ENERGY CONSUMERS AUSTRALIA

Review of the Victorian Default Offer Order in Council 2026

Energy Consumers Australia's feedback on the operation and effectiveness of the Order in Council underpinning the Victorian Default Offer

Energy Consumers Australia is the national voice for household and small business energy consumers. We advocate for a fair, affordable, and reliable energy system—one that meets everyone's needs and leaves no one behind on the journey to net zero.

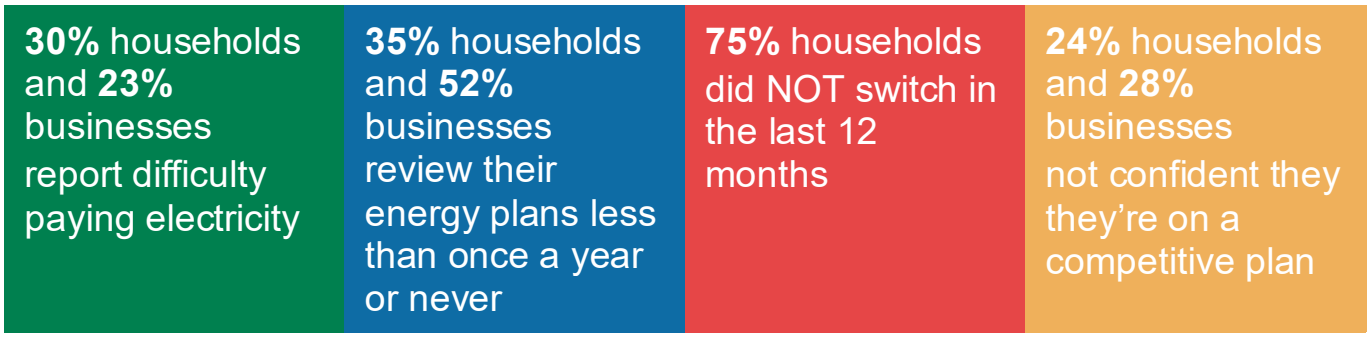
Feedback on the review of the VDO Order in Council

Energy Consumers Australia (ECA) welcomes the opportunity to provide feedback on the review of the Victorian Default Offer (VDO) Order in Council.

ECA considers that the VDO remains fit for purpose and continues to perform an essential dual role in Victoria's retail electricity market. It provides an automatic safety net for households and small businesses who are unable or unwilling to engage in the market, while also functioning as a trusted reference price that promotes transparency and comparability across retail offers.

Importantly, the VDO recognises a fundamental reality of essential service markets: many consumers cannot reasonably be expected to continuously monitor, compare and optimise their energy arrangements to achieve a fair outcome. **Figure 1** provides key findings from ECA's recent surveys that demonstrate the continuing need for these protections.

Figure 1. Snapshot of Victorian energy household and small business consumers



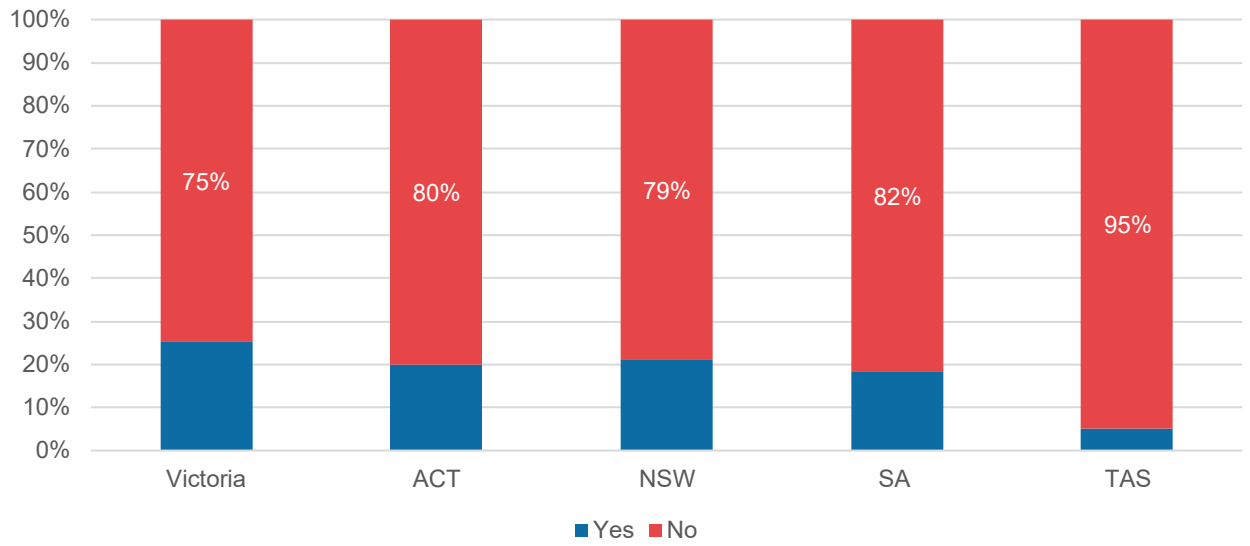
June 2026, Consumer Energy Report Card, Victorian household respondents; weighted, and 20226 Small Business Energy Consumer Survey data, Victorian business consumers; weighted[1]

