



SUBMISSION

Prepared for:

Essential Services Commission Victoria (ESC)

Lodged by email to VDO@esc.vic.gov.au

Victorian Default Offer 2026-27 (VDO) Request for Comment Paper

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1. INTRODUCTION

1.1. BACKGROUND

The Essential Services Commission (ESC) is responsible for setting the [Victorian Default Offer \(VDO\)](#)¹ electricity prices each year. The ESC has stated that the VDO is designed to provide simple, trusted and reasonably priced electricity options that safeguard customers who are unable or unwilling to engage in the electricity market.

On 14 November 2025, the ESC released a Request for Comment paper to ask questions on how the ESC sets the VDO prices.² The ESC stated that it wants to hear stakeholder views on these questions.

The ESC listed specific topics on which it is seeking comment, which are set out in the Request for Comment paper and in a survey on [Engage Victoria](#). The ESC stated that it welcomes submissions on how it approaches each cost component if stakeholders would like to make comment on the ESC's general methodology or other areas.

1.2. ABOUT THIS SUBMISSION AND ETROG CONSULTING

This submission is a response from Etrog Consulting Pty Ltd (Etrog Consulting) to the invitation from the ESC for submissions on its Request for Comment paper on the VDO.

Etrog Consulting is a specialist consultancy in energy and utilities, focusing on regulatory policy and the interaction of regulation and competition in energy and water industries and markets. The director of Etrog Consulting, David Prins, who is the author of this submission, has over 30 years consulting experience in this field.

Etrog Consulting is not currently engaged by any client on the subject of this submission. The views put forward in this submission are the views of Etrog Consulting and its author, and are not intended to represent the views of any other person or organisation.

Subject to any other client commitments or conflicts, we will be happy to discuss our views further with the ESC or with any other stakeholders or interested parties that happen to read this submission.

1.3. FREE POWER PERIOD TARIFF

The Request for Comment paper seeks input as responses to various questions on various topics.

¹ For more information on the VDO, see <https://www.esc.vic.gov.au/electricity-and-gas/prices-tariffs-and-benchmarks/victorian-default-offer>

² The ESC's Request for Comment paper to which this submission is a response can be found at <https://www.esc.vic.gov.au/electricity-and-gas/prices-tariffs-and-benchmarks/victorian-default-offer/victorian-default-offer-price-review-2026-27>

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This submission only addresses aspects of a possible free power period tariff, which we hope will be of interest and of value to readers of this submission. We have views on other aspects of the Request for Comment paper, but they are not included in this submission.

Specifically, we address the following text in the Request for Comment paper:

Free power period tariff

The commission received a letter from the Minister for Energy and Resources on 10 November requesting “the ESC seek information from stakeholders as part of this VDO consultation on the suitability of a regulated free power period offer for residential electricity consumers” in Victoria.³ The Minister identified the government’s commitment to keeping electricity bills low for Victorians.

The time of day that electricity is consumed impacts wholesale and network costs, which are the two biggest components of the Victorian Default Offer. Residential energy consumption tends to peak in the morning and evenings, and is lower in the middle of the day.

We are seeking views on whether to implement a regulated residential tariff under the Victorian Default Offer framework that includes a free power period for residential consumers in the middle of the day. The intention would be to flatten the aggregate demand curve by shifting consumption to the middle of the day and reducing demand at peak times. This could provide supply chain-wide benefits over the long term including better network utilisation and downward pressure on wholesale prices. We note the Commonwealth Government is consulting on a similar product.⁴

Question

6. What are your views on the suitability of a regulated residential tariff with a free power period in Victoria?

7. Are there additional safeguards – such as eligibility requirements – that should be implemented before a customer could opt-in to such a product?

