



Joint Submission: Draft Default Market Offer Guidelines

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

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

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Queensland Council of Social Service

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

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Recommendations

Recommendation 1

In recognition that the new DMO has not been operational long enough to understand its impacts on retailers and consumers, the AER should revise the Draft Guidelines to focus on principles and approaches the AER will take aligned with the DMO objective rather than prescribing detailed methodology.

Recommendation 2

In the final version of the Guidelines the AER ensure efforts to enhance regulatory certainty do not undermine or limit scope to achieve the primary objective of the DMO to deliver good outcomes for consumers.

Recommendation 3

That the AER only explicitly include wholesale costs in the guidelines where the benefits associated with those costs can be demonstrated to flow directly to standing offer customers. Where wholesale costs are included, these should reflect only unavoidable, efficient costs that a prudent retailer would incur.

Recommendation 4

Any specification of wholesale energy cost methodology adopts the 50th percentile estimate, without including a volatility allowance.

Recommendation 5

That guidelines do not specify a retail margin, but the approach to determining it. Should a specific retail margin be included in the Guidelines, this should be provided in the form an optimally efficient reasonable minimum margin. This should not incorporate existing inefficiencies in the retail market and should be provided with scope to be altered in each DMO when all other factors are taken into account, and a different margin can be justified.

Recommendation 6

That costs to acquire and retain customers not be explicitly allowed for in the DMO guidelines, or that they be set to zero. If explicitly allowed for, they should only include minimum efficient onboarding costs, to reflect the fact CARC expenditure provides minimum to no benefit to standing offer customers.

Recommendation 7

That the AER require retailers to provide annual data as to the number and percentage of standing offer customers with residential or small business solar and/or battery systems

Introduction

The JEC, ACOSS and QCOSS welcome the opportunity to respond to the *Draft default market offer guidelines* (the Guidelines). We strongly support effective default price protections and their important role in shaping a retail market that works better for all consumers.

Our organisations have previously welcomed the outcomes of the Commonwealth's review into the DMO, the evolving approach of the AER over the course of successive determinations, and the increasing attention to optimising affordability for consumers. We encourage the AER to retain its focus on optimising affordability. This means ensuring the updated objective of the reformed DMO is appropriately prioritised in all aspects of guideline decisions. Experience shows that once established, interpretations and methodologies are harder to change, making this guideline process critical in delivering the reformed objective and ensuring the DMO meaningfully supports and protects consumers. This is especially important during this prolonged period of high energy costs and ongoing cost-of-living pressure for households.

We broadly support the long-term goal of having clear guidelines that provide regulatory certainty and enhanced transparency. But implementing these objectives must not in any way undermine ongoing achievement of the primary objective of the DMO (and its accompanying processes) - to achieve better outcomes for consumers.

We are concerned the approach proposed in the Draft Guidelines effectively prescribes and entrenches detailed approaches in many aspects of the DMO. At this stage – with the new DMO having been implemented for only a few months – we consider that in many cases there is simply not enough data on retail practices, and consumer experiences and outcomes to confidently assess whether the DMO objective is being achieved. In this context, committing in detail to an approach in these areas risks placing certainty for retailers over achievement of the objective for consumers.

At this stage of the process, we encourage a more cautious approach to how the guidelines are constructed – taking a more principles-based rather than prescriptive approach – by identifying areas where an interim approach is warranted to enable more information to be accumulated.

Our submission has an overarching recommendation to revise the Draft Guidelines to make version 1 a more light-touch set of guidelines focussing more on providing information on what principles and considerations will inform the AER's decisions, and not include detailed methods – particularly for aspects of the DMO which have only recently been substantively updated.

We have also provided a range of practical recommendations should the AER remain committed to a more 'prescriptive' approach to the guidelines.

1. Role of the guidelines

The role of the Guidelines is to provide transparency regarding how the AER interprets the DMO objective and how this informs the approach it will take to each decision to ensure each cost component contributes to the revised DMO objective.

It is too early to assess and prescribe approaches

DMO 8 was the first default offer that was determined under the new objective. It built on other iterations to make material changes to the DMO approach. It has only been live in the market since July 1 2026. In many cases there has been insufficient time to observe how retailers have responded, and – more importantly – what consumer outcomes are being delivered. Providing more time to observe impacts is critical to have any confidence that the objective is being successfully realised, and hence whether the current approaches are appropriate. Locking in detailed approaches now is – in many cases – extremely premature and risks putting ‘retailer certainty’ before consumer outcomes.

