AUSTRALIAN ENERGY COUNCIL

Mr. Gerard Brody
Chairperson
Essential Services Commission
Level 8, 570 Bourke Street
Melbourne VIC 300

Lodged via online portal

12 December 2025

Dear Mr. Brody

Subject: Submission to the 2026-27 Victorian Default Offer Request for Comment Paper

1. Introduction

The Australian Energy Council (**AEC**) welcomes the opportunity to provide this submission to the Essential Services Commission (**ESC**) in response to the *2026-27 Victorian Default Offer: Request for Comment Paper.*

The AEC is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. Our members generate and sell energy to over 10 million homes and businesses and are major investors in renewable energy generation, supporting the transition to a net-zero economy.

2. Strategic Overview

The 2026-27 Victorian Default Offer (**VDO**) review comes at a critical time for the Victorian energy market. Since its introduction, the VDO has served as a price safety net, providing a simple and reasonably priced option for consumers who do not engage in the market. Its methodology has historically relied on the efficient recovery of costs to ensure stability.

The proposals in the *Request for Comment Paper*, particularly the introduction of a "Free Power Period", suggest a shift in the VDO's purpose. The ESC appears to be moving the VDO from a passive safeguard, to an active policy tool intended to change consumer behaviour. While the AEC supports the government's broader goals of load shifting and decarbonisation, we consider the VDO to be the incorrect mechanism for these interventions.

We also note that the Victorian regulatory framework already includes the *Payment Difficulty Framework***.** As a purpose-built mechanism designed to assist customers experiencing financial hardship, this represents the correct instrument to provide targeted support to vulnerable households, without distorting the price signals of the wider market. Attempting to address affordability by altering the VDO methodology risks creating broad inefficiencies that do not effectively target those most in need.

As many of the identified policy issues are aligned, we have included for your reference at Appendix 1 copies of our recent submissions to Department of Climate Change, Energy, the Environment and Water (DCCEEW) on the Solar Sharer Offer (**SSO**) which include further context and detail on the challenges to retailers of the ESC's proposed Free Power Period.

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3. Misalignment of the "Free Power Period"

The ESC has requested feedback on including a mandatory "Free Power Period" in the VDO. This would involve a time-of-use tariff where usage during a midday window is charged at $0.00/kWh. The AEC expresses its opposition to this in in its current form, for the following reasons.

3.1. Mandating a Revenue Shortfall

The core flaw of a mandatory Free Power Period within a cost-based stack is that it mandates a zero-dollar retail price, while leaving the underlying costs to supply that energy intact.

Retailers are charged network tariffs by Distribution Network Service Providers (**DNSPs**) for every customer. These tariffs include volumetric usage charges (cents per kWh) that apply to electricity delivered. Even if the retail price to the customer is mandated at $0.00/kWh, the retailer must still pay the distributor for usage during that window.

Consequently, the ESC's proposal forces retailers to pay distributors to supply free energy, creating a direct financial loss on every kilowatt-hour consumed during the window. To recover these efficient costs, retailers would be forced to increase fixed supply charges or peak usage rates. This creates a cross-subsidy where customers who cannot shift their usage (such as renters or those without smart appliances) pay higher rates to subsidise the free energy of those who can.

3.2. Policy Duplication

The proposal duplicates existing market reforms. From 1 July 2026, Victorian networks are introducing "Solar Sponge" tariffs, which lower network charges during the middle of the day. This network reform already provides a price signal required to encourage daytime consumption. We consider that overlaying a mandatory retail "free window" on top of the "Solar Sponge" network tariff adds administrative complexity without necessarily improving the outcome for the consumer.

3.3. Compliance Risks regarding "Deemed Best Offer"

Victorian retailers are currently required to perform a "Deemed Best Offer" check on customer bills, informing them if they could save money on a different plan. Comparing a standard flat rate against a tariff with a conditional free window is highly complex.

Whether a customer is "better off" on a Free Power Period tariff depends entirely on their behaviour. If a customer joins the plan but fails to shift their usage, they may end up paying more due to higher peak rates. This creates a compliance risk for retailers, who may find it difficult to accurately advise customers on the "best" offer when the value of the offer is variable and behavioural.

4. Network Tariff Transition

The ESC is also consulting on transitioning the VDO from a two-period Time of Use (**ToU**) structure to a three-period structure to align with new network tariffs.