The review should recognise that consumer disengagement remains a persistent feature of energy markets. Survey evidence indicates that many consumers infrequently review their plans, are not confident they are receiving a competitive deal, and continue to experience difficulty paying energy bills. **Figure 2** shows that while Victoria maintains relatively high levels of switching compared with other jurisdictions, when we asked in 2019 if consumers have switched their electricity provider in the last 12 months around 70% Victorians said no.[2]

[1] Energy Consumers Australia (2026) Energy Consumer survey data, available: https://energyconsumersaustralia.com.au/our-work/surveys/energy-consumer-survey-data

[2] Energy Consumers Australia (2019) Energy Consumer Sentiment Survey Findings: December 2019, p.41; please note that this survey used a different respondent panel to our Consumer Energy Report Cards

Figure 2. Switching rates across jurisdictions for June 2026



Q35. Switched your electricity provider : Have you done any of the following things in the last 12 months?; weighted; jurisdictions with no or limited retail choice were removed.

This means that almost three-quarters of Victorian households remained on the same energy plan over the previous 12 months.

As cost-of-living pressures persist and the energy transition introduces new technologies, tariffs and business models, maintaining strong consumer protections is more important than ever. Against this backdrop, the review should focus not on whether the VDO remains necessary, but on how the framework can be strengthened and extended to ensure more consumers receive fair outcomes as energy markets become increasingly complex.

The Victorian Default Offer be retained as a safety net and trusted reference price, while ensuring default tariffs remain as low as possible.

The VDO has successfully delivered on its core objectives. It has reduced standing offer prices, improved transparency, eliminated misleading discounting practices and established a trusted benchmark based on efficient costs. As retail offers become more complex, the role of a clear reference price becomes increasingly important. The review should ensure the VDO continues to provide a simple default option and a consistent benchmark against which consumers can assess the value of both traditional and emerging retail offers.

Default price protections should be strengthened and extended to consumers who continue to experience poor outcomes.

While the VDO is broadly reaching the consumers it was designed to protect, important gaps remain. Consumers on older market contracts, some embedded network customers and a growing cohort of small businesses can continue to face poor outcomes despite exhibiting many of the same characteristics that justified the introduction of the VDO. The review should focus on closing these gaps and ensuring protections remain appropriate as electrification changes patterns of energy consumption.

The Victorian Default Offer framework should evolve alongside broader consumer protection and energy transition reforms while preserving its core role as a simple, trusted safeguard.

Recent reforms to the Energy Retail Code of Practice (ERCOP), ongoing embedded network reforms and the broader energy transition will affect the environment in which the VDO operates. These developments reinforce, rather than diminish, the importance of maintaining a clear default offer and trusted reference price. The review should ensure the VDO continues to operate effectively alongside other consumer protections and consider whether equivalent pricing safeguards may be required in adjacent markets, particularly as gas consumers face increasing affordability risks during the transition away from gas.

We provide our detailed responses to the consultation questions below.

Thank you for considering this submission. If you would like to discuss further, please contact Claire Ohk at Claire.ohk@energyconsumersaustralia.com.au.

Consultation questions

Question 1
Does the approach and methodology for making a VDO price determination, as outlined in the Order, remain fit-for-purpose to meet the objective of the VDO? Please provide reasons and any supporting evidence.