The new objective is more explicit in requiring the DMO to provide small customers that are supplied with electricity at standing offer prices with a fair, trusted and reasonably priced electricity option. Outcomes for consumers must be the priority consideration when devising the Guidelines.

Our organisations caution against a strongly prescriptive approach to this first version of the Guidelines. We are concerned that locking in detailed methods at this early stage of implementation may result in inefficient or inappropriate costs being ‘locked in’. More prescription may be appropriate in future iterations of the Guidelines, once the reformed DMO has been in the market for a longer period and retail practices better understood, and outcomes for consumers better known.

Determining an appropriately holistic approach to costs

We support the AER gaining an accurate understanding of actual retail behaviour and the efficient and unavoidable costs they face in providing services to DMO customers. However, this does not mean that all costs identified should be considered as appropriate to include in the DMO and incorporated into the Guidelines. Costs feeding into the determination must be considered holistically so that overall efficiency and affordability can be appropriately centred in line with the objective. This means that where there is uncertainty in a cost component, preference is given to lower values by default.

A more holistic consideration also means ensuring against multiple allowances being made for the same costs and risks. For example, where explicit allowance is made for costs of Customer Acquisition and Retention (CARC) as well as allowing a more generous retail margin, and assuming higher range costs to serve. We consider it important that these guidelines transparently establish a range of principles – such as, where a range of costs are possible, the default starting point will be the lower bound – to guide future DMO determinations. We consider this broadly more appropriate, at this stage, than asserting detailed prescriptions of method.

Detailed approaches are less amenable to change; we support flexibility being retained

We acknowledge that the Guidelines are able to be amended through a range of mechanisms. However, it is our experience that detailed approaches and methods, once established, are difficult to alter. That is particularly relevant here, where there will likely to be much stronger resistance to any detailed methods incorporated into official guidelines being altered in coming decisions. We consider this risk can be avoided by taking a more principled approach at this point and waiting until the reformed DMO has been live in the market for longer - and outcomes for consumers better evaluated - before incorporating more detail and prescriptive methods in the Guidelines.

There are already some mature positions that have not been subject to material change, and which are non-contentious. It may be appropriate for the AER to make a more detailed prescription on those costs. However, it is our organisations' positions that aspects of network costs, retail costs and margin and the Solar Sharer Offer components where the impact of recent changes on consumer outcomes is not yet clear, and where the Draft Guidelines and methods are not yet clearly able to demonstrate that they best support the objective.

We recommend that for the first version of the DMO Guidelines, that the AER generally take a more light-touch approach, and develop a set of guidelines that outlines the principles which will guide their approach to decision-making, rather than specifying detailed methods. The guidelines should provide stakeholders with information on how the AER is going to ensure each cost component aligns with the DMO objective, rather than entrenching particular methods at this time.

Recommendation 1

In recognition that the new DMO has not been operational long enough to understand its impacts on retailers and consumers, the AER should revise the Draft Guidelines to focus on principles and approaches the AER will take aligned with the DMO objective rather than prescribing detailed methodology.

Recommendation 2

In the final version of the Guidelines the AER ensure efforts to enhance regulatory certainty do not undermine or limit scope to achieve the primary objective of the DMO to deliver good outcomes for consumers.

Response to consultation questions

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

Rather than particular matters or circumstances our organisations recommend that the basis for departing from or amending the DMO guidelines should be a principle that optimised consumer outcomes be prioritised and that scope to improve consumer outcomes or better achieving the DMO objective determine whether the guideline is amended or departed from.

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

Guidelines should not be prescriptive. It should be clear that guidelines are a guide to principles and approach and can be departed from in any DMO decision, where a different approach is more likely to fulfil the DMO objective.

A formal DMO guidelines amendment consultation process should occur where it is clear DMO guidelines are no longer best aligned with the objective and are not an accurate and transparent indication of how the AER will make DMO decisions.

22. Would any aspects of the draft DMO guidelines benefit from additional clarification?

At this early stage of implementation, the Guidelines would benefit from less detailed methodology and more focus on setting out principled decision-making approaches, as outlined in section 2 of this submission.

23. Are there any aspects of our approach that have not been captured in the draft DMO guidelines?

Our organisations recommend that the final version of the Guidelines provide clear guidance that qualitative evidence from consumer advocates, front-line and community services will be considered as equally valid evidence as more quantitative data that is provided by retailers and other stakeholders.

