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2025 Review of the Default Market Offer
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AEMC submission to the 2025 Review of the Default Market Offer consultation paper

The Australian Energy Market Commission (AEMC or Commission) welcomes the opportunity to provide a submission to the Department of Climate Change, Energy, the Environment and Water (DCCEEW) review into the Default Market Offer (DMO).

As the national rule maker and advisor for Australia's energy markets, the AEMC supports a competitive and dynamic retail energy market that delivers our vision for a consumer focussed net zero energy system. In this submission, we seek to provide input that helps refine the role of the DMO in the evolving energy landscape, particularly in the context of a rapidly transforming market that is seeing increasing customer participation and decentralised energy generation.

The DMO has benefited many consumers, but risks impacting innovation

The DMO was introduced to act as a safeguard – a reference price and protection mechanism for customers who may not actively engage in the retail market. It has played an important role in shielding consumers from excessively high standing offer prices and improving price transparency.

Our 2020 Retail Energy Competition Review found that in the year after introduction, in the Ausgrid network:

- the highest retail offers in the market fell by 28 per cent, meaning that consumers on high-standing offers received immediate benefit
- the number of offers in the market below the DMO increased by 60 per cent, representing a broader shift towards more competitively priced offers for most consumers
- The lowest market offer in the market remained around the same level as the previous year, suggesting the DMO had minimal impact on consumers who were already actively engaged in the market and seeking the lowest prices available.¹

¹ Australian Energy Market Commission, *Retail Energy Competition Review – Final Report 30 June 2020*, p. 58. Available [here](#).

These changes may have consequently contributed to a fall in retail margins across the National Electricity Market (NEM), with average margins dropping from \$80 to \$50 per customer between 2018–19 and 2019–20.²

While the DMO has delivered important consumer benefits, its current design may be inadvertently inhibiting innovation in the retail market by requiring:

- innovative retailers to offer standing offers that are structured in a way that does not align with their broader offering, and more importantly
- comparing the innovative products—which need to be massaged in a way that aligns with the uniform DMO price structure—to the DMO.

For example, a retailer offering only wholesale pass-through pricing must still create a standing offer that bears little resemblance to its actual service model. To meet comparison requirements, it must then construct an artificial average offer to benchmark against the DMO – a process that may not accurately reflect the pricing consumers actually experience, and which obscures the dynamic and flexible nature of the product.

This is not to say that innovative products cannot exist under the DMO – innovative products have continued to emerge since the DMO’s introduction – however, the DMO could slow the launch and potential uptake of these products, adding to the regulatory burden of more innovative retailers.

In considering reforms to the DMO, the Department should seek to preserve the consumer protections it currently provides, while exploring ways to better accommodate innovative product offerings and support the integration of CER.

Future-focused reviews will have implications for the DMO

The AEMC notes that several interrelated reform programs are currently underway, each aiming to develop enduring, long-term arrangements for retail energy consumers. These include the Consumer Energy Resources Taskforce,³ the AEMC’s Retail Pricing Review: Electricity pricing for a consumer-driven future,⁴ the Energy and Climate change Ministerial Council’s Better Empowered Consumer Energy work program,⁵ the ACCC’s ongoing electricity market monitoring, and the Victorian Essential Services Commission’s Review of the Energy Retail Code of Practice.

Together, these initiatives aim to reshape the energy market by enabling smarter, more flexible energy services that empower consumers and maximise the value of CER within the power system

All these reviews will have implications for the DMO in the longer term, in terms of purpose, objectives and structure. As such, alignment is required through all these, to ensure consistency in direction and ensure reforms are collectively working to support the best outcomes for consumers. The AEMC is committed to support the Department through these processes to account for interactions and ensure alignment.

In the long term, the DMO’s role will change

In the context of broader retail market reforms, the AEMC views the DMO as a transitional measure. While it continues to serve as an important safeguard during this period of change, over time, its role should be superseded by improvements in retail pricing frameworks, greater integration of CER, and the evolution of consumer protections. This

² Australian Competition and Consumer Commission, *Inquiry into the National Energy Market – December 2023 Report*, p. 34. Available [here](#).

³ More information is available [here](#).

⁴ More information is available [here](#).

⁵ More information is available [here](#).

direction is central to the AEMC's Retail Pricing Review: Electricity pricing for a consumer-driven future.

That review is focused on developing a retail market that:

- Ensures pricing frameworks support a diverse range of products and services, giving consumers meaningful choice; and
- Delivers a lower-cost energy system for all consumers through more efficient use of energy resources.

This work is being undertaken in a world that is rapidly electrifying, where consumers are increasingly adopting smart energy devices such as solar PV, batteries, and electric vehicles. Recent research commissioned by the AEMC estimates that improved use of CER could unlock \$45 billion in total market benefits over the next 25 years.⁶ Realising these benefits will require moving beyond static, one-size-fits-all approaches – like the current DMO – and toward a market with meaningful price dispersion that reflects the diverse services available to consumers.

Through the Retail Pricing Review, the AEMC is exploring pricing structures that aim to:

- reflect the value of CER flexibility
- align price signals with efficient energy use and reduced system costs
- support the development of new retail business models.

These structures could ultimately inform a long-term alternative to the current DMO—one that better aligns with the future needs of a decentralised, consumer-driven energy system. However, as this work is ongoing, the AEMC is not in a position to pre-empt the outcomes of the review in this submission.

We will work closely with the Department to better support the review

The AEMC is committed to supporting the development of a retail market that is responsive, efficient, and future-focused. We would welcome the opportunity to work with DCCEE and other stakeholders to explore both **short-term adjustments** to the DMO and the **development of longer-term solutions** that align with the outcomes of broader market reforms.

We thank DCCEE for the opportunity to contribute to this consultation and look forward to ongoing collaboration on the DMO and wider retail market reforms.

Yours sincerely



Anna Collyer

Chair

Australian Energy Market Commission

⁶ Energinet, Benefit analysis of load flexibility from consumer energy resources: Final report – March 2025. Available [here](#).