

**From:** s 22  
**To:** s 22  
**Subject:** Final DMO versus Budget forecasts comparison  
**Date:** Friday, 23 May 2025 5:06:00 PM  
**Attachments:** s 22

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Hi s 22

I have not included others in the team as they were not on the embargoed DMO email.

Some quick takeaways looking at the final DMO:

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- I estimate that retail electricity prices will increase 6.8 per cent in DMO regions, based on the final DMO.

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- The DMO accounts for around 70% of our total underlying CPI Electricity forecast.

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Kind regards,

s 22 — Analyst, SYD

Prices, Wages, and Labour Market Unit (PWL), Macroeconomy Branch  
Macroeconomic Conditions and Population Division (MCPD)

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*The Treasury acknowledges the traditional owners of country throughout Australia, and their continuing connection to land, water and community. We pay our respects to them and their cultures and to elders both past and present.*

**From:** s 22  
**To:** [Redmond, Ineke](#)  
**Cc:** s 47E(d)  
**Subject:** RE: For awareness/clearance - Final DMO inflation language[~~SEC-PROTECTED~~]  
**Date:** Monday, 26 May 2025 2:00:23 PM  
**Attachments:** [image001.jpg](#)  
[image002.png](#)

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Hi Ineke,

With thanks to s 22 for assisting in checking, please find below an updated table of the drivers of CPI electricity:

*Table 1: Drivers of Tty CPI electricity, estimates post 2025-26 DMO & VDO*

	Actual	Estimates*	
	2023-24	2024-25	2025-26
<b>Wholesale costs growth (NEM)</b>	65.7	-13.2	4.4
<b>Network costs growth</b>	5.1	10.7	4.9
<b>Total non-wholesale costs growth</b>	3.8	7.4	5.6
<b>Underlying electricity price growth</b>	14.6	1.3	4.9

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Updates to this table include:

1. The 2025-26 final DMO and final VDO have been reflected in underlying electricity price growth.
2. March quarter CPI actuals have been reflected in 2024-25 figures.

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Please be aware that the final VDO is new information since Friday, and was broadly in-line with the draft VDO.

Happy to discuss any questions.

Kind regards,

s 22 — Analyst, SYD

Prices, Wages, and Labour Market Unit (PWL), Macroeconomy Branch  
Macroeconomic Conditions and Population Division (MCPD)

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~~PROTECTED~~

**From:** Redmond, Ineke <Ineke.Redmond@treasury.gov.au>  
**Sent:** Friday, 23 May 2025 6:31 PM



Australian Government  
The Treasury

## Ministerial Submission

MS25-000803



### FOR INFORMATION - Default Market Offer - 2025-26

TO: Treasurer - The Hon Jim Chalmers MP

### KEY POINTS

- On Monday 26 May, the Australian Energy Regulator (AER) will release the Default Market Offer 2025-26 (DMO 7) for the state retail markets it regulates (New South Wales, south-east Queensland and South Australia).
  - An embargoed copy of the report is attached to this submission.
  - The DMO directly impacts electricity customers on standing offers (Less than nine per cent of customers) and acts as a reference price for all other retail electricity contracts.
- Treasury previously briefed you on the Draft Determination which was made on 13 March 2025 (MS25-000472 refers).
  - Since release of the draft DMO 7, the AER has considered stakeholder feedback and the latest inflation figures and economic forecasts, and included updated wholesale, network, environmental and retail costs.
- DMO 7 final determination sees price increases of \$71 to \$228 (3.2% to 9.1%) for residential customers without controlled loads compared to DMO 6 and depending on the region. Small businesses see increases of \$33 to \$489 (0.8% to 8.5%). See Table 1 below.

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- A broad range of factors are driving price changes in DMO 7 compared to DMO 6 (2024-25). Wholesale market costs and network costs remain the two largest components of DMO prices, while retail costs are the fastest growing component.
  - Wholesale market costs make up 31 per cent to 45 per cent and have seen increases of 1.5 per cent to 10 per cent. Wholesale market spot prices increased across 2024, partially driven by individual market events that resulted in a number of high prices across DMO regions. These events were driven by a range of factors including high demand, coal generator and network outages, and low solar and wind output.
  - Network costs make up 33 per cent to 48 per cent of DMO 7 and have changed with significant s 22 ranging from a reduction of 6.8 per cent for Energex to an

increase of 11.1 per cent for Endeavour Energy. A key driver was higher actual inflation and interest rates causing a higher return on capital. The increase also included expenditure in areas such as improved network resilience to address climate change-related risks, the uptake and integration of consumer energy resources (including rooftop solar, batteries and electrical vehicles), and cyber security.

- Retail costs are a smaller component of DMO 7 (11 per cent to 16 per cent for residential customers) but there is an increase of 23.6 per cent to 35.4 per cent for residential customers and 8.3 per cent to 35.2 per cent for small business customers since DMO 6. This is due to increases in retail operating costs, bad and doubtful debts, and smart meter costs reflecting additional installations since DMO 6. Some retailers have also increased spending on acquiring and retaining customers.