2. Wholesale costs

We understand the AER considers its wholesale methodology to be a mature process that is well established and broadly supported by most stakeholders engaged in the DMO process. We broadly agree – though note there is scope to more clearly indicate how individual elements are assessed against the overarching DMO objective.

Currently, the Wholesale Costs sections of the Guidelines incorporate a wide range of wholesale energy cost (WEC) and Non-WEC costs, with detailed methods on how these costs will be including in the DMO methodology.

Our organisations have consistently raised issues with the asymmetry of data and information on wholesale costs between retailers and consumer advocates, and the disadvantage this places on consumer advocates in being able to confidently comment on the validity and efficiency of these costs.

While the method for assessing these costs is valid, we recommend the AER review each individual cost being included in the Wholesale Cost method and consider the degree to which these costs benefit standing offer customers. That is, whether they should be fully included. If the benefits of the costs do not flow to standing offer customers, it should be considered whether it is appropriate to fully allow for them under the updated DMO objective.

To the degree they can be demonstrated to be associated with benefits to standing offer customers, we support the AER's decisions on wholesale costs reflecting those unavoidable, efficient costs that a prudent retailer would incur.

Recommendation 3

That the AER only explicitly include wholesale costs in the guidelines where the benefits associated with those costs can be demonstrated to flow directly to standing offer customers. Where wholesale costs are included, these should reflect only unavoidable, efficient costs that a prudent retailer would incur.

Response to detailed wholesale costs methods

While we consider the approach to these guidelines should broadly avoid detailed prescription, we agree that some specific aspects - including aspects of wholesale costs - are sufficiently established and mature to be included in more detail in the final determination of the Guidelines. We provide the following comment on those details. These comments also reflect our current position on the method to be utilised for DMO 9.

- We support the use of the 50th percentile WEC to reflect the requirement to consider only efficient costs to supply an essential service. This should not include a volatility allowance.
- We disagree with assertions that possible increases in uncertainty and risk in the wholesale market warrant a higher WEC percentile estimate.³

In the first instance, it is unreasonable to expect a prudent and efficient hedging strategy to eliminate risk in all eventualities. Increasing WEC in response to unquantified risks is not in the long-term interests of consumers. Based on this, it is not appropriate to adopt a volatility allowance in the WEC estimate. The increase in WEC arising from including a volatility allowance pushes wholesale risk back onto consumers relative to the 50th percentile WEC, undoing the intent of setting the lower percentile.

Given that the back-cast analysis indicated that over-recovery is still likely at the 50th percentile WEC in most cases, it is not efficient or reasonable to further increase the probability of over-recovery.

- We understand the current circumstances in the Middle East have introduced an additional aspect of uncertainty, but we do not consider this to have created an evidence-based justification for a fundamentally changed approach.

We caution the AER not to unnecessarily respond to short-term volatility and speculation, but take a pragmatic, data-driven approach to incorporating any demonstrated impacts of the Middle East conflict on wholesale costs. There is as yet insufficient evidence to show the longer-term impact of any current uncertainties, and no evidence that it has materially altered retail approaches and wholesale costs. Given that there is currently still significant uncertainty, adjustments to the WEC estimation methodology in response to this uncertainty are not justified at this stage.

Recommendation 4

Any specification of wholesale energy cost methodology adopts the 50th percentile estimate, without including a volatility allowance.

3. Network costs

Networks costs are a considerable proportion of the entire cost stack for the DMO and are also an area of regulation and policy that is in flux. As regulators, energy businesses, consumers and governments grapple with a changing energy market, how network tariffs and costs flow-on to customers via retailers in an ongoing discussion.

As such we strongly argue for the guidelines to set out a principles-based approach to how network costs will be considered and integrated into the DMO – rather than seeking to lock in specific details of networks cost considerations.

Should the approach in the Draft be continued, however, we provide the following comment which also reflects our current position on the method to be utilised for DMO 9.

- We broadly support maintaining the approach and methodology to determining network costs (unchanged from DMO8).
- We do not support the regulation barring the use of network demand charges to calculate the flexible retail tariff on the basis that it may limit scope for efficient network tariff assignment.