4.1. Managing Basis Risk

The AEC supports the principle of cost-reflectivity. If the VDO remains on a two-period structure (Peak/Off-Peak) while network costs move to a three-period structure (Peak/Off-Peak/Solar Sponge),

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retailers face risk that the amount payable by retailers to the network is not reflexive of its customer revenue. To ensure the VDO reflects efficient costs, we submit that the retail structure should align with the network structure.

4.2. Implementation Barriers

The AEC also wishes to note the presence of operational barriers for its members in implementation. Additionally, AEC members have advised that some distribution businesses have not yet generated the tariff codes required for the new three-period structures.

Retailers require these codes to build the new products in their billing systems and conduct regression testing. This process typically requires 12 to 18 months. Without these codes being finalised well in advance, a 1 July 2026 start date poses a risk of billing errors and implementation failure.

5. Wholesale Electricity Costs

5.1. Mandatory Feed-in Tariff Recovery

Currently, the VDO methodology treats customer solar exports as a benefit that nets off costs. The AEC submits that this approach does not reflect the cash cost incurred by the retailer.

Victorian energy retailers in practice pay a positive Feed-in Tariff (**FiT**) to solar customers for their exports. While the regulatory framework sets a minimum FiT floor of zero, competitive and policy pressures mean that retailers generally do offer a positive FiT (even in cases where the market value of exports is low or negative) and a zero FiT is not a realistic option for retailers. Even when retailers have a FiT of 0c/kWh, negative wholesale prices mean retailers still incur real, unrecoverable costs for exported energy that is not recovered from these customers.

Accordingly, we submit that the VDO methodology should be refined to recognise and recover the unavoidable costs imposed on retailers by the FiT floor (which cannot be set below zero) as well as the costs associated with the minimum positive FiT that retailers operating in Victoria offer.

6. Responses to Consultation Questions

Question 1:

The AEC opposes any reduction in the retail margin given the increased volatility and regulatory complexity in the Victorian market.

Question 2:

The AEC opposes the ESC's move from a 30-minute import-export load profile to a 5-minute import-only profile for the VDO. We submit that the new approach is inefficient and less accurate for reflecting retailer hedging costs, particularly for volatile load. We maintain that the previous net import-export profile was more appropriate, accurately reflected hedging costs, prevented cross-subsidisation of solar customers and was better aligned with the true cost of electricity sales.

Regarding the ESC's updated methodology for calculating solar export cost recovery (which now uses a 5-minute load profile of customer imports and includes an allowance for wholesale electricity costs related to exports) we submit that if this approach is kept, the allowance for wholesale electricity costs

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must, as far as possible, enable retailers to recover their actual export hedging costs, rather than reflecting an abstract value derived from a model.

Question 3:

Yes, AEMO and AER data remain the appropriate sources.

Question 4: Transition to Three-Period ToU

The shift to a three-period TOU tariff for energy retailers poses major operational challenges. These challenges are driven by the need for mandatory system modifications to billing and operational systems under the pressure of the 1 July 2026 compliance deadline. Achieving this readiness is highly problematic for retailers, due to unresolved external factors, including: the lack of approval for Tariff Structure Statements (TSS), the late anticipated release of the AER's Final Decisions (April 2026), as well ongoing uncertainty and lack of finalised tariff codes within the distribution sector.

Question 5:

Continuing the pass-through approach is appropriate. However, alignment is critical to avoid basis risk.

Question 6:

The ESC should look to include uniformity in "Solar Sponge" time windows across all Victorian distributors to simplify the VDO structure.

Question 7:

The AEC opposes the inclusion of a mandatory Free Power Period in the VDO. The AEC notes that this overlaps with existing policy initiatives, particularly given the introduction of "Solar Sponge" network tariffs and creates cross-subsidies. It also introduces significant compliance risks regarding the "Deemed Best Offer" check, as the value of the offer is dependent on behavioural change that is difficult to predict. We have included at Appendix 1 copies of our recent submissions to Department of Climate Change, Energy, the Environment and Water (**DCCEEW**) which include further information on the specific compliance risks faced by retailers.

Question 8:

If the ESC proceeds with the Free Power Period, eligibility should be limited to customers with communicating smart meters, as well as other guardrails to be introduced, such as a fair use policy. We submit that it should be an opt-in model requiring explicit informed consent, and customers on controlled load tariffs should be excluded. We have included at Appendix 1 copies of our recent submissions to DCCEEW, which include further background relevant to this submission.

Question 9:

Yes, the AEC supports the pass-through of cyber security and resilience fees as legitimate regulatory costs.