We also note that the AER has encouraged stakeholders to [engage in the government’s consultation process](#) being undertaken by the Department of Climate Change, Energy, the Environment and Water (DCCEEW), which will inform the AER’s approach to how it will calculate the SSO for the Default Market Offer for 2026-27, known as DMO 8.⁵

3 Minister for Energy and Resources, [Letter to the Essential Services Commission](#), November 2025

4 See <https://consult.dcceew.gov.au/solar-sharer-offer>

5 For more information and the issues paper issued by the AER, see <https://www.aer.gov.au/industry/registers/resources/reviews/default-market-offer-2026-27/initiation>

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1.3.1. Our previous submission to DCCEEW

Consistent with the AER's encouragement to stakeholders to engage in the DCCEEW process, we provided a submission to DCCEEW on its consultation paper on 28 November 2025. The key points in our submission to DCCEEW were written largely in the form of questions. For ease of reference, our submission to DCCEEW is included as Appendix A to this submission to the ESC.

We also posted a copy of that submission on LinkedIn,⁶ where we summarised that the key points in our submission to DCCEEW included consideration of:

- What if any modelling has been undertaken by DCCEEW?
- What other options were considered?
- Why was this initiative chosen as the best option to achieve the stated objectives?
- Is there evidence of market failure that warrants policy intervention?
- What stakeholder engagement was undertaken prior to announcing this initiative?
- Is the DMO the right mechanism to introduce SSO?
- Have effects on solar PV uptake been modelled?
- Will there be adverse effects on energy efficiency through over-consumption of "free" electricity?
- Could over-consumption result in more emissions when there is not sufficient renewable generation to cover the "free" electricity? Has this been modelled?

1.3.2. Our previous submission to the AER

We also provided a submission to the AER on its issues paper. For ease of reference, our submission to the AER is included as Appendix B to this submission to the ESC.

We have not yet posted a copy of that submission on LinkedIn, but we intend to do so.

1.3.3. Value to the ESC of our previous submissions to DCCEEW and to the AER

We believe that many of the points we raised in our previous submissions to DCCEEW and to the AER will be relevant to the ESC.

We therefore request that the ESC considers any relevant points that we raised in our previous submissions which are included as appendices to this submission to the ESC as if they were contained in the main text of this submission, with appropriate changes in wording and terminology to take into account:

- The application of the VDO in Victoria as against the DMO in other NEM jurisdictions.

⁶ See https://www.linkedin.com/posts/davidprins_etrog-consulting-solar-sharer-offer-ss0-activity-7400058345623236608-P1xJ

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- The role of the ESC in Victoria in regard to the VDO as against the role of the AER in regard to the DMO in other NEM jurisdictions.
- The role of the Victorian Government in Victoria in regard to the VDO as against other NEM jurisdictions where the DMO applies.

2. VIEWS FOR THE ESC ON THE VDO

Building on our previous submissions, which are included as appendices to this submission to the ESC, Etrog Consulting wishes to provide views to the ESC on the VDO as follows.

- We see merit in Victorian residential customers being offered tariffs which incorporate a free power period for residential consumers in the middle of the day, and note that they are already offered as market offers by several retailers operating in Victoria.
- We support the intention as set out in the ESC's Request for Comment paper to flatten the aggregate demand curve by shifting consumption to the middle of the day and reducing demand at peak times. We agree that this could provide supply chain-wide benefits over the long term including better network utilisation and downward pressure on wholesale prices.
- In answer to question 6 in the ESC's Request for Comment paper, we question whether a regulated residential tariff under the Victorian Default Offer framework that includes a free power period for residential consumers in the middle of the day is the best approach to achieving the objectives of such a tariff.
- We are concerned that a rushed implementation in the VDO could have unintended detrimental consequences as set out in our previous submissions.
- We note that the AER is yet to determine network tariffs for Victoria for the upcoming five-year regulatory period commencing 1 July 2026. We note that while there are approved tariffs that include zero price periods that might underlie free power period retail tariffs in other jurisdictions, these may not be in place in Victoria, and the consequences of that difference would need serious consideration before introduction of a regulated residential tariff under the Victorian Default Offer framework that includes a free power period.
- In answer to question 7 in the ESC's Request for Comment paper, we suggest that there are additional safeguards – such as eligibility requirements – that should be implemented before a customer could opt-in to such a product. We have not yet worked out what they are, but they should exist.

