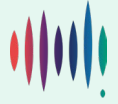


Draft Default Market Offer Guidelines

Submission to the Australian Energy Regulator

DATE: 23/10/2026



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.

Feedback on the draft Default Market Offer Guidelines

Energy Consumers Australia (ECA) appreciates the opportunity to make a submission on the draft Default Market Offer (DMO) Guidelines.

The making of the guidelines is an important opportunity for the Australian Energy Regulator (AER) to embed recent reforms to the DMO into its regulatory approach, and ensure the DMO will be a genuine and meaningful support for consumers in an enduring sense. The DMO continues to be an important safeguard for consumers, particularly those experiencing vulnerability or who are unable or unwilling to engage with the energy market.

Under the new DMO framework the objective of the DMO is to, ‘provide small customers that are supplied with electricity at standing offer prices with a fair, trusted and reasonably priced electricity option that reflects the costs of supplying small customers with an essential service’.¹ This should be the overarching consideration for the AER in making the guidelines and indeed in making any DMO determinations.

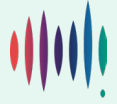
While the guidelines can provide a helpful degree of stability and predictability, it is important that contentious or complex aspects of the DMO can continue to be fully tested through the determination process, and that meeting the consumer protection objectives of the DMO does not become subordinate to stability or regulatory certainty.

We make a number of recommendations throughout this submission aimed at improving the guidelines and ensuring it can most effectively meet the needs of consumers. Key recommendations include:

- ensuring the guidelines clearly articulate how the AER will achieve the new DMO objective
- enabling review of the wholesale cost methodology if it continues to over-estimate wholesale costs, which have historically led to consumers paying more than necessary
- adopting the lowest cost network tariffs
- ensuring retail costs and margins are set at the minimum necessary efficient levels rather than being fixed at a particular level or benchmark. Ultimately, the AER’s task is to determine efficient costs and margins, not to guarantee retailers a certain level of profit
- assessing consumer outcomes from the Solar Sharer Offer first before embedding a specific approach in the guidelines.

Thank you for considering this submission. If you have any questions, please contact Adam Collins at adam.collins@energyconsumersaustralia.com.au.

¹ Competition and Consumer (Industry Code—Electricity Retail) Regulations 2019, s 9A.



DMO process and guidelines

Recommendations

- Specific approaches and methodologies should be included in the guidelines where it is reasonably certain that they are the best way to meet the DMO objective, and this is unlikely to change. Otherwise, the guidelines should provide flexibility for the approach and methodology to be considered and adjusted in individual DMO determinations.
- The AER should depart from the guidelines if it identifies an alternative approach that would better meet the DMO objective.
- The guidelines should more clearly articulate how the AER will achieve the DMO objective, including how it interprets and considers the requirement for the DMO to be ‘fair, trusted and reasonably priced’.

We agree there is a valuable role for the guidelines in promoting regulatory certainty and transparency. There are some aspects of the AER’s DMO determination process that are relatively mature, stable and broadly agreed by stakeholders and therefore suitable for inclusion in the guidelines. Equally, there are aspects of the guidelines that necessarily need to be responsive to changing circumstances, or evolving methodologies or approaches, that are less suitable for inclusion at this stage.

Given the relative newness of the recent DMO methodology changes, and the introduction of the Solar Sharer Offer, the AER should avoid prescribing particular approaches in the guidelines where alternative approaches may better meet the requirements of the Code, particularly the new consumer-focused objective of providing a fair, trusted and reasonably priced electricity option that reflects the costs of supplying small customers with an essential service.

The draft guidelines seem to understate the importance or primacy of the objective, framing it as one of ten mandatory considerations.² The draft guidelines do not fully explain how the AER will interpret or consider the objective. For example, the guidelines do not indicate what the AER considers a ‘fair’ or ‘trusted’ default offer would be.

As we have previously highlighted, it is important that the AER actively seeks to achieve the DMO objective and not assume that adopting a particular methodology or approach will automatically deliver the objective.³ The guidelines should include explanation of how the AER will achieve the objective, including how it interprets and considers the requirement for the DMO to be ‘fair, trusted and reasonably priced’. ECA has previously provided some suggestions for how ‘fairness’ and ‘trust’ should be considered in the context of the DMO.⁴

Responses to consultation questions

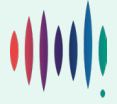
What matters or circumstances should we consider as a basis for departing from or amending the DMO guidelines?