Yes. ECA considers that the approach and methodology outlined in the Order remain fit for purpose and continue to achieve the objective of providing a simple, trusted and reasonably priced electricity option for consumers who are unable or unwilling to engage in the retail market.

The strongest evidence of this is that the methodology has successfully addressed the consumer harms it was designed to solve. Prior to the introduction of the VDO, standing offers functioned as unconstrained tariffs that left many disengaged consumers paying substantially more than necessary. The Order established an independently regulated benchmark based on efficient costs, replacing excessive standing offer pricing with a transparent and consistent safety net.

The continued need for this approach is evident from current consumer outcomes. Consumer research indicates that energy market disengagement remains widespread. More than one-third of Victorian consumers review their energy plan less than once a year or never, three-quarters remained on the same plan over the previous 12 months, and almost one-third report difficulty paying their electricity bill. These findings suggest that many consumers cannot reasonably be expected to rely on active market engagement as their primary protection from poor outcomes.

The methodology has also demonstrated its value during periods of market disruption. During the wholesale energy crisis, the proportion of Victorian residential customers on the VDO increased from 6.75 per cent to 11.13 per cent, illustrating the role of the VDO as an automatic safety net when consumers are most exposed to market risk.

While ECA considers the methodology established by the Order remains fit for purpose for standard retail electricity supply, there remain opportunities to strengthen protections for consumers who fall outside the framework, particularly those on legacy market contracts and consumers in embedded networks. These issues are discussed further in response to Question 3.

Overall, ECA considers that the methodology established under the Order remains fit for purpose because it continues to deliver a fair, efficient and transparent default electricity price while recognising the reality that many consumers do not regularly engage with the retail market.

Question 2
Do you consider that the Order, particularly clause 12, provides adequate prescription and discretion, including with reference to the five main cost stack components, to guide the ESC's approach and decision-making for VDO price determinations? Please provide reasons and any supporting evidence.

Yes. Clause 12 strikes an appropriate balance between prescription and discretion. It clearly defines the core cost components that must be considered when determining the VDO, while allowing the ESC sufficient flexibility to assess evidence and respond to changing market conditions.

The framework has now been tested through multiple VDO determinations and the Victorian Government's 2022 three-year review, which concluded that the existing approach remains fit for purpose. Importantly, Clause 12 provides enough flexibility for the ESC to incorporate new evidence and evolving market conditions without requiring continual amendment of the Order.

ECA strongly supports the consumer protections embedded within Clauses 12(3), 12(8), 12(9) and 12(10). Together, these provisions ensure that the VDO sets a fair benchmark price based on efficient supply costs, rather than requiring consumers to fund all costs claimed by retailers regardless of whether those costs are efficient. In particular, the prohibition on headroom under Clause 12(10) is critical. Default offer consumers should not be required to pay above efficient costs simply to create larger discounts or additional space for retail competition.

On the other hand, Customer Acquisition and Retention Costs (CARC) should not be included in determining the VDO at all. Consumers on default offers derive little or no benefit from retailer marketing campaigns, sales commissions, acquisition activity or win-back strategies. Recovering these costs through the VDO effectively requires disengaged consumers to subsidise competition for other customers.

Finally, ECA does not support proposals to prescribe additional cost categories within Clause 12. Clause 12(4)(f) already provides the ESC with discretion to consider other relevant matters where justified by evidence. Introducing additional prescribed cost categories risks unnecessary complexity, reduced flexibility and the potential for double counting.

Overall, ECA considers that Clause 12 remains fit for purpose. It provides the ESC with a robust framework for determining an efficient benchmark price while maintaining important consumer protections and sufficient flexibility to respond to future market developments.

Question 3
Do you consider the VDO is reaching customers who are unable or unwilling to engage in the retail electricity market, consistent with the Order's objective? Please provide reasons and any supporting evidence.

Yes. ECA considers that the VDO is broadly reaching the consumers it was designed to protect by fulfilling its dual role as an automatic safety net for consumers who are unable or unwilling to engage in the retail market and as a trusted reference benchmark that improves transparency and comparability across retail offers. However, important gaps remain, particularly for consumers on legacy market contracts who exhibit the same characteristics of disengagement as standing offer customers but do not receive equivalent automatic protections.

