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Essential Services Commission  
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## M2 Energy Pty Ltd's Response to Victorian Default Offer 2026-27 Draft Decision Paper

M2 Energy Pty Ltd (trading as Dodo Power & Gas) appreciates the opportunity to make our first submission to the Essential Services Commission (ESC) on the 2026-27 Victorian Default Offer (VDO) Request for Comment Paper.

As a small, non-vertically integrated retailer, we are focused on delivering value to our customers whilst meeting all regulatory obligations. We support the ESC's efforts to maintain a simple and fair default offer for Victorians who rely on it.

From the outset, we want to emphasise that we support a VDO framework that remains:

- Simple for customers
- Fair for all retailers
- Transparent in its cost components
- Reflective of today's market costs.

We aim to contribute constructively to the ESC's review. Noting this is our first submission, our purpose is to highlight key areas that affect retailers of our size.

## Our response to ESC Consultation Questions

### Q1 – General Matters

**We encourage ESC to review the Retail Operating Cost benchmark.**

The current benchmark is based on 2013-14 data. Operating a modern retail business now involves higher compliance costs, technology costs, cybersecurity requirements, and customer support expectations. There are real costs for small retailers, and updating the benchmark could help ensure that the VDO reflects today's environment.

### Q2 & Q3 – Wholesale Electricity Cost of Exports and Data Sources

**We support the ESC's proposed approach and the continued use of AEMO and AER data.**

We are a non-vertically integrated retailer and exposed to market price movements. The methodology (forecasting export volume-weighted wholesale price and recovering the cost across total consumption) is a necessary mechanism to reflect the cost of small customer exports (which may be negative). Full cost recovery is essential for our financial sustainability. This approach is important for small retailers like us.

### Q4 – Transition to a Three-Period Time-of-Use Tariff

**We encourage ESC to maintain the current two-period structure for the VDO.**

Whilst our new Gentrack Velocity billing system has technical capability to support a 3-period ToU tariff, we have only recently transitioned to this platform. Our staff have already undergone initial training and continue to upskill as we embed the new system. However, our pricing team still requires further training in Velocity's pricing functions, and our pricing models would need to be amended to accommodate a three-period structure. This could increase retailer operating costs for a small retailer like M2 Energy Pty Ltd.

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From a customer perspective, adding a third pricing period also increases complexity. Customers, sales agents, and support staff would require additional education to fully understand the tariff and how it translates into a bill. This may not align with the VDO's objective of being simple, trusted and easy to understand—especially for disengaged customers.

We also note that the proposed solar soak period would mainly benefit customers with an EV, a home battery, or those who are regularly home during the day. Higher peak rates, however, would apply during the times most customers use electricity. This means the benefits may not be evenly distributed across customer groups.

For these reasons, we believe a three-period tariff should be optional rather than mandated within the VDO.

If change is required, small retailers like us would be grateful for full cost recovery to be made available for the system updates and operational impacts we would experience.

#### **Q5 – Other Network Matters**

We will continue to monitor developments from the AER and distribution businesses and may provide further comments if any proposals have material impacts on smaller retailers.

#### **Q6 & Q7 – Free Power Period Tariff and Safeguards**

**We recommend the ESC gives these matters further consideration.**

A regulated “free power period” is a major change and introduces risks for retailers who do not have vertically integrated operations.

If the ESC progresses the proposal, we consider the following minimum conditions that must be met to ensure the tariff is workable and does not disadvantage customers or retailers:

- It should be strictly opt-in , ensuring customers only move to the tariff where it suits their usage profile.
- There should be clear and objective eligibility criteria so the product is applied consistently and transparently.
- Any extra implementation or operational costs must be fully recoverable, given the material system and process changes required.
- Timeframe for implementation must be aligned to the material system and process changes required
- There must be no cross-subsidies between customers ensuing those who do not opt in are not financially disadvantaged.

Our understanding is that the VDO is designed as a simple, protective price, rather than a mechanism for new retail product types.

#### **Q8 – AEMO Fees (Cyber Security & NEM Participant Fees)**

**We strongly support full pass-through of all mandatory AEMO fees.**

Small retailers may face challenges when absorbing these costs. Full pass-through helps ensure the VDO remains financially viable and reflects the actual regulatory environment.



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**Q9 – Ancillary Service Fees**

**We support the ESC's use of the new AEMO "Recovery Rate ACE" data.**

This appears to be the most accurate data source available for estimating ancillary service costs.

We look forward to continued engagement with the Commission.

If you have any queries about this submission, please contact

[REDACTED]

[REDACTED]

Yours sincerely

[REDACTED]

[REDACTED]

General Manager – Consumer Revenue