drives price dispersion in retail electricity markets and how much price dispersion is driven by competition, in comparison to other drivers?

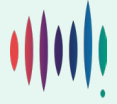
The consultation paper notes that price dispersion tends to be used as a 'measure of the competitive dynamics of a market' and theoretically 'provides an incentive for customers to switch offers'.⁵⁷ While it is important that there are a range of available offers in the market, we do not think price dispersion, in itself, should be sought as a desirable outcome, particularly given 38% of offers are at or above the DMO.⁵⁸

Price dispersion in retail electricity prices appears to be largely driven by a market that incentivises customer churn and requires customers to constantly 'engage' in the market to get good outcomes. As

⁵⁶ ECA, [submission-doc-aemc-pricing-review-electricity-pricing-consumer-driven-future-discussion-paper.pdf](#), 12.

⁵⁷ Consultation Paper, 20.

⁵⁸ ACCC, [Inquiry into the National Electricity Market report - December 2024](#).



highlighted by the ACCC, customers are penalised for not switching regularly – customers on older offers are increasingly paying a loyalty penalty, and this penalty increases over time.⁵⁹ Lower-priced acquisition offers appear to be subsidised by this loyalty penalty for customers that don't switch.

The ACCC noted in 2018 its concern that, 'price dispersion in the NEM is less a result of efficient price discrimination and more a function of retailers taking advantage of: 1. consumer confusion due to pricing and discounting practices of retailers 2. some consumers being unaware that they will likely be paying more by not actively shopping around and switching (a kind of 'loyalty tax') 3. some consumers facing barriers to engagement in the market.'⁶⁰ These observations still apply to the energy retail market today.

While switching rates are often pointed to as an indicator of positive market competition, high switching rates can also signal a poorly functioning market. Around 17% of people say they investigate switching several times a year.⁶¹ This could suggest a breakdown in trust and satisfaction towards retailers. The oscillating 'frontbook/backbook' model in the energy sector – in which an average consumer will be paying \$317 more after two years with a retailer than if they had moved – ensures that churn dominates retailers' thinking, expenses and focus, to the detriment of service and educating consumers on sustainable pricing.

The form of the DMO: tariff or price cap

12. To what extent does an annual price for a model level of usage help customers compare market offers against a reference price? How could this be improved or enhanced to benefit customers?

As we have stated in response to **Q3**, the reference price is of limited utility, including because:

- it is calculated as an annual price cap based on a 'representative customer' profile with usage assumptions that are unlikely to apply to most households
- a customer cannot directly compare their tariffs to the DMO because the DMO is not expressed as a tariff.

Expressing the DMO as a simple tariff would enable direct comparison of a customers' tariffs to the DMO tariffs. Additionally, where retailers are communicating to individual customers and have information about a customer's actual consumption level they should be obliged to make reference price comparisons that reflect the customer's actual consumption level.

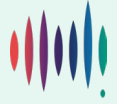
For example, when communicating price changes to customers retailers should be required to compare the new prices to the reference price based on the customer's actual consumption. Retailers are already required to take into account their customers' usage patterns in relation to 'better offer' messages, which are calculated on the basis of the customer's annual usage history.

We note the reference price is not readily available as a comparison tool on the AER's Energy Made Easy comparison website where consumers instead compare offers based on the prices of other retailers' market offers. This undermines its utility and the level of trust consumers are likely to ascribe to

⁵⁹ Ibid, 45-49.

⁶⁰ ACCC, [Retail Electricity Pricing Inquiry—Final Report June 2018](#), 259.

⁶¹ Energy Consumers Australia, Consumer Energy Report Card.



it, given governments encourage consumers to use Energy Made Easy to compare offers but cannot easily compare offers against the reference price on this site.

13. Should the DMO be expressed as a tariff or annual price cap if its application is extended to additional tariff types not currently considered within the DMO framework?

The DMO should be a simple tariff

We recommend the DMO is expressed as a simple (i.e. flat rate) tariff (with or without a controlled load tariff), and that retailers are obliged to provide a standing offer at the DMO tariffs. This should occur whether or not the DMO is extended to additional tariff types not currently covered by the DMO.