Our overall conclusion is that the Victorian Government and ESC should consider implementation of a regulated residential tariff under the Victorian Default Offer framework that includes a free power period for residential consumers in the middle of the day as a possible option (among other options to be considered), to meet Government, regulator, industry and consumer objectives. Consideration should be given to implementation no earlier than 1 July 2027, to allow time before implementation for:

- Broad stakeholder engagement, including consumer engagement;

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- Consideration of underlying costs to retailers including wholesale energy purchasing and network tariff levels and structures;
- Options analysis, including analysis of outcomes, benefits and costs, including consequences for other aspects of policy and stakeholder impacts; and
- Collaborative design.

We will welcome the opportunity to assist the ESC in this endeavour in order to obtain the best outcomes in the long term interests of consumers in collaboration with other stakeholders.

APPENDIX A: SUBMISSION TO DCCEEW ON ITS CONSULTATION PAPER ON THE SOLAR SHARER OFFER (SSO)

A copy of our submission dated 28 November 2025 to DCCEEW on its consultation paper on the Solar Sharer Offer (SSO) follows.



SUBMISSION

Prepared for:

Department of Climate Change, Energy, the Environment and Water (DCCEEW)

Lodged online

Solar Sharer Offer (SSO) Consultation Paper

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1. INTRODUCTION

1.1. BACKGROUND

The Department of Climate Change, Energy, the Environment and Water (DCCEEW) has announced a Solar Sharer Offer (SSO) initiative, which would introduce a generally available electricity offer with a daily \$0/kWh window during a specific period of the day.¹

The aim of the initiative is said to:

- help households, such as those without rooftop solar or batteries, benefit from cheaper daytime renewable electricity; and
- support a more reliable and efficient electricity grid.

The intention is for the SSO to be made available from 1 July 2026 in areas covered by the Default Market Offer (DMO): New South Wales, South Australia, and South-east Queensland. Further consultation will be undertaken on potentially rolling out a nationally available SSO, or an equivalent offer, in other jurisdictions.

The SSO would be introduced through the Electricity Retail Code and the DMO framework, with consideration given to important consumer protections and communication requirements.

DCCEEW seeks feedback via a consultation paper on the introduction of a regulated SSO under the DMO framework.

This initiative aims to address cost-of-living pressures by:

- enhancing energy affordability;
- empowering consumers;
- improving grid utilisation; and
- ensuring the benefits of Australia's clean energy transition are shared more equitably.

The consultation process will inform the implementation of the SSO. Input from stakeholders will play a critical role in shaping an implementation that delivers energy savings, strengthens consumer protection, and ensures the benefits of the clean energy transition are shared more fairly.

1.2. ABOUT THIS SUBMISSION AND ETROG CONSULTING

This submission is a response from Etrog Consulting Pty Ltd (Etrog Consulting) to the invitation from DCCEEW for submissions on its consultation paper on the Solar Sharer Offer (SSO).

¹ For more information and the consultation paper to which this submission is a response see <https://consult.dcceew.gov.au/solar-sharer-offer>

Etrog Consulting is a specialist consultancy in energy and utilities, focusing on regulatory policy and the interaction of regulation and competition in energy and water industries and markets. The director of Etrog Consulting, David Prins, who is the author of this submission, has over 30 years consulting experience in this field.

This submission discusses some aspects of the SSO, which we hope will be of interest and of value to readers of this submission.

Etrog Consulting is not currently engaged by any client on the subject of this submission. The views put forward in this submission are the views of Etrog Consulting and its author, and are not intended to represent the views of any other person or organisation.

