

Default Market Offer (DMO)

This fact sheet explains what the DMO is, who it applies to, how it is set and what the AER's role is.

This information applies to customers who live in South-East Queensland, New South Wales and South Australia only.

What is the DMO price?

The Default Market Offer or DMO price is the maximum price that electricity retailers can charge residential and small business customers on a [standing offer](#) contract.

Customers might be on a standing offer if they have:

- never switched to a retailer's market offer, or
- moved into a premises and are supplied by the existing retailer but are yet to make contact with the retailer.

The DMO is an annual price representing the amount a typical customer can expect to pay for electricity over a year.

The DMO is not a cap on customer bills. A customer's bill will depend on how much electricity they use and how their retailer has set their rates.

The DMO price also acts as a 'reference price'. When advertising offers, retailers must show the price in comparison to the DMO/reference price. This helps customers compare deals easily.

Is the DMO a safety net?

The DMO is an electricity price 'safety net', introduced to prevent retailers charging unjustifiably high prices to standing offer customers. These are often customers who have not or cannot engage in the retail electricity market, and who cannot or do not want to shop around for a better offer.

The DMO is intended as a fall back option and is not meant to be the lowest priced offer in the market. Retailers compete at price points lower than the DMO, and as a result, engaged consumers can achieve considerable discounts if they shop around for the best deal. Our free and independent website, Energy Made Easy (<https://www.energymadeeasy.gov.au/>) can help customers compare the price of offers from all retailers in their region.

Who does the DMO apply to?

The DMO applies in South-East Queensland, New South Wales and South Australia. It applies to **residential** customers on standing offers with:

- flat rate tariffs, where the rates are the same regardless of the time of day,

- time of use tariffs (also called flexible tariffs), where the rates are different depending on the time of day (such as peak evening rates), and
- solar and controlled load tariffs.

It applies to **small business** customers on standing offers with:

- flat rate tariffs (with or without solar).

What is the Australian Energy Regulator's (AER) role?

The AER is required to set the DMO price annually for each area and each of the above customer types in South-East Queensland, New South Wales and South Australia.

The DMO final price determination is made during May each year, and applies from 1 July to 30 June. Prior to that final determination, the AER publishes a draft determination setting out its proposed approach and draft prices for that upcoming DMO year. Each year the draft determination is subject to public consultation and stakeholder feedback.

The DMO price is set at a level that protects customers from unjustifiably high prices and enables retailers to recover their costs to service customers. It is also designed to encourage retailers to compete and customers to be engaged and search for offers to suit their needs.

How does the AER set the DMO?

To set the DMO price the AER considers the various costs retailers face to supply electricity to customers. These include:

- the cost to buy electricity from the wholesale market (wholesale electricity costs),
- the cost to transport electricity to customers through the network (network costs),
- the cost to comply with government environment schemes (environmental costs),
- the cost to serve, acquire and retain customers (retail costs), and
- a margin to allow retailers to earn a reasonable profit for their services (retail margin).

In setting the DMO prices, the AER must have regard to any matter it considers relevant, such as the economic conditions of the time, electricity affordability and cost-of-living pressures experienced by consumers.

Find out more about the DMO

You can find out more about the DMO on our website at:

<https://www.aer.gov.au/industry/retail/retail-pricing-and-default-market-offer>

Contact us

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