Question 10

The AEC supports the use of Recovery Rate ACE data as it reflects current market rules.

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7. Conclusion

The AEC urges the Commission to maintain the VDO as a predictable safety net. We recommend opposing the mandatory Free Power Period due to policy redundancy and cross-subsidy concerns. We support the transition to a three-period structure to minimise basis risk, provided the operational barriers regarding tariff codes are resolved and realistic timeframes for implementation are included.

Please do not hesitate to contact us if you wish to discuss this submission further.

Yours sincerely,

Jo De Silva

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AUSTRALIAN ENERGY COUNCIL

Mr. Simon Duggan
Deputy Secretary
Department of Climate Change, Energy, the Environment and Water
GPO Box 3090
Canberra ACT 2601

Lodged via online portal

21 November 2025

Dear Mr. Duggan

Subject: Consultation on the Proposed Solar Sharer Offer (SSO)

The Australian Energy Council (**AEC**) welcomes the opportunity to provide a submission to the Department of Climate Change, Energy, the Environment and Water (**DCCEEW**) on the proposed Solar Sharer Offer (**SSO**).

The AEC is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. Our members generate and sell energy to over 10 million homes and businesses and are major investors in renewable energy generation, supporting the transition to a net-zero economy.

While the AEC shares the government's objective of improving energy affordability, we cannot support the SSO as currently proposed. The policy, in its present form is not cost reflective, introduces systemic risk and may lead to negative outcomes for the very consumers it is intended to help.

1. Managing Retailer Risk Amid Policy Change

The AEC wishes to note the complexity of implementation and risk management challenges introduced by the SSO as a mandatory industry code. The national energy governance framework, administered by the Australian Energy Market Commission (**AEMC**), the Australian Energy Regulator (**AER**) and the Australian Energy Market Operator (**AEMO**) provides retailers with investment certainty through consultative processes. The introduction of foundational market rules outside of this framework can introduce unforeseen operational and financial risk for retailers and create an elevated risk of unintended consequences.

The complexity faced by retailers with respect to policy reforms taking place outside of the existing governance framework is further compounded by the unprecedented velocity of other concurrent mandatory reforms, including the Energy Consumer Reforms, the Accelerated Smart Meter Rollout, and significant changes to the DMO itself. This rapid legislative pace drives industry distraction, compounds administrative complexity, and forces retailers to absorb unrecoverable costs for rushed IT system overhauls, increasing the risk of billing errors and non-compliance.

2. The Core Problem: Mandating a Revenue Shortfall

The core flaw of the SSO is that it mandates a zero-dollar ($0/kWh) retail price for a specific window while leaving the costs to supply that energy intact. This regulatory asymmetry creates a guaranteed revenue shortfall on every unit of energy consumed during the period.

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To mandate a zero-dollar revenue period while retaining positive network, wholesale, and certificate costs renders the tariff non-cost-reflective by design. The impact of moving these costs out of the free window to other higher priced periods creates a risk that households who opt into the tariff yet are unable to move sufficient consumption into the free window would pay higher bills than they would otherwise. This risk is discussed further below.

A. Unrecoverable Variable Network Charges

Retailers are compelled to pay network charges to Distribution Network Service Providers (**DNSPs**) for every customer. Crucially, these tariffs include volumetric (variable) usage charges (cents per kWh) that apply to every unit of electricity delivered.

Even if the retail price to the customer is mandated at $0/kWh, the retailer must still remit these variable usage charges to the distributor. The current patchwork of state-based network tariffs contains no provision for a zero-cost window. Consequently, the SSO forces retailers to pay distributors to supply free energy, creating a direct financial loss on every kilowatt-hour consumed.

B. Disruption of Portfolio Hedging and Wholesale Costs

We are concerned that the policy rationale underpinning the SSO (that a period of excess solar supply flows through to zero-cost wholesale energy input for retailers) represents an over-simplification of the underlying market dynamics. Retailers do not simply buy energy at the live "spot price," which can fluctuate from negative values to the market cap. Instead, retailers manage a portfolio cost. This is a blended price achieved by purchasing hedging contracts (swaps, caps, and futures) months or years in advance to smooth volatility and ensure stable pricing for consumers. This hedging strategy is the reason customers see a single, predictable price rather than the volatility of the wholesale market.

The SSO disrupts this model. Retailers must still procure hedging coverage for the load consumed during the SSO window to protect against price spikes (e.g., if cloud cover reduces solar output while demand remains high). However, the mandated $0 price prevents the recovery of these hedging costs during that time window. By preventing the recovery of the portfolio cost, the policy undermines retailers' risk management strategies.

