



Australian Government



AUSTRALIAN
ENERGY
REGULATOR

Default market offer

Draft determination 2026–27

What you can expect to see

MARCH 2026

The Default Market Offer (DMO) will be an efficiently priced energy plan applied as the standing offer to households and small businesses in South Australia, New South Wales and South East Queensland.

The DMO is designed to protect those who don't sign up to a more competitive retail market offer or are unable, or choose not, to engage in the electricity market.

The DMO is also used as a reference price to compare against market retail energy plans throughout the year. Retailers are obliged to show how their plans compare to the DMO in advertising and promotion.

As the standing offer, the DMO may not be the best retail offer available, but when it comes into effect on 1 July each year, the annual price is locked in for the next 12 months.

Customers are encouraged to shop around for better deals than the DMO, which is why less than 10% of households and only about 18% of small businesses remain on it.

New DMO reforms – how to compare the DMO to last year

In November 2025, the Australian Government announced reforms to enhance the DMO as a consumer safety net. These reforms set an objective for the DMO to provide a fair, trusted and reasonably priced electricity option that reflects the costs of supplying small customers with an essential service.

The reforms require the AER to consider the efficient costs of supplying electricity and the long-term interests of consumers under an efficient pricing framework.

The reforms also mean that this year we will present two draft annual prices for households in each DMO distribution zone:

- a flat rate DMO annual price
- a time of use DMO annual price.

This will help consumers compare prices for these different types of market offers. The annual price is a calculation of how much a consumer would spend in a year on a particular offer type, if they had an average level of household or small business electricity consumption consumed at particular times of the day.

In many cases, the annual price will be the same for flat and time of use offers. However, in other cases we are selecting different network tariff inputs (network costs) across these two offer types because it leads to a more efficient DMO price. This depends on the network tariff available to retailers in each region, which is what drives some differences.

For the Energex (SE Queensland), Essential (NSW) and SA Power Networks (SA) distribution zones, the flat rate and time of use annual prices will be the same.

For the Ausgrid and Endeavour distribution networks (both NSW), there will be two different annual prices for each DMO.

Important

The Australian Energy Regulator will be releasing a draft DMO on 19 March 2026.

Consultation on the draft will be open for 3 weeks.

A final DMO will be released no later than 26 May 2026.

We will show how these annual prices compare to the annual prices set in the previous year. Our comparison table, by distribution zone, will look like this:

Distribution zone		
Flat rate DMO annual price	Residential	Small business
Proposed DMO price 2026–27	\$?	\$?
For annual usage (using Ausgrid example)	3,900 kWh	10,000 kWh
Last year DMO 2025–26 (using Ausgrid figures as example only)	\$1,969	\$4,988
Change year on year (nominal)	\$ and %	\$ and %
Change year on year (real)	\$ and %	\$ and %
Time of use DMO annual price	Residential	Small business
Proposed DMO price 2026–27	\$?	\$?
For assumed annual usage (using Ausgrid example)	3,900 kWh	10,000 kWh
Last year DMO 2025–26 (using Ausgrid figures as example only)	\$1,969	\$4,988
Change year on year (nominal)	\$ and %	\$ and %
Change year on year (real)	\$ and %	\$ and %

Drivers of change

The DMO is made up of four cost components – wholesale, network, environmental and retail.

We will provide insight and analysis on the drivers that have impacted changes to the DMO and how the cost components that make up the DMO have changed from the previous year.

What an electricity bill is made of:

Cost component	Typical percentage range of the DMO
Wholesale – the cost to buy electricity	31% – 44%
Network – the cost to transport electricity	33% – 48%
Environmental – the cost to comply with government environment schemes	3% – 4%
Retail – the cost to serve customers	7% – 16%

Introduction of tariff caps

Under the regulatory reforms, the AER will now set capped prices for daily supply charge rates, and electricity usage rates (known as tariffs) in addition to a DMO annual price.

This matters for retailers because, prior to the reforms, retailers could set their own tariffs however they wanted to achieve the DMO annual price. Now each standing offer tariff must be set within the limits prescribed by the AER. This includes a capped rate in the peak periods.

For consumers, it provides extra protection that tariffs cannot be unjustifiably high during certain periods. It also means consumers have more transparency about the individual tariff caps so they can sit down with their energy bill and compare what tariffs they are paying against those set for the default market offer.

For some, the annual price will remain the easiest way to compare energy deals.

Each distribution zone will have:

A fixed flat rate DMO:

Annual price	Daily supply charge	Flat rate
Displayed as total \$ amount	cents/day	cents/kWh

A variable time of use DMO (Note: tariff types will change depending on the distribution zone):

Annual price	Daily supply charge	Peak rate	Shoulder/ Solar soak depending on distribution zone	Off-peak rate
Displayed as total \$ amount	cents/day	cents/kWh	cents/kWh	cents/kWh

The new opt-in Solar Sharer Offer

The recent government reforms have also introduced a Solar Sharer Offer (SSO) as a DMO option.

Retailers with over 1,000 customers will be required to have a default Solar Sharer plan available as an opt-in for customers.

