Australian Government

AUSTRALIAN ENERGY REGULATOR

Draft default market offer guidelines

Explanatory statement

September 2026

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Amendment record

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Glossary

Term	Definition
ACCC	Australian Competition and Consumer Commission
ACT	Australian Capital Territory
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
ASX	Australian Securities Exchange
DMO	Default market offer
DMO 2	2020–21 default market offer
DMO 6	2024–25 default market offer
DMO 7	2025–26 default market offer
DMO 8	2026–27 default market offer
DMO 9	2027–28 default market offer
DNSP	Distribution network service provider
ESC	Essential Services Commission of Victoria
kWh	Kilowatt hours
NEM	National Electricity Market
NSW	New South Wales
OTC	Over-the-counter
SSO	Solar Sharer Offer
TWAP	Trade-weighted average price
WEC	Wholesale energy cost

Invitation for submissions

Interested parties are invited to make submissions on the draft DMO guidelines by close of business, 16 October 2026. We will consider all submissions received by this date in the final DMO guidelines.

Submissions can be sent to DMO@aer.gov.au or to:

> Paul Harrigan
> Executive Director, DMO and Consumers Branch
> Australian Energy Regulator
> Level 17, 2 Lonsdale Street
> Melbourne VIC 3000

Please ensure submissions are in PDF, Microsoft Word or another text readable document format.

We prefer that all submissions be publicly available to facilitate an informed and transparent consultative process. Submissions will be treated as public documents unless otherwise requested.

Parties wishing to submit confidential information should note their confidentiality claim in the email attaching the submission. Ensure the submission clearly identifies the information that is the subject of the confidentiality claim and provide a non-confidential version of the submission in a form suitable for publication.

All non-confidential submissions will be placed on our website. For further information on our use and disclosure of information provided to us, see the AER information policy.

1 Overview

This explanatory statement accompanies the *Default market offer guidelines – draft guidelines for consultation* (draft DMO guidelines) published on 18 September 2026. This document explains the reasons for and seeks stakeholder views on our proposed approach to determining the DMO, as set out in the draft DMO guidelines.

1.1 Role of the DMO guidelines

Under the Competition and Consumer (Industry Code—Electricity Retail) Regulations 2019 (the Regulations), the AER is required to publish final DMO guidelines on its website by 1 December 2026.[1]

This new requirement was introduced through the Australian Government's 2025 reforms to the DMO framework. The government recommended the AER develop, publish and maintain guidelines setting out its intended approach to determining a DMO in accordance with the DMO objective[2] and the Regulations.[3]

The DMO objective is to provide small customers that are supplied with electricity at standing offer prices with a fair, trusted and reasonably priced electricity option that reflects the costs of supplying small customers with an essential service.

Furthermore, the DMO guidelines are intended to enhance transparency and improve regulatory certainty.[4] We will embed this intention in the DMO guidelines to improve stability in our approach, while also preserving flexibility where needed to respond to changes in market conditions, data availability and other relevant circumstances.

On 21 August 2026 we released the AER Strategic Plan 2026–2030, which sets out our direction and priorities for the next 5 years. The DMO continues to be one of our most direct consumer protection tools to ensure consumers are better off, now and in the future. We consider outlining our approach to determining the DMO in these guidelines will enhance transparency and improve regulatory certainty. Clearly outlining our approach supports us as a regulator that acts independently, with openness and accountability. The DMO guidelines will also streamline our DMO consultation each year to only focus on issues relevant to that determination. This will enable us to continue engaging actively with stakeholders to deliver the DMO and contribute to meeting our strategic objective to minimise regulatory burden.

The DMO guidelines must set out a range of matters that are prescribed in the Regulations and summarised in chapter 1 of the draft DMO guidelines.[5] We must have regard to the DMO guidelines when determining the comparison price and tariff cap for each regulated tariff and

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1 Regulations, s.18B(3).

2 Regulations, s. 9A(1).

3 DCCEEW, Review Outcomes: 2025 reforms to the Default Market Offer, Department of Climate Change, Energy, the Environment and Water, 4 November 2025, p. 8.

4 DCCEEW, Review Outcomes: 2025 reforms to the Default Market Offer, Department of Climate Change, Energy, the Environment and Water, 4 November 2025, p. 45.

5 Regulations, s. 18B.

the comparison price for non-regulated tariffs.[6] We must also have regard to the DMO guidelines for the purposes of meeting the DMO objective.[7]

At times the DMO guidelines may need to be amended, which we may do on our own initiative.[8] To do this, we must publish and invite submissions on the draft amendments for at least 21 days and consider any submissions received.[9] However, we are not required to comply with this requirement if the matters in the proposed amendment were already consulted on through a draft determination and included in a final determination.[10]

When making a determination, we may depart from the approach and methodology set out in the DMO guidelines if we consider the circumstances warrant a different approach or methodology (for example, to respond to one-off market events or other relevant circumstances). If this occurs, we will provide reasons for the proposed departure in a draft determination and seek stakeholder feedback. Chapter 2 of the draft DMO guidelines provides more detail on circumstances in which we may change our approach in response to relevant circumstances.

1.2 Further amendments to the DMO Regulations

The draft DMO guidelines are based on the Regulations as at 8 August 2026. The final form of the DMO guidelines may be impacted if any amendments are made to the Regulations before 1 December 2026.

We are aware that the Australian Government intends to extend DMO protections to small customers in embedded networks from the 2027–28 DMO (DMO 9).[11] The timing and nature of consultation will depend on the details of any amendments relating to embedded networks, which have not yet been finalised.

1.3 Explanatory statement and draft guidelines

This explanatory statement sets out our reasons for the approach we have taken in the draft DMO guidelines.

As set out in the chapters that follow, the draft DMO guidelines largely retain our approach from the 2026–27 DMO (DMO 8). We consider our DMO 8 approach is robust and consistent with the Regulations. The DMO 8 process involved extensive consultation and analysis conducted through an issues paper and draft determination, including our supplementary report Assessing the performance of the wholesale cost model and additional targeted consultation on the Solar Sharer Offer (SSO). Through this process, we tested our approach with stakeholders before refining our approach for the final determination in consideration of feedback received. Accordingly, we do not propose to adopt a different approach in the DMO

6 Regulations, s. 16(4)(cb).

7 Regulations, s. 9A(2).

8 Regulations, s. 18D.

9 Regulations, s. 18C.

10 Regulations, s. 18D(2).

11 DCCEEW, Review Outcomes: 2025 reforms to the Default Market Offer, Department of Climate Change, Energy, the Environment and Water, 4 November 2025, p. 6.

guidelines for most aspects unless we are provided with strong evidence that supports a change.

Unless otherwise stated, the approach and methodology for determining each cost component or matter applies to both regulated and non-regulated tariffs as well as to both residential and small business customers.