C. Contradiction with DMO Principles

This misalignment creates instability that contradicts current regulatory principles. In the concurrent consultations for the Default Market Offer (**DMO**), the industry and the AER are actively working to align retail tariffs with underlying network tariffs to reduce complexity and risk. By mandating a retail tariff structure (the SSO) that is completely decoupled from the underlying network and wholesale cost structures, the SSO proposal in its current form enforces misalignment that the AER is currently trying to resolve.

3. Projected Outcomes: Negative Impacts on Consumers and Competition

This current design of the SSO is likely to bring consequences for consumers that run counter to the policy's stated objectives, which are outlined below.

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A. The Mandatory Cross-Subsidy

A revenue shortfall (such as that created by the SSO) cannot be absorbed by retailers. Retailers need to recover these costs and the only available mechanism within the design of the tariff is to raise prices outside the "free" window. This can be done by:

- increasing the fixed daily supply charge; or
- increasing the usage rates during peak/shoulder periods.

There is a risk that such a mechanism disproportionately penalises customers opting into the SSO tariff who cannot shift sufficient load, despite their best intentions. Whilst this concern will be relevant for all customers opting into the SSO, it may be exacerbated for those less able to change their consumption profiles in the home, such as renters, vulnerable households with medical equipment, or those at work during the day. These customers will see their peak and fixed charges rise to subsidise the "free" energy of others, which could lead to inequitable outcomes and bill shock.

B. Erosion of Competition

The proposal arrives when retail margins are already under compression from a combination of factors, which include a challenging wholesale market, a complex regulatory framework and tightening price regulation approaches. This sustained pressure already limits the ability for retailers to offer competitively priced market offers that most customers are currently benefitting from. By mandating retailers to offer a service where the tariffs are not cost reflective, the SSO introduces a new uncompensated financial liability that may further erode the margin available for competitive market offers to consumers. The cumulative effect of these factors may discourage the development of new, innovative and competitive offers, which could harm engaged customers and work against the objective of market-led efficiency.

Additionally, it is important to differentiate between market-driven offers that feature "free" consumption periods, which are designed to be cost-reflective and sustainable through the offsetting of costs across other tariff components, and the proposed SSO. Retailers' existing free-hour offers are built on a range of factors, including state-based Feed-in Tariff (**FiT**) rates (the payment retailers provide for surplus solar energy exported to the grid), portfolio hedging and cost offsetting. By contrast, the mandatory nature of the SSO risks undermining these existing innovative and cost-reflective market approaches, thereby diminishing the customer benefits that arise from competition.

4. Managing Increased Demand Volatility

The SSO's design potentially contributes to demand volatility, in the event that there is large-scale adoption and significant load shift by participating consumers. The $0/kWh price acts as a powerful incentive to concentrate flexible electricity consumption into a narrow window, which would be followed by the sunset peak consumption period. If the SSO tariff is adopted at a material scale, this could result in the creation of a more severe evening "ramp," which would result in the transition from solar to fast-response thermal generation in a more sudden manner. Applying mechanisms (such as the suggested fair use policy detailed below) may help to mitigate this risk.

Retailers manage this demand volatility through hedging. However, as noted, the SSO (combined with concurrent DMO reforms) limit retailers' ability to recover the cost of these hedging contracts, which impacts upon their ability to manage risk.

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It is noted that the national transition to Time-of-Use (**ToU**) tariffs, driven by the mandatory smart meter rollout and network tariff setting processes, is already an established, market-aligned mechanism for driving load to off-peak periods. For the SSO to effectively achieve its intended purpose without exacerbating network volatility or conflicting with current market signals, its design should be carefully coordinated with these existing foundational reforms and complementary programs, such as the Cheaper Home Batteries Program. This coordination is critical to ensure the SSO acts as a supplementary, reinforcing signal, rather than introducing a potentially destabilising and contradictory mechanism.

5. Recommendations: A Viable Path Forward

The AEC is committed to working constructively with the government. However, for the SSO to be workable, the misalignment between revenue and cost should be resolved before implementation. The complexity of implementing these coordinated national and state-level changes makes the proposed July 2026 deadline extremely difficult to meet.

Retailers require detailed operational rules to begin the complex IT and billing system overhauls. Given this, a minimum 12-month extension from the date all final regulatory details and parallel reforms are confirmed is requested to ensure an accurate, safe, and stable product rollout.