The VDO's most immediate impact is through its role as a safety net for consumers on standing offers. In the ESC's 2026–27 price determination, the VDO directly regulates baseline electricity prices for approximately 348,000 residential customers (representing around 12 per cent of Victorian households) and approximately 55,000 small business customers (representing around 19 per cent of small business electricity customers), alongside approximately 194,000 captive embedded network consumers. [3]

The most recent VDO annual determination decreased by an average of 5 per cent for residential customers and 6 per cent for small business customers compared to 2025–26 levels. These consumers receive automatic protection from excessive pricing without needing to actively compare offers or navigate the retail market. The VDO has also demonstrated its value during periods of market disruption. During the 2022 wholesale energy crisis, the proportion of Victorian residential customers on the VDO increased from 6.75 per cent to 11.13 per cent. This expansion demonstrates that the VDO functions as an automatic safety net when consumers are most exposed to market risk, including when contracts expire or market conditions deteriorate.

[3] Essential Services Commission (2026), Victorian Default Offer Price Determination 2026–27: Final Decision Paper, pp. 1–3.

However, the reach of the VDO should not be assessed solely by the number of consumers directly supplied on VDO-priced standing offers. The VDO also reaches consumers through its role as the market's reference price. By providing a transparent and independently determined benchmark, it improves the comparability of retail offers, disciplines pricing across the broader market and helps consumers assess whether they are receiving fair value. In this respect, the influence of the VDO extends well beyond the customers who are directly supplied on standing offers.

Relatively low levels of VDO participation during normal market conditions should not be interpreted as evidence of policy failure. The purpose of a default offer is not to encourage active uptake. Rather, it is to ensure consumers who do not engage are protected from excessive prices and that all consumers benefit from a transparent benchmark against which retail offers can be compared. The expansion of VDO participation during periods of market stress demonstrates that the safety-net function is operating as intended, while its ongoing role as a reference price continues to improve transparency across the broader market.

The most significant remaining gap relates to consumers on older market contracts. Division 8 of the Energy Retail Code of Practice is a positive reform that recognises that consumers on older contracts may require protection from unfair pricing outcomes and establishes the VDO as a benchmark for assessing reasonable prices. ACCC analysis found that 59 per cent of consumers on market contracts older than two years pay prices at or above default offer levels, yet the new protections apply only to contracts that are four years or older.[4] This leaves a substantial cohort of disengaged consumers exposed to the very harms the VDO was designed to address.

Consumers who have remained on market contracts for two or more years are likely to exhibit the same characteristics of disengagement as standing offer customers and should receive comparable protections. The review should therefore consider mechanisms, such as an opt-out transfer or automatic price adjustment, to ensure consumers on older market contracts are not paying above-VDO prices without actively choosing to do so.

The extension of VDO protections to embedded network customers was an important reform that improved outcomes for approximately 194,000 captive residential and small business consumers. Previous ECA submissions have recommended that embedded network pricing move toward a benchmark based on the median of retailers' lowest market offers to better ensure the efficiencies available in embedded networks are passed through to consumers. The question of whether the VDO remains the most appropriate benchmark in embedded networks is increasingly distinct from the question of whether these consumers are being reached by consumer protections.

Overall, ECA considers that the VDO is successfully achieving the objectives of the Order. It is reaching the majority of consumers it was designed to protect by providing a fair and effective safety net for standing offer customers and a trusted benchmark price that supports transparency across the retail market. The strongest remaining gap is not standing offer customers but disengaged consumers on older market contracts who continue to pay above-VDO prices without equivalent automatic protections.

Question 4
How effectively is the Order providing a simple, trusted and reasonably priced electricity option for customers on standing offers? Please provide reasons and any supporting evidence.

[4] ACCC (2024), Inquiry into the National Electricity Market – December 2024 Report, p. 16; cited in Energy Consumers Australia (2025), Submission on Improving the Ability to Switch to a Better Offer, p. 4.

ECA considers that the Order has been effective in achieving its statutory objective of providing a simple, trusted and reasonably priced electricity option for customers on standing offers. The VDO has transformed standing offers from unconstrained default tariffs into an independently regulated safety net, while continuing to allow competition and consumer choice in the broader retail market.

