

Government accepts regulator's advice on fair electricity price

30 May 2019

Electricity and gas

The Victorian Government has accepted the Essential Services Commission's advice about the price of a fairer price for electricity (the Victorian Default Offer).

Chief executive John Hamill says it's a vote of confidence in the independent energy regulator.

"Customers who are on the new price after 1 July should be confident they are getting a fair deal based on independent advice," he said.

Available from 1 July 2019, the new default offer will automatically apply to around 160,000 Victorian customers (130,000 residential and 30,000 small businesses) who are currently on simple standing offers. Other customers can also ask their retailer to change to the VDO.

Dr Hamill says the commission's recommendations are an independent assessment of the efficient costs retailers need to recover to provide electricity to Victorian customers.

"The assessment takes into account the costs of the different components of your energy bill including the cost of distribution and generation of energy.

“Savings for residential customers who are switched to the default offer range from \$310 to \$450 a year while small businesses could save between \$1380 and \$2050,” he said.*

The commission will be responsible for resetting the default offer on 1 January each year.

Dr Hamill says it's another step forward in a broader reform program being implemented by the commission and coming into effect over the next year.

“Our broader reform is aimed at empowering customers to get a better deal on price as well as require retailers to be up front, to put their best offer for a customer on bills, and provide clearer advice about contracts,” he said.

*Actual savings depend on where a customer is located, electricity consumption, and the terms and conditions of current contracts.

The Victorian Default Offer - what does it mean for customers?

- Our final advice means annual electricity bills for customers on simple standing offers will fall.
- The Victorian Default Offer applies automatically to simple standing offers with a single daily access charge, and a single variable electricity usage charge and, where applicable, a controlled load component.
- Non-price terms and conditions for standing offers including service requirements remain the same.
- Customers who are on contracts that do not automatically switch to the Victorian Default Offer from 1 July 2019 - such as market offers, or standing offers with a non-flat tariff structure – can ask their energy retailer to access the default offer.
- The government has also asked the commission to establish a Victorian Default Offer for embedded networks.

Estimated annual bill reduction compared to current median standing offer (as at 28 February 2019)*

Distribution zone	Estimated savings (residential - 4000kWh)	Estimated savings (small business 20000kWh)
Ausnet Services	\$447	\$2010
Citipower	\$307	\$1381
Jemena	\$393	\$1837
Powercor	\$422	\$2054
United Energy	\$331	\$1678

*Changes since our draft advice mainly reflect updated estimates for wholesale electricity purchase costs (mainly reflecting updated market data), and updated retail operating costs reflecting our consideration of new data made available to us following our draft decision.

For general enquiries

Phone: [\(+61 3\) 9032 1300](tel:+61390321300) or [1300 664 969](tel:1300664969)

Email: reception@esc.vic.gov.au

You can also find us on [Twitter](#) and [LinkedIn](#).

For VEU enquiries

Phone: [\(+61 3\) 9032 1310](tel:+61390321310) or submit a [contact form](#).

For media enquiries

If you have a media enquiry, please contact:

Michelle Bryne

michelle.bryne@esc.vic.gov.au

0437 677 385

(03) 9032 1324

Clayton Bennett

clayton.bennett@esc.vic.gov.au

0447 933 140

Subscribe

[Subscribe](#) to receive email updates from us, or [view our latest newsletters](#).

[Victorian Default Offer](#)

Find out more about our methodology to recommend a Victorian Default Offer price.

(,)

[Download this release as a PDF](#)

(pdf, 140.01 KB)

To learn more, visit www.esc.vic.gov.au