National Seniors AUSTRALIA

Australian Energy Regulator
GPO Box 3131 Canberra
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Default market offer 2026–27: Draft determination

Thank you for the opportunity to make a submission in response to the DMO draft determination.

National Seniors Australia (NSA) is the leading consumer advocacy organisation for older Australians. Through our research and advocacy activities, NSA works to improve the wellbeing of all older Australians, including pensioners, part-pensioners, self-funded retirees, veterans, and carers.

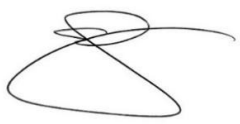
The cost of electricity is a key concern to seniors, especially those on fixed incomes. The current cost-of-living crisis and concerns about rising oil prices only heightens this concern.

NSA welcomes the proposed reduction in the Default Market Offer (DMO) prices for 2026/27 as set out in the draft determination, though we note that the lower DMO price only partially reverses the significant increase from the 2025/26 DMO.

NSA also welcomes the coming developments for the DMO 2027/28, but we maintain our position that demand tariffs are far too complicated and have no place in the retail market, and as such there should not be a demand-based DMO.

NSA is particularly concerned that the accelerated smart meter roll out will contribute to higher bills for households. As outlined in the draft determination, the cost of smart meters will be passed on to households through higher bills, yet many will not benefit and could be worse off under the cost-reflective tariffs they enable. We discuss this issue in greater detail below along with questions about rising retail costs and concern about the "use profile" used for the Time-of-Use DMO.

Yours Sincerely



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Smart meters will add over $100 to annual electricity bills

As we have argued in previous submissions, now is not the time to 'gold-plate' the electricity network – funded by consumers – via the accelerated smart meter rollout given current cost-of-living pressures and economic uncertainties. While there are benefits for some consumers from smart meters, others will be worse off, and the total cost of the accelerated roll out will be felt by all households.

For DMO 2026/27, we note that all households are paying a portion of the cost of smart meters even if they do not have a smart meter installed. This is because the total cost of smart meters is averaged across all consumers. While one of the 'consumer protections' put in place by the AEMC was that consumers cannot be charged for smart meters up front, households will eventually foot the bill through higher electricity bills.

Depending on the region, the 'Average cost incurred per advanced meter' ranges from $108.28 to $123.30 for 2026/27. Given current progress of the rollout, 42%-64% of this cost is applied to each customer. It is unclear how much of this represents a one-off cost and how much is ongoing; indeed, the draft determination indicates neither the AER nor most retailers know the answer to this question, because "most smart meter costs are incurred as a combined service charge from third party metering providers".

Nonetheless, as the rollout continues, this average cost will grow until the DMO incorporates the full cost into customer bills.

We question why customers would be billed over $100 per year so their retailer can collect data to bill them in more complicated ways that increase the risk of bill shock if people do not manage their energy use to match the complicated cost-reflective tariffs smart meters enable.

When the AEMC was considering the accelerated rollout of smart meters, the benefit of not having manual meter reads was discussed as a significant benefit. However, we see no discussion in the DMO documentation about these savings being passed on to consumers. Instead, the network-level metering costs (which includes accumulation meters) continues to increase, while there is a whole new smart metering charge added to retail costs.

Our primary concern is that many households will not benefit from smart meters. Some will end up worse off under the cost-reflective tariffs these meters enable.

If households cannot change the time they use large appliances, such as those used for heating, cooling and cooking, away from peak use times (as Energy Consumers Australia found was the case[1]), and cannot afford technologies to capture, store and redeploy energy in peak times, they will likely be worse off with a smart meter using a cost-reflective tariff.

So, while the benefits accrue to a narrow group of savvy and resourced consumers, the costs of the substantial increase in costs from accelerating the rollout of smart meters will apply to all households.

In this regard, a full accelerated roll out of smart meters, especially when disadvantaged communities are being targeted first (as is the case in Queensland[2]), is both unfair and unjust. Slowing down the roll out and targeting communities with adequate resources to adapt to this technology should be considered as this will reduce the cost to households unable to benefit.