The draft DMO guidelines also include aspects of our approach on which we are explicitly seeking stakeholder feedback. These include specific questions to guide this feedback.

In many cases these aspects are articulated as guiding principles in the draft DMO guidelines, rather than rigid methodology. It is possible these aspects may transition to more definitive positions in the final DMO guidelines depending on the extent and nature of stakeholder feedback. These aspects are:

- circumstances we should consider as a basis to depart from or amend the DMO guidelines (chapter 2)
- our framework for deciding whether specific contract types are included in the modelled hedging strategy (chapter 3)
- whether we should apply the retail margin under an alternative margin approach (chapter 7)
- parameters for determining an appropriate timing or pattern of supply for additional types of regulated tariffs (chapter 8)
- principles or evidence that could inform us when considering alternatives to the current approach to the SSO (chapter 9)
- principles or data that could inform determining a type of tariff as a regulated tariff (chapter 10)
- whether we should determine small business controlled load as an additional type of regulated tariff (chapter 10)
- our approach to determining the comparison price for non-regulated tariffs (chapter 11).

We also welcome stakeholder views on the broader draft DMO guidelines.

1.4 Consultation and timeline

Preliminary targeted consultation

To ensure that our draft DMO guidelines are robust, we conducted targeted consultation across July and August 2026. This consultation included bilateral meetings with a range of stakeholders, including retailers, consumer groups and distribution network service providers (DNSPs).

During these meetings we heard preliminary views on principles that should guide the AER when considering circumstances that warrant departures from the proposed approach set out in the DMO guidelines. We also heard views on aspects of the proposed approach and methodology that may benefit from more prescription or more flexibility in approach.

Draft DMO guidelines consultation

During consultation on the draft DMO guidelines, we will seek stakeholder feedback through written submissions, supported by bilateral meetings and workshops. We invite stakeholders to make written submissions on the draft DMO guidelines by 16 October 2026.[12] Please see 'Invitation for submissions' for more details.

Timeline for the DMO guidelines and DMO 9

Figure 1.1 shows key dates for the development and publication of the DMO guidelines and DMO 9 determination process. Consultation on the draft DMO guidelines will replace the typical issues paper that is consulted on prior to the DMO draft determination.

Figure 1.1 DMO guidelines and DMO 9 timeline

[12] The AER must publish the draft DMO guidelines and invite submissions for at least 21 days in accordance with s. 18C of the Regulations.

2 DMO process

The DMO guidelines are being developed in accordance with the Regulations, and are intended to enhance transparency, improve regulatory certainty in our approach and supplement our approach to annually determining the DMO.

Chapter 2 of the draft DMO guidelines outlines what we need to determine and the process we follow when making the annual DMO determination.

Our determination process previously involved publishing a DMO issues paper in advance of each DMO determination to consult on potential changes to the DMO methodology based on changing market conditions and anticipated regulatory changes. Once the DMO guidelines are in effect, the issues paper will become a more streamlined request for comment paper by only focusing on specific issues instead of the entire methodology. We consider this approach will lessen consultation burden and provide greater regulatory certainty.

While the guidelines are intended to provide regulatory certainty, the energy market is evolving, and specific issues will arise from time to time that may fall outside the scope of the guidelines in their present form.

As such, when making a determination we may depart from the approach and methodology set out in the DMO guidelines if we consider matters or circumstances warrant a different approach or methodology. Chapter 2 of the draft DMO Guidelines explains how we consider these matters and circumstances. If this occurs, we may use the DMO determination process to engage on this change or consider amending the guidelines through a standalone process.

Where specific issues are consulted on and resolved through a DMO determination process, the DMO guidelines can be updated without having to go through a standalone process, reducing consultation burden on stakeholders. In this instance, we would undertake early engagement and provide reasons for the proposed departure in a request for comment paper or the draft DMO determination and seek stakeholder feedback.

Questions for stakeholders

1) What matters or circumstances should we consider as a basis for departing from or amending the DMO guidelines?
2) Are there particular issues or circumstances for which a formal DMO guidelines amendment consultation process should occur?

3 Wholesale costs

The Regulations require us to have regard to the wholesale cost of electricity in the region and the DMO objective.[13]

Chapter 3 of the draft DMO guidelines describes our wholesale cost approach and methodology in 3 parts: the approach to estimating the wholesale energy cost (WEC), the approach to estimating non-WEC wholesale costs, and the approach to adjusting variable wholesale costs for energy losses. Our considerations for each of these aspects are explained below.

3.1 Wholesale energy cost

We consider the WEC methodology, as applied in DMO 8 and reflected in the draft DMO guidelines, is robust and consistent with the Regulations. To provide regulatory certainty and transparency, we intend to maintain the following aspects of the DMO 8 approach and methodology for the final DMO guidelines:

- forecasting a distribution of spot price and load outcomes that reasonably reflects the range of possible market outcomes
- selecting the median WEC produced by that distribution
- calculating the volatility allowance
- calculating time of use WECs.

While no changes are proposed for these aspects, we note that prior changes in AEMO's method for calculating the Net System Load Profile have been a source of methodological instability across previous DMO determinations. The draft DMO guidelines state that we will move to interval meter only general use load profiles if similar adjustments compromise the Net System Load Profile's ability to accurately reflect accumulation meter demand. This is intended to provide stakeholders with clarity about our approach if circumstances surrounding data availability change, rather than to signal an imminent adjustment to our load profile methodology.

We seek feedback on the following sections of the draft DMO guidelines:

- contract price methodology
- choosing the hedging strategy.

3.1.1 Contract price methodology

We do not consider the length of the book build or use of a trade-weighted average price (TWAP) to calculate contract price inputs in the modelling needs to be reviewed. However, the draft DMO guidelines permit inclusion of over-the-counter (OTC) trades in the TWAP if publicly observable price and volume data fail to accurately reflect the value of a specific contract overall. This may be necessary when publicly traded volumes are low enough that

[13] Regulations, ss 16(4).

including volumes traded OTC would materially impact the TWAP, since trades of equivalent contracts OTC effectively carry the same financial implications.

We previously considered including OTC volumes in the TWAP when very low traded volumes in South Australia cast doubt over whether a TWAP that included Australian Securities Exchange (ASX) trades only was reflective of valuation across the overall market.[14] However, this approach was ultimately not undertaken because volumes traded OTC were closely price-aligned with the ASX and thus would have had minimal impact on the TWAP.

Including OTC volumes in the TWAP may be particularly important for new contract types, such as morning and evening peak contracts. Through consultation on DMO 8, stakeholders noted newer products are more likely to be traded OTC. As such, an ASX-only TWAP may not accurately reflect efficient costs of hedging using newer contract types.

