

Electricity Division – Consumer Energy Policy
Department of Climate Change, Energy, Environment, and Water
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Submitted via email: electricitycode@dceew.gov.au

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Default Market Offer – Post-Review Consultation

The Australian Energy Council ('AEC') welcomes the opportunity to make a submission to the Department of Climate Change, Energy, Environment, and Water's ('DCCEEW') *Default Market Offer Post-Review Consultation*.

The AEC is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. AEC members generate and sell energy to over 10 million homes and businesses and are major investors in renewable energy generation. The AEC supports reaching net-zero by 2050 as well as a 55 per cent emissions reduction target by 2035 and is committed to delivering the energy transition for the benefit of consumers.

The AEC is disappointed by the slow progress of this review process, and in particular the timing of implementation of any decisions now being required during a period of significant regulatory change, and with limited notice. The outcomes committed to in March 2022 should not have required a one-year turnaround to action upon. While feedback has been provided, given the increased scrutiny the DMO is now receiving around its methodology, these outcomes seem somewhat peripheral.

As the DMO Review process is an important mechanism for ensuring the DMO meets its policy objectives, the AEC urges that the committed future review after November 2024 to be more fundamental. It should include examining substantive policy questions about how the DMO functioned in a challenging and volatile market environment, the impacts of price regulation on retail competition, and to what extent any negative impacts have been effectively mitigated.

The AEC does not agree with the final determination date change to the first business day after 25 May. This decision was made in response to political sensitivities in the lead up to the 2022 Federal Election. There are better options that more fairly balance the respective time burdens on the AER and retailers, while allowing finalised network prices to be included in the DMO. The AER has already advised it does not require so much time to meet its obligations, and the DMO Review itself did not recommend this date. The AEC strongly encourages the date to be revisited, with a preference for 14 May.

Improving the understanding of the Reference Price for consumers

While it is helpful the Department has cited behavioural research to support the term changes, it is noted that this research was published in June 2020 (so testing was presumably months earlier). Customers are likely more familiar with the DMO terminology now and the marginal benefits that might result from a term change seem to be outweighed by the implementation costs it will place on retailers.

As the AEC noted in its earlier submission, these costs are not immaterial. The ACCC's interpretation of the Code states that retailers must include reference price information on all communications where a price is presented, including customer collateral, and not only for new customer advertisements.

If the Department decides to go ahead with this change, it should consider how to smooth and reduce these implementation costs. This could involve simplifying retailer obligations when advertising price-based offers or providing a long time window for implementation. This would seem sensible given the high-cost environment retailers are currently operating in and the indication from the Department that these reforms are not urgent.

The AEC supports removal of the lowest possible price obligation and considers that change will make the reference price more easily understood.

The AEC would be happy to work with the Department to identify the best implementation approach.

Application of reference price to complex offers

The AEC supports limiting the application of the reference price to simple offers.

Embedded network customer pricing protection

The AEC supports extending price protections to customers in embedded networks. The Department should seek to implement a consistent decision across the NECF jurisdictions, noting that some jurisdictions like New South Wales had [flagged](#) its own reforms to embedded networks.

Any questions about this submission should be addressed to Rhys Thomas, by email Rhys.Thomas@energycouncil.com.au or mobile on 0450 150 794.

Yours sincerely,

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