The Order has improved the simplicity and transparency of standing offer pricing by replacing complex and unconstrained standing offer tariffs with a regulated benchmark determined by the ESC. As a reference price, the VDO establishes a standardised benchmark that allows consumers to compare market offers on a transparent, like-for-like basis, ending the practice of advertising large headline discounts against inflated standing offer prices and providing a clear baseline against which offer value can be assessed.

The Order has established a trusted default option because the VDO is independently determined by the ESC based on efficient costs. The pricing order requires VDO prices to be based on the efficient costs of selling electricity, prohibits the inclusion of headroom, and permits only a modest allowance for CARC. Together, these settings help ensure that standing offer customers pay no more than is necessary to recover efficient costs, rather than prices designed to maximise retailer revenue.

The VDO has also been effective in providing a reasonably priced electricity option. Its introduction reduced standing offer bills by approximately 25 per cent compared with pre-VDO pricing and eliminated what had effectively become a loyalty penalty for many disengaged consumers. [5] However, Victorian Tariff Tracker and ESC market monitoring data indicate that engaged consumers can still access market offers delivering approximately $425-$520 per year in savings relative to the VDO across all distribution zones. [6]

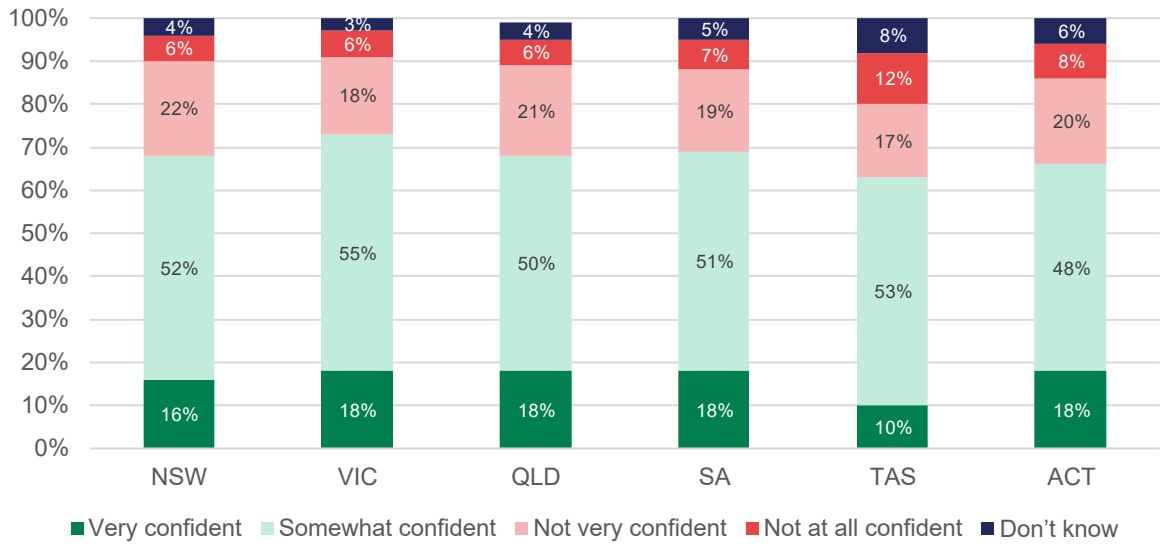
ECA considers that this spread reinforces the importance of continuously scrutinising the VDO methodology to ensure default offer consumers are paying no more than is necessary to recover efficient costs. Disengaged consumers, many of whom face significant cost-of-living pressures and bill stress, should not be required to fund cost allowances that do not directly contribute to the efficient provision of electricity services.

In particular, the ESC should continue to carefully assess all components of the cost stack, including CARC, retail operating margins and wholesale cost methodologies. Consumers on default offers derive little or no benefit from retailer marketing campaigns, acquisition activity or win-back strategies, and cost allowances should be limited to those genuinely required to serve standing offer customers. Similarly, continued refinement of wholesale costing methodologies should ensure that the VDO reflects efficient supply costs and does not over-recover costs from consumers.