Subject to any other client commitments or conflicts, we will be happy to discuss our views further with DCCEEW or with any other stakeholders or interested parties that happen to read this submission.

2. KEY ISSUES

Etrog Consulting wishes to comment on various key issues as follows.

2.1. OPTIONS ASSESSMENT

It is unclear to us what modelling has been undertaken to attempt to measure the extent to which this initiative would achieve its objectives? What other options were considered? Why was this initiative chosen as the best option to achieve the stated objectives?

2.2. NEED FOR POLICY INTERVENTION

It is unclear on what basis DCCEEW believes that policy intervention is required. Is there evidence of market failure that warrants intervention? Section 2.2 sets out that there are several existing retailer-led Free Power Period (FPP) market offers already available to customers.

The consultation paper sets out key features of current retail FPP market offers, and then states:

These features highlight both the flexibility and the inconsistency of current market-led approaches. They reflect retailers' willingness to innovate, but also underscore the case for a regulated, standardised SSO offer. Retailers advertise FPP offers differently, which can create customer confusion about the benefits and trade-offs of opting for a free power period. Customers can be attracted to the promise of 'free' power, without having the means or ability to practically change their energy usage to take advantage of the free power window, exposing them to potentially higher energy bills.

A regulated, standardised SSO can ensure consistency and comparability of offers by region, enhancing consumer protection.

It is unclear to us why retailers advertising FPP offers differently is viewed negatively. In general, retailers outside the electricity industry advertise retail offers in different ways, and this often encourages innovation. We accept that there can be “customer confusion about the benefits and trade-offs of opting for a free power period. Customers can be attracted to the promise of ‘free’ power, without having the means or ability to practically change their energy usage to take advantage of the free power window, exposing them to potentially higher energy bills.” But we suggest that this could also be the case with a regulated retail offer. Further, we would welcome mechanisms to minimise customer confusion regarding market offers and to ensure that customers on market offers are not exposed to energy bills that are higher than necessary. However, we do not see regulated prices as being the best mechanism to improve the customer benefits and remove customer detriment of market offers.

In regard to the claim that “A regulated, standardised SSO can ensure consistency and comparability of offers by region, enhancing consumer protection.” – it is unclear to us why consistency increases consumer protection above other means of enhancing consumer protection.

2.3. STAKEHOLDER ENGAGEMENT

We welcome the fact that DCCEEW is currently engaging on the Solar Sharer Offer (SSO) initiative.

However, we are unaware of any engagement undertaken prior to announcing the initiative. What views of retailers, customers, networks and other interested and involved stakeholders was undertaken prior to announcing this initiative? What other options were considered?

We would encourage DCCEEW to release the research, modelling and options analysis that it has undertaken to inform stakeholders, and to undertake such activities where there may be gaps in what has been done already.

2.4. IS THE DMO THE RIGHT MECHANISM TO INTRODUCE SSO

The DMO generally applies to customers who have not engaged in the competitive market.² They are likely the least engaged customers.

DCCEEW has acknowledged as quoted above that:

Customers can be attracted to the promise of ‘free’ power, without having the means or ability to practically change their energy usage to take advantage of the free power window, exposing them to potentially higher energy bills.

Is it possible that DMO customers are the least likely to be engaged to change their energy usage? What research has been undertaken to gauge what take-up and behaviour change is likely to eventuate among DMO customers from this initiative?

² We acknowledge that there are also other customers on DMO such as customers who have ended a fixed-price period market contract and not entered into a new market contract, or who move into an energised premise and start using electricity without signing up with a retailer.

Might customers on market offers be more likely to engage with the SSO?

Alternatively, does DCCEEW expect or seek to encourage movement of customers away from market offers to the DMO as a result of the SSO initiative? Is that a move that would encourage or discourage innovation and market choice? Up to now customers have been encouraged to seek out market offers, and the DMO is regarded as a “safety net” (which may or may not reflect efficient prices) for those customers who do not choose a market offer. Has this philosophy changed, and if so have the implications for competitive market dynamics and customers been considered?