NSA also believes the accelerated rollout of smart meters will further strain the electrical trades workforce. Electricians are currently listed as 'shortage' – the lowest level – in the Occupation Shortage List of every state and territory[3]. This will undoubtedly increase supply and demand pressures in the electrical trades sector, pushing up the cost of electrical works for households and exacerbating inflationary pressures

Is the DMO underestimating bills?

We are concerned that the DMO usage estimates may no longer represent the usage of residential customers subject to the DMO.

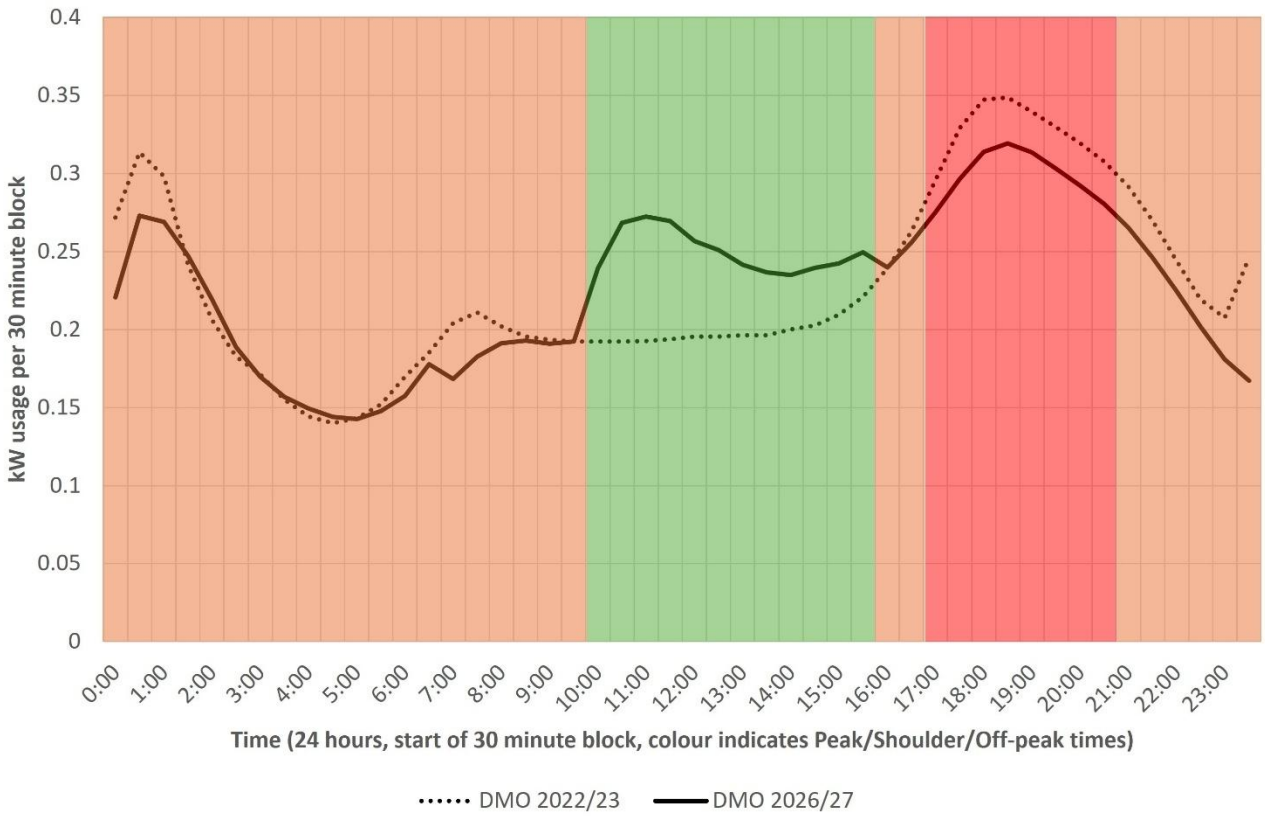
The DMO is currently based on a set price for a given amount of electricity. This is an easy calculation for a flat tariff but requires an assumption of when people use electricity for Time-of-Use (ToU) plans. If these assumptions differ substantially from when people actually use electricity, the DMO price may not reflect actual bills. We are concerned this may be the case when looking at changes to the assumed usage over time.