4. Retail costs and margin

We are concerned the Draft Guidelines incorporates a range of established inefficient costs and practices in the DMO which will result in locking these in and undermining achievement of the overarching objective. We also consider the specific approaches included in the Draft do not provide a strong incentive for retail cost efficiency, which is also not consistent with the revised DMO objective.

Retail costs and margins are not mature positions or methodologies that have been broadly supported by most stakeholders in DMO processes to date. These have been, and remain, among the more controversial cost components of the DMO with much conjecture as to what is efficient. We do not consider it appropriate for detailed methods for determining retail costs and margins to be entrenched in guidelines at this point, while discussions on the validity and merits of these methods have not been resolved.

4.1 Retail margin

We do not support setting – and effectively fixing - the retail margin at 6% in the Guidelines or for DMO 9.

A 6% retail margin is in the upper bounds of the range of what can be considered an efficient margin and has not been appropriately justified, particularly in conjunction with the other aspects of the current DMO approach. We have not seen a compelling argument for why the retail margin has remained at 6% across DMOs 6, 7, 8 and now potentially being effectively fixed for all future DMOs. Given DMO 8 - and beyond - come under the revised objective that requires stronger consumer outcomes and no longer includes an objective to provide a “reasonable retail margin” there is a very strong argument for a lower margin allowance. Arguments can be made for closer to 4% margin being efficient and fair¹ and there is substantial scope for further variation when other aspects of the DMO approach are considered for overall alignment with the new DMO objective.

It must be recognised that the DMO is not setting an efficient margin for the entire retail business, it is considering the margin required for standing offer customers only. Retail businesses have scope to achieve higher margins in other aspects of their business, and by outperforming the assumed margin through achieving cost efficiency. The DMO is not responsible for ensuring the profitable viability of retail businesses, it is responsible for ensuring standing offer customers have a fair, trusted and reasonably priced electricity plan. The costs considered – including margin – should be the necessary and efficient costs of providing that.

We are concerned that the AER has not sufficiently recognised its new directions and altered its consideration of impacts on consumers. This is particularly evident in section 7.2.5 in the Draft Guidelines on the impact of DMO margins on the market. This section is predominantly concerned with measuring the impact of the margin on energy retail companies, rather than measuring the impact of the margin on consumers. We are concerned with the continued inclusion of new market entrants and exits as a measure of the impact of retail margins.

We strongly disagree that the DMO must be set at a level to encourage new market entrants or prevent any retail exit, particularly given consistent evidence that any approach to the DMO has had absolutely no impact on either. Regardless, any meaningfully competitive market – which involves the competitive dynamics assumed to drive cost efficiency - should involve market entry and exit. The limited market exits in recent years remains an indicator that competition is not a strong driver of efficiency for retail costs and that current costs and margins may be too high to encourage meaningful competition that results in lower costs for consumers.

Setting a reasonable minimum retail margin

Should the AER proceed with including a prescribed percentage in the Guidelines, a preferable alternative approach could be to set an indication of a reasonable minimum retail margin as opposed to specifying an actual margin. In this way, each DMO decision would still involve some

¹ ACCC, 2024, [Inquiry into the NEM report December 2024, Appendix C](#)

flexibility in the level of margin being set according to the holistic consideration of other aspects in that DMO decision.

This would still provide retailers with a level of regulatory and financial certainty as to minimum margin, while retaining important regulatory discretion to best achieve the objective each determination. This would provide an opportunity for stakeholders to present evidence each year if they considered there were circumstances or issues that justified a higher margin than the reasonable minimum when considering the specific circumstances – and combination of factors – relevant to all aspects of the DMO decision in that year.

This reasonable minimum retail margin would need to be set well below 6%. EBITDA analysis by the ACCC across NSW, SA and SEQ from 2017-2024 had an upper bound of 9%, a lower bound of -1% and was more often at the lower ends of the bounds than the upper ends². Considering this, we contend 4% would be a generous minimum retail margin for standing offer customers.

Recommendation 5

That guidelines not specify a retail margin, but the approach to determining it. Should a specific retail margin be included in the Guidelines, this should be provided in the form an optimally efficient reasonable minimum margin. This should not incorporate existing inefficiencies in the retail market and should be provided with scope to be altered in each DMO when all other factors are taken into account, and a different margin can be justified.