Further, the initiative is intended to improve equity, but for example are renters able to shift demand to benefit from SSO to the same extent as home owners. Are renters likely to be working from home or have access to home energy management systems to manage their loads? Will renters and apartment dwellers who have not access to the benefits of battery storage again miss out through not having battery storage to make use of free power periods?

2.5. EFFECTS ON SOLAR PV UPTAKE

Is there intent in the initiative to move away from encouraging solar PV uptake, by telling customers they don't need to install solar PV to benefit from solar PV? Rather they can move to a SSO tariff and benefit from PV installed by others? Has this been modelled?

2.6. ENERGY EFFICIENCY

A “free” period of electricity use may encourage over-consumption. Anecdotal information from international experience suggests that customers over-consume during free power periods, to over-cool or over-heat their homes. Their overall energy costs may decrease, but energy use increases, adversely affecting energy efficiency.

There is not always excess renewable generation in the grid for three hours every day, so could the over-consumption result in more emissions when there is not sufficient renewable generation. Has this been modelled?

**APPENDIX B: SUBMISSION TO THE AER ON ITS ISSUES
PAPER ON THE DEFAULT MARKET OFFER FOR
2026-27 (DMO 8)**

A copy of our submission dated 30 November 2025 to the AER on its consultation paper on the Default Market Offer for 2026-27 (DMO 8) follows.



SUBMISSION

Prepared for:

Australian Energy Regulator (AER)

Lodged by email to dmo@aer.gov.au

Default Market Offer 2026-27 (DMO 8) Issues Paper

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1. INTRODUCTION

1.1. BACKGROUND

On 5 November 2025, the Australian Energy Regulator (AER) [released an issues paper on the 2026-27 Default Market Offer determination](#), known as DMO 8.

The issues paper is the first step in the AER's process to determine DMO 8 tariffs and prices, and outlines proposed updates and refinements to the DMO methodology for DMO 8 (and DMO 9) as compared to the methodology used for previous DMO determinations (up to DMO 7).

The DMO caps the prices a retailer can charge a standing offer customer in south-east Queensland, New South Wales and South Australia. It also serves as a reference price for market offers in these regions.

Under the current regulations, the DMO aims to prevent retailers from charging unjustifiably high prices to customers on standing offers, while maintaining market competition and participation.

On 4 November 2025, the Australian Government announced the outcomes of its review into the regulatory framework for the DMO including a package of recommended changes.

The announced reforms make recommendations with the intent that the DMO will become a fair, trusted and reasonably priced electricity offer which reflects the essential nature of the service, and should only reflect the efficient costs to supply.

The AER's issues paper seeks stakeholder feedback on how the AER can best adapt its approach to suit the changes to the DMO framework and meet the new policy objective, and at the same time respond to recent market developments.

Recommendation 10 in the Australian Government's package of recommended changes is for the introduction of a Solar Sharer Offer (SSO), a new type of standing offer under the DMO framework, which would provide all households the opportunity to access zero-cost electricity during designated time windows.

The AER has encouraged stakeholders to [engage in the government's consultation process](#) being undertaken by the Department of Climate Change, Energy, the Environment and Water (DCCEEW), which will inform the AER's approach to how it will calculate the SSO for DMO 8.¹

1.2. ABOUT THIS SUBMISSION AND ETROG CONSULTING

This submission is a response from Etrog Consulting Pty Ltd (Etrog Consulting) to the invitation from the AER for submissions on its issues paper on DMO 8.

¹ For more information and the issues paper to which this submission is a response, see <https://www.aer.gov.au/industry/registers/resources/reviews/default-market-offer-2026-27/initiation>

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Etrog Consulting is a specialist consultancy in energy and utilities, focusing on regulatory policy and the interaction of regulation and competition in energy and water industries and markets. The director of Etrog Consulting, David Prins, who is the author of this submission, has over 30 years consulting experience in this field.