[1] Consumer Energy Report Card: Consumer knowledge of electricity pricing and responsiveness to price signals | Energy Consumers Australia
[2] Default Market Offer 2026-27 Issues paper submission | NSA
[3] Occupation Shortage List | Jobs and Skills Australia

For example, the below shows the draft DMO (residential, without controlled load) has increased the usage when ToU plans are cheaper during the middle of the day and reduced usage at the most expensive evening peak. Note that Peak/Shoulder/Off-peak hours vary widely in South Australia; for the plans that were likely within the price limit per usage of the South Australia DMO, the most common Time-of-Use was:

- Peak (red): 5:00 pm – 9:00 pm
- Shoulder (orange): 9:00 pm – 10:00 am, 4:00 pm – 5:00 pm
- Off-peak (green): 10:00 am – 4:00 pm

Fig 1: Comparison of two DMO Time-of-Use usage patterns, SA Power Networks



Data sources: Energy Made Easy[4], DMO 2022/23 final determination[5], DMO 2026/27 draft determination[6]

[4] Energy Made Easy | Australian Government
[5] Default market offer prices 2022-23 Final decision | Australian Energy Regulator (AER)
[6] Default market offer 2026-27 Draft determination | Australian Energy Regulator (AER)

The change in the estimated usage profile between 2022/23 and 2026/27 assumes that an average household will substantially shift their use away from peak times to off-peak times.

If correct, this implies that people have managed to shift almost 15% of their daily usage into the middle of the day. While this may be the case for some – such as those able to afford batteries and electric vehicles – we question if this is representative of the typical DMO customer.

An assumption that these people will have significantly shifted their usage from the evening peak to during the middle of the day seems at odds with them being on the DMO – which is meant to be a reasonable price, not the best price on the market, and so people to which it applies are not likely to be highly engaged with their electricity pricing. As AER Chair Clare Savage said when the draft determination was released: "The Default Market Offer may not be the cheapest electricity plan available, but it provides a fair and reasonable option for someone who hasn't or doesn't want to engage in the market".[7]

Our concern is that including people engaged with their electricity usage and bill results in an underestimate of the actual cost to households under a ToU DMO. Rather, the usage patterns for the DMO calculation should be based on those of people likely disengaged from such complicated electricity plans. In this way the DMO will continue to be a relevant consumer protection measure.

On a broader point, this further supports our argument that flat-rate tariffs may be the best tariffs for consumers and should always be available to those who struggle to shop around or compare plans.

Why have retail costs grown so fast?

From 2021/22 to 2025/26, the retail portion of DMO costs has grown faster than wholesale and network costs in both the Ausgrid and SA Power Networks regions. In every region the retail portion has more than doubled. The highest is SA Power Networks at +140%, the lowest is Endeavour at +102%. What have consumers received for this extra cost on their bills?

According to the DMO 2025/26 final determination, the 'cost to acquire and retain' – which we expect includes advertising – represents over 35% of retail costs in NSW, and somewhat lower in other regions.

[7] AER releases Draft Default Market Offer 2026-27 | Australian Energy Regulator (AER)

These costs are supposedly justified on the grounds that retail competition is good, and customers need to shop around to drive down prices. NSA believes that this logic is flawed. The retail market for electricity is characterised by complexity for a commodity product that is essentially the same except for pricing structure, terms and conditions (that say nothing about the quality of the product being provided, which is homogenous).

Households are essentially paying higher prices so that retailers can market their products, with at best, limited gain or benefit, at worst, the risk of bill shock.

Shopping around should be simple, but it isn't, because the regulator has enabled retailers to offer plans that are incomprehensible and incomparable, even on the Energy Made Easy website.

How are people meant to compare plans with different rates and peak/shoulder/off-peak times as shown above?

How are people meant to find the plan that is best for them when, as the ACCC found, there were more than 145,500 different electricity plans in 2025?[8]

We call on the AER to not simply allow these significant pass-through of costs that benefit industry but are paid for by consumers. If the industry wants to spend money on advertising, then they should pay it out of their 6% regulated profit margins.

[8] Inquiry into the National Electricity Market - December 2025 Report | ACCC