The SSO includes 3 hours of free power during the day to take advantage of Australia's abundant solar energy resources.

The SSO suits customers who can shift some of their energy usage into the designated free power period. Examples of shifting usage might be programming the washing machine or dishwasher to run in the middle of the day.

But it might not be for everyone, which is why it is opt-in for customers.

It's all about how people routinely use their electricity and the shifts they can make to the middle of the day. SSO customers using the free window period will have the opportunity to make savings directly on their electricity bills.

Proposed free power periods

11am to 2pm: New South Wales and South East Queensland

12pm to 3pm: South Australia

There is a cap on the amount of electricity that can be consumed for free each day under the SSO. This is equivalent to roughly a day's usage for a 5-person household.

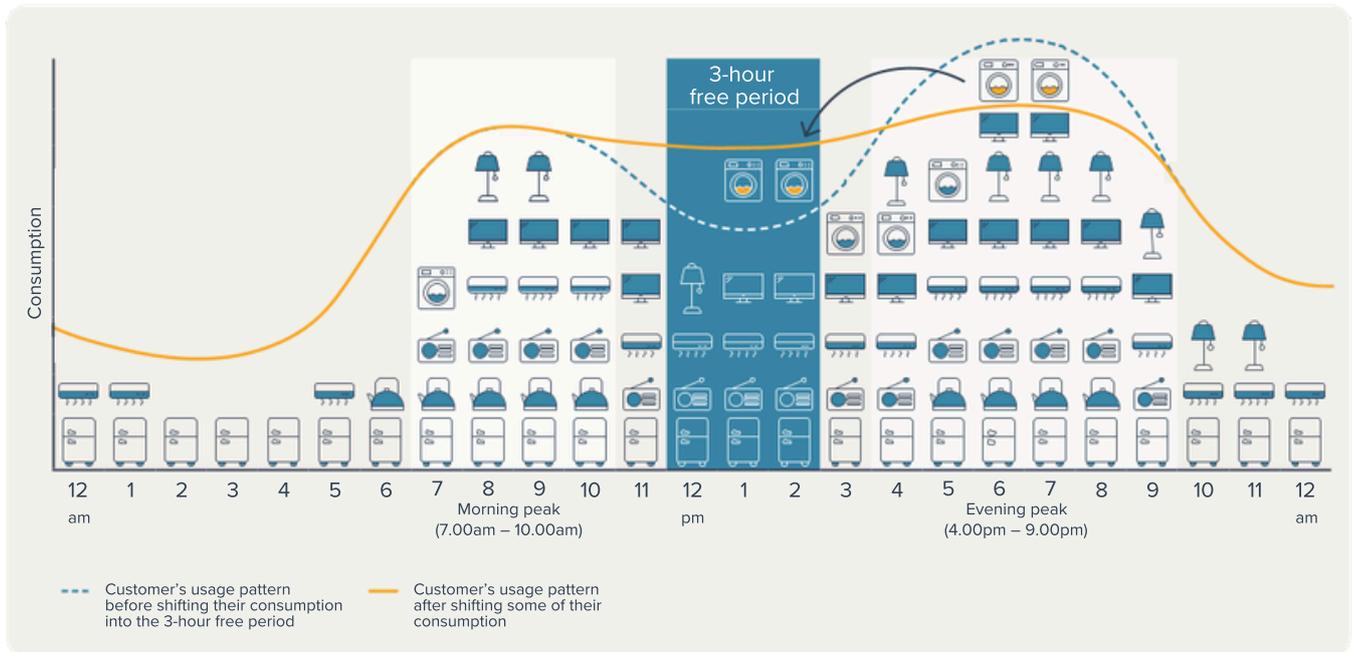
As a consumer safeguard, the price of electricity over this amount and outside the free hours will be regulated.

This means consumers who aren't able to shift consumption shouldn't be disadvantaged. However, they will miss out on the potential savings available in the Solar Sharer Offer.

Flattening the demand curve

Giving customers the incentive to move some of their electricity demand into the middle of the day will help to maximise the use of solar energy while avoiding expensive peaks in demand once the sun goes down.

Shifting more demand to the middle of the day would lower the cost of the electricity system for all consumers as we don't need to build as much generation or poles and wires to meet the evening peak.



Our key takeaway for consumers remains the same – 'shop around'

The DMO may not be the best priced energy plan in the market. It is a safeguard for consumers who are unable, or choose not, to shop around. It also acts as a reference price with which to compare other, often cheaper plans in the market.

Our key takeaway for energy consumers is always to shop around for a better energy deal. Retail data from January this year shows us that customers on the DMO could save up to 12% on their energy bills by switching to a mid-market offer in their region.

The AER offers a free and independent comparison website, Energy Made Easy, to look for cheaper deals. Go to www.energymadeeasy.gov.au

Consultation

Each year the draft DMO determination, released in March, is subject to consultation, with stakeholder feedback, along with updated market and network cost inputs, factored into the final decision in May.

Retailers then implement the DMO on 1 July every year.



More information

Australian Energy Regulator

AER infoline 1300 585 165

www.aer.gov.au

www.energymadeeasy.gov.au

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