

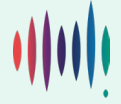
Victorian Default Offer

Request for comment paper

Energy Consumers Australia
accompanying letter to our joint
submission with Victorian consumer
advocates.

Submitted by: Alice Gordon

DATE: 24/12/2024



Accompanying letter to Victorian consumer advocate joint submission to the Essential Services Commission Victorian Default Offer Draft Decision 2024-25

Energy Consumers Australia appreciates the opportunity to provide feedback to the Essential Services Commission's (ESC) request for comment paper on the Victorian Default Offer (VDO) for 2025-26. Energy Consumers Australia is the national voice for all residential and small business energy consumers, and advocates for a future Australian energy system that works for, and benefits, the households and small businesses who use it.

The VDO is an important consumer safeguard that provides a safety net for disengaged consumers and a reference price for consumers navigating the energy market. These functions are even more significant given current cost of living pressures and an increasingly complex energy market that hinders the ability for many consumers to engage and choose the best offer for them. We support the ESC's continued focus on the VDO's objective as a consumer safeguard. Our joint submission with Victorian advocates provides further detail on immediate actions which will ensure the VDO is best meeting this objective. These include:

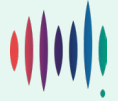
1. Maintain the VDO as a crucial safeguard for consumers who cannot engage with the market, and as a price cap for embedded networks.
2. Embed an understanding of the cost of living into all determinations, and consider the impact of decisions on vulnerable customers, as per the ESC's statutory obligations.
3. Select the lowest price estimate whenever there is a range for a component of the VDO price stack, such as the retail margin, or have stated reasons for why the lowest price was not selected.
4. Increase transparency on collected retail cost data.
5. Examine mechanisms that complement the VDO to create real affordability for low-income households trying to afford an essential service, such as a targeted social tariff for those most in need.

Energy Consumers Australia is focused on ensuring households and small businesses pay no more than the fair maximum price for energy. This objective within our [3-year strategic plan](#) recognises the importance of price caps along with the need to consider broader reforms that ensure consumer protection in an evolving energy market.

Our December [Consumer Energy Report Card](#) (Report Card) reveals consumers continue to feel the pressure of the high cost of energy: 63% of Victorian households say they do not believe the cost of electricity is fair or reasonable, and 44% say they had difficulty paying their energy bills in the last six months.

Consumers are facing rising prices on numerous fronts, with many expressing the continued pressure from mortgage and rental prices, gas prices, groceries and transport costs. 88% of Victorian households said they were extremely or quite concerned about the cost of living.

These findings highlight the need for regulators and governments to take all measures available to provide support to consumers and ensure energy bills are affordable and fair. While the Victorian Default Offer is a valuable tool in achieving this, the Australian Competition and Consumer Commission's



December 2023 Inquiry into the National Electricity Market found 10% of Victorian households were on plans priced above the VDO, assuming all conditional discounts were met¹. This increases to 19% if conditions are not met. Their findings demonstrated, while the introduction of regulated standing offers had eliminated a 'loyalty tax' for consumers on standing offers, there remains a loyalty tax for disengaged consumers on market offers.

The ACCC's revelations reflect the difficulty many consumers face when engaging with the energy market. Shopping for a new energy plan is only increasing in difficulty with the rise of plans offering cost-reflective pricing, bundles with Consumer Energy Resources, or even add-ons like Netflix subscriptions or frequent flyer points. One in three Victorians are not confident they are on a competitively priced plan, while 36% of all households say they find it very or quite difficult to find information on energy plans and pricing².

There are several ongoing consultations that have the potential to reduce the risk of consumers being exposed to unreasonably high prices for electricity. The ESC's consideration of the Energy Consumer Reform rule change proposals can help reduce barriers to switching and reduce the amount of customers on unreasonable legacy conditional discounts. Our submission to the Australian Energy Market Commission's Pricing Review also highlights the need to reduce complexity for consumers and ensure simple pricing options are available. Energy Consumers Australia actively participates in these processes and will assess the need for further reform to ensure the objectives of the VDO are achieved.

With mounting cost-of-living pressures and an increasingly complex energy market, the need to protect consumers from paying unreasonable prices has never been greater. The VDO, in its current form, goes some way to fulfilling this need. For this reason, the ESC should take every opportunity to ensure it is calculated in a way that prioritises protecting consumers, including by taking on board the suggestions in our joint submission.

We also acknowledge that the VDO is only one part of a wider consumer protection landscape that will need to evolve alongside energy markets. We welcome broader reviews that will consider the role of the VDO in the future, potential needs for reform, and where additional protections may be needed. Please reach out to Alice Gordon at alice.g@energyconsumersaustralia.com.au with any further questions.

Kind regards,

Alice Gordon

¹ ACCC, Inquiry into the National Electricity Market Appendix C, December 2023.

² ECA, Consumer Energy Report Card, December 2024.

**The national voice for residential and
small business energy consumers**



PO Box A989,
Sydney South NSW 1235
T 02 9220 5500

energyconsumersaustralia.com.au