

**Australian Energy Regulator (AER)**

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To whom it may concern,

## Submission on Australian Energy Regulator's (AER) Issues Paper for the Default Market Offer (DMO) 2026–27

Energy On, as an Embedded Network Operator, appreciates the opportunity to provide feedback on the Australian Energy Regulator's (AER) Issues Paper for the Default Market Offer (DMO) 2026–27. This submission outlines the views of exempt sellers and the specific circumstances encountered by Embedded Network Operators (ENOs).

We support the AER's objective to extend DMO protections to customers in embedded networks, as outlined in the proposed reforms. These represent an important step towards ensuring that households and small businesses within embedded networks receive fair, trusted and reasonably priced electricity. While we acknowledge that most protections for embedded network customers will commence from DMO 9, the changes introduced under DMO 8 will have implications for embedded networks and create operational challenges for exempt sellers.

We would also like to note that many embedded networks operate under a model where the building owner (Owners Corporation, Body Corporate etc) receives the financial benefit, and has a say in setting energy rates for customers. [REDACTED]

[REDACTED]. To that extent, the following comments are not made primarily as an "Embedded Network Operator", but on behalf of our clients across the NEM.

### Solar Sharer Offer (SSO) Implementation Challenges

The introduction of the Solar Sharer Offer (SSO) under the DMO framework brings a new time-of-use tariff category, primarily intended for authorised retailers. However, there is uncertainty about its impact on embedded networks. Specifically, clarification is needed on whether exempt sellers and embedded network operators will be required to provide SSO tariffs to their customers and, if so, how compliance will be monitored and enforced.

**Metering limitations:** Customers without smart meters cannot accurately access SSO due to basic metering infrastructure and the lack of interval data. Installing smart meters before DMO 9 or the 2030 (AEMC Accelerating smart meter deployment rule change) deadline will impose significant financial strain on ENOs, as it requires costly infrastructure upgrades. Without these upgrades, access to SSO will remain limited.

**Energy Supply Cost:** It is our understanding that the SSO doesn't apply to energy and network charges for large customers. This will create a significant financial impact on the embedded networks when the revenue collected from the small customers is reduced, but the cost of supplying stays relatively the same (if not higher).

### Unique Cost Structures

Embedded networks operate under a substantially different cost structure compared to traditional retailers, encompassing internal network maintenance, metering, billing, wholesale price hedging, and administrative overheads. Implementing a uniform DMO without recognising these unique cost components risks inadequate recovery of efficient operating costs. This, in turn, has the potential to undermine network sustainability and compromise the quality of service provided.

### Varied Load Profiles

Embedded networks serve a broad spectrum of customer types, including residential apartments, affordable housing, student accommodation, retirement villages, and shopping centres, as an example. These customers often exhibit consumption patterns that differ significantly from the standard residential or small business profiles used in DMO modelling. If the DMO price fails to consider these differences, it may not accurately reflect the true cost of supplying embedded network customers, leading to potential misalignments.

### Infrastructure Investment Capacity

Should DMO pricing fail to appropriately account for the costs faced by embedded networks, ENOs will have limited capacity to invest in essential upgrades such as smart metering, efficiency improvements, and ongoing network maintenance. This situation could adversely affect the long-term reliability and quality of service for embedded network customers.

### Clarification Required from the AER

Energy On requests that the AER provide clarification on whether exempt sellers/embedded network operators are required to offer SSO tariffs to customers without smart meters. Additionally, guidance on cost recovery mechanisms is sought for situations where SSO uptake leads to a material reduction in revenue.

In summary, extending DMO protections to embedded network customers is a vital move towards fair and transparent electricity pricing. However, successful implementation depends on resolving key challenges: clarifying obligations for the Solar Sharer Offer (SSO), addressing metering limitations, recognising unique cost structures and load profiles, and safeguarding investment capacity.

Clear guidance from the AER on SSO requirements and cost recovery for customers without smart meters is essential to avoid operational and financial pressure on embedded network operators and exempt sellers.

Regards,

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