Etrog Consulting is not currently engaged by any client on the subject of this submission. The views put forward in this submission are the views of Etrog Consulting and its author, and are not intended to represent the views of any other person or organisation.

Subject to any other client commitments or conflicts, we will be happy to discuss our views further with the AER or with any other stakeholders or interested parties that happen to read this submission.

1.3. SOLAR SHARER OFFER (SSO)

This submission only addresses aspects of the SSO, which we hope will be of interest and of value to readers of this submission. We have views on other aspects of the issues paper, but they are not included in this submission.

Section 2.7 of the AER's issues paper relates to the Solar Sharer Offer (SSO) and reads:

The outcomes paper recommends introducing a new time-of-use tariff category under the DMO framework called a Solar Sharer Offer (SSO).² The SSO would provide all consumers on that offer zero-cost electricity during designated time windows. The Australian Government has commenced consultation on the application and implementation of the SSO.

Under this new requirement, all electricity retailers must offer a SSO standing offer tariff under the DMO or an approved alternative. The implementation would be phased, commencing with DMO jurisdictions by 1 July 2026 to align with DMO 8, with further consultation to occur in preparation of a potential national rollout from 2027.

Given the imminent rollout of SSO tariffs to DMO jurisdictions for DMO 8, we propose to consider the outcomes of DCCEE's SSO tariff consultation. Input stakeholders provide as part of that consultation may inform how we calculate the SSO for DMO 8. Therefore, we encourage stakeholders to engage in the DCCEE process. If required, we will conduct targeted consultation (such as industry and consumer group workshops) on our approach to setting SSO tariffs prior to finalising the DMO 8 draft determination.

Consistent with the AER's encouragement to stakeholders to engage in the DCCEE process, we provided a submission to DCCEE on its consultation paper on 28 November 2025. The key points in our submission to DCCEE were written largely in the form of questions. For ease of reference, our submission to DCCEE is included as Appendix A to this submission to the AER.

² DCCEE, *Review Outcomes: 2025 reforms to the Default Market Offer*, Department of Climate Change, Energy, the Environment and Water, 4 November 2025, Executive summary: Recommendation 10.

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We also posted a copy of that submission on LinkedIn,³ where we summarised that the key points in our submission to DCCEEW included consideration of:

- What if any modelling has been undertaken by DCCEEW?
- What other options were considered?
- Why was this initiative chosen as the best option to achieve the stated objectives?
- Is there evidence of market failure that warrants policy intervention?
- What stakeholder engagement was undertaken prior to announcing this initiative?
- Is the DMO the right mechanism to introduce SSO?
- Have effects on solar PV uptake been modelled?
- Will there be adverse effects on energy efficiency through over-consumption of "free" electricity?
- Could over-consumption result in more emissions when there is not sufficient renewable generation to cover the "free" electricity? Has this been modelled?

Some of these questions are policy questions for DCCEEW to address and are not for the AER. However, there is overlap with AER-related matters, and the AER has acknowledged this in its statement that the DCCEEW consultation process will inform the AER's approach to how it will calculate the SSO for DMO 8. We therefore request that the AER considers any relevant points that we raised in our submission to DCCEEW which is included as Appendix A to this submission to the AER as if they were contained in the main text of this submission.

2. KEY ISSUES

Etrog Consulting wishes to comment on various key issues in regard to the SSO for DMO 8 as follows.

2.1. MODELLING, RESEARCH AND STAKEHOLDER ENGAGEMENT UNDERTAKEN BY DCCEEW

In our submission to DCCEEW we questioned what modelling, research and stakeholder engagement had been undertaken to inform its policy initiative. We encouraged DCCEEW to release the research, modelling and options analysis that it has undertaken to inform stakeholders, and to undertake such activities where there may be gaps in what has been done already.