**Table 1: DMO 7 final determination prices (nominal y-o-y):**

Distribution region	Residential DMO 7 prices (without controlled load)	Small Business DMO 7 prices
• Ausgrid (NSW) – Sydney, Central Coast, and Hunter Valley	• \$1,965 (up 8.6% or \$155)	• \$4,977 (up 7.9% or \$365)
• Endeavour (NSW) – Greater Western Sydney, Blue Mountains, Southern Highlands and South Coast	• \$2,411 (up 8.5% or \$188)	• \$4,775 (up 8.0% or \$353)
• Essential (NSW) – regional NSW	• \$2,741 (up 9.1% or \$228)	• \$6,222 (up 8.5% or \$489)
• Energex (QLD) – SE Queensland	• \$2,143 (up 3.7% or \$77)	• \$4,294 (up 0.8% or \$33)
• SAPN (SA)	• \$2,301 (up 3.2% or \$71)	• \$5,541 (up 3.5% or \$189)

- Environmental costs contribute approximately 3 per cent to 4 per cent of the DMO price and decreased across all jurisdictions, driven by decreases in costs related to federal renewable energy target schemes.
- The extension of Energy Bill Relief into the first two quarters of FY2026 will mitigate the impact of any price increases across all DMO jurisdictions. In south-east Queensland, customers will

see a substantial rise in their electricity bill because of the discontinuation of the significant (\$1000/year) state rebates.

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Clearance Officer  
Matthew Maloney  
Assistant Secretary  
Climate and Industry Branch  
~~23 March 2025~~

Contact Officer  
s 22  
Director  
Energy and Resources Unit  
Ph: s 22

## CONSULTATION

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Macroeconomic Conditions and Population Division, Australian Energy Regulator.

## ATTACHMENTS

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A: Additional Information

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## ATTACHMENT A – ADDITIONAL INFORMATION

### OVERVIEW OF THE DMO

- The Australian Energy Regulator (AER) sets the Default Market Offer (DMO) price annually in accordance with the *Competition and Consumer (Industry Code—Electricity Retail) Regulations 2019* (the Code).
  - The DMO applies to regions that have no retail price regulation: south-east Queensland, New South Wales and South Australia.
- The DMO price acts as a ‘reference price’ for residential and small business standing offers in DMO regions. Retailers must show the price of any electricity offers against the DMO price.
  - Standing offers are the default plans offered to customers who don’t sign up to a market retail plan. The DMO price is the maximum price retailers can charge standing offer customers
  - Less than nine per cent of residential customers are on standing offers.
  - The alternative to a standing offer plan is a market retail plan, where retailers set the price and can change the price at any time. Over 91 per cent of residential customers are on these plans.

**Table 2: Proportion of customers on standing offers in DMO regions**

Standing offer customers in DMO regions	Residential (number and %)	Small business (number and %)
NSW	278,868 (8.0%)	56,373 (18.1%)
SE Qld*	136,032 (8.9%)	20,539 (17.5%)
SA	60,827 (7.4%)	14,418(16.2%)
Total standing offer customers	475,727 (8.2%)	91,060 (17.6%)

\* The SE Qld figures are extrapolated from all Qld by excluding Ergon customers. Other retailers have customers in regional Qld so figure is approximate.

- The DMO was introduced in 2019 as a safety net to ensure that consumers coming off market offers, or not engaged in the market, would not be exploited by inflated standing offers.
  - Retailers are free to set supply and usage charges for standing offers as long as the total bill is equal or less than the DMO for a determined annual usage (or as other regulated price outside of DMO regions of SEQ, NSW and SA).
  - The DMO prevents retailers from charging unjustifiably high standing offer prices, allows retailers to recover their efficient costs of providing services, and encourages customers to engage in the market by seeking a better deal.

- This is the seventh iteration of the DMO, and will apply from 1 July 2025 to 30 June 2026.
  - The draft DMO was subject to a public consultation process from 13 March to 3 April 2025.

#### **METHODOLOGY:**

- To set the DMO, the AER determines how much electricity a broadly representative small customer would consume in a year and the pattern of that consumption (the model annual usage).
  - From this, the AER calculates a reasonable total annual price for supplying electricity (in accordance with the model annual usage) to small customers – this is the DMO.
- In determining the DMO, the AER is required to consider:
  - the prices electricity retailers charge for supplying electricity in the region to that type of small customer
  - the principle that an electricity retailer should be able to make a reasonable profit in relation to supplying electricity in the region
  - the following costs:
    - : the wholesale cost of electricity in the region
    - : the cost of distributing and transmitting electricity in the region
    - : the cost of complying with the laws of the Commonwealth and the relevant State or Territory in relation to supplying electricity in the region
    - : if relevant to the region—the cost of acquiring and retaining small customers
    - : the cost of serving small customers.
  - any other matter the AER considers relevant.