SACOSS
South Australian Council of Social Service

SACOSS' Submission to the Australian Energy Regulator on the Default Market Offer prices 2026-27: Draft Determination

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47 King William Road

Unley, SA, 5061 Australia

Ph (08) 8305 4222

Fax (08) 8272 9500

Email: sacoss@sacoss.org.au

Website: www.sacoss.org.au

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Introduction

The South Australian Council of Social Service is the peak non-government representative body for health and community services in South Australia, and has a vision of *Justice, Opportunity and Shared Wealth for all South Australians*. SACOSS does not accept poverty, inequity or injustice. Our mission is to be a powerful and representative voice that leads and supports our community to take actions that achieve our vision, and to hold to account governments, business, and communities for actions that disadvantage vulnerable South Australians.

SACOSS' purpose is to influence public policy in a way that promotes fair and just access to the goods and services required to live a decent life. We undertake policy and advocacy work in areas that specifically affect disadvantaged and low-income consumers in South Australia. With a strong history of community advocacy, SACOSS and its members aim to improve the quality of life for people disadvantaged by the inequities in our society.

SACOSS has a long-standing interest in the delivery of essential services. Our research shows that the cost of basic necessities, like water and electricity, impacts greatly and disproportionately on people experiencing vulnerability and disadvantage.

SACOSS would like to thank the Australian Energy Regulator (AER) for the opportunity to provide feedback on the *Default Market Offer 2026-27: Draft Determination*, (**the Draft Determination**), dated March 2026.[1]

SACOSS strongly welcomes the reforms implemented through DMO 8, including the new statutory objective to provide a fair, trusted and reasonably priced electricity option, the move to tariff-based caps, and the strengthened emphasis on efficient costs and the long-term interests of consumers. SACOSS is broadly supportive of the AER's methodology in DMO 8 and commends the AER for delivering a balanced and well-reasoned Draft Determination within a challenging time-frame and in the absence of DMO Guidelines. Had the methodology remained unchanged, DMO 8 in South Australia would have been around $110 (or 4.8%) higher than the AER's Draft Determination.[2]

That said, South Australian households continue to face structurally higher electricity prices than consumers in other DMO jurisdictions. For example, the DMO 8 flat tariff cap for South Australian standing offer households is 18% higher than the next highest DMO in NSW,[3] and while the draft determination results in a small year-on-year reduction of 1.3%, prices

[1] Australian Energy Regulator (AER), *Default Market Offer 2026-27: Draft Determination*, March 2026

[2] What would otherwise have been a 3.4% increase in the DMO in SA (up by $79 from $2,301 to $2,380) is now a 1.3% decrease due to methodological changes (down $31 from DMO 7).

[3] SA households continue to pay the **highest tariffs in the Nation** (the SA DMO8 flat tariff of 40.4665 c/kWh is 18% higher than the next highest in NSW at 35.5724 c/kWh).

remain at persistently high levels following increases in previous years (most notably a 24% increase in the DMO for 2023/24). The SA DMO has increased by 23% in the past 6 years, from $1,832 in 2020-21 to $2,270 in 2026-27 (Flat Rate).

Electricity affordability for renters and low-income or disadvantaged households therefore remains a significant concern for SACOSS. Recent retail performance data published by the AER shows the number of households experiencing energy debt is increasing in South Australia, and average debt levels are the highest in the NEM,[4] pointing to a worsening of the ongoing energy affordability crisis in this State. The DMO remains a critical safeguard for South Australian households facing high electricity prices, and we urge the AER to ensure the final determination delivers outcomes that are genuinely fair, trusted and reasonably priced.

Summary of SACOSS recommendations and submissions

SACOSS fully supports the submissions and recommendations contained in the Justice and Equity Centre's joint submission to this consultation. As discussed in our meeting with the AER on 31 March 2026, SACOSS provides the following feedback and recommendations in response to this consultation on the Draft DMO 8:

Overall Position

- SACOSS supports the DMO 8 reforms, including the new statutory objective, tariff-based caps, and a focus on efficient costs.
- We note South Australia continues to face the highest electricity prices in the NEM, and we highlight ongoing energy affordability concerns for low-income, renter, and disadvantaged households.

