

# Energy regulator puts Victorian Default Offer on the table

08 March 2019

*Electricity and gas*

The state's energy regulator says a proposed 'fairer price for electricity' known as the [Victorian Default Offer](#) could save households hundreds of dollars a year, while small businesses could save thousands.

The Essential Services Commission has released a proposal which would mean the typical Victorian household (using 4,000kWh per year) on a standing offer would save between \$390 and \$520 a year (depending on where they live), while the savings for a small business using 20,000 kWh per year would be between \$1830 and \$2300 a year.\*

Commission chair Ron Ben-David says that subject to the passage of legislation currently in Parliament, every Victorian household and small business will be able to access the Victorian Default Offer from 1 July by simply requesting it from their electricity retailer.

"Customers who haven't shopped around for a while, or who have struggled to meet discount conditions, will find the Victorian Default Offer could save them hundreds of dollars.

"While customers on market offers will need to request the default offer, customers on standard contracts (also known as standing offers) will be automatically transferred from 1 July," he said.

The Victorian default offer will automatically apply to around 145,000 residential customers, and 45,000 (or 15 per cent) of small business customers.

“Around 6 per cent of Victorian households have been stuck on standard contracts which have [risen in price by over 20 per cent](#) in just the last two years,” said Dr Ben-David.\*\*

Under the proposed legislation, the Essential Services Commission will review the price of the Victorian Default Offer each year and retailers will be obliged to comply with its price rulings.

The commission’s draft advice [is now available](#). Anyone interested in making a submission can send it to [retailenergyreview@esc.vic.gov.au](mailto:retailenergyreview@esc.vic.gov.au) by 5pm, **4 April 2019**.

The commission is expecting to make its final recommendation to the government in May.

## What is the Victorian Default Offer?

- Under the terms of reference, the purpose of the Victorian Default Offer is to provide customers with universal access to a ‘fair’ priced electricity offer.
- The terms of reference provide some guidance on what constitutes a fair price including making allowances for:
  - the efficient cost to run a retail business
  - a maximum retail margin
  - modest customer acquisition and retention costs.
- It does not include an allowance for ‘headroom’ – a term which in this context refers to a regulatory allowance not related to efficient costs.

## What does it mean for customers?

- Our draft advice means annual electricity bills for customers on standing offers will fall.
- Non-price terms and conditions of standard contracts, including service requirements, will remain the same.
- Customers who are not on standard contracts will be able to access the VDO by asking their

energy retailer.

## **Estimated annual bill reduction compared to current median standing offer (as at 31 January 2019)**

<b>Distribution zone</b>	<b>Estimated savings (residential - 4000kWh)</b>	<b>Estimated savings (small business 20kWh)</b>
Ausnet services	\$516	\$2306
Citipower	\$386	\$1904
Jemena	\$466	\$1982
Powercor	\$450	\$2273
United Energy	\$431	\$1833

## **We are seeking feedback before we provide our final advice to government**

Submissions should be sent to [retailenergyreview@esc.vic.gov.au](mailto:retailenergyreview@esc.vic.gov.au) by 5pm, 4 April 2019

## **For media enquiries**

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