However, we acknowledge that OTC-traded prices and volumes are not publicly visible. Using OTC volumes to calculate the TWAP may reduce transparency of the contract pricing methodology, along with limiting predictability of the final TWAPs used in the WEC modelling. We seek stakeholder views on how this trade-off should be considered.

Questions for stakeholders

3) Does the more accurate reflection of efficient costs achieved by including OTC volumes in the TWAP justify the resulting reduction in transparency?
4) If OTC volumes were included in the TWAP, what are some ways we could mitigate the resulting reduction in transparency?

3.1.2 Including new contract types in the hedging strategy

We consider the practice of selecting the hedging strategy that best minimises variation in the WEC distribution is robust and does not need to be reviewed. However, the process for deciding whether a specific contract type should be included in the hedging strategy requires further consideration. In previous DMO determinations, the contract types available on the ASX have been stable. However, we are conscious this may change as the market evolves to manage the risk profiles of renewable generation and modern retail load profiles.

We observe 2 new contract types, morning and evening peak futures, have been offered on the ASX from mid-2025. Further, the recent NEM Wholesale Markets Settings Review[15] recommended several measures designed to support development and adoption of new contract types better suited to managing the financial risks of the modern energy system. If these initiatives are successful, morning and evening peaks could be the first of several new contract types that will need to be considered for inclusion in the DMO hedging strategy. It is also possible that base future and cap contracts may become less relevant to retailer hedging strategies as the energy system continues to transition. We consider it important

14 AER, DMO 7 final determination, Australian Energy Regulator, 26 May 2025, p. 26.

15 DCCEEW, National Electricity Market wholesale market settings review, Department of Climate Change, Energy, the Environment and Water, 16 December 2025.

that a framework for assessing the merits for inclusion of individual contract types in the hedging strategy is included in the final DMO guidelines.

We consider a contract should only be included in the hedging strategy where there is sufficient liquidity for an average retailer to acquire meaningful volume of it. This principle is reflected in the draft DMO guidelines.

However, we acknowledge the potential ambiguity surrounding the threshold for 'sufficient' liquidity and the method to determine whether that threshold has been reached. We considered including specific metrics and thresholds in the draft DMO guidelines to improve regulatory certainty around this matter. For example, one possible threshold would require the contract's traded volume to be equal to or greater than 10% of scheduled demand, as suggested by some stakeholders during consultation on DMO 8.[16] However, at this stage we propose to determine whether sufficient liquidity exists for new contract types through the annual DMO determination process, because:

- appropriate metrics and thresholds for one new contract type may not be suitable for another
- the appropriate threshold may change as the market transitions
- stakeholders will likely have valuable insight as to what constitutes sufficient liquidity for each contract type.

We also seek feedback on whether volumes traded OTC should be considered when determining if a specific contract has sufficient liquidity for inclusion in the hedging strategy. We consider that a contract traded OTC has substantially similar (though not always identical) financial implications to an equivalent contract traded on a public exchange like the ASX. We also note that trades of newer contracts are initially more likely to occur OTC than on the ASX. However, we acknowledge the lack of transparency in this approach since OTC volumes are not publicly visible.

This discussion is pertinent when considering whether morning and evening peak contracts should be added to the hedging strategy. For evening peaks in particular, volume traded OTC is many times greater than on the ASX. If ASX volumes only were considered, evening peaks would be unlikely to pass any reasonable test for whether sufficient liquidity exists. However, our analysis indicates that evening peak coverage in some regions exceeded 10% of total demand in the latter part of 2025 when OTC trade was considered.

Questions for stakeholders

5) Is liquidity the only factor we should consider when deciding whether to include a particular product in the hedging strategy? If not, what others would you suggest?
6) Should the final DMO guidelines express the sufficient liquidity threshold as a general principle only, or include specific thresholds to support contract type inclusion decisions?

16 Origin Energy, Submission to DMO 8 issues paper, 1 December 2025, p. 6; AER, DMO 8 draft determination, Australian Energy Regulator, 19 March 2026, p. 49.

7) Should volumes traded OTC be considered when deciding if sufficient liquidity for a contract type exists?

3.2 Non-WEC wholesale costs

We will continue to estimate non-WEC wholesale costs separately from the WEC. These include prudential costs, ancillary services, Reliability and Emergency Reserve Trader costs, NEM management fees, AEMO direction costs and NEM event compensation cost recovery. We intend to maintain the methodology to determine each cost as set out in the draft DMO guidelines. This approach provides regulatory certainty and transparency.

3.2.1 Market making and other obligations

In December 2025, the NEM wholesale market settings review final report recommended that the Retailer Reliability Obligation[17] be phased out following the implementation of a market making obligation.[18]

Once the details of new liquidity support initiatives and obligations, such as the Market Making Obligation, are publicly available, we will consult on how to reflect any efficient costs associated through the annual DMO determination process. We will update the DMO guidelines where necessary.

3.3 Energy losses costs

We will continue calculating the total energy losses cost by summing all variable wholesale cost components and multiplying by the total loss factor. This approach provides regulatory certainty and transparency.

17 AER, Retailer Reliability Obligation, Australian Energy Regulator, n.d., accessed 18 August 2026.

18 DCCEEW, National Electricity Market wholesale market settings review, Department of Climate Change, Energy, the Environment and Water, 16 December 2025.

4 Network costs

The Regulations require us to have regard to the cost of distributing and transmitting electricity in the DMO regions.[19] The network costs component of the DMO reflects retailers' costs for distributing and transmitting electricity.

Chapter 4 of the draft DMO guidelines describes our approach and methodology to determine the network costs for flat rate, time of use and controlled load DMO tariffs and comparison prices. Our considerations for these aspects are explained below.

4.1 Regulated tariff caps and comparison prices

Flat rate network costs

We consider the approach of using the weighted average of flat rate and time of use network tariffs to determine network costs, as applied in DMO 8 and reflected in the draft DMO guidelines, is robust and consistent with the Regulations. This approach accounts for the efficient network costs that retailers will incur for customers on a flat rate retail tariff and factors in that retailers supplying electricity to flat rate retail customers can incur different underlying network tariffs based on their metering technology.

This potential mismatch between underlying network tariffs and flat rate retail tariffs occurs because under the Legacy Meter Replacement Plans,[20] legacy meters (typically accumulation meters) are being progressively replaced by smart meters out to 2030. Safeguards were introduced that require a retailer to seek a customer's explicit informed consent for any retail tariff change for 2 years following a smart meter upgrade. As a result, many small customers are likely to stay on a flat rate retail tariff after a smart meter is installed.

While the customer may stay on a flat rate retail tariff, in most DMO regions the customer will transition to a time of use network tariff when they get a smart meter. This means there will be a different retail tariff (flat rate) compared with the underlying network tariff (time of use).