Tariff Caps

- SACOSS strongly supports the introduction of tariff caps instead of annual average prices.
- We consider tariff caps reduce retailer flexibility, improve price certainty, and enable clearer comparisons.

Allocation of Fixed and Variable Costs

- SACOSS supports recovery of fixed costs through daily supply charges and variable costs through usage charges.
- SACOSS does not support shifting costs from supply to usage charges.
- We consider the AER's approach to allocating costs within the Draft is cost-reflective, equitable, and aligned with other regulated tariff frameworks.

[4] See AER Retail Market Performance data for Q2 2025/26 (October – December) where the number of customers experiencing energy debt (not in a hardship program and over 90 day) increased by 14.5% in three months – up from 17,521 in Q1 to 20,055 in Q2, with an average debt level of $2,357. Customers in hardship programs also increased to 21,287 in Q2 from 20,456 in Q1, and the average debt of a hardship customer is $2,965, $573 above the NEM average.

- SACOSS recommends using broader household data (income after housing costs, tenure, solar / battery access) when assessing impacts of higher fixed charges.

Cost Stack Analysis

- SACOSS welcomes increased transparency through cost stack analysis.
- We are seeking the AER presents cost stack analysis of both usage and supply charges (cents per kWh and cents per day) for better comparison and policy development.

Retailer Tariff-Based Comparisons

- SACOSS highlights the importance of the DMO as a comparison benchmark for market offers.
- We are calling for clear, simple tariff-based comparisons on bills and the introduction of tariff comparison tools. We also note the particular importance of accessible tariff comparisons for TOU customers, most of whom were migrated to TOU market offers without consent or notification.

Network Costs

- SACOSS is calling for a more granular breakdown of network costs, including DUOS, TUOS (FERM), JSOs, and metering.
- We are requesting the various network costs be presented as a cents per-day and c/kWh (depending on whether the costs are recovered through supply or usage charges).
- We continue to raise concerns about equity impacts and regressive cost recovery mechanisms.
- We submit that non-energy policy costs should not be recovered through electricity bills.

Retail Margin

- SACOSS supports reducing the retail margin from 6% to levels comparable with other jurisdictions.
- We oppose applying a retail margin to the entire cost stack as it compounds network cost increases.

Wholesale Costs

- SACOSS supports the use of the 50th percentile WEC estimate rather than the 75th percentile.
- We oppose the inclusion of a volatility allowance, and continue to submit that customers should only pay for efficient wholesale costs, not risk premiums.

Solar Sharer Offer (SSO)

- SACOSS is concerned about the impacts of a 12-hour peak period tariff that is around 45% higher than the flat DMO.
- We caution that many households will be unable to avoid peak usage and may face higher bills if they opt-in without proper consideration.
- We note that benefits are likely to flow mainly to battery and EV households.
- We are calling for strong consumer protections and comprehensive monitoring of SSO outcomes.

Tariff Cap

As set out in previous submissions, SACOSS strongly supported the AER determining a tariff cap for small customers instead of an annual price based on an annual 'average' usage. The establishment of specified tariffs will limit retailers' flexibility around compliance with the price cap, will allow for less variability in effective prices for standing offer customers, and will result in more meaningful price comparisons for market offer customers.

Allocating fixed and variable costs

In setting the tariff cap, the AER has assigned recovery of fixed costs to the daily supply charge and the recovery of variable costs to the usage charges. This approach aligns with the new DMO objective to 'provide a fair, trusted and reasonably priced electricity option that **reflects the costs of supplying small customers with an essential service',** and is consistent with regulated tariff setting approaches in other jurisdictions.

