

January 2020



VCOSS submission to the ESC draft decision on ensuring energy contracts are clear and fair

VCOSS welcomes the opportunity to provide feedback on the Essential Services Commission (ESC) draft decision on *Ensuring energy contracts are clear and fair*.

The Independent Review into Electricity & Gas Retail Markets in Victoria (the Thwaites review), recognised energy is an essential service and the majority of consumers have no choice but to continuously purchase electricity and/or gas from the retail market. The Thwaites review concluded that strong intervention is required to ensure better outcomes for vulnerable consumers. By supporting all of the review's recommendations the Victorian Government has clearly endorsed that approach.

This draft decision comes on the back of recent reforms including the Victorian Default Offer (VDO) for electricity, best offer and clear advice requirements. In combination, these reforms are designed to provide significant protections for retail energy and gas customers.

While VCOSS recognises that those changes are still washing through the retail market, we are concerned that Victorians on low-incomes and with additional energy-related needs could miss out on their benefits and protections without the additional clarity and certainty provided by this draft decision.

Many of the recommendations in the draft decision strengthen protections for low-income Victorians and help prevent the many people who are not highly engaged in the energy market being ripped off by unfair and unclear contracts and discounts.

Reconsider a gas reference price

The development of a gas VDO remains a priority for VCOSS.

The lack of an equivalent reference price for gas creates significant difficulties. Pricing structures differ in the electricity and gas markets, however the consumer difficulties and harms are similar in both markets. Many retailers also operate across both markets.

We will continue to advocate to the Victorian Government on the benefits of establishing a gas VDO. It would better align regulation and market practices across electricity and gas, providing consistency for retailers and stronger protections for people.

Several of the other positive reforms suggested in the draft decision will have limited effectiveness for gas consumers, without a clear reference price, for example the provision of clear information on bills.

Roll people on to the VDO at the end of contract periods

VCOSS supports aligning contract and benefit periods, to prevent people losing their benefits and paying more. People on evergreen contracts should receive ongoing discounts.

VCOSS supports moving electricity consumers onto the VDO unless they have given explicit consent to move to a different offer. Too often low-income Victorians are rolled on to more expensive or less suitable arrangements.

Without a gas reference price, there are risks for gas consumers. Rolling people on to a standing offer is likely to increase their prices significantly. Rolling people onto the 'best offer' may mean they end up with an inappropriate product.

It is important that these protections are extended to people on contracts entered into before July 2020 with expired benefit periods. People on older, evergreen

contracts may have been paying high rates for years, without having engaged with their retailer. VCOSS supports including a mechanism that triggers households to default to the VDO where they are paying a higher price for electricity.

People in an embedded network may also miss out on the benefits of these changes, as the VDO does not apply to them. VCOSS understands the Victorian Government has committed to formulating a maximum price to apply in embedded networks, for implementation by July 2020. We welcome information on progress made.

Limit price changes to once per year

People should not be subjected to unexpected price changes. VCOSS strongly supports limiting price changes to once per year, and extending this benefit to existing customers, not just those signing up to a new contract.

VCOSS does not view this as an unreasonable restraint on competition. There are adequate opportunities for retailers to market innovative products to informed consumers through the proposed exemption process.

We recognise the challenges for retailers and potentially for consumers in all contracts expiring on the same date in early January. There may be benefit in exploring alternative options, such as a one-month window for price changes.

Regulate all conditional discounts

VCOSS supports the cap on pay-on-time discounts. Pay-on-time discounts disproportionately penalise vulnerable households struggling to make ends meet and pay on time.

VCOSS continues to hear occasional reports of pay-on-time discounts of around 30 per cent, as well as inconsistencies in how these discounts are calculated and applied.

We welcome the extension of the practice by some retailers to honour pay-on-time discounts for people in their hardship program and who are receiving tailored assistance.

We would welcome extension of this protection to other conditional discounts. The AEMC draft rule applies to other conditional discounts and contacts terms, like direct debit dishonor fees, restricting the level of discounts and fees to reasonable costs likely to be incurred by the retailer. A similar approach could be adopted to other conditional discounts, to ensure consistency.

Include clearer information about what the VDO is on bills

VCOSS welcomes the inclusion of plain and clear information about how to access the VDO on all bills. We continue to receive reports that people are confused about the VDO and their eligibility for it.

The suggested statement does not clearly enough articulate what the VDO is. The VDO is a complicated concept that is unfamiliar to most people.

The statement should clarify that the VDO is a **fair price for electricity**, set independently by the Essential Services Commission.

Reduce allowable back-billing periods to four months

VCOSS strongly supports the reduction in undercharged amounts retailers can recover from a customer to four months.

This change will be an incentive for retailers to minimise bill delays by reducing the amount they can recover.

People should not be penalised for a failure by the retailer to issue timely bills or a breakdown in the chain between a retailer and distributor. The existing nine month period can place a heavy and often unexpected financial burden on low-income Victorians, already struggling to make ends meet.

The four month period should commence from the date the retailer issues a bill that contains the amount undercharged, as opposed to starting from the date the retailer notifies the customer of a billing delay. This encourages the retailer to issue an accurate bill as soon as possible.

VCOSS looks forward to continuing to work with government and the Essential Services Commission to strengthen protections for low-income Victorians.

To discuss this submission further, please contact Brooke McKail, Manager Policy and Research on

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