

20 March 2019

Mark Feather
General Manager, Policy and Performance
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001
Via email: DMO@aer.gov.au

Dear Mr. Feather

RE: Australian Energy Regulator Draft Determination Default Market Offer Price

The National Farmers' Federation (NFF) welcomes the opportunity to make a submission to the *AER Draft Determination Default Market Offer Price* and broadly supports the approach taken to determine the Default Market Offer (DMO) price.

In the initial consultation, the NFF supported the development of a DMO price, acknowledging the inherent value in having a clear and simple reference price or comparison rate that allow customers to navigate through the market to compare different offers, which had previously been difficult and misleading.

The NFF maintains its view that the DMO price should be communicated in a manner that is simple, easily accessible and which allows customers to understand in the context of genuine price comparison. Any additional administrative costs should be absorbed by shareholders and not the customer. The NFF agrees that reasonable steps should be taken to ensure that customers will not be worse off under a DMO price tariff compared to what they are currently paying. This potential perverse outcome is of concern to the NFF.

The optimal application of the DMO price is that of a benchmark from which all retailers must refer to when advertising electricity market offers. Transparency and simplicity in the retail electricity market that allows consumers to make informed decisions is the key outcome which the NFF is seeking that should be applied in all jurisdictions.

The NFF understands that the DMO price will be incorporated into an industry code under *the Competition and Consumer Act (2010)* which will also give effect to the DMO price as a reference bill for each distribution zone, and powers to the Australian Energy Regulator to set the price. While the DMO price currently only covers the common tariff types, that is, flat rate and controlled load tariffs for residential and small business customers, the NFF supports the extension of the DMO price to time of use tariffs which are used variably within the

agricultural industry. However, the NFF understands the provision to cover flexible tariffs (time of use) will be expanded from 1 July 2020, and supports the annual price determination for time of use offers that retailers must use as a reference bill.

The NFF recognises that the DMO price is part of a broader package of recommendations in the Australian Consumer and Competition Commission Retail Electricity Price Inquiry report to improve retail outcomes and experiences for customers, and supports the DMO price as a positive step to meet these outcomes for rural and regional customers.

For further information, please contact Warwick Ragg, General Manager NRM on 02 6269 5666.

Yours sincerely



TONY MAHAR
Chief Executive Officer