SACOSS acknowledge the 178.3462 c/day ($650 per year) supply charge for DMO 8 (flat rate / TOU and SSO) is likely to be higher than retailer's current standing offers in South Australia. That said, we consider the AER's current approach is the most cost reflective and equitable, and do not support any of the three options set out in the Draft Determination to shift the recovery of cost components from the daily supply charge to the usage charge. We also consider an accurate reflection of fixed and variable costs can better inform proper targeting of complementary measures at a jurisdictional level.[5]

The AER may consider obtaining and analysing standing offer customer consumption data from retailers to provide further context for potential cost impacts of increased fixed charges. However, it is important to acknowledge that low consumption data alone is insufficient to draw conclusions as to the impact of higher fixed charges on households, and we refer the AER to SACOSS' previous submissions to the AEMC's Pricing Review, where we discuss the importance of considering income after housing costs, household composition,

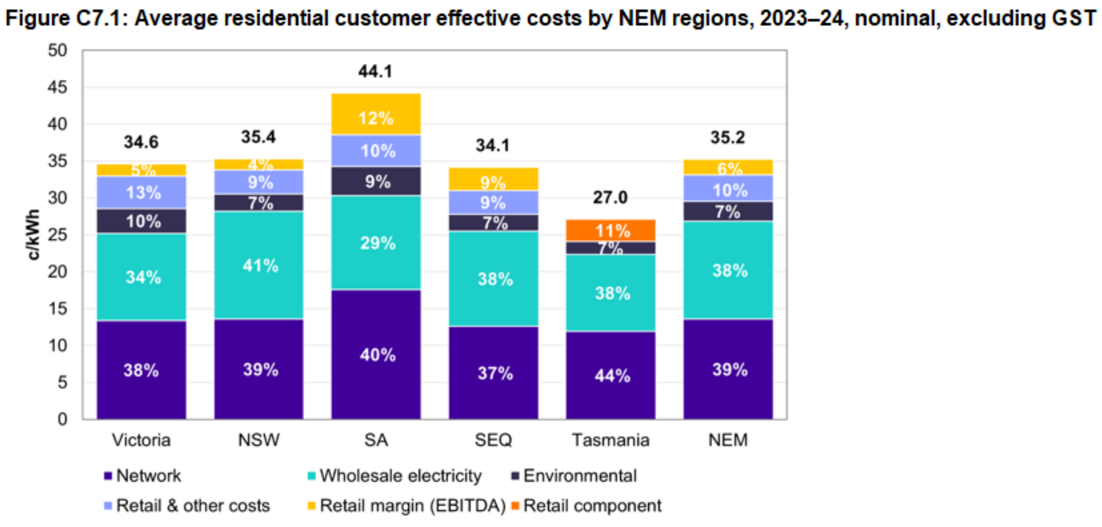
[5] Noting section 73 of South Australia's Residential Tenancies Act 1995 makes provision for landlords to pay for the 'rates and charges' for the 'supply of electricity' that are 'not based on the level of consumption'.

housing tenure, access to solar / batteries and household behaviour when analysing the regressive impacts of increasing fixed charges.[6]

Costs stack analysis of tariff cap usage and supply charges

SACOSS considers the AER's analysis of cost stack inputs in setting the tariff cap provides a much-needed level of transparency around cost drivers and bill impacts which is essential for advocacy and evidence-based policy development.

Whilst the AER has undertaken this analysis, the Draft Determination still presents the composition of the DMO as an annual price based on average annual usage (see Figures 2.7 and E.1 in the Draft). We understand this is the first year a tariff cap has been set and it is necessary to present annual amounts to effectively compare the DMO with previous years, but SACOSS considers it would be extremely useful if the tariff usage and supply charges could be presented in c/kWh and c/day components, along the lines of the ACCC's analysis of effective costs in Appendix C of the December 2024 *Inquiry into the National Electricity Market Report*:[7]



Source: ACCC analysis based on retailers' data.

Figure 1: Average effective costs c/kWh. Source: ACCC, 2024

We do not consider average annual usage is a useful tool for comparison or to analyse household cost impacts. A price per unit cost stack analysis is more meaningful particularly for higher consumption households, and we refer the AER to our previous DMO submissions regarding our concerns with using average usage amounts in a rapidly changing energy system.

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[6] SACOSS, Submission to the AEMC's Pricing Review Draft Report, 28 February 2026, and SACOSS, Submission to the AEMC's Pricing Review Discussion Paper, July 2025

[7] ACCC, Appendix C – supplementary spreadsheet with retail pricing data, cost stack data and charts December 2024

We are seeking the AER undertake a cost stack analysis of both the tariff usage and supply charges to provide transparency, allow for comparison across jurisdictions and inform policy development.