If the SSO is to be implemented, we submit that DCCEEW should consider adopting the following regulatory preconditions:

- **Network Tariff Reform**: The issuance of a formal direction or other regulatory mechanism to implement a corresponding zero-dollar ($0) variable usage charge for network tariffs that aligns with the mandated SSO period. This ensures the retail tariff is not impeded by the network tariff, consistent with the principles being established in concurrent DMO consultations and decreasing the risk for customers opting into the tariff of negative bill outcomes overall.
- **Exemption from Certificate Surrender:** Retailers should be granted an exemption from Renewable Energy Target (RET) certificate obligations for electricity consumed during the SSO period.
- **Cost Recovery for Hedging:** The DMO/SSO pricing methodology should explicitly allow for the recovery of the portfolio costs, including the hedging premiums required to manage the volatility created by the SSO.
- **Operational Safeguards:** Safeguards need to be introduced, such as a fair use policy which puts a limitation on kWh consumption during the free period, to avoid negative consequences for the network and to allow retailers to reasonably model their costs.
- **Review of Existing Incentives:** As an alternative path to achieving fairness for non-solar participants, the government could consider a broader review of the existing incentives and rebates currently provided to solar customers. This approach would allow for the identification and mitigation of any regressive cross-subsidies in the market, addressing the core objective of improving equity for customers not participating in solar schemes without introducing the significant financial and operational risks inherent in the SSO.
- **Extended Timeline:** Strong consideration should be given to the extension of the July 2026 deadline. Retailers require a reasonable implementation period after parallel reforms (including changes to network tariffs and environmental certificates) are finalised.

The AEC and its members are committed to the energy transition and to delivering affordable energy to customers. We encourage DCCEEW to engage with the AEC and its members to design a policy that is viable, equitable, and sustainable.

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Yours sincerely,

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Ms. Electra Pappas
Acting Branch Head
Electricity Markets
Commonwealth Department of Climate Change, Energy, the Environment and Water
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Lodged via email

28 November 2025

Dear Ms. Pappas

Subject: Supplementary Submission on the Proposed Solar Sharer Offer (SSO)

The Australian Energy Council (**AEC**) welcomes the opportunity to provide a supplementary submission to the Department of Climate Change, Energy, the Environment and Water (**DCCEEW**) on the proposed Solar Sharer Offer (**SSO**).

The AEC is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. Our members generate and sell energy to over 10 million homes and businesses and are major investors in renewable energy generation, supporting the transition to a net-zero economy.

This document follows our primary submission lodged on 21 November 2025 and reflects further consultation with our retail members regarding the operational feasibility and regulatory design of the SSO. The following submissions are focused on consolidating AEC members' views, to provide unified feedback to DCCEEW.

While the AEC supports the transition to a decarbonised energy system, our members have identified tensions between the proposed implementation timeframe of 1 July 2026 and the complexity of fitting a niche, behaviour-based product into the existing safety net framework of the Default Market Offer (**DMO**).

The central tension identified by the group is the conflict between the tight implementation timeframe and the complexity of fitting a niche, behaviour-based product (being the SSO) into the existing "safety net" framework of the DMO. There is concern that without careful regulatory design, the SSO could create financial cross-subsidies, risk voltage drops and expose retailers to compliance risks regarding "Better Offer" calculations. Discussion themes are explained in further detail below.

1. Regulatory Design: Principles and Cost Recovery

As detailed in our initial submission, the current SSO proposal risks creating a structural revenue shortfall. Following further review, the AEC submits that while regulations should remain principles-based rather than prescriptive, they must explicitly guide the Australian Energy Regulator (**AER**) away from standard DMO methodologies for the SSO.

The AER's standard methodology relies on broad average usage profiles. Our members have expressed concern that the AER might default to using standard DMO methodology to price the SSO and rely upon broad usage profiles to do so. Because the SSO is a unique product designed for high midday usage, we

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recommend that regulations require the AER to define a specific "SSO Representative Customer" with a unique load profile rather than relying on general averages. To be clear, the representative customer created for the purposes of the DMO price determination should not be the same representative customers as that for the SSO.

There is consensus that regulations must explicitly require efficient cost recovery. Member retailers will incur costs during the "free energy" window (e.g., network charges, hedging costs) that they would be mandated to give away for $0 pursuant to the SSO. The regulations should clarify that these costs are recoverable in the tariffs applied to other times of the day, to prevent cost misalignment. We also submit that regulations ought to specify that the SSO design is such that it does not result in the creation of cross-subsidies: ensuring that the costs of the SSO are not spread across all standing and market offer customers.

