

26 November 2025

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Default Market Offer 2026-27 Issues Paper

The Shopping Centre Council of Australia (SCCA) welcomes the opportunity to provide input into the Default Market Offer 2026-27 Issues Paper (the DMO Issues Paper) and to contribute the perspective of our members, many of whom are embedded network operators (ENOs).

The SCCA and our members have had longstanding engagement with the AER on embedded network matters, and arguably more so than any other party across the period that the AER has been the regulator. We have engaged across all relevant consultations in relation to retail exemptions, network exemptions and customer protections. Our feedback on the DMO Issues Paper is from the perspective of ENOs, as well as our experiences engaging with regulatory proposals pertaining to embedded networks.

This submission provides some general feedback based on our experience with embedded networks and the regulatory and operational environment they operate in, as well as feedback on the forthcoming introduction of the Solar Sharer Offer (SSO).

Additional Engagement on DCCEW Recommendations

We note that this DMO Issues Paper consultation is being conducted within the context of the recent DMO Framework Review, which resulted in 10 recommendations from the Department of Climate Change, Energy, the Environment and Water (DCCEEW), including five that are specifically aimed at embedded networks. We understand that many of these recommendations are not intended to be engaged on and implemented until DMO 9 for the 2027-28 period.

We will seek additional opportunities in the near future to engage directly with the AER to inform the development of responses to the DCCEEW recommendations.

We will also provide more detailed feedback on the DCCEEW recommendations, including to ensure that appropriate consideration is given to the distinction between authorised retailers who are subject to the DMO, and exempt sellers who are subject to the *Network Exemption Guidelines*.

General Comments from ENO Perspective

Exempt sellers are required to ensure that pricing and selling rates are no higher than the standing offer, which is set at or below the DMO. As result, ENOs are effectively already capped at the DMO. Further, under the *Network Exemption Guidelines* issued by the AER, exempt sellers are also required to cap the charges of each component of the standard offer.

As we have flagged many times previously, ENOs do not purchase wholesale hedging instruments, with prices usually being based around a chosen point in time. This may result in misalignment with the cost average determined in the DMO.

The caps that already apply to ENOs are fundamentally inequitable given that retailers can (and do) offer rates that are higher than the DMO. This disparity and the disconnect between the DMO, recent changes to network pricing in the Ausgrid area, and the Retail Exemption Guidelines highlight our longstanding concern that the impact of the varied regulatory and pricing measures are only ever considered in isolation and not as a consolidated package – particularly as they apply to ENOs.

Overall, we consider the DMO to be operating effectively for embedded networks operated and note that the DMO has proven to be adaptable to market changes, albeit with some delay. We do not consider that there are any proven market or regulatory failures that require the proposed changes to embedded networks, and that any changes are broadly solutions in search of a problem.

The DMO is fundamentally a protection mechanism for consumers. It should serve as a safeguard that responds to market failures, not as an inflexible “standard”.

It is important that adjustments to the DMO are actually needed, targeted, and provide a workable framework for industry to operate within, rather than a rigid and prescriptive framework that may not be suitable in all circumstances. For example, as the AER refines its model to be more exact, issues will emerge due to the difference in cost base, metering and customer preferences across embedded networks. This can cause inconsistencies between the ratios of peak and off-peak pricing that the DMO may outline and the pricing available to ENOs.

Solar Sharer Offer

We understand that DCCEEW has separately consulted on the introduction of a Solar Sharer Offer (SSO) to be incorporated into DMO 8. Given the DMO Issues Paper flags that additional feedback on the SSO may be considered prior to finalising DMO 8, we will take the opportunity to place our concerns on the record through this process.

While the information that has so far been released in respect of the SSO indicates that it is intended to apply only to the usage charges for residential customers, our past experience is that reforms initially intended for residential customers are often expanded over time to include small business customers without sufficient consideration of the need or impact of expansion.

While we hope the expansion to small business customers will not be considered, there would be substantial challenges with adapting the SSO to apply to small business customers, particularly those within shopping centre embedded networks, including differences in peak/non-peak time and significant fluctuations in usage between tenant types.

We strongly urge the AER and DCCEEW to ensure that the scope of the SSO does not creep beyond its intended purpose. Over the years, we have seen far too many instances of creep from residential customer issues and regulation, into the business customer space; with very little sound logic, evidence or justification.

Follow up

We would welcome the opportunity to commence early engagement with the AER on the outcomes of the DMO Framework Review and the recommendations from DCCEEW insofar as they relate to embedded networks.

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