Retailer's tariff-based comparisons

An important function of the DMO is to provide comparisons for market offer customers. We know from the ACCC's analysis of bills that around 36.5% of all residential energy consumers (around 2.5 million households) and **73.7%** of households on older energy plans (three years +), pay prices *at or above* the DMO.[8] It is therefore vital market offer customers are able to simply and clearly compare DMO **tariffs** with their current plan. This is particularly important for TOU customers in South Australia (around 45% of households[9]) who were moved to TOU plans without consent or advanced notification after installation of a smart meter, and have not had the benefit of a TOU DMO for comparison under previous DMOs. SACOSS has seen TOU peak tariffs that are nearly double the 56 c/kWh established under the Draft TOU DMO 8, and feedback from financial counsellors has supported the need for clear retailer communication setting out tariff-based comparisons. We are seeking the AER provide clarity on how market offer customers will be able to simply compare market tariffs with DMO tariffs on their billing information, and whether a quick tariff comparison tool will be available.

Network Costs

In line with our previous submissions, we are calling for the AER's DMO 8 Determination to include a more granular analysis of Network costs, broken down into DUOS, TUOS (separately identifying FERM costs recovered from SA energy consumers), jurisdictional scheme (JSO) costs and metering costs, reflected as a $/day or $/kWh tariff. Jurisdictional scheme costs and TUOS are largely obscured within broader network costs. SA Power Networks currently recover JSO costs through a supply ($/day) and usage ($/kWh) tariff component for residential customers.[10]

The cost impact on households of NUOS, TUOS (FERM) and JSOs will be dependent on the allocation of costs across supply and usage charges, and the amount of electricity consumed by the household. Having clarity of the costs on a price per day / unit basis is vital for transparency and to assess what consumers are paying for government policy priorities, and the distributional impact of those costs. This is increasingly important in circumstances where additional jurisdictional scheme costs are being added to residential customers' bills, and transmission costs are forecast to increase.

In 2026/27, South Australian energy consumers will be paying for the Premium Feed-in-Tariff Schemes, the Small Claims Compensation Scheme and the new Firm Energy Reliability

[8] ACCC, Inquiry into the National Electricity Market Report, December 2025

[9] AER, Quarterly Retail performance update – December 2025, March 2026, p.7

[10] SA Power Networks 2026-27 – Pricing Proposal Overview 31 March 2026, Table 12

Mechanism Scheme[11] through the network cost component. In 2024/25, SA Power Networks recovered $86.2m from South Australian energy consumers through their energy bills (linked to grid consumption) for the cost of two jurisdictional schemes ($5.2m for the AGL Scheme and around $81m for the PFiT Schemes).[12] South Australian residential energy consumers deserve to have visibility of all costs recovered through bills, particularly the costs of the FERM which are concealed within TUOS charges.

SACOSS has long argued this method of cost recovery for policy priorities unrelated to the direct provision of energy services is inherently unfair and inequitable.[13] There are two reasons for this:

- energy expenditure is highly regressive; those on the lowest incomes spend proportionately more of their household income on energy than those on higher incomes,[14] and
- households with higher grid-consumption (like hardship or payment plan households) pay disproportionately more for the costs of these Schemes, as compared to those who can access energy from behind the meter and reduce their grid consumption (solar PV / battery households).

In the interests of transparency, we urge the AER to provide a more granular analysis of NUOS than is identified in the Draft Determination, including an apportionment of costs ($/day and $/kWh) for DUOS, TUOS (separately identifying FERM costs), JSOs and metering costs identified through SAPN's Pricing Proposal. We note the AER has undertaken a breakdown of retail and other costs components by customer type and DMO region in Table 7.1 of the Draft Determination, and we would like to see this analysis repeated for the components of Network costs.

Retail Margin

In light of the DMO objective, mandatory efficiency considerations and the removal of the 'reasonable profit' principle, SACOSS strongly supports a re-evaluation of the retail margin percentage from 6% to at least the levels seen in other jurisdictions (for example, 5.3% in the VDO).

