

1 December 2025

Adam Day  
a/g Executive Director, Default Market Offer and Consumers  
Australian Energy Regulator  
GPO Box 3131  
Canberra, ACT 22601

By email: DMO@aer.gov.au

Dear Adam,

Ausgrid welcomes the opportunity to comment on the Australian Energy Regulator's (AER) Issues Paper for the Default Market Offer 2026-27 (**DMO 8**).

The transition of the Default Market Offer (**DMO**) framework from a single annual price cap to specific maximum tariff rates for standing offers represents a significant change to previous DMOs, and it is important that it is structured to maximise positive outcomes for customers. Overall, we support this change as it will be easier for customers on the most common tariffs to compare different offers when they are not linked to a single usage level.

We make the following points on matters related to networks tariffs:

### **1. Transition from price cap to tariff cap – preserving distribution signals**

Under previous DMOs, the AER set a single annual price cap (in dollars per year) for each region and customer type. Retailers were free to structure their standing offer tariffs, provided the annual cost for the benchmark consumption level did not exceed the cap. This flexibility meant that the balance between fixed and variable rates, and peak and off peak rates, could vary significantly between retailers as long as the overall bill for the baseline consumption was not exceeded. This caused two outcomes:

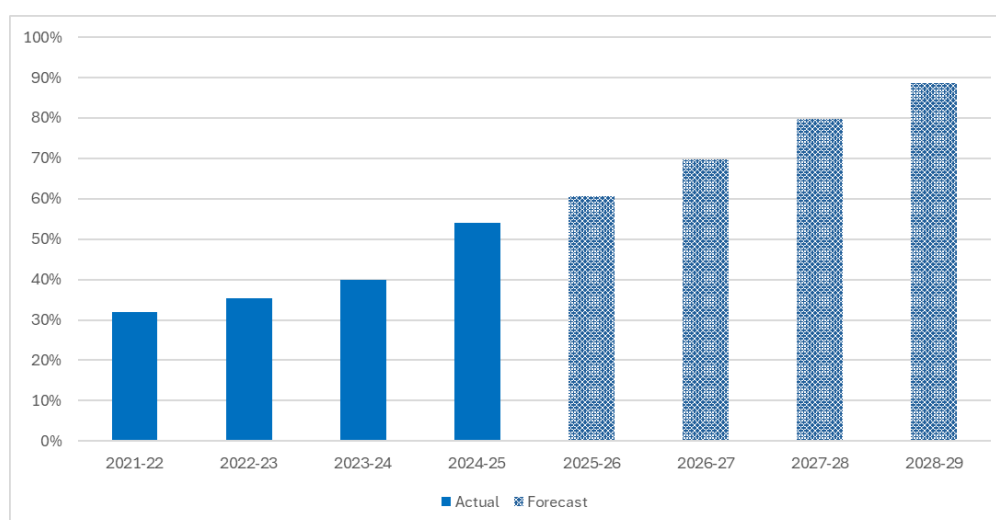
- customers with usage materially different to the reference usage may have seen bills significantly higher or lower than the DMO, which may cause confusion; and
- the underlying network price signals were potentially weakened, reducing incentives to use energy in ways that support efficient network utilisation.

Expressing the DMO as specific maximum tariff rates (a daily supply charge and one or more usage rates) for the most common standing offer types can rectify these outcomes. This is because when the maximum amount for each pricing component is set, customers are paying no more than they should regardless of their usage. Further, if each pricing component is set based on the underlying network tariff, the network signals are more likely to be seen by end customers.

Over recent years, we have been transitioning residential customers to cost-reflective network tariffs. These tariff reforms aim to encourage consumers to shift electricity use from peak network times to lower use times,

for example charging EV in off-peak times or shifting hot water heating to midday solar hours. Figure 1 below shows the proportion of Ausgrid's small customers (residential and small businesses) on cost reflective tariffs from 2021-22 to 2028-29. Currently 54 percent of customers are on cost reflective tariffs and this is expected to increase to 89 percent by 2028-29. This reflects the accelerated smart meter rollout from 1 December 2025, initiated by the Australian Energy Market Commission (AEMC).<sup>1</sup>

**Figure 1: Proportion of small customers on cost reflective tariffs**



We suggest that separate prices be set for flat and TOU tariffs, rather than a blended price, for the tariff cap, for the reasons outlined above.

However, for setting for setting the maximum annual bill, Ausgrid supports the use of a blended network cost approach. This mechanism acts as a "catch-all" cap for various types of customers (including those on demand tariffs or complex legacy tariffs), therefore it is impossible to select a single "corresponding" network tariff that is representative. A weighted average (blend) of network tariffs would provide a reasonable estimate of the average efficient cost to serve this broader customer base, ensuring the safety net remains robust without overly restraining retailers offering more complex tariff options. We are happy to work with the AER to identify and provide the data necessary to do this in the most effective way.

## 2. Solar Sharer Offer Scheme

We refer the AER to our separate submission to the Department of Climate Change, Energy, the Environment and Water (**DCCEEW**) regarding the proposed Solar Sharer Offer (**SSO**). While we support the intent of sharing the benefits of the energy transition, the implementation of a "free energy" window within the DMO framework may lead to unintended consequences which will be challenging for DNSPs to manage.

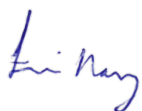
In summary, Ausgrid is concerned that a mandated static and uniform zero-cost window that overlaps with the onset of network peaks could exacerbate localised network stress, particularly on hot or overcast days

<sup>1</sup> Australian Energy Market Commission, Accelerating Smart Meter Deployment, 28 November 2024.

when solar generation is low but demand is high. Our submission to the DCCEEW consultation shows that load for certain low voltage mixed use feeders starts increasing from 9am onwards, peaking around 11am. Under some demand response scenarios to the zero price signal, the proportion of feeders exceeding their rating (and therefore considered for augmentation) would increase significantly.<sup>2</sup>

If you have any questions, please contact Philippe Laspeyres, Economic Regulation Manager, at [philippe.laspeyres@ausgrid.com.au](mailto:philippe.laspeyres@ausgrid.com.au).

Regards,

A handwritten signature in blue ink, appearing to read 'Fiona McNally'.

Fiona McNally

Head of Regulation

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<sup>2</sup> Ausgrid, Response to DCCEEW Solar Sharer Consultation Paper, 28 November 2025.