At the same time, recent consumer research highlights the limits of what default price regulation can achieve. While Victorian consumers report slightly higher levels of confidence that they are on a competitively priced energy plan than consumers in most other jurisdictions, confidence remains far from universal. As shown in **Figure 4**, around **24 per cent of Victorian consumers are not confident if they are on a competitively priced plan**, broadly consistent with results across Australia. This suggests that uncertainty about whether consumers are getting a fair deal remains a persistent feature of retail energy markets.

[5] Department of Environment, Land, Water and Planning (DELWP / DEECA) (2022), Review of the Victorian Default Offer Order in Council – Final Report, p.11; citing VCOSS Submission to the Review of the VDO Order in Council, 2022.
[6] St Vincent de Paul Society & Alviss Consulting (2025), Victorian Tariff Tracker, p. 3; Essential Services Commission (2025), Victorian Default Offer 2025–26: Final Decision Paper, p. 56.

Figure 4. Confidence of household energy consumers on competitively priced energy plans



Q71. How confident are you that you're on a home energy plan that is competitively priced?; WA and areas outside Southeast Queensland have been removed due to no retail choice; weighted

While the VDO provides an important safety net and trusted benchmark, restoring consumer confidence will require a broader suite of reforms. In particular, there is a strong case for outcomes-based regulation, such as a consumer duty, that place greater responsibility on retailers to deliver fair consumer outcomes rather than relying on consumers to identify and avoid poor offers themselves. Together, these reforms can help ensure consumers have confidence not only that prices are reasonable, but that the market is working in their interests.

Question 5

To what extent does the available data on retail market offers demonstrate the impact of the VDO as a reference price in Victoria? Has this impact changed over time and, if so, why?

ECA considers that the VDO reference price has had a significant and enduring positive impact on market transparency and advertising honesty. By establishing a single, independently determined benchmark, the VDO has improved the comparability of retail offers and eliminated the misleading discounting practices that existed prior to its introduction.

Prior to the VDO, retailers commonly advertised large headline discounts against inflated standing offer rates, making it difficult for consumers to understand the true value of competing offers. The introduction of a mandatory reference price created a consistent benchmark against which discounts and savings claims must be measured, improving transparency and enabling more meaningful comparisons between offers.

The impact of the reference price has evolved over time, but its importance has not diminished. In the years immediately following implementation, its primary effect was to eliminate misleading discounting practices and re-anchor retail offers around a common benchmark. More recently, as retail offers have become increasingly complex, the reference price has continued to provide a simple point of comparison against which consumers can assess value.

ECA does not agree with previous suggestions that the growth of Consumer Data Right tools, personalised comparison services or emerging retail products has reduced the value of a reference price. These tools serve a different purpose. The VDO reference price operates at the point consumers encounter advertising and retail offers, before they have engaged with a retailer or accessed personalised comparison services. For many consumers, it remains the most accessible and visible pricing benchmark available.

This is particularly important given evidence that many consumers continue to struggle to assess the value of energy offers. ECA's lived experience research found that 81 per cent of participants reported difficulty finding, comparing or assessing the value of energy plans and tariffs, while 96 per cent reported difficulty turning complex energy information into practical decisions.[7] Even among consumers with solar, batteries, EVs and other consumer energy resources, 81 per cent reported ongoing uncertainty about whether they were receiving a good deal. These findings suggest that as products become more complex, transparent reference points become more important rather than less important.

Question 6
Does the VDO, as the reference tariff for discounts established through the Order and the Energy Retail Code of Practice, adequately cater for current and emerging retail market offers?

ECA considers that the VDO reference tariff continues to adequately cater for current and emerging retail market offers and remains an essential component of the consumer protection framework. While the increasing diversity and complexity of retail products presents new challenges for reference pricing, these challenges do not diminish the need for a transparent reference tariff. If anything, they reinforce its importance.

The introduction of the VDO reference price addressed a longstanding problem in the Victorian energy market by providing consumers with a consistent benchmark against which offers can be compared. As retail products become more complex, including time-of-use tariffs, EV charging plans, solar and battery products, Virtual Power Plant (VPP) offerings and other technology-enabled services, the need for a common point of comparison becomes even more important.

ECA supports the continued application of reference pricing requirements to current and emerging retail products. As energy offers become more diverse and sophisticated, maintaining clear and comparable pricing information becomes increasingly important. Comparable reference pricing should be available to emerging products, including time-of-use tariffs, EV charging plans, solar and battery products, VPP offerings and other technology-enabled services, to ensure consumers can assess their value on a consistent basis.

