

Adam Day
Australian Energy Regulator
Submission made online to dmo@aer.gov.au

26 November 2025

Dear Mr Day,

Subject: Default market offer 2026–27 issues paper

SA Power Networks welcomes the opportunity to comment on the AER's Default market offer (DMO) 2026–27 issues paper. We commend the AER for its continued efforts to implement the DMO framework, which serves as a consumer safeguard mechanism. Our submission addresses the key questions raised related to network costs, ensuring a balance between the proposed reforms, customer impacts, and practical implementation.

1. Tariff Cap

One of the proposed changes is to introduce a tariff cap for selected small customer types, rather than an annual price based on a set usage amount. As highlighted in the issues paper, the allocation of DMO costs across fixed and variable components will be a critical consideration. We support the AER's proposed apportionment of Network Use of System (NUoS) charges across fixed and variable components, and metering charges solely on the fixed component. This approach aligns with the cost structure outlined in our AER-approved Tariff Structure Statement 2025-2030 and implemented via our annual pricing proposals. In principle, introducing a tariff cap is likely to enhance comparison and transparency for customers.

In developing the tariff cap, we support the use of corresponding network tariffs to determine network costs for flat-rate and time-of-use DMO tariffs. This approach is appropriate and more transparent than creating a blended network cost that would require reapportioning across different tariff structures.

The issues paper noted that some distribution networks including SA Power Networks have multiple time-of-use default tariffs for small business customers. SA Power Networks wishes to clarify that for small business customers with an accumulation meter, our default tariff is Business Single Rate (BSR). For small business customers with an accumulation meter that can record peak and off-peak hours, the default tariff is Business Two Rate (B2R). Both of these tariffs are closed to new customers, and customers with an interval meter cannot access these tariffs. For small business customers with an interval meter, the default tariff is Small Business Time of Use (SBTOU).

We propose that the AER use the BSR tariff for small business customers with an accumulation meter and the SBTOU tariff for customers with an interval meter, as the corresponding network tariffs.

2. Maximum bill amount

We encourage the AER to consider two maximum bill amounts using two methodologies: a single rate network tariff for developing the single rate DMO tariff and a blended network cost for a time of use (ToU) DMO tariff.

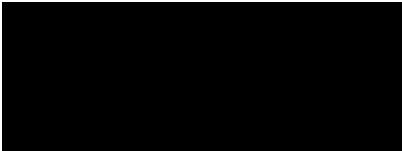
a. Maximum bill amount for a single rate DMO tariff

We propose that the AER continues to calculate the maximum bill amount for a single rate DMO tariff using the current methodology, which is based on the flat rate network cost and fixed annual usage amounts. This methodology is consistent with previous DMOs and, therefore, will assist consumers in understanding the implications of the proposed DMO 8 prices on their bills.

b. Maximum bill amount for a ToU DMO tariff

In addition, we recommend that the AER considers developing the maximum bill amount for the ToU DMO tariff using a blended ToU network cost. Given the accelerated deployment of interval meters from 1 December 2025 and the adoption of ToU tariffs, a blended ToU network tariff is a practical approach for determining network costs for a ToU DMO tariff. For calculation purposes, it is prudent to base the blended network cost on the default ToU network tariff for the tariff class. The blended network cost can be calculated using the forecast consumption kWh and prices across different time structures (peak, off-peak, solar sponge/shoulder) from the annual pricing proposals. This approach better reflects tariff structures and the evolving nature of customer usage patterns.

If you have any queries on matters raised in this letter, please contact Pratib Parthiban, Pricing Manager, at pratiban.parthiban@sapowernetworks.com.au



Richard Sibly
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