4.2 Retail costs

We welcomed the material changes in DMO 8 to the approach in setting retail costs and margin and the clearly demonstrated intent that they be set efficiently. However, we do not support the existing methods for retail costs being prescribed as the ongoing approach in this first version of the Guidelines. The impact and appropriateness of the current approach has not been established, and we contend this approach continues to overcompensate retailers. Assuming continuation of these approaches risks baking in the cost of current, inefficient practices.

Customer Acquisition and Retention Costs (CARC)

We strongly disagree that any explicit allowance for CARC is required under the updated DMO approach and strongly disagree that any explicit CARC allowance can be aligned with the stated objectives of the DMO. As such we disagree that any specific approach for including CARC should be specified in guidelines at this time.

We are also concerned by the terminology used in the Draft Guidelines and explanatory statement – and contend that ‘modest’ costs to acquire and retain standing offer customers is a vague and logically inconsistent framing for CARC. The word ‘modest’ appears throughout both documents, however there is no corresponding process or explanation of how CARC costs are – or can be - defined or costed as ‘modest.’ This risks a subjective decision on CARC which is not in consumers interests.

² ACCC, 2024, [Inquiry into the NEM report December 2024, Appendix C](#)

As we have detailed in many of our previous submissions on the DMO, CARC is not relevant to standing offer customers and has no benefits that flow to standing offer customers. By definition this indicates it is not a cost relevant to calculation of the DMO. This is at least partly acknowledged in the explanatory paper, where the AER states

...standing offer customers may benefit from some, but not all, acquisition and retention activities, including advertising latest offerings, incentives and product features.³

However, as they are drafted these costs are still accounted for in the Guidelines, but this is done in a way which provides no framework for objectivity and incentives for efficiency.

We strongly recommend that CARC not be explicitly allowed for in the DMO, or that the guidelines set the appropriate level of 'explicit CARC' in the Guidelines at zero. Should the AER continue to incorporate an explicit allowance for CARC in the DMO methodology, we consider that only the minimum efficient onboarding costs of a prudent retailer would be justifiable as a 'modest cost' relevant to providing services to DMO customers. However, we note that these costs should already be accounted for in the retail cost to serve and retail margin.

Recommendation 6

That costs to acquire and retain customers not be explicitly allowed for in the DMO guidelines, or that they be set to zero. If explicitly allowed for, they should only include minimum efficient onboarding costs, to reflect the fact CARC expenditure provides minimum to no benefit to standing offer customers.

Bad debt

We consider bad debt as one area of retail costs where the discussions and evidence have been presented over several years and a reasonably mature position has been arrived at that is broadly supported by stakeholders. Should the AER proceed with more prescribed aspects of the DMO, our organisations would support the current process for determining Bad Debt costs being included in the Guidelines.

Smart meter costs

Our organisations disagree with the explicit inclusion of smart meter costs in the DMO and the in the Guidelines.

Our guiding principle is that costs should only be included:

- to the degree they have been clearly evidenced and are unavoidable,
- and that a reasonably objective and efficient proxy for those costs can be determined, and
- that only the actual efficient costs a prudent retailer would actually incur in the provision of a DMO service are included.

³ AER, 2026, [Draft DMO Guidelines: Explanatory statement](#), p.13

Accordingly, smart meter costs should not be explicitly included in retail cost calculations, particularly without greater transparency of how retailers are incurring, offsetting and recovering those costs. If retailers are recovering smart meter costs directly from the impacted customers, recovering some costs from all customers, offsetting costs through sale of data or other services to metering providers, or engaging in any other activity that may alter the impact of the metering costs on the retailer, this must be assessed and accounted for fully. Given some or all of these are likely, we contend there is no strong case for explicitly including metering costs in the DMO cost stack.

It is likely that, with the acceleration of the rollout of smart metering, retailers will argue material changes to their metering costs and the risks they face. However, we contend the lack of transparency and consistency of costs relating to metering is still relevant, substantially contested and that it is not possible at this stage to regard smart meters as a 'pure additional cost' over and above the standard costs to serve related to legacy metering. We do not consider it possible to determine the 'additional' costs retailers face without a more holistic assessment.

We consider it critical to the creation of a 'trusted' offer that DMO consumers have a level of certainty they are not responsible for metering costs the retailer has either not actually incurred – in full or part - or has otherwise recovered or offset elsewhere. In this context, the approach must be to err on the side of the consumer.

Response to consultation questions

8. 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?

Our organisations do not support excluding network costs from the DMO cost base at this stage, and do not support any increase in retail margins. This would reduce the transparency and objectivity of the approach to the DMO.