Greater product complexity increases, rather than reduces, the need for transparency and comparability. Consumers should not lose the ability to compare offers simply because products incorporate new technologies or more complex tariff structures.

The current framework has already demonstrated an ability to evolve. The ESC has successfully updated the VDO to reflect changing network tariff structures, including the introduction of three-period time-of-use tariffs, while existing methodologies allow non-flat tariffs to be converted into comparable annual bill estimates.[8] This demonstrates that the framework can evolve alongside market innovation while preserving meaningful price comparisons.

[7] PATHMAKER & Energy Consumers Australia (2026), Consumer Duty – Consumer Lived Experience Research Report, p. 32.
[8] Essential Services Commission (2026), Victorian Default Offer Price Determination 2026–27, Section 4 & Schedule 3

Further refinement will be required as new products emerge. However, the appropriate response is not to weaken reference pricing requirements, but to improve guidance regarding how they are applied. The ESC should continue to develop standardised methodologies and representative usage profiles for emerging tariff structures so consumers can make meaningful comparisons and retailers have greater regulatory certainty.

ECA also supports the continued development of personalised comparison tools that utilise interval meter data and Consumer Data Right functionality. However, these tools should complement, rather than replace, the VDO reference price. The two mechanisms serve different purposes. The VDO provides a simple and universally available benchmark, while personalised tools help consumers assess how particular products may perform against their own usage patterns.

Looking ahead, products such as wholesale market pass-through contracts, VPP participation models and dynamic tariffs may become more common. It is appropriate for regulators to consider how the framework should evolve alongside these developments. However, these products remain niche offerings that require higher levels of consumer engagement, technology adoption and risk tolerance than most households are willing or able to provide. Most consumers continue to value simplicity, predictability and bill certainty.

For this reason, emerging products do not reduce the relevance of the VDO. On the contrary, as the market becomes more complex and differentiated, the role of a simple, trusted and independently determined benchmark becomes increasingly important. The VDO should continue to evolve alongside emerging products, ensuring consumers retain access to clear, meaningful and comparable pricing information regardless of how retail offers develop over time.

Question 7
What impact, if any, has the VDO had on competition in Victoria's retail electricity market? Please provide reasons and any supporting evidence.

ECA considers that the VDO has improved the quality of competition by eliminating harmful pricing practices while preserving strong incentives for retailers to compete for engaged consumers.

There is little evidence that the VDO has weakened competition. Victoria continues to have one of the most active retail energy markets in Australia, with approximately 30 retail brands competing for customers and consistently high customer transfer rates. [9]

Traditional competition metrics such as switching activity, retailer margins and the number of market offers provide useful information, but do not necessarily capture whether consumers are achieving good outcomes. ECA's lived experience research found that many consumers experience competition as a burden rather than a benefit. [10] Participants described significant time, attention and expertise requirements associated with comparing offers, understanding tariffs and maintaining confidence that they were receiving fair value. A central finding of the research was that greater consumer effort does not necessarily result in better outcomes. Even highly engaged consumers frequently reported uncertainty about whether they were on the best plan or receiving a fair deal despite spending considerable time researching and switching offers.

As one participant observed:

[9] Victorian Government, Victorian Energy Compare, accessed October 2026.
[10] PATHMAKER & Energy Consumers Australia (2026), Consumer Duty – Consumer Lived Experience Research Report, pp. 7, 28–30, 127.

"Even when you put in the work, the system keeps changing... Even when you do the work, you're never finished."[11]

The research also found that consumers generally do not seek the "perfect" deal, but rather confidence that they are being treated fairly. As another participant explained:

"I don't want a perfect deal. I want a fair one... I just want to know the system is working for me, not against me."[12]

These findings suggest that the success of competition should not be judged solely by the volume of switching activity or the number of offers available, but by whether consumers can have confidence that they are receiving fair value without requiring continual monitoring, optimisation or specialist knowledge. In that respect, the VDO has improved the quality of competition by reducing reliance on practices that depended on consumer confusion, disengagement or persistent vigilance.

Question 8
What are your views on whether changes in the way customers are using electricity, engaging in the market, or products and services being offered by retailers may necessitate changes to how the Order operates?