We ask that the AER should obtain from DCCEEW the modelling, research and stakeholder engagement that has been undertaken to date, to inform the AER's own decision making on DMO 8.

³ See https://www.linkedin.com/posts/davidprins_etrog-consulting-solar-sharer-offer-ss0-activity-7400058345623236608-P1xJ

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2.2. ADDITIONAL MODELLING, RESEARCH AND STAKEHOLDER ENGAGEMENT TO BE UNDERTAKEN BY THE AER

The AER should undertake additional modelling, research and stakeholder engagement to fill any gaps left by DCCEEW. We note that the AER states in its issues paper:

If required, we will conduct targeted consultation (such as industry and consumer group workshops) on our approach to setting SSO tariffs prior to finalising the DMO 8 draft determination.

We are not going to speak for industry, but we are strongly of the view that significant consultation with consumers and their representatives will definitely be required prior to finalising the DMO 8 draft determination if the objectives of SSO tariffs are to be met. The AER should not only engage with “consumer groups” / “consumer advocates”, but also with statistically valid representative samples of various categories of actual end-use customers.

Aspects of SSO tariff design and implementation that could usefully be informed by consumer engagement include (but are not limited to) the following:

Avoiding customer confusion: The DCCEEW consultation paper stated that there can be “customer confusion about the benefits and trade-offs of opting for a free power period.” The AER should research what aspects of current offers result in customer confusion, and how the new SSO tariff can be designed to avoid such customer confusion.

We foresee a new area of customer confusion arising: retailers are obligated to inform customers if they would benefit from a different tariff offered by their retailer, *based on their past consumption*. However, the SSO is intended to encourage customers to change their energy usage to take advantage of the SSO. Thus the customer may simultaneously be told that they are on the best tariff based on their historic consumption but could be better off on a different tariff if they change consumption.⁴ The AER should undertake customer engagement to ascertain how customers would prefer to have such information presented to them.

Ensuring customers benefit: The DCCEEW consultation paper stated: “Customers can be attracted to the promise of ‘free’ power, without having the means or ability to practically change their energy usage to take advantage of the free power window, exposing them to potentially higher energy bills.” The AER should engage with consumers to understand better how the SSO can be targeted to those who do have the means or ability to benefit from the new SSO tariff as against those who would be exposed to potentially higher energy bills if they were to move to a new SSO tariff.

Enhancing consumer protection: The DCCEEW consultation paper stated: “A regulated, standardised SSO can ensure consistency and comparability of offers by region, enhancing consumer protection.” The AER should engage with consumers to understand better what enhanced protection consumers are seeking, and how best to deploy the SSO to provide enhancements that consumers will value.

⁴ See also section 2.3.2 below regarding retailer obligations in this regard.

Improving affordability and equity: The DCCEEW consultation paper stated: “The SSO framework aims to deliver on core objectives of affordability, equity, and transparency.” It is unclear how those least able to afford electricity will benefit from the SSO and will benefit from improved equity. For example, are renters able to shift demand to benefit from SSO to the same extent as home owners? Are renters likely to be working from home or have access to home energy management systems to manage their loads? How will the AER ensure that renters and apartment dwellers who do not have access to the benefits of battery storage do not again miss out through not having battery storage to make use of free power periods? Addressing these issues will require the AER to undertake significant engagement with consumers in this category, and quantitative analysis of the usage of these and other potentially vulnerable customers, including the capacity of the customers to change their energy usage to take advantage of the free power window.

Improving trust, understanding and engagement: The DCCEEW consultation paper stated:

A regulated SSO will also promote customer trust and understanding in the product thereby increasing uptake ... these aspects will be important in the design of the SSO.

... the SSO strengthens trust and engagement between consumers and the energy market.

Consumers should be rewarded for shifting usage, which builds trust and engagement with energy providers and the broader transition.

... a regulated tariff cap on the SSO standing offer price so that customers who take up an SSO can access a trusted reasonably priced offer.