9. Would the overall percentage margin approach as set out in the draft DMO guidelines or would alternative approaches be more reflective of an efficient margin for future DMO determinations?

We support the overall percentage margin approach at this stage; however, we recommend that the Guidelines outline the principles for making a decision on the retail margin rather than specifying an enduring retail margin. See section 5.1 for further detail.

10. 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?

As above. We do not support setting an enduring 6% retail margin in the Guidelines and consider this does not allow for the achievement of the objective.

5. Solar Sharer Offer (SSO)

Our organisations do not support retaining the DMO 8 SSO settings as the baseline approach. We note our input to the initial SSO processes and our strong recommendation that, given the

rushed process, the initial SSO approach be intentionally conservative – taking a harm minimisation approach – with an explicit intent to iterate in future processes as more information is available.

Accordingly, we strongly disagree with any prescription in the guidelines for the SSO at this stage, where experiences of implementation and outcomes for consumers are not yet known. We recommend that the AER and stakeholders require at minimum 12 months of retail data on implementation of SSO, and customer outcomes, and an evaluation of that data and relevant qualitative data prior to establishing a guideline on SSO approach for ongoing annual DMO processes.

We understand that the AER will be requiring data from retailers on the SSO in late 2026. We request that this data and any subsequent analysis be made publicly available so that all stakeholders are able to better understand how the SSO is performing and contributing to the achievement of the DMO objective.

We recommend that the AER request further information from retailers in early Q3 2027, with the view to having a deeper understanding of consumer outcomes prior to the consultation process for DMO 10. We consider this to be a more appropriate timeline for setting a revised baseline approach for the SSO. Any moves to ‘fix’ an approach to the SSO at this time are dangerously premature and risk both undermining the future potential of the SSO and its scope to protect and benefit consumers.

Our organisations provided a detailed submission⁴ to Commonwealth DCCEE on the design and evaluation of the SSO, which included a range of improvements and concerns with the initial design and planned roll-out. There is early evidence that some of our concerns appear to have been borne out. We consider this justification to have the offer in the market for at minimum 12 months before we provide detailed feedback on how best to ensure the SSO achieves strong outcomes for consumers and the energy system.

Early insights into the SSO

While we consider that a minimum of 12 months is required before we can start to properly evaluate the SSO, our organisations have collected early insights from consumer, community and front-line service engagement.

This early data indicates that there is considerable confusion in the community about what the SSO is, who is eligible and how it works. The ‘better off overall’ test doesn’t seem to be achieved for all consumers who have switched to the SSO and there are also some early

⁴ JEC et al, 2025, [Joint Submission on Solar Sharer Offer Consultation Paper 2025-26](#)

indications that how the SSO has been rolled out and understood by consumers is impacting on the 'trusted' component of the DMO objective.

Early insights on the SSO

Community group: "We're talking to some of our community groups, particularly the migrant communities and some of our seniors in the more established CALD communities and they are totally unaware of this offer."

Community group: "Clearly, the messaging is not getting through to our CALD communities. And their relationship with the retailer is at a minimum given the language barriers and energy literacy surrounding solar and smart meter complexities."

Direct consumer engagement: [We have heard from consumers that] It's a "rip off" because they already have solar. One consumer had heard of it but then confused it with community batteries.

Community group: We've been hearing that the scheme wasn't available in all areas. Also, accessing the scheme basically means moving to another plan. We have been told these new plans have higher usage and supply charges (or at least different charges, making them hard to compare). So, in effect, the "free" electricity isn't on top of the best plan people have already negotiated for themselves.

Response to consultation questions

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

We do not support retaining the DMO 8 SSO settings as the baseline approach. A baseline approach must be consulted on with all stakeholders after a minimum of 12 months of retail data and qualitative evidence of retail practice and impacts has been collected.

14. 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?

As with all aspects of the DMO, the AER should prioritise outcomes for consumers and achievement of the DMO objective when considering alternative approaches to the SSO. Customers being better off overall must be the primary consideration over allowing retailers to recover efficient costs, as required by the objective.

The AER must seek qualitative data on the experiences of consumers in accessing and utilising the SSO and not rely solely on billing data provided by retailers. All data and evidence provided to the AER in their evaluation of the SSO should be made publicly available so that all stakeholders are able to provide robust representations on the best baseline approach for the SSO in subsequent determinations.