Consistency with the consumer protection objective of the DMO should be the paramount consideration.

² Draft guidelines, 5.

³ ECA, [Submission on DMO 8 Issues paper](#), 3.

⁴ Ibid, 3-4.



The AER should depart from the guidelines if an alternative approach to the one specified in the guidelines would better meet the objective of providing a fair, trusted and reasonably priced electricity option that reflects the costs of supplying small customers with an essential service.

The AER should amend the guidelines if it identifies that an alternative approach would better meet the objective, and it is expected that this approach will continue to be preferred in future determinations (e.g. a better method for estimating wholesale costs is determined).

Are there particular issues or circumstances for which a formal DMO guidelines amendment consultation process should occur?

The AER should continuously assess whether the DMO is achieving its objective set out in the Electricity Retail Code – that is whether it is providing a fair, trusted and reasonably priced electricity option that reflects the costs of supplying small customers with an essential service.

If there is evidence the DMO is not meeting its objective, this would suggest the need to review and amend the guidelines (or more generally, for the AER to revise its approach to the DMO).

This should include the AER's own assessment as well as evidence from other reviews (e.g. the ACCC's Retail Price Inquiry reports, or information from consumer and community sector stakeholders) that may be relevant.

Wholesale costs

Recommendations

- The guidelines should specify circumstances under which the AER will review or revise its wholesale cost model (noting the model has historically over-estimated wholesale costs).
- The guidelines should not include a volatility allowance, and (if included) should not prescribe the method for determining the volatility allowance.

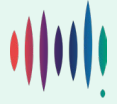
We broadly support the proposed approach to determining wholesale costs outlined in the guidelines but recommend monitoring to ensure it does not consistently over-estimate actual wholesale costs.

Historically, wholesale cost allowances have significantly overestimated actual wholesale costs, resulting in standing offer consumers over-compensating retailers for these costs. Recent changes to the DMO methodology, including adopting the 50th percentile wholesale cost estimate (rather than the 75th percentile), have reduced but not eliminated the scope for over-estimation of wholesale costs.

Back-cast analysis undertaken by the AER indicates that the previous approach to determining wholesale costs has meant that the cost estimate has in most cases resulted in significant over-recovery of wholesale costs.⁵

In practical terms this has meant that standing offer consumers, in each of the five years covered by the analysis, on average significantly over-compensated retailers for wholesale costs compared to actual wholesale costs. We noted in our submission to the DMO 8 Issues paper as an example that, during the

⁵ AER, Assessing the performance of the wholesale cost model (November 2025).



DMO6 period (2024-25), a representative residential customer in the Ausgrid network would have paid \$82 more compared to actual wholesale costs, and a small business customer \$210 more.⁶

It is important that the guidelines provide flexibility to enable the methodology to be adjusted for future DMOs if it continues to over-estimate actual wholesale costs, even at the 50th percentile. The guidelines should specify how the AER will annually assess the performance of its model (for example, through further back-cast analysis), and what actions the AER would take if the model continues to over-estimate wholesale costs at the 50th percentile.

Volatility allowance

We remain concerned about the inclusion of a volatility allowance, as well as the methodology for determining the volatility allowance, and recommend the guidelines provide scope for either the methodology or its inclusion altogether to be adjusted in future DMOs. We have previously highlighted that including a volatility allowance significantly reduces or in some cases entirely removes the benefit of moving from the 75th percentile estimate to the 50th percentile.⁷ The net effect is that consumers pay more than is necessary or efficient for wholesale costs.

The AER has previously held the position that a volatility allowance is unnecessary as an adequate risk buffer already exists at the 50th percentile.⁸ The AER changed this position, but we consider this demonstrates there is sufficient uncertainty about the need for a volatility allowance that it is not appropriate to include it in the guidelines as a fixed part of the DMO methodology. The AER should not embed this in the guidelines, and should instead (if it is inclined to include a volatility allowance) consult on this as part of the DMO determination process.

If the volatility allowance is included in the guidelines, the method for determining it should not be prescribed and instead should be consulted on as part of the DMO determination process. We have previously raised that it is not clear what alternative methods the AER has considered for the volatility allowance, and neither the guidelines nor the explanatory statement contains any detailed explanation for why the AER has chosen the proposed methodology. We have previously highlighted the proposed approach (WACC x the difference between the 100th percentile WEC and 50th percentile WEC) results in a volatility allowance that is overly affected by outliers at the 100th percentile. A lower upper percentile (e.g. 90th) could be used to reduce this effect. We note the volatility allowances for the DMO (~\$1.50/MWh) are around three times volatility allowances for the Victorian Default Offer (~\$0.50/MWh).