Clearly, DCCEEW envisages the AER’s design of the SSO to be critical to improving customer trust, understanding and engagement. A first step to accomplishing that will require the AER to engage with customers to determine from a customer perspective where customer trust, understanding and engagement is currently lacking. Only with that knowledge will customer trust, understanding and engagement be able to be improved. Further, initial engagement will enable a baseline to be set so that improvements in this area that result from the introduction of the SSO will be able to be measured.

Effects on competitive market dynamics and how they will affect customers: The AER should undertake customer research and engagement to gauge likely uptake of regulated SSO offers and the extent to which the SSO will encourage customers to take up a regulated retail offer rather than a market offer. This will provide a key input to model what effect changes in market dynamics might provide benefits or otherwise to customers, and to design the SSO accordingly.

Effects on rooftop solar PV uptake: The AEMO ISP is somewhat dependant on significant in-premise rooftop solar PV uptake being undertaken by customers. These forecasts also feed their way into electricity distribution networks' demand forecasts which in turn feed into network business expenditure forecasts which are regulated by the AER. The SSO aims to provide those without solar rooftop systems the same opportunity to benefit from solar abundance as those with rooftop systems. The AER should undertake customer research and engagement to gauge likely impacts of the SSO on customers' propensity to install further rooftop PV rather than benefit from the installations of others through the SSO tariff. Results of this research should feed into SSO design in order to minimise the likelihood of SSO implementation resulting in unintended consequences in other aspects of the energy transition, as well as informing future rooftop solar PV installation forecasts.

Energy efficiency: A "free" period of electricity use may encourage over-consumption. Anecdotal information from international experience suggests that customers over-consume during free power periods, to over-cool or over-heat their homes. Their overall energy costs may decrease, but energy use increases, adversely affecting energy efficiency. There is not always excess renewable generation in the grid for three hours every day, so over-consumption may result in more emissions when there is not sufficient renewable generation. The AER should undertake customer research and engagement to gauge likely customer behaviour changes in order to design the SSO in such a way as to minimise the likelihood of SSO implementation resulting in significantly reduced energy efficiency and increased emissions.

2.3. RETAILER OBLIGATIONS

2.3.1. AER compliance oversight

The DCCEEW consultation paper sets out in section 4.3 key features of the proposed implementation approach. This sets out many requirements for retailers, and it is unclear which of these will be codified as retailer obligations and subject to compliance oversight.

We would expect the AER to have oversight of compliance with those obligations that are codified as retailer obligations.

2.3.2. Retailer obligation to ensure that only customers willing and able to shift load are put on a SSO tariff

Our current understanding is that retailers need to make sure that customers receive full information disclosure before they take up a market offer, and there are obligations for retailers to inform customers if they will be "better off" on a different tariff offered by that retailer.

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Section 4.3.6 of the DCCEEW consultation paper seems to go further than that:

When making an SSO standing offer the retailer will be required to meet requirements relating to information disclosure and obtaining customer consent. The policy intent is that these requirements will ensure that, before taking up an SSO standing offer, a customer understands how the offer works and whether they can benefit from the offer. This is to ensure that customers who can shift their energy use take advantage of the SSO standing offer, but those that are unwilling or unable to do so take up offers more suitable to their circumstances.

This seems to require the retailer to undertake quantitative analysis of the customer's appliances, how they are used, and how those usage patterns could be changed, and to assess the willingness of all who use the premise to change their usage patterns. This will likely require site audits, and interviews with all family members. Otherwise it is unclear how the retailer can "**ensure** that customers who can shift their energy use take advantage of the SSO standing offer, but those that are **unwilling or unable** to do so take up offers more suitable to their circumstances".

Further, if the customer finds afterwards that they did not benefit from moving onto a SSO tariff, because it turns out that they were **unwilling or unable** to shift their energy use sufficiently to benefit have redress against their retailer for mis-selling?

We welcome AER clarification on this important matter for consumers.