Therefore, we consider it appropriate to blend flat rate and time of use network tariffs by the observed proportions of flat rate customers with smart meters because it reflects the technological capability of the installed meters. These proportions are based on the data from our compulsory retail cost notices, which collect retail cost information for the previously completed financial year (up to 30 June). These proportions will be updated for the final determination to reflect the increased uptake in smart meters over the 9 months from July to March.

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19 Regulations, ss. 16(4).

20 AEMC, Rule determination: National Electricity Amendment (Accelerating Smart Meter Deployment) Rule and National Energy Retail Amendment (Accelerating Smart Meter Deployment) Rule, Australian Energy Market Commission, 28 November 2024.

We will continue to monitor the changes in customer numbers and prices of flat rate tariffs towards the end of the smart meter rollout in 2030. Some customers on smart meters may remain on flat rate tariffs until 2032.

Time of use network costs

For determining time of use tariffs, we seek to mirror the way retailers incur network charges. This approach means that, when we use the underlying prices and structure for a network tariff, we pass through the same time and pricing signals for the time of use DMO tariffs.

Typically, we will apply the default network tariff as approved by the AER in the DNSPs' tariff structure statements, which is a time of use network tariff. The default network tariff is what a small customer is assigned when they transition from a legacy meter to a smart meter.

However, as in DMO 8 for Ausgrid, there are times when a DNSP's default network tariff is unsuitable. In these instances, we will apply the most representative time of use tariff from the DNSP's tariff structure statement.

Ausgrid's default network tariff is a demand tariff and, under the Regulations, the DMO flexible retail tariff cannot include demand charges.[21] Because the default was unsuitable, we chose the most common time of use network tariff to apply in Ausgrid. This reflected the tariff most likely to have the largest number of customers. We consider the most common time of use tariff would most likely reflect the efficient network costs incurred by retailers.

DNSPs' tariff structure statements will evolve over time, including possible changes to their default tariffs. We will ensure network costs in the DMO reflect those most reflective of the efficient costs retailers incur in supplying electricity to standing offer customers.

Controlled load network costs

For determining controlled load tariffs, we seek to mirror the way retailers incur network charges. This approach means that when we use the underlying prices and structure for a network controlled load tariff, we pass through the same time and pricing signals (where applicable).

[21] Regulations, s. 5: the definition of flexible tariff is a tariff (other than a demand tariff), for supplying electricity, that varies (either wholly or partly) according to the time of day when the electricity is supplied.

5 Environmental costs

The Regulations require us to have regard to the cost of compliance with Commonwealth and state-level laws, and the DMO objective.[22] In the DMO, environmental costs reflect retailers' costs to comply with national and state-based environmental schemes that require retailers to procure some energy from renewable sources.

Chapter 5 of the draft DMO guidelines describes our environmental costs approach and methodology.

5.1 Market-based approach

We propose to maintain our existing market-based approach to calculating environmental costs because we consider it is aligned with the Regulations by achieving the DMO objective and enhancing transparency and regulatory certainty. This approach is robust and has been used from DMO 2 to DMO 8 (with updates to new and amended schemes where required). We received no stakeholder submissions on the approach to calculate the environmental costs for DMO 8.

[22] Regulations, ss. 16(4).

6 Retail costs

The Regulations require us to have regard to:[23]

- the efficient costs of supplying electricity to small customers on standing offers, including retail costs
- if relevant to the distribution region, the modest cost of acquiring and retaining small customers.

Chapter 6 of the draft DMO guidelines describes our retail cost approach and methodology in 3 parts – the approach to determining retail and other costs, the approach to determining bad debt, and the approach to determining smart meter costs. Our considerations for each of these aspects are explained below.

6.1 Retail and other costs

6.1.1 Costs to serve and other costs

We consider the approach of calculating the customer-weighted average (excluding outliers) to determine the costs to serve and other costs, as applied in DMO 8 and reflected in the draft DMO guidelines, is robust and consistent with the Regulations. This approach best reflects efficient costs because it reflects the revealed costs of retailers operating in a competitive market. It is also consistent with how the Essential Services Commission of Victoria (ESC) determines efficient retail costs for the Victorian Default Offer. This approach provides regulatory certainty and transparency.

6.1.2 Costs to acquire and retain customers

We consider the approach of taking the standing offer customer-weighted average (excluding outliers), as applied in DMO 8 and reflected in the draft DMO guidelines, is robust and consistent with the Regulations. This approach best reflects the modest amount of acquisition and retention costs for standing offer customers.[24]

This modest allowance is intentionally set differently to an efficient benchmark. It reflects that, while all customers benefit from competition, standing offer customers may benefit from some, but not all, acquisition and retention activities, including advertising latest offerings, incentives and product features.[25]

This approach is also consistent with the ESC's interpretation of 'modest', where acquisition and retention costs are intentionally set below cost estimates derived under the customer-weighted average approach.

We intend to maintain the approach and methodology as set out in the draft DMO guidelines. This approach provides regulatory certainty and transparency.

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23 Regulations, ss. 16(4).

24 Regulations, ss. 16(4)(c)(iv)

25 AER, DMO 8 Final determination, Australian Energy Regulator, 20 May 2026, p.64.

6.2 Bad debt

We consider actual written-off debt to result in a more efficient cost outcome than provisioned amounts, since it reflects realised outcomes after retailers have exhausted all recovery actions. It also allows retailers the full recovery of bad debt, although lagged, in future DMO determinations. It is also consistent with the ESC's approach by relying on historical bad and doubtful write-offs, rather than forward-looking provisioning measures.[26] This approach provides regulatory certainty and transparency.

We consider the approach of taking the customer-weighted average (excluding outliers) of actual written-off debt, as applied in DMO 8 and reflected in the draft DMO guidelines, is robust and consistent with the Regulations. We consider this an appropriate determination of efficient costs for this component.

6.3 Smart meter costs

Similar to the approach used to determine costs to serve and other costs, we consider this approach establishes a benchmark for efficient smart meter costs because it reflects the revealed costs of retailers operating in a competitive market. We intend to maintain the approach and methodology as set out in the draft DMO guidelines.

[26] ESC, Victorian Default Offer 2025-26 Final Decision Paper, Essential Services Commission, 21 May 2025, p. 40.

7 Retail margin

The Regulations require us to have regard to the efficient costs of supplying electricity to small customers on standing offers, inclusive of retail margins.[27] Retail margins reflect the return on retailer risk.

Chapter 7 of the draft DMO guidelines describes our retail margin approach and methodology. Our considerations for retail margins are explained below.

7.1 Form of margins

We consider the approach of setting the form of margins as a percentage of DMO costs, as applied in DMO 8 and reflected in the draft DMO guidelines, is robust and consistent with the Regulations. This approach provides regulatory certainty and transparency.