Network costs

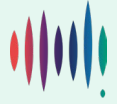
Recommendations

- The guidelines should provide (or at least leave open for consultation in individual DMO determinations) that the AER will adopt the lowest cost tariffs between the flat rate and time of use network tariffs.

⁶ ECA, [Submission on DMO 8 Issues paper](#), 5.

⁷ ECA, [Submission on DMO 8 Draft determination](#), 3.

⁸ AER, DMO 8 Issues paper, 29.



The AER's DMO 8 draft determination proposed to apply the lowest applicable network tariff for the DMO flat rate retail tariff and comparison price because retailers can use either a flat rate or time of use network tariff for flat rate tariffs.⁹ We supported this approach, noting:

- the importance of reducing affordability pressures for standing offer customers given network costs comprised 38%-47% of the draft DMO cost stacks and the AER's observation that network prices are generally rising
- the AER's assessment that this approach best ensures consumers do not pay more than efficient costs, consistent with the DMO framework and objective, and that this provides an incentive for retailers to have the lowest cost applicable network tariffs assigned.¹⁰

We agreed that this proposed approach would best meet the DMO objective, helping to ensure the DMO is fair and reasonably priced, and that only efficient costs are included. We were therefore disappointed that the AER reversed this decision in its final determination, citing retailers' concerns about the ability to arrange and accelerate smart meter installation above the current agreed rate, and risks of under-recovery of costs for customers with legacy meters.¹¹

We do not consider these concerns or costs have been sufficiently scrutinised, or that stakeholders have been given adequate opportunity to express alternative views given these issues were raised between the draft and final determination. In any case there is sufficient uncertainty about preferable approaches that this should be subject to further detailed consultation through the DMO 9 process. The guidelines should enable sufficient flexibility to consider alternative approaches, such as the approach the AER previously favoured at the DMO 8 draft determination stage, rather than locking in the final DMO 8 approach.

Retail and other costs

Recommendations

- The guidelines should set out the AER's approach to determining efficient margins, rather than stating that the AER 'will set retail margins at 6% of the DMO price unless there is strong evidence that these values are no longer representative of efficient margins'.
- The guidelines should enable the appropriate form of the retail margin to be further considered.
- Retail costs should be minimised and all retail costs should be standing offer customer-weighted, reflecting that most standing offer customers are with larger retailers who have lower costs to serve.
- Customer acquisition and retention costs should be zero. The guidelines should provide for consideration of approaches that enable these costs to be lowered to a more 'modest' level, rather than embedding the current benchmark approach.

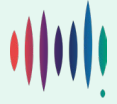
Retail costs

We reiterate our view that retail costs should:

⁹ AER, DMO 8 Draft determination, 56.

¹⁰ ECA, [Submission on DMO 8 Draft determination](#), 4.

¹¹ AER, DMO 8 Final determination, 44.



- reflect the costs of an 'efficient' retailer – not simply the costs that retailers have self-reported
- reflect that the vast majority of customers on standing offers are served by Big 3 retailers, who have a significantly lower cost to serve than other retailers.¹²

While we generally support the approach to identifying and obtaining information on retail costs outlined in the guidelines, we do not support using customer-weighted (rather than standing offer customer-weighted) costs.

As the DMO is intended to be based on the efficient costs to supply standing offer customers, the AER should apply the standing offer customer-weighted average costs to serve from all retailers. Around 90% of standing offer customers are with Big 3 retailers and we note Big 3 retailers have a cost to serve residential customers that is 36% lower than other retailers. We do not consider it is a 'drawback' that these costs are influenced by the cost structure of Big 3 retailers, as this accurately reflects that standing offer customers are predominantly served by these retailers and do not benefit from retail competition.

Customer acquisition and retention costs

We maintain our view that customer acquisition and retention costs should be zero. We do not believe retailers incur significant costs in acquiring or retaining standing offer customers and therefore the efficient level of these costs is best approximated by zero.