The current approach enables (in fact requires) each retailer to set their own supply charges and usage charges for their standing offer tariffs, provided this produces an annual bill that does not exceed the price cap at the DMO consumption amount. This results in different outcomes for consumers on different retailer standing offers in the same region depending on their consumption amount, even though the standing offers subject to the DMO are required to comply with the same price cap.⁶² This can lead to estimated annual bills for customers on standing offers varying in some cases by more than \$1,000 within the same region.⁶³

Further, it is not clear that there is any restriction on retailers structuring their standing offers as inclining block tariffs rather than a single variable rate, provided the annual price complies with the price cap at the DMO consumption amount (with higher rates applying above the DMO consumption amount). We are aware of one example of a retailer providing a standing offer with an inclining block tariff where the first rate is 33.22 cents per kWh, but the second rate is 99 cents per kWh for households that use more than 5,472 kWh per annum (above the DMO consumption amount for that region of 4,600 kWh per annum).⁶⁴

We do not consider there is any value in there being a variety of standing offers within the same region that are subject to the same price cap leading to such different pricing outcomes for consumers. Customers on standing offers generally do not choose these offers and are certainly not comparing or choosing between different standing offers. Requiring retailers to provide standing offers at the DMO tariffs determined by the AER would address these issues.

The DMO should apply to all standing offer customers – but these customers should not be on complex tariffs

The consultation paper notes the department is considering extending the application of the DMO to tariffs with a demand charge, small business time-of-use and controlled load tariffs,⁶⁵ noting customers on these tariffs are currently not protected by the DMO framework.⁶⁶

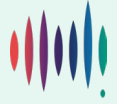
⁶² ACCC, [Inquiry into the National Electricity Market: June 2023 Report](#), 20-21.

⁶³ See e.g. NSW Essential Network Bills July 2023 (single rate based on quarterly consumption of 1,800 kWh), St Vincent de Paul Society, Workbook 1: Electricity Standing Offers, accessed July 2025 at [Energy NSW | St Vincent de Paul Society | Vinnies](#) (tab: ESS Bills July 2023).

⁶⁴ St Vincent de Paul Society, [01_nsw_energy_prices_july_2022.pdf](#), 6.

⁶⁵ Consultation Paper, 5.

⁶⁶ E.g. s 6(2)(c) and 6(3) of the Electricity Retail Code.



We support the DMO framework being extended to these customers. We do not see a reason why these standing offer customers should not be protected by the framework based on their tariff type – one that they have typically been assigned and not actively chosen.

An increasing number of customers are being assigned to network demand tariffs – IPART has stated that the number of residential and small business customers almost doubled between 2021-22 and 2023-24 – up to 13% of residential customers and 9% of small business customers.⁶⁷

These customers should be protected by the DMO – particularly given they are likely to be paying high prices. The ACCC found approximately 51% of customers with demand charges are paying more than the DMO.⁶⁸

Standing offer customers should not be on complex tariffs, particularly demand tariffs that have been described by experts as ‘extraordinarily complex’.⁶⁹ Customers who are ‘disengaged’ cannot be expected to monitor their electricity consumption in 30-minute intervals. Expressing the DMO as a simple flat tariff and obliging retailers to ensure their standing offers comply with these tariffs would help to ensure standing offer customers are not exposed to these complex pricing structures.

We note the consultation paper references extending price cap protections provided by the DMO to customers in embedded networks, who are not currently covered by the DMO.⁷⁰ Embedded network customers should be covered by appropriate price protections, particularly as they do not have access to competitive retail offers. We note IPART considered that the DMO is not an appropriate price cap for embedded network customers, as the DMO has been set higher than efficient costs and higher than prices market customers are paying.⁷¹ Moving towards an ‘efficient price’ framework would make the DMO potentially more suitable as a price cap for embedded network customers. We suggest this is considered further as part of the DMO review.

⁶⁷ IPART, [Annual-Report-Monitoring-the-NSW-retail-electricity-market-2023-24-November-2024.PDF](#), 110.

⁶⁸ ACCC, [Inquiry into the National Electricity Market report - December 2024](#), 29.

⁶⁹ CHOICE, [Experts sound alarm on electricity demand tariffs | CHOICE](#).

⁷⁰ Consultation Paper, 21.

⁷¹ IPART, [Final-Report-Embedded-Networks-April-2024.PDF](#), viii.

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