

# Default market offer

The Australian Energy Regulator (AER) has released its Default Market Offer (DMO) price determination for 2022-23.

## 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 they have:

- never switched to a retailer's market offer
- moved 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.

The DMO 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](http://www.energymadeeasy.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 customer type. The DMO 2022-23 price determination will apply from 1 July 2022 to 30 June 2023.

The DMO price is 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.

## How has the AER set the DMO for 2022-23?

To set the 2022-23 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).
- the costs associated with serving customers in the retail market, including billing costs and costs to provide hardship support (retail costs).

We have estimated these costs for retailers in 2022-23.

Recognising that the DMO is intended to allow retailers to make a reasonable profit and enable competition and market engagement, we included a 'retail allowance' for these factors.

This approach means the DMO price for 2022-23 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 2022-23?**

DMO prices have increased for all customer types in all regions. This is mainly due to higher expected wholesale costs in all regions, especially NSW and Queensland. Factors contributing to this include unplanned generator outages, higher coal and gas costs, and increasingly 'peaky' demand driving up the cost of energy contracts for retailers.

The table below shows the DMO price for each network distribution area in the regions 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/guidelines-reviews/retail-electricity-prices-review-determination-of-default-market-offer-prices>

You can also contact your retailer.

## Default Market Offer prices in 2022-23

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>\$1,512</b>	<b>\$2,122</b>	<b>\$4,360</b>
	for annual usage of	3,900 kWh	General usage 4,800 kWh + CL 2,000 kWh	10,000 kWh
	<b>Difference to DMO 2021-22</b>	<b>+\$119 (8.5%)</b>	<b>+\$210 (11.0%)</b>	<b>+\$690 (10.0%)</b>
<b>Endeavour</b> (Sydney's Greater West, Blue Mountains, Southern Highlands and NSW South Coast)	<b>DMO Price</b>	<b>\$1,836</b>	<b>\$2,383</b>	<b>\$3,782</b>
	for annual usage of	4,900 kWh	General usage 5,200 kWh + CL 2,200 kWh	10,000 kWh
	<b>Difference to DMO 2021-22</b>	<b>+\$227 (14.1%)</b>	<b>+\$369 (18.3%)</b>	<b>+\$1,130 (19.7%)</b>
<b>Essential Energy</b> (Regional NSW)	<b>DMO Price</b>	<b>\$2,092</b>	<b>\$2,490</b>	<b>\$4,901</b>
	for annual usage of	4,600 kWh	General usage 4,600 kWh + CL 2,000 kWh	10,000 kWh
	<b>Difference to DMO 2021-22</b>	<b>+\$185 (9.7%)</b>	<b>+\$219 (9.6%)</b>	<b>+\$1,146 (14.7%)</b>
<b>Energex</b> (South-East Queensland)	<b>DMO Price</b>	<b>\$1,620</b>	<b>\$1,961</b>	<b>\$3,446</b>
	for annual usage of	4,600 kWh	General usage 4,400 kWh + CL 1,900 kWh	10,000 kWh
	<b>Difference to DMO 2021-22</b>	<b>+\$165 (11.3%)</b>	<b>+\$220 (12.6%)</b>	<b>+\$705 (12.8%)</b>
<b>South Australian Power Networks</b> (South Australia)	<b>DMO Price</b>	<b>\$1,840</b>	<b>\$2,275</b>	<b>\$4,539</b>
	for annual usage of	4,000 kWh	General usage 4,200 kWh + CL 1,800 kWh	10,000 kWh
	<b>Difference to DMO 2021-22</b>	<b>+\$124 (7.2%)</b>	<b>+\$198 (9.5%)</b>	<b>+\$459 (5.7%)</b>

\*DMO 3 and 4 prices for small business are not directly comparable due to our changing the annual usage figure from 20,000 kWh per year to 10,000 kWh per year. Percentage and dollar changes in this table are based on a comparison of the DMO 3 small business price and a nominal DMO 4 price calculated at 20,000 kWh per year.