As we noted in response to the DMO 8 Issues paper, the DMO Review Outcomes paper suggests that government, 'agrees that consumers on standing offers should not be paying for a market they do not benefit directly from'.¹³ However the paper also suggests that 'retailers will incur some costs in managing the relationship with standing offer customers' including 'enhancing customer experiences, such as the development of comparison tools', 'onboarding costs' and 'ongoing costs related to customer service'.¹⁴

These costs, as described, are not all acquisition and retention costs but include costs to serve that are separately accounted for through the inclusion of retail costs. The AER should ensure that general retail costs are not double counted as acquisition and retention costs.

While we recognise that these costs are proposed to be standing offer customer-weighted (rather than customer-weighted), we consider this still overstates the efficient level of acquisition and retention costs for standing offer customers.

We suggest the AER consider alternative approaches, including:

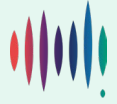
- identifying the specific subset of acquisition and retention costs that may be relevant to standing offer customers, and only allowing those costs. For example, we support the Justice and Equity Centre's suggestion that acquisition and retention costs could be limited to the minimum efficient onboarding costs¹⁵
- discounting the standing offer customer-weighted average costs by a further amount to reflect the benefit the AER considers standing offer customers receive from acquisition and retention costs. For example, the AER considers that standing offer customers benefit from encouragement to switch to market offers. But AER data suggests only 9-11% of standing offer customers switched

¹² ACCC, Inquiry into the National Electricity Market report - December 2024, 59.

¹³ DCCEEW, Review Outcomes: 2025 Reforms to the Default market offer, 27.

¹⁴ Ibid.

¹⁵ Justice and Equity Centre (et al.), Joint Submission: Draft Default Market Offer Guidelines, 10.



to a market offer across the financial year to Q2 2025-26,¹⁶ compared to around 17-22% for all customers,¹⁷ suggesting this benefit is markedly lower for standing offer customers.

Given the AER has not arrived at a detailed position on what it considers to be 'modest', and the availability of alternative approaches, the guidelines should not embed a particular approach and should instead enable further consultation through the DMO 9 process.

Retail margins

Approach to determining level of retail margins

The explanatory statement suggests that 'we will set retail margins at 6% of the DMO price unless there is strong evidence that these values are no longer representative of efficient margins'. The draft guidelines are less clear on this point, although the statement that, 'the current retail margin percentage is set at 6% of the DMO price' implies that the AER will seek to maintain margins at this level.

We do not support this approach for two reasons:

- there is not sufficient evidence that 6% is an efficient margin, whereas there is considerable evidence that a margin below 6% is efficient
- we do not consider the approach best meets the requirements of the Code, which puts the onus on the AER to determine an efficient margin, rather than on other stakeholders to demonstrate to the AER that a margin is not efficient.

We support the AER reviewing the range of data sources outlined in the guidelines (EBITDA margins, inferred margins from advertised offers, ACCC retail pricing information and regulatory decisions from other jurisdictions) but do not consider that these sources support setting margins at 6%, and certainly not in perpetuity. As we noted in our response to the DMO 8 draft determination, a 6% margin is higher than:

- regulated retail margins in Victoria (5%), the ACT (5.2%) and Tasmania (5.25%)
- the mid-point (5.7%) of the range of observed EBITDA margins for mass market customers (3.9 to 7.5%)
- the upper bound (5.9%) of Frontier Economics' expected returns modelling (4.5 to 5.9%)
- aggregated mass market margins (3.0%) inferred from prices of advertised offers (noting the AER considers this to represent a lower bound of an efficient retail margin).¹⁸

The AER has also said that 'evidence suggests that a 5 to 5.7% small business margin is at least reasonably efficient'.¹⁹

We do not support the AER predetermining that margins will be set at a particular level unless presented with 'strong evidence' that the level is not efficient.

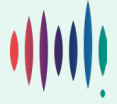
The AER's task is to determine efficient margins, and the role of the guidelines is to set out how the AER intends to approach that task. Simply choosing a level of margin and putting the onus on stakeholders to demonstrate it is not efficient is not consistent with this approach. Margins would vary from year to year

¹⁶ AER, DMO 8 Final determination, 66.

¹⁷ AER, Quarterly Performance Reporting, Schedule 2 (March 2026 quarter).

¹⁸ AER, DMO 8 Draft Determination, 96-99.

¹⁹ Ibid, 93.



for a range of reasons, including market conditions and new evidence or data from the range of sources that the AER outlines it will consider.

