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Default Market Offer 2026-27 Issues paper

Thank you for the opportunity to make a submission in response to the issues paper for the Default Market Offer (DMO) for 2026/27, which will be DMO 8.

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.

National Seniors Australia advocated for a default price of electricity before the Default Market Offer (DMO) was introduced in 2019. We were concerned that many older consumers were not able to “shop around” or found comparing retail offers difficult, leading to people paying more than they should for energy. We were also concerned about older people being automatically placed on unfair or expensive electricity rates when market contracts expired.

Our advocacy more recently has been focussed on concerns regarding the accelerated rollout of smart meters. This technology enables complex cost-reflective tariffs, which many people don’t understand and/or cannot manage, and can result in bill shock. We welcome proposals to expand consumer protections to people not currently covered by the DMO. However, we are concerned that changes to the DMO framework do not provide adequate consumer protections and suggest alternatives to both protect and educate consumers in the transition to cost-reflective tariffs.

Yours Sincerely



Chris Grice
Chief Executive Officer

Stronger consumer protections are needed for the transition to cost-reflective tariffs

The energy sector is putting the transition to cost-reflective tariffs (Time of Use and Demand Tariffs) at risk by opposing innovations and regulations that protect households from higher prices and bill shock.

In our view, innovations, such as demand tariffs, that are designed to address issues associated with high use in peak demand times are too complicated and punitive for consumers and have no place at the consumer level. Demand tariffs disconnect usage from costs – generally applying an arbitrary fee based on the usage during a 30-minute window across a whole month or longer, unfairly punishing households who cannot consistently comply over a billing period.

Much like other cost-reflective tariffs, such as time-of-use tariffs, they rely on significant changes to consumer behaviour and the use of technologies, such as solar and batteries, that are not available to all consumers to avoid consuming energy at higher prices during times traditionally associated with higher use (morning and evening peaks).

The consumer protections offered as part of the accelerated rollout of smart meters are insufficient¹ and temporary. Once the two-year protection expires, retailers will no longer need consumers' consent to switch them to a cost-reflective tariff. Additionally, the general two-year protection period appears to only apply if the *installation* of the meter occurred after 1 December 2025, despite the other accelerated rollout rule changes applying from 1 June 2025.^{2, 3}

Thus far, Queensland appears to be the only state to have implemented optional consumer protections giving people with a smart meter the right to a flat tariff.⁴ This is an area that requires further clarification and meaningful action to protect consumers.

The DMO can play a role in bolstering consumer protections and educating households in the transition to cost-reflective tariffs, which we discuss in detail below.

¹ [AEMC Directions paper, National Electricity Amendment \(Accelerating smart meter deployment - Rule 2024 | NSA](#)

² [Consumer rights and smart meters | AER](#)

³ [Accelerating smart meter deployment | AEMC](#)

⁴ [IPART Consultation Paper – Monitoring the NSW retail energy markets 2024-25 | NSA](#)

Question 2: How should the AER determine maximum annual bill amounts? Should they be based on the flat DMO tariffs?

NSA is supportive of expanding the consumer protections of the DMO to cover people on demand tariffs as well as households in embedded networks.

However, we are concerned about the practicality of the proposed 'maximum annual bill' amount as it relates to demand charges.

The DMO is not intended as a maximum market price, but a reasonable price level for disengaged consumers who cannot shop around or have had their market contract expire.

In that regard, any DMO applied to a standing offer must assume that the consumer is not engaged and unlikely to be managing their consumption.

As such, we believe that a flat tariff DMO should be the default used for any standing offer for customers who do not choose a market plan or have a market plan expire.

This should occur even if a consumer has chosen a TOU based market offer or has a demand charge applied and their plan expires.