SACOSS has consistently opposed the retail profit margin allowance being based on the entirety of the cost stack. Network business are allowed a generous rate of return, with retailers then allowed an additional profit percentage of the total cost stack, compounding costs to consumers. Any network cost increases (including jurisdictional scheme or

[11] SACOSS understands $44m will be recovered from SA energy consumers through SAPN's network tariffs to cover the costs of the Firm Energy Reliability Mechanism in 2026/27, with the future costs of the Scheme yet to be determined.

[12] AER-Stakeholder Report – SAPN – 2024-25 Annual Pricing Proposal updated, 17 July 2024

[13] SACOSS, Submission to DEM on the Firm Energy Reliability Mechanism, December 2024

[14] SACOSS, Working to make ends meet: Low income workers and energy bills stress, November 2020, p.42

transmission costs) would allow the retailer to recover a greater profit. Network costs are forecast to increase significantly into the future, and the current approach to quantifying the retail margin does not appear to be either fair, efficient or in the long-term interests of consumers.

Wholesale Costs – percentile WEC estimate

SACOSS strongly supports the adoption of the 50th percentile from the distribution of WEC estimates produced by the wholesale cost modelling, rather than the 75th percentile applied in previous determinations. Retailers have been significantly over-recovering wholesale costs from South Australian energy consumers for many years, and the clear policy intent of the reformed DMO supports the AER ensuring only efficient costs are reflected in the price.

SACOSS is strongly opposed to the inclusion of a volatility allowance, in circumstances where consumers have overpaid for volatility risk for many years, and South Australian households have the highest energy debt levels in the Nation.[15]

As noted in previous submissions, ACCC analysis shows South Australian households paid the highest retail margin in the Nation in 2023/24, likely due to volatility. The margin comprising 12% of the cost stack, or $240 per customer (up by 238% on the 2022/23 retail margin of $71 per customer). The ACCC suggests a possible reason for this is that most retailers increased retail prices to recover high wholesale costs, which could have allowed retailers that avoided high wholesale costs to set consumer prices with high margins.[16] SACOSS suggests this practice is unfair and inefficient. SACOSS supports the AER determining efficient wholesale costs and efficient retail margins to ensure customers aren't paying risk premiums over and above efficient costs.

Solar Sharer Offer

The Draft SSO for South Australian households provides for a 12-hour peak period between 6am-10am and 4pm-12am, at 58.7989 c/kWh. This tariff is around **45% higher** than the flat rate DMO of 40.4665 c/kWh. SACOSS considers the majority of households, particularly larger households / renters / non-solar battery households, will be unable to avoid a 12-hour peak and risk facing significantly increased bills under this offer. It is vitally important that households are provided with retailer support and exercise extreme caution when considering whether to opt in to the SSO. Simply moving a washing machine or dishwasher use to the middle of the day will not outweigh the impact of a 45% increase in energy use costs during peak periods. We also repeat our submissions made in previous AEMC and AER

[15] AER Retail Market Performance data for Q2 2025/26 (October – December), March 2026

[16] ACCC, Inquiry into the National Electricity Market Report, December 2024, p. 7.

consultations that energy is largely inelastic, households cannot and do not respond to economic price signals, and will simply be punished by higher prices at peak periods.[17]

SACOSS expects the biggest beneficiaries of the SSO will be battery and EV households, that can fully charge batteries or vehicles in the three-hour window and avoid peak grid consumption (even with the 24kWh cap).

It is unclear whether the ACCC or the AER will be responsible for monitoring and compliance associated with the SSO, but SACOSS is urging the AER to strongly support comprehensive monitoring of implementation and impacts over 2026/27. This should include which households opt-in (solar / battery or non-solar / battery) and bill comparison analysis.

Conclusion

Thank you for the opportunity to provide feedback in relation to the Draft Determination. We would welcome the opportunity to expand on any of our submissions through further engagement, if required. Please do not hesitate to contact Georgina Morris on 8305 4214, or Georgina@sacoss.org.au, if you have any questions in relation to this submission or require any further information or clarification.

[17] See: SACOSS, AEMC Smart meter Rule Change submission, 24 July 2024 and Kelly Burns and Bruce Mountain, Victorian Energy Policy Centre, 'Do Households respond to Time-of-Use tariffs? Evidence from Australia', VEPC Working Paper WP2001, June 2020