The proposal to fix the margin at 6% unless evidence is presented to support an alternative appears to be intended to promote predictability and stability. However, the dollar value of a percentage-based margin will vary from year to year in any case, so it is unclear that this would necessarily achieve this. The guidelines should instead simply outline the approach the AER proposes to follow to determine efficient margins, and not anchor this to an existing figure. If a 'fixed' figure is included in the guidelines, we recommend this is at the most efficient level, which in our view the evidence suggests is closer to 5%.

Form of retail margins

We agree that a percentage margin approach can meet the DMO requirements, and that it is simple and consistent with other regulated prices. However, it is not necessarily the case that it is the best or only way to meet these requirements. We support the AER exploring alternative approaches to determining retail margins, including (as we noted in our response to the DMO 8 Issues Paper) a hybrid approach with a portion of the margin fixed and a portion variable.²⁰

We noted a fully percentage-based approach can amplify absolute dollar increases in DMO prices if any underlying DMO cost components increase in value. We provided the example of significant network costs increases resulting in increased retail margins (in absolute dollar terms).

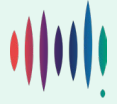
The explanatory statement raises an option of excluding network costs from the cost base used to calculate margins. We support the AER exploring this option, though we would not support 'an increase in retail margins...so as not to reduce the margin in dollar terms relative to previous DMOs', as suggested in the paper. Ultimately, the AER's task is to determine an efficient margin, not to guarantee retailers a certain level of profit.

A principled approach is to ensure retail margins only compensate retailers for risks they ought to be compensated for, and do not increase absolute margins simply because some underlying cost component has risen, if the change to that cost component does not affect the level of risk a retailer carries.

We agree with the AER's analysis of the risks associated with network costs, in particular that retailers do not face uncertainty about the amount of network costs they incur, and that revenue risk is already fully accounted for in the bad debt allowance.

We support exploring the hybrid approach the AER has outlined in the explanatory statement but believe this needs more detailed consideration. We therefore suggest the guidelines do not specify a particular form of retail margins but instead allow this to be fully explored through the next DMO determination process.

²⁰ ECA, Submission on DMO 8 Issues Paper.



Responses to consultation questions

If network costs are excluded from the DMO cost base, would an increase in retail margins be required for a smaller cost base so as not to reduce the margin in dollar terms relative to previous DMOs?

No (see discussion above). The AER is required to determine efficient costs (including retail costs and margins), not to maintain the level of the retail margin in dollar terms. The AER should adopt a principled approach that seeks to ensure margins provide the minimum necessary efficient risk compensation.

Would the overall percentage margin approach as set out in the draft DMO guidelines or would alternative approaches be more reflective of the long-term interests of consumers and the DMO objective of providing a fair, trusted and reasonably priced electricity option?

See discussion above. A percentage-based approach is simple but is not necessarily the best or only way to meet the DMO objective. We support further exploring a hybrid approach but consider it is premature to embed a preferred approach in the guidelines at this stage.

Model annual usage

We support the proposed approach in the guidelines to determining the model annual usage.

Responses to consultation questions

If we were to include additional tariff types as regulated tariffs in future, what usage parameters, if any, should we consider when determining an appropriate timing or pattern of supply?

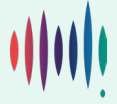
All standing offer customers regardless of tariff type should be protected by the DMO. However, this does not mean there needs to be a DMO for all tariff types.

All regulated tariffs should be consistent with the DMO objective of providing a fair, trusted and reasonably priced electricity option that reflects the costs of supplying small customers with an essential service. This includes ensuring DMO tariffs are simple and comprehensible.

Demand tariffs, for example, have been described as ‘extraordinarily complex’,²¹ and ACCC analysis found small customers on demand tariffs consistently pay more than other customers, with approximately 51% of customers with demand charges paying more than the DMO.²² It is not reasonable to expect households and businesses on standing offers, who are generally less engaged, to understand and navigate demand tariffs. Accordingly, no DMO tariffs should include demand charges. Standing offer customers on demand tariffs should instead be assigned to another DMO tariff (e.g. flat tariff).

²¹ CHOICE, [Experts sound alarm on electricity demand tariffs](#).

²² ACCC, Inquiry into the National Electricity Market report - December 2024, 29.



Are there emerging tariff structures (such as demand-based tariffs) that may require a different approach to determining timing or patterns of supply?

See above – the DMO protections should extend to all customers regardless of tariff type but this does not mean there needs to be a DMO for all tariff types. DMO tariffs should not include demand charges.