2. Policy Objective and Eligibility Criteria

Discussion centred on defining the purpose of the SSO in the regulations to prevent inequitable outcomes. If the objective is simply "load shifting" (physics), the product becomes attractive to wealthy customers with large batteries who can charge for free at noon and discharge later. This creates a cross-subsidy where lower-income customers (who cannot load shift) effectively subsidise the free energy absorbed by battery owners.

Members considered that the regulatory objective should be explicitly social/equity-based, targeting non-CER customers such as renters and apartment dwellers. This objective would enable consideration by the AER of the implications of battery owners as eligible participants. The objective could be framed as delivering the benefits of solar to people who have barriers to owning their own assets.

It was also noted that there a fundamental conflict in listing the SSO as a "Standing Offer," which has historically served as a passive safety net for disengaged customers. The SSO, by contrast, is a dynamic product requiring active behavioural change (shifting usage to midday). Defaulting disengaged customers onto the SSO creates a risk that they will fail to shift their load, resulting in higher bills.

If a customer is placed on the SSO but fails to change their habits, they could end up paying significantly more than on a standard plan. The consensus was that regulations should mandate that eligibility criteria exist (to protect the product intent), while delegating the specific definition of those criteria (e.g., battery exclusions or daily kWh caps) to the AER's discretion in their development of relevant guidance.

3. Exclusion of Controlled Load

The group reached a consensus that controlled load (dedicated circuits for hot water, slab heating, etc.) should be excluded from the SSO free energy blocks. The inclusion of controlled load in the SSO presents the following risks:

- **Financial**: Retailers are mandated to provide energy between 11am – 2pm for free ($0). However, retailers are often still charged network tariffs for delivering that energy. If energy-hungry devices like hot water systems are allowed to run uncapped during this window, retailers could face large network costs with zero revenue to cover them. This would necessitate raising prices on standard usage, creating an unfair cross-subsidy.

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- **Network Stability:** There are concerns regarding network stability. Most controlled load appliances operate on "dumb" timers. If the offer launches with a free window starting at 11am, millions of devices would likely turn on simultaneously at that exact second. That instantaneous spike in demand could cause a sharp voltage drop, potentially impacting upon user experience or tripping safety relays.

Controlled load could potentially be feasible for inclusion in the future only if meters are reprogrammed to stagger start times (e.g., between 11:00 and 11:30am) to smooth the load spike and with concurrent network tariff reform. Tariffs would also need to be amended to align with the offer (i.e., the network charges the retailer $0 during the solar window.

4. Consumer Protections and Information Requirements

Members consider that the information needs of customers for the SSO product is a design aspect of the SSO. Further exploration is needed about what this information needs to be, including whether Energy Consumers Australia should be its priority vehicle for delivery.

Consumer protections for the SSO should be developed as part of the Better Energy Customer Experiences reform process and should not be considered separately, to enable holistic consideration of the range of products and services that customers can access and their impacts.

5. Implementation Risks (1st July / DMO 8)

The operational feasibility of a 1st 1 July 2026 launch is a key area of concern for members, particularly regarding consumer protection obligations.

Members noted that it is unfeasible to perform "Better Offer" checks (telling a customer they would save money on the SSO) by 1st July 2026. The reasoning behind this is that calculating savings requires predicting future behaviour. Using past usage data is misleading for this product because the customer must change their behaviour to save money. If a retailer tells a customer "You will save $50" based on past data, but the customer does not shift their load, the customer will pay more, and the retailer could be liable for misleading conduct. To mitigate the described risks, the group prefers an "opt-in" model. There should be no obligation to actively market or sell the product; the onus should remain on the customer to seek it out. It was suggested by one member that for the first year (DMO 8), the SSO obligations should be legally defined as "transitory," potentially applying only to existing Standing Offer customers to limit the initial scope and risk.

Based on the meeting, the AEC's joint position could be summarised as:

- Regulations must ensure cost recovery explicitly in the text;
- controlled load must be excluded to prevent financial loss and physical grid instability;
- eligibility criteria should be required in the regulations, with the AER determining the specific criteria;
- any "Better Offer" calculation obligations must be removed for the 1st July 2026 launch, due to the inability to model behavioural change accurately; and
- the policy objective should be defined as supporting non-CER customers (equity) and should be in the regulations.

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Yours sincerely,

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