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Mr Mark Feather  
General Manager, Policy and Performance  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3001

20 March 2019

Dear Mr Feather

**Submission to the Australian Energy Regulator (AER):  
Default Market Offer Price Draft Determination**

The Energy and Water Ombudsman (SA) Limited (“EWOSA”) welcomes the opportunity to comment on the Australian Energy Regulator’s Draft Determination on the *Default Market Offer Price*.

EWOSA is an independent Energy and Water Ombudsman Scheme in South Australia. It receives, investigates and facilitates the resolution of complaints by customers with regard to (*inter alia*) the connection, supply or sale of electricity, gas or water.

We generally believe the top-down approach used by the Australian Energy Regulator (AER) to determine Default Market Offer (DMO) prices is appropriate, given the limited timeframe available and some data availability issues. We also support the intention of the AER to investigate the use of a bottom-up approach in future DMO prices determinations.

Given that there are substantial savings to be made for small electricity customers currently on standing offers, as well as substantial savings to be made from switching from the proposed DMO prices to market offers, we generally consider that the proposed DMO prices strike a reasonable balance between providing electricity bill relief for many of those customers currently on standing offers and enabling ongoing competition in the retail electricity market.

However, we believe the expected reductions in retail electricity prices identified by the AER between 2018-19 and 2019-20, as a result of decreases in some of the retailers’ cost components, should be applied to the DMO prices for 2019-20. It is likely that some cost reductions will be passed on to electricity consumers on market contracts, through reduced tariffs or larger discounts (or both). There is no justification for these cost reductions to not be passed on to small electricity customers on DMO prices as well.

In addition, one of the main concerns we have with the implementation of DMO prices is the potential for energy retailers to raise the tariff rates applied to small customers with low levels of electricity consumption (below the benchmarks), so that the maximum DMO price is reached. This concern exists for both residential and small business customers. The situation may be even more pronounced for small business customers, given the wider variation in consumption levels across different types of small businesses and the associated difficulty in establishing meaningful DMO prices for small business consumers.

While the AER has, in the Draft Determination, stated expectations that such behaviour should not happen and that the AER will be monitoring the implementation of DMO prices by electricity retailers, there is no guarantee that small customers on standing offers with total bills that are currently less than the DMO prices may not be left worse off.

We also believe that the AER should consider extending its monitoring role to assessing the market offers provided by electricity retailers to determine whether or not the effective discounts provided to customers already on market contracts are diluted by the introduction of DMO prices.

Should you require further information or have any enquiries in relation to this submission, please email me at [antony.clarke@ewosa.com.au](mailto:antony.clarke@ewosa.com.au) or telephone me on (08) 8216 1851.

Yours faithfully



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