Solar Sharer Offer

Recommendations

- Do not embed an approach or methodology for SSO tariffs and pricing in the guidelines until implementation and consumer outcomes from the SSO have been fully assessed. Alternatively, include guidance on how the AER will review the SSO tariff structure to ensure it is fair and easy to understand for consumers.

The Solar Sharer Offer (SSO) has only been in place a matter of months. We supported the AER's pragmatic approach to the initial SSO, but it is premature to embed this approach in the guidelines. Instead, the AER should monitor and assess the implementation, consumer response and outcomes of the initial SSO more fully before embedding an approach in the guidelines.

We have previously recommended the AER:

- monitor consumer understanding of, and response to the SSO, and outcomes for consumers who take up the SSO
- along with retailers, provide clear communication to consumers about the SSO, with a view to ensuring customers who take up the SSO are likely to benefit from it and are supported to make effective use of the SSO.²³

We have also cautioned that in some cases, the time of use cost basis for the SSO results in a complex tariff structure with up to four different parts. It may be difficult for some consumers to readily understand the cost implications of using energy at different times of the day outside the free period.²⁴

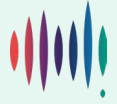
Initial evidence supports this concern. Take-up of the SSO appears to have been relatively low, and industry sources state that, 'Call times are longer than other interactions, and retailers are finding the complexity of the bill comparison is turning some customers off.'²⁵

This suggests the SSO tariff and pricing structure is likely to require further refinement to ensure it is fair and easy to understand for consumers and meets the objectives of the scheme. This is best fully explored through the next SSO determination process. Accordingly, the guidelines should not embed an approach at this stage, but could include guidance on how the AER intends to review outcomes of the SSO and make changes to tariff and pricing structures as necessary.

²³ ECA, Submission on DMO 8 Draft determination, 8.

²⁴ Ibid.

²⁵ Australian Energy Council, [Solar Sharer: Is it delivering benefits for customers?](#).



To what extent should the DMO guidelines retain the DMO 8 SSO settings as the baseline approach?

See above. It is premature to embed an approach in the guidelines at this stage, given the newness of the scheme and the limited opportunity to assess outcomes and response to the SSO. This should be fully explored through the next SSO determination process rather than embedded in the guidelines at this point.

What principles or evidence could inform us when considering alternatives to the initial approach to the SSO? How should we consider the balance between ensuring customers who shift load are better off overall and allowing retailers to recover efficient costs?

The AER should consider all available information on consumer response to and understanding of the SSO, industry implementation of the SSO, and how well the SSO is achieving its stated objectives.

We have previously suggested²⁶ DCCEE and regulators should monitor outcomes for consumers following the introduction of the SSO, such as billing outcomes and energy use (noting some consumers might benefit from being able to increase their energy use, without necessarily experiencing a bill reduction), including through the ACCC's NEM Inquiry reports. The AER should also regularly monitor outcomes for consumers including as part of its annual process for setting the SSO.

This should include monitoring outcomes not just for those consumers who take up the SSO, but also other consumers who are intended to benefit from the SSO, such as 'renters, apartment dwellers, and low-income households' but may not have taken it up. These consumers may face barriers to being able to fully benefit from the SSO and this monitoring should inform other targeted supports or policy interventions (which should include options beyond further incentivising the take-up of the SSO itself).

The AER and government should also monitor:

- the impact of the SSO on system-level objectives (e.g. shifts in peak demand)
- effectiveness of communications about the SSO (e.g. whether consumers can make informed choices about whether or not they will be better off under the SSO).

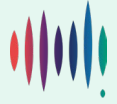
We consider the AER should focus primarily on ensuring the SSO is a suitable offer for consumers that meets the consumer protection objective of the Code, including that it is 'fair, trusted and reasonably priced'. We recognise the AER is required to consider retailers' efficient costs. Other reforms outside the scope of the Code – such as broader reforms to align underlying network tariffs – would help reduce costs incurred by retailers during the 'free' period and therefore minimise the need for additional costs to be imposed on SSO consumers outside the free period.

What principles, information and data could inform potential adjustments to how the reasonable use tariff cap is determined?

The reasonable use tariff cap should be designed so that 'excess' consumption charges do not exceed the efficient marginal cost (to retailers) of that consumption.