Applying margins as a percentage of the total costs is adopted by other regulators. It also facilitates comparisons with the data sources and considerations for assessing whether a 6% margin remains representative of efficient margins, as set out in the draft DMO guidelines.

We note that during consultation on DMO 8, stakeholders provided mixed views on applying different retail margin methodologies for the DMO, with many retailers preferring a percentage based approach and other stakeholders supporting hybrid approaches.[28] In particular, the South Australian Council of Social Service's submission proposed excluding network costs from the cost base used to calculate margins. It argued that network costs are projected to increase over time, meaning their continued inclusion in margin calculations would allow retailers to recover a greater profit and compound increases in the DMO.[29] Although our DMO 8 final determination considered this approach understated the risks borne by retailers, we seek further stakeholder views on the merits of the South Australian Council of Social Service's proposed approach.[30]

A principle of efficient retail margins is that it only compensates for risk not accounted for elsewhere in the DMO cost stack. Network costs are regulated pass-through costs and, unlike wholesale and retail costs, retailers do not face any uncertainty about the amount of network costs they incur. The relevant risk associated with network costs arises where a customer does not pay their bills and the retailer is unable to recover these network costs. If network costs increase, the retailer must increase its prices to recover these costs. This increases the amount of revenue at risk, some of which may ultimately be written off as unrecoverable bad debt. However, we consider that this risk is fully accounted for in the DMO by including a bad debt allowance derived from actual debt written off by retailers.

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27 Regulations, s. 16(4)(a); Explanatory Statement, Competition and Consumer (Industry Code – Electricity Retail) Amendments Regulations 2026, item 41.

28 AER, DMO 8 Draft determination, Australian Energy Regulator, 19 March 2026, pp. 88-89.

29 SACOSS, Submission to DMO 8 draft determination, South Australian Council of Social Service, 9 April 2026, pp. 10–11.

30 AER, DMO 8 Final determination, Australian Energy Regulator, 20 May 2026, p. 74.

In setting the DMO, we are also required to consider the long-term interests of consumers and the objective of the Regulations.[31] Since retail margins are expressed as a percentage of the DMO cost stack, excluding network costs would remove the compounding effects on the margin if network costs increased over time. Decoupling movements in margin from movements in network costs may promote greater predictability and consistency in retail margins. However, this would depend on the stability of non-network costs because the retail margin would be more sensitive to changes in the rest of the DMO cost stack components.

If network costs are excluded, the margin will be applied to a smaller base. In that case, an increase in the margin percentage may be considered appropriate so as not to reduce the margin in dollar terms relative to previous DMOs.

Another approach to determining the retail margin could be a hybrid method consisting of two margin components:

- a fixed dollar amount reflecting risks associated with network costs
- a percentage of the remaining cost stack components to reflect the risk associated with these costs.

This approach would compensate retailers for risks associated with network costs, including mismatches between customer network and retail tariffs. The margin amount would be fixed and indexed with the Consumer Price Index to preserve its real value. This avoids the compounding effect raised by the South Australian Council of Social Service whereby higher network costs increase the margin in dollar terms. It would also avoid increasing the margin percentage applied to the remaining cost stack components, which would make the margin more sensitive to other cost component price changes.

Questions for stakeholders

8) If network costs are excluded from the DMO cost base, would an increase in retail margins be required for a smaller cost base so as not to reduce the margin in dollar terms relative to previous DMOs?

9) Would the overall percentage margin approach as set out in the draft DMO guidelines or would alternative approaches be more reflective of an efficient margin for future DMO determinations?

10) Would the overall percentage margin approach as set out in the draft DMO guidelines or would alternative approaches be more reflective of the long-term interests of consumers and the DMO objective of providing a fair, trusted and reasonably priced electricity option?

7.2 Approach to quantifying efficient margins

As determined in DMO 8, and set out in the draft guidelines, we will set retail margins at 6% of the DMO price unless there is strong evidence that these values are no longer representative of efficient margins. We consider this approach provides stability and

[31] Regulations, ss. 16(4)(ba) and (ca).

predictability, but it also allows us to respond and change the value for the margin if market conditions, and particularly the risk present in retailing electricity, change.

In 2013, the AEMC published advice on a best practice methodology for setting retail electricity prices for small customers.[32]

At the time, the AEMC identified 3 approaches to quantify retail margins[33] and concluded that no one method can be relied on because each approach has different strengths, limitations and underlying assumptions. In addition, each approach involves trade-offs between transparency, regulatory burden in data collection and efficiency. Similarly, consistent with our approach for DMO 8, we consider it appropriate to have regard to multiple data sources when assessing whether a 6% margin remains representative of efficient margins. We have set out these data sources below.

However, much of this data and the approach and methodology in the draft DMO guidelines assume the retail margin applies to the entire DMO cost stack. If we adopt any of the alternative options outlined above, we may need to revisit our margin analysis.

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) margins methodology and data

We consider EBITDA is a relevant consideration for an efficient margin because it reveals the actual margins achieved by retailers in a competitive market.

Inferring margins from prices of advertised market offers methodology and data

This approach is a relevant consideration for an efficient margin because it considers the price retailers are willing to charge and the margin retailers are willing to receive in a competitive market.

Inferring margins using ACCC's retail pricing information methodology and data

We consider these inferred margins are a relevant consideration for an efficient margin because they are the estimated average margin retailers are achieving across their entire portfolio of customers.

Benchmarking regulatory decisions from other jurisdictions

Other regulators that consider consumer protection, including the ESC, Independent Competition and Regulatory Commission, Office of the Tasmanian Economic Regulator and Queensland Competition Authority, are also required to allow for retail margins when setting efficient costs to supply electricity. We consider these regulatory decisions relevant benchmarks for quantifying efficient margins in the DMO. This data is also readily available and transparent.

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32 AEMC, Advice on best practice retail price methodology, Final report, Australian Energy Market Commission, 27 September 2013, pp. 67–68.

33 In 2013, the AEMC identified 3 methods to estimate the retail margin: the expected returns approach, a bottom-up approach and a benchmarking approach.

This also includes the expert reports and modelling prepared for and relied on by other regulatory bodies in making their determinations.

For example, for DMO 8, we considered relevant the analysis by Frontier Economics undertaken for the ESC[34] in 2019 and for the Independent Competition and Regulatory Commission in 2024.[35] This research was undertaken to quantify efficient electricity retail margins; therefore, it is commensurate with the DMO framework. The references are applicable because the assumptions and parameters underpinning the model are not specific to economic conditions within Victoria or the ACT.

Extent of impact of DMO margins on market using retail performance reporting data

We consider how the retail electricity market in DMO regions has been affected by DMO determinations of margins as a relevant consideration. This is because factors like increased market concentration, convergence at the DMO price in market offer prices and retailer exits from DMO regions could suggest that the margin in DMO prices is below an efficient level. Conversely, an influx of new entrants or an increased prevalence of market offers heavily discounted below the DMO price could suggest that the margin in DMO prices is above an efficient level.