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

As above.

6. Other matters

6.1 Environmental costs

Our organisations continue to advocate for environmental costs to be removed from the cost stack of bills and instead recovered through government revenue and taxation to restore cost-recovery equity and ensure vulnerable consumers are not carrying a disproportionate cost burden of transition costs.

In-line with our position that only costs where benefits flow to standing offer customers should be included in the DMO methodology, it would be useful for the AER to collect data from retailers on how many standing offer customers have solar or home batteries. If the data demonstrated that only a small percentage of standing off customers have these technologies, it could provide justification for removing the costs of at least the small-scale Renewable Energy Scheme from DMO calculations.

Recommendation 7

That the AER require retailers to provide annual data as to the number and percentage of standing offer customers with residential or small business solar and/or battery systems.

6.2 Model annual usage

11) 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?

The AER should have a process in place to model annual usage benchmarks for tariffs that are either partially or wholly based around a demand component.

Given the increasing prominence of demand-based network tariffs, there is a need to ensure these can be reasonably incorporated into models for the DMO. To be clear we do not consider it necessary or appropriate for this to be associated with the development of a 'demand DMO', simply that models for annual usage with tariffs which incorporate demand-based elements may be increasingly necessary.

Work done now to understand and model usage and costs for demand-based network tariffs would be valuable in informing future decisions.

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

As above – we recommend work be done to understand and model usage with network tariffs which incorporate demand-based aspects.

6.3 Additional regulated tariff types

We do not consider additional regulated tariff types necessary at this time, and hold a consistent position that the DMO should focus on being a flat-tariff offer that can become a strong default offer for all consumers who wish to ‘set and forget’ their energy plan. As such, we caution against the AER overly focusing on having a range of ‘DMO types.’

However, if this section is deemed necessary this time, we broadly support the AERs approach, which more closely aligns with how we would expect and prefer the entirety of the Guidelines to be drafted. This section makes clear what the AER plans to assess when determining this question, rather than detailing the determination itself.

17) 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?

The approach to assessing the need for additional regulated tariffs should be grounded in an overarching consideration of whether any additional tariffs are critical to improved consumer outcomes. It is important to note that good outcomes and the achievement of the objective of the DMO does not require all tariff types to be represented and regulated in the DMO.

Consideration should be given to any negative impacts on the achievement of the objective arising from adding further complexity to the DMO.

Alongside these considerations, we broadly agree with the proposed factors for assessing whether a type of tariff should become a regulated tariff.

We note that an assessment against these questions would support our position that further regulated tariffs are not warranted at this stage.

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

The current approach embeds the principle of consumer outcomes and achievement of the DMO objective, which should be the primary consideration. Any further principles or data requirements is likely to be dependent upon the nature and circumstances of any tariff that may be under consideration.

6.4 Fixed and variable costs

Our organisations consider that the apportionment of fixed and variable costs, and the guardrails around standing offer design that accompany these should be a focus of evaluation by the AER after the renewed DMO has been in the market for a minimum of 12 months. This is a much higher priority than any consideration of additional DMO ‘types’.

Consumer and community organisations have identified some early concerns about retailer behaviour resulting in increased fixed component of the bill without necessarily offsetting with lower usage charges. Prior to entrenching the current cost allocation in the Guidelines, the AER should seek to understand what outcomes consumers are experiencing and whether the DMO objective is being achieved.

7. Further engagement and resources

We would welcome the opportunity to further discuss these matters with the AER and other relevant stakeholders. Please contact Alana West (awest@jec.org.au) to arrange any follow-up.

The JEC (previously the Public Interest Advocacy Centre), QCOSS and ACOSS have been consumer stakeholders in DMO engagement processes since its inception. The below list of resources provides further background into our long-held and evolving positions on the DMO as enduring consumer advocates on DMO policy.

DMO 8

- [JEC & ACOSS Joint submission to DMO 8 Draft Determination](#)
- [JEC submission to DMO 8 Issues paper](#)
- [JEC, ACOSS, QCOSS and SACOSS submission to Solar Sharer Consultation Paper](#)

DMO review

- [JEC, ACOSS, Combined Pensioners & Superannuants Association, Energetic Communities and SACOSS Joint Submission to DCCEEW Consultation Paper](#)

DMO 7

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

DMO 6

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

DMO 5

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

DMO 4

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

DMO 3

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

DMO 2

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

DMO 1

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