Consumers should pay a fair price for consumption above the reasonable use cap but should not be disincentivised from or 'punished' for exceeding the cap. It would be a confusing signal to send to

²⁶ ECA, [Submission on the Solar Sharer Offer](#), 13.



consumers to shift as much energy consumption as they can to the middle of the day, but simultaneously not to use too much energy in the free period, particularly given increasing electrification.

We also encourage the AER to review research undertaken by the University of Queensland funded by ECA's grants program into the distribution and drivers of Queensland household electricity use: [There is no typical household: The distribution and drivers of Queensland household electricity use | Energy Consumers Australia](#) The research highlights that there is no 'typical' household, and a substantial portion of grid use is shaped by factors outside an individual household's control.

Additional regulated tariff types

As noted above, we consider that all standing offer customers regardless of tariff type should be protected by the DMO. However, this does not mean there needs to be a DMO for all tariff types.

Responses to consultation questions

Does determining a controlled load tariff for small business customers as a regulated tariff promote the long-term interests of consumers and the DMO objective of providing a fair, trusted and reasonably priced electricity option?

We support the AER determining a controlled load tariff for small business customers and consider this would help meet the DMO objective.

Are the factors listed for assessing whether a type of tariff should become a regulated tariff consistent with promoting the long-term interests of consumers and the DMO objective of providing a fair, trusted and reasonably priced electricity option?

Yes, but we are unclear why any standing offer customer regardless of tariff type should not be protected by the DMO. Again, this does not mean there needs to be a DMO for all tariff types. If a standing offer customer is on an unusual or unsuitable tariff type (like a demand tariff) their retailer should be obliged to put them onto a suitable DMO tariff, like a flat tariff or simple time of use tariff.

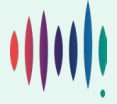
What other, if any, principles, information and data could inform the assessment for determining a new type of regulated DMO tariff?

All standing offer customers should be protected by the DMO, and all DMO tariff types should be consistent with the objective of being fair, trusted and reasonably priced (we do not consider a demand tariff DMO would meet this objective, for example).

Other matters

Apportionment of fixed and variable charges

We support the approach to allocate fixed costs to the daily supply charge and variable costs to the usage charge. For the purposes of a regulated tariff, this is the simplest and most transparent way to allocate these costs. However, while we appreciate this is outside the scope of the DMO itself, we have concerns about retailers' practices in making major changes to the pricing and structure of market offers



following changes to the DMO, including some retailers recently significantly increasing supply charges to mirror the structure of the DMO.

It is important that all changes to prices and tariff structures, particularly major ones, are clearly communicated to consumers. It is also unclear why many market offers, which are not price-regulated, so closely mirror the structure of default offers, rather than retailers seeking to ensure consumers are on offers that are and remain suitable for their needs (including suitable tariff structures). We understand the Minister for Energy and Climate Change requested advice from the AER and ACCC about these matters,²⁷ and welcome any information the AER can make available about its findings, including any compliance and enforcement action it has taken if any breaches have been identified.

Comparison price

We broadly support the proposed approach in the guidelines to the comparison / reference price but have broader concerns about the ongoing utility of the DMO as a reference price.²⁸ We recommend the AER monitor the effectiveness and consumer understanding of the DMO as a reference price, particularly as energy plans and pricing become more complex.

Responses to consultation questions

Is the proposed methodology for determining the comparison price for non-regulated tariffs appropriate?

See above.

Are there alternative approaches we should consider when determining comparison prices for non-regulated tariffs?

We broadly support the proposed approach.

What evidence or market developments should we consider when assessing whether the proposed methodology for determining the comparison price for non-regulated tariffs remains effective?

We recommend the AER monitor the effectiveness and consumer understanding of the DMO as a reference price. Energy plans are becoming increasingly complex: the ACCC has found for example that the number of customers on complex plans increased by 37.7% in 2025.²⁹ It may become increasingly difficult to effectively compare complex tariffs to the DMO reference price. The AER should monitor consumer use and understanding of the reference price with a view to determining other approaches or supports that may be required (which may be separate to the DMO itself).

²⁷ AFR, [Electricity prices under scrutiny as Energy Minister Chris Bowen asks ACCC and AER to probe soaring daily supply charges](#).

²⁸ See e.g. ECA, [Submission on 2025 reforms to the Default Market Offer](#), 8, 13.

²⁹ ACCC, NEM Inquiry Report – December 2025, 29.

**The national voice for residential and
small business energy consumers**



PO Box A989,
Sydney South NSW 1235
T 02 9220 5500

energyconsumersaustralia.com.au