34 Frontier Economics, Retail costs and margin, A Report for the Essential Services Commission, 24 April 2019.

35 Frontier Economics, Retail electricity price investigation 2024–27, Report for the Independent Competition and Regulatory Commission, 23 November 2023.

8 Model annual usage

The Regulations require us to determine 'broadly representative' annual supply amounts and the patterns of consumption for small customers within each DMO region.[36] Annual usage and the timing or pattern of supply over a year are jointly referred to as 'model annual usage'.

Chapter 8 of the draft DMO guidelines describes our model annual usage approach and methodology in 2 parts – annual usage amounts, and timing or pattern of supply. Our considerations for each of these aspects are explained below.

8.1 Annual usage amounts

Annual usage is a key input to the DMO methodology, helping to ensure the benchmark reflects the amount of electricity typically consumed by customers in each region.

We consider the approach of having regard to the most relevant information to determine broadly representative annual usage amounts for each relevant customer and tariff type for each DMO region, as applied in DMO 8 and reflected in the draft DMO guidelines, is robust and consistent with the Regulations. Relevant information we may consider includes usage information from DNSPs, retailers in DMO regions and other sources we consider appropriate. For example, in previous determinations we have relied on usage information contained in the ACCC's *Electricity market monitoring inquiry* reports.

While we will consider the most relevant and up-to-date information available, new data may not automatically result in substantive revisions to annual usage amounts across DMO determinations. We recognise the value of maintaining consistent annual usage amounts over time. It promotes regulatory certainty and transparency. Frequent changes increase uncertainty for retailers and introduce confusion for stakeholders.

This aligns with the objective of providing a fair, trusted and reasonably priced electricity option for all consumers.

However, we can consider changes to annual usage amounts where data and analysis indicate a material and sustained change in customer consumption such that previous annual usage amounts are no longer broadly representative, as required by the Regulations.

8.2 Timing or pattern of supply

We consider the approach of having regard to the most relevant information when determining a broadly representative single 24-hour usage profile for each relevant customer and tariff type for each DMO region, as applied in DMO 8 and reflected in the draft DMO guidelines, is robust and consistent with the Regulations. Relevant information we may consider includes AEMO interval meter data as well as information from DNSPs and retailers as appropriate.

[36] Regulations, ss 16(1) and (1A).

8.2.1 Timing or pattern of supply for tariffs that the AER seeks to add as regulated tariffs

As discussed in chapter 10, we may determine by legislative instrument an additional tariff type to be included under the definition of regulated tariff in the Regulations.[37] A timing or pattern of supply adopted for an additional regulated tariff type is expected to be consulted on as part of the relevant DMO determination process.

Questions for stakeholders

11) If we were to include additional tariff types as regulated tariffs in future, what usage parameters, if any, should we consider when determining an appropriate timing or pattern of supply?

12) Are there emerging tariff structures (such as demand-based tariffs) that may require a different approach to determining timing or patterns of supply?

[37] Regulations, s 15A.

9 Solar Sharer Offer

The SSO was launched on 1 July 2026. The SSO is an opt-in time of use standing offer tariff for residential customers with a smart meter that includes a designated 3-hour free usage period. In determining the SSO, the Regulations require us to:

- determine a daily 3-hour free usage period for each DMO region when electricity usage up to 24 kilowatt hours (kWh) is free[38]
- have regard to periods of high solar generation (rooftop and large-scale) and low wholesale and network costs in a DMO region, and align the free usage period with these periods as far as practicable[39]
- determine a reasonable use tariff cap for any electricity usage over 24 kWh during the free usage period.[40]

The Regulations also require us to determine a model annual usage, tariff caps and a comparison price for the SSO.[41] In determining an SSO price, the Regulations also require us to have regard to the mandatory considerations.[42]

We are yet to comprehensively observe resulting market, retailer and customer outcomes from our initial SSO tariff settings. As a result, we do not propose any methodological changes from DMO 8 in the draft DMO guidelines. However, the draft DMO guidelines allow for flexibility to adjust our approach over time as we collect more information and better understand outcomes from the SSO.

We intend to collect information from retailers on the SSO in late 2026. We consider it prudent to wait for robust data to become available before exploring any potential changes to our approach, which could occur through consultation during the DMO 9 process early next year. As customer and market responses to the SSO remain uncertain, we also consider setting a detailed approach to future SSO settings in the DMO guidelines now could limit our ability to respond to new information and data as it becomes available.

We welcome stakeholder views on the principles we should consider if assessing a change in our approach to the SSO in future. We also welcome views on how prescriptive the DMO guidelines should be in retaining the approach from the initial SSO.

Chapter 9 of the draft DMO guidelines describes our SSO approach and methodology in 3 parts – free usage periods, SSO tariff structure and pricing, and reasonable use tariff cap. Our considerations for each of these aspects are explained below.

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38 Regulations, s.18(1) – (2). The Australian Government has set the reasonable use cap at 24 kilowatt hours as per s.11A(2) of the Regulations.

39 Regulations, s.18A(a) – (b).

40 Regulations, s.18(4).

41 Regulations, s.16(1A).

42 Regulations, s.16(4).

9.1 Free usage periods

We consider the approach and data inputs to determine the free usage period times, as applied in DMO 8 and reflected in the draft DMO guidelines, is robust and consistent with the Regulations and SSO design principles set by the government.[43] This includes setting the free usage periods in local time and aligning free usage periods across NSW regions to support customer understanding. This approach ensures the SSO aligns with local conditions and considers key market factors and system efficiency.

9.2 SSO tariff structure and pricing

We have retained using the time of use DMO tariff structure and cost basis for the SSO as applied in DMO 8. This approach maintains parity in total annual bills for the SSO and time of use DMO, enabling easier comparisons when assessing potential customer outcomes. It also reflects retailers' efficient costs to supply customers on time of use tariffs.

The SSO is intended to encourage customers to shift electricity usage from peak periods into the middle of the day to reduce system-wide demand stress. Using a time of use tariff structure for the SSO provides clear price signals to encourage customers to shift usage into the free usage period. A time of use structure also reflects the varying costs to supply customers throughout the day.

However, we are cognisant of stakeholder feedback that multi-part time of use tariff structures may create confusion for customers. Therefore, as set out in the draft DMO guidelines, we will monitor market and customer responses to the SSO and may consider alternative tariff structures and cost bases where appropriate.

9.2.1 Cost recovery

Our approach to reallocate all costs incurred during the free usage period to all non-free usage periods on a volume-weighted basis is consistent with our approach for DMO 8. This approach effectively increases all usage charges for the non-free periods by the same amount to facilitate recovery of costs.

