

Essential Services Commission announces changes to the Energy Retail Code of Practice – VCOSS briefing for members

What this briefing is about

On 30 September the Essential Services Commission (ESC) announced their Stage 1 Final Decision as part of their ongoing [review of the Energy Retail Code of Practice](#).

Changes to the code include increased protections for energy consumers, including strong new measures to support customers struggling with costly bills.

Why this matters

We know that the cost of energy represents a large portion of the cost of living for Victorians. These costs have increased over the long term, but particularly in recent years. Energy is an essential service, one that people cannot live without. And yet, it is delivered through a privatised system, subject to market forces. We also know that energy retailers often do not adequately support people when they are struggling to afford energy costs.

The Energy Retail Code of Practice (known among energy experts as the ERCOP) regulates the terms and conditions of energy contracts, the marketing of energy offers, and billing practices. Included in the ERCOP is the Payment Difficulty Framework, which sets the rules and minimum standards by which energy retailers are required to assist customers experiencing hardship.

The [ambitious reforms announced on 30 September](#) strengthen the provisions of the Payment Difficulty Framework and were driven forward by strong advocacy from the community sector. These reforms represent big wins for Victorian energy consumers.

The highlights:

The announced changes, due to be implemented in three tranches through 2026, include:

- A requirement to automatically switch customers to their retailer's most affordable offer when they are experiencing payment difficulty, defined as receiving retailer assistance for hardship or having over \$1,000 debt for more than three months.

- Increasing the minimum debt threshold for which a customer can be disconnected from \$300 to \$1,000.
- Improved requirements to help all customers navigate to their retailer's most affordable offer.
- Restrictions on offers requiring specific payment types, such as direct debit only.
- Requirements for retailers to ensure customers who have stayed on the same plan for a long time are paying a reasonable price, defined by a range of factors including median market price and the rate of the Victorian Default Offer for electricity.
- Requirements for retailers to check more often whether customers are receiving concessions they are eligible for and entitled to.
- Limits on large and conditional discounts on "legacy" offers (entered before 1 July 2020), which in practice often work as late payment fees by stealth.
- A requirement to include contact details for the Energy and Water Ombudsman Victoria on all bills. EWOV helps resolve complaints through free, independent dispute resolution.

What these changes mean

The ESC projects that the new automatic switching rule will result in retailers switching up to 75,000 electricity and 60,000 gas customers to their best offer. According to the ESC, this could result in total average annual savings of up to \$16.8 million for electricity and \$11.0 million for gas customers. The rule changes could also deliver significant savings for energy consumers.

There is, of course, plenty still to do to improve affordability and reduce complexity in our energy system. The ongoing costs for an essential service are still unmanageable for many Victorians, even when on their retailer's best offer and when receiving concessions.

But VCOSS is pleased to see that the final decision by the ESC has demonstrated a willingness by policymakers to put the onus on businesses – not consumers – to get people paying lower prices. This is a huge step forward.

How change happens – community sector voices matter in energy policy

Community sector organisations are on the frontline, seeing the community impacts of cost-of-living pressures and a changing climate. Tackling energy affordability, making the market fairer and ensuring a just transition to a net zero economy are important priorities.

These reforms to the ERCOP are due in no small part to the collective advocacy of the community sector. The ESC received written submissions from VCOSS and many member

organisations. They also heard from community sector representatives directly at roundtables and meetings.

As one example of the sector's influence, raising the debt disconnection threshold to \$1,000 – rather than \$500 as proposed in the ESC's draft decision – was strongly recommended by community sector representatives who responded to the consultation.

This is set against a backdrop of long-term work by the sector to foster a comprehensive understanding at the ESC of the structural drivers of financial hardship, and the intersectional vulnerabilities experienced by many Victorians.

This advocacy is bearing fruit in outcomes like the changes to the ERCOP.

VCOSS would like to congratulate all organisations that have been participating in the ESC's ERCOP review. We encourage everyone involved to take a moment to celebrate a big win for the people we represent.

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