The retail energy market is evolving rapidly. More consumers are adopting consumer energy resources, participating in demand response programs and being offered increasingly sophisticated products such as EV charging plans, VPPs and dynamic tariffs.

These developments do not undermine the rationale for the VDO or the reference price framework. Rather, they reinforce the need for a simple, trusted and independently determined benchmark that provides consumers with confidence they are receiving a fair deal.

ECA's lived experience research found that many consumers are increasingly being required to act as "accidental energy managers", navigating tariffs, apps, export arrangements, charging schedules and technology settings in order to optimise outcomes. [13] While some consumers are willing and able to engage with this complexity, many are not. Most consumers continue to value simplicity, predictability and bill certainty from an essential service.

Accordingly, no major changes to the objectives of the Order are required. However, the review should consider how the framework continues to support clear and meaningful comparisons as new tariff structures and business models emerge. In particular, the ESC should continue refining guidance and methodologies for emerging products to ensure consumers can continue to compare offers on a like-for-like basis.

Overall, changing patterns of electricity use strengthen rather than weaken the case for the VDO. As energy products become more complex, maintaining access to a simple, trusted and reasonably priced default offer remains an essential consumer protection.

Question 9
Are there any current or emerging market, regulatory or consumer reforms that are affecting or may impact the operation and effectiveness of the Order? Please provide reasons and any supporting evidence.

ECA considers that several emerging market and regulatory developments will influence the operation of the Order over time. However, none of these developments diminish the need for a simple, trusted and

[11] Ibid., p. 11 [Rob, Geelong].
[12] Ibid., p. 16 [Mark, Brisbane].
[13] Ibid.

reasonably priced default electricity offer. Rather, they reinforce the importance of maintaining strong consumer protections as the market becomes more complex.

ESC Consumer Protection Reforms

Implementation of the ESC's recent reforms to the Energy Retail Code of Practice (ERCOP), including strengthened Best Offer obligations and automatic best-offer switching for eligible customers experiencing payment difficulty, will improve outcomes for many consumers. However, these reforms complement rather than replace the VDO. The VDO remains the primary safety net for consumers who are unwilling or unable to engage in the market but do not meet hardship eligibility requirements.

Embedded network reform

Reforms relating to embedded networks may alter the role of the VDO in those settings. ECA has previously recommended that embedded network price protections be based on a competitive market benchmark, such as the median of retailers' lowest market offers, rather than the VDO itself. [14] This reflects the fact that embedded network operators face different costs and benefit from efficiencies that should be passed through to consumers. However, any reforms in this area are unlikely to affect the core role of the VDO as a safety net and reference price for mainstream residential and small business customers.

Extending Protections to More Small Businesses

ECA supports ongoing review of eligibility thresholds for small business energy protections, including consideration of extending access to VDO protections from the current 40 MWh per annum threshold to at least 100 MWh per annum. [15] As electrification increases business electricity consumption, annual energy use is becoming a less reliable indicator of a business's capacity to engage effectively in the market. Many businesses currently outside the VDO framework face similar capability constraints and bargaining power challenges to smaller businesses and should not be excluded from protections solely because their electricity consumption increases.

Gas Market Transition

The energy transition is also likely to increase the importance of pricing reform in the gas market. As electrification accelerates and gas customer numbers decline, fixed network costs will be recovered from a shrinking pool of remaining gas customers, many of whom may have limited ability to electrify. [16] This raises important questions about whether gas consumers have access to equivalent pricing protections and whether a default offer, reference price or other regulatory safeguard may be required to protect disengaged consumers from escalating costs during the transition.

National Consistency

Finally, ECA notes that ongoing reforms to the Commonwealth's Default Market Offer framework highlight the importance of maintaining consistency in consumer protections across jurisdictions. Victorian consumers should continue to benefit from a default offer framework that provides a fair, trusted and reasonably priced option for essential electricity supply.

[14] Energy Consumers Australia (2026), Submission to the Victorian Government on Reforming Prices for Customers in Embedded Networks, p.1.
[15] Energy Consumers Australia (2022), Submission to DEECA on the Review of the Victorian Default Offer Order in Council, p. 6.
[16] Energy Consumers Australia (2026), Power Move

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