

Clear and fair contracts - rebuilding trust in the energy market - notes from the chair

28 February 2020

Electricity and gas

Speech by Essential Services Commission chairperson Kate Symons at the media conference for the [Ensuring Contracts are Clear and Fair](#) final decision.

Good morning everyone and welcome to the announcement of our final decision on clear and fair contracts – the final major reform arising from the 2017 independent review of electricity and gas retail markets.

To start, I would like to acknowledge the Traditional Owners of the land of the Kulin nation on which we are meeting. I pay my respects to their Elders, past and present, and the Elders from other communities who may be here today.

I would like to take a moment to thank a few people who have played a role in reaching this point -

- my fellow commissioners Sitesh Bhojani and Simon Corden
- our CEO – John Hamill
- our energy director Sarah McDowell
- the team responsible for the commission's energy reform program:
 - led by Aaron Yuen
 - Sugi Sivarajan
 - and Kat Harris

- and to our former chair, my predecessor Ron Ben-David, whose persistence and commentary over several years were instrumental in getting these issues on the agenda.

Today is the end of a journey comprising a thousand conversations, months of stakeholder and reference group meetings, many, many commission debates and discussions, combined with thorough analysis, research and experiments, followed by the write up of our final decision.

Can I sincerely thank everyone involved for your expertise, your commitment and your passion to deliver the very best outcomes for Victorian consumers.

Thank you, members of the media, for coming here today for this milestone, our final major reform arising from the recommendations of the 2017 [independent review](#).

First, I would like to take a step back just a few years to what was happening in the energy market at that time to prompt the independent review in the first place.

Back to 2016-2017 to the many headlines about soaring energy prices and even more headlines about customers getting lured into attractive energy deals only to have their prices increase by 20-30-40 per cent in just a few months.

[Customers like Ian](#), as reported in The Age, who switched to a new retailer only to have his price increased by 55 per cent after just 3 months.

Then there were more headlines about customers paying up to \$300 extra per year for not meeting pay on time discounts.

So the headlines were bad – but the experience for thousands of other Victorians was worse.

Victorians who were being disconnected or being placed in hardship programs – unable to keep up with those soaring bills.

In March 2017, we reported that the number of people in hardship programs had almost doubled - from 23,000 to 36,000 - in three years.

Any many people were failing those hardship programs with retailers turning a blind eye to soaring levels of debt sending thousands into a debt-disconnection cycle.

Understandably – the level of trust in the energy sector was at an all-time low - and the findings of the review were not altogether a surprise.

The review found that the market ‘was not working for consumers’. It ultimately concluded that the retail energy market should deliver benefits to all consumers, not just those who are willing and able to engage.

It made a number of recommendations designed to reform the market and address the failures identified. In the words of the review:

Consumers are entitled to obtain easily understandable energy offers and enter into energy contracts that provide value for money and don't contain negative surprises.

We have already implemented three major reforms that go some way toward achieving this. They are:

- our new payment difficulty framework
- [best offer and clear advice reforms](#)
- and, the government's default offer – a fair and reasonable price for electricity.

So what has this meant for customers?

The [payment difficulty framework](#) came into effect on 1 January 2019. This framework – the most comprehensive in Australia – requires retailers to reach out to offer help as soon as a customer misses a bill and owes just \$55. No more waiting until you are well behind in their energy bills before being offered help. Then last year, we passed reforms to make it easier for customers to navigate the market.

The best offer and clear advice reforms were aimed at ensuring customers were given the right information to make an informed choice without having to ask or go looking for it. It's right there on your bills every three or four months so you can see if there's a better deal for you.

Customers were given access to a fair electricity price with the introduction of the [Victorian Default Offer](#). A fair price – set by us, the regulator – not the retailers – which replaced often expensive standing offers for around 170,000 Victorian households and small businesses.

There are early signs these reforms are working for customers - but there's more to be done and that is why we are here today. Like the architects of the independent review – we are of the opinion that clear and fair contract reforms are an important step in rebuilding trust in the market.

By giving customers greater certainty over what to expect throughout their contract. The reforms in this final decision will address issues raised by the review by:

1. preventing retailers from being able to change prices at any time during a market contract – no more bait and switch tactics to grow market share
2. stopping customers from being rolled onto a more expensive offer at the end of a contract simply because they didn't engage
3. capping the amount customers with large discounts can be charged for missing a payment.

Our new rules will provide greater protection for consumers by giving price certainty on existing and new contracts, making contracts clearer and simpler and adding safeguards by capping penalties.

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 [Facebook](#) 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:

Email: media@esc.vic.gov.au

Phone: [\(+61\) 437 677 385](tel:+61437677385)

Subscribe

Visit our [newsletters page](#) to subscribe to receive email updates from us.

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