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Kate Symons
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Essential Services Commission

Submission to the Essential Services Commission Victorian Default Offer Draft Decision 2024-25

Thank you for the opportunity to provide feedback to the Draft decision on the Essential Services Commission's (ESC) Victorian Default Offer (VDO) for 2024-25. Consumers are currently experiencing a period of extreme cost-of-living pressures which heighten the importance of consumer protections, such as the VDO, in ensuring consumers can access an essential service at a fair price.

Our joint submission with fellow Victorian consumer advocates reinforces this significance. We invite the ESC and other stakeholders to refer to this submission where we make suggestions as to how the VDO can be further improved so it is achieving its original objective to protect consumers from unjustifiably high prices. Our joint submission also encourages the ESC and the industry more broadly to consider how we can use and strengthen mechanisms beyond the VDO to ensure electricity is affordable for all consumers.

In addition to the points made in our joint submission, we also refer to our [individual response](#) to the Request for Comment paper where we called on the ESC to consider how a transitioning energy market may hamper the ability of the VDO to successfully protect consumers from unjustifiably high prices and assist consumers engaging with the market through its role as a reference price. Our [submission](#) to the Australian Energy Regulator's Draft Determination on the Default Market Offer goes into further detail on this. However, we also outline these issues here as, despite differences between the DMO and VDO, we believe many remain relevant to the VDO.

As referred to in our joint submission, the Australian Competition and Consumer Commission's (ACCC) December 2023 Inquiry into the Electricity Market [report](#) found that 41% of residential customers in Victoria were on prices at or above the VDO and 9% were on prices above the VDO, assuming all conditional discounts were achieved. Concerningly, the report also found that 79% of residential customers nationally were not on the cheapest offer for them.

These results are a clear indication that consumers are not choosing the best offers for them. For many consumers, the barriers to engagement are too high, with our [Energy Consumer Sentiment Survey](#) finding that many consumers say the reason they did not switch energy retailer or plan was that it was with too complicated, too confusing or too time-consuming. Further, the number and complexity of offers available to consumers means that, even if they do switch, there is no guarantee they have actually chosen the best offer.

A transitioning energy market will heighten this complexity. Consumers will be presented with offers asking them to consider alternative ways of storing, generating and consuming energy. Consumers wishing to engage with this complexity need appropriate tools to support them to do so. The VDO's role as a reference price is one key tool designed to help consumers compare offers however it will not help consumers wishing to compare anything beyond a simple vanilla plan. And for those consumers who already face barriers to engagement, this will only become more apparent going forward.

"Shopping around" and engaging with the market cannot be put forth as the means through which consumers access a fair price for energy. Consumers, regardless of whether they are engaged, need robust protection to ensure they are not paying more than they need. This means no consumer should



be paying above what the ESC has determined an efficient price for energy. Appropriate measures must be introduced to ensure retailers cannot roll customers onto prices higher than VDO at the end of their benefit period. It is also further reason why the VDO itself must truly reflect an efficient price for energy by ensuring no element of the cost-stack is unnecessarily high. Further detail on this is available through our joint submission. We also note that Australia is not alone in thinking about the role of existing tools in meeting consumer needs both now and in the future. Ofgem is currently reviewing the price cap mechanism in Great Britain where they are facing many of the same issues Australia is grappling with, including a 'loyalty tax' and questions around protecting consumers in the future energy market. We encourage stakeholders to consider the issues and learnings from other industries and countries when examining those in Australia.

With the energy market evolving rapidly, regulators and industry more broadly need to consider how consumers can be provided with the tools and protections they need to benefit from the transition. For more information on this, please reach out to Alice Gordon at alice.g@energyconsumersaustralia.com.au.

Yours sincerely,

Signed for and on behalf of
Energy Consumers Australia