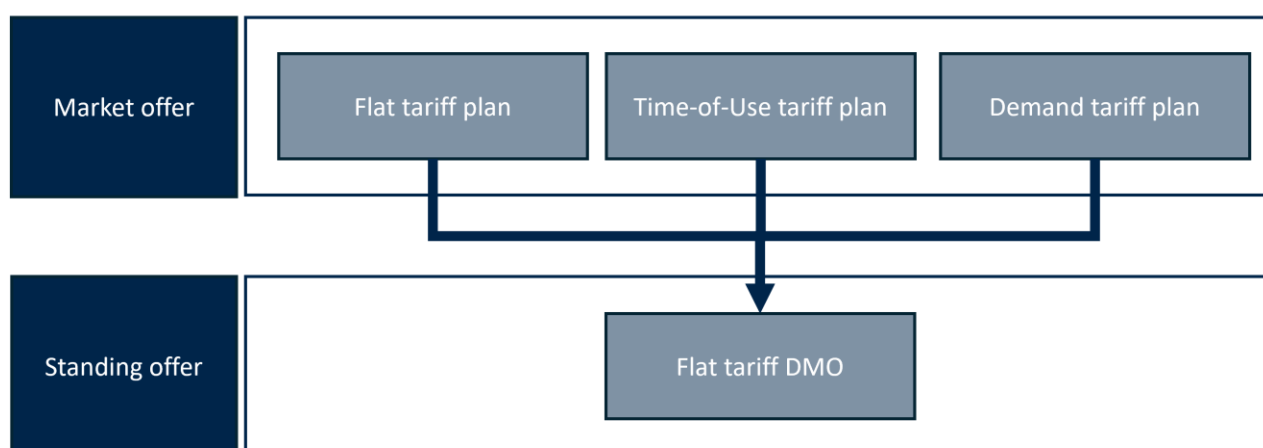


Fig 1. Proposed Market Offer and Standing Offer arrangements

DMO based hybrid tariff

Electricity is an essential service. The shift towards cost-reflective tariffs is an enormous change for consumers. For this transition to be successful, consumers need to be educated and protected.

While standing offers based on a flat tariff DMO protect people who cannot or won't shop around, there should also be tariff innovations for households who do shop around – or in the case of the smart meter rollout – who are pushed onto cost-reflective tariffs without consent when smart meter rollout protections expire after two years.

There is an opportunity to use the DMO to both educate and protect consumers in the transition to cost-reflective tariffs. This innovation, hybrid tariff, was put forward by NSA as part of our submissions to the smart meter roll out consultations⁵. Our proposal is to mandate that all market offers using cost reflective tariffs (either TOU or demand charges) utilise a flat tariff DMO as an education tool and price protection against bill shock.

Hybrid tariffs will include the pricing associated with the market offer (selected by the consumer) and the flat tariff DMO. Each billing period, a retailer would issue a bill which shows the cost of electricity under both the specific market offer and the flat tariff DMO. Whichever of these results in the cheapest electricity bill is the price that is applied to the consumer.

This would provide a clear price signal to households while ensuring adequate protection from bill shock. Because the DMO is still reflective of use and is set at a level that enables adequate cost recovery for retailers, they would still be able to recoup costs when households use excessive energy, but without being able to price gouge customers.

The clear benefit for the energy sector is the role this would play educating consumers about the benefits of changing their behaviour to reduce peak demand. If the bill was cheaper under the market offer, consumers would be rewarded for their behaviour. If the bill was higher under the market offer, the retailer could include information about why this was higher and what the customer could do to get their bill to be cheaper than the price under the flat tariff DMO.

In this regard, consumers would have a safe way to "try, test, and learn", getting a cheaper price if they reduce their peak usage without the risk of bill shock if they get it horribly wrong – which we expect to happen.

⁵ [AER Energex Determination 2025-30 \(AER213703\), Ergon Energy Determination 2025-30 \(AER213702\) | NSA](#)

As per Figure 1 a market tariff should coupled with flat tariff DMO.

Protections should apply as soon as practicable

The issues paper indicates the AER does not intend to implement the protections for the 2026/27 DMO period. We encourage the AER to bring forward these badly-needed consumer protections into DMO 8 instead of leaving it to DMO 9 (2027/28).

These consumer protections are particularly relevant given the Legacy Meter Replacement Plans (LMRP) for Queensland, both Energex and Ergon, each explicitly say they intend to target the 10% of areas of most social-economic disadvantage early for rollout of smart meters:

“Vulnerable Customers – Vulnerable customer segments have been identified utilising the Australian Bureau of Statistics ‘Socio-Economic Indexes for Australia (SIEFA), 2021’ report. The SIEFA report provides a decile rating of between 1 and 10, with 1 being 10 per cent of suburbs that are the most disadvantaged and 10 being the 10 per cent of suburbs that are the least disadvantaged.

Energex has identified customers residing in suburbs with a Decile 1 rating as being vulnerable customers and have prioritised the meter reading rounds with a high volume of vulnerable customers for inclusion in the forward Interim Periods of the LMRP Schedule.”⁶

No other networks appear to have taken such a concerning approach, yet the AER approved the plans by Energex and Ergon. Energex rejected concerns about the financial impact on consumers of such a rollout, saying there was a “need to support customers so that they receive the benefits associated with a smart meter, we do not propose removing vulnerable customer segments as a priority group from the LMRP”.

This targeting of disadvantaged communities is highly concerning. We ask the AER: ‘How are people living in the most disadvantaged areas meant manage their usage or afford solar panels, batteries, and efficient new appliances to ‘benefit’ from the smart meters?’ Our concern is that, unlike wealthier households, households in these communities will have greater difficulties managing cost-reflective tariffs resulting in higher energy bills.

⁶ [Energex - Legacy Meter Replacement Plan | AER](#)