



08th April 2026

DMO Team
Australian Energy Regulator
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Melbourne 3000

DMO@aer.gov.au

Submission on DMO 8 Draft Determination

Dear DMO Team,

Hanwha Energy Retail Australia (**Nectr**) appreciate the opportunity to provide feedback on the draft Default Market Offer (DMO 8) for 2026–27. As a retailer operating in the National Electricity Market (NEM), we support the principles of affordability and consumer protection. However, we wish to outline several material risks, particularly for small retailers, that arise from the assumptions underpinning the draft determination and the introduction of the Solar Sharer Offer (SSO).

WHOLESALE COST AND VOLATILITY RISKS NOT REFLECTED

The draft DMO 8 assumes downward pressure on wholesale costs, citing falling contract prices and reduced volatility driven by increased renewable and battery output. However, the AER also acknowledges that the draft was completed without consideration of the Iran War, and that forward wholesale contract prices have since increased.

Nectr considers it is well established that energy markets have entered a period of severe instability, with at least 40 energy assets severely damaged and LNG supply currently reduced by ~20%. These dynamics place direct upward pressure on Australian wholesale electricity prices, given our continued exposure to international coal and gas markets. Forward wholesale electricity contract prices for 2026–27 have already increased since the conflict began.

In relation to the Solar Sharer Offer (SSO) specifically, retailers are required to provide three hours of unlimited free electricity in the middle of the day. This obligation is supported by market conditions such as abundant and low-cost daytime solar generation, minimal reliance on firming resources during midday, and limited spot-price volatility.

However, Nectr consider that current market conditions contradict this, with volatility being significantly contributed to by ongoing fuel supply disruptions. This type of volatility is systemic, sustained, and directly increases retailer wholesale energy procurement costs. Additionally, without a mandated usage cap in the regulation, retailers face unrestricted exposure to midday load shifting, which could materially increase wholesale volatility and undermine market stability.



Under these conditions, the SSO shifts uncompensated financial risk onto retailers, disproportionately impacting smaller operators who cannot absorb these additional wholesale cost exposures.

SOLAR SAVER OFFER (SSO) IMPLEMENTATION

The draft DMO 8 includes a proposed commencement date for the Solar Saver Offer (SSO) of 1 July 2026, which leaves retailers insufficient time to redesign systems, update billing processes, and implement new compliance obligations. Additionally, the absence of any clear mechanism for cost recovery in delivering the SSO creates unintended outcomes, such as increased costs being reflected in products outside the SSO, thus disadvantaging customers who are unable to opt-in to the offer.

The SSO design raises concerns about the accuracy of “Best Offer” calculations, as the mandated methodology relies on historical usage patterns, while the value of the SSO depends on future behavioural changes that cannot be captured in the calculation.

In addition, the structure of the SSO may unintentionally penalise vulnerable groups who cannot shift their energy consumption into the free-period window—such as renters, people working away from home during the day, or households with inflexible load profiles.

Overall, Nectr consider that the approach to SSO design and implementation is rushed, and risks undermining customer equity, and the integrity of retail price regulation.

CONSIDERATIONS FOR FINAL DMO 8

To ensure retailers can sustainably meet their regulatory obligations while maintaining a competitive market, we request consideration of the following proposals.

- a) **Updated wholesale cost allowance**, which incorporates post-conflict forward contract data into wholesale cost modelling to reflect the materially higher-risk environment. The current allowance does not capture the elevated hedging costs, increased contract premiums, and heightened volatility that retailers are now exposed to. Without recalibrating the wholesale cost component to reflect contemporary market conditions, retailers face a structural under-recovery risk that undermines competitive market dynamics.
- b) **Mandate a clear and enforceable consumption cap under the SSO obligation** to reduce the risk margin applicable to retailers when midday volatility occurs. While the draft DMO 8 adopts a 24 kWh/day assumption for modelling purposes, this is not yet a binding regulatory cap. A formalised cap is essential to ensure predictable wholesale exposure, support accurate cost recovery, and prevent cross-subsidisation between customer groups.
- c) **Review and consider a delayed commencement date for the SSO obligation**, in the interest of ensuring the new initiative prioritises better customer outcomes. The current commencement date poses a significant and disproportionate burden on small retailers to deliver the required system, billing, compliance, and operational changes. Nectr considers that the draft DMO 8 contains two unresolved regulatory issues: the absence of a mandated consumption cap for the free-usage period, which exposes retailers to uncapped wholesale risk and potential volatility; and the lack of a defined cost-recovery methodology within the DMO, which leaves retailers uncertain about how SSO-related costs will be recovered. A



revised commencement date would allow these foundational issues to be resolved and ensure the SSO can be delivered in a way that supports customer outcomes and market stability.

We acknowledge the challenging environment in which the AER must set the DMO. Nevertheless, without updates to the cost and volatility assumptions, the draft DMO 8 poses significant and avoidable financial risks, particularly for small retailers who play a critical role in maintaining competition and consumer choice.

We would welcome the opportunity to discuss these issues further and contribute to the development of a final determination that appropriately balances consumer protections with retailer sustainability.

Kind regards,

A handwritten signature in blue ink, appearing to read "HB", is written over a faint blue rectangular stamp.

Hayden Barry
Managing Director
Hanwha Energy Retail Australia