We propose to retain flexibility in the DMO guidelines to consider alternative approaches, such as allocating a portion of costs into the daily supply charge or a different weighting method to increase some usage charges more than others. We propose to be guided by the balance of outcomes for a modelled customer and retailer as more data becomes available on SSO outcomes.

9.2.2 Assumed customer behaviour

As with DMO 8, our approach is to assume no customer load shifting or additional consumption when pricing the SSO tariffs in the absence of robust data on customer load-shifting behaviour.

The SSO is designed with the objective that a customer with the same usage profile as the DMO pattern of supply who shifts any electricity consumption into the free usage period should be better off than if they did not shift their consumption while on the standard time of

[43] In accordance with design principles 2 and 3 from the Australian Government's SSO outcomes paper.

use DMO. If load shifting is assumed when pricing the SSO, any customer with the same usage profile as the DMO pattern of supply who does not change their behaviour would pay more on the SSO than they would under the time of use DMO.

Unless we have robust data to consider otherwise, we will assume no customer load shift or additional consumption during the free usage period because it best aligns with the government's design principles. This includes designing the SSO to deliver bill savings for SSO customers and allow retailers to recover efficient costs while ensuring customers who shift load are better off overall.[44]

However, we may consider adjusting our approach after collecting more information on market and customer behaviour. We consider any adjustment to our approach would need to be assessed against the balance of ensuring customers who shift load are better off overall while allowing retailers to recover efficient costs.

The draft DMO guidelines also set out the information we intend to collect to monitor SSO settings and to inform any potential adjustments to our approach. As the SSO is still new, we may adapt the scope of information requests over time. Therefore, this list is not exhaustive.

Questions for stakeholders

13) To what extent should the DMO guidelines retain the DMO 8 SSO settings as the baseline approach?

14) What principles or evidence could inform us when considering alternatives to the initial approach to the SSO? How should we consider the balance between ensuring customers who shift load are better off overall and allowing retailers to recover efficient costs?

9.3 Reasonable use tariff cap

We have retained our approach from DMO 8 to set the reasonable use tariff cap at the applicable tariff rate during the free usage period. For DMO 8, this was the corresponding off-peak or solar soak rate. We consider these usage charges most accurately reflect the efficient costs incurred by retailers to supply any electricity usage above the reasonable use cap of 24 kWh. A higher charge (such as peak-based) would exceed the marginal costs a retailer is expected to incur for any consumption over 24 kWh during the free usage period.

We also consider designing a unique tariff charge could introduce unwarranted complexity. However, as with other aspects of the SSO, we propose to retain flexibility to revisit how the reasonable use tariff cap is determined once more information is available on the extent to which customers exceed the reasonable use cap. We also consider it prudent to balance consideration of retailer cost recovery with potential risks for high usage households that may unintentionally exceed the cap.

[44] In accordance with design principles 1 and 4 from the Australian Government's SSO outcomes paper.

Questions for stakeholders

15) What principles, information and data could inform potential adjustments to how the reasonable use tariff cap is determined?

10 Additional regulated tariff types

The Regulations require us to determine comparison prices for non-regulated tariffs[45] and comparison prices and tariff caps for regulated tariffs.[46] We may determine, by legislative instrument, additional types of tariffs for the purpose of defining a new regulated tariff.[47]

Chapter 10 of the draft DMO guidelines describes our additional regulated tariff types approach and methodology. Our considerations are explained below.

10.1 Additional regulated tariff

As part of the draft DMO guidelines, we are consulting on the addition of a controlled load tariff for small business customers as a newly defined regulated tariff.

If, after considering submissions, we decide to make an additional regulated tariff determination under section 15A of the Regulations, we will do so through a legislative instrument, such as the final DMO determination.[48] We will also publish amended guidelines explaining the factors relevant to defining that tariff as regulated.

We consider a controlled load tariff for small business customers should be determined as an additional regulated tariff based on the assessment of the factors listed in the DMO guidelines:

- We estimate that approximately 12.6% of small business customers in DMO regions have a controlled load. [49] This is a material number and means more customers can be brought into DMO tariff cap protection.
- This is a simple tariff, amenable to determining a tariff cap, and can be rendered as a fair, trusted and reasonably priced offer. It is not sensitive to customer behaviour due to the controlled consumption period structure and customer behaviour cannot significantly vary for this product.
- The likely outcomes of determining a specific tariff cap for small business controlled load are:
  - improvement in pricing protections for small business customers with controlled load because the non-regulated comparison price is based on an unrestricted general usage amount – controlled load has restrictions on when the load is consumed, so is a cheaper product
  - facilitation of better pricing comparisons because the calculated discounts will be more accurate than an over-exaggerated amount calculated from general usage tariffs – this is also likely to assist competition in the market

45 Regulations, s. 16(1)(b).

46 Regulations, ss. 16(1A)(b) and (c).

47 Regulations, ss. 15A and 5(g).

48 See chapter 2 of these guidelines for the outline of our process for making determinations.

49 AER retailer information request April 2026.

  - reduction in compliance burden, which removes uncertainty for retailers and introduces a compliance regime that mirrors the approach for residential controlled load.
- Other matters we consider relevant. Determining a small business controlled load tariff would achieve parity of protection for residential and small business customers with controlled load because this tariff is already a regulated tariff for residential customers in the Regulations.[50]

Questions for stakeholders

16) Does determining a controlled load tariff for small business customers as a regulated tariff promote the long-term interests of consumers and the DMO objective of providing a fair, trusted and reasonably priced electricity option?

10.2 Approach to adding a new regulated tariff

The DMO objective and the long-term interests of consumers will be our primary assessment for whether a type of tariff can be meaningfully calculated as both a regulated tariff cap and comparison price. The determination of an additional regulated tariff type needs to be undertaken as a fair, trusted and reasonably priced offer. This means we will consider:

- the number of customers affected
- the complexity of the offer
- the sensitivity of the tariff to individual customer characteristics
- whether the tariff can support a useful comparison price, if it may encourage more competition and the effect on compliance burden
- any other matter we consider relevant.

Questions for stakeholders

17) Are the factors listed for assessing whether a type of tariff should become a regulated tariff consistent with promoting the long-term interests of consumers and the DMO objective of providing a fair, trusted and reasonably priced electricity option?

18) What other, if any, principles, information and data could inform the assessment for determining a new type of regulated DMO tariff?

[50] See the definition of 'regulated tariff' in s 5 of the Regulations.

11 Other matters

The Regulations require us to set out in the guidelines any other matters we consider relevant to achieve the DMO objective.[51]

Chapter 11 in the draft DMO guidelines sets out that the other matters we consider are:

- apportionment of fixed and variable costs to the tariff caps
- approach to determining comparison prices.

