

# Default market offer

The Australian Energy Regulator (AER) has released its Default Market Offer (DMO) price determination for 2020-21.

## What is the DMO price?

The Default Market Offer or DMO price is the maximum price that electricity retailers can charge residential and small business customers on a standing offer contract. Customers might be on a standing offer if, for example:

- they never switched to a retailer's market offer
- they move into a premises and are supplied by the existing retailer but are yet to make contact with the retailer.

The DMO is an annual price representing the amount a typical customer can expect to pay for electricity over a year.

While the DMO is a cap on what retailers can charge, it is not a cap on customer bills. A customer's bill will depend on how much electricity they use and how their retailer has set their rates.

The DMO price also acts as a 'reference price'. When advertising offers, retailers must show the price in comparison to the DMO price. This helps customers compare deals easily.

## Is the DMO a safety net?

The DMO was introduced to prevent retailers charging excessive prices to standing offer customers. These are often customers who cannot, or do not want to, shop around for a better offer.

The DMO is intended as a fall back option and is not a low priced offer.

Most retailers' offers are much cheaper than the DMO price so it's worth shopping around.

Our free and independent Energy Made Easy website ([www.energymadeeasy.gov.au.gov.au](http://www.energymadeeasy.gov.au.gov.au)) can help customers compare the price of offers from all retailers.

## Who does the DMO apply to?

The DMO applies in New South Wales, South-East Queensland and South Australia.

It applies to **residential customers** on standing offers with:

- *flat rate tariffs*, where the rates are the same regardless of the time of day
- *time-of-use tariffs* (also called *flexible tariffs*), where the rates are different depending on the time of day (such as peak evening rates)
- *solar and controlled load tariffs*.

It applies to **small business customers** on standing offers with:

- *flat rate tariffs* (with or without solar).

## What is the AER's role?

We are required to set the DMO price each year for each area and type of customer.

Our first DMO price determination that came into effect on 1 July 2019 reduced unjustifiably high standing offer prices.

The DMO price was set at a level that protects customers from high prices and enables retailers to recover their costs to service customers. It is also high enough to encourage retailers to compete and customers to be engaged and search for offers to suit their needs.

Our second DMO price determination to apply from 1 July 2020 to 30 June 2021, maintains the price savings for customers achieved in the first DMO price determination, and updates the DMO price to take account of changing retailer costs to supply customers.

## How has the AER set the DMO for 2020-21?

To set the 2020-21 DMO price we looked at the different costs retailers face to supply electricity to customers. These include:

- the cost to buy electricity (wholesale electricity costs)
- the cost to transport electricity to customers through the network (network costs)
- the cost to comply with government environment schemes (environmental costs).

Using last year's DMO price as our starting point, we adjusted each of these components, based on how each is expected to change in each area in 2020-21.

We increased the remaining retailer component (covering customer service) by the Australian Consumer Price Index (CPI) for 2020-21.

This approach means the DMO price for 2020-21 continues to protect standing offer customers from being charged excessive prices, while enabling retailers to recover costs.

## What are the main factors influencing DMO prices in 2020-21?

### New South Wales

In New South Wales, the DMO prices have decreased slightly or remained at the same level for residential and small business customers.

The reasons for this result vary by region:

- wholesale costs are expected to decrease or remain flat in the Ausgrid and Essential Energy

network regions, but are forecast to increase in the Endeavour Energy region.

- network costs are also expected to increase in some regions, but decrease for some customers in others
- environmental costs are expected to decrease in all regions.

### South Australia

In South Australia, DMO prices have decreased for residential and small business customers because of lower expected wholesale, network and environmental costs.

### South-East Queensland

In South-East Queensland, the DMO price decreased for residential and small business customers because of lower expected wholesale, network and environmental costs.

The table below shows the DMO price for each network distribution area in the States in which the DMO applies.

## Find out more about the DMO

You can find out more about the DMO on our website at <https://www.aer.gov.au/retail-markets/retail-guidelines-reviews/retail-electricity-prices-review-determination-of-default-market-offer-prices-2020-21>

You can also contact your retailer.

## DMO prices in 2020-21

Network distribution region		Residential customers (without controlled load)	Residential customers (with controlled load)	Small Business customers (without controlled load)
<b>Ausgrid</b> (Greater Sydney area)	<b>DMO Price</b>	<b>\$1,462</b>	<b>\$2,024</b>	<b>\$7,240</b>
	for annual usage of	3,900 kWh	General usage 4,800 kWh + CL 2,000 kWh	20,000 kWh
	<b>Difference to DMO 2019-20</b>	<b>-\$5 (-0.3%)</b>	<b>-\$35 (-1.7%)</b>	<b>-\$131 (-1.8%)</b>
<b>Endeavour</b> (Sydney's Greater West, Blue Mountains, Southern Highlands and NSW South Coast)	<b>DMO Price</b>	<b>\$1,711</b>	<b>\$2,165</b>	<b>\$6,177</b>
	for annual usage of	4,900 kWh	General usage 5,200 kWh + CL 2,200 kWh	20,000 kWh
	<b>Difference to DMO 2019-20</b>	<b>-\$9 (-0.5%)</b>	<b>-\$1 (0.0%)</b>	<b>-\$27 (-0.4%)</b>
<b>Essential Energy</b> (Regional NSW)	<b>DMO Price</b>	<b>\$1,960</b>	<b>\$2,356</b>	<b>\$8,041</b>
	for annual usage of	4,600 kWh	General usage 4,600 kWh + CL 2,000 kWh	20,000 kWh
	<b>Difference to DMO 2019-20</b>	<b>+\$3 (+0.2%)</b>	<b>-\$19 (-0.8%)</b>	<b>-\$4 (0.0%)</b>
<b>Energex</b> (South-East Queensland)	<b>DMO Price</b>	<b>\$1,508</b>	<b>\$1,812</b>	<b>\$5,760</b>
	for annual usage of	4,600 kWh	General usage 4,400 kWh + CL 1,900 kWh	20,000 kWh
	<b>Difference to DMO 2019-20</b>	<b>-\$62 (-3.9%)</b>	<b>-\$115 (-6.0%)</b>	<b>-\$265 (-4.4%)</b>
<b>South Australian Power Networks</b> (South Australia)	<b>DMO Price</b>	<b>\$1,832</b>	<b>\$2,244</b>	<b>\$8,305</b>
	for annual usage of	4,000 kWh	General usage 4,200 kWh + CL 1,800 kWh	20,000 kWh
	<b>Difference to DMO 2019-20</b>	<b>-\$109 (-5.6%)</b>	<b>-\$176 (-7.3%)</b>	<b>-\$815 (-8.9%)</b>