Our considerations for each of these aspects are explained below.

11.1 Apportionment of fixed and variable costs

We consider the approach to allocate fixed costs to the daily supply charge and variable costs to the usage charge(s) for all DMO tariff caps, as applied in DMO 8 and reflected in the draft DMO guidelines, is robust and consistent with the Regulations. This approach provides regulatory certainty and transparency. We also consider that this approach:

- avoids arbitrary reallocation of cost recovery and reduces the risk of over-recovery or under-recovery of fixed costs from variable charges
- is consistent with the tariff setting approaches adopted by other regulatory bodies with similar price setting obligations, such as the Queensland Competition Authority and the ESC.

We are cognisant that this approach results in a balance of fixed and variable charges for DMO tariff caps that may differ from many offers in the market in DMO 7 and earlier. The outcomes of this balance will vary for individual customers depending on usage levels. We also recognise that retailers can set the balance of the fixed and variable charges differently from the DMO tariff caps when determining their market offers.

Maintaining a stable allocation methodology supports retailers to continue developing innovative retail products and pricing structures.

11.2 Comparison price

11.2.1 Comparison price for regulated tariffs

We consider our approach to calculate the comparison price for regulated tariffs by applying the annual usage and pattern of supply determinations to the tariff cap for each regulated tariff, as applied in DMO 8 and reflected in the draft DMO guidelines, is robust and consistent with the Regulations. This approach ensures that comparison prices are derived consistently from the regulated tariff caps. Our approach provides a transparent and repeatable methodology that can be applied across customer types, tariff types and DMO regions.

The comparison price acts as a useful comparison against which retailers must compare their offers. This allows consumers to see whether a market offer is cheaper or more expensive than a standardised reference point, reducing confusion caused by differing

[51] Regulations, ss. 18B(1)(f).

discounts and pricing structures. The comparison price is intended to improve price transparency and facilitate informed consumer choice.

11.2.2 Comparison price for non-regulated tariffs

As a starting point, the draft DMO guidelines maintain the approach from DMO 8 to determine the comparison price for non-regulated tariffs by setting it equivalent to the time of use DMO tariff cap using the standard annual usage amounts and patterns of supply for small customers. We consider non-regulated tariff types are more complex than a simple flat rate tariff and would require having a smart meter installed. Because of this, we consider the time of use tariff as the most relevant price for consumers to use as a basis of comparison.

We understand that this approach potentially allows for many differing price outcomes among non-regulated tariffs. We may consider adjustments to our approach based on developments in tariff design, changes in the prevalence of non-regulated tariffs, stakeholder feedback and whether the existing comparison price continues to provide a meaningful and broadly representative basis for comparing offers. We consider any adjustment to our approach would need to balance the need for simplicity, transparency and the ability to be applied consistently across a diverse range of non-regulated tariff structures.

We are not currently intending to set comparison prices for all different types of non-regulated tariffs, such as offers with demand tariff components or virtual power plant offers. However, we are interested to hear from stakeholders about a method that would provide greater flexibility. For example, we note that the ESC provides that when a tariff type is neither flat nor flexible, retailers must use a reasonable estimate based on relevant available information to create a reference price.

Questions for stakeholders

19) Is the proposed methodology for determining the comparison price for non-regulated tariffs appropriate?

20) Are there alternative approaches we should consider when determining comparison prices for non-regulated tariffs?

21) What evidence or market developments should we consider when assessing whether the proposed methodology for determining the comparison price for non-regulated tariffs remains effective?

11.3 Additional consultation questions

We welcome stakeholder views on the broader DMO guideline and any aspects that may benefit from additional clarification.

Questions for stakeholders

22) Would any aspects of the draft DMO guidelines benefit from additional clarification?

23) Are there any aspects of our approach that have not been captured in the draft DMO guidelines?

A List of consultation questions

Topic and questions
DMO process
1) What matters or circumstances should we consider as a basis for departing from or amending the DMO guidelines? 2) Are there particular issues or circumstances for which a formal DMO guidelines amendment consultation process should occur?
Wholesale costs
3) Does the more accurate reflection of efficient costs achieved by including OTC volumes in the TWAP justify the resulting reduction in transparency? 4) If OTC volumes were included in the TWAP, what are some ways we could mitigate the resulting reduction in transparency? 5) Is liquidity the only factor we should consider when deciding whether to include a particular product in the hedging strategy? If not, what others would you suggest? 6) Should the final DMO guidelines express the sufficient liquidity threshold as a general principle only, or include specific thresholds to support contract type inclusion decisions? 7) Should volumes traded OTC be considered when deciding if sufficient liquidity for a contract type exists?
Retail margin
8) If network costs are excluded from the DMO cost base, would an increase in retail margins be required for a smaller cost base so as not to reduce the margin in dollar terms relative to previous DMOs? 9) Would the overall percentage margin approach as set out in the draft DMO guidelines or would alternative approaches be more reflective of an efficient margin for future DMO determinations? 10) Would the overall percentage margin approach as set out in the draft DMO guidelines or would alternative approaches be more reflective of the long-term interests of consumers and the DMO objective of providing a fair, trusted and reasonably priced electricity option?
Model annual usage
11) If we were to include additional tariff types as regulated tariffs in future, what usage parameters, if any, should we consider when determining an appropriate timing or pattern of supply? 12) Are there emerging tariff structures (such as demand-based tariffs) that may require a different approach to determining timing or patterns of supply?
Solar Sharer Offer
13) To what extent should the DMO guidelines retain the DMO 8 SSO settings as the baseline approach? 14) What principles or evidence could inform us when considering alternatives to the initial approach to the SSO? How should we consider the balance between ensuring customers who shift load are better off overall and allowing retailers to recover efficient costs? 15) What principles, information and data could inform potential adjustments to how the reasonable use tariff cap is determined?

Additional regulated tariff types
16) Does determining a controlled load tariff for small business customers as a regulated tariff promote the long-term interests of consumers and the DMO objective of providing a fair, trusted and reasonably priced electricity option? 17) Are the factors listed for assessing whether a type of tariff should become a regulated tariff consistent with promoting the long-term interests of consumers and the DMO objective of providing a fair, trusted and reasonably priced electricity option? 18) What other, if any, principles, information and data could inform the assessment for determining a new type of regulated DMO tariff?
Other matters
19) Is the proposed methodology for determining the comparison price for non-regulated tariffs appropriate? 20) Are there alternative approaches we should consider when determining comparison prices for non-regulated tariffs? 21) What evidence or market developments should we consider when assessing whether the proposed methodology for determining the comparison price for non-regulated tariffs remains effective? 22) Would any aspects of the draft DMO guidelines benefit from additional clarification? 23) Are there any aspects of our approach that have not been captured in the draft DMO guidelines?